

The Economist

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LEADING ARTICLES	
After the Marshall Plan - - -	1
Canada's New Horizons - - -	2
A Streetcar Named Defunct - -	4
Commonwealth Development—V	5
NOTES OF THE WEEK - - -	8
Under Cover; Lessons of the Yalu; Com- manders Without Masters; Labour After the Bombs; The Bevan Party; Wages and Subsidies; Bad Omens in Egypt; Pacific Defence Council; A Political Authority for Europe; The Civil List; Irish Government Survives; Federation Debates; Koreans in Japan; More Coal for Europe; Ordeal by Silverman; More Police at More Pay; Shorter Notes.	
LETTERS TO THE EDITOR - - -	16
BOOKS AND PUBLICATIONS -	17
AMERICAN SURVEY	
Challenge to Technology - -	21
Campaign Traditions	
Up-to-Date - - -	22
Converging on Chicago; Controls Squeak Through; Break in the Steel Clouds; The Barg Stay Up; Transatlantic Tourists; Shorter Notes.	
THE WORLD OVERSEAS	
Outlook for a German Army	28
Gains for the Dutch Labour Party; Lean Years for Israel—II; Rhee Goes the Way of Chiang.	
THE BUSINESS WORLD	
The Gold Loss Analysed - - -	35
Standards for Steel Development	36
Exchequer Deficit - - - - -	41
BUSINESS NOTES - - - - -	43
Cables and Monopoly; Selling to a Single Buyer; Progress on German Debts; Ford Takes a Chance; A New Defence Bond; Higher Bill Rates; Rearmament and Rayon; Power from Olympus; Fire at Creswell; Productivity in Lancashire; Fluctuations in New Issues; Cheaper Jute; Industrial Production; Delays in British Exports; Shorter Notes.	
COMPANY NOTES - - - - -	51
STATISTICAL SUMMARY - - -	53
COMPANY MEETINGS - - - -	54

After the Marshall Plan

THE magnificent experiment of the Marshall Plan came officially to an end at the beginning of this week. Of its original objectives, the restoration of prewar standards of industrial and economic production in Western Europe has been more than achieved. Economic cooperation between the participating nations has been notably increased and even if internal monetary stability is still to seek, inflationary forces have been held to some extent in check, even through the upheaval of the Korean war. Only one of the aims has eluded the Marshall nations. In spite of nearly doubling their exports to North America between 1948 and 1951, their dollar deficit, which stood at over \$5 billion in 1948, still stood at nearly \$4 billion in 1951. The dollar gap remains, although the Marshall Plan is over.

The failure of the plan in this respect must be attributed not to any lack of generosity on the American side or to any lack of effort in Europe. It failed because it was based upon the false assumption that the restoration of Europe to prewar levels of activity would of itself restore the prewar balance and pattern in world trade. In fact, that balance had been precarious all through the thirties and the war years hastened and confirmed a trend that had been observable for at least two decades—the emergence of the United States as the great creditor nation in world trade.

This in itself would have done no harm to the international economy if America, like Britain in the century before, had been a crowded industrial island compelled to seek abroad supplies of food and raw materials, markets for its manufactures and opportunities for its capital. But since it did none of these things to an adequate extent, its sales to Europe even before the war had to be paid for in part by the shipment of gold. The Marshall Plan, by restoring Europe's war-weakened economy, made the dollar deficit smaller than it might have been; Europe was enabled to stay precariously solvent. But the remaining gap can no longer be treated as a product of wartime upheaval; it represents the secular trend.

This continuing dollar deficit remains the central economic problem of the free world. It does not, of course, follow that there will not be occasional periods, as there were during 1950 and 1951, when a fortunate concatenation of circumstances will enable the non-dollar world for a time to earn as many dollars as it needs. Nor does it follow that the European nations will not be able to balance their dollar accounts, if they have to, by brute force, by the most rigid and discriminating refusal to purchase American or Canadian goods. Indeed, if they are left to grapple with the problem by themselves, this is all they can do, since it is no longer possible to expect a massive further increase in their own direct sales in America, after the great effort already made, and in view of the signs of reviving protectionism in America. But this method of bridging the dollar gap would be as painful as the former would be fortuitous. If the free world is to trade freely, then some means will have to be found by which the

non-dollar countries can obtain more dollars than, for all the help they have had under the Marshall Plan they have yet discovered ways of earning. Millions of words have been written about the balance-of-payments problems of the European countries. But the really intractable problem, to which nobody has yet begun to find a solution, is that of the American balance of payments. How on earth can it be brought into equilibrium?

It is true that there are some reasons for hopefulness in the long run, which have recently been illumined by the report on "Resources for Freedom" which was released in Washington last week, and on which some comment appears elsewhere in this issue. It is possible to foresee a time when the United States, not by choice or policy but by compulsion, will have to buy from the rest of the world enormous quantities of raw materials. This is a real hope. But many people will think that the calculations of the authors of the report have a steady bias of optimism, and the direct hope they hold out is to the primary producers of the world rather than to the manufacturing countries of Western Europe. Moreover, even if the future trend of America's purchases is as sharply upward as the report envisages, that does not exclude the possibility that there will still be bad years. And, as a final reservation, all this is still some way off. In the meantime, the world will continue to be plagued, more years than not, by the dollar deficit.

Canada's New Horizons

WHILE Canada was celebrating its national day last Tuesday, the foreign exchange markets in London and New York were expressing their congratulations in a way calculated to enhance Canada's pride in its economic progress. On that day the Canadian dollar rose to a premium of 3 cents against the United States dollar. Some Canadians of modest mind prefer to regard the fact that the Canadian dollar looks over the head—and not merely in the face—of the American dollar as a mark of the depreciation of the American dollar, signifying no special virtue of the Canadian dollar. But if there is a single symbol of the results of Canada's hard work and the growth of Canadian self-confidence, it is perhaps to be found in the high value that the outside world now puts upon Canadian money. There is just the right mixture of pride and tact in notices that tell the American tourist that his dollars will be accepted at par by the Montreal stores or the Vancouver hotels. The tourists from the south no doubt have to be cosseted; but the Canadian newsprint industry can afford to take a much tougher line with American newspaper publishers and has lately raised the price of newsprint by ten dollars in order to offset the "depreciation" of the American dollar.

Canada has known booms—and the aftermath of booms—before. They were the booms of physical pioneering and the westward extension of the frontier through the prairies to the Pacific. Canada's present boom differs from its several forerunners in the fact that it is continent-wide; it represents the extension of economic frontiers throughout a country that the pioneers had already opened up by road, rail, river and air. In Canadian terms, the fact that the development of the Labrador ironfields involves 400 miles of new railroad is incidental. So equally is the comparative remote-

Let no one suppose, however, that this is a plea for the resuscitation of the Marshall Plan. Its methods had two cardinal defects. By making the European countries beg for their dollars every year, it risks corrupting both them and Congress and turning an alliance of self-respect into a confederacy of clients. And by treating each country separately, on an assessment of "need," it has put a premium upon failure to achieve solvency. As an act of restoration after a great war, the Marshall principle was superbly imaginative. As a permanent system of subsidising American exports, it would only undermine the objectives it was supposed to support.

It must not be imagined that, in the heat of the presidential campaign, any thought will be given to this dreary problem in America. But when next January there is a new President in the White House, whoever he may be and whatever policies he has enunciated during the campaign, he will find himself faced with the old inescapable chain of reasoning. The world cannot be saved for freedom without an alliance of the free nations. Nations cannot be allied politically and militarily if they are cutting each other's throats commercially. So long as there is a dollar deficit, the non-dollar countries have no option but to restrict and discriminate. Therefore, policies to remove the dollar deficit are just as essential to the grand objective of containing communism as atomic bombs or submarines.

ness of Kitimat, four hundred miles north from Vancouver, where prodigies of work and skill are reversing the flow of rivers to drive half a million horse-power of electric generators; the power, carried through fifty miles of mountain country, will smelt a hundred thousand tons of aluminium a year and eventually half a million tons. So again is the potential development of natural gas in the Peace River territory of northern Alberta and British Columbia, for which the real market lies hundreds of miles to the south-west in Vancouver and in the north-western states beyond the frontier. Great developments, exploiting Canada's abounding natural resources, are proceeding in areas remote from each other and remote, too, from the major markets in the United States. With all this there is also important industrial development, of which the new factory belt on the outskirts of Montreal is only one example.

No boom was ever painless, but the Canadian boom perhaps comes nearest to earning that distinction. Canada is not merely favoured with abundant material resources. It has had the good sense—or the good luck—to provide itself with good government. Its economic affairs have been handled with a skill unexampled throughout the world. It has found, in the short space of two or three years, a degree of self-confidence that is the proper mark of a country entering upon the early stages of economic maturity. Already occupied with a load of work that less vigorous countries might stretch over a generation, Canada has the faith, and professes to have the capacity, to proceed with the gigantic St. Lawrence Seaway scheme and to disregard Washington's refusal to participate. It would certainly be unwise to reach the conclusion that too much is being attempted too quickly. It is true that the defence programme has yet to make its full impact on the Canadian economy.

But the rise in both industrial and agricultural productivity since the war has been so astonishing that Canada may well be able to provide guns, factories and butter all at the same time.

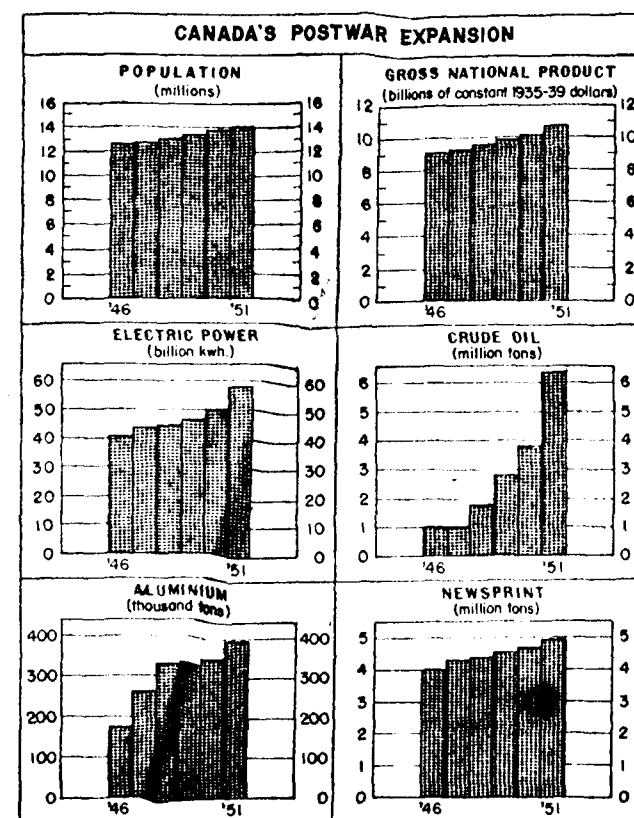
To this, some may object that Canada's advance would have been impossible without the enormous inflow of American capital in recent years. In 1950 the United States invested \$960 million in Canada, much of it "hot money" that was speculating on an imminent revaluation of the Canadian dollar, then standing at a discount of 5 cents or more. Last year's inflow was smaller—\$560 million—and consisted to a much greater extent of long-term investment funds. Perpetual dependence on a dollar trade deficit, filled by dollar borrowing from the United States, would indeed have its dangers. In fact, there is reason to believe that Canadian foreign payments have lately been in balance, and that the inflow of American capital is equalled by Canadian investment in American securities. The terms of trade have been swinging in Canada's favour. During 1951, export prices rose by 12 per cent, while import prices rose by no more than 4 per cent. In several of Canada's important exports—newsprint is the best example—the Canadians have seen to it that the appreciation of their dollar is compensated by higher export prices. And, to crown the record, internal prices are now falling perceptibly while earnings are still rising fast.

In this immense surge of development, British participation remains modest. Since the end of the war, investment in Canada by non-residents has increased from \$7,092 million to \$9,424 million, and the bulk of the new capital has come from the United States. In the last two years the value of British investment in Canada has increased slightly from \$1,694 million to \$1,772 million. This is a pallid reflection of the contribution that could be made, in more auspicious circumstances, by British capital, management and labour to the development of Canada's resources. Not only is the total of British investment more or less static; the constituent investments themselves are static. Permission for British investors to "switch" in Canadian securities would need the agreement of the Canadian authorities, and conceivably this could be obtained on terms not onerous to Britain. It can hardly be doubted that the result would be to promote much more detailed knowledge of what is happening in Canada than now prevails in this country. To take one example, there is a general idea in this country that oil has been found in Alberta. But there is little conception of the potentialities there and in neighbouring provinces, no idea of the time and the resources that will be needed

to develop these riches, and no notion of the long-sighted way in which the provincial government of Alberta—still nominally a Social Credit government—is dealing with a major economic revolution. If an example were needed of the steadiness with which Canadians are handling the greatest boom of their history, the record of the Alberta Government surely supplies it. The result has been a phenomenon in modern politics—a revolution to the right, a taming of wild ideas, and the adoption of policies of development and conservation that evoke admiration throughout Canada interrupted by only occasional growls of impatience from oilmen.

Although Canada's boom has been admirably managed, it poses serious questions that will be answered only in the next decade or two. Much of the new development is in enormous projects intended to serve an expanding American economy. The authority of the Paley Commission was given only last week to gigantic projections of American needs of primary materials. In the long term, the fact that the United States is no longer able to supply more than a part of its essential requirements of industrial materials will be the greatest safeguard for the Canadian economy. In the shorter run, there may be occasional risks in having so many eggs—and such big eggs—in one basket. A relatively modest setback in American demand—coupled, as it would no doubt be, with outcries from American producers of primary materials—could seriously shake the assumptions on which much of the investment in newsprint, iron ore, non-ferrous metals, and even oil and natural gas has been made. It will take time before this degree of dependence on the American market will be reduced by the growth of Canadian industry and a rise in Canadian consumption.

Indeed, Canada with all its resources lacks one vital factor of production—labour. Its willingness to accept new citizens who can make a contribution to Canadian development is as heartening as England's reception of the politically and economically oppressed down the centuries. The opportunities reflect Canada's needs—the simple facts of lush resources awaiting only the application of capital and labour to provide astonishing productivity and prosperity. No doubt population will expand with economic progress, but the capacity of Canada to absorb suitable immigrants will persist for years to come, limited only by its ability to provide the social investment to meet the basic needs of new communities. The Canadian taste is for the personal venture, the acceptance of risk, and willingness to work hard. Those who are prepared to accept such terms ought to find opportunity enough in Canada's widening economic horizons.



A Streetcar Named Defunct

AT 12.29 a.m. on Sunday morning the last tram in London is due to be welcomed with appropriate ceremony at its terminus. This weekend marks also one of the biggest stages in the Birmingham Corporation's gradual replacement of trams by buses. The joint victory of the bus and the trolley bus is, in Britain, almost complete. Municipal tramway operators can now be counted on the fingers: in England, they are Birmingham, Blackpool, Leeds, Liverpool, Sheffield and Sunderland; in Scotland, there are Aberdeen, Dundee, Edinburgh and Glasgow. Of these, only three—Aberdeen, Blackpool and Dundee—have still made no definite moves towards replacing their trams by other means of street passenger transport; Glasgow, exceptionally, is both building new trams and for some routes turning over to trolley buses. The Isle of Man has some trams, and in Wales there are two company-owned tramways, both in part having the character of light railways rather than street cars—the Llandudno and Colwyn Bay and the Swansea and Mumbles. The second has carried passengers since 1807 and one can look on it as either the first horse tramway in the world or the oldest passenger-carrying railway, according to taste.

The story of the tram in Britain is exceptional. In many countries it still flourishes and is continuously being brought up to date. The reasons for its decline and fall here are not entirely economic. English prejudice and the English love of horses played a part. The horse tram on city streets originated in New York in 1832; it offered a pleasant alternative to bus travel over the atrocious road surfaces out to Harlem. The rails, raised above the surface, did not make the road appreciably bumpier for other vehicles than it already was. But conditions were different in 1860, when George Francis Train tried to transplant the American-style tram to Britain. The projecting step rail caused a storm of protest. His Birkenhead line survived, but the Metropolitan Board of Works objected—because of the danger to other traffic—to his experiments in the Bayswater Road, Victoria Street and Kennington Road; the tracks had to be removed.

By 1870 the familiar grooved rail, flush with the street surface, had been introduced, and several undertakings obtained powers to build tramways in London. But the rough treatment of private carriages by Train's primitive tracks had created a permanent prejudice. Trams were never allowed into the West End and the City of London allowed them to violate its territory only to a very limited extent, and that only in this century. The London tramway system thus grew up a one-sided and misshapen thing. It never served the heart of the capital, nor the inner western suburbs—a disability without parallel in other big European cities.

The general Act regulating tramways, the Act of 1870, was also responsible for some disabilities. In the days when the tram's motive unit dealt sharp blows with its hooves, there could be little quarrel with the clause compelling tramway undertakings to maintain the road between the tracks. The same obligation for the 18 inches on either side of the track has often been considered unfair in the days of electric traction, though

there is evidence in its favour. More serious was the power of compulsory purchase given to local authorities. In effect, the municipality could take a system over at about its scrap value after 21 years or at 7-year intervals thereafter. Operating companies were therefore tempted to let their systems run down when a possible takeover was imminent, and the uncertainty made decisions about electrifications particularly complicated. Some tramway companies also suffered from having to deal with several separate local authorities; some authorities demanded pedestrian subways and public lavatories as the price of their assent to tramway schemes, and the London United company was even involved in building a riverside promenade at Barnes, in a district where its tracks never in fact penetrated.

Although it was not much used, steam traction helped to strengthen the prejudice against trams. The trams sometimes frightened horses and tram drivers were liable to prosecution for emitting steam or smoke or making a noise. It was said that, on the other hand, carters who obstructed trams could seldom be brought to book. Yet the advantages of the tram in an industrial town were obvious, and eventually something like a tramway mania began. The electric tram dates from experiments at Blackpool with a conduit system in 1884 and at Leeds with the overhead system in 1891. Progress was somewhat slow at first, but the boom began in 1897. The attitude of local authorities had changed. Earlier, many had either resisted tramways or hampered them by insisting that the operating companies should, in effect, contribute to local government expenses. But at the turn of the century local authorities were playing an active part in tramway development. They vied with each other in giving their ratepayers the latest social amenity, an electric tram service, though even at this stage one of the tramway combines—the British Electric Traction combine was the principal—often had to stimulate local authorities to action.

It was the electric tram that first made it easy for industrial workers to live in housing estates distant from the factories, but its influence was purely preparatory to that of the motor-bus. Very soon the tramways were faced with the problem of housing developments more than an easy walking distance from their routes. Was capital expenditure on an extension or branch justified? By the time the unhappy tramway manager had made up his mind—and even if no complication of local authority boundaries entered into the problem—some enterprising competitor had probably begun a motor-bus service without the tramway's high initial cost or legal complications, and requiring much less traffic in order to be profitable. Here, of course, is the root of the difference between tramway economics in this country and abroad. In Britain the urban population has in this century spread relatively thinly into the suburbs; the bus can operate correspondingly in services economically. In countries where the towns have grown upwards as much as outwards, the tram can still provide very economical service on routes where the traffic is heavy.

Even so, the tramways built in British towns were not

seriously threatened as long as motor buses cost as much per mile to run as did the trams. The change came in the decade after 1922, during which the cost of running a bus was almost halved. The diesel engine followed, and as soon as its teething troubles in bus service were over the fate of the tram was sealed. The buses could run as cheaply, or more cheaply, over the tram routes and then fan out in the suburbs and countryside to give something like door-to-door service. Why, then, keep the trams going too? Moreover, costs per mile are not the whole story. In Bristol, for example, the scheduled speed of the tram was 7 m.p.h.; the bus now operates at 11 m.p.h. The gradual removal of the London trams has undoubtedly helped to keep down traffic congestion and the buses have proved to give faster and more regular service. The most telling figures are these: although trams with 73 seats are replaced by buses with 56 seats, the number of buses needed to replace the trams is not in the proportion of 73 to 56; it is only 77 to 75. In 1950, when the London buses and trolley buses were making a moderate surplus on their operations, the trams cost £1,250,000 more than their receipts of £2,360,000. Apart from the high cost of track renewal, a tram today costs £8,000 to £11,000 according to design, while the price of a bus ranges from £3,500 to £5,000 and a trolley bus may cost a little more than £6,000. The capital cost per seat provided is about the same for bus and trolley bus—and about half what it is for a tram. Working expenses vary a lot; in Glasgow, bus and tram costs are relatively close together, but where London buses cost 24.87 pence per car-mile and the trolley buses 26.38 pence, the trams cost 31.23 pence.

The first tramways to be abandoned were, inevitably, the small systems. Sheerness went in 1917, Taunton—the rudimentary section of what should have been a Somerset interurban line—in 1921. But these were the straws before the wind. The total route mileage of tramways increased until 1923—it was then 2,624 miles—and began its steep decline in 1927. The record number of passengers—4,800 million—was carried in 1919-20

Commonwealth Development—V

The Human Factor

NO discussion on Commonwealth development would be complete without reference to the problems of migration. Despite all the technological improvements of the past fifty years or so, development still requires a vast amount of labour. It is no doubt true that every £1 million of investment (allowance being made for changes in the value of money) now requires a smaller total amount of labour than it did, say, at the beginning of the century, when railways still had to be built by gangs of navvies. But if new areas are to be opened up there must still be people to help in the process. In the dominions, the supply of labour is far from adequate; in the colonies, labour exists but it requires education and training.

The two possible sources of this larger supply of labour are the natural increase in population in the developing areas and immigration (with the counter-problems of emigration). Vital statistics for colonial territories are

but the trams were almost as busy eight years later, when the record of nearly 400 million car-miles was run. The tramways in the London area had their busiest year, carrying 1,082 million passengers, as late as 1929-30, but by then the London United system was already preparing for its first trolley buses, which were put to work in 1931. The more mobile electric vehicle showed itself to be both less costly and more popular than the tram; on some routes the changeover increased the traffic by 25 per cent. It had, of course, the advantage, compared with conversion to motor buses, of preserving some of the capital investment in the tram lines and of enabling electricity suppliers—often municipal undertakings—to keep an important customer. It is, however, the diesel bus—which since the war has proved to offer some balance of advantage over the trolley bus—that has now banished the tram south of the Thames.

But while the tram has almost disappeared for the British traveller, it retains some importance for British industry. Some electrical engineering firms have kept closely in touch with technical developments in tramcar design, such as the American PCC car that has rubber-sandwich wheels for quiet running and which accelerates and brakes smoothly. Modern tramcars have been built here not only for Blackpool, Glasgow and Leeds, but also for customers abroad. The tram is still a major means of urban transport in Europe, with the exception of France. Apart from the fact that many Continental towns spread less than their British equivalents in population, plentiful supplies of hydro-electric power have sometimes provided a motive for retaining trams; so, perhaps, have autarkic economic ideas. And the need to relieve traffic congestion has not been so pressing as in London. Yet there are signs that on the Continent also the tram will not go on for ever. In Bruges the tramway system was abandoned because its awkward layout discouraged traffic and the success of the buses has encouraged projects for removing the railbound means of street transport from other moderate-sized Belgian towns. It may be that in taking the tram to its terminus modern Britain is, as happens perhaps too rarely, showing the way.

sparse, but in some areas there undoubtedly exist large untapped resources of labour, which after elementary training and with appropriate supervision could be used for the less skilled tasks. Native labour can also be trained for skilled jobs, though the period of training may need to be much longer and the subsequent supervision much closer than in industrialised countries. This was shown both during the war and more recently in the East African groundnut scheme. Nevertheless, in general, the colonies can find the labour force for their own development; what they need from outside is a relatively small intake of organisers, technicians, supervisors and training staff, of whom few if any would settle permanently. The same is true, with a few obvious modifications, of the Asiatic dominions.

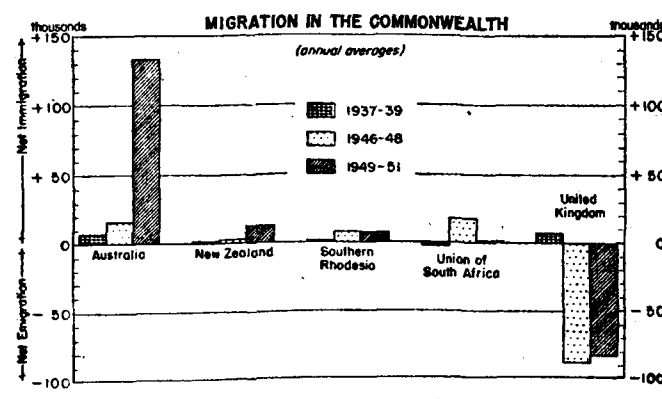
In the white dominions, on the other hand, the required increase in the labour supply is far in excess of the

normal increase in population; immigration is a necessary part of any development plan. North America was developed by immigration in the last century. But there is no possibility of simply repeating the American experiment in the dominions. For one thing, immigrants nowadays will not accept the conditions of a pioneer's life. They have to be provided with houses, public utilities, social amenities and the expensive trappings of a welfare state. Secondly, in the nineteenth century, population was growing rapidly not only in the lands that received the migrants, but also in those from which they came—the pressure of population was, in fact, as often as not, the cause of their movement. The European countries lost hundreds of thousands of their citizens and still saw their own populations rise. There are countries in Europe—Italy and Poland, for example—of which this is still true. But it is not true of most of the countries of Western Europe. In particular, it is not true of Great Britain. If there is to be large-scale migration, it will, in most cases, involve a fall in total population in the sending countries.

There are, unfortunately, no reliable figures to measure the size of movement that would be necessary for an accelerated programme of Commonwealth development. The figure of £500 million was hazarded in an earlier article as a guess at the minimum annual investment of capital required to finance such a plan. As a similar guess—intended as no more than an indication of the order of magnitude—such a plan, unless it were very heavily biased in favour of the colonies and the Asiatic dominions, might require the net movement of at least 250,000 persons a year into the white dominions. This guess is based on the experience of the past few years and, if anything, it errs on the low side, because in recent years much of the development in the dominions has been concentrated in the consumer goods industries, which need less labour per unit of investment than the

If the movement is from the more densely populated areas to the less densely populated ones, then clearly Britain will have to provide most of the immigrants—that is, the white immigrants. It will be seen from the second chart that in the first three years after the war net immigration into the southern dominions averaged 46,000 a year, with South Africa as the largest country taking 18,000 and Australia next with over 16,000. Between 1949 and 1951, the net immigration rate rose very sharply to 160,000 a year and 138,000 alone went to Australia. In both periods Britain was the major source, supplying between 80,000 and 90,000 people. Immigrants could be obtained from other countries, but as all four dominions permit free entry only to people

CHART II



of European race and colour, the sources are somewhat limited. Australia has set the example in recent years by taking large numbers from the European continent, particularly Italians, Dutch and displaced persons. But if the Commonwealth is to remain predominantly British in its outlook and tradition, the proportion of immigrants coming from these islands must not be allowed to fall too low. It is true that the United States has shown that a large undeveloped country can take in vast numbers of people of all different nationalities and fuse them into one nation. This is not denied. But it must remain doubtful whether under such conditions the bond of loyalty and family affection that unites the Commonwealth could be maintained.

The conclusion of the argument is, therefore, that a large-scale programme of Commonwealth development, if it is to follow the lines that are generally agreed to be

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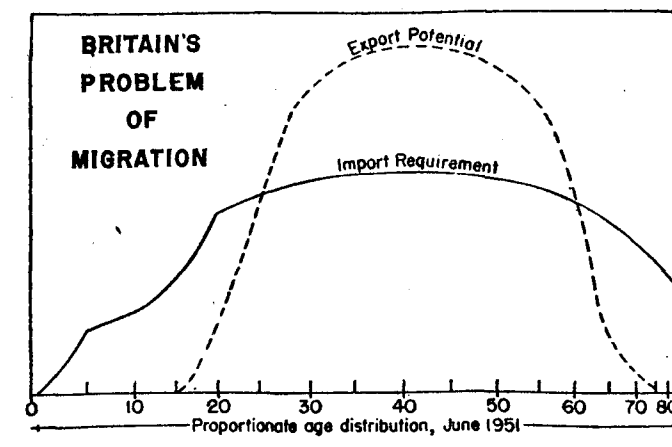
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desirable, depends upon fairly large numbers of people being willing to emigrate from the United Kingdom. To many people, this presents only the difficulties of organisation, transport and propaganda. To them, no question of its desirability arises; is not Great Britain already over-populated and incapable of feeding itself? Would not mass emigration be as advantageous to this crowded island as it would be to the empty dominions?

The argument whether or not Britain is now over-populated in any defined sense of the term is an interesting one, with many ramifications, and dependent in part upon the future trends of world commerce which cannot now be foreseen. It is not, however, necessary to argue it out in this article, for there is one preliminary point that is enough for the present purpose. It is obvious that Britain cannot feed itself from its domestic agricultural output; that has been true for over a hundred years, and is of no particular significance. If there is a new difficulty in feeding the population of Britain it arises out of the difficulties that Britain may experience in the future in paying for the imported food it requires. It follows, therefore, that any emigration from this island that in fact reduced its capacity to export more than its need to import, so far from easing the British economic problem, would make it worse.

The real trouble about mass emigration is that the dominions want skilled labour from the young and active

CHART III



age-groups, and it is just these age-groups that are necessary to maintain Britain's export potential. The third chart is an attempt to illustrate this point in graphical but approximate form. Since the main constituent of imports is food, every inhabitant of these islands, of any age, has an import requirement. But only those of working age contribute anything to exports. The two curves show the approximate variation through life of the import and export potential of the average British citizen. If Britain's trade problem is to be cured by emigration, then the very young and the very old should be sent overseas, because their import requirements are greater than their export potentials. To send away the middle age groups only exacerbates Britain's problem by reducing its ability to export more than its need to import.

If migration is not to hurt Britain, then the emigrants must represent a cross-section of the age distribution of the population because in that way the loss of exports will be more nearly offset by a corresponding reduction in imports. There would be no difficulty in getting such a cross-section to leave Britain, as most emigrants desire to take with them their families and relations. The

question is more whether the dominions will accept these extra and less productive people. Immigration now involves considerable capital outlay for the receiving country, because people must be enticed to come—houses have to be built, water and electricity provided, roads made, schools, hospitals and other services organised—and this capital outlay may in fact limit the number of immigrants a country is willing to take; it will certainly limit the number of non-productive dependants that it will be willing to accept.

What is more, emigrants have nowadays been educated and trained at public expense; their personal capital has been provided for them by those who stay behind and bear a larger share of the burden of the national debt. It would not be practical politics (though it would be strictly logical and equitable) to require a payment from the receiving country for each emigrant sent, to discharge his social debt to his native land. But at least it is essential in Britain's own interest to resist the requirement that emigrants, in addition to their personal capital, should take liquid capital with them, too.

The problem of migration can, therefore, be summarised quite simply as follows. Colonial development is unlikely to be inhibited by lack of manpower and the movement of labour to these areas is likely to be small, specialised and temporary. It is the dominions that will require large numbers of white settlers and most of them will have to come from Britain. But if migration is not to add to Britain's already severe economic troubles, the dominions must accept a cross-section of the British population. They must welcome not only the strapping young man and his family, but also his mother and, if necessary, his grandmother, too. An essential condition of migration is that "Granny must go."

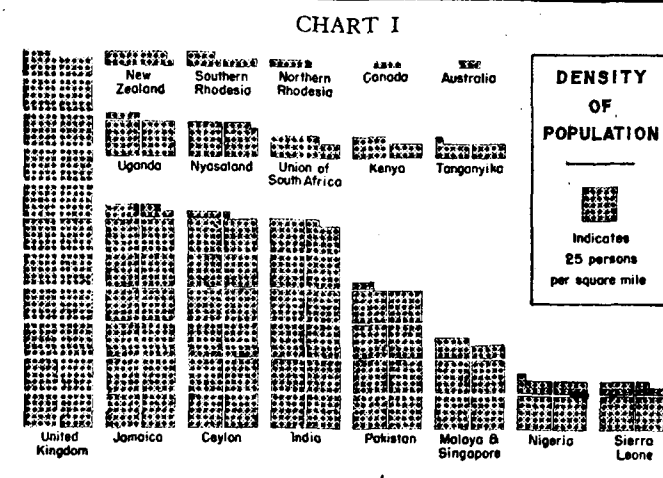
(To be concluded)

The Coming Election

The strange events of the last five years that have overruled decisions previously formed, and changed the most rooted political creeds, suggest the probability of similar events occurring in the next five years, though no one can foresee what they will be. A ready appreciation of new truth, a political *coup d'œil* to judge at once of a new position and a kind of military courage to occupy it, are amongst the most essential qualities of modern statesmen and of the members of a body that is as much an executive council as a legislative assembly. The great changes that have of late rapidly occurred, and the still greater that may occur yet more rapidly, make all the political maxims on which parties were heretofore formed no longer available for national guidance. The electors, while they adhere steadily to all their tried friends, therefore will do well to distrust men full of professions of veneration for the past, who appeal to obsolete prejudices, and seek to override all discretion and judgment in the present generation by the shibboleths of a past age. In choosing legislators, it ought not to be forgotten that all legislation applies to the future; over the past the law-makers have no power; and he will best serve the interests of society who knows only so much of what is past as will enable him to form a correct judgment of what is to come.

The Economist

July 3, 1952



primary industries. Further, not all the necessary labour was drawn from overseas. Indeed, one of the major problems in Australia and South Africa has been the fact that the development of these secondary industries drew labour away from primary production.

Where are these people to come from? A rough idea of the possible geographical movement within the Commonwealth can be obtained from a comparison of the population densities of the various member countries, which is shown in the first of the accompanying charts.

NOTES OF THE WEEK

Under Cover

The Economist appears this week with a cover—or, more properly, a title page—for the first time since 1941. Before the war, though the paper appeared from time to time in different guises, the leading article never appeared on the outside page. Indeed, to place it there would have been considered indecent exposure, and only the compulsions of wartime paper rationing could have brought us to so radical a departure. As so often happens, however, the unthinkable turned out to have some advantages, and readers of *The Economist* have become so used to plunging straight into the leading article that we have hesitated to revert to prewar practice.

Now, however, a compulsion of a different kind intervenes. There has been a gratifying increase in recent years in the support that *The Economist* has received from advertisers, and it is this, more than anything else, that has enabled us to keep the price of the paper at the prewar level. But the volume of advertising has now become so great that it is difficult to find room for it and the paper has on occasions presented the appearance of being almost interleaved, which we feel neither our readers nor our advertisers would desire. The revival of the cover is the first of several steps designed to get over this difficulty.

Readers of *The Economist*, we have observed, though they are varied in their politics, are all conservative in their tastes, and we feel impelled to apologise for any change in the appearance of the paper. Experience has, however, also shown that, once a change is made, within a few weeks it either meets with general acceptance or at least ceases to be a cause of offence. We trust it will be so on this occasion.

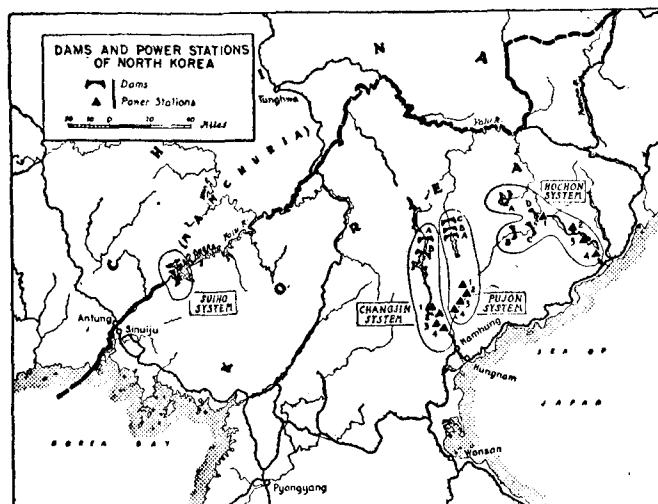
Lessons of the Yalu

The evidence that the raids last week on the North Korean power stations were regarded as part of a normal military programme provides both a defence and an indictment of the commanders on the spot. To those who know what can happen in a large headquarters it explains—but only just—why General Mark Clark did not know what was being done in his name. To those who see only the political aspect of the affair it shows that Uno's direction of affairs in Korea is inadequate. The Americans are cleared of the suspicion of deliberate discourtesy towards the British Ministers who visited the UN Commander; but the staff officers in Tokyo and Korea are not cleared of the suspicion that they lack both political understanding and the opportunity to consult people who have it. It is, however, not at all clear that the political consequences of the bombing are disastrous; so little is known of what happens in Peking that those who claim to understand the psychology of the Chinese Communists have few facts to go on.

Two points seem to be inadequately understood in this country. Thousands of miles from Korea it is hard to grasp—and the European press has done little to help—that fighting goes on day in, day out, in spite of the interminable truce negotiations. The Commanders on the spot feel it their duty to do everything possible to hold their positions and protect the lives of the hundreds of thousands of troops under them. They have had on their hands a tough and dangerous campaign, costing human casualties and four to five million pounds a day. British people see little evidence of this; Americans can read two to three columns a day about it in the *New York Times*. To use air superiority decisively is the obvious way of making good the known deficiencies at the front-line.

As to the effect of these events on the truce negotiations,

the outcry in the West about the Yalu raids appears to have surprised the Communists. There was a long pause before any noticeable propaganda reaction took place. The Russians merely reported what the Chinese said, which was little. Now that there has been an uproar they are naturally trying to exploit it. But there seems to be no reason to believe that the Chinese, if they were sincerely seeking a truce on acceptable terms before the raids, will not go on negotiating. The evidence of their willingness to proceed towards a truce, how-



ever slowly, is considerable. It consists, apart from diplomatic indications, in the mass of sheer detail on which agreement has been painstakingly reached across the table at Panmunjom. But if a truce is to be clinched in the next stage, it must fulfil three conditions: that all UN prisoners are returned; that no more concessions of principle can be made by the United Nations (the immediate task is to convince the Communists of this); and that the Chinese do not lose face from the refusal of many of their soldiers to return to China.

Commanders Without Masters

The power-station controversy will have done some good if it sets people thinking about the principles on which defence partnerships are to be conducted in conditions of unofficial war. Because these groups are large—14 nations strong in Nato and 17 strong in Korea—governments have to delegate some authority, and it rightly falls on the most powerful. So long as things go well, no one worries much about the loss of a certain amount of national control over strategy, foreign policy and resources. As soon as they go badly, everyone worries furiously and tries to regain control by more liaison, consultation, channels and cables. The military commander feels the lead still tighter on the collar and the basic difficulty of giving him political direction at his own desk is ignored.

It is difficult not to suspect that serious thought on this matter is avoided in Whitehall because it is always hoped there that Anglo-American consultation will again take the form it had under President Roosevelt and Mr Churchill. But there are at least five governments in Nato—and the Germans will soon make a sixth—which will refuse to recognise the divine right of Washington and London to direct the political and military strategy of free Europe. The question, as the French say, imposes itself: how is political authority to be delegated and exercised in a powerful military alliance?

A hypothetical example makes the difficulty clear. Suppose that American troops in Germany are attacked by a

posse of Communist SS from Eastern Germany. What discretion has the local commander? Does he take orders from the officer commanding American troops in Germany, or from the Commander-in-Chief of Allied Land Forces—General Juin—or from General Ridgway? Or does the whole incident have to be referred to the Standing Group in Washington, representing the American, British and French chiefs of staff? If so, at what stage do the political advisers have their say? General Eisenhower used to complain that as Supreme Commander for the Atlantic alliance he had no political master. Does Mr Churchill really believe that the last word on organisation between allies was said in 1944?

Labour After the Bombs

The Opposition's mildly phrased motion of censure on the Government, for failing to get itself consulted about the Yalu bombing, produced an uninformative debate in the House of Commons on Tuesday. It did little to clarify either the Far Eastern situation or methods of consultation with the United States. It did a great deal to widen the dissensions within the Labour party. For the first time, Mr Bevan's friends have publicly demonstrated their repudiation of the official Labour leaders on a major issue of foreign policy as well as on the general issue of rearmament. Significantly, Mr Michael Foot was chosen to pour scorn on the official Labour motion. This open attack on the party's front bench was, indeed, every bit as important as the Bevanites' vote against the rearmament programme last March. It followed on the heels of a bitter attack on Mr Attlee's leadership at the meeting of the Parliamentary Labour party earlier in the day. There the issue was pressed to a vote; nearly a half of the Labour members are reported to have been absent or to have abstained, and of the rest only twice as many supported Mr Attlee as Mr Bevan.

It is therefore clear that Mr Bevan feels himself strong enough to maintain the onslaught against Mr Attlee's leadership that he launched—at that stage in his fortnightly journal, not at Westminster—just before the Whitsun recess, on the issue of Labour's attitude to German rearmament. He has certainly forced Mr Attlee to abandon completely the guise of being above the internal party struggle that has often been effective in the past, and to come down into the dusty arena of open—and personal—controversy. There, moreover, Mr Attlee fights with few effective allies. On foreign affairs, Mr Morrison is an embarrassment and Mr Shinwell, despite his vehement efforts to monopolise time at the despatch box, of little use. Nor has Mr Gaitskill developed into an effective successor to Sir Stafford Cripps. The loyalty to Mr Attlee among the less articulate members of the party remains deep, but many are apparently now reluctant to vote against Mr Bevan. The significance of this is not that Mr Attlee is in danger of being ousted from the party leadership before he chooses to retire. But it does mean that if Mr Bevan can damage the prestige of Mr Attlee, and therefore of his supporters, his path to the leadership within perhaps a few years looks to be greatly shortened. The path, though short, may well be too steep for him, but by every sign he is now set on it with all his vehemence and ruthlessness.

The Bevan Party

Mr Bevan's friends have already established for themselves in Parliament many of the rights, and are employing many of the tactics, of a party. It would be an understatement to call them a fourth party. The small band of Liberals show—Mr Grimond apart—little Parliamentary vigour, and the Bevanites have almost elbowed them out of the way to become the real third party. They can intervene swiftly in every controversy thanks to Mr Bevan's right, as a Privy Councillor, to be called in debate. They obviously select their spokesmen for each major occasion, and lacking whips

they still have enough group discipline to attend party meetings in solid numbers and to co-ordinate their activities in other ways.

All this is the result, it is true, not of Mr Bevan's skill but of the front bench's fumbling. But the organised development of Bevanism has got to a point at which the Transport House steamroller cannot be relied on to flatten it. Is the majority of the Labour party honest enough to see that a split is still a split if it takes the form *imperium in imperio*? If that were recognised, the loyalists would no doubt be sufficiently shocked to move vigorously to Mr Attlee's defence. If it is not recognised, Mr Bevan may add a great deal to his influence even if he fails eventually.

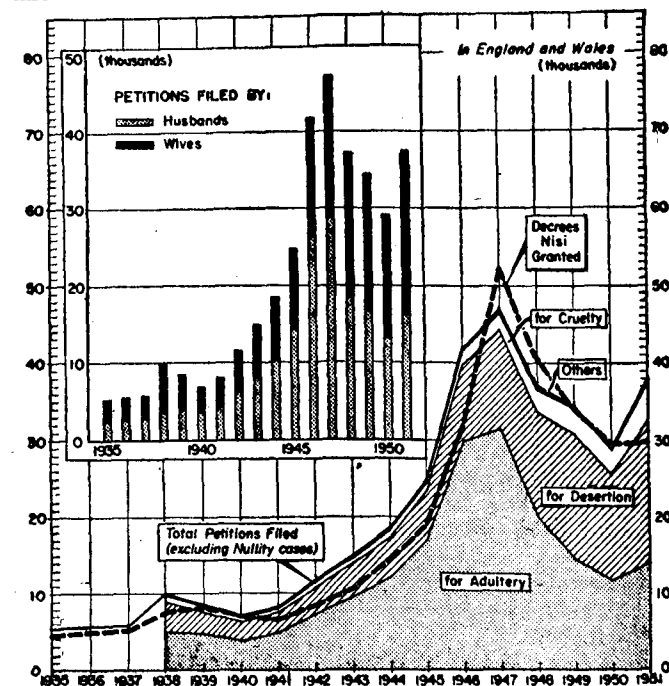
Wages and Subsidies

On Monday the House of Commons turned to the debate on the cost of living put off from last week. It contributed little to public enlightenment and less to the reputations of those who took part. Mr Shinwell and other Labour speakers apparently had two aims. One, natural enough, was to pin as much blame as possible for higher prices on to the Government. The other, which approached a new peak in irresponsibility, seemed to be to exaggerate the extent of the rise in prices and to give every possible encouragement to large and universal claims for higher wages.

The Government spokesmen, on their side, were mainly occupied in saying "you were worse than us" and "you started a lot of what the consumer has suffered since last October." There is justification for both points, but they hardly help to stop the spiral of rising wages and prices with which the economy is threatened in 1952. Nor is it an answer to the unions' claims to say that, if wages are stable, manufactured goods will get no dearer than they are, while food prices will not be raised farther until family allowances are increased in the autumn. Until then, expenditure on food subsidies will remain well above the annual rate of £250 million that Mr Butler laid down in March; an estimate of £310 million for their cost in this financial year.

More Divorce Petitions

In 1951 nearly a third more people than in 1950 filed petitions for dissolution of marriage. Husbands were the chief petitioners when divorce was at its peak just after the war; now, as before the war, wives put in more petitions, and last year they filed nearly three-fifths of the total.



has now been made public. The Budget speech was obscure on this point, and it is not clear whether any more of Mr Butler's intended surplus has been whittled away by the postponement of further increases in food prices.

The hard political fact is that when the Government has reduced the food subsidies, however gently, the trade unions certainly will not agree to any deliberate arrangement for keeping wages stable. But it is nonsense for Labour speakers to identify this as a cause, rather than an excuse or at most an aggravation, for heavy wage claims. The attitude of the unions and of the Labour party makes it impossible to think that there would have been wage restraint if the subsidies had been kept at £410 million. Even Mr Gaitskell, in his rather unhappy speech on the third reading of the Finance Bill last week, went out of his way to undermine appeals for restraint by pointing out that many Tories attacked restraint when Labour preached it. The Government is certainly right to cut the subsidies rather than pay the black-mail—and inflationary—price that would have been exacted for voluntary, and temporary, stability in wages. But it would be better still to have an economic policy tough enough to put any widespread payment of higher wages beyond the means of industry.

Bad Omens in Egypt

To the consternation of many honest men inside and outside Egypt, Hilaly Pasha's government fell last weekend. It is succeeded by a team led by Sirry Pasha. The immediate cause of its fall had to do with its fight against corruption. That the new ministry will not continue this is virtually guaranteed by the presence of at least one member of the new cabinet.

Hilaly's chief trouble was that, though many educated middleclass Egyptians respected the way in which he was attempting to restore public order and financial morality out of the wreckage left by the Wafd, he had no support in two important quarters. The Palace did not like him: some of its inmates, such as Karim Tabet Pasha (the new Minister of State for Palace Affairs) hated and feared his intentions. Worse still, he had no following among the political parties. It was in his nature to work slowly, as he liked to use orthodox channels. Therefore he had nothing to show for the long hours he had spent on the aspects of policy to which he attached importance—the arrangements with Britain for evacuating the canal zone, the talks with the Sudanese, electoral reform prior to elections in the autumn, his intended investigation into the corruption of the last few years. When the people into whose affairs he was about to inquire sought to push him over, there was no one to speak up for him and little to show for his pains.

The British might have done better to make over the Canal Zone the kind of gesture that would have given evidence that he had done well; they need not have waited upon the outcome of the Sudanese talks to give him a helping hand. But it is doubtful whether he would, even so, have had the stamina to withstand the persecution to which he was being subjected both by the Wafd and by members of the Palace entourage. The alarming conclusion to be drawn from the week's events is that the ruling class in Egypt has not the will to support a man of principle.

Pacific Defence Council

The first meeting of the new Pacific Defence Council has now been arranged to take place in Honolulu, the cross-roads of the Pacific, during the first week of August. Mr Acheson will fly there to meet the Ministers for External Affairs of Australia and New Zealand. Their decision to consult marks the beginning of what the Menzies Government in Australia hopes may become a new period of political and military association between the free nations of the Pacific.

It is still a very far cry from the comparatively adult North Atlantic Treaty Organisation to the embryonic Pacific Defence Council; and this council is not to be confused with the specific projects for a Pacific pact that have occasionally been aired during the past three years. It is the product of the American security guarantee to Australia and New Zealand which came into force last April, at the same time as the Japanese Peace Treaty. At present it includes only these three governments; but this is the first regional organisation of any importance to emerge in the Pacific area and, while its structure has still to be decided, one of its tasks may eventually be to pave the way for a full Pacific pact. At present such a pact is out of the question, since it would only invite a Communist drive on any country not a member, and there is no prospect of including countries such as Indonesia and Burma.

In the Pacific there is an even greater difference between the stature of the United States and that of other countries than there is in the Atlantic region. During the past few years this has led to a monopolylogue by Washington, not necessarily any more welcome to American statesmen than to those of other countries. Two of the main tasks of the Pacific Defence Council will therefore be to determine how best to direct American strength into those channels best suited to the interests of the area as a whole, and to establish, if possible, a working relationship between any Pacific and Atlantic defence planning through liaison with the Standing Group of Nato. For these tasks, which raise very wide issues both for the United States and for the Commonwealth, the Council is expected to set up a permanent political committee and a strategic planning board, probably in Washington, together with a subsidiary military headquarters somewhere in the Pacific.

A Political Authority for Europe

M. Schuman, the French Foreign Minister, startled many people in London with his suggestion, made privately to Mr Eden last week and stated publicly on his return to Paris, that his government wishes to press full speed ahead with the political federation of Western Europe. He proposes that the task of planning a European political authority should be given to the international Assembly of the Schuman Pool as soon as it is set up. It is expected to be functioning by October. The French Government has pointed out that the Treaty for the European Defence Community (EDC) assigns just this task to its own Assembly, but that the Treaty is not likely to be ratified for some time. On the other hand, the Coal and Steel Pool has already been approved by the parliaments of its six nation members, and the French would therefore like simply to transfer this crucial act of policy from EDC to the Pool.

Behind the French initiative is an understandable concern to avoid delay in building a political structure for Western Europe. A new note of urgency, however, suggests that there are further reasons, among them the hope of winning parliamentary support for the defence community when the treaty establishing it ultimately comes up for ratification by the French National Assembly. General De Gaulle has repeatedly condemned this treaty on the grounds that to create a European Army without establishing a parallel international political authority is nonsensical, and would enable a new *Wehrmacht* to dominate Western Europe. French Socialists have spoken in much the same vein. Among members of the French Cabinet there is probably growing sympathy for this view and a fear that, without strong political controls, the Germans could drag France into battle for the lost eastern territories.

There had been no previous inkling in London of radical alteration in the timetable for European unification. It was assumed that the French, with the Schuman Pool ratified, would concentrate on making a success of this experiment in partial economic integration and would next proceed to create the EDC; only then would they start to talk seriously about

a European political authority. It is very probable that the new proposal of the French Government will greatly ease the path of EDC through the French Assembly. In so far as it does, it is bound to be regarded sympathetically by the British. They want urgently the German military contribution to Atlantic defence (the prospects of which are discussed in an article on page 28). Britain has, of course, no intention of becoming a seventh member of the six-nation group; but the policy of associating itself as an observer with European ventures in integration will certainly be maintained, and may even be extended to the new enterprise, if it is accepted by the other five participants.

The Civil List

A new reign involves a new Civil List. For many reigns past, the monarch has surrendered to the Exchequer the hereditary revenues of the Crown and has received back from Parliament an annual grant fixed at the beginning of the reign for its entire duration. This is a delicate matter, handled by that favourite device of the British constitution for handling delicate matters, a Select Committee of the House of Commons. This time, though the Select Committee was not unanimous, there appears to have been little difference over the sums to be paid. The total is to be £475,000 a year. This is £65,000 more than King George VI received; but it is virtually the same as was voted to Edward VII and George V, although the value of money is now barely a third of what it was then. Clearly there will be little scope for extravagance, at least in the royal connotation of the word.

It was over the definition of the word that the most serious difference of opinion in the Committee arose. Mr Attlee, with the support of his Labour colleagues, wished to add a rider calling for "less formality at the Court." This was resisted by the government representatives. But many people will think that Mr Attlee was right. Modern taste draws a distinction between the services that the Crown performs for and in the sight of the whole people; no abatement in these would be popular—indeed, it might even be argued that the Queen is not being given enough money to maintain the proper splendour of public ceremonial. But there are also functions that the monarch performs behind closed doors for the benefit of a very restricted circle of those who choose to regard themselves as Society and from which the ordinary taxpayer is completely excluded. It is these that might well be curtailed—though the saving would be less in money than in the strain on the Queen's ability to endure tedium cheerfully.

Mr Attlee was surely right on another point. To try to fix the amount of the Civil List for the whole of a reign which, in all human probability, will be a very long one is foolish, especially in a century when the value of money is so mercurial. The arrangements proposed by the Select Committee make a gesture towards this uncertainty by providing a contingencies fund of £95,000 a year. But this sum is quite arbitrary and may prove to be utterly inadequate. To review the total too often would expose the Crown to frequent parliamentary debates, which no one ought to desire—this is the objection to the proposal to transfer much of the expenditure that now falls on the Queen to departmental votes, which can be re-examined every year. Mr Attlee's suggestion was for a review every ten years, which would have been a sensible compromise. The majority preferred to assume that Queen Elizabeth will have a power to command the movement of economic waves that was denied to her predecessor King Canute.

Irish Government Survives

For the last few weeks Mr de Valera's Government in the Irish Republic has lived in the shadow of three impending by-elections. It was generally thought that the chances

of its candidates had been ruined by a budget in which taxation was abruptly increased and the food subsidies removed. A defeat in all three constituencies, followed by a forced dissolution and the return of the inter-party government to power, seemed quite likely. As things turned out, *Fianna Fail* and *Fine Gael* exchanged seats and the third was held by *Fianna Fail*. Mr de Valera thus maintains his precarious parliamentary majority. He has also—what is a good deal more important and perhaps contains a lesson for the British Labour party—inflicted a severe blow on the growing confidence of the opposition. No doubt the Government was in a happier position in these three constituencies than it would be in a general election. Also, the removal of the food subsidies does not become effective until this week-end. The fact remains that Mr de Valera has held seats that the opposition was confident of winning.

The talk of a dissolution has died away—but not, perhaps, for long. The problems of budgetary stability are growing increasingly serious and sooner or later the Government must turn and face them. It is already plain that economy in expenditure is a recipe that the government will force on the public but will refuse to use for itself. Expenditure "above the line" has greatly increased. The cost of the programme of capital investment, even so far as it has been disclosed, seems wildly out of proportion to the amount that might be borrowed from the public. By the autumn, these problems will be plain to all. It does not appear that the opposition, on its side, has used its time to formulate an economic policy that accepts the fact that there is no more Marshall Aid and that the economic temperature has fallen. Its leaders' speeches at the by-elections consisted chiefly of promises to remove the increases in taxation and to restore the subsidies. They are possibly lucky that the electors were not impressed and did not return them to power to fulfil their promises.

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Federation Debates

The plan for Central African federation has reached a further stage with the appointment of a commission to consider in detail the organisation of the federal public service. There are to be two other special commissions: a fiscal commission to estimate the effect of federation on the public expenditure of the whole area and the cost of federal services; and a judicial commission to consider the constitution and jurisdiction of the federal Supreme Court. When these three commissions have reported, a new—and final—conference on federation will be held.

In the meantime, debates have taken place in the United Kingdom and Southern Rhodesian Parliaments, and the difference of emphasis between the two governments is significant. In the House of Lords, Lord Salisbury emphasised the safeguards for Africans. In Salisbury, Sir Godfrey Huggins devoted most of his speech to explaining the advantages of federation for Southern Rhodesia. In doing so he appeared to belittle the safeguards on which Lord Salisbury laid such stress. But Sir Godfrey Huggins is having almost as hard a task in persuading his countrymen that they have nothing to lose by federation as the British Government has with the Africans of the protectorates. The opposition party in the Southern Rhodesian Parliament is making capital out of the alleged reversion to Colonial Office control. Sir Godfrey consequently emphasised that it would be the Secretary of State for Commonwealth Relations to whom disputed legislation would be referred, whereas the White Paper was careful to leave the identity of the Secretary of State open. He also emphasised that federation, as at present outlined, was not the last stage in Southern Rhodesia's emancipation, a hint which will not escape critics of federation in this country, who say that once a demand for dominion status is pressed by the federal government, it will be hard to refuse.

If Southern Rhodesian Europeans can be persuaded that they have everything to gain and little to lose by federation, are the Africans to rely only on promises that they have nothing to lose? The British Government's difficulty is that it seems unable to offer them any attraction other than vague promises of economic betterment, whereas they are still confronted with an economic colour bar maintained by some of the people who are most in favour of federation. In these circumstances, it is grossly misleading to say that African opposition is solely caused by agitators.

Koreans in Japan

The recent Communist riots in Japan, when acid was thrown at an American general in his car, have called attention to an aspect of the Korean question which tends to be overlooked: the existence of a large Korean community within Japan. The bulk of the rioters in this and other similar outbreaks belonged to the Korean community, which provides the Japanese Communist party with its most militant and violent followers. Nearly all the Koreans in Japan, numbering several hundred thousand, came there as unskilled labourers at a time when Korea was under Japanese sovereignty, and particularly in the period of Japan's economic expansion based on armaments and the industrialisation of Manchuria. Since Korea has become a separate state (or states), the immigrants have become aliens, and with Japan's restricted postwar industry and ever-growing population they have become a superfluous and unwanted element in the economy.

A few returned to Korea after Japan's surrender in 1945, but the majority preferred to remain, partly because city life offered attractions not to be found in their own country and partly because their position as a "liberated" people gave them a privileged status in the early days of the Allied occupation. The Japanese police no longer dared to touch them,

however provocative their behaviour; they were organised by the Communists and made full use of the opportunity given them to demonstrate their antipathy towards Korea's former masters. With the conclusion of the peace treaty, the question of repatriating this hostile alien element has naturally been raised. The United States has an interest in the matter, for the Korean Communists are out to make trouble for the American garrisons no less than for the Japanese Government.

There does not appear to be any good reason why a national state should be compelled to retain within its borders a body of immigrants who have no valid claim to its citizenship and are continually fomenting disorder. Repatriation, on the other hand, would be difficult. On the assumption that Korea will continue to be divided between a Communist North and a non-Communist South, Koreans in Japan might be allowed to choose to which half of their country they would be repatriated; but either North or South Korea or both might refuse to receive the migrants who thus opted. The Communist Koreans might be expected to opt for going to North Korea, but they would no doubt be more useful politically to the cause of Communism if they went to South Korea (or stayed in Japan); the South Koreans, on their side, would no doubt refuse to accept repatriates from Japan without being sure that they were not Communists. This is one of the questions which will have to be considered when the time comes to negotiate a political settlement in Korea; certainly the present situation in Japan cannot be left as it is.

More Coal for Europe

Western Europe's plan to increase total production by 25 per cent over the next five years has had at least one important effect. It has made the coal-producing countries take immediate steps to increase their output. When the general plan announced last September was broken down into detail it was found that it would involve large imports of

COAL PRODUCTION IN WESTERN EUROPE
(In million metric tons)

Country	1937	1946	1950	1951	1952*	1953*
	1	2	3	4	5	6
U.K.	244.2	193.0	219.80	226.42	229.4	240.0
W. Germany ..	137.0	55.0	110.75	118.93	126.0	132.0
France	45.1	48.8	52.00	54.40	57.4	58.2
Belgium	29.8	22.8	27.40	29.67	31.0	32.0
Netherlands...	14.3	8.3	12.24	12.42	12.8	13.0
Saar	13.4	7.9	15.00	16.26	17.0	17.5
Others	4.4	5.2	4.90	5.20	6.0	6.3
Total	488.2	341.0	442.09	463.30	479.6	499.0

OUTPUT PER MANSHIFT (UNDERGROUND)
(In metric tons)

Country	1937	1946	1950	1951	1952*	1953*
U.K.	1.534	1.403	1.612	1.630	1.660	1.680
Germany	2.002	1.108	1.398	1.457	1.500	1.550
France	1.236	0.927	1.197	1.307	1.390	1.450
Belgium	1.139	0.816	1.014	1.054	1.072	1.110
Netherlands...	2.530	1.586	1.754	1.746	1.750	1.750
Saar	1.455	1.140	1.501	1.620	1.685	1.750

* Forecast.

Source: Organisation for European Economic Co-operation.

American coal even after 1956 unless exceptional measures were immediately taken to increase Europe's coal production. The Committee of Ministers that was set up to organise the new output drive is now confident that coal production at the end of 1953 will be running at a level some 36 million metric tons larger than in 1951, or 10 million tons more than was first envisaged. If this trend is maintained, the com-



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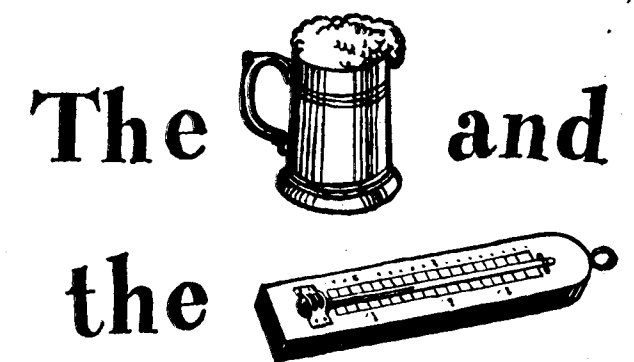
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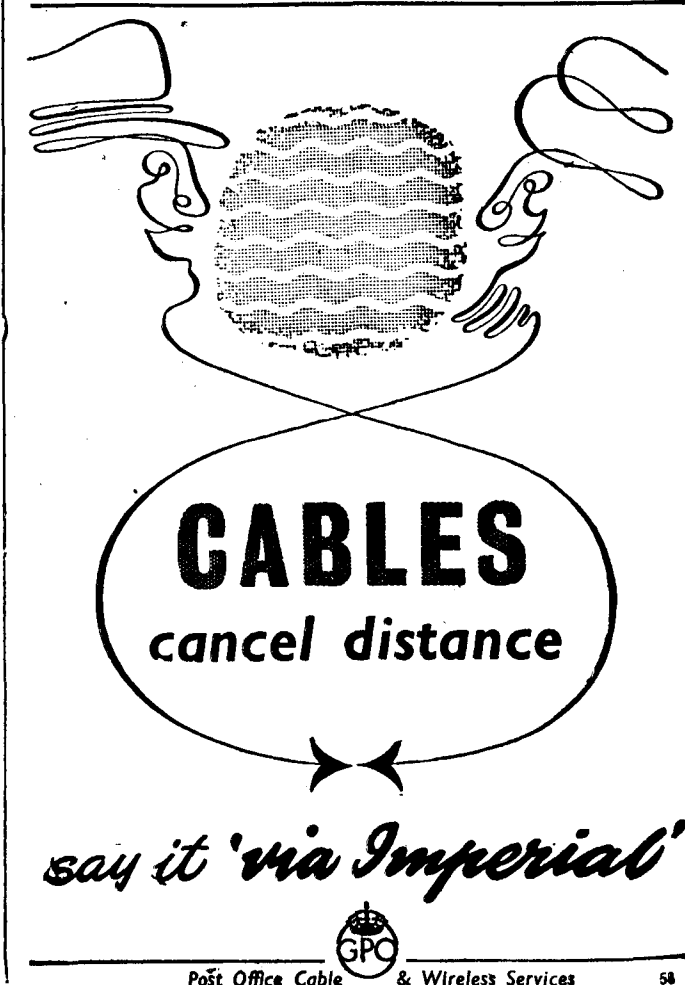
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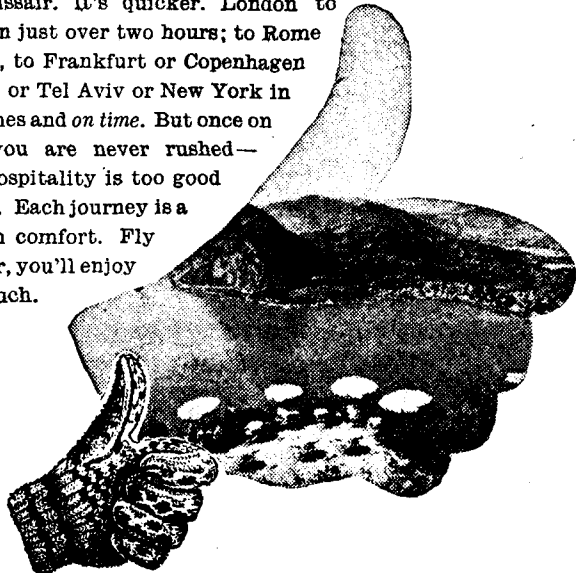
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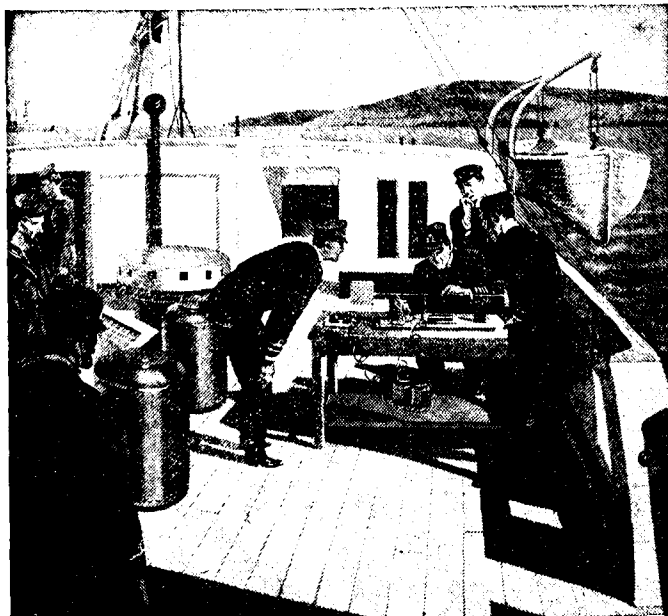
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EARLY IN THE 1890's, Commander Henry Bradwardine Jackson — knowing nothing of the work of Marconi — first conceived the idea that torpedo boats might announce their approach to a capital ship by the use of wireless waves. In 1895, in the torpedo-school ship 'Defiance' at Devonport, he began secret experiments on Admiralty instructions. Before the end of the year he had succeeded in transmitting, from one end of the ship, signals of sufficient intensity to ring an electric bell in the receiving circuit at the other. After meeting Marconi, who first visited England the following summer, he went rapidly ahead with the evolution of naval wireless telegraphy, making vital contributions to the development of world communications. The tempo of modern life has certainly quickened since 1895, when Albert E. Reed first developed the production of super-calendered newsprint. In the reclaimed straw paper mill he had acquired the previous year, his first machines produced but six cwt. of paper an hour. Compare with this the six tons an hour reeled off the modern high-speed machines in the great Aylesford mills of the Reed Paper Group — their continually-expanding production including newsprint, kraft and tissue papers. For to-day the Reed Paper Group with its great resources and technical experience is one of the largest paper-making organisations in the world.

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mittee thought that "exceptional imports" could be dispensed with by 1954. In fact, imports of American coal into Western Europe are expected to show a sharp fall this year—and none is expected to be purchased in the second half. But this happy state of affairs has been due more to a decline in consumption than to a further increase in production. Before long the committee may well be confronted with the task, not of smoothing out technical bottlenecks but of urging countries to increase output at a time when markets are dwindling.

Britain's coal production is expected to increase only modestly this year but much more sharply next year, though output per manshift is forecast to show a smaller rise then. In Germany and Belgium output per manshift is expected to increase more next year than this year; in France and the Saar it is to increase but at a lower rate and in the Netherlands it is to show no change. Both Britain and Germany are depending on a larger underground labour force next year, while France hopes to reduce its number of underground workers, if productivity continues to rise. But even if Britain's output in 1953 is only slightly larger than the 229 million metric tons expected this year (and output is already running at a slightly higher annual rate), Western Europe's total would still amount to 490 million tons, which would be back to its 1937 level.

* * *

Ordeal by Silverman

Mr Lever's Defamation Bill received a third reading in the House of Commons last Friday with a margin of time to spare of no more than four minutes. The opposition it had encountered was small in numbers but loud in voice: it included Mr Sidney Silverman. Nevertheless, the House of Lords now has ample time to pass the Bill this session.

Friday's debate was chiefly concerned with the clause widening the defence of fair comment in libel actions. The argument was complicated because the existing legal rules are complex. In substance, the advocates of the clause argue that a defence of fair comment should hold good provided that the core, or "sting," of the libel is proved to be based on fact. Under the law as it stands now, a defence of fair comment depends on proving the truth of every statement of fact contained in the publication complained of, however minor or unimportant it may be. No newspaper likes to ask that it should be excused from errors of fact, but the debated clause does not do this. What it does do is allow the Court—probably a jury—to say that the substance of an account is true and that it would be unjust to give damages to a man who has suffered nothing worse than the publication of a fair account, and comment on, his activities.

The Bill makes several long overdue changes in the law of defamation. It clears up the uncertainty over whether a broadcast is to be treated as libel or slander. It gives the newspaper a chance to make amends for the unintentional libel without running the risk of having to pay heavy damages as well. It rationalises the defence of fair comment. It clarifies and brings up to date the classification of public proceedings which a newspaper may report with the protection of qualified privilege—that is, which it may report without the risk of being sued for libel when it has done no more than tell the public what was actually said or done. It gives greater protection to the printer, who, as the law stands, is in the position, in effect, of guaranteeing that the author has not libelled anyone. And it limits the right of a man to recover damages for loss of reputation where his reputation is not one which in fact has any pecuniary value. The Bill has omissions, in the sense that many people would like to see this, that or the other provision added to it. But this is not an argument against it. It is reformist in the best sense of that word, and it is to be hoped that no differences between Lords and Commons will handicap it in the last furlong of its run.

More Police at More Pay

The report of Her Majesty's Inspectors of Constabulary paints a gloomy picture of inadequate recruitment and heavy wastage, especially among probationers, during the year ended last September. Since then, the picture has been drastically changed; after the pay increase of August, 1951, recruitment increased and the proportion of men leaving the police force fell by more than a half. The situation confronting police authorities has been, ever since the war, not unlike that which hospitals, education authorities, and the railways have found so intractable. Their pay was quite adequate to attract and hold workers when it was combined with considerable advantages in security of employment, pension rights, and special welfare provisions. But the same relative rates of pay have lost their pulling and holding power in the setting of the full employment welfare state, where the same advantages can be enjoyed, together with higher earnings, in other occupations. The 1951 pay increase for the police seems to have restored the balance, at least for a time; though the force is still short of establishment, at least the deficit is diminishing instead of growing. Once again, it has been shown that economic incentives do work when they are given a chance.

No probable success in recruitment, however, is likely to resolve the difficulty of "preserving" (in the Inspector's words) "the primary job of the police, which is preventive and protective." Too much time has to be spent on, among other things, paper work and "the tactful exercise of authority in securing a reasonable compliance with the numerous regulations which are a feature of current conditions." Even without the continuing crime wave (to which the weakening of the "preventive and protective" role of the police has admittedly contributed) the proper enforcement of the "numerous regulations" would call not only for a police force well up to establishment but in all probability for establishment on a larger scale.

Shorter Notes

The Minister of Agriculture's decision to appoint a departmental committee to re-examine methods of dealing with foot-and-mouth disease is the more welcome because it is belated. The slaughter policy has proved to be too costly to be maintained without the fullest further investigation of alternatives. The committee will not be set up until after the present outbreak has abated, and there are certainly strong arguments against changing policies at this stage. But some points are apparent. Whatever the decision about slaughter, there ought to be more vigorous measures to control the movement of people and of other animals in the neighbourhood of an infected farm. It would be worth a great deal of inconvenience to both country dwellers and ramblers—and even some slaughter of dogs—in order to check the spread of the disease more effectively than present policies have done.

*

Professor S. H. Frankel writes to point out that his essay on "Some Conceptual Aspects of International Economic Underdeveloped Territories," which was commented on in *The Economist* of June 14th, can most readily be obtained by students in this country not direct from Princeton University but by application to the Institute of Colonial Studies, 10, Keble Road, Oxford.

*

Correction.—It is regretted that, in the second diagram on social service expenditure on page 805 of the issue of June 21st, the proportions of the cost borne by the insurance fund and local rates were reversed. The diagram should have shown that 11.0 per cent was raised by local rates and 20.5 per cent by the insurance fund; the remaining 68.5 per cent came from central government taxation.

Letters to the Editor

Facing the Crisis

Sir,—In conditions of full employment labour has to be attracted into undermanned industries by making them relatively more attractive. It is impossible to eliminate the need for wage adjustments for this purpose, or to make them in any direction except upwards; and for the present, at any rate, it is impossible to revoke existing connections between wages and the cost of living which also give rise, directly and indirectly, to widespread increases in income. Therefore we cannot avoid additional money being injected into our economic system even when production is not increased.

If the money is left there, each dose of it further increases inflation. If it is removed in the budget, as part of the general annual adjustment of the nation's finances, the removal appears as something the Chancellor can decide to do or not to do annually at his option; whereas it is really something that must be done whenever the occasion demands, on pain of continual debasement of the currency and of the value of past savings. It is quite inappropriate that an argument should have to be sponsored afresh every year, by the most controversial figure in the whole of party politics, about a purely consequential action that is necessary for preserving the balance of the nation's accounts. No wonder that for several budgets past the job has never been more than half done.

Moreover, the connection between the money injected into the economy and the money removed from it becomes so obscure as to defeat the ordinary man's vision entirely. Each section of the public, seeing the advantage that accrues to itself whenever additional new money is destined for its own pocket, is bluffed out of seeing that similar "benefits" for all sections have to be paid for by all sections, leaving no net result. This confusion, which engenders a belief that real income can be maintained and even increased by wage increases independently of the value of production, misleads people into joining in a competitive scramble for wage and salary increases and makes it impossible to convince them that a sustained national effort at real work is necessary if we are to save our standard of living from falling.

There seems to be only one way of getting out of this situation. That is to link all "unreal" increases of income in the hands of individuals and groups directly to the removal of the same total amount of money from the community as a whole, so that the second would on all occasions quickly and clearly follow the first.

There is nothing impossible about such a proposal. It does not differ fundamentally from what we try to do at present. Suppose that an approximate figure for the total "unreal" increase in personal incomes were published at (say) quarterly intervals—surely not an impossible task with the statistical material now available—

together with a short note of the main factors contributing to it, and that this amount of money were collected from the community in general and sterilised as soon as practicable thereafter. We should then for the first time be compelled to realise the impossibility of improving or maintaining the standards of the whole community merely by adding to its money supply, and it would at last be possible for the rights and wrongs of wage claims to be judged by the community against a knowledge of their cost. The fact that increases would be currently and obviously paid for would in itself discourage unwarrantable claims.

Anyone who is watching the signs of the times must agree that there can be no certainty that Great Britain's present standard of living can always be maintained in future. At present we have no means of accepting a fall, if one is necessary. This omission only guarantees us ultimate disaster, in place of probable early discomfort. In face of the irresistible force of outside circumstances it would be merely futile for our monetary system to be prepared to turn out more and more money in an attempt to prove that our standard of living is an immovable body, that can never be pushed back. But that is just the way in which it tries to behave at present.

The right approach to the problem is surely to try to see what must be done and to make sure that there is no fundamental impossibility about doing it. Detailed ways and means, and the possible objections to them, must be seen against a thoroughly understood background of necessities—and then it is always possible to find a way through or round the difficulties.—Yours faithfully,
O. M. MEARES
Guildford.

Federation Moves On

Sir,—You conclude your article on Central African federation with a question which I hope you will allow me to answer: "Why is federation considered essential and not merely desirable"? Federation is urgently needed first to provide the wider framework of political security required to encourage capital investment and quicker development of natural resources; secondly federation is needed to form a strong pro-British bloc of territories capable of withstanding the northward expansion of the illiberal racial policy of *apartheid* and thus to safeguard both black and white interests in the region.

With federation it is a question of now or never. To postpone the scheme of closer union now would discredit United Kingdom leadership in the eyes of Rhodesians and deprive her of moral authority. Far more dangerous, failure to act now would also discredit, if not overthrow, those liberal Central African leaders who have identified themselves with the cause of federation and partnership between the races. Their fall would open the way for their extremist opponents to import the racist policies

of the south. There is therefore no alternative to federation now, except economic stagnation and racial strife.—Yours faithfully,
J. H. WALLACE
United Central Africa Association,
London, S.W.1

Sir,—In emphasising the opposition by Africans to last year's federation proposals and in making scant and only indirect reference to the attitude of the Europeans in Central Africa, your article ignores two facts. First, since the officers of the Provincial Administration were not allowed to propound but only to explain the proposals (and it is to these officers that the African turns for advice) the field was left clear to opponents of the scheme, African and European alike, who wished to condemn it. Such African opposition as has been evinced has undoubtedly been coloured by this. Secondly, the interests of the Europeans in Central Africa must be safeguarded as well as those of the Africans. It is as important to allay the European fear of being swamped by a majority with lower living standards as to allay the African fear of being debarred from progress by a minority with higher living standards.

Federation is necessary because it provides the only effective way to partnership between the races, and on racial partnership depends the future prosperity of Central Africa.—Yours faithfully,

J. P. McDONAGH
London, S.W.19

The Soviet Press

Sir,—The article in *The Economist* of June 14th gives a correct and vivid picture of the Soviet press. There are, however, two points on which I should like to comment. Firstly, when you say that "not long ago three-quarters of the population were illiterate" in Russia, the reader may get the impression that this was the state of affairs when the Communists seized power; in fact, it is more than fifty-five years since three-quarters of the Russian population were illiterate; according to the census of 1897, 27 per cent of those ten years of age and over were literate. The estimates of literacy given by Soviet authorities for 1914 are in the region of 40 per cent.

Secondly, it would be interesting to know the basis for the assertion that "for some time to come the mass of Soviet readers will probably continue to swallow what is handed out to them." I can find no evidence for this in my own experience of life in the Soviet Union, which lasted until 1943. It is rather the case that, if anything, Russian readers tend to disbelieve what they find in the Soviet press, and there is no question that this is so with regard to what they read of conditions inside the Soviet Union itself, since the contradiction with their own experience is too marked.—Yours faithfully,

S. V. UTECHIN
New College, Oxford

Books and Publications

Seventeenth Century Tourists

English Travellers Abroad, 1604-1667.
479 pages. 30s.

By John Walter Stoye. Jonathan Cape.

Today, when the movements of English travellers are so restricted, Mr Stoye's book arouses immediate nostalgia. Yet in the seventeenth century, as now, western Europe was divided by rival creeds and lay in the shadow of war. English travellers slipped cautiously and warily behind the curtain of the Counter-Reformation, and in Italy they faced the risks of physical imprisonment or spiritual seduction. Fortunately there were the deviationist states of France and Venice. In France, not only was the government friendly but English travellers could make active contacts with the resistance movement of the Huguenots, whose towns and castles on the Loire became a popular tourist centre. In Venice, anti-papalism and the presence of an English ambassador eased the lot of the traveller. In spite of wars and ideological perils a foreign tour became, in the first half of the seventeenth century, a recognised feature in the education of Englishmen.

Mr Stoye is able to show that the formal pattern of the Grand Tour is already discernible in the reign of Charles I. He is concerned not only with tracing the emergence of this pattern but also with showing how a study of English travellers can be made to reflect light on to the working of patronage in English society and politics. Complete with tutor and household the young English aristocrat with political ambitions crossed France to Italy in elaborate state to acquire knowledge and sophistication. For many tutors this connection with a great family provided an entry into the world of office and influence. Mr Stoye's work throws much light on the origins of the diplomatic service of the Stuarts, and he has skilfully uncovered the tracks of many minor officials who have hitherto been isolated names.

The stream of travel broadened as the century progressed, and with it the influence of western Europe on English culture. Mr Stoye has brought together much valuable and interesting information on the debt owed by English architecture to the notebooks compiled and the books and prints bought abroad; on how agents and ambassadors acquired paintings for patrons and friends; and on the admiration excited by Italian music. But his treatment of the intellectual and cultural consequences of English travel is the least satisfactory part of the book. In seeking to relate his study to the present concern with patronage as the governing principle of English seventeenth century society, he has become needlessly absorbed in the careers of the lesser men. This deflection of interest leads him to devote a whole chapter to the unrevealing career of William Aylesbury, tutor to the second Duke of Buckingham. As against this there are but a few scattered refer-

ences to Hobbes, a much travelled tutor and refugee, and only a brief, misleading mention of Robert Boyle. Mr Stoye has scanned Boyle's account of his Italian tour in vain for any evidence that scientific discussion there first stimulated his enthusiasm, and quotes Aubrey to suggest that he was chiefly impressed by the architectural sights of Rome. But Boyle was only fifteen at the time; and his own account records that he spent much time at Florence in reading "the new paradoxes of the great star-gazer Galileo."

In stressing the confused medley of impression and trinkets brought back by the majority of travellers Mr Stoye has obscured the impetus and direction given by travel to the main currents of English thought, particularly in science and mathematics. If he could have defined his inquiries more clearly he would have contributed more to our understanding of England's great debt to its travellers at a peculiarly formative period; and he would not have had to resort to the pedagogic trick of ending overcrowded chapters by tabulated summaries of their points. Nevertheless he has written a learned book on a good subject, humane and vivacious in its treatment.

Prisons and Prisoners

The English Prison and Borstal Systems.

By Lionel W. Fox. Routledge and Kegan Paul. 479 pages. 30s.

Some twenty years ago Mr Fox wrote a very good book on English prisons, and now from his proud eminence as Chairman of the Prison Commissioners he has written another one. Much of it will be used rather as a work of reference than as fireside reading; but there is a good deal in it for the general reader, and one must hope that it will reach a wide public.

The first part of the book is devoted to the history of imprisonment and several pages of it to the abstract justification of punishment, which used so much to exercise the mind of Archbishop Temple but is surely the most sterile of all human debates. Punishment is a branch of administration not of metaphysics; and if no one ever wrote another sentence about punishment in the abstract the world would lose nothing by the change. But the history of punishment is very important, and Mr Fox deals with it in an excellent summary—through John Howard, Elizabeth Fry, Romilly, Buxton, Ruggles-Brise and Alexander Paterson to the Criminal Justice Act of 1948. Indeed, the most original part of the book—and the part that will be studied most carefully—is the chapter on persistent offenders, which is concerned mainly with preventive detention and

corrective training as catered for by the Act.

Preventive detention has been part of the prison machinery for a number of years and the 1948 Act only altered its status. But corrective training is a new piece of equipment which the Act brought in for the first time; and the success of the Act will be judged largely by the working of this device. When a prisoner is convicted (for a third time) of a serious offence, he may be sentenced to corrective training for not less than two and not more than four years, with the idea that he shall receive special education to fit him for a new start in life. He will be taken first to Reading gaol where he will be watched and in due course despatched to an appropriate place for passing the rest of his sentence. If he is suitable he will go to an open regional training prison; if less promising, to a closed one; if not promising at all, to a corrective training prison, which too often differs very little from the ordinary gaol, and is sometimes actually one or two wings of a place like Wormwood Scrubs. In 1951 out of 2,129 men under corrective training only 367 were in the regional training prisons—a somewhat depressing figure.

For the scheme to work well two conditions are necessary: (1) there must be adequate prison accommodation of the right kind, and (2) the courts must

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use the punishment intelligently. Unhappily neither condition has so far been achieved. There is a shortage of the right kind of accommodation and the courts have been too wholesale in their employment of the new weapon. It is believed that one court actually sent to corrective training a man who celebrated his seventieth birthday while he was in prison serving the sentence. Picture the unhappy Governor—expecting a spring chicken and given a very old boiling fowl. What did the court think he could do with the man?

Anglo-Irish Finances

Ireland: Finances of Partition. By Labras O'Nualainn. *Clonmore and Reynolds*, Dublin. 196 pages. 18s.

Mr O'Nualainn's dislike of partition has led him to the positive achievement of investigating the complicated financial relationship between Great Britain and Northern Ireland. His survey is well and thoroughly done. Certainly, there are some slips in political history and no particular good is served by some uncomplimentary references to the majority in the north. But when he forgets his politics, the author's survey seems complete within the limits hinted at when he says that "many private understandings and agreements exist between members of the two governments which have a vital bearing on the subject and yet remain unpublished and unknown. . . ."

The conclusion reached regarding the extent of the imperial contribution made by Northern Ireland is that, over the

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period 1921-50, its true total was £81½ million or an average of under £3 million a year. Moreover, it is argued, this sum obscures the fact that there has been no true imperial contribution except during the boom years of wartime. This conclusion will no doubt be disputed; ever since the Union, discussion of Anglo-Irish financial relations has turned on questions of what are to be regarded as purely Irish services, but the author's case seems well argued. There is a delightful quotation from Philip Snowden in the 1920s to the effect that "Sir James Craig has hardly been off the doormat of the Treasury for twenty-four hours during the last four years, begging for money from the British Exchequer."

More power to him, will be the instinctive reaction on both sides of the border. But the more interesting implications of the quotation, as of the book as a whole, are those that are not immediately controversial. Equal social services with Britain entail equal taxation with Britain, and it is hard to believe that the present weight and scope of taxation does not inflict disproportionate hardship on industry and trade in Northern Ireland. There seems a true clash of interest here which Mr O'Nualainn might well examine in fuller detail. In the meantime, he has thrown a great deal of light on an exceptionally complicated subject.

Documents on the Constitution

The Law and Working of the Constitution: Documents, 1660-1914. By W. C. Costin and J. Steven Watson. *Adam and Charles Black*. Vol. I, 1660-1783. 465 pages. 21s. Vol. II, 1784-1914. 531 pages. 24s.

As the title of this work indicates, Mr Costin and Mr Watson have sought to bring together a series of texts designed to show the several parts of the constitution "in working order and not as a collection of exhibits in a museum." They have been as much concerned with the subtle operations of the understandings and conventions which give life to the systems as with its formal aspects. In order to carry out this undertaking, they have taken their material from a remarkably wide variety of sources, many of which have not usually been drawn upon in works of this kind. Their scholarship is here well rewarded by a work which makes a distinct contribution to the study of constitutional history.

Each volume is divided into four sections. The first section includes the statutes which are so many milestones in the development of the constitution; the second is devoted to Parliamentary proceedings and the extracts illustrate particularly well how the House of Commons has, since 1660, understood its role, asserted its constitutional position and organised its work; the third section is concerned with judicial decisions which have vitally affected the theory and practice of the constitution.

It is the last section, however, which gives this work its particular character and justifies the authors' claim to

originality. They have taken literally the observation that "the British Constitution is not written down in books but is flexible in the sense of being found in the minds and practice of each generation." They have, therefore, selected a wide variety of texts from letters, speeches, biographies, memoirs, reports, memoranda and political treatises; here will be found the reflections, recriminations and recommendations of the students and practitioners of the constitution at different periods on topics such as the party system, the organisation of the Cabinet, the role of the Prime Minister and similar matters upon which the constitutional texts throw little or no light.

The authors wisely forsook the temptation of providing a potted historical introduction to selections which span two and a half centuries. They have also, save for some explanatory notes to a number of texts, let the documents speak for themselves. Although this is not a work for the general reader, it will undoubtedly be of real and lasting value to all students of constitutional history.

Bird's-Eye View

Elements of Indian Economics. By G. B. Jathar and the late S. G. Beri. *Oxford University Press*. 200 pages. 8s. 6d.

Mr Jathar's and Mr Beri's most admirable "Introduction to Economics," designed to introduce the young student to economise in general and to the economy of India in particular, has now deservedly reached its fifth edition. The volume under review is Part II of this work, and contains a brief survey of the economic resources, trends and problems of the Indian sub-continent, together with a summary (in Appendix I) of the distribution of resources between the Indian Union and Pakistan at the partition in 1947.

The main features and merits of the work are the admirably objective attitude adopted throughout by the authors; the clear, accurate and concise method of selection and presentation of facts and figures, and of exposition in general; the tolerance and sense shown in touching upon controversial topics; and the excellent maps illustrating economic features, which have been brought up-to-date and adapted to show how the situation was affected by partition. It would be hard to imagine a better introduction to the whole subject for the young Indian student and for foreign readers who want a brief but reliable bird's eye view before beginning a more detailed study of particular problems.

The chief weakness of the work—a defect that is probably unavoidable in a volume of this size—is that sources are neither discussed nor even given. The result can be tantalising. For instance, when it is stated that rural debt is estimated to stand at about Rs. 1,200 crores at present (compared with Rs. 900 crores in 1931), one wants to know by whom, when, and by what methods this estimate was made. In spite of this defect, however, the great merit of this slim little volume is that it will stimulate further reading and study.

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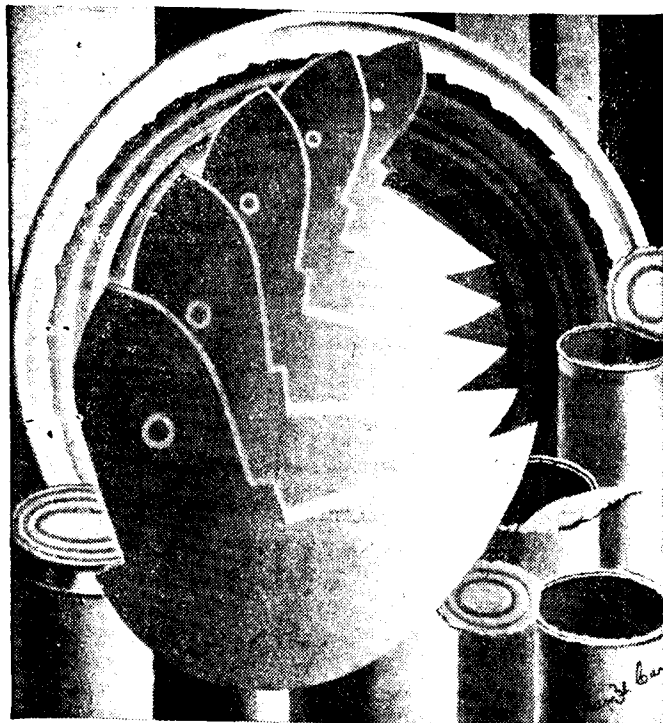
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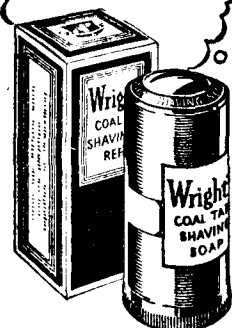
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AMERICAN SURVEY

Challenge to Technology

Washington, D.C.

NO President has ever appointed as many commissions and committees to inquire into, and report on, various problems as Mr Truman. And at one time some notice used to be taken of their findings. The Harriman Committee got the Marshall Plan under way and the Hoover Commission on reorganisation of the government made any number of valuable recommendations, some of which have been put into practice, although altogether too many have been sabotaged by a Congress more interested in prerogatives than in principles or efficiency. But in the last year or two a number of important reports have sunk without trace. The Gray Report on foreign economic policies was forgotten in a few days and the work of Mr Paley's Materials Policy Commission has had a mixed welcome, and is also likely to be forgotten.

The reason for this coolness towards what the *Washington Post* calls "one of the most successful attempts ever made to put in proper perspective this nation's role in the world economy and to show the interdependence of nations" is the current offensive against blueprints, planning and controls—except controls on immigration. The House of Representatives was much too interested in other matters to read the Paley Report during the week it came out; it was passing amendments to the Defence Production Act taking away from the Administration its power to do anything about materials—raw or finished—except let the situation rip, leaving the consumer to survive as best he might.

In the full flood of this mood, the *Wall Street Journal* commented on the report by saying that

if the Government of the United States will attend to the matter of keeping law and order, and if it will get its fat, stupid self out of trying to govern economic matters, the people, left to themselves, will find ways to accommodate themselves to changes just as they always have when and where governments have left them free to do so.

These are hard words to come from the representative of an industry which has been begging its own government to bring pressure on the Canadian Government so that newspaper publishers can avoid having to accommodate themselves to the recent change in the price of newsprint. And it is not necessary to read the Paley Report to know that the timber resources of the United States have been "treated more as a mine product than a crop" until quite recently by private companies and that the improvement in

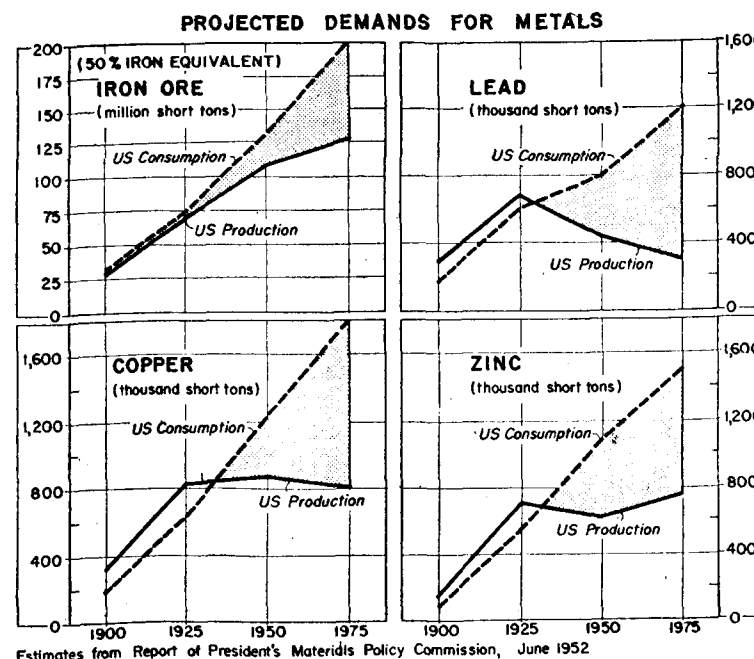
forest management in this century, which is considerable but not yet adequate, is almost entirely the result of government injecting "its fat, stupid self" into the problem.

However, although it can be predicted with confidence that nothing at all will be done about the Paley Report at the moment, it will remain as a record of a valuable piece of research and a moderate and intelligent appraisal of the position over the next twenty-five years. It includes a number of recommendations of value to every government in the world. The most important are those which refer to the tasks and opportunities before the technologists, on whom the Paley Commission rightly puts the responsibility for the future. Although the report is nowhere alarmist, as the reports of some earlier committees—notably those which inquired into the oil resources of the United States—have been, it certainly warns the reader that there are some materials of which supplies may become embarrassingly short and others whose rising real costs will interfere with the continued improvement in the standard of living.

Technology must therefore, it says, complete such tasks as finding a use for the enormous supplies of silicon which are available in the earth's crust and finding a way of removing oxygen from the atmosphere in industrially useful concentrations at a reasonable cost. It points out that

few of the demands made upon technology by the materials problem lie in any realm of high scientific difficulty. The realm of difficulty for technology lies elsewhere—in costs. We can transmute lead into gold—at a price. . . . The all-embracing problem for technology is to do the things that must be done to ensure a steady concentrated flow of materials, rich in diversity, at costs that will make possible their wider and wider utilisation. The wonders of science are not at issue here; what is at issue is the hard fact of economics.

There is no doubt that American industry was the first to appreciate the value of technology and that it spends hundreds of millions of dollars a year on research and development of its products. What, however, it does not do—and can hardly be expected to do—is to spend money on the development of alternatives to materials which may become critically short or to take the kind of risks which were involved in, for instance, the production of atomic energy. And it is hard to see who, except the government, could undertake the cost of solving the problem of harnessing the rays of the sun. Certainly no corporation would consider itself justified in doing so as long as it was able



to buy adequate supplies of the present sources of energy.

Yet the *Journal of Commerce* finds something sinister in the commission's statement that

we believe in private enterprise as the most efficacious way of performing industrial tasks in the United States. We believe in a minimum interference with its patterns but this does not mean we believe the minimum must be zero. Private enterprise itself has often asked for help or restraints from government; we have thus long experienced a mixture of private and public influences on our economy.

The *Journal* remarks that this is the way every single planner in Washington argues his point. This seems a little hard on the unfortunate Mr Paley, who is not a planner in Washington, but the chairman of the board of the Columbia Broadcasting System, one of the pillars of an industry which displays its pure commercial base at fifteen-minute intervals.

But CBS, with the other broadcasting networks, has recently become aware that television is beginning to provide, in its small way, some of the problems of developing atomic energy or harnessing the sun. It is becoming too expensive to be carried on its commercial base. The advertiser has not got the money needed to support all the television stations which the new regulations will allow and to pay the production costs of the programmes.

In other industries a way has been found for the government to bear part of the burden in the name of national defence, which is the umbrella under which all those wanting subsidies now shelter from the storms of the free enterprise system. An example of something too big for the free enterprise system, as it was once understood, to handle, the new liner, the *United States*, is at present on its way across the Atlantic to Southampton, with two-thirds of its cost paid by the taxpayer. Meanwhile another "planner in Washington," the Comptroller-General, continues to complain bitterly that the unfortunate taxpayer has been robbed. Too many people, the Republican Governor Warren said last week, "believe that what is done for them by the government is social progress and what is done for others is socialism." All these things are, in these times, no doubt necessary, but why is it also necessary to preserve the fiction that they have anything to do with the free enterprise system, unless, as the case of the *United States* suggests, the free enterprise system is merely becoming a system in which the enterprising get things free?

Campaign Traditions Up-to-Date

Washington, D.C.

It is, perhaps, because there are so many literate citizens in the United States who can understand what is going on—every year about half a million men and women emerge from institutions of higher learning with degrees and a larger percentage of American Negroes than of Englishmen get a university education—that American elections are so protracted. The campaigns begin imperceptibly more than twelve months before polling day and gradually gain momentum until the first Tuesday after the first Monday in November. But the most fascinating period is when, before and during the nominating conventions, bitter battles are being fought between the contenders for the presidential nomination within each party. The war between the parties, which begins when the candidates have been chosen, is usually dull by comparison—as dull as modern mass warfare is when compared with a medieval tournament or gladiatorial combat. During the tournament stage, a dozen or

more knights are galloping about sticking their lances into all and sundry, while their supporters are busily manufacturing banners with very strange devices.

The Onward March of Technology has helped a good deal to make this struggle between personalities diverting. It is not only that buttons reading "I Like Ike" or "Win With Taft" can now be made to glow in the dark or that the magic words can be, and are, embroidered on nylon stockings. The whole of recent technological progress sometimes seems to have been aimed at making it easier, as well as more expensive, to "put over a personality." Theodore Roosevelt had to use his own lungs when he wanted to be heard; his cousin Franklin could whisper into a microphone and the entire nation listened. General Eisenhower, as he discovered to his cost at Abilene, can also be seen on television from coast to coast as he peers at his manuscript. And any candidate can make a stirring speech one night in New York and hold a press conference early next morning in San Francisco. There is now no rest for the unfortunate voter; if he turns his back for a moment, Senator Kefauver is kissing his baby.

There are, however, certain traditions which, even in this age, must be observed. Mr Taft observed one of them when he noted the reappearance, after a four-year absence, of that necessary ingredient of every election—the "right-thinking citizen"—and made the correct use of such citizens by appealing to them in support of a particularly flagrant piece of political chicanery, the attempt to steal Texas votes from General Eisenhower.

But the Senator has failed in some respects. He has deserted tradition in favour of modernity by organising "Belles for Bob." This may well be no more than the frantic attempt of a man whom Mr Alistair Cooke described once, and for all time, as a "grapefruit with glasses on" to prove that, like Mr James Thurber's men, he is attractive to "my sort of women," but, in a more serious aberration, the Senator has himself written a book called, of all things, "A Foreign Policy for Americans" instead of hiring some ghost to produce a "campaign biography." The campaign biography is one of the time-honoured methods of impressing the public with a candidate's merits, though it must be admitted that, at the moment, none of this year's crop is on the best-seller list, while "Mr President" (the story of the man who is not a candidate for re-election), "Working with Roosevelt" and even the second volume of "The Memoirs of Herbert Hoover" are.

The most popular subject for biographies, campaign or not, this year is undoubtedly General Eisenhower, although Mr John Gunther's "Eisenhower: the Man and the Symbol" is not in the campaign category. It contains the much-quoted passage:

Perhaps his chief defect, both in general and as a Presidential candidate, is lack of definition. This, in turn connotes lack of depth. He has little talent for abstract thought and seems to lack a fixed body of coherent philosophical belief.

In campaign biographies the hero never has defects and there is never anything lacking in him.

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

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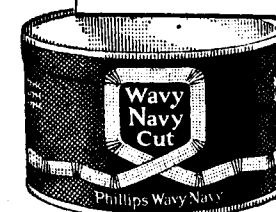
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Technology has also permitted other new developments in this field this year. The first campaign biography in pictures alone, "This Is Ike," has been published and the first long-playing gramophone record of a candidate's life, "Ike From Abilene." This is a particularly meritorious effort, produced, with orchestral effects, in the tense and pretentious manner which has become obligatory for all self-respecting broadcast drama. The narrator, a film star, begins with deceptive simplicity, "If you want to know a man, you take a look at what he does, where he lives, what his friends say about him," and, when the swell of music has died down, continues, "Our story begins in the small town of Abilene, Kansas, population 6,000. It's a quiet little town today. . . ."

Then he introduces the cast of characters. The first is the editor of the local newspaper, who "remembers back to 1892 when the Eisenhowers first came to Abilene and settled in the south side of town on the other side of the railroad tracks." As proof there is a loud "moo," which is described as "the actual sound of the train that runs in front of the Eisenhower home." Then comes a man who grew up with the General and remembers how he used to go round from house to house selling vegetables from a little cart, and 90-year-old Mr Charley Harger, who confirms that the General came from the right kind of home for an American President by asserting that his father "never earned more than \$1,500 a year in his life." It is something of a surprise to hear, later in the record, the familiar voices of Mr Churchill and President Roosevelt—and it may have been a political mistake to include them—uttering adult praise of one who, until that point, had been "only a farm boy from Kansas."

American Notes

Converging on Chicago

General Eisenhower, the man who a few months ago intended to wait in Paris until summoned by popular acclaim to be the Republican candidate for the Presidency, is now travelling across the United States on a Victory Special train, appealing for support as he goes. He will arrive in Chicago in time for a last-minute attempt to influence delegates in his favour before the Republican nominating convention opens on Monday. Nothing could illustrate better how far his campaign has failed to go according to plan. But Senator Taft's position is only slightly more satisfactory. He is already in Chicago, desperately trying to lay the ghost of "Taft-Can't-Win-the-Election" that haunts him in every corner. He is also trying to draw a veil of respectability over his henchmen's abduction of the convention machinery, by frequent offers to compromise with the Eisenhower camp, knowing very well that he can trust his supporters to repudiate him on this point.

The kidnappers are making sure of their captive as *The Economist* goes to press; the Republican National Committee is hearing the cases of the rival delegations, supporting respectively General Eisenhower and Senator Taft, from various states. So far, except for one delegate from Kansas thrown to the General, all the disputed delegates have been put on Mr Taft's plate and there is no reason to suppose the committee will deny him the important Louisiana and Texas groups either. The Eisenhower supporters will certainly take the fight to the credentials committee and on to the convention floor, and there it will be carried on before a nation-wide television audience. That audience will also have the benefit of General MacArthur's keynote address on Monday, expected to prove one of his

most emotional efforts and one that may ensure him the Vice-Presidential nomination if Mr Taft is chosen. The other set speeches will all be by the more notorious of Senator Taft's supporters, including Senator McCarthy.

General Eisenhower's friends hope that the sight and sound of the Taft steam-roller in action will cause a popular revulsion that will sweep the General into the nomination. Senator Taft, however, trying to create the impression that his victorious advance is irresistible, insists that he will have

"Unpledged Delegate"



Herblock in the Washington Post

the necessary clear majority of 604 votes on the first ballot; the latest Associated Press figures give him 492 certain votes to General Eisenhower's 412. Mr Taft will not be called upon to substantiate his claims before Wednesday, for first the platform, the party's statement of policy and principles, must be decided. The voting on the foreign policy plank, the one on which Mr Taft and the General differ most widely, may provide a clear indication of their relative strength, in spite of Mr John Foster Dulles's efforts to build a bridge on which both can stand. The struggle over the contested delegates will not necessarily have been decided at this stage, or even when voting on the nominations begins. Meanwhile the Taft supporters will probably be seated temporarily and allowed to vote. There are over 70 votes involved and these may well prove decisive.

Controls Squeak Through

As the temperature soared in Washington, the House rebellion against controls melted away, once the Senate had firmly refused to take part in any midsummer madness. Having made its stand for freedom (and the pressure groups) the House was evidently not sorry, in an election year, to be relieved of the responsibility of ending controls. Consequently, the Administration has secured a better Bill than seemed possible when the House voted to end virtually all

price stabilisation, and Mr Truman has signed it, reluctantly, but in time to prevent the mobilisation controls contained in the Defence Production Act from expiring last Monday.

The astonishing burst of speed with which the differences between two apparently irreconcilable Bills were composed in conference means there is one less fence between Congress and the adjournment it hopes to achieve by the end of this week. It wants to be able to go off to the nominating conventions and on to the campaign, if not with a clear conscience—desks are still piled high with unfinished business—at least without being bound to come back afterward.

One of the Administration's consolations is the elimination, in the new Act, of amendments which would have made impossible the continued allocation of free world supplies of scarce materials. Another is the defeat of a House provision restricting imports of goods containing materials whose use is controlled in the United States—something the glass industry had hoped would make an effective substitute for a tariff increase. The House succeeded, however, in preventing more than a nominal relaxation in curbs on the imports of cheeses, fats and oils.

The power to allocate scarce materials was continued for another year. Wage and price controls in substantially their present form—the main exception is authority over fruit and vegetable prices—were given a less generous lease of life, only until April 30th; the question is, in effect, passed to the new Congress. Rent controls die on September 30th unless extended by local option. The power to control hire-purchase credit has gone, however, and so has that over housing credit, unless the number of houses started seems likely, on the basis of three months' experience, to exceed 1,200,000 in the year. (The annual rate is now 1,100,000 and only once, in 1950, has it been greater than this.) In other words, the Administration is left responsible for damming up the torrent, if inflation revives, but deprived of control over some of its important tributaries. In Mr Truman's view, the Act is a "gamble with inflation."

The fact that this is an election year probably helped to save the framework of the Wage Stabilisation Board. The House, despite trade union indignation, had voted to replace the present body, on which the trade unions, industry and the public are equally represented, and which is charged with having been unduly generous to the steel workers, by an all-public board. But it gave way in conference, and the board will continue to be constituted as it was, though its members must win Senate confirmation, and it loses its power to intervene in industrial disputes or issue general orders for wage increases.

Break in the Steel Clouds

The House agreed with the Senate that the President should use the powers he already has to deal with the steel strike before being given new authority to seize the steel plants, and in the renewed Defence Production Act Mr Truman is therefore requested to invoke the Taft-Hartley Act against the steel workers. Reluctant as he is to accede, he will soon have no alternative, for industry is being slowly strangled by the month-long stoppage, affecting about 87 per cent of the steel mills and cutting off 1,900,000 tons of steel each week, and will be choking to a standstill if no settlement comes in the next few days. Defence as well as civilian work will be stopped; tanks and trucks for the army have already been seriously affected. For the agreement made between the representatives of the companies and the union in Washington, that steel for military purposes should not be held up, did not survive the attempts to work out its details in the steel towns. Trade unionists felt their position would be

weakened by any resumption of output and managers knew that such partial operations could only be at a loss.

Meanwhile, however, hopes of a settlement are beginning to appear. It is largely because Mr Truman knows they would be clouded over if he used the Taft-Hartley Act that he is postponing as long as possible the request for an injunction against the strike. Before the stoppage began, stocks of steel were substantial; the industry did not expect to be working to capacity much longer and doubted if consumers would pay the higher prices that are considered an essential part of any settlement. Now it will be next year before the effects of the strike cease to be felt by consumers, and as a result the steel companies are no longer afraid of a price rise—although the government price controllers are not yet ready to allow the \$5 a ton that is wanted. The union, with its members also feeling the pinch, is on its side now prepared to make concessions on the union shop question, the main issue outstanding.

During the past ten days, contracts have been signed with a number of small steel companies, and some time ago an agreement was apparently reached with the Bethlehem Steel Company. This would not have been the first time that this firm had led the rest of the "Big Six" into a contract, but on this occasion it felt bound to consult them first and they found that there was still an unacceptable element of compulsion in the compromise on the union shop. Soon after, however, the Pittsburgh Steel Company, an important producer although not one of the six giants, did accept the terms offered to the Bethlehem Company and a possible pattern for a settlement can now be discerned. New employees would be required to join the union when they enter the shop, but would be given an opportunity to resign after three weeks without losing their jobs. Wage increases under the Pittsburgh contract depend on those reached eventually with the industry as a whole; it appears to be accepted that these will probably involve a rise of about 22 cents an hour altogether.



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The Bars Stay Up

President Truman's message vetoing the McCarran-Walter Bill was one of his best, and an impressive indictment of the restrictive ideas on immigration the Bill perpetuates. But he failed, though by only two votes, to rally the support needed in the Senate to uphold the veto. It was the first time Congress had overridden a veto of a major piece of legislation since the Taft-Hartley Act became law. Five presidential candidates, four of them Democrats, were off campaigning. Fair Deal Democrats and a handful of progressive Republicans could not withstand the coalition of southern Democrats with the bulk of the Republicans. In the House seventeen votes more than the two-thirds majority necessary to override were secured.

The new Act comes into effect in six months. No one denies that it makes some changes for the better. Race, that is Oriental race, will no longer be a bar to obtaining American citizenship and every free country in Asia will now be entitled to an immigration quota of 100 a year, though this is even less generous than it looks. But the Act also makes changes for the worse. Prejudice and distrust of anything foreign are reflected in the dangerous ease with which it will now be possible to exclude or deport individual aliens, under standards as vague, and as subjective, as a "purpose to engage in activities prejudicial to the public interest."

The real count against the Act, however, is one of wasted opportunity. Its sponsors spent three years and over half a billion dollars codifying restrictive laws which do not reflect the ideals or meet the modern needs of either the United States or the free world. Only 154,658 immigrants, some 300 more than at present, will be admitted each year. The continuance of a quota system based on Nordic superiority and the national origins of the American people in 1920 is embittering to many of America's new and faithful allies. The Turks, for example, may die bravely in Korea, but they are entitled to an annual quota of only 225. The refusal to allow unused quotas to be transferred means that many refugees unlucky enough to have been born in eastern or southern Europe must give up any hope of ever building a new life in the land of the free, unless special legislation is enacted. It was Mr Truman's very reasonable suggestion that a bi-partisan commission might have been appointed to devise a more rational and humane immigration policy, in keeping with America's traditions, with its new leadership of the free nations, and with its need for manpower.

To Senator McCarran, the veto was "un-American." Minor alterations had been made in the Bill to induce the President to approve it; pressure had been brought upon the State Department and the Department of Justice to ensure that they would advise the President to sign. Mr Truman was courageous enough and astute enough to refuse. This is one of the regrettably rare cases in which right and political advantage manifestly march together. The veto puts the Administration on record against discrimination. And Mr Truman is convinced that the votes of minority groups, welded together, can make a decisive contribution to a Democratic victory in November.

Transatlantic Tourists

The bouquets showered on the United States Lines' fast new luxury liner, the *United States*, on her debut this week included one heavy brickbat, President Truman's request to the Attorney-General to investigate whether the government subsidies of about \$45 million, which made the building of the ship possible, had been unduly large. These subsidies were intended to cover the difference between foreign and American shipbuilding costs, and the special features that enable the vessel to become a troop carrier in time of war. They do not apply to such refinements, difficult to justify to anyone but publicity experts, as a special type of freezer, producing ice "unique in its purity," and the

most luxurious dog kennels ever designed, air conditioned and in dimensions suited to all sizes and shapes of "canine passenger." From now on the ship will be carrying 2,000 passengers from New York to Europe every fortnight, and when, later this season, new French and Dutch vessels also come into service, there will be a substantial alleviation of the perennial postwar shortage of all but luxury transatlantic passenger space.

The difficulty of obtaining accommodation on ships and aircraft during the summer season has been one reason why the number of Americans coming to Europe, and therefore the amount earned by the tourist industry, Western Europe's largest single source of dollars, has been less than they might have been. Even this year, when all records are being broken and the season has been extended at both ends, only about 400,000 Americans are expected to cross the Atlantic for pleasure, very few more than in the previous peak years of 1929 and 1930. Yet since then the population has increased by 35 million and the annual national income has nearly tripled. It is calculated that, if the same percentage of the population visited Europe now as in the last period of prosperity, the European tourist industry might double its present contribution, of about \$500 million a year, to the reduction of the dollar deficit.

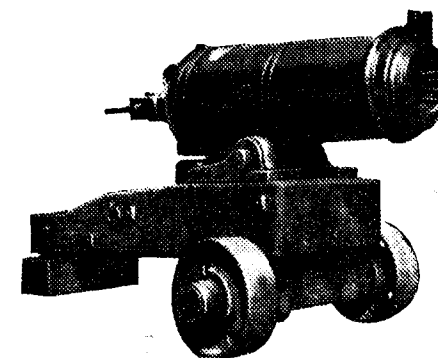
Another reason why a smaller proportion of Americans are going to Europe now is that far fewer of them came from there in the first place. In 1929 some 60 per cent of American visitors were returning to the lands of their birth, now the proportion is far lower. A third reason has been fear of war, particularly strong in 1950 and 1951, but less acute this year. The main deterrent to European travel has, nevertheless, undoubtedly been the high cost of the journey. A magazine survey has estimated that about 45 per cent of Americans would like to spend their holidays in Europe but only about 5 per cent can afford to do so. However, many of them are already taking advantage of the new air tourist service, and it may not be long before half the Americans going to Europe fly there. At about \$500 for the round trip this is not yet as cheap as the tourist class fare by sea, but it is so much quicker that it makes even a fortnight's holiday worth while.

Shorter Notes

Hopes that the United States would bring its customs procedures up to date and would carry out its obligations under the General Agreement on Tariffs and Trade have been lost in the rush of business before the close of the Congressional session. The Senate, influenced perhaps also by the increasing protectionist sentiment among certain American manufacturers, has indefinitely postponed consideration of the Customs Simplification Bill already passed by the House last autumn.

Congress has rewarded its favourite service, the Marine Corps, by taking it from under the wing of the Navy and establishing it as an independent fourth service. The Corps is not, however, to be permanently represented on the Joint Chiefs of Staff, although its Commandant will sit with them whenever matters directly concerning the Corps are discussed. The Bill passed last week also sets the minimum strength of the Corps at three divisions and three air wings. The present strength of the Marines is about 237,000 officers and men, slightly below the full combat strength of 260,000 envisioned in the Bill.

In extending the wartime powers of the President until April 1st, Congress eliminated twelve of the controversial clauses, including the authority to seize railway and other transport facilities. The Bill as finally passed contains 48 of the 60 emergency powers that the President held until an official state of peace was reached when the United States ratified the Japanese treaty.



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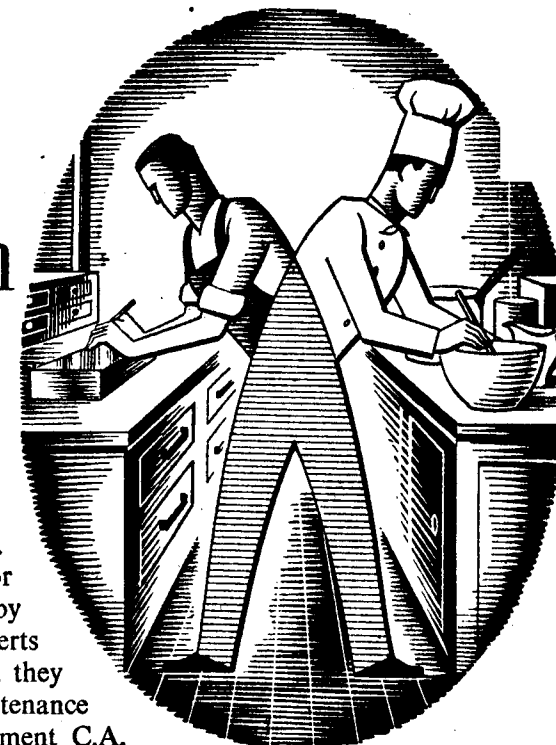
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THE WORLD OVERSEAS

Outlook for a German Army

IT is still uncertain whether Germany will ratify the convention replacing the Occupation Statute and the treaty setting up the European Defence Community. The first reading of the treaties by the *Bundestag* has been fixed for next week; and after committees have worked on them, the crucial final readings are due to take place in the first week of September. But the Upper House has also to debate them, and there Dr Adenauer's chances of a majority hang by a thread. Above all, the Supreme Court has to make its decision on the constitutional issue. Nevertheless, the embryo Ministry of Defence in Bonn, under Herr Theodor Blank, is working on the assumption that the EDC will exist next February. The interim committees of the community started work in Paris this week, the German military delegation being led by ex-Generals Speidel and Heusinger.

The size of the peacetime German contingent and the rough timetable for recruiting and equipping it are now known. There are to be twelve German units, comprising altogether about half-a-million men. The units, or divisions, will be formed in the first place out of the cadres of professional soldiers, who will have to be re-trained to use the latest types of arms. About 100,000 professionals will train 400,000 conscripts. As soon as the EDC treaty is ratified, a conscription law will be introduced. Two age groups will have to be called up, as allowance has to be made for men to be rejected for one reason or another. According to the present constitution, the conscription law will have to exempt conscientious objectors. A large number of Germans will certainly claim exemption, but few will be able to prove that their pacifism is more than a determination not to be killed, or have sons and husbands killed, "for foreign interests."

According to the EDC treaty, the twelve German units should be set up by 1954. This programme will not be fulfilled, as it presupposed that the treaty would be ratified by the end of August. Assuming that the treaty comes into operation next February, the German experts estimate that their first three or four units will be trained and equipped by October of next year; but this, too, is an optimistic forecast, which presupposes that there will be no hold-up in American supplies of equipment.

The basic unit in the land forces of EDC will be a group, corresponding to a division. An infantry group will consist of 13,000 men (to be increased in time of war); tank groups will consist of 12,600 men and mechanised groups of a like number. The army corps will normally be formed out of three or four such divisions of different nationalities and will have an integrated multi-national staff. With auxiliary services, an army corps will not exceed 80,000 men.

The basic unit of the air force is to be "half a brigade," that is, 1,200 to 1,800 men and 75 aircraft. Its equipment will be homogeneous, but it will have no logistic support. These units will be integrated into a tactical air command consisting of several half-brigades of various nationalities. At the higher level of integration will come the "tactical air force" and the various auxiliary services will be joined together under this force. Thus, the services will not be attached to the national units, but to "integrated superior echelons." Naval forces will be in basic national units only, linked under a common command.

The cost of setting up and maintaining Germany's twelve divisions has been estimated by Herr Blank at DM 40 billion

and by American experts at DM 30 billion, or over \$7 billion over the next three years. The Americans have agreed to supply almost all the heavy equipment needed for the first three or four divisions, as well as DM 200 million of light equipment. This will be passed on to the Germans in accordance with the programme of the Supreme Command (Shape). The former occupation powers will also lighten the Germans' financial load by allowing the use of their airfields in the Federal Republic. It can be said that the Federal Treasury will in the first stage of rearmament only bear the cost of maintenance of the German troops. In addition, however, the German defence contribution will include payments up to June 30, 1953, for the cost of maintaining non-German troops on German soil.

Bonn Let Off Lightly

Altogether, the Germans have undertaken to pay DM 850 million a month for all defence expenses, to the end of June next year. The question whether they are getting off lightly or not can best be answered by considering the amount which has been allocated to defence, including occupation costs, in the current German budget. This is only DM 8.8 billion (£800 million) out of total estimated budgetary expenditure of DM 24 billion. This means that for the current German financial year, only 8 per cent of the gross national product, taken at factor cost, is to be spent on defence. (This figure is reached by taking the official German estimate of the gross national product at factor cost for 1952-53, which the Three Wise Men of Nato considered to be much too low.) For the time being, therefore, the Germans have no cause for alarm. The gross national product is going up continuously, even before any armament production has begun. The Minister of Finance, Dr Schäffer, has given an assurance that defence costs will be borne without either cutting social welfare expenditure—which is, in fact, being increased—or creating inflationary pressure. The contribution of each country in the EDC will be fixed by a common budget, but not before 1954. In the meantime, there will be an effort to co-ordinate expenditure as far as possible.

Industrial circles in Western Germany are extremely anxious to know how the EDC provisions affect them. So far the outlook is confused. The EDC treaty lays down that certain weapons shall not be produced in strategically exposed areas. In theory this would cut out Germany, but if necessary this clause can be waived. The Federal Government's convention with the occupation powers removes all restrictions on German industry; but a letter from Dr Adenauer undertakes that it will not produce certain categories, including large warships, atomic weapons, guided missiles and military aircraft—provided the German forces receive arms as good as those of the other members of the EDC. The Bonn Government and the heavy industrialists are much more anxious to expand exports than they are to produce arms. Moreover, it is only a short time ago that the heads of famous armament firms were imprisoned by the Allies; and they are hardly likely to forget or forgive this treatment.

Nevertheless, it is fairly certain that some German plants will produce some types of weapons. One factor which will tend to foster a new arms industry is the Germans' deter-

mination that their troops shall have the best weapons, and their conviction that some American equipment is not so good as that used by the *Wehrmacht*. They are sure that some German infantry weapons are superior to anything produced elsewhere, and German tanks used in the latter part of the war are also thought in some quarters to be better than anything the American forces have on show in Germany. But it is realised that at the outset America must be relied upon to provide heavy equipment, if only because it would take at least two years to produce German tanks.

When Europe Orders Arms

The EDC Commissariat, or European Defence Ministry, will, according to the treaty, decide all such matters. It is supposed to work out an integrated plan of standardised production. The Commissariat's order for the whole Community will be placed not through national ministries, but through local branches of the Commissariat. The Germans are waking up with misgiving to the fact that an important influence on the economy of each member of the EDC will be exercised by this supra-national organisation. As a consolation, German officials point out that the treaty undertakes to consider each nation's individual economic needs. But the fear is growing that the Commissariat of the EDC, as well as the High Authority of the Schuman pool, will develop into a super-planning bureaucracy.

Very large expenditures will be involved in the Commissariat's orders. Eighty-five per cent of each country's allocation for defence is to be spent internally; but the remaining 15 per cent may be spent elsewhere. In addition, the US Mutual Security Agency will place orders, either for American forces or as "offshore purchases" for other members of Nato. Germany, with unused manpower, technical skill and factories which are still capable of expansion, is in a unique position to fulfil Nato and EDC orders—if the Germans are willing. So far, however, only the textile manufacturers and other producers of goods of a semi-civilian nature are really eager, and many are antagonistic to the prospect of turning over their factories at great capital cost to the production of arms.

Gains for the Dutch Labour Party

[FROM OUR CORRESPONDENT]

PEOPLE used to think that Dutch politics, with its proportional representation, its coalition governments, its slow-running national character, would never show big surprises. They got the shock of their lives on June 25th when the general elections gave Dr Drees's Labour Party 30 instead of 27 seats of the hundred available in the Dutch Parliament. This gives it as many seats as the centrist Catholic People's Party, and represents a larger number of votes; so that Drees, as outgoing Prime Minister, has already been invited to form a new cabinet.

Until June 25th almost everybody had expected Professor Romme, the leader of the Catholic People's Party, to be the next prime minister. His party, at that time holding 32 seats, was thought to be for a long time to come the largest one, mainly owing to the birthrate in the catholic provinces of southern Holland, and to his juggling—so far successful—to keep the majority of Catholics (38 per cent of all Dutch belong to the Roman-Catholic Church) in one party. This policy was already threatened after the war when the pre-war Social Democrats joined hands with a number of left-wing Protestants and Catholics to form a Labour party more or less on the British pattern: wide, anti-marxist and defi-

nately not anti-religious. During the Indonesian struggle Catholic unity was threatened from the right wing. Hr Welter, a former cabinet minister, rallied a few conservative Catholics in a split-off party which wanted to keep Indonesia as "the Dutch East Indies." Neither of these tendencies was strong, however, until at these last elections a considerable number of Catholic votes split off from Professor Romme's unity party, helping Labour to jump from 27 to 30 and Hr Welter's party from one to two seats. Part of this movement was no doubt caused by an internal rift in the Catholic People's Party, where a junta of integralist theorists and reactionary businessmen had made a bid for party leadership. This caused visible distress to Catholic trade unionists, who saw their rank and file already swinging left, out of the People's Party (and the unique Dutch phenomenon of a Catholic TU Congress) and into Labour's ranks. Whether this present shift is caused simply by this tug-of-war inside the People's Party or is due to underlying trends of a more permanent character remains to be seen.

Shifts to Right and Left

It is an established fact, however, that there was not only a shift to the left, but also a shift to the right; indeed, there were several shifts. First, Labour gained from the Communists, who slipped farther down to six seats (eight in 1948, ten in 1946). For this, presumably, the fair weather and the temporarily low unemployment figures are as much to be thanked as the growing disgust with Stalinist slogans. Secondly, the Catholic People's Party lost a considerable number of votes to Hr Welter's party, which is not only reactionary as far as Indonesia is concerned, but also lures many a conservative businessman away from Professor Romme's fold. Last, and not least, the Liberal party "For Freedom and Democracy," whose one representative in the cabinet, the foreign minister, Hr Stikker, became well known as chairman of the OEEC, got nine seats, one more than in 1948. It must be borne in mind that these Liberals are about as liberal in the English or American sense of the word as the French Radicals are radical—that is to say, not at all.

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Their political descent is from the French revolution (and from German liberal professors in the first half of the 19th century, incidentally), but their present platform is typically "the revolt of the taxpayers": lower taxes, freedom for business, keep the trade unions back, and so on. Thus, the slight swing in this direction must be counted as "right-wing" too.

Threat of Unemployment

Summing up, it is not easy to say what the "lesson of the elections" exactly is. Labour's gains will no doubt mean a strong emphasis on social policies like housing and social security, on a wages policy guided by the trade unions (although since the war the Dutch trade unions have used their influence with commendable restraint), and, particularly for the next winter, on policies to maintain employment. It is predicted that there will be 200,000 unemployed by then, and drastic steps must be taken to prevent the number getting so high, and to lessen the consequences for the unfortunate unemployed. A special commissioner for employment policies, with some coordinating powers, has just been appointed by the outgoing cabinet. The cabinet itself will probably again consist of half a dozen Labour people and half a dozen from the Catholic People's Party, with a sprinkling of men from smaller parties. It is improbable that the Liberals will be acceptable in a cabinet dominated by Labour, but there is just a chance that a few people from the Protestant right-wing parties may join.

No foreigner, on having the Dutch political parties explained to him, can learn enough to pretend to understand the hairsplitting, and to some people hair-raising, differences between these two parties, one being called anti-revolutionary because it thinks the principles of the French revolution slightly diabolical and the other Christian-Historical because it thinks history divinely inspired up to about the same time. To the unsophisticated outsider the anti-revolutionaries, who lost a seat, are more conservative; and one expects the new cabinet to be joined by one or two from the Christian-Historicals, a party in which practically all shades of political opinion, from reactionary to progressive, are represented.

There is always the chance, of course, that Labour will insist on a programme which proves unacceptable to all right-wing parties and, perhaps for that very reason, also to the Catholic People's Party. In such a case a situation can arise in which Labour goes into opposition; but it is evident from Professor Romme's public statements that he would not particularly like a coalition of his party with right-wingers and without Labour, in view of the further drain of Catholic trade unionists who would then tend still more to vote Labour.

Changes in Foreign Policy

Whatever happens, there will probably be some change in Holland's foreign policy. In the first place, Professor Lief-tinck, Labour's much-criticised but generally respected finance minister, will not return, as he is going to Turkey for the International Bank, and Hr Stikker also has announced long ago that he wants to leave the foreign ministry. He has frantically tried to keep this department under one hand, but rumours say that either a separate ministry "for European Affairs" (whatever that may mean) is under consideration, or a division of work between one minister and several under-secretaries—instead of the one for East-Asian affairs Holland now has.

More attention to European integration is possible, although Dr Drees is known to be as sceptical about quick-integration illusions as Hr Stikker always was. Much, of course, depends on the choice of persons, and the only thing which can be predicted is that Holland will move in the direction of European unity—perhaps slowly, but with an inevitability which is presumably evident to any candidate for the ministry of foreign affairs.

Lean Years for Israel—II

Defeating the Deficit

AN article in last week's number of *The Economist* described how the Government of Israel is attempting to combat one of its two major enemies—inflation at home. The second enemy, the onslaught of which is reinforced by the first, is the deficit in its foreign trade. Unless the efforts to combat inflation at home are successful, imports cannot be paid for. And for imports to Israel do not merely mean so much rise or fall in the standard of living; they are the bricks and mortar for building the industrialised and mechanised economy which alone can bring economic survival.

Those measures which mitigate inflation also contribute directly to the balance of international payments. The limitation on immigrants contributes directly, inasmuch as every 100,000 new entrants add £1 10 million to the import bill or subtract £1 10 million from the goods already available to the rest of the country, without, to begin with at least, adding anything to the sum of domestic production. In 1951, there were 174,000 new entrants; in 1952, on present reckoning, there will be no more than about 75,000. Secondly, there is the government's reluctant decision to modify the social standards of the new state. Any country which is maintaining a high standard of social service by inflationary methods of finance is inevitably stimulating any natural unbalance in its overseas payments. Thirdly, there is the specific remedy adopted in the differential exchange rates, which should in theory weaken the demand for imported goods, some of which cost in consequence twice as much as before.

A glance at the balance of payments on this page, is enough to show how fragile is Israel's lifeline and how delicate the balance which must be struck.

ISRAEL'S BALANCE OF PAYMENTS 1950
Provisional Figures for 1951, and Estimates for 1952
(£1 Million)

	Credit				Debit		
	1950	1951*	1952†		1950	1951*	1952†
Exports, visible and invisible.....	15.3	23.0	26.5	Imports.....	92.4	116.0	120.0
Dollar gifts.....	18.9	15.0	15.0	Freight.....	10.6	4.0	5.5
Drawings from Import bank loans.....	16.2	19.0	10.0	Other.....	10.4	4.0	4.5
Imports without payment.....	18.3	20.0	19.0				
Sterling balances.....	14.9	12.0	2.7				
Sale of bonds in USA.....	nil	21.0	20.0				
US Grant-in-aid.....	nil	5.0	30.0				
Other.....	29.8	9.0	6.8				
Total.....	113.4	124.0	130.0	Total.....	113.4	124.0	130.0

* Provisional. † Estimates.

In 1951, physical imports totalled £1 116 million, or about £1 24 million more than in the preceding year. In 1952, they are estimated at £1 120 million, and this may be taken as an irreducible minimum, below which the construction of the state of Israel would be severely prejudiced. Those who would make light of Israel's predicament must remember two things; first, that the small rise in imports between 1950 and 1951 covers not only the rise in world prices but also an increase in the non-productive population of nearly 200,000; secondly, that Israel is importing, and making conscious efforts to import, an abnormally high proportion of producers goods. There is little fat in the projected import programme of £1 120 million for the current year, and conditions for the Israeli consumer are already lean.

The prospects of raising the £1 130 million with which to pay for basic imports, freight and invisibles are uncertain. The balance in 1951 depended, and in 1952 must continue to depend, on several variables which have little if anything to

do with physical effort inside Israel. One of the chief of these is the continued charity of American Jewry. In 1951, the United Jewish Appeal (UJA) raised £1 15 million. In 1952, it is estimated to raise the same. Whether this figure is reached or not, there is no doubt that the friends of Israel in America are increasingly anxious to see the bottom of the pit into which they are pouring their bounty. Their contributions, as those of potential bond-holders in the Israel Bond Issue launched in the United States, will be closely related to the success or failure of the Israeli Government in producing some signs of economic stability at home.

Then there are the two loans from the Export-Import Bank, of which \$35 million remain. This balance is little more than half the drawings in 1951, and servicing starts this year. On the other hand, the US Government grant-in-aid only begins to come into full effect during the current year. The sterling balances, a once important source of painless earnings, are now finally exhausted by the last drawings early this year. And "imports without payment," another major item on the credit side (down for £1 19 million in the current year) have their own snags. One effect has been to help to depress the free Israeli pound to the point where it can no longer be sold at any price on the European exchange markets. The government clearly believes that the system has other effects which make it worthwhile; but it is retained at a price.

Finally, there are the physical goods themselves. Nature has for once smiled on the oppressed, and there has been a bumper grain harvest—four times the 1951 crop and three times the average yield. This means lower imports of food. In 1952, for the first time, Israel should have to import no feeding stuffs; it is already self-supporting in dairy produce.

Prospects of Scraping Through

Shortage of sterling will be Israel's greatest single problem in its current trade. In 1947, Palestine-British trade was not too far from balance at £1 17 million to £1 13 million. Then came the war; more than half the citrus groves were destroyed; the potash mines closed, and there was no income from Haifa. In 1951, Israel ran a deficit in visible trade with Britain of over £1 6 million or 50 per cent of its imports from Britain. It paid out of its sterling balances. In 1952, it must still import much the same amount (£1 8 to £1 10 million out of the £1 12 million is for oil) and it has no balances left. Mr Horowitz of the Israel Treasury came to London last April to seek Mr Butler's help, both financially from the Exchequer, and, morally with the oil companies. He was offered no ready answer, and he left with £1 6 million still to find.

So much for the immediate future. A tough struggle and an imperfect result; but if American Jewry repeats its usual generosity, Israel will just scrape through in 1952. For the more distant future, all that can be said is that the remedy is slowly passing more into Israel's own hands. Agriculture in Israel is growing stronger and that particular drain on foreign exchange proportionately weaker. By 1955, if the government's target is fulfilled, Israel will grow enough food to support 2 million people except for bread grains and meat. Already the springs in the north and the new tractors in the Negev are being harnessed to the production of Israel's food more efficiently than ever before. Two new factories for steel and concrete water-pipes are already helping to channel more of Israel's water southwards to the desert areas. In contrast, the mineral deposits underneath the desert and in the Dead Sea are more often talked about than they can be counted on as a source of salvation. Despite a draft oil bill before the Knesset this week, no oil has yet been found; potash and phosphate deposits at Sdom will for some time cost more foreign exchange to work and carry than they can earn in exports.

There are, however, two other major factors in its favour. The first is the falling trend of world prices, which, for a

country which depends so largely on imports, and imported raw materials in particular, will help to tip the scales in the right direction. The second factor, of overriding importance, is the German debt. As yet there is no settlement; but any settlement that was acceptable to Israel would inevitably include substantial currency-free imports of German goods.

Less Aid from America

On the debit side, however, the worst is by no means over. Apart from the new charges for loan servicing and the perils of the "import without payment" system, there are continually new problems in the making. In the first place, there are Israel's own exports, at the moment no more than 15 per cent of the total outgoings required. To raise this percentage to anything approaching a balance on visible trade will take a long time and heavy investment, both local and foreign. For it means building new industries, planting new trees, and constructing new ships and communications. It also requires a steady market for the semi-essential goods that are likely to be Israel's staple manufactures; and that market, in the present state of world demand, is no longer a certainty.

Then there is the bonds drive in America, which is scheduled to raise £1 20 million in dollars in the current year. Though the \$500 million issue was intended to be taken up over a period of three years, the cream of the contributions comes in the first flush; only £1 20 million was collected last year and the rest will be much slower, harder work. Finally, there is the attitude of the world at large to the struggle of Israel and to the fate of Jewry. In America, where Israel's most influential friends reside, the enthusiasm is no longer fierce or fresh enough to withstand the effects of a possible slump; the downward trend of the UJA is warning of this. Lastly, there is always the danger of new programmes in other

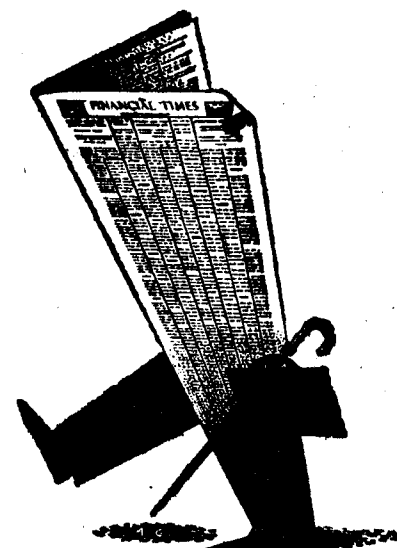
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parts of the world, and new effluxes of refugees from Europe or the Middle East who must be absorbed and paid for.

The future, then, is not secure. It cannot, for a long time to come, be secure in the sense that exports and invisible earnings will balance the cost of essential imports. In spite of all progress at home, Israel must continue in the coming years to rely on factors outside its control. The chief of these is the attitude of the US government and of the Jewish community, in the United States. There, it looks as though the state in adolescence will inevitably evoke less enthusiasm than the state in youth. But from Germany, if American aid were to fall away, comes a second chance of a miraculous salvation. If it materialises, it will be no exception to the experience of the past that God seems to provide for his chosen people against all the devices of nature and economics.

Rhee Goes the Way of Chiang

[FROM OUR SPECIAL CORRESPONDENT IN KOREA]

THE resemblances between President Rhee's South Korea of 1952 and President Chiang Kai-shek's China of 1947-48 are strong, increasing and alarming. Inflation, corruption, bribery, government monopolies, martial law and now the mass arrest of political opponents are all symptoms and conditions of a national sickness that may well become mortal. They threaten the undefeated United Nations soldiers on the battlefield with civil collapse and betrayal in the rear.

The devoted economic representatives of the United Nations—UNCACK (U.N. Civil Assistance Command in Korea), on the tactical and "do-it-now" level, and UNKRA (U.N. Korean Relief Administration), on the strategic long-range level—are fighting a gallant rearguard action of resuscitation. It appears at the moment to be the only hope for South Korea's survival as a nominal democracy. This is the real crisis in Korea, overshadowing even the threat of a new offensive from the north, and certainly eclipsing the wretched muddle over military police efficiency in Koje Island, which was cleaned up as soon as a suitable and efficient commandant was appointed. As in Nationalist China, local merchants are refusing to accept Korean money in transactions with Americans: the biggest note in circulation (1,000 won) is worth only six cents on the free market. The traders demand U.S. military currency—which is illegal, and can be cancelled by a fresh issue—or greenbacks. The retail price index, with the figure for January, 1948, representing 100, had risen to 328 when the war began two years ago. In mid-May it had soared to 6,026. Trade restrictions are as harsh as those that throttled Chiang's import-export commerce. Despite the protests of UNCACK, tariffs are barring the entrance of urgently needed machinery, trucks and repair parts. Forced sale of national bonds, again to the Chiang pattern, is also hamstringing business: importers must buy bonds amounting to 25 per cent of the duty on all imports. Most of the real trade has accordingly passed to smugglers.

Scandalous Corruption

The scandals of misappropriation in the South Korean army, of misuse and open theft of American supplies (most of the official South Korean police jeeps in Seoul have been stolen), of black-market trafficking in military commodities, of adulteration of locally made munitions like grenades bought with U.S. dollars—all these shameful crimes have accumulated and multiplied during the uneasy lull of the Panmunjom talks. Like Rhee's arrest of political opponents in defiance of United Nations protests, they must apparently be either ignored or philosophically accepted as the price of alliance by the harassed United States command. At the

height of the Rhee *coup d'état* in Pusan it was compelled to make a public apology, through some luckless young lieutenant in Psychological Warfare, for a radio utterance that was construed as "an intrusion into South Korean national affairs."

Despite this explosive and still deteriorating situation, the able and realistic directors of UNKRA and UNCACK, hampered and discouraged on all sides, persist in their planned work of amelioration with enthusiasm and success. In the most disheartening circumstances, they are resettling on their former farms more than 1,700,000 South Koreans displaced by war and guerilla activities, while providing relief for more than three million refugees.

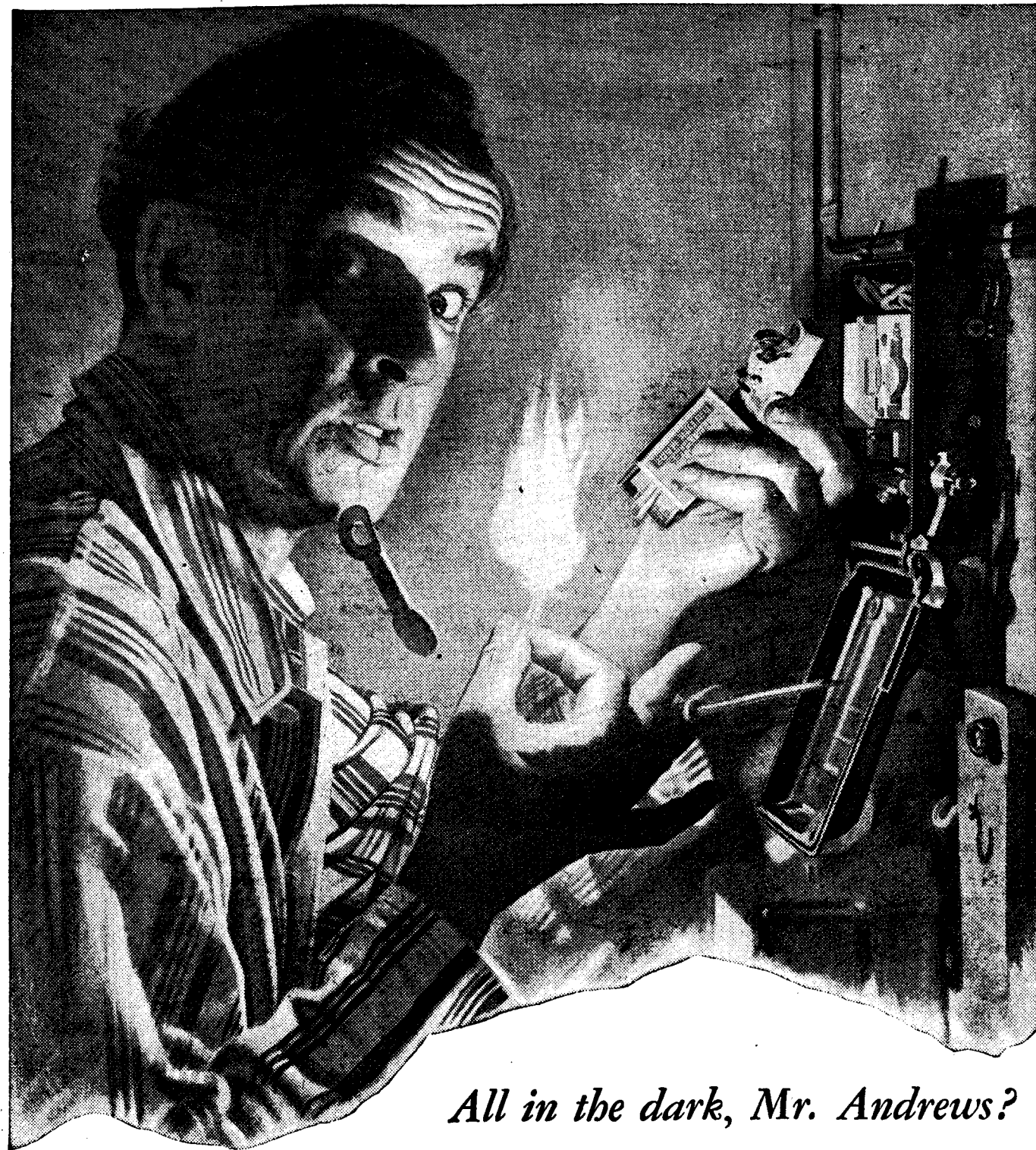
A typical case is the Pak Ki Su family from the war-devastated village of Suongham-ni. Pak, 52, a farmer, his wife and two daughters fled from their three-quarter-acre farm in May of last year and have since lived on U.N. help in a refugee camp near Kwanju. Last month the area around Suongham-ni was declared "safe from guerilla molestation" and the Pak family, equipped with blankets, clothing and a 14-day supply of rice, was transported by UNCACK truck to the site of their farm. The village which had once housed 350 persons was just blackened ruins; but Pak found many of his neighbours back at work and, waiting for him, 200 board feet of lumber, nails and cement, all supplied by the United Nations. He dug out the foundation stones from the pile of rubble that had been his home and, while his wife mixed mud with straw to form the mortar for the walls of their new home, his daughters scoured the countryside for long-stranded grass for the roof. Within 10 days, the Paks had moved from the army tent, in which they had been living, to their new home, and Pak attacked the year-old weeds on his field with farming tools also supplied by the United Nations. While the community was thus being reborn, a mobile dispensary rolled through three or four times a week, dispensing medicine and checking on inoculations.

Five Year Plan

Assuming that an uneasy peace will come, or that at least the invaders will not strike farther south, Sir Arthur Rucker, deputy agent general of UNKRA, envisages a five-year plan to establish a balanced economy for South Korea, founded on agriculture, fishing and mining. He makes the fundamental point, however, that this economy cannot sustain an army or an armaments programme. The three main points of the present plan are: firstly, an undertaking to provide from UN sources most of the civilian staff needed to act in an advisory capacity in assisting the South Korean Republic in engineering, agricultural rehabilitation, and welfare work. From 200 to 300 experts will be needed, of whom about 100 will be drawn from the World Health Organisation. Second comes the recruiting of a long-term planning staff, comprising a small nucleus of permanent workers, who will be augmented by transient teams of experts from specialised UN and national agencies.

Third is the planning of a series of relief projects for specialised development, which will be supplementary and additional to the general programme of overall restoration by the Civil Assistance Command. These projects will include chicken-breeding, supply of pigs, goats, seedlings and fishing nets, provision of drills and other mining equipment, establishment of an ore-checking laboratory, a mining school and a language institute. Many industries are starved for capital and advances will be sought from the Reconstruction Credit Corporation. A sum of \$18 million is already available from United Nations funds. UNKRA estimates that projects now in hand and contemplated until the end of the year will cost from 15 to 20 million dollars.

The testing time will come when more funds are needed. If the money is not forthcoming, nothing, it would now seem, can save the United Nations' first experiment in statemaking from anarchy and collapse.



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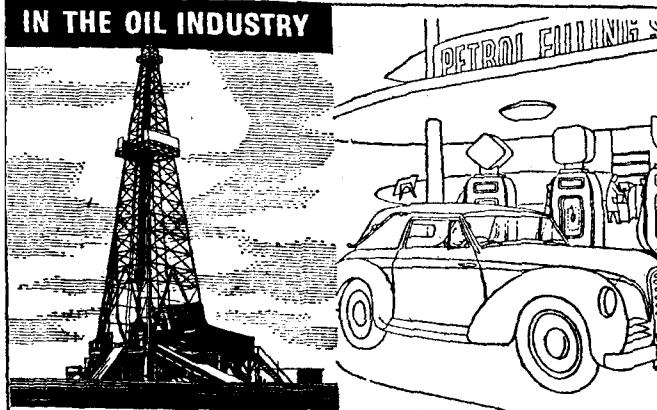
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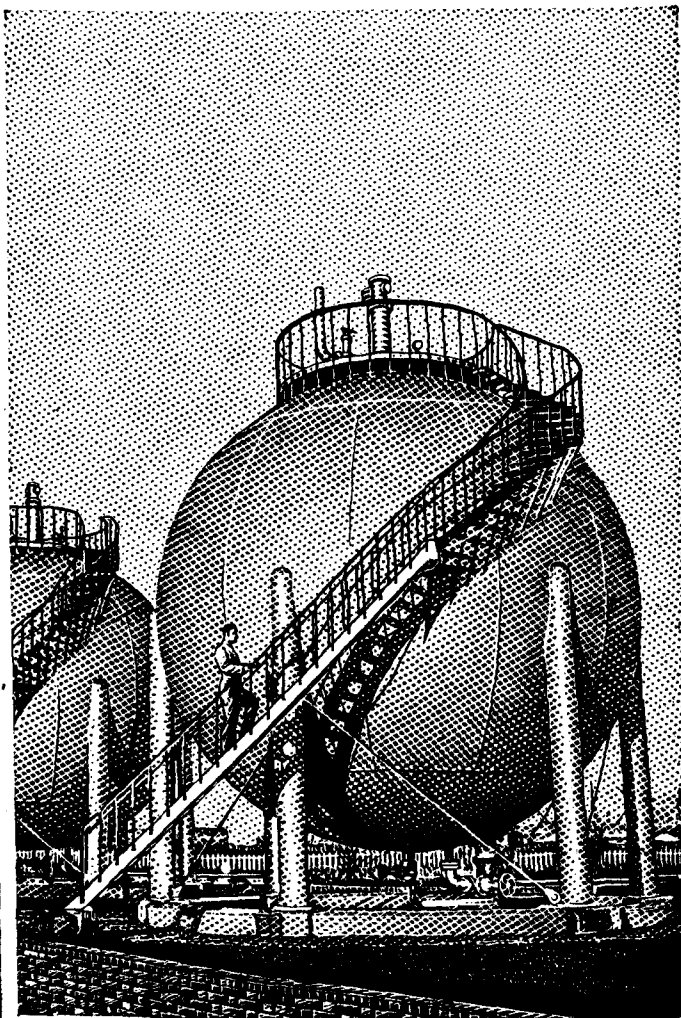
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THE BUSINESS WORLD

The Gold Loss Analysed

BECAUSE of the Chancellor's special statement on the condition of the gold and dollar reserves on June 12th, the customary quarterly statement was awaited with rather less public interest—and certainly less anxiety—than had previously been shown. Yet the close juxtaposition of the two statements makes the latest one the more informative, and the impression it conveys is less reassuring than that made three weeks ago—despite the fact that the loss of gold over the three months proves to be less than it was over the 2½ months.

The net loss of gold and dollars that had occurred between the end of March and June 12th was a "little under £10 million"—say, \$25 million. By the end of June this loss had been reduced to \$15 million. But during the last eighteen days of June some substantial two-way transactions occurred and sufficient is known about them to allow some interesting deductions to be made. Since the gold reserve on March 31st was \$1,700 million, by June 12th it must have stood at about \$1,675 million. It is known that since then a payment of \$47 million in gold has been made to EPU. On the other hand, the Chancellor has now revealed that some \$102 million was received from the United States in this short period. By themselves, therefore, these two transactions would have raised the gold reserve to \$1,730 million by the end of June. In fact, it amounted at that rate to only \$1,685 million, so that it can be assumed that during these 2½ weeks \$45 million (say, £16 million) was lost by the Exchange Equalisation Account in bridging the gap between the supply and demand for dollars in the exchange market, or in meeting official requirements outside the market. This is a serious rate of loss. It is fully in keeping with the behaviour of the exchange market in this period, during the greater part of which the dollar-sterling rate was held only narrowly above the point at which the Bank of England must intervene by providing dollars at its lower "gold point" of \$2.78.

Although the quarterly statement was not presented in its customary form (indeed the Chancellor used the term "deficit" to mean the fall in reserves, whereas previously it has been restricted to the deficiency on gold and dollar account before allowing for special receipts), sufficient information has been given to permit a fair comparison with the longer-term trend. This is shown in the accompanying table. It should be emphasised that the "net deficit" relates to the dollar payments and receipts of the whole sterling area (in so far as those on behalf of its overseas members are canalised through London). It will be seen that this deficit, which had been reduced from the astronomical level of \$940 million in the last quarter of 1951 to \$636 million in the first quarter of 1952, was further reduced to \$216 million in the second quarter. The fact that this latest deficit produced only a small fall in the reserves was wholly due to the receipt of \$201 million net of American aid during the quarter—

a sum equal to two-thirds of the aid that had been expected for the full year 1951-52.

In accounting for the smaller size of the deficit, the Chancellor stressed the fact that Britain had begun to see the effects of its cuts in imports from the dollar area and also of the comparable action taken by other members of the sterling area following the Commonwealth Finance Ministers meeting last January. Doubtless remembering his cross examination in the House of Commons after the June 12th statement, Mr Butler was careful to emphasise that the fall in imports to Britain "has not involved a reduction in the total quantity of stocks of essential imported foods and raw materials." On the other hand, he admitted that the past quarter has benefited from certain seasonal influences. In particular, sales of wool, cocoa and certain other sterling area commodities were especially heavy in this period; no appreciable dollar earnings will accrue from them in the present quarter. Another exceptional factor that must have fortified the reserve during the past quarter—a factor, however, to which the Chancellor did not refer—has been the covering of the short position in sterling as a result of the repayment of sterling credit facilities compelled by the restrictions on such credits ordained by the Bank of England.

If allowance is made for this adventitious and non-recurring influence, and for the seasonal factors, the performance of the sterling area in keeping its dollar deficit for the past quarter down to \$216 million cannot be

GOLD AND DOLLAR RESERVES
In \$ Million

	Net Dollar Surplus or Deficit	US Aid	Net Change in Gold Reserve	Gold and Dollar Reserve at End of Period
1949	- 1,531	1,364	- 167	1,688
1950	+ 805	797	+ 1,612	3,300
1951	- 1,164	199	- 965	2,335
1st quarter....	+ 360	98	+ 458	3,758
2nd "	+ 54	55	+ 109	3,867
3rd "	- 638	40	- 598	3,269
4th "	- 940	6	- 934	2,335
1952 1st "	- 636	1	- 635	1,700
2nd "	- 216	201	- 15	1,685

regarded with equanimity; the Chancellor frankly recognises this. He reminded the House of Commons this week of two remarks he had made on June 12th—that "the task before us is long and hard"; and that "we shall continue to take whatever further measures prove necessary to maintain confidence in sterling." The dollar balance of payments is now burdened by the payments on the North American credits raised after the end of the war. These payments fall to be made later in the year; this fact, together with adverse seasonal factors, makes it difficult to envisage here and now that strong upward swing in the reserve that would obviate the need for "further measures."

Particularly is this so as the sterling area has not only to face the strain of its direct dollar payments; it also remains deep "in the red" with the European Payments Union, the gold payments to which are, of course, reflected in the gold and dollar deficits to which the Chancellor referred. The June deficit in the European clearing, the provisional figures of which were published this week, amounts to £17.1 million, which is not reflected in the end-June statement of the gold reserves. This deficit includes £2.4 million due to EPU by way of debit interest on the overdraft maintained by Britain over the past six months, so that the month's net trading deficit was apparently £14.7 million, compared with one of £17.7 million in May and £20.2 million in April. The position is improving—but much too slowly to provide grounds for reassurance. Although the British quota in EPU is exhausted, so that deficits must now be paid as to 100 per cent in gold, the deficit for June will not lead to an equivalent gold payment by Britain to EPU. The actual gold payment will be £8,171,000. This abnormal difference between the deficit and the gold payment is explained by the relief that Britain receives from the special EPU arrangement with Belgium, whereby \$25 million of the Belgian credit to EPU is being converted into a bilateral credit to Britain. This credit is to be repaid by Britain by deliveries of armaments to Belgium over the next two years. This involves an immediate transfer of \$25 million from the Belgian credit balance with EPU to be applied to a reduction of the British overdraft, thereby correspondingly reducing Britain's gold payment this month. This procedure is that agreed at the recent meeting of the Managing Board of EPU and ratified by the

Standards for Steel Development

IN 1945, when the British steel industry drew up its first postwar development plan, the paramount objective was a quick increase in output. The second plan, which is to be published this autumn, again provides for major expansion. The plan proposes that the industry's capacity, already some 17 million ingot tons a year compared with 14 million tons in 1945, will rise to some 20-21 million tons. But this time particular emphasis is being placed upon "reducing costs and improving quality." This need provided ample justification for sending a steel productivity team to America last May. The British steel industry is not unduly humble towards the American steel industry, and does not need to be. But it cannot afford to ignore any lessons it can draw from the latest experience of the largest and most rapidly developing steel industry in the world. And the team's report—which is the longest, the best documented, and on any view the most important of those sponsored by the Anglo-American Council on Productivity—has come in time to set technical standards for the new development, on which £60 million is to be spent annually for several years.

The vast differences in the industrial environments of American and British steel hardly require emphasis. The sheer area of America and the vast investment in transport that it requires, the scale of American industry and oil production and the high domestic consumption of steel in houses and kitchen equipment together provide

Ministerial Council of OEEC. In terms of British gold and dollar reserves, it means that immediate credit is being taken in gold, to the extent of about £9 million, for exports due to take place over the next two years.

Against this anticipation of earnings, however, there should be offset a larger deferred receipt, namely, \$40 million that Britain should have received in the past quarter under the so-called Katz-Gaitskell agreement that guaranteed to Britain reimbursement by the United States of any gold lost to EPU as a result of drafts by EPU members upon their "existing" sterling resources, i.e., balances accumulated before EPU began in mid-1950. No funds were available to the United States Mutual Security Agency to meet this liability last month, but the necessary resources have probably become available upon the opening of the new financial year in the United States. This amount should therefore be received during the current quarter. This sum will be the last of Britain's receipts made under the agreement in question. Even though Britain may incur further gold losses as a result of utilisation by EPU members of what remains of their "existing" sterling resources, the United States' commitment to make good such losses is at an end.

When the tangle of non-recurring and seasonal factors, the best covering and American aid (on the continuance of which reliance should not be placed), has been cut through, it becomes evident that the sterling area continues to run a gold and dollar deficit that does not justify ministerial claims that a position of "equipoise" and of "holding the line" has been reached. Much has to be accomplished before even that result is secured.

the world's largest market for steel. The Lake Superior reserves of high-grade ore, married to the coking coal of Pennsylvania and West Virginia, account for the concentration of 90 per cent of American steel production (or almost half the world's) into the north-east of the United States. The high investment necessary in transport of steel-making materials, the high cost of labour, the standardisation of American demand, and the more rapid and recent development of the industry, have contributed to the concentration of American output, which is six times the British, into large works using large producing units. The older British industry has a considerable investment in a number of steelworks that contain some plant still too valuable to be scrapped, and their layout and balance limits the size and character of new plant. The tempo of development in recent years in the two countries is particularly important. In both, there was little expansion in the twenties. In the late thirties, Britain increased its output by 50 per cent; but during the war, not at all. It was not until about 1940 that American output passed the 1928-29 level; but during the war, with direct and indirect government assistance, its capacity was increased by 12 million tons. Inevitably, America disposes of much more up-to-date plant.

Can technical comparisons between the two industries, then, yield constructive results? Some would argue that as home trade delivered prices for heavy products in Britain average under £30 compared with £35 in the

United States, there is no virtue in comparing the two industries. But that is no answer; international comparisons of this sort are always rather dangerous, and in the case of steel especially so. The time may be approaching when steel will not be so easy to sell. The team has taken greater pains than perhaps any other in devising effective measurements of productivity; its conclusions are summarised in Table I. Briefly, plant productivity in America is on the average 1.5 to 2.8 times as great as in Britain; and as American manning of plant is lower, labour productivity there is twice as high. These advantages no doubt arise largely from factors that could never be made equal in the two countries. Nevertheless, they emphasise the need for some changes in plant and in technique in the British steel industry, in spite of the fact that its labour productivity has already risen by about 24 per cent since 1946.

By far the most important reason for the American margin of productivity comes from size of plant. The average American works making bulk steel has 2.9 times the capacity of the average British; the average steel furnace (basic openhearth) taps 5 to 35 per cent more steel; the average blast furnace has 2.8 times the yearly output. Comparisons of size—or of productivity—are less germane for rolling mills, owing to variations in product. The size distribution of furnaces and works in the two countries in 1950 is shown in the chart. British furnaces making iron for steelmaking still average only just over half the capacity of American blast furnaces operating on comparable ore burdens. In a few years' time, as more of the larger blast furnaces included in the first development plan come in, a considerable increase in average size will take place.

In the United States, blast furnaces and steel furnaces are traditionally driven harder than in Britain; and this higher intensity of operation is the second major factor in higher American productivity. This is made possible partly by an abundance of better materials; in Britain, fuel is more scarce, and the quality of ores is lower than is used in the United States. British fuel consumption in the blast furnace is lower than American, and the driving rate is to some extent limited by the need for economy in coke. The team would probably not advocate that British steel furnaces should be driven at American rates; in steel-making, indeed, the Ameri-

can industry has fewer useful examples to offer the British industry, and in design and instrumentation, the British standard is better. In general, it may be said that the team finds less to emulate in American practice than in American sizes of plant—though America's more efficient maintenance and repair of steel furnaces, and the lower rate of fuel consumption in soaking pits, are

TABLE I. PLANT AND OPERATIVE PRODUCTIVITIES
Approximate national averages in Tons (2,240 lb.)

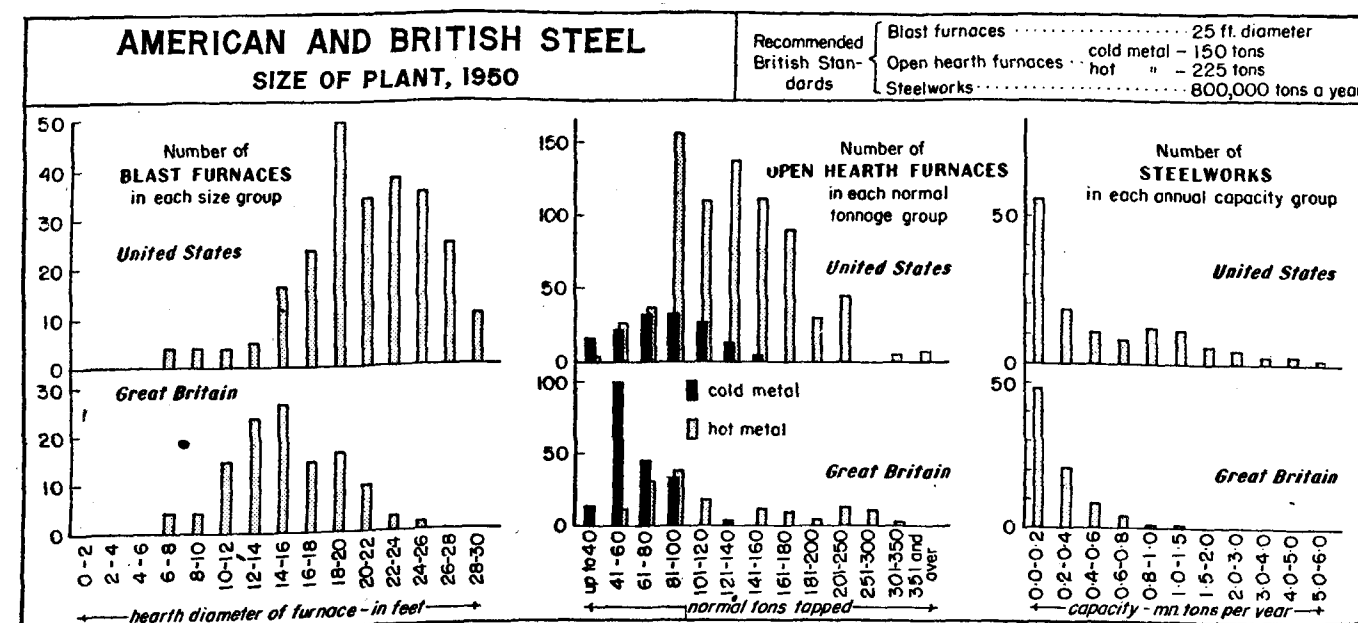
	Basic Iron	Heavy Steel Ingots and Products		
		Basic Cold	Basic Hot	Rolling
Furnace Productivity:—				
American	per year 276,000	per week 1,190	per week 1,870	about 1.5
British	99,000	666	1,310	
Ratio	2.8	1.78	1.43	
Labour Productivity:—				
American	per year 2,800	per year (1,470)	per year 2,306*	1.5 to 2
British	970	693	1,241*	
Ratio	2.92	(2.12)	1.86	
Labour Productivity:—				
American	per hour 1.4	per hour (0.74)	per hour 1.15*	1.5 to 2
British	0.404	0.29	0.52*	
Ratio	3.46	(2.55)	2.21	

* Fixed furnaces only. Values in brackets are of a low accuracy.

largely matters of organisation and rate of working. The report says carefully that the American steelworker "does not work harder." The productivity achieved by this American workman is greater because "he has to push his control levers, tap his furnaces and performs the many other operations in his daily duties rather more frequently, and every time he pushes a lever or taps a furnace a larger amount of steel is moved."

*

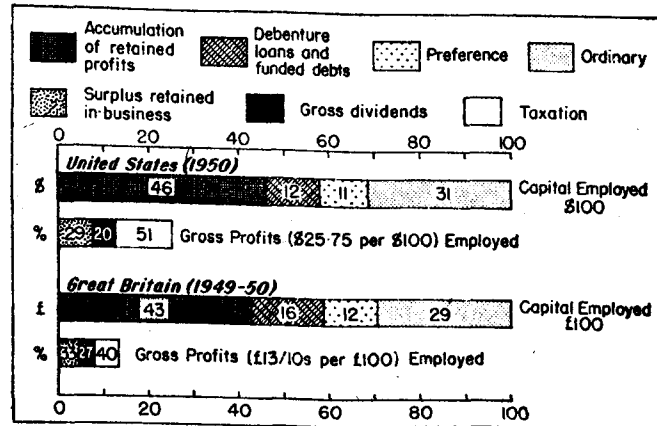
Since it believes the main American advantage is in size, the team's most specific recommendations naturally concern plant and are directed mainly to the planning of new development. It recommends, indeed, detailed standards for the main units of production, and from these recommends an optimum size of plant for British



conditions. The hearth diameter of a blast furnace, it holds, should not be less than 25 feet for imported ore burdens and 27 feet for home ore; openhearth furnaces using cold metal should tap 150 tons, fixed furnaces using hot metal 225 tons, and tilting furnaces using hot metal, 350 tons. The minimum size for an integrated steel works, assuming two blast furnaces and 65 per cent hot metal, with six to ten openhearth furnaces operating 44 weeks in the year, would thus be 750,000—1 million tons a year, and this accords with the capacities considered advisable for primary rolling mills. For a cold metal steelworks, a range of 500,000-850,000 tons a year might be advisable; but little expansion is likely to take place in Britain in this class of works.

These calculations would imply that the 20-21 million tons of annual output at which the industry is now aiming might best be produced in no more than 30 bulk steel plants. Today, Britain has 40 such plants, producing an average of 325,000 tons a year. Most of its blast furnaces, steel furnaces, and rolling mills, too, are well below the standards suggested; and some of the development agreed upon in 1945 fell short of the capacities now recommended. The plan now being finally drafted involves a large amount of new construction: pig iron out-

COMPARATIVE RETURNS FROM STEELMAKING



put for steelmaking is to be raised to 12½ million tons a year (providing thus 62½ per cent of steel ingots compared with 45 per cent in 1951). Presumably, too, it must accelerate the so far delayed process of scrapping obsolete plant. This planning implies two important things. First, it means the concentration of the industry in a smaller number of plants and extending on those plants. Secondly, it implies that if the steel industry is to be denationalised, the eggs when unscrambled will be very different from those that were originally broken.

But how far can a dual process of expansion and scrapping be carried? That is not a question for the productivity report to answer; but certain of the figures it quotes illustrate the problem clearly. To build a new integrated steel works today, it records, may cost £75 a ton of annual ingot capacity. That means capital charges of, say, £8 or more a ton of steel. Yet its highly approximate but also highly instructive breakdown of steel production costs (Table II) shows that the "balance" over material and labour and transport costs—which includes non-productive wages and salaries, taxation and dividends as well as profits ploughed back—may be only about 25 per cent of the final price—at present prices, about £7 5s. a ton for British steel. The costs, of course, vary widely for different steelworks. But upon such an average

margin, the building of large new integrated steelworks could hardly be lucrative. A cheaper form of expansion by extending existing capacity—for example making Margam, Corby, or Dorman Long larger, rather than building new plants—may be possible, conceivably at £50 or less a ton of annual capacity. In its second development plan, therefore, the British steel industry seems inevitably committed to that policy of "patching" than has brought it criticism in earlier years. To the extent that it can shave costs throughout the iron and steel production processes, it may free itself for more flexible development; but the table also emphasises how

TABLE II.—APPROXIMATE DISTRIBUTION OF STEEL COSTS*

	United States		United Kingdom	
	Per-centage of Sub-Total	Per-centage of Grand Total	Per-centage of Sub-Total	Per-centage of Grand Total
Ore, scrap and other materials.....	43	14	40	11
Fuel (mainly coke)....	38	12½	41	11½
Labour.....	4	1½	6	2
Balance†.....	15	5	13	3½
Total for Iron.....	100	(33)	100	(28)
Iron.....	41	(33)	35	(28)
Scrap, ferro alloys and other materials.....	37	29½	35	28
Fuel.....	3	2½	9	7
Labour.....	6	4½	8	6½
Balance†.....	13	10½	13	10½
Total for Steel Ingots..	100	(80)	100	(80)
Ingots used.....	...	(80)	...	(80)
Circulating scrap credit.....	...	-12	...	-7
Fuel.....	...	1	...	2
Labour.....	...	11	...	9
Transport (delivery)...	...	8	...	5
Balance†.....	...	12	...	11
Total for Heavy Steel Products.....	...	100	...	100

* The term "costs" is here used to include taxes and return on capital. † "Balance" includes all wages of employees outside production, salaries and other items of cost, taxes, profits ploughed back and dividends.

limited a section of costs these processes represent. On the average three-fifths of the total costs of steel may represent materials and coke; inland transport alone accounts for some sixteen per cent of the price. It is natural, therefore, that the industry should be anxious to extend its own control over orefields and coke-making, and should be pressing British Railways for more efficient handling of its materials and products. But it would perhaps have been justified in putting more emphasis upon another point that concerns an outside industry. Iron and steel plant today costs roughly as much in Britain as it does in the United States. Yet the British plant manufacturer probably pays no more for materials and in profits, and his labour—probably the largest component in his costs—earns only a third of American wages. Greater efficiency in this capital equipment industry, cheaper plant, and thus lower capital charges to be borne on the back of steel prices, would make an outstanding contribution to the installation of more efficient plant in the British steel industry—and accelerate the scrapping of technically obsolescent plant that has today, perforce, to be retained.



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Finance and Eastern Trade

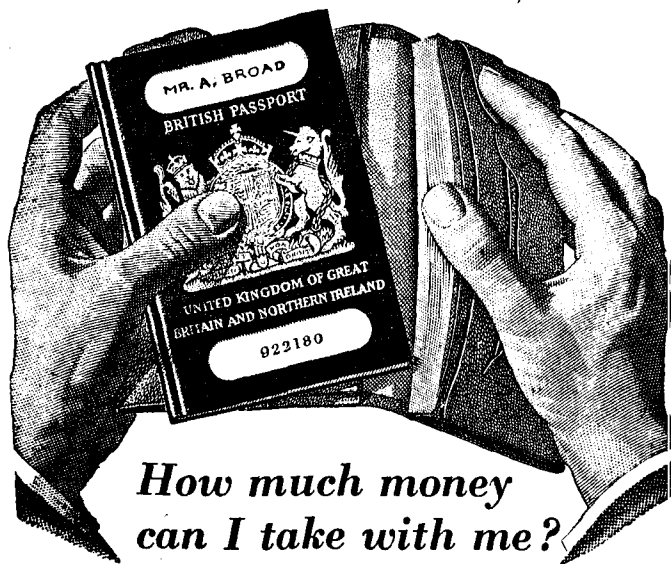
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Exchequer Deficit

TO some observers of Britain's financial scene, and especially to certain overseas observers, one of the most puzzling of recent tendencies has been the fact that the credit squeeze, despite its undoubted effectiveness in curtailing private credit, has not been clearly reflected in the behaviour of the volume of money as a whole. In the first two months of the current fiscal year, for example, its effects were strongly apparent in the movement of those assets of the banks that mainly represent finance for the private sector of the economy: in this period the clearing banks' advances and holdings of investments and commercial bills dropped by over £130 million, whereas in the similar period of 1951 the first two of these items rose by £43 million and the third item (not then separately disclosed) was probably rising too. Yet in these two months net bank deposits (which form the bulk of the total supply of money) rose by £12 million, to £5,697 million, or by only £30 million less than they rose in April-May, 1951. A broadly similar pattern emerges, moreover, if the comparison is extended to the first five months of the two calendar years. To the knowledgeable observer of banking statistics, this disparity between the behaviour of bank deposits and of these particular assets signifies that the effects of the contraction of bank finance to the private sector of the economy are being substantially offset by an expansion of bank finance to the public sector.

The extent of Government borrowings from the banking system in recent months has taken even well-placed domestic observers by surprise; and some overseas commentators have lately been drawing very sombre conclusions from it, arguing that if the budget were balanced "overall," as the Chancellor implied last March, no such borrowing would occur. The recent scale of borrowing is, therefore, being cited as proof that the budget plans have already gone seriously awry, and that the disinflationary intentions of the new monetary policy are being defeated by the failure of the Government to discipline its own finances. It has been repeatedly argued in these columns that the budget, even in its original form, was insufficiently tough to match the fundamental and longterm need to re-shape the British economy; but it is certainly premature to deduce from the evidence of these few months that the budget forecasts themselves have already been hopelessly falsified. Despite the concessions wrung from him during the debates on the Finance Bill, the Chancellor is still entitled to claim that the broad structure of his budget remains intact. This being so, the important question is whether the increase in Government borrowings means, as the overseas commentators have tended to suppose, that expenditure is seriously outrunning expectations. The Exchequer return for the first quarter of this fiscal year affords a convenient opportunity to examine this question; on this occasion, therefore, it deserves a closer scrutiny than is generally accorded to a statement that is notoriously unreliable as a guide to the outturn of the complete financial year.

Before scrutinising this document, however, it will be well to clear away one possible source of misconception. Even if the national accounts were to be balanced "overall" for 1952-53 as a whole, whereas in 1951-52 they

showed a deficit of about £140 million (an "above-line" surplus of £380 million being swallowed up by the "below-line" deficit), this would not necessarily mean that the Government would lean less heavily on the banking system or other domestic lenders than it did last year. Britain was then running a huge deficit on its external balance of payments, and most of the sterling equivalent of this deficit accrued as overseas finance to the Government (e.g., in return for sales of gold). Now the annual rate of total external deficit is much below the astronomical level attained at the end of 1951, so the volume of finance secured by the Government from overseas has been sharply contracted. Unfortunately, however, the rate of total external deficit in this past half-year has not been smaller, and may have been appreciably larger, than that for the first half of 1951 (when the annual rate was officially estimated at £186 million). The increase in Government borrowings from the domestic banking system over the rate obtaining in the first half of last year cannot, therefore, be attributed to any loss of finance from overseas sources. The explanation has to be sought in the pattern of the Government's domestic finances.

★

The Exchequer return shows that in the three months to June 30 the Government has needed substantially bigger sums for its domestic purposes. Expenditure "above-line," including provision for specific sinking funds, required £1,072 million, an increase of £240 million on the similar period of 1951-52, or only £22 million less than the true increase for which the budget estimates provided for the full year (i.e. before allowing for the nominal relief recorded in the accounts by a new form of accounting of £85 millions of expected Defence Aid from the United States). Nor is this all. The full intentions of the budget, it will be recalled, were not shown in the formal accounts, because the reduction of the bill for food subsidies (by £160 million, to £250 million, in a full year) and the partially offsetting reliefs in the form of increased social payments (£80 million in a full year) were to be accounted later; in the current year they were expected to produce the same net effect as in a full year, i.e. to reduce expenditure by £80 million. If allowance is made for this, the Government's extra expenditure in the first quarter has already exceeded by £60 million the addition expected in the year as a whole (if the item of Defence Aid is left out of the reckoning). On the other hand, the above-line revenue has so far been fortified by only a fraction (actually £25 million)

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of the £228 million gain that the Chancellor originally expected for the year. In consequence, the "above-line" account for the quarter shows a deficit of £201 million, instead of the surplus of £14 million shown last year—a deterioration of £215 million that contrasts with the improvement of £46 million envisaged for the year after making the adjustments noted above.

On the evidence so far available, however, there is no reason to suppose that this apparently ominous experience in the first quarter will not be substantially counter-balanced later in the year. Apart from the general consideration that the figures for the first quarter are always a poor guide to the whole year, several special influences are discernible. In the first place, there is no doubt that defence expenditure accounts for a large part, probably more than half, of the £240 million increase in expenditure. During 1951-52 defence outlays were rising fast, whereas now they are tending to flatten out; it is virtually certain, therefore, that the first quarter's spending this year represents much more nearly one-quarter of the year's gross provision (£1,462 million) than it did last year (when roughly £1,110 million was spent). It is evident, therefore, that it must have shown an increase of appreciably more than £100 million. Secondly, the cost of the debt service has risen by £23 million, the sharpness of this rise being partly due to the fact that six months' interest was paid during the quarter on the £1,000 million of Serial Funding stocks. Thirdly, as the Minister of Food explained in the debate on the cost of living on Monday, the major part of the increases in food prices required to achieve the proposed £160 million saving in the annual rate of the subsidy bill has been deferred to enable it to be synchronised with the reliefs. In consequence, the cost of subsidies cannot yet be running much below last year's rate of £410 million; for the year as a whole it is expected to drop to £309 million, and supplementary estimates have now been introduced to reduce the budget estimates to this figure. In addition, there is some reason to believe that the financing of purchases has temporarily raised the working capital requirements of both the Ministry of Food and the Ministry of Materials.

Finally, it should be noted that the biggest element in the expected revenue gain is one that will not accrue until later in the period; an additional £137 million was estimated for profits tax, which so far has provided only £9.7 million more. The yield from income tax, at nearly £46 million more for the quarter, appears, however, to be well up to expectations (£135 million more), despite the fact that the quarter has borne for PAYE wage-earners (though possibly not for all salary earners) its full proportionate share of the reliefs granted in the budget. Two sources of revenue, however, do seem to be lagging; customs and excise, from which an additional £64 million was expected for the year, have so far gained only £4½ million, while death duties, expected to fall by £8 million, have already fallen by nearly £13 million, or by 25 per cent.

On the whole, it seems reasonable to conclude that these special influences explain at least three-quarters of the apparent deterioration in the above-line account. The unexplained margin of perhaps £50 million is obviously too small to form a basis of any firm conclusions about the year's trends. On the other hand, it should be noted that the position contemplated in the

budget will, in any case, be worsened by the payments required to implement the Danckwerts award to the doctors (the net cost of this, according to a further Supplementary Estimate this week, will be £35.6 million—subject to tax) and by a further £13 million, representing the estimated cost, in this current fiscal year, of the recent concessions given in purchase tax rates and "D" levels.

Unfortunately, however, the deterioration in the above-line account explains only part of the additional pressure of governmental borrowings from the banks. Net expenditure "below-the-line," which in the full year was expected to drop by some £18 million to £506 million, has risen during the quarter by nearly 25 per cent—from £123 million to £154 million—principally because of the violent increase in new lendings to local authorities, which during the quarter have absorbed fully one-third of the £360 million (against £365 million) they were expected to require in the full year. In consequence, the Exchequer account as a whole shows a deficit of £355 million, compared with one of only £109 million in the first quarter of 1951/52 and with a budgeted deficit of £80 million for 1952/53 as a whole (again excluding Defence Aid). Moreover, whereas last year virtually the whole of the first quarter's deficit was financed by net borrowings outside the banking system (principally against tax reserve certificates, which yielded £81 million net), in this past quarter encashments of tax certificates and small savings have appreciably exceeded the new subscriptions.

By comparison with last year, the deterioration under the three heads of tax certificates, savings certificates and defence bonds amounts to no less than £115 million. Last year, of course, receipts from small savings were still feeling the stimulus of the new securities introduced in the previous February, whilst this year all three securities have been suffering from the competition of the higher yields obtainable in the market. As a Note on page 44 records, the Treasury has now attempted to meet this difficulty by raising the effective yield basis on defence bonds to 4 per cent for the full ten-year term. It has simultaneously announced that it does not intend to raise the rate on savings certificates. There remains the case of tax reserve certificates, on which the ½ per cent tax-free interest now looks unattractive even by comparison with the 2 per cent offered by the banks on deposit accounts. If this rate were brought into line with the market pattern, it seems probable that the Government's need to rely upon direct borrowings from the banking system would be perceptibly reduced. In view of the character of the monies in question, the true disinflationary effect of any such change might be very small; but it would at least help to rationalise the pattern of rates—and to reduce the risk that the behaviour of bank deposits may continue to give false impressions abroad.

Insurance Survey

Next week's issue of *The Economist* will include the annual INSURANCE SURVEY.

The Survey will be supported by statistical reviews of the business of the leading offices in the *Records and Statistics Supplement*.

Business Notes

Cables and Monopoly

The report of the Monopoly Commission on the electric cable industry is measured and critical. Those who had imagined that the two principal trade associations, the Cable Makers' Association and the Covered Conductors Association, were sitting targets for this kind of investigation may be surprised at the qualified approval that the commission gives to several aspects of their activities. But the report makes a sharp distinction in its recommendations regarding the trade in mains and supertension cables, on the one hand, and the trade in lighter cables known as "covered conductors." At present, members of these associations quote common prices for all types of cable. Together they are responsible for about 80 per cent of British production, and the independent producers who supply the balance usually quote prices slightly below those of the associations' members. The Commission recommends that the system of common prices for rubber cable and the CCA system of

Type of Cable	Home Sales in 1948	Average net profit on sales earned by members and associates		Percentage by value of supply made by independents in 1948	Name of any large buyers	Large buyers' purchases as percentage of total supplies of each type in 1948
		1938	1948			
Mains (not exceeding 33 kV)	£'000 16,789	Per cent 7.0	Per cent 5.4	Per cent 21.0	Electricity Authorities	Per cent 73.1
Super tension (over 33 kV)	403	10.8	3.8	Nil	Electricity Authorities	87.3
Rubber and plastic	18,254	11.5	15.1	24.0	Utilities, Govt. Depts. ...	12.6
					Electricity Authorities	5.9
Submarine	821	20.5	11.0	Nil	Cable & Wireless Ltd.	68.2
					Govt. Depts. ...	31.8
Telephone	5,343	23.0	8.7	Nil	Govt. Depts. ...	90.6
Cables insulated with cotton, silk, art silk, enamel, glass & asbestos	8,299	11.4	7.8	8.8	Govt. Depts. ...	5.1

common prices for covered conductors should be brought to an end. At the same time, it is prepared to accept the trade argument that unrestricted price competition might lead to an undesirable reduction in the quality of cables and to allow the CMA and the CCA to fix minimum prices "giving no more than a reasonable profit to the lowest cost producer of each type of cable," with supervision by the appropriate government department.

The members of the commission have evidently been impressed by the work of the associations in testing new products before they were put on the market, and by the high regard in which consumers here and abroad hold the CMA quality standard; until the recent evolution of a British Standard for cables, this was the only guide to quality that users had. The report recommends, therefore, that the practice of submitting new products for approval should be continued in spite of the "restriction of members' freedom that it involved."

Selling to a Single Buyer

There are certain features about the trade in mains and supertension cables that, in the Commission's view, put it beyond the test of normal competitive standards. For mains and supertension cables there is only one important buyer, the British Electricity Authority; the Post Office is the biggest customer for telephone cable, and Cable and Wireless Limited for submarine cables. Each of these bodies is strong enough to strike realistic bargains with the industry,

and on occasions they already insist on an independent cost investigation before tenders for bulk orders are accepted. The commission has taken the view that there is little risk that buyers such as these will be "exploited." But for other than bulk orders, the industry has adopted the practice of permitting one company to quote either a lower price or an earlier delivery date than the rest of the members to get an order that is then privately allocated between firms without the purchasers' knowledge. So far as this practice "ensures that the maker most fitted to carry out the order gets it," there are sound arguments for it. But the commission sees no reason why it should be done under the guise of competitive tendering, nor why it should be concealed from the consumer. The obvious effect must be to limit either new entry into the industry or any real expansion of individual capacity. But apart from this practice, the commission argues that to insist on completely free competition in the market for heavy cables might be positively harmful in that it would jeopardise close technical collaboration between makers that is especially valuable when new products are being developed, as supertension cables are now being developed.

Thus, the commission's strongest criticisms are directed towards the trade in lighter cables used for domestic and industrial wiring. Here it recommends the discontinuance not only of the common price policy and of all exclusive dealings and rebates that commit dealers and dealers' associations to buy only from members of the manufacturers' associations, but also of those internal arrangements that fix selling quotas for each company, and impose percentage penalties for infringing quotas that are higher than the profit likely to be earned on the extra orders. It now remains to be seen in what form these conclusions are to be implemented.

Progress on German Debts

In spite of the continued absence of the American bondholders' representative from the German debt talks in London, the negotiations are making satisfactory progress. Tentative agreements were reached last week between the German delegation and the main groups of creditors. Herr Abs, leader of the German delegation, then travelled to Bonn for further consultations with his government and has since returned to London, presumably to put the finishing touches to the agreements. The differences between the American and other national groups of creditors were discussed at the highest level during Mr Dean Acheson's visit to London. This disagreement on the gold and dollar clause appears to be the main obstacle to further immediate progress in the negotiations. It solely affects the committee dealing with the bonded debts of the Reich and public authorities. Despite the absence of the American representatives, this committee's discussions have reached the stage at which agreement could be reached at any moment. The standstill committee reached tentative agreement some time ago and that agreement has been presented and approved by the general creditors' committee. The committee dealing with industrial bonded debts is also on the verge of agreement, while the committee on commercial and miscellaneous debts may need a few more days before an agreement can be secured.

The German commitments involved in the tentative agreements reached by the four committees reach a total considerably in excess of the 170 million Deutsche marks which was the global sum indicated for prewar external creditors in Germany's original offer. The revised total commitments would appear to be nearer 300 million Deutsche marks. It remains to be seen whether the German Federal Government is prepared to shoulder this additional liability

or whether any attempt will be made to offset the larger payments to private creditors by some reduction in the amounts paid, at least in the next few years, to the three allied governments in respect of their postwar credits to Germany. A further minor hurdle may be presented by the creditors' wish to be paid in Deutsche marks wherever their debtors show willingness to honour their obligations in this way and the German Government's refusal to increase the volume of blocked marks against which German Exchange Control will have to contend. This, however, should not be a major obstacle to final agreement. The satisfactory progress made by the negotiations has been reflected in continuing strength and activity in German and also in Japanese Bonds which during the past week have provided the showpiece of the stock markets.

Ford Takes a Chance

The Ford Motor Company's decision to reduce export prices by 10 per cent for passenger cars and 7½ per cent for commercial vehicles has been taken when the motor industry is working on much reduced margins of profit per unit. It is a step carefully timed to prepare the way for a rising volume of exports later in the year. On the basis of its current export performance, the Ford Company can presumably expect to receive a generous allocation of steel in the last quarter of the year, when supplies to the industry will be increased. Without a price incentive, the company might have had to work hard to find foreign buyers for the extra vehicles; but a 10 per cent reduction may well offset or anticipate cuts in the prices of Ford's major European competitors. To take a specific example, during June, the Ford Anglia was selling in Belgium for the equivalent of £423 and the Prefect for £477. The German Volkswagen was selling at £441. A 10 per cent reduction in the price of the Prefect makes it cheaper than the Volkswagen, although the latter's price is liable to change so rapidly that this comparison may not be maintained for long. Among the slightly bigger models, the Ford Consul was selling for the equivalent of £655 compared with £568 for the German-built Opel Olympia, a car of roughly the same power. If the Consul's price is reduced by the full 10 per cent it would evidently be closely competitive.

The 5 per cent cut that is being made at the same time in home prices can hardly be designed to stimulate sales since the company has one of the longest home order books in the industry. It may, however, be a precautionary move intended to circumvent anti-dumping laws in certain markets abroad. These laws are liable to be invoked whenever there are signs of a widening gap between home prices and export prices. It now remains to be seen whether the rest of the industry will allow the Ford Company to take the credit for being the only big car producers to cut prices in the face of rising costs.

A New Defence Bond

The Treasury has always been slow to adjust the terms of "small" savings securities to changes in the yields obtainable in the market; and since the change in monetary policy the sales of these securities have in consequence been sharply reduced. Now a first move is being made to remove these disparities. The Chancellor announced last week that the existing issue of Defence Bonds, the Fifth Issue of 3 per cent Bonds that was launched early last year, will be withdrawn at the end of August and will be replaced on September 1st by a new issue of 3½ per cent Bonds. The Treasury is reverting to the earlier practice, dropped in last year's issue, of offering a tax-free bonus on redemption of bonds held for a minimum term. The new bonds will be redeemable at £103 for each £100 if held for ten years, when they will be repayable on application, and not automatically. Bonds encashed within five years will be repaid at par (on six months notice) but

between five and ten years will command 101 (on three months notice). The notice period may be waived at the request of the holder, but there will then be a corresponding deduction of interest—unless the purpose is the winding-up of a deceased holder's estate. The redemption yield on bonds held for ten years will be equivalent to nearly 4 per cent gross to a holder subject to tax at the standard rate, and on this basis is reasonably in line with the market. The nearest comparable securities—the 2½ per cent Funding Stock, 1956-61, and the 3 per cent Savings Bonds, 1955-65—last week offered redemption yields, to latest date, of £4 1s. 8d. per cent and £4 8s. 0d. per cent respectively; and these securities are, of course, subject to the risks of market fluctuation, from which Defence Bonds are protected by the preencashment facilities. On the other hand, it has to be borne in mind that the type of investor for whom the Defence Bonds are supposed to be designed is generally subject to a sub-standard rate of tax and is in any case more interested in the "coupon" rate than in the redemption yield.

For this reason, the response to this issue is more likely to come from the "once-for-all" purchaser of more substantial means who buys the full permitted holding of £1,000. The limit of £3,500 on holdings of existing issues (including the special Conversion issue of the new bonds that is now offered to holders of 3 per cent Bonds maturing between September 1st and December 31st next) is retained. Lord Mackintosh, the chairman of the National Savings Committee, suggested last week that this fact may induce an increase in purchases of the 3 per cent Bonds, during the next few weeks, by those whose holdings are still below the limit. He may be right; but these securities scarcely look attractive, as the recent record shows. In the first quarter of this fiscal year, although redemptions at maturity raised total repayments to nearly £36 million (against £12½ million in the comparable period of 1951), new sales dropped from £12.4 to £9.9 million. Lord Mackintosh also announced that no change is to be made in the terms of Savings Certificates, on the ground that their yield over ten years is already equivalent to £5 16s. per cent gross (also at 9s. 6d. in the £). It is hard to see how a yield basis that looked appropriate to the authorities eighteen months ago can still seem appropriate to them now.

Higher Bill Rates

During the past month the monetary authorities have been keeping the short loan market on a perceptibly tighter rein, and the "special buyer" has seemed to be increasingly reluctant to smooth out day-to-day deficiencies in the credit supply available to the discount market. In particular, it has this week left the market to face the full pressure of the banks' arrangements for their end-June balance sheets. This change of emphasis in official management of the credit position is the more significant in that it has been taking place at a time when the Treasury has been substantially expanding its borrowings on floating debt. Even before the half-year-end influences began to make themselves felt, the combined effect of the cautious attitude of the special buyer and of the increase in the offerings of Treasury bills at the tenders had been to drive the discount houses to borrow at the Bank of England, on its usual "penalty" terms, more frequently than had previously been necessary. Hence the additional disturbance caused by the half-year-end produced a situation that is without precedent for more than twenty years. Discount houses were "in the Bank" on five of the six business days ended on June 30th; and on only one of these days did the special buyer give any aid—for a small amount.

This increasing recourse by the market to costly finance—borrowing at the Bank must be for a minimum period of seven days, charged at 3½ per cent—and the signs of a toughening of the official attitude have inevitably produced

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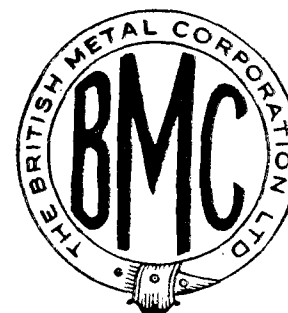
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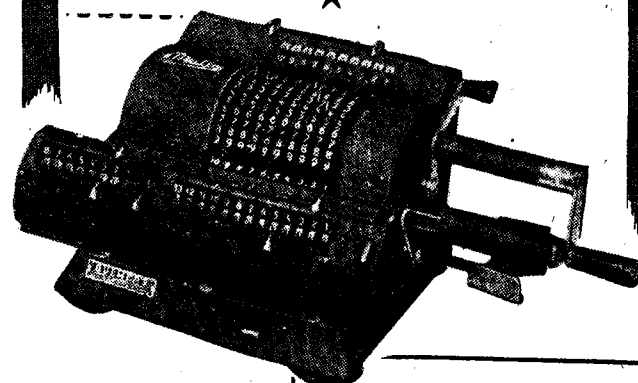


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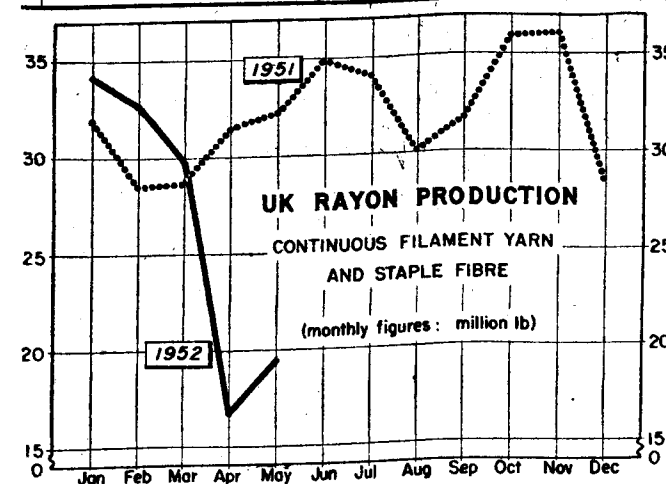
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a stiffening of Treasury bill rates. The sharpest rise occurred a fortnight ago, when the average allotment rate at the Treasury bill tender rose from £2 8s. 0.36d. per cent to £2 8s. 8.25d. per cent; but last week there was a further rise, to £2 9s. 0.44d. per cent. This is the highest rate since the new monetary policy was launched; at the first tender after the increase in Bank rate on budget day, the average rate was just over 2½ per cent. The increase would probably have been sharper still had it not been for the market's fear that, if it widened too substantially its gross margin over the clearing banks' 2 per cent charge for call money lent against Treasury bills, the banks might feel entitled to raise their charges. If the Treasury bill rate is prevented from rising further now, it will be principally for this reason—unless, of course, the authorities reverse their recent tactics and restrain the rise by giving more liberal aid at moments of money pressure. There is also the consideration that the pace of Treasury borrowing has recently slackened slightly: last week the excess of tender Treasury bill issues over maturities was £30 million (and this is likely to be the excess for the coming week too), compared with the additional £40 or £50 million a week that was being raised for some time previously.

Rearmament and Rayon

It will take more than Monday's promise of £1,250,000 worth of military orders to restore confidence in the rayon industry. Production rose very slightly in May from the disastrously low level reached in April, but by comparison with last November's production peak of 36 million pounds of yarn, an increase of 2.9 million pounds—from 16.6 million to 19.5 million—can be described only as an improvement from worse to bad. For what it is worth, this gradual rise can be expected to continue, for in mid-June four of Courtaulds' factories, at Carrickfergus, Wolverhampton, Aber and Castle, reopened after being shut down for four to five weeks. Each is operating on severely reduced



schedules and there is certainly no immediate prospect of the industry's output returning to the 1951 production levels of 30 to 35 million pounds of yarn a month.

The most that the Ministry of Supply can promise is to place limited orders (the quantities were apparently not impressive enough for Mr Sandys to give) for rayon underwear, sheets, pillow cases and lining materials. Rayon drills and other fabrics will be tested; this process can take years, but the industry will no doubt be grateful for the opportunity to show potential customers that there is no inherent defect in rayon which prevents it from figuring more conspicuously in military specifications.

The producers' own optimism is partially responsible for the severity of the slump in rayon; they continued to produce for stock long after orders had fallen below the level

needed to absorb a high rate of production. But the course of the depression has upset many preconceived notions about the behaviour of a buyer's market. Rayon, being the cheapest yarn on the market, might have been expected to escape more lightly than the higher priced cotton and wool, but the contrary appears to have been the case. A slow recovery in the volume of trade in cotton goods is reported from Lancashire, even at prices which appear to be considerably higher than rayon prices. The rayon industry has also to compete with the short memory of the market. The fact that rayon prices did not rise when other textile prices were rising so fast eighteen months ago is not accepted by buyers as an excuse for not reducing them now, when other prices are falling. The fall in prices of some fine cotton yarns has caused the spinners of rayon staple to reduce their prices by amounts varying from 2d. to 1s. a pound; this may promote a recovery in rayon staple, production of which has fallen from 16.7 million pounds last November to 5.5 million pounds in April, and 7.1 million pounds in May. But the rayon producers seem unwilling to follow the spinners' lead and reduce the prices of either continuous filament or staple fibre at this stage.

Power from Olympus

The first details released about the Bristol Aeroplane Company's Olympus jet engine shows that it ranks among the most powerful in the world with 9,750 pounds static thrust. This in itself is not of any great military significance, for a number of engines are capable of giving powers of around 10,000 pounds. But if the Olympus can give such an output on a fuel consumption as low as the designers suggest—0.766 pounds of fuel for each pound's thrust per hour compared with a rough average of one pound for existing engines—it could become the first jet engine to be put in a long-range bomber without imposing a crippling reduction on potential bomb-load to carry the necessary fuel. The designers have solved this problem by dividing the axial compressor of the engine into a high powered and low powered unit, each driven separately from a separate shaft. They claim that this gives the engine the fuel economy of high compression ratios with the easier handling associated with medium compression ratios; but this may not be achieved without cost, for the complications of the engine's design will pose a problem for the production engineers.

The Olympus is the first jet to be built by Bristol, and it may in some respects be regarded as a bid to make up ground lost to companies such as Rolls Royce, de Havilland and Armstrong-Siddeley. Each of these companies has been accumulating experience in design and in production of military engines during a period when Bristol has concentrated on the design of civil turbo-prop engines for the Brabazon and now for the Britannia airliner. No company of this size can afford to be excluded from the military market for any length of time. It is one in which British designers have been outstandingly successful since the war, and while there is a ready market for British designs abroad—the Olympus was bought by Curtiss Wright in America more than two years ago—competition for orders between companies at home is stronger, and more deadly than outside appearances might suggest.

Fire at Creswell

On the night of September 25, 1950, 80 miners died in a fire at Creswell colliery in Derbyshire, one of the best equipped mines in the country. Because the burning seam was sealed off for several months, the report on the fire has only recently been published. Like so many serious accidents, what could have been an insignificant outbreak became, through an uncanny set of coincidences, a major tragedy. The repair of a torn conveyor belt during the evening was stopped by the overman in charge of the night

shift because a length of coal remained to be cleared. During the night, pieces of the belt became wedged against the chute at the transfer point between two conveyors. The friction between these fragments and the moving belt set fire to the fabric which burned too strongly to be put out by sand and portable extinguishers. It could probably have been put out by water from the hydrants, but when the hoses were connected the water supply failed because the mechanical pump that fed it during the night was out of order and no provision had been made to adjust the valves of the surface tanks that fed it by day.

It is possible that more of the men at the coal face might have escaped if they had been given earlier and more urgent warning of the fire, and if repairs to the line had not delayed the train sent to bring them out. But apart from the human errors and ill-fated coincidences that played so large a part in the Creswell disaster, the report reveals that it was still possible for a well-equipped and well-managed mine to contain two serious fire hazards. One was the highly inflammable conveyor belting. The material used at Creswell, and throughout the industry, was rubber covered cotton duck, which has been shown by subsequent tests to burn rapidly under friction. Since the Creswell fire occurred, the Coal Board has intensified its tests of safer materials; it has been shown that if rubber is replaced by polyvinyl chloride, the plastic material will melt and put out any fire started in the cotton part of the belt. The substitution of this new material for rubber would increase the cost of the belting from 30s. to 42s. 6d. a yard, but the real reason why it has not been substituted on any scale is lack of production. There are 18 million feet of conveyor belting in use underground, of which 9 million feet are being replaced every year. Until producers change over to making plastic belting, as they are expected to do, the Coal Board can only get a few thousand feet of it a year.

The second danger brought out by the investigation was the use of a single air intake. The air at Creswell was driven at considerable pressure $1\frac{1}{2}$ miles to the coal face down an air intake that was also used by the coal conveyors, and drawn out through a separate return road along which the men travelled. When fire broke out in the intake route, smoke and fumes were driven rapidly down to the coal face, and then back along the return route where they caught up with the escaping men, all of whom died of carbon monoxide poisoning. Had there been more than one intake, this might not have happened. It is clearly impossible for the Coal Board to drive second air intakes along all the seams that now lack them, but they will in future be provided for all new seams and all developing seams. The cost in terms of money will be heavy. In terms of lives, it has already been paid.

* * *

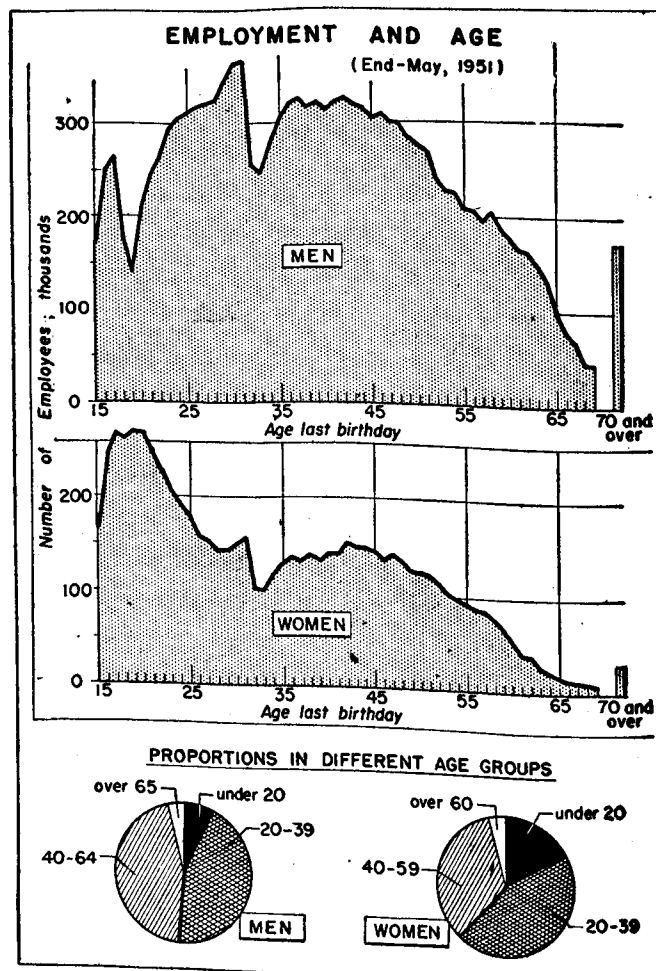
Productivity in Lancashire

The cotton industry's attitude to questions involving the re-equipment of mills and the redeployment of labour has made it an easy Aunt Sally, but a follow-up report by the Anglo-American Productivity Council shows that while advance has been lamentably slow, there have been sounder reasons for the delay than the loose accusation of obscurantism that is so frequently levelled against the industry. If it is to be justified, expenditure on new machinery and on machine refinements must go hand in hand with a reassessment of individual work loads. Few of the possible improvements result in any increase in individual output; the bulk of them serve to lighten working conditions. It follows that unless workers agree to mind more machines, and to do so without demanding a directly proportionate increase in wages, the result of such improvements is to increase the costs of production by the amount spent on re-equipment and not to reduce them. In mills where such agreement has been reached, results are spectacular. In one mill the

man-hours needed to handle 100 pounds of cotton in the ring room has been reduced from 12.08 in 1947 to 9.34 in January, 1951, and the figure of 5.6 hours should eventually be reached. Production per man-hour in the ring room of another mill has been increased by 30 per cent, while costs have fallen by 10 per cent.

In all too many cases, local union opposition has prevented similar schemes from being adopted, even though the general principle of redeployment has union approval. No figures are given in the survey for the sums spent on new machinery, but only 141 mills have actually introduced work-study schemes. This is an increase by numbers of 37 in the past 18 months; 30 per cent of all the members of the Master Cotton Spinners' Federations have introduced work-study schemes compared with the 25 per cent that had introduced them by the beginning of 1951.

There is some reason to fear that the present high level of unemployment in Lancashire will increase union prejudice to redeployment as well as management prejudice to spending money on new machinery that does not of itself make any contribution to higher output or a reduction in costs. During the past two years methods of increasing productivity have taken second place to those designed solely to increase production. The depression in Lancashire ought to make many managements look closely at their production costs for the first time in many months, for although Lancashire prices have been reduced by cutting profit margins, they are not falling as fast as those of their competitors in other countries. At the same time, the exodus of unemployed textile labour to other industries might lead to a scarcity of labour in individual mills when trade revives—of which there are now faint signs. This in turn might reduce local union opposition to redeployment. These are, however, only suppositions. Some companies have always been conspicuous for their enterprise. There are few signs yet of any real change of heart among the remainder.



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Fluctuations in New Issues

At first glance at the totals of capital issues, the capital market appears to have been far busier in the first half of this year than it was in 1951. But this impression is subject to two important qualifications. If the net sum of £148.5 million raised by the British Electricity Authority is excluded from the half yearly total of new issues, the increase in activity in the capital market, though still apparent, becomes far less marked. Moreover, the revival in equity issues largely took place in the first quarter of the year—before the increase in Bank rate imposed a new structure of interest rates on the market. The accompanying table, based on a more detailed analysis published in the *Records and Statistics* supplement, shows that equity issues by British and overseas companies totalled £78.6 million in the first six months of this year compared with £39.3 million in the first half in 1951 and with £41.9 million in the second half. Of this total, £55.6 million was raised before the end of

TOTAL BORROWING, 1950-52* (In £'s Million)					
	Jan.-June 1950	July-Dec. 1950	Jan.-June 1951	July-Dec. 1951	Jan.-June 1952
British:—					
Government†	214.3	217.3	48.1	61.4	134.6
Corporations†	...	3.5	...	3.2	...
Companies	21.9	80.4	53.1	70.4	76.4
Total	236.2	301.2	101.2	135.0	211.0
Empire	31.5	26.7	36.4	19.3	32.5
Foreign	0.8	1.2	9.7	...	...
Total	268.5	329.1	147.3	154.3	243.5
British and Overseas Companies:—					
Debentures	17.3	47.0	19.8	33.1	12.2
Preference	1.9	9.0	14.8	7.8	1.0
Ordinary	15.8	42.7	39.3	41.9	78.6
Total	35.0	98.7	73.9	82.8	91.8

* Excludes conversions and only includes direct offers to the public and shareholders.
† Includes net receipt or repayment of national saving certificates and defence bonds.
‡ Includes County and Public Board loans.

March. The increase in debenture stock issues in the second quarter of 1952, when £12.1 million was raised in this way, is largely accounted for by the Distillers issue of £10 million 5 per cent loan stock, with all the overwhelming attractions of rights of conversion into ordinary shares in the future. Fortunately, there are some signs that the new money raised in the capital market has been flowing in the right direction—towards the capital goods industries. Companies in the electrical manufacturing industries, for example, raised nearly £15.1 million in the first quarter of this year and another £6.1 million in the quarter that followed. But the fall of raw material prices from their giddy 1951 levels, coupled with the decline in demand in some industries, is clearly affecting industry's calculations of permanent capital needs. Requirements that seemed so pressing only nine months ago have been radically revised. Who shall say that the monetary weapon does not work?

Cheaper Jute

The outlook for the world jute industry remains confused and prices continue to fall. This week the Pakistan Government was forced to abandon its minimum internal price for loose jute because it could not fulfil its promise to buy all the accumulated stocks that were offered at the fixed price. As the export duty was also reduced the cost of Pakistan jute to overseas buyers has come down by about £30 a ton. The Jute Control in Dundee can now buy good quality jute at about £95 a ton although its selling price remains unchanged at £125 a ton. The Control will doubt-

less cut its price shortly, but the administrative delay in bringing British prices into line with world levels is adding to Dundee's difficulties. British manufacturers have a long standing complaint that the Control's price policy has placed them at a disadvantage with their overseas competitors.

This year the Government itself is likely to experience some of the disadvantages of government trading. The Control has found that jute buying is no longer the profitable business that it was when prices were rising last year, indeed it is believed to have incurred a £5 million loss on stocks when prices of raw jute and jute goods were cut last month. This reduction in prices did not produce the expected recovery in the industry and most of the spinners and manufacturers are still working only three days a week.

Now that world jute prices are at long last below the mid-1950 level, jute can again claim to be the cheapest packing material. A campaign to publicise the cheapness of jute is being conducted in the United States where several substitutes had been developed under the stimulus of last year's high prices. The Pakistan jute growing industry, however, faces a more immediate danger. This year's Indian crop should be sufficient to cover the requirements of the Indian jute mills which have previously drawn a large part of their raw jute from Pakistan. The world crop will probably amount to about 11 million bales, and in addition there is a carryover of 1½-2 million bales from the 1951 crop so that total supplies next season may reach about 13 million bales. At present, world consumption is only running about 8 million bales. Even if it rises to 10 million bales next year (6 million bales for the Indian mills and 4 million bales exported as raw jute) there will still be an unhealthy surplus.

Industrial Production

Preliminary estimates of industrial production in May (1946=100) suggest that the index is likely to reach 148.9 compared with 139 in April and with 144 in May last year. Such a direct comparison can be misleading because while Easter fell in April this year, it was a month earlier last year and so was Whitsun. The index for 1951 showed the same 10 point increase between March and April, from 141 to 151 that took place between April and May this year, while the Whitsun holiday brought the May, 1951, index down again, to 144. On the average, production during the first five months of this year shows almost no change on 1951. There have been unmistakable signs in recent months that the rate of industrial production was no longer increasing, but the detailed figures for April this year show that it may in fact have started to fall in certain important sectors. But for the rising rate of building, the April index would probably have been much lower, for while the building index was, at 135, only two points down on March (and 6 points up on April, 1951) the manufacturing index fell from 154 to 143 compared with 147 in March and 158 in April the previous year.

Delays in British Exports

The "warning" from South Africa's Minister of Transport, Mr Sauer, that British manufacturers must carry out their promises of delivery if they hope to keep their markets, was specifically related to railway rolling stock; but it is worth attention in other industries. The Minister is reported to have said that he had cancelled some orders in Britain and placed them with other countries. This might cost more; but the goods arrived by the dates for which they were promised.

In the manufacture of railway equipment, as in a wide range of British engineering industries, the delivery periods now being quoted are generally longer than those offered by foreign manufacturers. To a large extent, this is one consequence of the fact that British order books are longer; it cannot be altered much without increases in labour, capacity or materials that are not practicable in the short run. But failure to deliver by the date promised is less easily excused. It is widespread. One important British company operating at home and overseas, which makes huge purchases of goods

DELAYS IN DELIVERY OF A SAMPLE OF INDUSTRIAL EQUIPMENT AND STORES

	Britain			USA	Continent
	Early 1950	Early 1951	Present Time	1952	1952
Delivered "on time" (i.e., to deliveries quoted)...	50	57	60	81	75
Up to 3 months late....	69	80	87	92	97
Up to 6 months late....	81	86	95	97	99
Up to 12 months late....	86	90	98	...	...
Up to 15 months late....	90	92	99	...	...

in this country mainly for "export" to its own plants throughout the world, has for some considerable time maintained a record of the "degree of lateness" with which these goods arrive, from British and foreign suppliers. Recent results of this survey are shown in the accompanying table.

About a fifth of the goods in question are specialised capital equipment, and a large proportion of the remainder are general stores and equipment of which some need to be made to specifications not ordinarily used in Britain. The total purchases, in this respect, might not be a bad sample of the goods Britain sends overseas. The table shows an

improvement in the "degree of lateness" of British deliveries; but it shows hardly any change in the percentage of British goods that are actually delivered as promised. During the last year there appears to have been a slight drop in the percentage of American and Continental goods that arrive by the date promised; but both groups of manufacturers keep their delivery promises much better than the British do. This is not the best of signs for the future of British exports in an increasingly competitive world market; it may already be tending to offset the advantage in price that many British engineering products still possess.

Shorter Notes

The new fire precautions to be observed on the railways appear to be the result of personal intervention by Lord Leathers in the controversy between the Ministry of Transport's inspecting officer of railways and the Railway Executive. Lord Leathers has announced that in future no highly inflammable finishes would be used in carriage interiors, that all train crews would be given a special fire routine, and that new sleeping cars would be all-steel, with emergency exits in the windows and a centre exit in addition to those at each end of the coach.

*

On July 1st the Ministry of Materials increased the price at which it sells virgin aluminium ingots from £154 to £157 a ton delivered at consumers' works. According to the Ministry the increase was necessary because of the further appreciation in the Canadian dollar. The price was last increased at the beginning of April when it was put up from £148 a ton.

Company Notes

Rolls-Royce.—Two questions arise from an examination of the full accounts of Rolls-Royce for last year. The first is whether the stream of profits from rearmament will lead automatically to increased equity dividends; the second concerns the company's prospects when rearmament comes to an end. That may be looking far ahead, but the chairman, Lord Hives, gave a none too reassuring answer to the second question. He points out that the present defence programme "can only be regarded as a gigantic stockpiling operation in any circumstances short of war." To some extent therefore the present level of activity must be at the expense of future orders—short of war itself. Nor can the aircraft engine industry expect to receive at the end of the rearmament boom a similar fillip as that given to development and production at the end of the last war by the replacement of reciprocating engines by gas turbines.

In the short run, the first question on rearmament and increased dividends appears to have been answered favourably by last year's increase in the total dividend to 15 per cent, paid on the ordinary capital as increased by a 100 per cent scrip bonus, as compared with a dividend of 25 per cent in 1950 on the original capital of £1,533,333. Lord Hives indicates that last year's increase in turnover and in trading profits (from £1,575,120 to the record figure of £2,210,943) owed little to governmental assistance and that a good part of future earnings will have to be ploughed back to meet the cost of a further expansion in fixed and working capital. The plant and facilities so far provided by the government made very little contribution to turnover last

year and Lord Hives suggested that the effect of governmental aid is not likely to be reflected in production and profits until 1953. The chief source of the increase in revenue last year was "the increased and more up-to-date production facilities" provided by the

Consolidated earnings:—	Years to Dec. 31,	
	1950	1951
Trading profit	1,575,120	2,210,943
Total income	1,863,458	2,587,983
Depreciation	535,805	707,997
Taxation	803,369	1,179,139
Net profit	466,499	546,063
Ordinary dividends	184,000	241,500
Ordinary dividends (per cent) ...	25	15
General reserve	100,000	125,000
Added to group carry forward ..	182,499	179,563
Cons. balance sheet analysis:—		
Fixed assets, less depreciation ...	2,170,627	2,850,945
Net current assets	3,284,233	4,050,895
Stocks	2,686,190	4,276,059
Cash	636,770	801,057
Reserves	3,213,433	3,994,447
Ordinary capital*	1,533,333	3,066,666
£1 ordinary stock at 54s. 6d. yields £5 10s. per cent.		
* Includes workers' stock of £145,000.		

company itself. The group, as well as financing an increase in stocks from £2,686,190 to £4,276,059, spent rather more than £1,350,000 on fixed assets, bringing the total sum spent since the end of the war to over £4 million. Although the government will bear part of the cost of fresh extensions, the company will still have to find a good part of the finance needed for capital development from its own resources; at the end of last year commitments on capital account already totalled £1,025,000. At the moment the group's liquid resources appear to be no more than adequate to meet these commitments. Pre-

sumably therefore in the initial stages of the rearmament programme the directors will be still inclined to place the emphasis upon the reinforcement of reserves rather than on meeting any claims for an increase in equity distribution. And the common fund available both for dividend payments and reserve appropriations will be reduced by the incidence of EPL.

Patons and Baldwins.—Shareholders in Patons and Baldwins had been prepared for the worst by the guarded warning made by the directors when the interim ordinary dividend was cut from 5 to 4 per cent at the end of last January. Even so the sharpness of the reversal of the company's fortunes that turned a trading surplus of £3,252,023 into a loss of £916,500 in the year to May 3rd was a harder blow than might have been expected. This deficit is struck after writing down the stocks of wool tops and yarns to their market value on May 3rd. As the group's stocks were valued at nearly £14 million at the beginning of the financial year and as wool prices have more than halved since this date the losses on stocks must have been heavy indeed. After crediting a surplus on the sale of property of £184,457, an exchange profit of £69,472, and tax refunds of £277,508 the net group deficit has been reduced to £482,660, as compared with a net group surplus of £1,278,235; this deficit has been struck after charging £97,597 as tax on the year's distributions.

Fortunately for the company and its shareholders, the directors had made a special provision against such a fall in wool prices

by building up a contingencies reserve of £2,800,000. By writing back £700,000 from this reserve the directors have been able to cover the trading loss, to pay the fixed preference dividends, and to pay a total equity dividend for the year of 10 per cent; this has been done at the expense of only a slight draft on the carry forward of £30,590. The halving of the ordinary dividend can be regarded as a satisfactory outcome of a year of troubles. The stock market certainly has not been plunged into gloom by the statement by Patons and Baldwins; after the announcement the company's £1 ordinary shares were marked down 4s. to 42s. 10d., but on the following day the price recovered to 44s. 10d., to offer a forward-looking yield of 4 9/8 per cent.

Boots Pure Drug.—The procedure adopted by Boots Pure Drug of not presenting a consolidated balance sheet is far from helpful. The company's practice of drawing up separate accounts for its main geographical trading divisions provides supplementary information, but this is no effective substitute for a balance sheet giving the group's position as a whole. Shareholders also have other reasons to complain of the presentation of the accounts for the year to March 31st. No fresh information apart from the bare accounts is given—and there is one surprising omission. When the preliminary statement of profits was published group trading profits were shown after making special provisions for stock losses. In the full accounts gross profits are shown to have increased from £3,785,738 to £4,049,970, but no mention is made of the stock losses provision; the directors would have done well to give shareholders some information on the extent of these losses. Shareholders will have to await the annual general meeting to discover how the group fared last year and how it will fare in the current year. All that can be reasonably

	Years to March 31, 1951	1952
Trading profit	3,785,738	4,049,970
Depreciation	508,429	591,255
Taxation	1,361,199	1,531,009
Net profit	1,916,110	1,917,605
Ordinary dividends	412,800	470,400
Ordinary dividends (per cent)	40	20
Retained by subsidiaries	365,308	270,495
General reserve	250,010	—
Stock replacement reserve	—	250,000
Added to carry forward	18,132	76,710

	Years to Dec. 31, 1950	1951
Trading profit	1,801,871	2,163,420
Total income	2,005,266	2,424,893
Depreciation	238,807	281,178
Taxation	850,082	1,123,272
Net profit	610,672	657,864
Ordinary dividends	294,258	371,089
Ordinary dividends (per cent)	18	23
General reserve	282,151	388,536
Property reserve, etc.	110,443	77,521
Added to group carry forward	33,944	2,182

	Years to Dec. 31, 1950	1951
Fixed assets, less depreciation	7,307,372	7,931,651
Net current assets	2,822,038	6,582,617
Stocks	5,983,574	7,443,932
Cash	—	139,695
Bank overdraft, less cash	875,380	—
Reserves	6,559,564	7,630,995
Ordinary capital	1,920,000	5,120,000

surmised from the accounts is that an ordinary dividend of 20 per cent will be paid in the current year if earnings are maintained. That this is the directors' intention may be assumed from the payment of a final dividend of 10 per cent on the ordinary capital of £5,120,000, as increased by the rights issue of 5,120,000 5s. ordinary shares at 16s. each last March; this payment followed two interim dividends of 5 per cent each after a 100 per cent scrip bonus had been distributed but before the rights issue.

The cash issue of equity shares has lightened the burden of financing heavier commitments in working capital, but there are still some signs of strain in the balance sheets. In the parent company's balance sheet the bank overdraft, which was shown after deducting cash in hand at £875,380, has been replaced by a cash balance of £130,685; but in the consolidated balance sheet of the subsidiary companies' amounts owing to the banks, less cash in hand, have increased from £674,137 to £900,325. Mean-

£5,983,374 to £7,443,932 and the value of stocks held by subsidiaries from £5,803,291 to £6,402,072. A fall in raw material prices and a prompter settlement of the National Health Service accounts would ease the financial burden this year, but the group still has heavy capital commitments—of the order of £956,000—to meet.

Whitbread.—Taxation is the principal theme of the statement made by Col. W. H. Whitbread. The chairman puts last year's results in proper perspective by pointing out that the greater part of the increase in group trading profits (from £1,801,871 to £2,163,420) was swallowed up in taxation and that group net profits showed an increase of only £46,592. To hammer the point home, Colonel Whitbread adds that while taxable profits are four times as much as in 1938 the burden of taxation has increased in the same period by nearly six times. Moreover, plant has to be replaced at three times its original cost—"a factor which does not seem to be sufficiently recognised by the revenue authorities." Once taxation has been taken into account the return on the company's efforts to increase its export trade is only slight. Last year the company increased the value of its total exports by 50 per cent and the value of its exports to hard currency areas by about 33 per cent. The company may not repeat its success in the export markets this year, for import restrictions have already nearly wiped out the useful volume of trade developed in Australia in 1951.

Whitbread is yet another company whose attempts to replace plant and machinery and to install additional equipment have been hampered by high rates of tax. Last year the company spent nearly £700,000 on bottling depots, licensed and unlicensed properties and other fixed assets. At the same time about £300,000 more was locked up in stocks and about £460,000 more in debtors, as a direct result of the increase in trade. The company decided to finance these developments by the issue of £2,000,000 4 per cent debenture stock, 1964-84, at 98½ last Novem-

	Years to Dec. 31, 1950	1951
Trading profit	1,801,871	2,163,420
Total income	2,005,266	2,424,893
Depreciation	238,807	281,178
Taxation	850,082	1,123,272
Net profit	610,672	657,864
Ordinary dividends	294,258	371,089
Ordinary dividends (per cent)	18	23
General reserve	282,151	388,536
Property reserve, etc.	110,443	77,521
Added to group carry forward	33,944	2,182

	Years to Dec. 31, 1950	1951
Fixed assets, less depreciation	8,575,810	9,456,772
Net current assets	2,940,307	4,216,202
Stocks	2,211,266	2,608,265
Cash	1,305,934	2,251,744
Reserves	4,650,743	5,037,642
Debtors	2,409,908	4,381,976
Ordinary capital	3,073,200	3,073,200

ber. The chairman remarks that "such favourable terms of borrowing may not recur for some time"; presumably the underwriters, who had to take up 80 per cent of the issue and who have seen the price of the stock fall to 89½, would make a more rueful comment. Thanks to this issue the company's cash resources are more than ample enough to meet outstanding capital commitments of £473,000. The reinforcement of liquid resources, together with the expansion in business, presumably lay behind the directors' decision to increase last year's equity distribution from 18 to 23 per cent; this dividend represented only 2.2 per cent of the parent company's gross revenue, as compared with the beer duty that absorbed 44.8 per cent of the gross receipts. Colonel Whitbread adds that the figures and estimates for 1952 justify confidence in the immediate future—a confidence that stockholders, aware of the company's considerable interests in

SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to July 2		British Funds and Guaranteed Stocks	Price, June 25, 1952	Price, July 2, 1952	Gross Yield, July 2, 1952
High 100	99	War Bonds 2½% Mar. 1, 1951-53	99½	99½	6 s. d. 3 5 5
100	97½	War Bonds 2½% Mar. 1, 1951-53	98½	98½	3 12 14
99½	96½	Exch. Stk. 2½% Feb. 15, 1955	96½	96½	3 13 4
100½	99	Ser. Fund. 1½% Nov. 14, 1952	99½	99½	2 15 3
100½	97½	Ser. Fund. 1½% Nov. 14, 1953	98½	98½	2 13 8
99½	96	Ser. Fund. 1½% Nov. 14, 1954	96½	96½	3 3 8
99½	95½	War Bonds 2½% Aug. 15, 1954-56	95½	95½	4 13 3
100½	96½	Funding 2½% June 15, 1952-57	96½	96½	3 12 9
100½	97½	Nat. Defence 3½% July 15, 1954-58	*97½	*97½	3 9 8
100½	96½	War Loan 3% Oct. 15, 1955-59	97½	97½	3 13 0
98	87	Savings Bonds 3% Aug. 15, 1955-65	87½	87½	7 19 2
94	88½	Funding 2½% Nov. 15, 1956-61	88½	89½	4 7 2
87½	81½	Funding 3½% Apr. 15, 1959-69	82	82½	6 8 2
88	82	Funding 3½% Aug. 1, 1966-68	*82	82½	4 14 1
99½	94½	Funding 4% May 1, 1960-90	94½	94½	4 18 0
87½	80½	Savings Bonds 3% Sept. 1, 1960-70	81½	81½	6 11 1
85½	79½	Savings Bds. 2½% May 1, 1964-67	80½	80½	4 15 0
101½	98½	Victory Bonds 4% Sept. 1, 1920-76	98½	99½	4 4 3
84	78½	Savings Bonds 3% Aug. 15, 1965-75	78½	78½	5 7 8
90½	82½	Consols 2½%	*82½	*82½	4 11 4
82½	73½	Conversion 2½%	73½	73½	4 17 1
60½	53½	Treasury Stk. 2½% (after Apr. 1, 1975)	54	54½	4 16 2
71½	62½	Treasury Stk. 3% (after Apr. 5, 1966)	63½	63½	4 15 3
89½	83	Treasury Stk. 3½% June 15, 1977-80	83½	83½	4 12 1
78	73	Redemp. Stk. 3% Oct. 1986-96	74	74½	4 11 5
81	72½	War Loan 3½% Nov. 15, 1979-79	73½	73½	4 16 2
61½	55½	Consols 2½%	*55½	*55½	4 9 8
85½	78½	Br. Elect. 3% Gtd., Apr. 1, 1968-73	79½	79½	4 19 4
84½	77½	Br. Elect. 3% Gtd., Mar. 15, 1974-77	78½	78½	4 12 2
99½	97½	Br. Elect. 4½% Gtd., Sept. 26, 1974-79	98	97½	4 13 5
90½	84½	Br. Elect. 3½% Gtd., Nov. 15, 1979-79	85½	84½	4 10 8
78½	72½	N. T. 15, 1978-88	*72½	73½	4 15 8
85½	78½	Br. Tpt. 3% Gtd., Apr. 1, 1968-73	79	79½	4 19 8
77½	72½	Br. Gas Gtd. 3% May 1, 1990-95	72½	72½	4 10 10
93½	87½	Br. Gas Gtd. 3½% Sept. 10, 1969-71	87½	87½	4 13 5
89½	83½	Br. Iron & Steel 3½% Feb. 15, 1979-81	84	84½	4 12 0

COMPANY MEETINGS

STEEL BROTHERS AND COMPANY

HIGHER EARNINGS OFFSET BY RAPACITY OF TAX COLLECTORS

GROSS INEQUITY OF PRESENT SYSTEM

MR J. K. MICHIE'S REVIEW OF WIDESPREAD INTERESTS

The sixty-first annual general meeting of Steel Brothers and Company, Limited, was held on July 1st in London.

The following is the statement by the chairman and managing director, Mr J. K. Michie, which had been circulated with the report and accounts for the year ended December 31, 1951:—

Since my last report was written we have suffered a sad loss through the death of Mr W. T. Howison, who had been a member of the board since 1930 and a member of the staff since 1904. His wise counsel is greatly missed.

As from January 1, 1952, Mr G. S. Nicoll, CBE, and Mr A. McGilvray, both of whom joined our Eastern staff in 1919, were appointed to the board as manager directors, and their accession strengthens our counsels and lessens the burden on our managing directors.

In our accounts for the year 1951 which accompany this statement balance-sheet totals are again up, while profits of the parent company at £783,462, against £708,130, again show a considerable increase despite the need for writing down stocks at December 31st. Due, however, to the rapacity of tax collectors, who this year take £474,000, against £415,000 last year, and the provisions necessary against the further considerable fall in the values of our stocks which has happened since January 1st, the balance available for dividends and reserves is smaller.

As I reported last year, 1951 began well, but trading became progressively slower and more difficult, and most markets continue to show the same trend. In textiles especially it seems difficult to find equilibrium.

BURMA

My reading of the present situation is that the financial position of the Government is relatively stronger than its political and physical control of the country. In certain districts law and order has deteriorated further, while there is as yet no sign of a settlement of the Karen problem. The prices Burma is able to obtain for her still very limited exportable surplus of rice have reached new heights, and this has greatly strengthened her balance-of-payments position, though not the spending power of the people; but in the longer term the economics of the country cannot but be adversely affected by the loss of control of the teak forests and of tin and rubber producing areas and by the lack of progress in increasing rice production.

The financial and economic policies of the Government have made trading increasingly difficult. The great bulk of Burma's exports is handled or influenced by and through Government agencies and the tender system by which "free" rice is sold in our opinion is far from a satisfactory method.

There is a comparatively low ceiling to the prices the cultivators can get for their paddy and the country's spending power is being accumulated in the coffers of Government which is unwilling or unable to release it. More encouragement to the cultivator it seems to me would have effects which would redound not only to the benefit of the trade

of the country but also through the contentment of the people to the strength of its Government. In these circumstances our rice business continues to be confined largely to acting as procuring and shipping agents for certain Colonial Governments.

In default of adequate supplies of logs our saw mills continue silent and for the same reasons opportunities for trading in Burma timbers are limited.

Due to heavy overtrading by a large section of importers and dealers at the end of 1950 and early last year, and also because of the lack of funds in the hands of the cultivators, the import trade had a very poor year. For a large part of 1951 stocks were extremely difficult to move, and what looked cheap a year ago by December 31st had become dear.

Despite the loss of production from one of our estates which is still in the hands of an insurgent group we had a good year in rubber.

In co-operation with the Burmah Oil Company, Limited, and the British Burma Petroleum Company, Limited, our subsidiary, the Indo-Burma Petroleum Company, Limited, continues to produce, refine and distribute the maximum possible of petroleum products which conditions in Burma allow, and conversations with Government continue regarding the formation of a joint venture to take over the production and refining of mineral oil now done jointly by the three companies.

The plant at Thayetmyo of the Burma Cement Company, Limited, is now in full operation. This is another industry in which the Government of Burma seems disposed to take a financial interest, but it is unlikely that finality will be reached for some time.

Strand Hotels, Limited, Rangoon, had another good year and in response to an insistent demand steps have been taken to increase its accommodation.

INDIA

As in other countries, trading in Indian markets has been difficult and restricted, due to falling prices for her produce, but we were able to do a fair export business in gunnies from Calcutta. Our food procurement agency for the Indian Tea Association has again worked smoothly, despite many difficulties of supply, transport and distribution. Our managing and selling agencies for the Indo-Burma Petroleum Company, Limited, and Assam Sillimanite, Limited, ran a normal course.

PAKISTAN

The fall in jute and cotton prices during the second half of the year following on the uncertainty in the previous quarter turned a very promising year's trading into a very moderate one, particularly in Western Pakistan.

Until confidence or buying power returns import markets in Pakistan are likely to remain difficult, for there is still a certain amount of surplus stocks of some standing to be digested.

It is hoped that Governments such as

Pakistan and India will accept the change from a sellers' to a buyers' market by taking off their heavy export duties. Something has been done in this respect, but it is not enough, and price support systems are no substitute for ensuring exports and collecting foreign currencies.

Export taxes merely mask real values at both ends. Producers do not get their fair share of proceeds, while overseas buyers naturally cannot but suspect the prices they are asked to pay. In the final event the strain comes on the currency of any producing country which follows a policy of, on the one hand, collecting an export duty and, on the other, taking over and carrying what exporters cannot dispose of.

HONG KONG

As was natural, the volume of trade passing through Hong Kong last year fell considerably, and although satisfied with our share this had its effect on our results.

JAPAN

During 1951 the volume of our trade in our two offices, Tokyo and Osaka, increased considerably, although in themselves the branches did not show a profit.

SIAM

Our efforts to engage in the "free" export trade in rice were unsuccessful and the prospects of re-entering it in present circumstances seem to be somewhat remote. The Siam Rice Agency continued its good work. Trading at Bangkok, partly due to exchange fluctuations, continued to be difficult and speculative, although we endeavour to eliminate the second element, as far as this is possible.

CEYLON

Prices of most of her produce fell during the period, but despite this Ceylon again had a prosperous year and our subsidiary, Messrs E. B. Creasy and Company, Limited, did well. The effects of the continued fall in prices of tea, rubber and copra are, however, now being felt and will manifest themselves in this year's results.

MIDDLE EAST

Our associate company, Messrs Spinney's (1948), Limited, which operates in Iraq, Syria, Lebanon and Cyprus, had a satisfactory year. Currency difficulties again restricted our agency operations in Israel.

EAST AFRICA

Our associates Messrs A. Baumann and Company, Limited, continue to develop their business on sound and satisfactory lines, helped by continued good markets for coffee and sisal. Steels (Tanganyika Forests), Limited, during 1951 were still encountering teething troubles and the company has not yet reached the profit-earning stage, though that should not long be delayed.

British Guiana.—The development of British Guiana Timbers, Limited, under our managing agency continues, but as it is over-

whelmingly a CDC concern it is not for me to comment on its progress or results.

CARBUTT AND COMPANY (1928) LIMITED.

Our home subsidiary again had a satisfactory experience as considerable quantities of rice were imported into this country in 1951, but here, again, prospects are uncertain.

A development during 1951 was the acquisition of a 50 per cent interest in Yorkshire Agricultural Driers, Limited, a company with a capital of £20,000 which is engaged in the growing and important dried grass industry.

MACTAGGART AND EVANS, LIMITED

Results were again slightly on the wrong side, but the crying need for chemical and industrial research in this country makes us confident that this company has a sound as well as a useful future.

OIL PROSPECTING IN ENGLAND

Some years ago we made an unsuccessful effort to find mineral oil in England at Edale in Derbyshire. Recently our geological staff have made further investigations and as a consequence we applied for and have received prospecting licences covering an area of 400 square miles in Lancashire. Some oil has been found in the vicinity by the D'Arcy Syndicate and we are moderately hopeful. It is expected that drilling operations will be started within a few months.

PROSPECTS

As I have already indicated and as is universally known we are all in the process of assessing whether we are in the midst of a recession or of something bigger of the same nature and most people are taking the normal precaution of doing without as much as possible. However populations increase so consumption goes on and it is difficult to see any close parallel between present conditions and those which some of us saw and experienced in 1921.

I expect therefore to see healthier markets in the second half of the year.

Meantime as you will see from the profit and loss account we have created a (taxed) reserve of 1951 profits of £77,400, against the fall in values of our stocks carried forward at December 31, 1951. Even with this help we do not expect to emulate last year's results and if we did EPL would immediately skim off more than the cream.

Much has been said and written about present taxation but I cannot refrain from a further illustration of its gross inequity as affecting our own company.

First there are no adequate reciprocal agreements between the United Kingdom and India or Pakistan and this ensures that we are left with little over one-third of any profits made in these countries. Then, in so far as 1951 is concerned, profits tax at 50 per cent on dividends means, in effect, that the rates of interest on our three classes of Preference and Preferred Ordinary stocks were raised respectively from 6 per cent to over 7½ per cent, from 7½ per cent to 9½ per cent, and from 8 per cent to 10 per cent, all at the expense of the Ordinary shareholders. I think this is the correct way to express the tax in its application to prior charges.

Under the new Finance Act we now have a remission of 3½ per cent only of this tax, but the imposition of an excess profits levy of 30 per cent on profits over a standard which, in our case, cannot but be inequitable. Enterprise nowadays is a means of survival only, for it is certainly not allowed to make a profit commensurate with the risks taken, and under such a financial regime British commerce and industry cannot but be a de-

clining force in world trade with inevitably a lower standard of living for all.

STAFF

Again our staff throughout our service have truly earned the thanks which I am sure you will wish to express to them at the annual general meeting.

The report and accounts were adopted.

THE ORION INSURANCE COMPANY, LIMITED

The twenty-second annual general meeting of The Orion Insurance Company Limited will be held on July 17th at 70-72, King William Street, London, E.C.

The following is an extract from the statement by the chairman, Sir Sirani Ralli, Bart., MC, which has been circulated with the report and accounts for the year ended December 31, 1951.

There are no major changes to report this year in the general organisation of the company's business, the year under review having been largely devoted to consolidation of our interests both at home and overseas.

MARINE DEPARTMENT

In the marine department the net premium income for 1951 amounted to £1,215,517 compared with £968,856 for 1950. The sum of £90,000 has been transferred to profit and loss account out of the 1949 closed underwriting account.

The marine fund now stands at £1,220,866 (100.4 per cent) and having regard to the fact that no provision is required in respect of the outstanding liability on our 1940/45 underwriting accounts, which are fully reinsured, the fund is regarded as satisfactory.

The 1950 underwriting account is developing satisfactorily, but, as I intimated in my statement last year, the background for both hull and cargo underwriting has undoubtedly deteriorated and the first-year settlements on the 1951 underwriting account are higher than we have experienced for several years. It is extremely difficult to forecast the ultimate outcome of these two accounts although it is quite obvious that under present conditions we cannot expect a continuance of the very favourable results we have experienced in the marine department over the past few years.

FIRE, ACCIDENT AND MISCELLANEOUS DEPARTMENT

The premium income of this account for 1951 amounted to £827,080 compared with £704,449 for 1950. The maintenance of the unexpired risks reserve on the usual conservative basis of 50 per cent has involved a financing charge of £61,315, and this, in conjunction with the unfavourable outcome of liability business written in previous years, has necessitated the transfer into this account of a sum of £2,535 from profit and loss account.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

After bringing in gross interest and dividends of £109,377 (£84,308) and the net transfer from revenue accounts of £87,465 (£41,243) and after deducting directors' fees £2,000 (same), other expenses and audit fee £27,671 (£9,381). Overseas taxation £2,590 (£1,746) and providing the sum of £145,000 (£91,000) for United Kingdom taxation, the net balance for the year amounts to £19,581 (£21,424). To this has to be added the sum

of £91,110 brought forward from 1950, making a balance of £110,691 available for distribution.

Your directors recommend the payment of a dividend of 10 per cent, less income tax, for the year 1951 (same) which requires a net sum of £21,000, and, after transferring £2,000 to staff contingency reserve, there remains a balance of £87,691 to be carried forward.

The total of investments shown in the balance sheet is £2,491,269, of which a large proportion is held in short-dated British, United States and Commonwealth Government Securities.

Despite the severe fall in security prices in 1951 the market value or, where there is no quotation, the estimated value of the investments at December 31, 1951, was in excess of their book value.

The total assets of the company now stand at £4,342,722 compared with £3,861,023.

GENERAL REMARKS

To all our friends, both at home and overseas, many of whom we have had the pleasure of seeing in London, or of visiting in their own countries, during the past year, we tender our thanks for the valued support they have given us and for their unremitting efforts on behalf of the company throughout the past year.

THOMAS ROBINSON, SONS AND COMPANY, LIMITED

LARGER TURNOVER

The thirtieth annual general meeting of Thomas Robinson, Sons and Company, Limited, was held on July 2nd at Hull, Mr Thomas Robinson, the chairman, presiding.

The following is an extract from his circulated statement for the year 1952:

You will be glad to note the increase in our trading profit. There was again a sharp rise in expenses, but this was offset by the increase in our turnover, which for the first time exceeded £10 million.

All our subsidiaries made good progress. In spite of the threatened tinplate shortage Derbyshire Cannery Limited, had a record year both on turnover and on profit, and fully maintained the high reputation they have earned for first-class quality. Ernest Ostler, Limited, who are wholesale bakers and food manufacturers, helped by the extension to the main factory which provides better working conditions, also showed marked improvement in spite of the shortage of raw materials, and in spite of further sharp increases in expenses, and particularly of petrol and transport costs, paper, packaging, wages and gas. This was a very creditable performance under difficult conditions.

You will be asked to approve a final dividend of 25 per cent on the ordinary shares, which makes a total of 35 per cent for the year.

I am still optimistic about our future. In recent years the scope of our business has been much increased, and we are firmly established in the distribution of many other classes of foods in addition to our better known role as egg and provision merchants. Last year about 35 per cent of our turnover was on eggs and about 65 per cent on dairy produce, canned goods and general provisions. The opening months of 1953 compared favourably with last year.

(The report was adopted.)

UNION MINIERE DU HAUT-KATANGA

A YEAR OF FURTHER PROGRESS

RECORD COPPER OUTPUT

The annual general meeting of the Union Minière du Haut-Katanga, held in Brussels on June 26th, approved the accounts for the year ending December 31, 1951.

Mr Gaston Blaise was in the chair.

Gross profit was 4,130,279,201 francs. Deduction of depreciation, reserve for profits tax and other charges left a net profit of 2,560,281,683 francs. The amount carried forward from 1950 of 111,804,549 francs gave a balance available for distribution of 2,672,086,232 francs.

After bringing forward 77,437,865 francs and deducting appropriations to the reserve fund, the special reserve and contingencies fund, the available balance was 1,575,142,676 francs. A dividend for 1951 of 1,000 francs net per share was approved by the meeting. Taking into account the 500 francs already paid in accordance with the resolution of the extraordinary meeting of shareholders held on November 22, 1951, there remains a dividend balance amounting to 500 francs net per share.

MR E. SENGIER'S STATEMENT

Mr E. Sengier, chairman of the executive committee, addressing the meeting, began by confirming, with pleasure, that in 1951, as in 1950, everything went well and favourable factors only were recorded.

On the one hand, substantially increased profits have enabled the board to propose the distribution of a dividend increased by one third to 1,000 francs net per share, after payment of more than 2 billion francs for taxes and duties, allotment of 1 billion francs to the reserves and of 800 million francs to the amortisation account.

On the other hand, important construction works have been accomplished within the scheduled time and according to our programme. Thanks to the above-mentioned reserves and amortisations these works have been financed by the profits of the year.

If one looks back over the past seven years, i.e. from 1945 to 1951, one finds that the roughly 35 billion francs deriving from our various receipts were utilised as follows:

Production expenses, 15 billion, i.e. about 42 per cent;

Taxes and royalties, 8 billion, i.e. about 23 per cent;

Net dividends, 5 billion, i.e. about 14 per cent;

Capital expenditure, 6 billion, i.e. about 18 per cent;

Investments and increase in bank deposits, 1 billion, i.e. about 3 per cent.

The receipts of the 1951 financial year amount to 8 billion 800 million francs. Three items of the 1951 expenses, which are a counterpart of these receipts, compare as follows:

1. Remuneration of European and native staff, 1,009 million, i.e. about 11.4 per cent of the receipts;

2. Net dividends to shares subscribed in cash, 978 million, i.e. about 11.1 per cent of the receipts;

3. Taxes, duties, dividends to shares statutorily held by the Government and participation of same in the royalties paid to the

Comité Spécial du Katanga, 2,410 million, i.e. about 27.4 per cent of the receipts.

CONSTRUCTION WORK

1951 and 1952, said Mr Sengier, are two extremely important financial years which will be marked by the accomplishment of a great part of the construction works meant to ensure the future of our company.

From 1953 or 1954 on, we expect to be able to spend annually about 800 million francs for our construction works, corresponding to a more or less normal annual amortisation figure.

Taking into account figures already known and assuming normal sales, it may be expected that the 1952 results will be higher than those of 1951. This would enable us to meet the capital expenditure in connection with the above-mentioned construction works while maintaining or improving our present cash situation.

Our company's results are not only related to metal quotations but also to costs, said Mr Sengier, and this year again these costs compare favourably with those of our competitors.

This statement is a tribute to the ability and the devotion of our entire staff which constitutes the most valuable asset of the company.

RESULTS AND COSTS

Regarding results and costs, the Union Minière has the benefit of two favourable conditions:

(1) Some important elements of its copper production costs vary with the metal quotation, e.g. transport tariffs, duties and taxes, royalties, which if they share in the increase of prices, also participate in the reduction of profits resulting from fall in copper prices;

(2) It produces other metals than copper, in particular cobalt, the price of which is generally not influenced by variations in copper prices.

Our production of zinc, further stated Mr Sengier, although a secondary activity for our company, is important for the Belgian zinc industry, which finds there a substantial part of its supplies.

During the seven postwar years, Katanga will have supplied the Belgian zinc plants with 740,000 tons of concentrates containing 370,000 tons of zinc of a total value of 3 billion 800 million francs.

The part played by our company in the Belgian economy can easily be measured if we say that our sales in dollars from 1945 to 1952 will have reached a total of some 220 million dollars.

PRESENT SITUATION OF METALS MARKETS

Speaking of the present situation of the metals market, Mr Sengier reminded that the attitude of the large copper producers, including this company, to sell their production at official quotations, as well as the regulation agreed upon between governments for the allotment of the metal have certainly checked unsound speculative movements which only affected a small proportion of the world production.

He said he considered 27.5 cents per lb of copper a price exceeding the average quotation on which the profits of a period of several years might be estimated.

There were unfavourable factors, such as the increase of about 250,000 tons that may occur in the near future in the world production and the tendency to substitute aluminium and plastics for copper. But, on the other hand, the constant improvement of the standard of living was definitely a favourable factor which would lead to an increased consumption of electrical equipment, and as a consequence to an increased consumption of copper.

This trend and the stockpile needs had led the United States to import during 1949, 1950 and 1951 respectively 400,000, 530,000 and 350,000 tons of copper mainly from Chilean mines.

PROPOSED INCORPORATION OF PART OF RESERVES

In our annual reports, further said Mr Sengier, we kept you informed about the capital expenditure programme necessary to maintain or increase our deliveries of saleable products.

In principle, replacements of installations or works indispensable to maintain operation at the level of progress are financed by the maintenance fund, the amortisation account and the renewals fund, but works intended to develop our industrial equipment must be financed with cash.

We chose to use our available cash which is the counterpart of our reserves.

This method logically leads to incorporate a part of the reserves to the capital of the company.

Consequently your board intends to summon an extraordinary general meeting before the end of the year, to submit to you the proposition of increasing the company's capital from 3 billion francs to 5 billion francs by incorporation of part of the reserves. This new capital will be represented by the already existing 1,242,000 social shares, which will not be altered in any way.

I trust that the information contained in the report to the general meeting, together with the information I have just given you, will reassure the shareholders for the future.

The Government of the Colony and the Comité Spécial du Katanga to whose confidence we pay tribute will be further convinced from year to year that our main concern has been the general interest of the country and the moral and material fate of the Congolese population, which is under our care and which leads a happy family life in our social centres.

RECORD COPPER OUTPUT

The report circulated to shareholders shows that in 1951 out of a world copper output estimated at 2,600,000 metric tons, Union Minière produced 191,959 tons, as against 175,920 tons in 1950.

This figure, the highest one ever reached since the origin of the company, as well as the production of 5,715 tons of cobalt, could not have been realised without the electrical energy supplied by the Bia power plant, the

output of which is nearly half that of the Francqui power plant.

Ore mined during the year totalled 4,762,000 tons, as against 4,317,066 tons in 1950.

Thanks to further research, the ore reserves have still increased in spite of the ore mined during the year.

Besides copper and cobalt, the uranium-radium ore production has been carried on and the radium content recovered in relation with the commercial demand.

110,836 tons of crude and 43,130 tons of roasted zinc concentrates were delivered to the Belgian zinc industry at a moment when zinc ores were strongly wanted.

As a by-product of the roasting operation, 24,316 kilos of cadmium were recovered by Sogechim.

Refining of blister copper by the Société Générale Métallurgique de Hoboken yielded 118,046 kilos of silver and 14.7 kilos of gold.

The workings in connection with the development of the company's operations have been actively pushed on during the year 1951.

At the Kambove-West mine, a future underground mine, surface installations have been assembled.

In the Western group of mines, the electric haulage has further been extended to railway lines of the company's own system.

Both concentrators at Kolwezi and at Kipushi have been enlarged in view of meeting the increased production of the mines that they serve.

Additional equipment has been put into service in the Jadotville plants. In particular, a copper refining furnace and a 3,000 kVA cobalt electric furnace have been fired during 1951.

POWER SUPPLIES

For the moment the company consumes the power produced by two hydro-electric power stations: the Francqui and Bia stations on the Lufira River.

Early in 1953 the Delcommune power station, which is at present in course of erection at the Lualaba River, will enter into production, with an installed power of 120,000 kVA.

For the further future, a second power station on the Lualaba River, to be named Le Marinel Power Station, should be erected downstream of the Delcommune power station. It will work under a fall of more than 200 m, and will have an installed power of 300,000 kVA.

With these four power stations of a total installed power of 530,000 kVA at its disposal, Union Minière will be in a position to produce about 2.5 billion kWh per average year.

SOCIAL ACHIEVEMENTS

At the end of 1951 the Congolese population living in the social centres of the company numbered 59,610 persons.

The health situation is excellent and constantly increasing owing to the close co-operation between the services in charge of the native labour and the medical service.

In 1951, for the first time, a bonus has been deposited to the savings account of those Congolese workers who have been occupied in the company since more than three years.

Moreover, the company's programme of social achievements towards the development of family life among Congolese people has been pursued.

Tribute was rendered to the members of the religious missions and social workers who devoted themselves to the accomplishment of this task.

GUARDIAN ASSURANCE COMPANY, LIMITED

ANNUAL GENERAL MEETING—

JULY 1, 1952

CHAIRMAN: THE RIGHT HON. LORD BLACKFORD, DSO, DL, JP

LIFE DEPARTMENT

Net new sums assured amounted to £9,886,471, being an increase of £3,698,414 over the corresponding figure for 1950. The mortality experience was satisfactory.

The net rate of interest earned on the fund, which increased during the year by £2,213,962 to £18,106,473, was £4 2s. 11d. per cent.

FIRE DEPARTMENT

The net premium income at £3,737,265 showed an increase of £474,370 over the previous year. The loss ratio was 40.4 per cent, a decrease of 2 per cent on the previous year. The amount transferred to profit and loss was £534,682.

ACCIDENT AND GENERAL DEPARTMENTS

The net premiums were £3,869,062 against £3,056,674 in 1950. The loss ratio was 56.8 per cent and the amount transferred to profit and loss £71,461.

MARINE DEPARTMENT

The net premiums amounted to £1,622,487 against £1,225,529 the previous year, and the first year's claims were 27.4 per cent of the premiums. £222,000 has been transferred to profit and loss, leaving the fund at £1,846,018, representing 113.8 per cent of the premium income.

REDEMPTION ASSURANCE ACCOUNT

A valuation at the end of the year revealed a surplus of £16,034, of which £5,000 has been transferred to profit and loss, leaving the amount of the fund at £2,575,409.

PROFIT AND LOSS

After making full provision for taxation, including that on the profits for the year, and transferring £222,000 to investment reserve and £13,394 to general reserve, and providing for the final dividend recommended by the directors of 2s. 6d. (less income tax) on each ordinary share and meeting the cost of the preference dividend for the year, the balance carried forward was £271,319.

BALANCE SHEET

A valuation of the Stock Exchange securities was made at December 31st last, and notwithstanding the general setback in all classes of securities during the latter part of the year, a surplus was shown in the aggregate on both the life and the shareholders' funds after taking into account the investment reserves.

All the principal classes of insurance transacted; also trustee and executor business.

Head Office:

68, King William Street, London, E.C.4.

METROPOLITAN RAILWAY SURPLUS LANDS

INCREASE IN RENTS RECEIVABLE

SIR BERNARD DOCKER'S STATEMENT

The nineteenth annual general meeting of the Metropolitan Railway Surplus Lands Company, Limited, will be held on July 10th in London.

The following are extracts from the circulated statement by the chairman, Sir Bernard Docker, KBE:

Perhaps the most important and certainly encouraging feature of the company's profit and loss account is the increase in the rents receivable. During the year the net rents have increased by about £9,000 to £144,318 and are over £30,000 more than those for the year to March, 1950. This increase, while not spectacular, does confirm the expectations, which I expressed last year, of expanding revenue over the next few years. We have been able to do a good deal more this year by way of repairs. These have cost us about £1,000 more after withdrawing £4,500 from the provision for repairs.

In the balance sheet, the fixed assets, being the freehold and leasehold properties, less depreciation, have increased by nearly £50,000 to £2,572,613. Cash at bank and in hand is £313,311, and we are in the fortunate position of having such a comparatively large sum available for property investment at a time relatively favourable to the investor.

We have recommended a dividend of 3½ per cent and a bonus of 1 per cent.

ORTHEM ESTATES

I have explained to you on previous occasions our reasons for incorporating Orthem Estates, Limited, and for financing its trading activities, and I think you will all be aware that, in 1949, some doubt was expressed whether what we had done was within the powers of our Memorandum of Association. Counsel having confirmed this doubt, we arranged that Orthem Estates, Limited, should buy no more properties, and since that time the subsidiary company has been in process of realising its assets.

It has been suggested to us that we should take the necessary powers to permit us to continue to own and lend money to Orthem Estates, Limited, or a similar subsidiary company. We have considered this suggestion and have formed the opinion that it would be advantageous for us to continue to own a trading subsidiary company, and for it to resume active trading. Therefore, we have given you notice of a special resolution to be moved in the name of the board, to enable this to be done.

We accept the view that any investment of this character should be subsidiary to our main business of permanent property investment, and accordingly, the resolution to be put before you, if carried, will limit our powers of direct investment of this nature to ten per cent of our issued capital.

AN OUTSTANDING QUESTION

We have not found it possible yet, in spite of every effort on our part to do so, to resolve by friendly agreement the question between ourselves and the London Transport Executive to which I referred in my statement last year. We have recently consulted on this question again with learned counsel and it may well be that a lawsuit will be the only means of resolving this matter. We shall not lightly embark on liti-

gation, however, if we find any chance at all of arriving at a solution by agreement within a reasonable period, but we are, nevertheless, determined to settle this matter.

It is always difficult and often foolhardy to venture any opinion of future prospects,

although fluctuations in economic conditions have a rather less marked effect on the results of a property investment concern than is the case with the majority of commercial companies. On the other hand, I do feel that shareholders are entitled to all informa-

tion we can give, and so I will say that we have grounds for hoping that our revenue over the next two or three years will expand sufficiently for us to be able to maintain the total distribution we have recommended this year.

GUEST, KEEN AND NETTLEFOLDS

PROGRESS OF OVERSEAS INTERESTS

MR J. H. JOLLY'S STATEMENT

The fifty-second annual general meeting of Guest, Keen and Nettlefolds, Limited, was held on June 26th at Birmingham, Mr J. H. Jolly (chairman of the company) presiding.

The following is an extract from the statement by the chairman for the 52 weeks ended December 29, 1951.

The major variation from last year is the increase of almost £7 million in the totals of the issued capital and reserves of the group, which now amount to £48,556,526. Nearly £4 million of this increase arises from the net surplus on the transfer of our investments in nationalised companies, after allowing for the subsequent fall in the value of the Government securities and after deducting the distribution of 5s. per unit to the stockholders in June, 1951. The balance of approximately £3 million has been provided out of the profits of the year either in the form of depreciation reserves (that is, that proportion of depreciation not written off fixed assets) or as retentions of profit in the subsidiaries and the parent company.

CAPITAL AND RESERVES

Of the £48,556,526 capital and reserves at December 29, 1951, the capital employed attributable to the ordinary stockholders amounted to approximately £41 million. Since March 31, 1947, the capital employed has increased by £21,441,171, which has been provided as follows:—

An issue of capital in 1949 subscribed by ordinary stockholders (including premium on issue)	4,273,920
Undistributed capital and revenue profits retained in the group	17,167,251
	21,441,171

Had it not been for this issue in 1949, which supplemented the previous issue in 1946, and the conservation of profits to a high degree, we could not have gone forward with the plans which are now contributing to the increased profits of the company.

Although the ordinary stockholders' capital employed has more than doubled in this period, the dividend rate has increased only by about one-third.

On this occasion the ordinary dividend rate is advanced from 14 per cent to 15 per cent. As a board we would like to see it higher, since at this rate of dividend the return on the actual capital employed attributable to ordinary stockholders is only 4.13 per cent; in your interests, however, we must have regard to important factors that are not receiving sufficient attention in some quarters. Today a business has to pay for capital equipment and maintenance a much greater price per unit of production than in 1939 (prewar)—in many cases three or more times as much; and the cost of introducing the necessary additional capital has also advanced considerably. A further point to be remembered is that until this inflationary tendency is checked and reversed, the working capital required for stock in trade and

debtors is considerably greater, as evidenced by the increase of almost £6 million for these two items in the year under review.

TAXATION

Far from getting relief, we are facing, from January 1, 1952, a further impost by way of the proposed Excess Profits Levy in the Finance Bill. As presented in its original form it can be regarded as a misguided concession to party political propaganda. Subject to amendments that may possibly be made before the Bill reaches the Statute Book, its provisions are most arbitrary and complex in character. In the case of this group, due to the changes in structure over the period since the first of the "standard" years, it is impossible at this stage to assess the full effect of this new form of taxation on future profits.

TRADING CONDITIONS

Fortunately, by overcoming many difficulties, supplies of various kinds came along better during the year than at one time seemed possible and enabled a good volume of turnover to be attained. It is this high rate of production that produces the extra profit: sooner or later a falling off in demand will make inroads into this high rate of productivity and profit margins will fall.

IRON AND STEEL

Last year I had the dismal task of reporting the transfer to the Iron and Steel Corporation of our various interests in iron and steel making companies. The present Government is pledged to make it possible for the return of these to free enterprise, with an adequate measure of public supervision. At the time of writing, the Bill to effect this has not been submitted to Parliament. Its implementation will not be without difficulties for various reasons and not least the changed value of money since nationalisation took place.

In regard to the iron and steel companies that we owned directly prior to nationalisation, we are prepared to consider purchasing them, subject to fair financial terms on reacquisition, and the extent to which free enterprise may be allowed. These considerations cannot be resolved until further information is forthcoming.

OVERSEAS INTERESTS IN THE BRITISH COMMONWEALTH

At the present time it is in Australia that our largest manufacturing interests overseas are located. The Dominion had a chequered financial history throughout 1951, the outstanding circumstances being a violent inflationary spiral and continued shortages of coal and iron and steel production. It is probably a temporary phase in the growth of a young Dominion but, coupled with the dilatory mechanism of price control, in 1951 it caused a set-back in the profits of the Lysaght and Nettlefolds companies. Fortunately in 1952 there is some improvement and when the Australian Government has mastered the present economic problems

we are confident of a return to prosperity of our interests there.

India: The results for 1951 were good and would have been considerably better but for the great shortage of steel from which India suffers. The country needs at least another million tons of steel a year and we should welcome the news that definite steps to achieve it were likely in the near future. It would be of great benefit to our own subsidiary—Guest Keen Williams, Limited, in Calcutta—and to India's trade generally.

Canada: The Lysaght Company at Hamilton and the Mills Scaffold and Concrete Specialities Company have both had improved trading results in 1951. Consideration will be given in due course to the possibility of broadening the base of our trading and manufacturing in Canada if surveys now being made prove favourable.

South Africa: The steel furniture manufacturing company established by Joseph Sankey and Sons, Limited, at Johannesburg, has made progress during the year, but has been hampered by the shortage of steel supplies and the restrictions on imports of raw materials imposed as a temporary measure by the South African Government: when sufficient steel supplies are available in the Dominion, the company is expected to make satisfactory profits.

The Twisteel Company in South Africa has had a good year and should make further progress. Having established itself satisfactorily in the Union territory, we are about to form a company in Southern Rhodesia to manufacture the Twisteel products there. In the initial stages, large profits cannot be expected, but, as the Rhodesias develop, the financial results should be interesting.

The South African market in bolts and nuts, screws and railway fastenings is a growing one, and the Union Government is fostering home production. We came to the conclusion that instead of setting up a separate company for those products, it was preferable to increase our shareholding to 49 per cent in South African Bolts and Nuts (Pty.) Limited (Saban), accompanied by a trade agreement to place our technical knowledge on wood screws, etc., at the disposal of the South African Company. As the industrial importance of the Union of South Africa grows, we feel the investment will be justified.

HOME MANUFACTURING COMPANIES

I do not propose on this occasion to refer in detail to the activities of the manufacturing companies at home. Satisfactory as their results have been under the leadership of Mr Kenneth Peacock and the chairmen of the various subsidiary companies, they would have been augmented if there had not been shortages of raw materials in some directions. Good progress, though not as rapid as we had hoped, has been made with extensions at various works. Your thanks are due to the several managements for the manner in which they have maintained production and a good share of the export trade, while coping with the dislocation

inevitably caused by works extensions going on at the same time.

The first few months of the 1952 financial year's trading have opened well and if volume of production can be maintained we shall look forward to a good year. But I would say that the emphasis is on the word "volume" as, in the interests of our customers, we have to work on narrow profit margins. A high level of production is all important to enable this to be done and, at the same time, to achieve a satisfactory return on stockholders' funds.

The report and accounts were adopted.

LONDON AND MANCHESTER ASSURANCE COMPANY LIMITED

CONSIDERABLE NEW BUSINESS INCREASE

The eighty-third annual general meeting of London and Manchester Assurance Company Limited, was held on July 2nd at the Chief Office, Finsbury Square, London, E.C.2.

Mr A. H. Dawes, the chairman, in the course of his speech, said:—

I am pleased to be able to report that our new business increased considerably last year. In the ordinary branch the new sums assured amounted to £5,199,838, an increase of over £700,000 on the previous year's figure, while in the industrial branch the new sums assured totalled £5,050,991, an increase of over £500,000. The total premium income in the two branches advanced by nearly £200,000 and exceeded £5½ million. The total income of the company (excluding the fire and general branch) was £7,397,267, an increase of £321,254.

These results are very satisfactory because they indicate not only the continued development of your company, but also a helpful contribution to national thrift. Fundamentally life assurance is a form of saving; indeed, it is now the largest single source of personal savings in the country. In times like the present adequate voluntary saving and restraint in immediate spending are essential.

Ordinary Branch: The premium income for the year was £2,567,779, an advance of £113,619 on the preceding year.

Industrial Branch: The premium income in this branch exceeded £3 million for the first time and reached the figure of £3,055,605, being £83,246 more than in the previous year.

EXPENSE RATIO

The expense ratio in the ordinary branch changed little by comparison with the previous year. The actual figure on this occasion is 13.56 per cent, compared with 13.63 per cent. If the contribution to the Staffs' Pension Fund is included, the expense ratio becomes 14.22 per cent, compared with 14.25 per cent.

The expense ratio of 28.90 per cent in the industrial branch compares with 27.77 per cent for the previous year, the increase being due mainly to increased staff remuneration. If the contribution to the Staffs' Pension Fund is included, the figure is 30.80 per cent, compared with 29.54 per cent for the previous year.

The gross rates of interest earned on the ordinary branch and industrial branch life funds were £4 9s. 8d. per cent and £4 9s. 7d.

per cent respectively, compared with £4 4s. 3d. per cent and £4 3s. 7d. per cent for the previous year. The corresponding net yields were £3 9s. per cent and £3 19s. 10d. per cent, compared with £3 4s. 11d. per cent and £3 13s. 6d. per cent.

ALLOCATION OF SURPLUS

Prices of Stock Exchange securities do not yet appear to have become stabilised and in consequence the directors think it would be a wise precaution to wait until the outlook shows some indication of becoming settled before contemplating a distribution of surplus by way of reversionary bonus. They have, therefore, in the ordinary branch decided to declare the same rate of bonus as last year, but to confine it to policies which become claims by death (except policies less than one year in force) or survival before the date of the next annual general meeting. Accordingly, the carry forward has been considerably increased and now stands at £523,915.

In the industrial branch, following the pattern adopted in the ordinary branch, that part of our profit-sharing plan which normally provides a reversionary bonus has been temporarily altered to give bonuses at the same rates as last year, but only to qualifying policies which, before the date of the next annual general meeting, become claims by death or are freed for the full sum assured. The carry forward has been maintained at the high figure of over £400,000.

Fire and General Branch: This branch has again made steady progress. The premium income was higher by £10,672 at £223,802 and the profit of £17,874 has been carried to the profit and loss account.

The report was adopted.

HIGHAMS LIMITED

CHANGED TRADING CONDITIONS

The forty-fourth ordinary general meeting of Highams Limited was held on July 2nd in London, Mr Eli Higham (the chairman) presiding.

The following is an extract from his circulated statement: Your directors recommend a final dividend of 12½ per cent plus a bonus of 2½ per cent, which, together with the interim dividend and bonus, make a total of 27½ per cent for the year, less income tax.

The profit is considerably less than last year. I would like to deal with the reasons for this reduction. The year under review shows a marked recession in textiles generally and resistance by the public to high prices. This must be due in some measure to the increased cost of living with its effect on purchasing power. These factors have all contributed to the slackening in demand for textiles, resulting in a complete change-over from a sellers' to a buyers' market, together with a sharp drop in prices. This decline in values had to be faced, resulting in an amount in excess of £180,000 being written off the group's stocks, thereby reducing this year's profits by that amount.

We have been wise in facing the big fall in values fairly and squarely, which should assist your company to maintain sales, production and employment at your various branches.

I feel that we can face the future with reasonable confidence in the knowledge that we are a vertical organisation producing cotton sheets, pillow cases, blankets, tablecloths, etc., which are necessities as opposed to luxuries, and are, in the main, entirely free from purchase tax.

The report was adopted.

GEORGE WIMPEY & COMPANY

SATISFACTORY RESULTS

The thirty-third annual general meeting of George Wimpey & Co., Limited, was held on June 30th in London.

Sir Godfrey Mitchell (Chairman of the Company), who presided, in the course of his speech, said:—

The amount of work completed during 1951 exceeded by a substantial margin that for any previous year of the company's history, but as I foreshadowed in my address to you last year, it has been a period of great difficulty. Rising costs and shortages of materials and labour combined with adverse weather to produce circumstances needing sustained effort to overcome and to achieve the satisfactory results before you.

OVERSEAS

Overseas we continue to consolidate our position and to explore the possibilities of new markets, and during the year extensive contracts were carried out in the Middle and Far East, Australia and West Africa.

During 1951 we completed some 6,800 dwellings. The greater proportion of these were built by our "No-Fines" concrete technique and included our 3-storey flats. Large numbers of traditional brick houses were also built.

During the year our work as main civil engineering contractors at London Airport and at the Port Talbot Steel Works was practically completed and we have every reason to be proud of our association with these vast projects on which we carried out work amounting in all to some £20,650,000.

WORK FOR OIL COMPANIES

Our contracts for the Oil Companies at Grangemouth, Ellesmere Port and the Isle of Grain are proceeding well and our entry into the field of erection and fabrication of oil refinery process units together with the installation of the complex mechanical and electrical refinery equipment has proved to be an outstanding success.

We again produced over 2 million tons of coal during 1951—a tonnage representing 20 per cent of the total national opencast coal output.

Profits are slightly up from £528,000 in 1950 to £540,000 in 1951, and in view of the difficulties I believe you will consider this to be a satisfactory result. It is proposed to pay a dividend of 20 per cent of our Ordinary shares, and after payment of the Preference Dividends, to set aside £150,000 for Income Tax Equalisation of Initial Allowances on plant and to transfer £300,000 to General Reserve, leaving £175,000 to be carried forward to next year.

CAPITALISATION OF RESERVES AND BONUS ISSUE

You will be asked to consider Resolutions to increase the Authorised Share Capital of this Company to £2 million and to capitalise £800,000 of the General Reserve Account to be issued as a bonus to Ordinary Shareholders in the proportion of four new Ordinary shares for every one existing Ordinary share held.

Looking to the future, we have more work on hand than ever before, but even so, there is no easy road ahead and the many difficulties which beset us will continue to require the utmost effort if they are to be successfully overcome.

The report was adopted and the Bonus Issue approved.

THE BUTTERLEY COMPANY, LIMITED

YEAR OF STEADY ACHIEVEMENT

FULL ORDER BOOKS

MR E. FITZWALTER WRIGHT'S SPEECH

The sixty-fifth annual general meeting of The Butterley Company, Limited, was held at the Registered Office of the Company, Butterley Iron Works, near Derby, on June 27, 1952.

Mr E. Fitzwalter Wright (chairman of the board of directors) presided.

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

The chairman said: Ladies and Gentlemen, since our last meeting, Mr W. P. Mellen has accepted an invitation to join our board, and he now offers himself for re-election. Mr Mellen has made his career in the City of London and is a partner in the firm of Joseph Sebag & Co., the company's brokers. He has acquired a wide knowledge of finance, and we have already found his advice of great value to us. I warmly commend his re-election to you.

WELCOME INCREASE IN PROFIT

You will see from the accounts that there has been a welcome increase in the profit for the year. The profit on the consolidated profit and loss account is up from £205,071 for 1950 to £280,378 before taxation. In arriving at these figures, the usual deductions from our trading profits have been made, but there are two items to which I should like to draw your attention. The first is the figure for depreciation, which you will see is up from £56,694 to £87,047. This is due to an increase in the charge we have made against our motor vehicles. During the year the opportunity arose of ridding ourselves of many prewar models and taking in exchange vehicles manufactured in 1950 or later. These qualified for the initial allowance of 40 per cent, and our saving in income tax has been charged in our accounts as increased depreciation.

The other item is consideration for coal supporting ironworks buildings, £25,480. This is yet another curious and quite unfair result of nationalisation. In the old days we were the freehold owners of most of the coal underlying the Butterley and Codnor Park areas, and would never have dreamed of working the pillars of coal left for the support of our two ironworks. This fact was quite properly taken into account when the value of our freehold coal was determined under the Coal Act, 1938, under which all unworked coal was nationalised, and we received almost nothing for the coal in these particular pillars, on the ground that they would never be worked by us. But when the Coal Industry Nationalisation Act came into force there was nothing to prevent the National Coal Board from working these pillars, provided they paid for the damage they did.

We therefore had to take the risk of having our works put out of commission, or buy the coal back to prevent it being worked. I am sure we chose the right alternative, but I shall always regard it as most unfair that we ever had to make the choice at all.

A NOTABLE ACHIEVEMENT

The increase in our trading profit is accounted for in part by increases in profits in our engineering and brickworks departments, a notable achievement, in view of the difficulties we in common with all engineers have experienced in the supply of raw

materials. But the chief part has been played by a most welcome improvement in the results of the Civil Engineering Department. The effects of a thorough re-organisation of the department are now beginning to be felt, and though the results are not yet by any means as good as I believe they should be, I am hopeful that continued improvement will be maintained.

I do not think there is anything else in the accounts I need comment upon, except to direct your attention to a new note—Note 2 of the notes to accounts—in which there is set out the way we have dealt with the moneys we have so far received on account of compensation for our colliery properties.

COMPENSATION: N. DERBYSHIRE

This brings me to a subject which I dealt with pretty fully last year, namely, the procedure for the determination of the compensation due to us. I am very glad that I have better news for you this year. You will all be aware that the coal owners of North Derbyshire came to an agreement last autumn to set up a tribunal to value their T.S. assets; that tribunal did its work with quite admirable expedition, and, as I think, fairness, and its award was made known in April. So far as the company is concerned their valuation of our T.S. assets in the North Derbyshire district amounted to £2,452,386, which after deduction of the capital outlay refunds already received and scaling down to fit in with the total amount available for North Derbyshire, gives a net award of £1,936,667.

I regard that figure with quiet satisfaction, and I should like on behalf of the board, and I am sure the shareholders, to thank all those both inside the company and those former servants of ours who have now transferred their allegiance to the National Coal Board for the skill and devotion they all brought to the preparation and presentation of our case. In particular I should wish to mention Major Noel Webster, who is our chief professional adviser in these matters, for the extremely able way in which he conducted our affairs.

NOTTINGHAMSHIRE

Things have moved more slowly in Nottinghamshire. For a long time it seemed impossible to persuade certain companies that on balance the interests of their shareholders would be better served by a speedy settlement outside the Act and Regulations. But I am happy to say that in the last few weeks real progress has been made, and though no agreement has actually been signed yet, I am very hopeful that it will be achieved in the very near future. If events bear me out in this, I see no reason why an award dividing the sum available for the Notts T.S. assets should not be made during the autumn.

We decided not to make an application for a further payment of compensation at the June distribution, although I have no doubt that quite a substantial payment would have been forthcoming if we had asked for it. Meantime of course, interest will be accruing upon it. As I have often told you, it is our intention to put before you at the proper time proposals for reducing the capital of the company by returning part of it to the shareholders. Obviously the total amount it will be wise to return will depend on the amount

we eventually receive in compensation, and this we shall not know for certain for a good long time yet. But I see no reason why we should not deal with the matter by stages, and subject to what I have to say later, and provided we receive a further substantial payment on account of compensation in December, I shall hope to put proposals before you early in the New Year.

A COMPLICATION

But a complication has been introduced by the Excess Profits Levy provisions of the Finance Bill. It seems clear that we shall have to calculate our EPL standard on 8 per cent of the value of the net assets of the group as at December 31, 1951, and we are advised that the valuation of our transferred interests may be taken into that calculation.

It will not therefore be possible accurately to assess our EPL standard until all the valuations of our transferred interests are completed, but presumably we shall have to try to agree with the Inland Revenue authorities a provisional EPL standard for the time being. The EPL standard will be reduced by 12 per cent of the amount of any decrease in the capital employed in the business, brought about for example by a return of capital to the shareholders.

Until, therefore, the Finance Bill is passed and we have received authoritative advice on its final provisions, and have been able to agree with the Inland Revenue what our provisional EPL standard shall be, it is impossible to be precise about when the return of capital will be made, or how much it will amount to. It would clearly be unfair to keep our shareholders in suspense a moment longer than necessary, and they will be informed of further developments as soon as possible.

POSITION IN AUSTRALIA

May I now deal—necessarily briefly—with the events which have happened in the company over the past year. Our agreement with the Sunshine Harvester Co. of Australia has been terminated. You will remember that this agreement, entered into during the war, provided for us to assemble into complete machines, parts and sub-assemblies imported from Australia, and we undertook to be responsible for a spares service for Sunshine machines in this country.

Events have made it impossible for the Sunshine company to continue to import the parts into this country, and at their suggestion the agreement has been terminated and our stocks of spares transferred to Messrs Massey Harris Limited. Owners of Sunshine machines therefore can be assured of a first rate spares service, and it only remains for me to put on record our regret that our association with the Sunshine Company, which was throughout of the most friendly character, has come to an end.

ARRANGEMENT WITH AIR PRODUCTS, INC.

Last year I told you of the arrangement we had come to with Air Products, Inc., for the manufacture by us under licence of their oxygen generating plants. I am glad to say that good progress has been made in this matter, and we were happy to welcome over here a few months ago Mr Leonard Pool,

President of Air Products, Inc. He expressed himself as very well satisfied with what we are doing.

Our first plant should be in operation in about six weeks time, and we have acquired valuable experience in its manufacture. Three other plants on order from the Air Ministry are in course of manufacture, and although we have experienced great difficulties in the supply of raw materials—notably copper—our part of the plant should be ready in schedule time. There is, I believe, a great future for this business, and we are arranging for manufacturing space to be made available for these plants not only in the new shops at Hughes & Lancaster but at Codnor Park as well.

FOOT AND MOUTH DISEASE

In common with all other farmers, we labour under great anxiety about the present outbreak of foot and mouth disease. I need hardly tell you that every possible precaution is being taken, and we can only hope that we shall be spared. There has been no increase in the amount of our land requisitioned for opencast coal mining, but I would not be surprised if further demands were made upon us. As I have been very critical in the past about the methods used for the restoration of opencast land, it seems only fair to tell you that recent restorations seem to have been done more carefully and efficiently than in the early days of opencast mining.

We are very pleased with the new venture in East Notts which I told you about last year, and the results of the farms department are most encouraging. Profits or losses in farming are very difficult to assess year by year; much depends on the annual valuation. But to give you some idea of the progress we have made, I may tell you that our sales from the farms have increased steadily from just over £15,000 in 1948 to over £60,000 last year, and I fully expect them to be over £100,000 this year. There can be no doubt that efficient farming is a profitable occupation.

CURRENT YEAR'S OUTLOOK

Generally throughout the company and its subsidiaries it has been a year of steady achievement, as the accounts show. We are constantly being warned of the imminence of a trade recession, and all of us know that the demand for certain consumer goods shows signs of slackening. But I am bound to say that so far as this company is concerned we have so far been unaffected. Our order books are as full, if not fuller, than they were a year ago, and enquiries continue to come in at a satisfactory rate. While I should be the last to say that we could expect to escape altogether the effects of a major depression, our results up to date have been better than in the corresponding period of last year, and I see no reason for anxiety about the next six months.

Our relations with our staff and workpeople continue as cordial as ever, and I would like to thank them for the exemplary way in which they carry out their duties and for the loyalty and support we always receive from them.

I now have pleasure in moving: "That the directors' report and balance sheet, which carries with it the directors' recommendation of the payment on June 30, 1952 of a final dividend on the ordinary capital of 6 per cent, less income tax, (making 9 per cent, less income tax, for the year), which will absorb £56,700, and the carrying forward of the balance of £222,802, be received, approved and adopted."

The report and accounts were adopted; the retiring directors, Mr L. R. Honeywill, Mr A. P. Coote, and Mr W. P. Mellen, were re-elected; the auditors, Messrs Price Waterhouse & Company, were re-appointed, and the proceedings terminated with a vote of thanks to the chairman.

THE CLAN LINE STEAMERS, LTD.

INDUSTRY A NATIONAL ASSET

The sixty-second annual general meeting of The Clan Line Steamers, Limited, was held on June 26th at 2 St. Mary Axe, London, E.C.

The Rt. Hon. Lord Rotherwick, chairman, having dealt with certain matters in the accounts, continued as follows:—

I regret that it is still necessary to draw attention to the high level of taxation in this country. I referred last year to the withdrawal of initial allowances. To add further to our difficulties we have to contend, from January 1st this year, with an excess profits levy, the implications of which cannot yet be fully appraised, although the bold policy of fleet replacement adopted by this group has meant that satisfactory profits were earned during the standard period. Our fiscal system has become so involved that it is no longer possible for the average business man to grasp the significance of income tax, profits tax and excess profits levy on a business deal, without first consulting an army of experts in this particular field of Government activity. It is wrong that commercial decisions should have to be considered in the light of the incidence of taxation. It is with regret, and a considerable amount of concern, that I observe that the Chancellor has not yet found it possible to give relief to the shipping industry on profits which are ploughed back into the business in order to finance the replacement of ships. Building costs are still rising and it must be very obvious that depreciation calculated on the cost of ships at present in existence will not provide the funds necessary to replace them at the end of their useful lives. Excluding initial allowances, which ceased on April 5th this year, the allowance given in the computation of taxable profits is 5 per cent on the original cost of the vessel. Accordingly, any additional provision which is required has to be found out of profits which are subject to a minimum charge for taxation of 10s. in the £1. The shipping industry is a national asset and surely it is better to allow companies to keep sufficient profits to maintain their fleets than to force them to apply in due course for a Government grant for this purpose. That the shipping industry is a national asset is recognised not only by our Government, which lays down certain requirements in the design of new ships to adapt them for wartime use, but also by the Americans, who are prepared to make a substantial contribution towards the cost of building the "United States" on the grounds that in the event of war this vessel can be converted into a troop carrier.

The principal business of this group of companies is the carrying of goods between members of the Commonwealth and Empire. Consequently, any restriction of trade with our partners is of great importance to us. Unfortunately at the time there are many instances of such restriction, brought about to some extent at least by the provision of the Geneva Trade Agreement which precludes us from giving more favourable treatment to our partners than we give to other nations.

By the terms of the Washington Loan Agreement we undertook to do our best to achieve multilateral trading, but, so far as I am aware, no single country has ratified the Geneva Agreement and, accordingly, I suggest that as this agreement is proving harmful to our trade, and consequently harmful to world trade, we should take an early opportunity of denouncing it so that we may increase trade between our partners and thereby stimulate world trade.

I am not unmindful that restrictions have been imposed subsequent to a meeting in London of the Commonwealth Finance

Ministers and, if this means that the present restrictions are designed to ascertain the true trading position of each partner with a view to establishing an increased trade based on a solid foundation, the temporary disorganisation may prove in the end to be well worth while. It is impossible to believe that trade with our partners cannot be so increased that it will leave a profit margin for all concerned. Let there should be any confusion as to what I mean by profit margin, let me say that I consider that there should be a profit element in wages so that any person who is prepared to work hard can acquire those extras which are such an incentive to increased production.

Today is the time to adopt bold imaginative policies. At home we should have as little Government interference as possible. We should design a system of taxation which encourages greater effort either in the field of production or in the expansion of trade. It is always difficult to advance from a weak position, but having secured our defences we can build up our strength by a sufficient expansion of our Commonwealth and Empire trade. This will allow this group of nations to resume a position of leadership in the trading world and ensure a future undisturbed by dollar deficiencies.

DIVIDENDS

The final dividend recommended by the board is 30 per cent, which, with the interim payment of 5 per cent, makes a total distribution of 35 per cent, compared with 30 per cent for the previous year. Having regard to the profits earned by the group, I think this modest increase is fully justified. I must warn you, however, that this rate of dividend can only be maintained if the profits for the year are sufficient to provide for normal depreciation based on original cost, together with a margin to cover the increased cost of fleet replacement, which, as I have explained, has to be provided out of income on which tax is payable.

FUTURE PROSPECTS

You will expect me to say something about future prospects. It is impossible to look very far ahead, but I think that the profit for the current year will be satisfactory, although, as I have said already, costs continue to rise and some services are not making a fair contribution to profits.

During the course of the year I have done a certain amount of foreign travelling, and it is very apparent that most nations are attempting to become self supporting. Industry is being developed and by the use of differential rates of exchange this development is being effectively subsidised. I do not like this juggling with exchange rates, but if everyone else is doing it, it becomes imperative that we should have an answer. I certainly feel that it might increase exports to the dollar area if traders doing business with dollar countries were allowed to use freely a proportion of the dollars which they earn. This I know has been adopted in certain European countries. I know of articles, the export of which would not in any way reduce our standard of life and which are not being exported simply because the price on the home market exceeds the export price. If the trader in these goods was allowed to retain a proportion of his dollar earnings he, in turn, would be able to import other goods on which he could make a profit which would compensate him for the apparent loss which he sustains on the original sale and the nation would benefit not only from the goods imported, but also from that part of the

exchange which was not released to the trader.

The report and accounts were adopted and the proposed dividends confirmed.

N. GREENING AND SONS, LIMITED

RECORD GROUP RESULTS

The seventieth annual ordinary general meeting of N. Greening and Sons, Limited, was held on June 30th at the company's office at Warrington.

In the absence of Mr H. R. Yorke, MC, chairman, who was indisposed, Mr C. G. Fraser (managing director) presided.

The following is a summary of the chairman's circulated statement:—

It is once again my pleasure and privilege to comment upon another most successful year. Sales of the parent company which embrace our main production of woven wire, perforated metals and wire products show an increase of 41 per cent, as compared with the previous year, and I am sure you would wish me to express our thanks and appreciation to the management, staff and all employees and agents of the company for the co-operative effort that has made these results possible.

ACCOUNTS

Trading profits of the group, including interest and other income, amount to £277,541, compared with £191,634 last year—an increase of 45 per cent. The major part of this increase arises from the completion of many of the plans for development and expansion on which we have been working for the last four or five years, but a part also arises from raw material price increases during the year.

The amount charged for depreciation at £25,983 is based on the Inland Revenue allowances, as is our usual practice. Taxation again represents a very heavy burden and the combined provision for Excess Profits Levy, profits tax and income tax absorbs no less than £146,456.

The net profit remaining after this taxation provision is £103,352, but in order to maintain the real capital employed in the business, we have deemed it advisable to appropriate £15,000 to fixed asset replacement and £60,000 to general reserve before providing for a final dividend of 15 per cent, making 20 per cent for the year, which is the same rate as last year.

BONUS SHARE ISSUE

You will see from the notice of the annual general meeting that it is proposed to obtain the approval of shareholders to a capitalisation of reserves and issue of bonus shares. Two steps are involved in this operation. First, we have capitalised £80,000 of the reserves of our subsidiary, the Greening Wire Company, Limited, with a corresponding increase of £80,000 in the capital reserve of the parent company. Secondly, we propose utilising the whole of this increased capital reserve together with £84,461 of the general reserve for the issue to ordinary shareholders on June 30th of 800,000 new ordinary shares of 5s. each credited as fully paid in the ratio of one new share for every share held on June 18th. General reserve in the consolidated balance sheet will then stand at £195,539, which is still a very substantial figure.

REVIEW OF THE YEAR

The Greening Wire Company has been suffering throughout almost the whole year from an acute shortage of wire rods. In the last two months of the year a fair tonnage of imported wire rods became available, but

unfortunately these rods were neither of the quality nor the size suitable for our normal trade and therefore of only limited assistance.

Progress was made during the year in the expansion and development of the newest subsidiary, F. and G. W. Stonier and Company, Limited, within the limitations imposed by the existing buildings and lay-out of plant and equipment. Unfortunately owing to the cuts in the building programme imposed by the government there has been an unexpected delay in obtaining the necessary licence for the new factory at Warrington and in fact only within the past few weeks has the licence been granted.

Substantial progress has been made in the production of electrically deposited mesh which we are now marketing under the registered trade name of "Perflec." Interest in this product has been most encouraging and suggests that there is a useful market for this specialised material when we are in a position to produce a full range of specifications.

TRADING CONDITIONS

As I forecast last year, the year just ended has been a period of material shortages and it is a tribute to the resources of the management that under these conditions it has been possible to make a substantial increase in the volume of production and sales of all departments.

A particularly pleasing feature of the past year's sales has been the remarkable increase in direct exports which were over 40 per cent higher than the previous year—and in face of increasing competition, I think you will agree that this is a considerable achievement.

The report and accounts were adopted and the resolutions for increase of the share capital and issue of bonus shares were passed unanimously.

LANADRON RUBBER ESTATES LIMITED

SIR ERIC MACFADYEN'S ADDRESS

The forty-fourth annual general meeting of Lanadron Rubber Estates Limited was held on June 30th in London, Sir Eric Macfadyen, the chairman, presiding.

The following are extracts from his circulated address: The sales of our 1951 output averaged out at just over three shillings per lb on a crop of 3,833,632 lb. The crop harvested was substantially lower than in the previous years, mainly on account of the sale of our two old estates, Ledbury and Kinrara. As against that higher prices resulted in total earnings at £606,862 being somewhat above those of 1950.

The gross profit, treating Malayan Export Duty of £66,170 as a cost of production, was £294,555. Malayan and British income tax and profits tax require £140,063, and bring the available balance down to £154,492. With the carry forward from 1950, the balance available is £170,579.

The proposed allocations and the 7½ per cent dividend already paid leave us with £53,612; and we recommend a final dividend of 7½ per cent, making 15 per cent in all, which will permit of an increase of £12,987 in the carry forward. Until quite recently my colleagues and I counted on being able to bring the year's distribution up to 20 per cent, if not 25 per cent. Clearly, however, the recent steep drop in the rubber market dictates caution.

I do not wish to be taken to be a pessimist about the outlook. I believe the industry is healthier at a level of prices which encourages demand.

The report was adopted.

"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

CAPITALISATION OF RESERVES

The annual general meeting of this company was held on June 27th in London.

Sir Frederick Godber, the chairman, said: My Lords, ladies and gentlemen,—You will, I feel sure, learn with regret that reasons of health compelled Mr B. Th. W. van Hasselt to express the wish to relinquish his position as an active managing director of the group as from December 31, 1951. I am glad, however, to be able to tell you that we shall continue to have the benefit of his advice and experience, as he will remain on the board of the three parent operating companies.

Since my statement went to press, some of the worst features of the Excess Profits Levy and, in particular, as affecting the group, the feature regarding the taxation of "franked income," have been removed or mitigated in the passage of the Bill.

STRIKE IN AMERICA

I referred in my statement also to the problems which had arisen during the course of 1951 and subsequently from the loss of supplies from Iran. These problems were recently intensified by the strike in certain sections of the United States oil industry which started on April 30th last, as a result of which at one period refinery capacity of the order of 2½ million barrels per day, or 35 per cent of the total refinery capacity of the United States, was out of action.

Though a large number of settlements have been made and the majority of the refineries have restarted work, that of the Shell Oil Company at Houston, together with the adjacent chemical plant, is still strike-bound. Immediate consequences arose in international aviation business, and the majority of governments thought it advisable in order to conserve an already delicately balanced stock situation to restrict deliveries to aircraft. The resumption of work in the US refineries has enabled airline restrictions to be lifted, but the aviation spirit supply position for civil purposes remains a problem which will need to be continually watched.

DIVIDEND AND BONUS

The chairman concluded by moving the adoption of the report of the directors and the payment of a final dividend of 1s. 6d. and a bonus of 6d. per ordinary share or £1 unit of stock, free of income tax.

Sir Robert Waley Cohen, KBE, seconded the resolution and it was carried unanimously.

Resolutions were passed sanctioning the increase of the authorised capital to £88 million by the creation of 25 million new ordinary shares of £1 each, the capitalisation of £10,902,939 from capital reserve and the issue of 10,902,939 new ordinary shares credited as fully paid to the shareholders.

Sir Edward R. Peacock, GCVO, said: One realises the very heavy burden of responsibility borne by the chairman and directors, particularly under the conditions of this baffling and changing world at present. Yet today they have given us the report of a most successful year.

We must also not overlook that great army of people that carry out their plans here and throughout the world. Without them the directors could do nothing. I am sure you will wish to join in a very warm vote of thanks to the chairman, to the directors and to the staff here and abroad, for their splendid work and the results shown today.

The chairman's acknowledgment concluded the proceedings.

HIELD BROTHERS, LIMITED

CONSIDERABLE MEASURE OF SUCCESS ACHIEVED

The thirtieth annual general meeting of Hield Brothers, Limited, was held at Briggella Mills, Bradford, on June 27th, Mr David H. Hield (the chairman) presiding.

The following is the statement by the chairman, which had been circulated with the report and accounts for the year ended March 31, 1952:—

It is with satisfaction that your board submits to you its report for the year ended March 31, 1952. It covers a period of boom and slump in our industry, with fluctuations in the prices of raw wool more violent than ever before recorded.

The period of rising prices was accompanied by overwhelming buying demand—the period of falling prices has seen almost a cessation of demand in many markets. Trading has been unusually difficult under such abnormal conditions, and the results achieved and now placed before you reflect a considerable measure of success, and for this success I am glad to take this opportunity of paying the highest tribute to the initiative and ability of your managing directors.

We have valued our stocks at market levels prevailing at March 31st last, with the result that our trading profit at £197,962 shows a diminution of £166,197, compared with our record figures for 1951. We are leaving intact the reserves set aside in recent years to meet the heavy fall in wool prices which we anticipated. The current level of wool prices is far from stable and is still over five times that of prewar, and we must guard against the contingency of a further fall.

THE OUTLOOK

During the past year we maintained the volume of our output and trading activity as compared with 1951, and our mills are still on full-time working, which, is, in part, due to the execution of old orders.

The outlook, however, is not promising. Many overseas markets are closed to us for political or other reasons beyond our control; there is consumer's resistance the world over; stocks are heavy; competition is keen for what business is available and our profit margins are seriously reduced. Trading conditions are most difficult and no major improvement can be expected.

You will note our fixed assets stand at £218,672, showing an increase of £12,957. Our net liquid assets, after providing for taxation on current profits, are £903,744, showing an increase on last year of £24,094. Provision has been made for all known or anticipated liabilities.

The work put in hand two years ago for reconditioning a large part of our Briggella Mill has been completed.

Our Canadian branch was visited during the year by Mr R. H. Hield. It has in general had a similar experience to the English business, but slump conditions in Canada have been more severe, and still continue.

Several of our important overseas markets have been visited during the year by directors or a senior member of our sales staff.

We are unlikely to feel the effects of the Excess Profits Levy as the "standard" period fortunately coincides with a prosperous period for this company, and the highly competitive conditions prevailing today suggest that future profits will be such that we shall not fall within its scope.

This year your board recommends that

the dividend on the preference stock shall be the same as last year, and that 25 per cent be paid on the ordinary stock of the company.

The board, on behalf of the stockholders, accord their thanks to all employees for their loyal and vigorous efforts throughout a strenuous and anxious period.

The report was adopted.

ENGINEERING COMPONENTS LIMITED

RECORD PRODUCTION AND SALES

The seventeenth annual general meeting of Engineering Components Limited, was held on June 25th in London, Mr C. C. Griffith, MC (the chairman) presided, and the following is an extract from his statement:—

The group profit for the year amounts to £698,610, compared with £414,779 for 1950.

Production and sales during the year have broken all previous records, in spite of raw material difficulties which progressively increased as the year went on, and it says much for those concerned with supplies and production, that a record output was achieved.

Both our direct and indirect export business has, during the year under review, increased considerably, and it has been our policy that where components of ours were fitted to equipment destined for the export market, to make special concessions in the way of prices. Our Abergavenny factory has extended its output very considerably. A record turnover has been achieved and this branch of our works is now contributing to the profits of the group.

Our subsidiary company in Australia has also had a record year. With so many uncertainties in front of us, it is quite impossible to forecast the future. I feel quite confident, however, that provided we as a company are able to buy our raw materials at world prices, and restrictions are kept within reason, we can compete successfully with all manufacturers at home or abroad.

The report was adopted.

ODHAM'S PRESS, LIMITED

LARGER CIRCULATION

The thirty-second annual general meeting of Odham's Press, Limited, was held on June 26th in London.

Mr A. C. Duncan, FCA, the chairman, in the course of his speech, said: Whilst our gross revenue shows a satisfactory increase over the previous year of £2,600,000, production costs, on the other hand, are up by £2,775,000, with the result that our trading profit is down by £175,000, which is somewhat less than seven-eighths of one per cent of the turnover, a modest reduction, as you will agree, in the circumstances.

With regard to our newspapers, I am happy to say that their circulations show a healthy upward trend following the decline which I believe all newspapers experienced after the increase in selling prices in May last. Our periodicals, too, are all in a healthy position. The circulation of our Big Three, namely *Woman*, *John Bull* and *Illustrated*, account for a weekly sale of about 4,300,000 copies.

Our trade journals are all maintaining their progress, and, on the whole, are maintaining

and improving their prestige and their circulations. These, sixteen in number, cover a wide field of industrial interest. Most of these are published under the aegis of our subsidiary company, Tothill Press, Limited. It probably will be of interest to the shareholders to know that, expressed in terms of weekly sales, the circulations of our journals exceed 23,000,000 copies a week.

While the results for the year disclose a reduction in trading profit, I would point out in this connection that, as compared with the prices of paper twelve months previously, newsprint had increased by about £24 per ton, and other types of paper by amounts ranging from £32 to £50 per ton.

The report was adopted.

WORTHINGTON-SIMPSON

INCREASED OUTPUT

The sixty-first annual general meeting of Worthington-Simpson, Limited, was held on July 1st in London, Sir Samuel R. Beale, KBE, the chairman, presiding.

The following is an extract from his circulated statement:—

I am very pleased to be able to submit to you again a most satisfactory report and statement of accounts in respect of the year under review. The progress of the company which I visualised two years ago and referred to in my report has continued in spite of many difficulties and frustrations. The output for the year 1951 was somewhat higher than that for the previous year, and as a result the trading profit at £593,954 shows an increase on the 1950 figure of £37,794. After making full provision for all charges, including taxation, a net profit on the year of £217,363 is shown, against £201,375 for 1950.

In spite of the extremely heavy rate of taxation, the accounts show a very sound financial position. In addition to the usual dividend distribution, it is proposed to distribute a share bonus of one new 10s. ordinary share for every ten ordinary shares held.

Our order book has reached an all-time record, including as it does heavy demands for power station equipment and marine pumping equipment. Turnover in our smaller standard lines of pumps and compressors is very good and increasing.

The report and accounts were adopted and the proposed dividend of 20 per cent for the year, was approved, as was also the distribution of a share bonus.

TIMOTHY WHITES & TAYLORS LIMITED

NEW HIGH SALES RECORD

The twenty-third ordinary general meeting of Timothy Whites & Taylors Limited was held on July 3rd in London, Mr Louis Nicholas, JP, FCA (the chairman) presiding.

The following is an extract from his circulated statement:—

The sales of the company and its retail subsidiaries for the year ending December, 1951, established another high record in the history of the group.

The trading profit and sundry income of the group amounted to £1,169,143 as against £1,135,360 for the previous year. The provision made for taxation is £561,285 as against £508,160 last year.

The capital and revenue reserves of the group now stand at £3,212,401, equal to nearly six times the amount of the paid-up ordinary share capital and, if this amount is added to the amount of such capital, it will be seen that the dividend upon the ordinary shares before deduction of income tax is only equal to approximately 4.87 per cent upon such sum.

The group has, throughout the year, continued its policy of expansion and development and has opened 13 shops which are proving to be useful additions to the chain. On the other hand, five shops which in the opinion of your directors did not justify retention, have been closed.

With regard to the current year, retail trading conditions are more difficult. Sales show a slight reduction compared with the corresponding period of last year.

The report was adopted.

NORTH CENTRAL WAGON AND FINANCE COMPANY

MR E. DUNCAN TAYLOR ON HIRE PURCHASE RESTRICTIONS

The ninety-second annual general meeting of North Central Wagon and Finance Company, Limited, was held on June 25th at Rotherham.

Mr E. Duncan Taylor, FCA, the chairman, said:—

The group profit for the year was £417,774. After providing for taxation, preference

dividend, a dividend of 3d. per share, less tax, on the ordinary capital, transferring £35,000 to reserve account and £5,000 to pensions reserve, the parent company carries forward £72,166 (against £54,073) and the group £150,471 (against £135,493).

The directors recommend in addition to the ordinary dividend, a similar distribution to that made a year ago of 4½d. for each ordinary share, not subject to tax, out of realised accretions to capital; these together represent a return of just under 6½ per cent, subject to income tax, on the paid-up capital and free reserves at December 31, 1951.

The figures reflect our continued expansion and widening activities which resulted in a group profit, before taxation, of £417,774, as compared with £327,186 a year ago, but provision for taxation £310,751 (74 per cent of group profit), compared with £215,827 (66 per cent) more than absorbs the increased profit.

I do not think the man in the street really appreciates the extent or the effect of taxation of profits and I feel it is the duty of all those in charge of large commercial and industrial undertakings to show clearly how the state deprives industry of its resources, destroys incentive to economy and discourages new developments.

Free reserves increased during the year by £34,433 to £739,905, compared with a paid-up capital of £625,000, and our reserves for future taxation have increased by £101,155 to £536,538.

HIRE PURCHASE

On February 1, 1952, restrictions on hire purchase materialised in the shape of Statutory Instrument No. 121, which specifies the minimum initial rental or deposit to be paid by the hirer and the maximum period over

which a hire purchase agreement may run. The Order does not apply to all classes of goods and in so far as it covers motor-cars for private use and certain luxury goods, it cannot be criticised, but the same cannot be said of its application to passenger and goods transport vehicles, many of which cost up to £5,000 each. It is possible that the inclusion of these vehicles was intended to reduce competition with the railways, but, be that as it may, the Order, coupled with the increased cost of petrol, oil and wages, has made it difficult if not impossible for the small operator to pursue his modest and normal renewal programme or in some cases even to earn his living and to pay his way.

Our hire purchase activities are not concerned with the sale of goods classed as luxuries or non-essentials, but mainly with the provision of industrial and commercial machinery, tools, appliances and equipment and the means of transport essential to the life of the business community and the workers engaged therein.

We have been notified of an arbitrary cut of 10 per cent in our bank overdrafts. In the national interest this cut would be borne willingly if we were sure all others engaged in hire purchase operations were being dealt with similarly.

On July 1st last, through North Central Partnerships, Limited, we became associated with the well-known merchant banking house of Seligman Brothers.

The past year saw a considerable increase in our export trade financing, and this is reflected in the increase in our acceptances on customers' account and in our contingent liability in respect of bills rediscounted, and consolidated balance sheet total of nearly £9 million, which is a record.

The report and accounts were adopted and the retiring directors re-elected.

HER MAJESTY'S COLONIAL SERVICE

Applications are invited for the following post:—

Assistant Controller, Department of Foreign Exchange Control, Singapore (27434/1). Candidates must be between 35 and 45 years old, have passed the final examination of the Institute of Bankers in London, and have had at least 10 years' experience in all branches of exchange control in the foreign division of a United Kingdom bank.

The appointment will be on a 3 years' contract in the first instance. The salary scale is £721-£1,421 inclusive of expatriation pay; a cost of living allowance and special Singapore allowance are also payable. Quarters or rent allowance in lieu are provided and free passage for the officer, his wife and children under 10. Leave is normally at the rate of 45 days for each year of resident service. Income tax is at local rates. A gratuity is payable on satisfactory completion of service.

Intending candidates should apply, in writing, to the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, S.W.1, giving brief details of their age, qualifications and experience. They should mention this paper and quote the reference number 27434/1.

UNIVERSITY COLLEGE OF WALES, ABERYSTWYTH

The Council of the College is about to proceed to the appointment of a Principal. Particulars of the appointment can be obtained from the Registrar.

CHARTERED or Incorporated Accountant required as Secretary and Chief Accountant for engineering works in North of England. Some industrial experience is necessary and the applicant should be aged 30-40. Commencing salary £1,500-£1,750 according to qualifications and experience, with pension scheme. Assistance would be given if necessary, over housing. Applications, with full particulars of education, qualifications, experience and salaries earned, should be sent to Robson, Morrow & Co., Box No. 002, 69, New Cavendish Street, London, W.1.

OLD-ESTABLISHED firm of management consultants have vacancies in their Control Division for qualified accountants with sound knowledge of costing and office organisation and methods. Applicants should have had practical commercial and industrial experience in an executive position, be enthusiastic to take a practical part in promoting the efficiency of British industry, able to work as a member of a team, willing to travel. The positions are responsible ones and will be suitably remunerated. Applications to Harold Whitehead & Partners, Ltd., 31, Palace Street, S.W.1.

AUSTRALIAN, aged 42, desires permanent position in U.K. or overseas with British financial or industrial organisation. Background experience covers wide field of economic research including industrial development and Australian and international tariff procedures, reports for underwriters, government departments, etc., or matters of public and private finance.—Box 989.

M.A. (ST. ANDR.), M.Sc. ECON. (LOND.), 32, ex-officer, extensive teaching and research experience in Economics and related subjects, would be glad to hear of interesting industrial or research post; also willing to undertake independent commissions in general industrial, financial research and market appraisal.—Box 986.

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LEADING ARTICLES

Transport Travesty	65
Europe in a Hurry	67
Commonwealth Development—VI	68
An Alternative Vote	70

NOTES OF THE WEEK

A Note to end Notes?; Germans to Deal with Germans; Prussian Heroes; Timetable for Denationalisation; The Spiral Starts; Housing Subsidies and Sales; Rats, Lice and Deans; Peasants versus Pinay; Sticking to the Planning Act; Strikes for Security; Coercing the Farmers; Improvement in Malaya; More Direct Aid to Vietnam; Another Development Area?; Plan for Middlesex; Fishing in Deep Waters; Legal Sovereignty for Individuals; Doctors in Conference; Marshal Tito on his Dignity.	72
---	----

LETTERS TO THE EDITOR

BOOKS AND PUBLICATIONS	84
------------------------	----

AMERICAN SURVEY

Republican Revolts	89
Deficit Ahead	90
Stevenson Fingers His Hat; Congress off to the Races; Steel Strike—or Lockout?; No Peace for Lattimore; Puerto Rico Celebrates the Fourth; Shorter Notes.	

THE WORLD OVERSEAS

Comeback of the Wafd	97
A Fresh Stage in Korea; Sweden and the Soviet Outrages; Self-Criticism in China; Staff Troubles in Uno; Belgium and the EDC.	

THE BUSINESS WORLD

Tools for the Land	106
BUSINESS NOTES	109

Markets' Midsummer Dream; Rally in Sterling; More Light on the Dollar Deficit; Less Unemployment; The Banks' Investment Depreciation; Australia Gets the Dollars; Confidence in Coal; Rubber Earns Fewer Dollars; Copper Rises Again; Blue Riband Economics; Stores Foresee Hard Times; Scottish Banks' New Charges; EMI Changes Speed; Cotton's Bid for Freedom; Another "No" to Premium Petrol; Burmah Oil Plans; Efficiency in Steel Construction; Entrepôt in Tea.

COMPANY NOTES

STATISTICAL SUMMARY	121
COMPANY MEETINGS	122
BRITISH INSURANCE	129

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Transport Travesty

WHEN the Government's White Paper on transport policy appeared a couple of months ago, it seemed inconceivable that the Bill could be as bad. Yet it has been spelled out in a Bill virtually devoid of principles. The preamble sets down the first purpose of the Bill "to provide for the disposal of the British Transport Commission's road haulage property." It might have left the rest unsaid. This is the main purpose, and it is a political purpose to which the other provisions of the Bill are incidental. When all the clauses are stripped of their legal curlicues, an ill-considered set of propositions is exposed. Clause I imposes on the Commission the duty of disposing "as quickly as is reasonably practicable" of its road haulage undertaking; this, indeed, is explicit. But few of the other clauses are precise, and most of them deal in delegation of the worst kind, with the familiar phrases cropping up in line after line—"if the Minister gives his consent" or "the Minister may give directions" or "as the Minister may allow" or "provided that if the Minister is of opinion. . . ." Expediency could hardly go further. What is to happen to the railways is almost as obscure as the objects of a South Sea company. The financing of the levy on road transport, which is intended to balance the loss of traffic from the railways to privately-owned road haulage, is scarcely more intelligible in detailed exposition in the Bill than it was in impressionistic outline in the White Paper.

The Government declared last May that the road haulage undertaking of the Commission "should revert to private enterprise" and proposed that it should be divided into "operable units" and offered to the public for disposal by open tender. A Road Haulage Disposal Board is to be set up to supervise at every stage and in every detail the work of the Commission in divesting itself of its road haulage undertaking. The "operable unit" of the White Paper becomes a "transport unit" in the Bill, and the change has brought little clarity of meaning. No transport unit may exceed fifty motor vehicles or a fleet of more than two hundred tons unladen weight—save, of course, with the consent of the Minister. By what calculus are these low limits supposed to guarantee efficiency? The Commission is told to choose transport units to attract the small scale operator into the business, but at the same time to secure the best possible price. It is supposed to do all this without delay, and on the best terms available, and without avoidable disturbance of the transport system of the country. The Minister, it need hardly be said, can direct the Commission to sell any road haulage assets. Those members of the Commission to whom the Minister has offered a year's extension of contract (not necessarily in the same posts) will surely wonder about the attractions of taking over this confused and thankless set of responsibilities. The vehicles so sold will be free to work over any distance, no longer limited to a 25-mile radius. The railways can keep such road transport that they had at the end of 1947, but no more.

What is to happen to the staff while this knock-down sale is going

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on? Why is there no standard of pricing in the Bill? Will the Commission be left, when the dust has settled on the chaotic process of disposal, with a residue of road haulage business that no one will buy because it is unprofitable? These are obvious questions on which assurances are needed. But there is one major question of principle that must be raised before the rest of this strange Bill is scrutinised. The White Paper talked of improving the ability of the railways to compete with other forms of transport and of re-establishing a measure of competition between road and rail in long-distance journeys. The implications of competition between the two forms of transport were discussed in these columns at the time. They are concerned primarily with the degree of public obligation that is imposed on each of them. Both road and rail haulage have attributes of monopoly and the railways through more than a century have been subjected to public obligations which, in their origins at any rate, were intended as safeguards against monopoly. Road haulage undertakings—particularly those picked up cheaply with a free guarantee of operation for at least five years—also enjoy many attributes of monopoly. But the Bill says nothing at all about public obligations for the road haulier. He can choose his loads, quote his own charges and work when he likes. "Competition," in these circumstances, has little meaning. Effective competition between the two forms of transport would have meant relieving the railways of many of the burdensome public obligations that have been imposed on them. It was always safe to assume that this Government—and, perhaps, no Government—would not muster the courage to make competition effective. Bounteous transport, preferably below cost, has virtually become one of the Rights of Man.

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Thus the Bill fully confirms what was apparent in the White Paper—that the Government's policy for transport has no time for such quaint economic conceits as the desirability of providing adequate transport in various forms at the lowest real cost. Certainly the elaborate equalisation scheme between road and rail that it sets out will not achieve this aim. It is doubtful if the railways will have any greater discretion in fixing their charges than they now have; indeed, if a road haulier thinks that the railways are charging a rate "which, if continued, must result in a loss" he can complain to the Transport Tribunal, and the latter can order the charge to be revised. What sort of "competition" is this? The levy on road vehicles—an unpopular proposal that will be fought hard by the industry that the Government is seeking to restore—will not provide a competitive balance between road and rail either. It is to be raised as an addition to the vehicle licence duty and paid into a separate Transport Fund, under the inevitable control of the Minister. The White Paper suggested that the levy would yield an annual sum of £4 million, and no doubt the elaborate game of numbers set out in the Bill will secure this result.

Whether it is the right result is another question. The fund will be applied in the first instance to compensating the Commission (whose capital obligations are apparently to remain unchanged) for the loss incurred in the disposal of their road transport. There is no indication in the Bill whether the levy will be sufficient for this purpose. Secondly, the fund will pay to the Commission the

amount which "in the opinion of the Minister" represents losses resulting from the disturbance of its road haulage business. Finally, it will pay over (after a period of delay ranging up to three years) a sum representing a highly artificial estimate of the loss to the railways of business attracted to the roads. This estimate will present a poser to the Transport Tribunal, which will have to take into account evidence of changes in the use by traders of different forms of transport, and the number of vehicles in service, and also make "due allowance" for general fluctuations in trade. If the Commission fails to make economies that would reduce the loss of net revenue, it will get so much the less compensation—another matter that the Minister, in the last resort, can decide for himself.

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To expect the Commission to work efficiently and with any sense of public dignity under conditions of this kind is fantastic. This elaborate contrivance will not be acceptable to the private road hauliers, to the railways, or to the public. It would be a wise course of policy for the Government to accept that judgment immediately and, before it is too late, do some real thinking on transport policy. There is scarcely a single matter in the Bill which suggests that thought has been brought to bear on the realities of transport. Even such a comparatively straightforward matter as the reorganisation of the railways is conditioned by ifs and buts. Within twelve months of the passing of the Act "or such longer period as the Minister may allow" the Commission must submit a scheme, to provide (among other things) for the abolition "if it has not already been abolished" of the Railway Executive. The intention is to decentralise, but no principles are laid down. Is it necessarily right that the Commission should formulate the scheme, when it will in future be concerned only with the railways and London Transport? What kind of controlling body is required for these services? The most coherent suggestion is for a Commission of ten with a chairman "and such other members, if any, as the Minister thinks fit" rendering full-time service. This suggests a reversion to the principle of a part-time directorate; if so, it is welcome. But it leaves to be explained the organisation for which the Commission will be responsible. Neither the Commission nor the Railway Executive can survive in their present form. One must make a meal of the other. Is it necessarily right that the parent should eat the child, as the Bill seems to assume?

On Thursday, the Government disclosed that the Bill will not be debated in this session. The Government should make good use of this delay. As it is, the Bill bears all the marks of haste, lack of fundamental thought, and back-bench pressure to secure a victory for "free enterprise" in road haulage. If the enterprise were free—and free equally for the railways—that would not be a matter for complaint. But on no objective assessment is such an outcome possible from this Bill. It will promote confusion and inefficiency. It gives astonishing powers to the Minister to make up his mind on fundamental questions at his own convenience. It is an attempt to secure political favour at the expense of all serious consideration of transport economics and organisation. It is, indeed, inconceivable that this represents the final and mature thought of Conservative ministers on the future of the country's biggest industry.

Europe in a Hurry

THE nations of the Atlantic alliance would breathe a sigh of relief if they could be convinced that a way had been found to fix the relations between France and Germany in a permanent friendship, profitable to both peoples. The present opportunity is obvious: divided Germany is weak and France is strong in friendships as never before in this century. But the difficulty is also obvious: what kind of relationship between these two nations could survive the resurgence of German political and economic strength which is beginning? M. Schuman and those Frenchmen who support him want the ties to be formal and tight, so that any German attempt to break them would be—to put it bluntly—tantamount to an act of war. Dr Adenauer and those who support him are also ready for formal ties because—it seems—they believe not only in the unity of Western Europe but also in the role that Germany could play in it. Where they see the hope of German leadership, sceptical Frenchmen see the risk of German domination.

At this point in the argument Europeans turn to this country in the hope that Britain, by some means or other, might provide the mediator, the casting vote, the permanent chairman in new institutions. And the answer comes back—sympathetically, perhaps even reluctantly, from Mr Eden and rather more bluntly from the Labour Party—that it cannot be done. The tighter the organisations of European unity the less active Britain can be in them; the looser the ties, the more Britain can do to prevent their breaking. For thinking in Whitehall is influenced not only by the need to keep full independence in dealings with the Commonwealth but also by the conviction that formal—especially federal—arrangements do not offer a practicable way of securing co-operation between modern governments. What suits British official thinking is the method of Nato: close co-operation between governments on essential and carefully defined tasks, with each maintaining its own freedom of action and the authority of its national parliament. And it looks as if that is also the present preference of the United States in organisations of which it is itself a member, in spite of its incessant pressure on Western Europe to achieve full integration.

In short, the present state of affairs is thoroughly unsatisfactory. Many Europeans believe they can achieve peace and strength only through formal integration; the British insist that the method is not practicable; the Americans insist that it should be used without being certain whether it is practicable or not, and without any intention of entering into such arrangements themselves. A European movement for federation, British attachment to Commonwealth methods, and the uncertain development of Nato towards its declared ideal of an Atlantic Community are at odds—and it is not at all clear that they can be reconciled.

The question has now come up in a form which may bring differences to a head. M. Schuman proposes to attempt now the formation of a political authority for the six nations which are to take part in the coal and steel pool and—if their parliaments agree—in the European Defence Community. As he expects some delay in the setting up of the latter institution, he wants to use the establishment of the former for taking the first step.

Under the EDC treaty a political authority would have been created only after a period of preliminary organisation and experiment. Now it is proposed that the political Assembly for the coal and steel pool—which may be in action by October—should itself set about authority-making forthwith.

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This is not so much a change of objective as a change of timing, and the reasons for haste are obvious. With a European political authority in prospect the French Assembly might just accept German rearmament and ratify the EDC Treaty in the autumn. With Dr Adenauer in power—perhaps only for another nine months—the Bundestag might just accept the authority as a pledge of French sincerity. It might also be possible to solve the smouldering problem of the Saar by putting the territory under a European authority; certainly no other solution has been suggested. At a time when Soviet policy is doing all in its power to prevent a German merger with the West, the Germans would be asked to make up their minds not about half the problem of European unity but about the whole of it.

The calculation is legitimate and there is much to be said for attempting a revolutionary act of European policy. Gradualism offers no real assurance to the French, as they see Germans about to rearm; and it offers only distant hopes to those Germans—and they are neither numerous nor steadfast—who see in European institutions the best hope of controlling their own nationalism. Moreover, there are many Europeans who feel—as few in this country feel—that the days of the nation state in Europe are past, and who argue that the coal and steel pool and the European army just will not work without a political authority over them. On the other hand, it is impossible to stifle scepticism. Will France really give up control of its army and its defence policy? For that is what the EDC means in the long run. Will the Germans really tie themselves into a European partnership in which their control over defence—and therefore over foreign policy—is shared and their control over heavy industry sharply reduced? Is public opinion really ripe to accept the economic changes and the reduction in parliamentary authority which M. Schuman's idea portends?

There is only one answer to the sceptics: it is that hard-headed men like Dr Adenauer and M. Monnet—not always for the same reasons—believe the movement towards integration to be not only desirable but possible. So do many politicians among their supporters. What is more, when they ask for an alternative policy, there is no answer satisfactory to most Europeans. Some people urge that the task of enlisting and holding Germany could be better done "in the framework of Nato." In theory this should be possible; in practice it is not. The ties within Nato are loose and their efficacy depends largely on a spirit which grew up in the war, on the lack of any real conflict of interest between members, and on American leadership. Of evolution towards a formal and final Atlantic community there is no sign, whatever statesmen may say; and it is formality—indeed, finality—that the apostles of a new Europe are preaching.

It has often been urged in these columns that Europeans should find their way to unity not through ambitious general plans but by co-operation in practical tasks, and should recognise that economic integration would not be possible without prior political arrangements. For eighteen months now they have been doing just this; the Schuman plan and the plan for a European defence force are the result of long, difficult and expert negotiation. If they now feel that they can go no further without a political authority, their views deserve respect. The British can argue that their own experience in the Commonwealth and Nato is different, and point to the value of loose and informal partnership; but they forget that their Commonwealth experience is based not on a need of bringing nations together but on a need to prevent nations that had outgrown British control from splitting apart. And they forget, too, that the methods of Nato are essentially based on those of Anglo-American co-operation during the war.

It would be regrettable, therefore, if the respect and influence that Mr Eden has regained for the British Government in Europe were used to restrain M. Schuman's initiative. The British proposal that the political direc-

tion of Europe's specialist organisations be set up within the Council of Europe was good, in so far as it showed eagerness to keep this country—as a Strasbourg member—in close contact with them. The six governments which propose to submit defence, coal and steel to supranational control would have been associated with the other governments of the council, Britain among them, which think of unity in more general terms. But it is not good enough to be put up as an alternative to a single European political authority, if M. Schuman and others believe they can get one established. In the long run nothing would better suit this country—and the United States—than to see six governments of Europe represented in the Atlantic Council by one European minister. The balance of power in Nato would be more even, its efficiency would increase, and there would be some hope of discovering whether an Atlantic Community with new forms of political and economic association is desirable and possible. The task for British statesmanship is to encourage M. Schuman and those who think like him, and to show imagination and ingenuity about ways of associating this country with a political authority for Western Europe.

Commonwealth Development—VI

The Burden of Development

THIS series of articles has been concerned with the general and more basic problems of Commonwealth development. There are, of course, in addition many technical problems that would have to be solved, of which only the most summary mention can be made in this concluding article. An accelerated programme of development could not be framed until the basic conditions had been met; but it could not be completed successfully until the technical difficulties had been overcome.

Lack of transport is perhaps the most important of them; it already hinders development in the dominions as well as in the colonies, and would set limits to any further expansion. In certain areas there are serious physical obstacles to the construction of new roads and railways; everywhere, however, the main essentials are time and money. Most primary products are more suited to rail traffic than to road. But, in spite of the various labour-saving devices now used in railroad construction, a railway track costs at least £10,000 a mile in good country and immeasurably more in difficult country. The cheapest earth road costs about £2,500 a mile; but, when the track is completed, road transport requires more men per 100 tons of traffic than a railway. The cost of installing airlines would hardly be lower unless existing airports can be used. But whatever method of transport is adopted, there are all the ancillary services to be provided: the stations, the warehouses, loading bays, cranes, enlargement of the ports and so on. And all this takes time and money. It is of little point to increase production until the extra output can be transported to the ports and shipped to market. Both East and West Africa have learnt that lesson from bitter experience in recent years. Any rapid expansion in transport facilities would mean the employment of large amounts of capital and labour without showing any immediate results.

Then in the colonies—though much less so in the dominions—there is the problem of land tenure. Agricultural development involves a greater use of capital on the land: mechanical cultivation, use of fertilisers, improved seeds, insecticides and so on. But in many parts of Africa the native holdings consist of scattered plots, and it would be politically difficult or impossible to establish plantations, since that would mean either dispossessing the native or redistributing the ownership of land. It may be possible to introduce primitive forms of co-operative farming, particularly co-operative cultivation, by resorting to contract ploughing and harvesting, with a central organisation owning the equipment and carrying out the operations for an agreed fee. Native customs also often present barriers to development; for example, the wealth of a family is in many places determined by the number of cattle owned, irrespective of quality, whereas to increase meat production it may be desirable to keep smaller numbers of high-grade beasts. Again, some African peoples possess a highly developed acquisitive motive, and respond to a price incentive; others do not, so that each community has to be treated differently. All these difficulties can be overcome with patience, careful supervision and sympathetic encouragement. But it would take many years and the rate of development would be determined by sociological rather than economic factors.

Those who think that Commonwealth development is a simple matter requiring only energy and goodwill in official circles are sadly mistaken. It is a stupendous task that can yield results only in ten to twenty years' time. Yet during the period of development it will impose sacrifices both on the countries initiating the development and on those being developed. It is no panacea for Britain's present economic ills. Indeed the United Kingdom would first have to regain its

economic strength before it could shoulder its part of the burden. It is true that Britain could not hope—even on the most optimistic assumptions—to pursue, entirely unaided, any plan of development that would amount to an annual investment of the order of £500 million. Help would have to come from outside; capital and capital equipment from the United States, labour from Europe. And this outside participation need be no bad thing, for the Commonwealth has never been regarded as an exclusive, national organisation—certainly not in its economic relations. But, even so, Britain would still have to play a major role in Commonwealth development, and this has serious consequences for Britain's internal economic policy.

If, for example, Britain were expected to meet half the cost, the problem would be to save £250 million a year, over and above what is needed at home, for investment in the Commonwealth. There are only two ways in which that can be done without inflation: by increasing productivity at a rate even faster than that already mortgaged for domestic schemes; or by reducing consumption and government expenditure. In the absence of some outstanding new incentive to productivity, it would be very rash to count on any speeding-up in the present rate. If, therefore, there is to be more development in the Commonwealth, there must be less consumption at home.

Nor is this the only requirement. The export of capital requires an equivalent surplus in the balance of payments. A British contribution of £250 million a year to Commonwealth development involves an increase in exports or a cut in imports of nearly 10 per cent in either case. Moreover, it is not 10 per cent of the present level, but of the levels needed to secure balance. The painful struggle of 1952 has not merely to be won; if the United Kingdom is to play its part in Commonwealth development, the struggle has to be gone through all over again. This also would plainly require cuts, and perhaps severe cuts, in the level of personal consumption in the United Kingdom.

In terms of practical politics, the sacrifice that would have to be made here and now in order to develop Commonwealth resources would be fewer new houses, new factories and new schools, less re-equipment and modernisation of industry, dearer food (because of a further reduction in food subsidies) and a reduced range of consumer goods. But the sacrifice would be less to the extent that output and productivity would be increased. Those who advocate British participation in grandiose schemes of development—whether within the Commonwealth or in other parts of the world—without making it clear that such schemes require of the British people either harder work or lower standards of living are either displaying their own ignorance or else deliberately deceiving their audiences. Lord Beaverbrook and the Labour Party should note this equally.

So much for the price that Commonwealth development would impose on Britain. There are also other considerations. If the Commonwealth is to be developed there must be a plan in the sense of knowing the broad direction that must be taken. There cannot, however, be a pre-determined programme. It must be possible to discern the route; it is not necessary—indeed it would be wrong—to pin-point every milestone. Nobody knows

what the future holds in store, and development must be conceived over a period of ten to twenty years. A programme that takes into account all the possible changes would be an unworkable blue-print. One based on an official guess would be too risky. Each commodity and each project must be treated individually and on its own merits. Flexibility is essential in any development project, but flexibility requires some mechanism to indicate when changes have to be made. That mechanism is a properly functioning pricing system, which can indicate both consumers' needs and producers' costs. This is not a naive plea for a return to *laissez-faire*. There will undoubtedly have to be some minimum price guarantees, or even long-term contracts—either national or international—in order to limit the risks from political uncertainties as well as from economic uncertainties. But unless there is some yardstick by which changes in consumers' requirements can be measured, and by which producers' costs can be compared, development could lead to a waste of resources and to impoverishment rather than to prosperity. The Government's part in Commonwealth development, therefore, is not only to encourage, to exhort and in certain circumstances to direct, but also to ensure that effective demand is a true measure of requirements—in other words that the amount of money in people's hands is not significantly larger than the supply of goods available.

There is another condition that governments must respect. They must be willing to promote a greater degree of international specialisation of labour, so that countries can focus their energies on what they can do best. This should be self-evident, for development necessarily involves an expansion in the volume of international trade. Yet it is surprising how few countries realise that it applies to their own domestic economic policies. It implies that uneconomic industries in countries that are trying to develop their export potentialities should not be artificially stimulated or even encouraged, and that barriers to trade should be removed not imposed. If primary producers are to export their increased output, they must accept in return payment in other people's industrial goods.

To many people, the cost of development, when fully set out, may seem heavy—to some, too heavy. The sacrifice seems all the greater because for the past six years the world has been trying to achieve the impossible. It thought it could enjoy a higher standard of living without producing more goods, and indeed without saving and investing on a larger scale. If Britain wishes to maintain its position as a world power, or indeed if it wishes to maintain its present standard of living, it must develop the resources of the Commonwealth. A recent official report from the United States has estimated that by 1975 American imports of raw materials will be some 25 per cent larger in volume than at present—and this allows for an increase in American domestic production of raw materials. When America becomes such a large purchaser of the world's supplies—and its import requirements have been increasing almost annually since the end of the war—Britain will be unable to prevent the independent members of the Commonwealth (or, indeed, those which at the moment are dependent members) from selling their output for dollars. Unless their total output has been increased correspondingly, Britain will be faced with the prospect of less food and fewer raw materials.

These articles, with their emphasis on burdens and difficulties, are not meant to be an argument against developing the Commonwealth. Quite on the contrary; in the long run the only alternative to Commonwealth development is starvation and unemployment. The price that has to be paid for development is not so much a sharp reduction in the standard of living, as the abandonment of those false economic ideas that made people believe that they could eat their cake and have it too. The rulers of Soviet Russia have, in this respect, been much more clear-sighted than the democracies. They have always seen that the way to more consumption in the future is less consumption now. But that does not mean that the British communists can be expected to support a movement for longer hours and smaller rations in order to build up the Commonwealth. They, like the Bevanites,

will continue to demand Commonwealth development at somebody else's expense.

For those who can think clearly, the lesson is both simple and unescapable. Commonwealth development provides no quick means of escape from Britain's present troubles. Indeed, the United Kingdom's restoration to economic health is a vital prerequisite to its participation in this development, side by side if necessary with the United States and other countries. But to achieve results by 1975, the first steps must be taken now. And the very first requirement of all is to create a larger margin of savings at home and a credit surplus on the balance of payments, no matter how unpleasant the medicine or unpopular the treatment.

(Concluded)

An Alternative Vote

FEAR that British liberties may be submerged in the rise of the managerial state has become the new orthodoxy; "decentralisation" is now the catchword of Fabians as much as of liberals. That is healthy, but it would be a pity to apply it to the state alone. The politicians might well ask themselves whether their own party bureaucracies do not constitute a more pressing danger to effective democracy than is the power of Whitehall.

If the alarming concentration of power in the hands of the two main party organisations requires any demonstration, it is provided by the mere fact that in Britain today constitutional reform is hardly discussed. Two elections in succession have produced dangerously narrow majorities in Parliament. These islands are undoubtedly being governed badly, for this and other reasons, at a time when they need to be governed supremely well. Yet no one challenges the electoral system that produces the governments. This system is the election of Parliament by non-transferable votes in single-member constituencies. It is the only democratic method that will almost always confine political division to two main parties. That is no particular benefit to the politicians themselves; most could still get into Parliament if there were more parties and many would have a better chance of ministerial office. But it is of the greatest benefit to the established party organisations as such—to the managers and organisers. Any change would lessen their power by introducing one or more rivals.

This, no doubt, is the reason why there has been no serious discussion of electoral reform since the last time that party divisions were fluid—in 1918. Then, indeed, opinions were very different; the Speaker's conference recommended that the alternative vote should be used in every single-member constituency and that the large towns returning more than two members should have a form of proportional representation. These proposals were rejected largely by accident. The provision for proportional representation was too revolutionary for the House of Commons; the House of Lords was in favour of that but against the alternative vote. The compromise took the odd if easy form of dropping both suggestions. And thereafter non-transferable voting ensured—at first with the powerful aid of Lloyd George—that the Liberal

party was squeezed out; the two entrenched parties decided that all was well with the electoral system, and that was that.

It is surely time that the assumption was questioned. The case against allowing the electorate anything but a simple choice between two alternatives has always rested on the belief that political opinions are immensely varied; if given the chance provided by proportional representation, they will not coalesce into fewer than four or so parties. In the days before the suffrage was really popular, and before the modern techniques of mass propaganda existed, this was probably true. But is it not becoming less true? There is at least some danger that nowadays one or two opinions may dominate the voters all too easily. Should the bias of the electoral system still be set so firmly towards squeezing out minority parties?

The classical case against multi-party politics certainly still stands. If there are three or more major parties, the voter cannot directly choose a government: he can only choose a party, which may enter into one of several possible combinations. Government in these circumstances is always weak, because the combinations may break, and it is often irresponsible, because faults cannot be brought home directly to the offending party. Such arguments should still rule out a system of proportional representation. But it is at least worth considering whether the British system may not have developed too far the other way by all but excluding even a small third party.

The electoral method that allows some life to minority parties without breeding them in profusion is the alternative vote. This is the smallest possible electoral reform. It involves no departure from the existing single-member constituencies. It merely means that when there are more than two candidates the voter can express a second as well as a first preference. If one candidate gets more than 50 per cent of the first preferences, the alternative votes are ignored. But where a candidate would now be elected on a minority vote, there is a second count. The votes of the candidate at the bottom of the poll are divided among the others according to the second preferences expressed. This gives little encouragement to small minorities but it means that bodies of voters

as large as the Liberals can support their own candidate, in the first place, without fear of wasting their votes if the contest between the two main parties is closely fought.

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In principle, at least, this measure of flexibility would be highly desirable. The party machine as such has become immensely more powerful since liberal democrats constructed their theories in favour of the two-party system. The effect is now to confine opinion within a far more rigid mould than the theorists ever expected. No one can challenge the two mammoth organisations. The individual politician must swallow his conscience and stay inside the party because the only alternative is electoral suicide. Each organisation is tempted to stretch itself, to cover up differences of opinion, in order always to hold on to nearly 50 per cent of the popular vote. Politics therefore becomes a manoeuvre on very narrow ground, aimed primarily at capitalising the grievances of people with little interest in politics. The result at present, with the parties so evenly matched, is that the two-party system fails even to produce its principal theoretical benefit—a strong government with a secure majority in Parliament.

There is another, and more serious, ill-effect. The choice put to the electorate is becoming more and more formalised. The effect of the choice may depend on the manoeuvres of the politicians quite as much as it does under a multi-party system. The difference—for the worse—is that the manoeuvres go on not between several parties but inside two parties, each united by little but its determination not to split. The result may be a very poor expression of the popular will. For example, an electorate exasperated by the Tories might be driven to vote for the Labour party even under Mr Bevan's leadership, although it would certainly prefer, if it had any say in the matter, a Labour party led by Mr Morrison.

This possibility, if nothing else, should make the Tories interested in electoral reform. The two-party system has become a force driving British politics to an extremism that—whether of Left or of the Right—is certainly not what the majority of voters want. To weaken its bonds is the most certain and direct way of making Britain unlikely ever to have a left-wing Socialist government. This change would remove, that is to say, the main fear which haunts Conservative politicians. It would achieve what can safely be taken as the main desire of almost all those—a majority—who voted Conservative or Liberal last year. Do the politicians ignore it simply because the party machine would not like it? Some Conservatives would confess the error in the past but argue that while they are in power there is no point in talking about electoral reform, because it requires either a specific mandate or the agreement of the Opposition. The argument is dubious. Labour made constitutional changes—reducing the powers of the House of Lords and abolishing university representation—without a mandate, without two-party agreement, and without any reason to suppose that public opinion was behind it on these issues.

The Conservatives have a mandate to restore the university seats. Public opinion on other electoral reforms is unknown, because the two main parties have kept the issue out of discussion. But it is as reasonable as most

assumptions of the kind to think that all Liberal and most Conservative voters would favour the alternative vote. And is Labour opposition certain? The one likely effect of introducing the alternative vote at the next election would be to put fresh life into the Liberal party. "Fresh life" might not mean much. One may doubt whether the alternative vote would, immediately at any rate, put a single Liberal member into Parliament. That is why the Liberal party itself wants proportional representation, not the alternative vote. But what is important to the cause of democracy is not more Liberal members. It is that the two main parties should be forced to court the Liberal vote, instead in confining themselves to negative abuse of each other. Under the alternative vote, there would be many more Liberal candidates; and, since Liberal votes with a second preference would no longer be "wasted," many of the candidates would probably draw an appreciable volume of support from both the Labour and the Conservative candidates. This visible demonstration of the strength of middle opinion could hardly fail to have a moderating influence on both the main parties; they would have to frame their policies with a more deliberate eye to the second preferences of Liberals. That should be welcomed by trade unionists who still fear that the Tories may grind down the workers by excesses of deflation and the like. And while the Left-wing would no doubt prefer to keep everyone free from moderating influences, Mr Attlee and Mr Morrison might be glad of anything that could add weight to their arguments against Mr Bevan.

This reasoning does not suggest that the Labour party might support legislation for the alternative vote if it were introduced. But it does mean that the present leaders of the Labour party might avoid committing themselves to its repeal when they returned to office. Certainly repeal would be a poor campaigning issue, and there is at least some chance that the alternative vote might command what amounted in practice, though not formally, to agreement between the parties. At the worst, it would be no more contentious than the denationalisation that the Conservatives are contemplating.

*

These arguments are not conclusive. The British electoral system has worked too well too long, while most other systems have worked too badly, for changes to be contemplated lightly, however great the immediate difficulties. Yet there is no doubt that the present two-party system has grown too rigid and ought to be loosened. The decisive question is whether it can be loosened a little without dissolving altogether. If the alternative vote meant that eventually the Liberals—or any other third party—would grow to approximately the same stature as the others, it would do no good. It would produce weak governments without making public opinion more powerful.

On present appearances, however, this is unlikely. It would be strange if even the alternative vote made the Liberals a principal political party again. If the two main parties have the self-confidence to believe this, the case for electoral reform deserves more careful thought than it has been given—particularly by Mr Churchill and his colleagues, and most of all by the Tory back-benchers who are anxious for the Government to show its mettle.

NOTES OF THE WEEK

A Note to End Notes?

It is a sign of fast-changing times that Dr Adenauer has successfully asserted his government's right to have a say in shaping the Western Note to Moscow on the subject of German unity. It has long been evident that the Germans will not wait until the new conventions with the Allies are ratified before claiming the rights that they grant in return for a contribution to joint defence; nor will it be possible to take the new freedom away if the treaties are, in fact, never ratified. The road to German independence cannot now be retraced.

The Western Note has now been despatched, but events in the eastern zone suggest that the Soviet Government may have decided in advance that its proposals will be unacceptable. Their last communication, sent on the eve of signature of the Bonn treaties, was a Note to end Notes, indicating the Russian conclusion that their bid for a German peace treaty would get nowhere so long as Dr Adenauer remained in power. It is clear that the East German Government has received, and is carrying out, orders to organise a change of government in Western Germany.

Germans to Deal With Germans

The abduction from West Berlin of Dr Walter Linzse, an economist working for the Association of Freedom-Loving Lawyers, adds another revolting item to the long list of similar Communist crimes. The motive was clear enough. The Soviet German authorities are making a drive against organisations that foster resistance or secure information in the eastern zone, and the lawyers' association is very active in this field. One of its leaders claimed recently that it had a representative in every important centre of government or industry in the Pieck Republic.

A number of other incidents have occurred in recent weeks along the frontier between Eastern and Western Germany; the People's Police have penetrated into western territory and seized citizens or farms. To counter this type of action Dr Adenauer has appealed to the occupying powers to increase the strength of their forces along the frontier; for 10,000 men in the Federal frontier police are inadequate to guard it. So far, however, his request has not been granted. The whole question is likely to become more acute in future. General Zaisser's People's Police will doubtless become more aggressive and, if the Bonn treaties are ratified, they may even obstruct the Allies in Berlin and on the highway leading into the city. There are good reasons for thinking that the Russians intend increasingly to use the East Germans—former Nazis and Communists alike—as a shield for their actions in Germany. They have appeared to give formal approval to a policy of violence which had already been proclaimed by the Eastern German Communist leaders and the present campaign to enlarge the People's Police and set up a national army in their Soviet Zone points in the same direction. The plan is that the Germans themselves should overthrow the Adenauer Government and force talks between Eastern and Western Germans which would lead to a peace treaty on Soviet terms.

So far, the Soviet policy makers have vastly miscalculated the strength of West German opposition to the Americans and to European defence. They fail to understand that few Germans are inclined to move from opposition to revolutionary action so long as their economic situation is comparatively good. But it would greatly help Soviet plans if British or American troops were to fire upon Eastern Germans

in some incident in Berlin or on the frontier. Cleavage between Eastern and Western Germans has, indeed, gone remarkably far, but national feeling against foreigners would rise above this if American bullets killed even People's Policemen. To avoid such incidents, and at the same time to protect Western Germans who defy the Communists, a leaf should be taken out of Moscow's book. The Allies should help Western Germany to strengthen its police forces and, as far as possible, let Germans deal with Germans.

Prussian Heroes

It is quite wrong—Soviet German propagandists are explaining—to think that lessons for today cannot be drawn from the lives of the great Prussians "just because the putrid odour of fascist forgeries still attaches to names such as Scharnhorst and Gneisenau." By an orgy of historical analogies, in which America plays the role of Napoleonic France, they are attempting to convince former officers of the *Wehrmacht* that the hour calls for Germans to ally themselves with Russia and not with Nato. The present campaign may be regarded as the latest phase of a move which began ten years ago, when Field-Marshal Paulus, General von Seydlitz and other prisoners of war founded the League of German Officers and appealed for collaboration with Russia in the overthrow of Hitler.

The special task of winning what is called the "front line generation who fought for Hitler" has been entrusted to the National-Democratic Party in the Soviet Zone. One of the deputy chairmen of the party is a former commanding general, Vincenz Mueller, and another of its leaders was formerly adjutant to Field-Marshal Paulus. The party's recent conference was held at Leipzig, and Russo-German tributes were laid on the memorial which commemorates the battle of 1813, in which Prussia owed victory largely to its Russian ally. It was at Leipzig that Herr Grotewohl chose to announce the formation of a People's Army, to which former officers and Nazi party members are expected to rally.

One of the most disquieting aspects of this appeal to the pro-Russian tradition in the former Prussian army is that it is also directed against France and Britain. Herr Bolz, chairman of the National-Democratic Party, declared at Leipzig that Germany had been defeated in the two last wars because it had fought against the vital national rights of other nations. In contrast he cited not only the wars of 1813-1815 but the Franco-Prussian war of 1870. These were both, he said, occasions on which the Germans had triumphed because they fought for their national rights and the freedom and unity of their Fatherland. It is also worth noting that General Yorck, the Prussian general who took his army over to the Russians on the eve of battle at Taurroggen, is not mentioned in current propaganda—doubtless because German desertion to the Russian side once war had started would not be good enough for Stalin's purpose. The German army must be his ally from the outset. It is strange to recall that the Allies formally abolished Prussia after the war. Perhaps Stalin intends some day to revive it as a People's Democracy.

Timetable for Denationalisation

The publication this week of the Transport Bill is the most important event in the calendar of the Conservative Government's first Parliamentary year. Not only is it the first denationalisation measure, but it has appeared so late in the session that any possibility of introducing the Steel Bill this year is ruled out. Indeed, the Transport Bill itself

can hardly become law before, at the earliest, next March. The Government has wisely recognised that it is caught in a hopeless jam with its Parliamentary timetable and the only thing to do is to postpone much of the work originally intended for this session. Mr Crookshank announced on Thursday that the summer recess will begin in a few weeks' time with no action taken on the Transport Bill. Ministers obviously have no desire, with other problems pressing on them on all sides, to shorten the recess, and they cannot recall Parliament early in October without throwing out of gear the arrangements for the Tories' annual conference at Scarborough that month. A new session will therefore begin soon after Parliament reassembles in the middle of October, and the Transport Bill will be reintroduced then. The second reading debate may be expected in November and the committee stage seems certain to be extended beyond Christmas.

The official attitude of ministers is still that the Steel Bill will be introduced during the new session, but many Conservative MPs are disposed to believe this when they actually see the Bill in their hands. In any event, it is now safe to say that even if the Steel Bill is introduced and passed as quickly as possible, the sale of any of the assets of the Iron and Steel Corporation can hardly begin until some time in 1954.

At first sight these delays, both in transport and in steel, suggest that it is more difficult to denationalise than to nationalise an industry, that counter-revolution is a harder thing to carry out successfully by Parliamentary methods than is revolutionary change. But this is surely not so. It is not Parliament as such that is making denationalisation slower than nationalisation. The two reasons are, first, the difference in political atmosphere that a narrow majority creates and, secondly, the hesitations within the Government's own ranks. It is to ministers' credit that they have not emulated the Socialists, and plunged into immense schemes with little preparation. It is, however, their own fault that they had not cleared their minds in advance as to how they were going to denationalise steel and transport.

The Spiral Starts

The Agricultural Wages Board this week recommended that the minimum wage for farm workers should be increased by 5s., to £5 13s. a week. If this award could be considered in isolation, if everything else were going to stand still, it might be fair and reasonable. In fact, it must be regarded as only the beginning of a spiral of rising wages and prices that, at the best, will leave trade union members as a whole no better off and that is more likely to make everyone in the country worse off.

Mr Deakin, speaking as a guest at the miners' annual conference at Scarborough, had the courage to make a qualified defence of wage restraint, but the miners had already endorsed their leaders' claim for a rise of 30s. a week, which if it were granted would add some £50 million a year to the cost of coal. But even this claim is hardly more disturbing than the speech made on Monday by Mr Arthur Horner, the general secretary of the miners' unions. He argued that there should be higher pay in the mines in order to attract more men, but on the other hand the miners need not worry about a surplus of coal, since they could always stop working on Saturdays and take longer holidays. The two halves of the argument are, to say the least, unbalanced: in order to raise output the miners must have more money; but, when output has been increased, the way to reduce it is to work less. If this is really the miners' attitude, the National Coal Board's prospects of holding sizeable export markets for long are poor indeed.

The miners' conference also heard, however, a vigorous denunciation by its president of the members of the union

who refused to work with Italians. Every delegate at the conference, Sir William Lawther said, should hang his head in shame. He condemned strikes for political objectives with equal bluntness: they could only lead to national suicide and would not help the Labour party to return to power. But why do the national leaders of the trade unions emphasise these truths so much more readily at conferences, away from and after the event, rather than on the spot when strikes occur and Italians are sent home?

Housing Subsidies and Sales

The Housing Bill was read a third time on Tuesday, after being little altered by the House of Commons. It remains a thoroughly bad measure. Its main purpose is to insulate housing from the Government's own economic policy by increasing subsidies in line with interest charges. So long as he gets some more houses built, Mr Macmillan does not seem to mind (any more than the Opposition) that each new house will cost the taxpayer 60 per cent more. The details of the new subsidies are also unsatisfactory. The special subsidies for flats built on expensive sites have been increased more than proportionately, to astronomical figures. This encourages extravagant public housing—for a flat may cost up to twice as much as a house to build, irrespective of the site chosen. It also encourages local authorities to cram the centres of towns with far too many people.

It is, however, the other parts of the Housing Bill that have aroused contention in Parliament. The provision for extending improvement grants to houses occupied by farm workers under a contract of service provoked much talk about the wickedness of subsidising the tied cottage. This is beside the point. So long as tied cottages exist—and, after all, the Labour Government did not abolish them—there is no reason for excluding their occupants from the benefit of improvement schemes.

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The other contentious provision in the Bill is that facilitating the sale of council houses by local authorities. This is a Conservative gesture to the ideals of home ownership. Its actual effects will probably be small. Local councils already have the power to sell houses; they will now be released from the obligation to sell at full market price. Instead, the minister can, but need not, lay down the conditions of sale, and the Council may reserve the right of pre-emption for five years.

Whether or not the Opposition is right in thinking that these safeguards are inadequate, the Government's action is certainly inopportune. The prime function of local councils is to provide houses to rent for those who cannot afford to buy them. To reduce the total stock of such houses would both increase the real distress arising from housing shortages and hamper the mobility of labour. If councils do sell, common justice to the ratepayers who are having to subsidise council housing so lavishly suggests that they should be compelled to get the best price possible. This Conservative gesture may be a slight one, but it is none the less foolish.

* * *

Rats, Lice and Deans

The Dean of Canterbury is one of those national misfortunes which the British people bears with such exemplary patience. But foreigners who suffer from his mischief-making peregrinations are apt to be less indulgent, and during the last few years much of the time of British information officers abroad has been taken up in explaining that he is not really the head of the Church of England by Law Established. When the Dean declared in Etchmiadzin that about a quarter of the territory of Turkey ought to belong to Soviet Armenia, fears that Britain was about to appease Russia by a partition of the Middle East persisted for some time among the Turks.

The latest excursion of the Dean into the field of international politics has been even more malignant, and it is to be noted that, although he professes to be concerned only with truth and Christian principles, his campaign in support of the Communist charges of germ warfare in the Far East is directed exclusively against America, without any accusation against the British Government or America's other allies in Korea. This is Moscow's tactical line; it is clear from the nature of the case that, if germ warfare had been waged on a large scale, as the Communists say it has, it could not have been done without the knowledge and consent of the non-American contingents in Korea and their governments. But the Communist purpose is to use the germ warfare stigma to bring about a moral isolation of America, and therefore the implication of other nations is avoided—a fact which alone shows how calculated and artificial the propaganda is.

The Foreign Office has, fortunately, responded promptly to the Dean's display of "irrefutable proof" on his return from China by stating that the British Government is "satisfied that there is no truth whatsoever in the disgraceful and fraudulent accusations that have been made" and by pointing out that the Communists "have three times turned down our offers of impartial investigation into these charges." In the United Nations Security Council Mr Malik has now applied the veto to the American proposal for an investigation by the International Red Cross, and has announced that he will also veto an American resolution that, in view of the refusal of an investigation, the charge should be presumed unfounded. By carrying the matter to the Security Council and making it a major issue there, the American Government has shown its disagreement with those who hold that the best way of dealing with such accusations is to ignore them. It has been a bad week for this horrible campaign. The Dean has made the "evidence" sound and look ludicrous; Mr Malik has made the attitude of his government look completely unreasonable. But it remains important that all

the UN governments with forces in Korea should go on exposing the charms with the full weight of scientific authority. The Communist campaign against the atomic bomb was killed by argument and exposure; the same can be done with this one.

* * *

Peasants versus Pinay

Because there has been no French political crisis during the past few months, a false impression of economic recovery has been given. In fact, the much vaunted gold loan, the pivot of M. Pinay's economic policy, has been only a partial success. It was launched with three objects in view. First, to bridge the inflationary gap of 300 billion francs; so far about 200 billion francs have been subscribed. Secondly, to entice the French people, more particularly the peasants, to disgorge their gold hoards so as to replenish the central reserves; but only 30 tons of gold have come in. Thirdly, to re-establish confidence in long-term lending; here the general response has been poor. The French Treasury should now have sufficient funds to tide it over three, perhaps even six months; but the central gold reserves are still very low.

It is true that France has been able to repay the OEEC loan of \$100 million made to it last February, but only because American off-shore purchases were hurried through in time. Provided adequate American aid is forthcoming, the French franc is fairly secure, though some officials are beginning to talk about "partial convertibility" with a "floating franc"—a franc-dollar exchange rate that would be allowed to move freely between two agreed limits. This, of course, would be devaluation under another name.

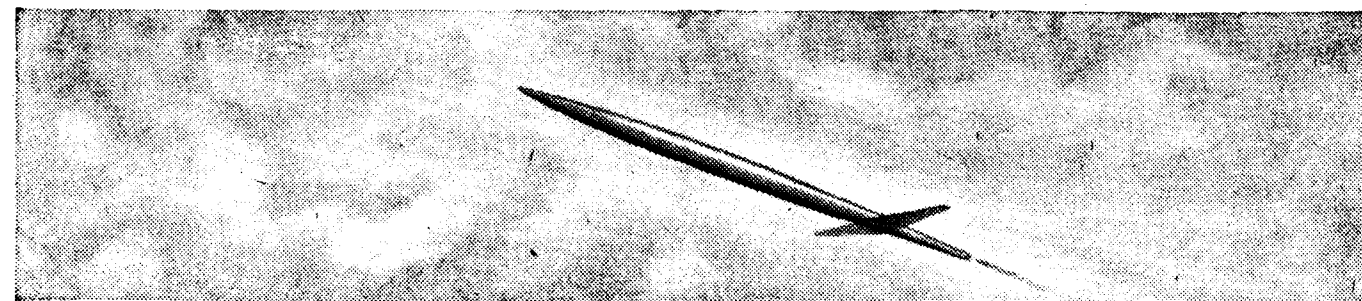
Acceptance by the French chamber on Tuesday of the sliding-scale for wages was really a vote of confidence in M. Pinay, and it may prove to be an important anti-inflationary measure. Admittedly, the scale works only upwards, and ensures an automatic wage increase for every five per cent rise in the cost of living index; but there can be only one increase in any four month period, and the base point from which the five per cent is calculated is three per cent above the present level of the cost of living index. In other words, prices could rise quite significantly before wages moved upwards again, and no compensating increase has been given for the rise in prices since last September. The main advantage of this measure is that it restricts the possibilities of action by the Communist-dominated unions to push up wages. They cannot call a strike before October and the sliding-scale will produce a temporary wage-freeze.

The real test of M. Pinay's government will come later this month, when the annual price fixing for wheat is due. The peasants want a large increase; but M. Pinay has been trying to bring prices down, and has been singularly successful. Since March retail prices have fallen by five to six per cent, after rising continuously for twenty-two months. To agree at this stage to a higher price of wheat would set in motion once more the inflationary spiral. The industrialists have so far co-operated with M. Pinay; but they are unlikely to continue that co-operation unless he takes a firm line with the peasants—particularly as the villages have conspicuously failed to support the gold loan.

* * *

Sticking to the Planning Act

The Government's attempts to clear up the tangle in town and country planning are unlikely to cut very deep. The vexed issue of development charges was raised again last week in an adjournment debate in the House of Commons and it brought from the Government an unequivocal declaration of support for the main structure of the 1947 Planning Act. Mr Marples, the Parliamentary Secretary to the Ministry of Housing, declared that "As a whole, it has



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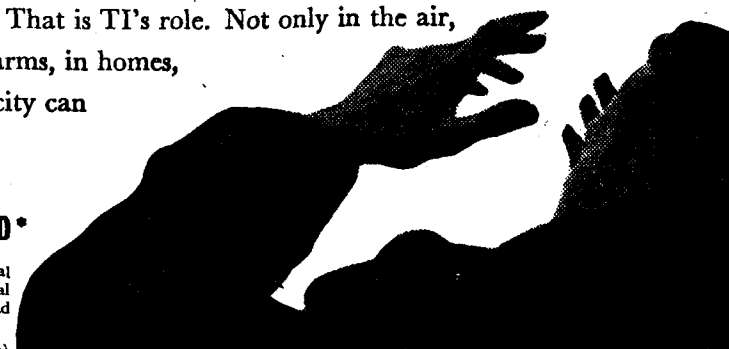
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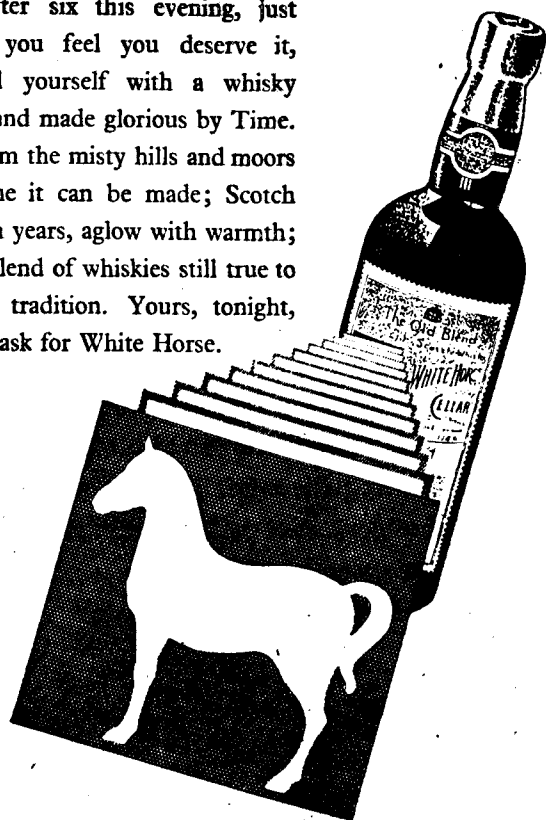
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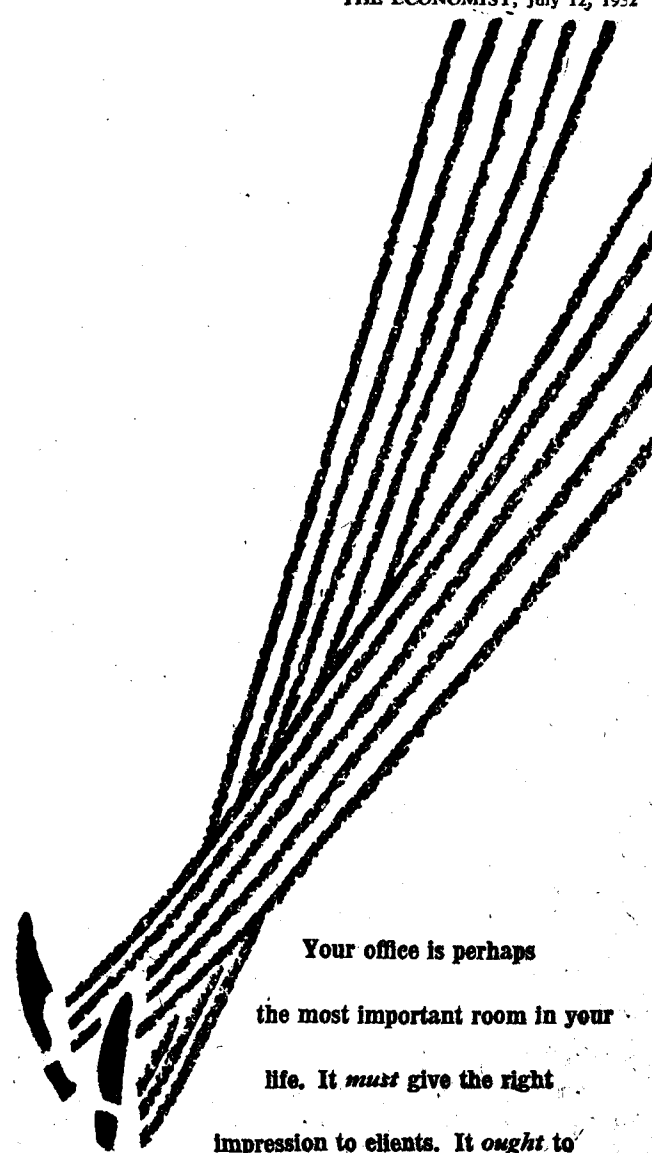
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been an invaluable measure." Certainly the Conservatives have never been hostile to the principles of town and country planning, and the 1947 Act has gained special support because it gave opportunities for conserving agricultural land and protecting the countryside. Nevertheless, the vigour of Mr Marples's endorsement will be a surprise to the many people who expected some early and fairly drastic amendment.

Mr Marples agreed, of course, that there are "many hardships, amounting to almost an injustice, in the levying of the development charge." It appears to be arbitrary and there is no provision for appeals; moreover, it puts up the costs of development and acts as a tax on enterprise. The Government's intention is apparently to try to weed out these defects in legislation that may be introduced next session. It can hardly be blamed for not having hit on a satisfactory scheme yet; the complexities are unending and the professional advice is anything but unanimous.

One significant point has, however, been stressed. Mr Marples said that the revised scheme must not saddle the nation with "an unending bill of charges." As the Act stands the Government will pay £300 million in outright compensation; if this is done, either the taxpayer will never be reimbursed or the development charges can never be drastically modified. If, on the other hand, the global compensation fund is scrapped and compensation is given in individual cases as they arise, the tally of claims may stretch out indefinitely. This is perhaps what the Government most fears. Certainly the dilemma is difficult, but the balance of advantage probably lies in abandoning the fund provided that the continuing rights to compensation are strictly circumscribed by reference to planning standards. But whatever the choice of method, the cost falling on public funds should certainly be kept within the present limits.

Strikes for Security

The strike against redundancy is a comparatively new phenomenon in industrial relations. Unlike the strike against victimisation, to which it bears a strong family resemblance, it has never had official trade union support. It is a rank-and-file or shop-steward tactic, and it harmonises remarkably well with the openly declared Communist scheme for freezing labour in non-defence industry by direct action against dismissals. It is also worth recalling that two years ago the Moscow-controlled World Federation of Trade Unions expressed, at a conference in Budapest, its particular interest in strengthening organisation within international companies; the Ford factory at Dagenham presumably comes into that category.

But whatever may be the covert motives of some of the strike organisers, there is no evidence that the workers themselves—whether at Dagenham this week or at the S. Smith clock-making works a few weeks ago—are sacrificing their pay because the Communist party thinks they should. What they are striking for is something at once less politically obnoxious and more economically unrealistic; it is the unconditional right of the worker once attached to a particular firm to draw an income from that firm whether there is any work for him or not—a right which no management, not even a management of full-fledged syndicalists operating in the most stagnant of Utopias, could possibly concede. Such a right would make sense only if the worker were "on the strength" exactly as a soldier is on the strength of his unit. The counterpart of the soldier's security, with pay coming in whether there is work to be done or not, is a military servitude which, translated into industrial serfdom, would certainly not appeal to the Dagenham strikers. It is the more pity that, as is so often the case, the official union leaders let the strike go on for some time before speaking decisively against it.

At the same time, however, one should recognise that the strike against redundancy raises certain genuine and unanswered questions. The notion of the employee's permanent freehold without mutual obligation is certainly nonsensical; but the opposite extreme of casual employment with its hour-to-hour insecurity is also economically objectionable and socially detestable. Where, between the two extremes, is the reasonable and realistic contract of employment? The answer certainly differs from industry to industry, firm to firm, and type to type of worker. If, in any industry or firm, the answer is wrongly given, the workers genuinely have something about which to protest. The particular case of the Ford strikers could indeed hardly be weaker; a management may have a moral obligation to tide its workers over a slack period caused by its own deliberate policy or by managerial errors, but a shortage of components caused by an unofficial strike at a subsidiary is a different matter. Nevertheless, as the extreme pressure of hyper-full employment slackens and the incentive to hoard labour lessens accordingly, it is proper that the general question of job security, its nature and its limitations, should receive the public attention it deserves.

Coercing the Farmers

A discussion pamphlet* written by Mr H. D. Walston, himself a large farmer, poses some interesting questions about the future agricultural policy of the Labour party. The old Socialist panacea, the nationalisation of the land, is pushed well to the periphery of debate. It would constitute "a tremendous legislative and administrative job," of dubious value under present conditions, and Mr Walston evidently believes that effective control of land use is possible without invoking the ghost of Herbert Spencer. His main suggestions are intended to improve the machinery of control that has already been enacted.

This has failed, the pamphlet argues, to increase farming efficiency. The fact that only about one in 200 farmers is under supervision for bad farming (a procedure which other critics have pointed out to be cumbersome and ineffective) while a negligible number are dispossessed annually for inefficiency, proves to Mr Walston that the county executive committees are showing "far too much leniency." He makes the strange and heinous suggestion that the decision to evict farmers might be transferred to the agricultural-land tribunal (at present a court of appeal), which would thus combine the roles of prosecutor and judge.

Mr Walston recognises that agricultural rents are much too low to encourage a high level of production, but he takes fright at the "undeserved income" that higher rents would give to the landlord; and he doubts the practicability of the alternative device of levying a tax on the occupation of land. (But could not agriculture be re-rated?) Again, he deplores the inflexibility of the present price review procedure, arguing that no group of farmers should permanently expect a fixed margin of profit, but his only suggestion is that the review might be carried out by an independent tribunal—which is constitutionally quite unacceptable. In sum, his economic proposals amount to little except an attempt to meet the serious shortage of tenants' capital by enacting an agricultural credit bank. This would work through local boards and be empowered to lend up to £5,000 on the security of the borrower's character.

The Minister of Agriculture has several times recently expressed his impatience with inefficient farmers. Mr Walston's views are a stronger version of the same approach. Both Conservative and Labour parties know that land in Britain can no longer be wasted or under-farmed, but both

* "Our Daily Bread," by H. D. Walston. Labour Party. 4d.

seem unable to set about the improvement of farming efficiency by the use of rational economic measures; and both are therefore drifting towards a policy of coercing farmers with the aid of instructions and evictions. It is surprising and disturbing that such threats to the traditional liberties of person and property do not arouse more anger.

Improvement in Malaya

Evidence accumulates that the Malayan Communists are at last failing. During June, when the emergency entered its fifth year and the Chinese radio spoke openly for the first time of both Russian and Chinese aid being sent to the Malayan rebels, the number killed, captured or surrendered was a record—150, compared with the previous highest total of 143 in April. The High Commissioner, General Sir Gerald Templer, shrewdly attaches the greatest importance to the number of voluntary surrenders, since this suggests a decline in morale. Moreover, the men who give themselves up are usually effective propagandists against their former colleagues. But the efficiency of the security forces is unquestionably growing, and in the long run this should itself have a notable effect on civilian morale.

It may be trite to say that no single factor is the key to the Malayan problem. But in fact much of General Templer's success is now proved to be due to his ability to make an impact on the problem as a whole. As the *Straits Times* points out, with the "new air of resolution" in Kuala Lumpur, plans which had in some cases been under consideration by the Administration for months before he arrived have now taken shape almost overnight. Among the most important and delicate of recent decisions has been a more moderate policy for imposing the death penalty on guerrillas. Although opposed, understandably, by many planters, greater leniency in doubtful cases should encourage surrenders.

The Conventions

At present the probabilities are against the Whig party succeeding in the approaching contest in the Presidency. The Conventions, by which the parties in the States come to an agreement amongst themselves as to the person to whom they are to give their undivided support, have met at Baltimore. The Democrats have chosen Mr. or General Franklin Pierce as their candidate for the Presidency, and Mr. Rufus King as their candidate for the Vice-Presidency. These gentlemen in the end united a large majority of the suffrages of their party, and will be supported by the whole Democratic strength. They are emphatic in declaring against all monopolies for the benefit of the few at the expense of the many, and as they stand by the compromise on the slave question, there is more probability of their gathering strength day by day than of being divided and weakened. The Whig party—much divided—has chosen General Winfield Scott by a bare majority, and has rejected both Mr. Fillmore and Mr. Webster. Though the decision is as usual acquiesced in, it does not give satisfaction. General Scott is a mere military man, and many of the enlightened members of his party fear the growth of the military spirit, and would have preferred one of his opponents eminent exclusively for civil wisdom. The division amongst General Scott's supporters is likely to deaden their zeal and promote the success of their opponents. Four years ago the prospect was the success of the Whig party and increased duties; now, the prospect is the success of the Democratic party and a reduced tariff.

The Economist

July 10, 1852

This issue is characteristic of the difficulty of balancing short and long term interest in Malaya. There is no possibility at this stage of any general relaxation of measures to meet the emergency; but the British authorities must never take their eyes off the final objective. This is a united and satisfied Malaya, governed without bitterness in the way of its own choice and relying on its own police and military resources. Whatever the speed of constitutional and political development, the British need to start withdrawing some of their troops at the earliest possible moment. It is therefore good news that recruiting begins this month for the first unit of the Malayan National Army, to supplement the existing Malay Regiment and to include men of every race in the peninsula.

More Direct Aid to Vietnam

Though the British left-wing outcry over the behaviour of the American command in Korea left the French comparatively cold, they have special reasons for being interested in any new steps towards closer consultation in the Far East. For one thing, the British will henceforth have a Deputy Chief of Staff at General Mark Clark's headquarters, and his military duties can hardly now exclude political consultation. For another, the French are deeply concerned with the demands of the Korean war on American resources, since these affect the amount of supplies available for Indo-China. With the increase of American military aid to probably over \$450 million for the year beginning July 1st, this question assumes an even greater importance than in the past.

The recent successful visit to Washington of M. Letourneau, the French Minister and High Commissioner for Indo-China, was concerned primarily with the detailed uses which are to be made of this huge flow of American help. Unless the Korean war flares up anew, the chances are that, while the Vietminh will not obtain materially more Chinese aid than in the past, the French and Vietnamese forces will henceforth receive substantially more of the modern arms, aircraft, and motor and amphibious transport that they have long needed.

Although M. Letourneau and his American hosts also came to a new understanding about the status and duties of the US Military Advisory Group in Vietnam, former suspicions on both sides will still need careful handling. But it is not in anyone's interest to hold back the arming of the Vietnamese national armies or to postpone the earliest possible transfer of the maximum degree of responsibility to their commanders. The Vietnamese have now enrolled about a quarter of a million men, and 20 battalions are officered wholly by Vietnamese. This is the force for which American arms are increasingly and urgently needed if the French are to start, as they should, withdrawing their own troops.

Another Development Area?

The textile slump has strengthened demands for more variety of industry in the cotton areas, and a number of local authorities have now asked the Government to designate as a development area the weaving district round Blackburn and Burnley, if no more of the county. It is true that these north-eastern cotton towns have suffered more than the rest of Lancashire from over-specialisation. They suffered more from unemployment in the thirties and more from migration of population in the forties than the areas further south. In the districts where spinning rather than weaving predominates—that is, the area of Bolton, Oldham and Rochdale—alternative industries, such as engineering, have gained a much greater foothold.

The weaving area's concern about its dependence on cotton is no panic outcry of recent months. But though the

advantages to Blackburn and Burnley of widening their industrial scope are undeniable, the case for a development area is dubious on three counts. First, until late last year there was no serious unemployment there and already the cotton slump shows signs of turning the corner. The essentially long-term decision to develop an area should not be influenced by, and cannot relieve, a brief recession. It is true that there has been, and still is, a relative decline in population, but as a *fait accompli* this is an argument against stimulating development. Secondly, the advantages enjoyed by development areas consist chiefly in their lion's share of licences for capital investment. A new area can at present develop only at the expense of the seven already existing. Development spread thin is no longer development. Finally, the whole experiment in government-inspired location of light industries remains, to say the least, unproved. These new factories have yet to show that they can survive in keen competition for low-cost production when inflationary conditions cease to buoy them up. A slower kind of haste to diversify the weaving district, without direct government intervention, may well be a sounder proposition in the long run.

Plan for Middlesex

The county council of Middlesex, dealing with a population of 2,269,000, is the second largest local authority in England. Its development plan, now available for public inspection, has to deal with what has become an artificial entity—an arc of suburban and industrial areas adjacent to the County of London. Its problems cannot be separated from those of Greater London. Between the wars when development as a "dormitory" for London workers was facilitated by large extensions of the underground railways, the population of Middlesex increased by as many as 850,000. The plan is intended to call a halt to this process and, ultimately, even to reduce the county's population to a round two million. Although the general policy is certainly right, a reduction in population hardly seems realistic.

The problem areas of Middlesex are the overcrowded inner boroughs such as Tottenham, Willesden and Acton, which share all the difficulties of London and possess little vacant land for building. The plans for the redevelopment of these older parts of the county are rather disappointing. Of the eleven definite proposals for establishing comprehensive development areas, all but one are small in scale. Redevelopment seems to be treated as a residuary legatee; for the next five years, at any rate, building resources will be monopolised by the provision of new houses. The aim is gradually to switch these resources from the inner congested areas to the outer districts of the county and beyond. It is hoped that 10 per cent of the labour force engaged on new construction, both public and private, will have shifted to new towns and reception areas beyond the county by 1956; this would be the start of a larger outward movement.

But Middlesex is not only a dormitory; it is an important industrial area. Indeed, the proportion of industrial employment is above the average for Greater London. The most that the plan may achieve is to avoid further industrialisation. Much of the existing industry is modern and there are considerable labour shortages. The difficulty of moving people out of the county is thus obvious.

There are, however, many vacant sites in the outer areas of the county. At present they are, according to the plan, being built on at undesirable low densities. By contrast, space is so scarce in the inner areas that development is going on at net densities of 100 rooms per acre—which is undeniably high. Surely the correct course is to make a much fuller and prompter use of building land in those outer areas which are accessible to the main centres of employment? It is desirable to prevent the further growth of Greater London,

but it is still more essential to provide properly for the need of the people who, on any realistic reckoning, must continue to work there.

Fishing in Deep Waters

The function of the White Fish Authority, appointed last year, is to promote the efficiency and prosperity of the industry whilst remembering that consumers want "a plentiful supply of white fish at reasonable prices." The task is complex as well as vague, and its first annual report (HMSO 1s.) finds the authority thinking aloud about its choice of measures. It has general regulatory powers but no public funds to spend, so that any scheme of reorganisation or development must (quite rightly) be self-supporting. Its status and the manifold problems of the industry alike point to a policy of cautious piecemeal improvement rather than of drastic regulation.

The industry's difficulties were underlined by the sudden collapse of fish prices in November, 1949. This situation forced each section of the industry to canvass stopgap remedies for its particular problems. The best equipped and most prosperous section is the trawler owners who fish distant waters for cod and haddock, and who applied a scheme of restricting their catch which, in the authority's view, was unavoidable in the circumstances of 1950 but is certainly undesirable. The severe depression among the near and middle water trawler fleets was met by a public subsidy, intended as an inducement to keep vessels at sea. In fact, this subsidy—which cost more than £1 million last year—is a deterrent to effective action. The proper remedies, in the authority's view, are, first, the replacement of obsolete vessels—for which "a certain grouping of ownership" is necessary—and, secondly, international measures to mitigate the grave overfishing of the North Sea and other waters. The depressed conditions of inshore fishermen, who also receive public subsidies as a temporary measure, can only be cured by promoting co-operation and mutual trading both in buying their equipment and in selling their catch.

These measures will need to be supported by improvements in marketing. The authority suggests the introduction of a price stabilisation fund, financed by a levy on fishermen's receipts, as a means of maintaining reasonable minimum prices in times of glut. Freezing facilities would be greatly enlarged to absorb surpluses. In addition, a transport equalisation scheme is proposed as a means of broadening the market for fish—which at present is unduly confined to London and other big centres, to which transport rates are low. This proposal, which is encountering considerable opposition, would also serve to aid the smaller ports.

This is an encouraging if inconclusive report. The authority has set its face against a policy either of public subsidisation or of eliminating foreign competition. In other words, it has—unlike some regulatory bodies—remembered both the taxpayer and the consumer. It recognises that the fishing industry must and can save itself by its own exertions. The graver defects of marketing, which involve much waste and redundancy, have still to be tackled, but the authority has shown that it is also ready to fish—cautiously—in these deeper waters.

British Insurance

The annual survey of British Insurance will be found on pages 129 to 140 of this issue of *The Economist* and on pages 29 to 37 of the *Records and Statistics Supplement*.

Legal Sovereignty for Individuals

The "open shop" dispute between certain trade unions and the Dundee publishers, Messrs. D. C. Thomson & Co., is proceeding in two forms, and it would be hard to say which raises the more important issues. The actual dispute itself is still the subject of an enquiry ordered by the Minister of Labour. Its other form is the case in the courts, brought by Messrs. Thomson against officials of certain trade unions. In Scotland, the Court of Session reserved judgment last week. In England, Mr Justice Upjohn refused to continue certain temporary injunctions he gave when the case began, Messrs Thomson's appealed, and the Court of Appeal dismissed the appeal. As leave to appeal to the House of Lords was granted, it would be improper to comment on the merits of the case, but the issues themselves are involved enough to require an explanation. In effect, Messrs. Thomson are claiming that the defendants, the trade union officials, used their positions and influence to compel other concerns, notably the suppliers of paper and printing inks, to break their supply contracts with Thomson's. The union officials do not accept that contention; even so, one important issue remains. What are the legal limits, if any, to the actions they can take, and advise their members to take, *vis-à-vis* Thomson's?

In the Court of Appeal, the Master of the Rolls put the position in this way. In a decision in 1901, Lord Macnaghten had said that any violation of a legal right, including rights under a contract, committed knowingly and without justification, gave rise to an action for damages. Was that statement, the Master of the Rolls continued, true in its broadest sense or was it properly to be limited, and if so how? It was opposed to another proposition of law, that a man, whatever his motive, was free to exercise his legal rights even though he knew that by doing so he would cause injury to another; but, equally, that proposition required qualification. His Lordship's conclusion was that a man is entitled to do, and to induce others to do, any acts which are in themselves lawful and which involved no breach of contract, regardless of their effect on others; from which it follows that the motives urging him to do so are irrelevant and make no difference to the legal consequences. In this lies the importance of the principle involved in the case, irrespective of either the facts or the merits of the Thomson dispute. On the Court of Appeal's view, each man is, so to speak, still a sovereign state, entitled to use his rights, and to induce others to use their rights, from whatever motives he chooses, provided that he does not go so far as to produce the breach of a contract he knows to exist. It is this solid nineteenth century doctrine of the independence of the individual—of his freedom from social, as distinct from legal, obligations—that the trade union officials have argued in this dispute. It is, perhaps, permissible to wonder if they have done so in full consciousness of all its possible applications.

Doctors in Conference

This year's representative meeting of the British Medical Association will be remembered mainly, apart from the jubilation caused by the Danckwerts award, for the repudiation by the constituencies of two important motions proposed by the centre. In fact, one—that the representatives should accept the council's memorandum of evidence to the Royal Commission on Marriage and Divorce—was withdrawn before it was debated.

Ever since this memorandum was published in April, there have been angry letters of protest in the *British Medical Journal*. Although the memorandum was supposed to present the medical aspects of divorce, the boundary between what is medical and what is not is in this case hazy. Consequently, the memorandum offended the susceptibilities of doctors in their capacity as ordinary citizens. Some resented, for religious reasons, any extension of the grounds of divorce. Others objected, in particular, to the proposal

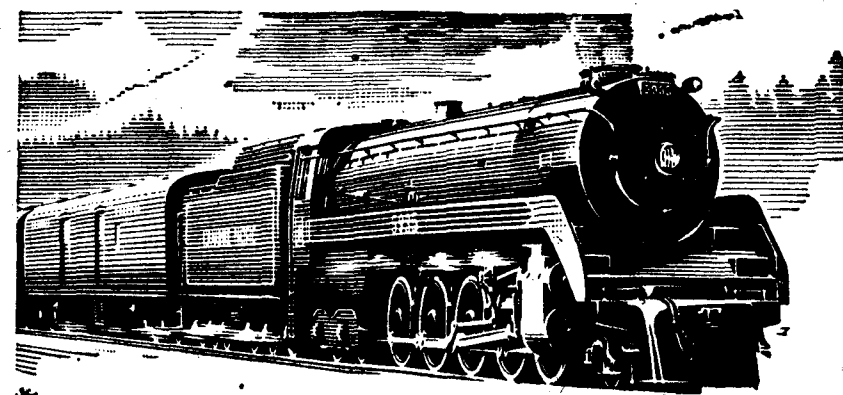
that after a period of years, and where there is no prospect of reconciliation, divorce should be allowed by mutual agreement; and to the proposal that the so-called offending party should petition for a divorce in special circumstances and when the other party refuses to do so. Perhaps what annoyed doctors most was the fact that the memorandum was submitted to the Royal Commission as having the authority of the British Medical Association when, in fact, it was drawn up jointly by a committee of the council and of the Royal Medico-Psychological Association and had not been submitted for the approval of the association as a whole. Leave will now be sought to withdraw it from the evidence presented to the Royal Commission, though it may be submitted again later as the evidence of a section of the profession.

The other matter on which individual doctors showed themselves more conservative than their leaders concerned medical ethics. The chairman of the central ethical committee proposed a motion that, in special and rare circumstances, a doctor should tell a third party "professional secrets" in order to protect innocent persons or the patient himself. The epileptic who insists on driving a car, the tuberculous young woman who insists on looking after children, is the sort of case quoted. The representatives, however, refused to accept the recommendation—not, it should be said, because they felt that doctors have no social obligations but because the situation can always be resolved commonsensically. The dramatic situation envisaged in the recommendation arises so rarely that it does not need special ethical rules. The most powerful argument against laying down such rules was that, especially when given prominence in the press, it would destroy people's confidence in professional secrecy. Certainly it would in that event do far more harm than good.

Marshal Tito on his Dignity

When Marshal Tito says, as he is reported to have said at Nish on July 6th, that "alliances should be formed in the souls of the people" and not through formal pacts, he might be thought guilty of a temporary deviation into liberalism. In fact, the sentimental language expresses the shrewd realism of a man who understands that aid is to be had from the Americans and the British without political undertakings on his part, and that better terms are to be got by standing aside from the Atlantic Treaty queue than by joining it. So long as that is so, his insistence on no formal defence arrangements with other governments will continue. There is no good reason to believe that the Greeks and Turks, in the present exchange of courtesies and visits between neighbours, will move him from this position.

It is perfectly clear to Marshal Tito that the proclaimed ideals of the North Atlantic alliance make membership of it impossible for his government. If he expects protection against the Russians from that quarter it is under the auspices of the United Nations, which is less sensitive than Nato about the degree of personal liberty and democratic government granted by its members to their peoples. There is also a marked tendency among Yugoslav spokesmen to insist that normal relations with the Soviet Union are impossible "so long as its present policy continues." It is tempting to ask what would be Yugoslav policy if there were a change in that policy and its direction. Is it possible that Marshal Tito expects one day a change of personalities and policies in Moscow which would permit Yugoslavia to return to former ideas of a Slav-Communist bloc? If so, this is a possibility to be kept in mind by those who direct American and British foreign policy. If Marshal Tito's advisers are calculating that the friendship of the West is needed only in times of danger, they may find that the friends take a similar view. It takes two to make a satisfactory marriage of convenience.



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NEWS FROM THE FISHING INDUSTRY



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For a voyage of 20 days (an average trip) such a trawler must bring home fish worth £5,000 before her owners manage to break even. A spell of bad weather often means that many vessels return from the fishing grounds with less than half this value in their fish-rooms. A longer period at sea wouldn't help. Weight of catch might rise, but quality and value would fall.

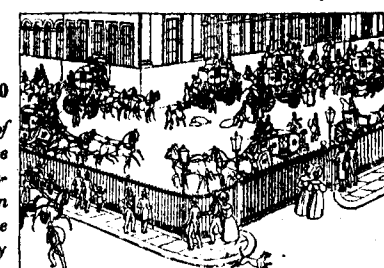
Running costs for the smaller near-water vessels are proportionately just as high. Furthermore, the choice varieties of fish they seek are steadily becoming scarcer through over-fishing. How can this problem of over-fishing be solved? Protection for the near-water grounds by international agreement would provide the only real answer, and efforts to bring this about are constantly being made. Such agreements, however, inevitably take time. Meanwhile, the abolition of controls has helped to some extent for, once again, trawlermen have personal incentives to seek new fishing grounds... once again enterprise is being actively encouraged and skill and daring properly rewarded.

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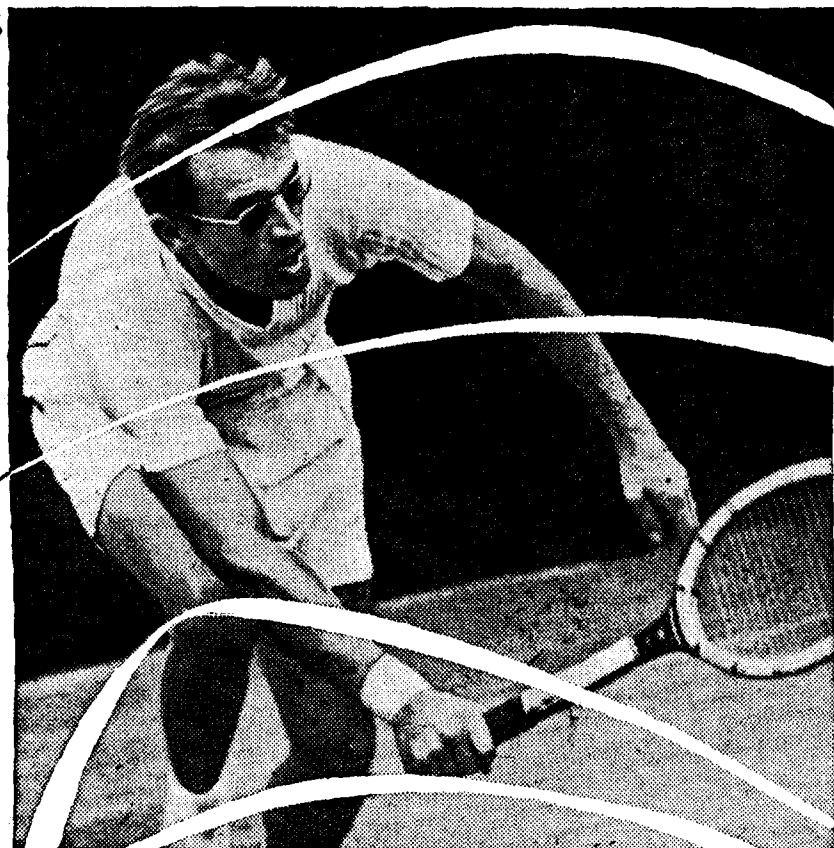
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Letters to the Editor

Bipartisan Agriculture.

Sir,—While admitting the "inevitability of gradualness" in rural economy and the general soundness of the Government's agricultural policy, I question whether, in face of the grim food outlook, the nation can any longer afford such "gradualness" as is represented by the continuance of the supervisory functions of the County Agricultural Executive Committees. It is true that these committees are being now officially aroused to greater activity in dealing with the worst laggards of the industry. But, considering the nature of the human material upon which the same process as heretofore is to be exercised, is it certain, or indeed probable, that a markedly better use of our farm lands or an appreciably larger food output therefrom will be effected? In other words, will anything short of dispossession in most cases satisfy either public opinion or the public appetite?

Assuming that those farmers who are not, by any reasonable test, "pulling their weight" number at least 15 per cent and that many of them might benefit from experienced and more emphatic "guidance" from these committees, at least half—say 7½ per cent—are, owing to age, physical infirmity, wholly inadequate capital or chronic laziness, "incurable." Would it not be true national economy for the state to pension off these persons, with compensation on a reasonably generous scale? Such compensation would, in the aggregate, surely be a mere trifle compared with the amounts, paid or contemplated, in other industries on their nationalisation, denationalisation or renationalisation! Alternatively, or concurrently, the state might provide them with "priority" cottages at a nominal rent, or rent free. But for losing their homes, several of them would have retired ere now.

Agricultural landowners might perhaps at the same time have restored to them, as a duty, not a right, and subject to appeal, the power of dispossessing, with tax-provided compensation, extremely inefficient farm tenants, with the sanction of a penalty if they neglected to perform this duty.

I humbly submit that such a two-fold process, if made applicable to present occupiers only—with replacement from the ranks of the ever-lengthening queue of trained young farmers—would not only prove a profitable national investment but clear the ground for the return to a freer economy.

Subsidies are a curse to the relatively efficient and public-spirited farmers of Great Britain. If it were not for the inefficient minority and for those small men, not "family farmers," whose minimum wage bill makes their employees better off than themselves, they would be largely unnecessary. Government subsidisation of our farming community, constantly varying in its objectives and so prone to political misrepresentation,

renders our basic and most vital industry unstable and insecure. Increased confidence flowing from its gradual disappearance would of itself materially augment our food supply.—Yours faithfully,

Lydney, Glas.

Rhee Goes the Way of Chiang

Sir,—Your special correspondent's article makes depressing reading. The "planned work of amelioration," ably carried on amidst widespread corruption, is a poor swap for the early idealism of the "pilot project," which was to blaze a western trail in Asia. One notes, too, the view of Sir Arthur Rucker, quoted by your correspondent, that the proposed five-year plan for South Korea cannot sustain an army or an arms programme. Presumably this means an indefinite United Nations military commitment in Korea, since, if peace is attained, withdrawal—even if strategically permissible—would seem politically impossible.

Two conclusions, I think, cannot be avoided. Firstly, never again, while the present Great Power division of the world exists, must we fall for the delusion that the United Nations can take decisive military action against an aggressor. Secondly, while the wisdom of exporting democratic forms of government to relatively primitive alien communities may, in general terms, be questioned, in Korea where this has been done and much blood shed in defence of the state created, it is a legalistic quibble to say that the United Nations may not intervene in its manifestly corrupt internal affairs. Common sense and probity of purpose alike demanded determined United Nations intervention to prevent President Rhee from "rigging" the constitution in his favour.—Yours faithfully,

Weybridge, Surrey L. A. JACKSON

Balance of Power

Sir,—On page 651 of your issue of June 7th the doctrine of *Realpolitik* was weighed in the balance and found wanting. If the sceptical reviewer had turned over to the leading article of the issue, he would have discovered some impressive evidence of the progress which that school of thought has made even among those who are still regarded as being of the right faith.

"It is not a balance of power that creates peace but an overwhelming preponderance of power on the side that has no interest in war." The argument is that one country, by casting its weight the other way, would overthrow a precarious balance which is still the most reliable protection of peace under present conditions. This danger exists, as long as there is in either scale an alliance of free countries each of which may change its policy. The balance, in other words, depends on the unchanged will of the allied powers to stick together. Once

established, it certainly should not be taken for granted. Alliances present a never-ending task, and balances may be disturbed. Is that sufficient reason to replace the balance of power maintained by an alliance by a system of "overwhelming preponderance"?

If one replaces the precarious balance of groups, which are matched in their strength, by an evident preponderance of the "good," then one destroys the moderating influence which only a system of balance can exercise in a lawless society of otherwise uncontrolled powers. The good who "are not interested in war" are not always good, and they are often mistaken. Nothing corrupts as thoroughly as preponderance. Masses can be misled and are subject to mass hysterias. The belief in superior strength is often deceptive; even if well founded it does not necessarily promote peace, especially not if the stronger is afraid that the weaker may catch up in time. The belief in moral superiority leads to crusades rather than to peace. Taking human beings as they are the unprejudiced observer will prefer a balance, which makes successful defence probable and successful attacks difficult, to the seductions of preponderance. The economist will share this opinion since a balance is cheaper than a preponderance. Moreover, while balanced power facilitates negotiation between the opposite camps, preponderant power suggests dictation and frightens allies as well as adversaries.

I fully agree with the specific political conclusions of your article, but in a time which likes generalisations a wrong argument is a dangerous thing. Those who are afraid of the risks of the balance of power may assume too lightly the bigger risks of a preponderance whose preparation was always regarded in the past as a threat to peace.—Yours faithfully,

FREDERIC E. DESSAUER

Montreal

Jews Behind the Curtain

Sir,—Your correspondent's statement that Jewish emigration "has never been permitted from Soviet Russia" is inaccurate. In the early thirties, when I officiated in Moscow as secretary to one of the foreign legations, Jews were allowed to emigrate under a special dollar-earning scheme, whereby they were issued with passports and exit permits at special "fees," amounting to anything between \$250 and \$2,000, and payable in hard currency by sponsors, usually relatives living abroad. Payment had to be made to "Intourist" offices.

Many thousands of Jews, excluding, however, men of military age, were able to avail themselves of this opportunity to leave the Soviet Union at a time when a very large proportion of the highest posts in the party and administration were held by Jews. These emigrants were dollar exports.—Yours faithfully,

London, N.3

H. FRISCH

Books and Publications

The Webb Story

"Diaries, 1912-1924." By Beatrice Webb. Edited by Margaret Cole. Longmans. 272 pages. 24s.

Not the least astonishing thing about Beatrice Webb is the fact that throughout a lifetime mercilessly packed with a dozen lifetimes' work she unfailingly kept up her personal diary. Earlier volumes, up to 1911, provided the foundation material for "My Apprenticeship" and "Our Partnership"; the present instalment, reproduced with a skilful minimum of editing by her disciple Mrs. Margaret Cole, carries the Webb story on from 1912 to 1924, through the years of the Great War, the turmoils and disillusionments which followed, and the formation of the first Labour Government. To call it a fascinating record is an understatement. It is a week-by-week, often day-by-day, account of the ideas, personalities and events which confusedly combined to shape the Labour movement; it is a case-history of political action, a shrewd commentary on public affairs in general, a piece of self-revelation by a complex and enigmatic character.

The diary does not, of course, present either a deliberately connected narration or a methodical analysis. Any individual thread—the fortunes of the Fabian Society, the course of the uneasy alliance between the trade unions and the Independent Labour Party, the foreign relations of British Labour—must be traced through and pieced together from scattered entries with the aid of a very occasional summing up. There is practically no attempt to fill in the background of those events in which the Webbs were neither personally concerned nor especially interested. Paradoxically, the economic field gets even less attention than the military. The Webb antennae responded sensitively to vibrations from Westminster or Eccleston Square; never, at this period or any other, were they tuned in to the City.

These deficiencies, however, whether inherent in the nature of a personal diary or arising from limitations of interest and awareness, count for little beside the vividness and the scrupulous honesty of this inside story. The successive character sketches alone would make it worth reading. There are, of course, the "intellectual spirits," Bernard Shaw (seen at his most objectionable during the Casement affair) and the profoundly distrusted "actor-conjuror" Lloyd George. There are Snowden and Ramsay MacDonald, whose actions in 1931 appear, in the light of these entries, prophetically characteristic. There is an even more prophetic glimpse of Sir Oswald Mosley ("... rottenness somewhere..."). There are, for contrast, the Irish poet Æ and the Indian poet Tagore; the former a "sensationally delightful person," who, however, "bores Sidney," the latter arousing a "latent feeling of anger" at his "quite obvious dislike of all that the

Webbs stand for." There are a gallery of trade union leaders in and out of Parliament, most of whom induced in Beatrice Webb the deepest discouragement and misgivings. "Stupid untrained persons"—"a hopeless lot"—"appalling slackness, moral, intellectual, and practical"—"maddening muddle-headedness."... It was one thing to study Industrial Democracy from the outside, quite another to work with and through its representatives.

No doubt this sense of working with "bent sticks," as well as the crushing denial which war and its aftermath opposed to the cheerful creed of progress in which she had grown up, accounts for the atmosphere of depression and pessimism which hangs over most of the diary. Beatrice Webb saw herself, in 1924, as an old woman nearing death; and there is something very moving in her selfless rejoicing over her husband's delight at his new political career, which broke up the partnership and imposed on her a mass of arduous, unwanted and subordinate work. Her relation with Sidney is indeed a beautiful thing throughout, made up of comradeship and tenderness, delicacy and mutual knowledge. And therein lies the last, unsolved enigma. Had the Webbs really been those "two typewriters clicking as one," it would be easy to pigeonhole them as useful but inhuman freaks, the last and most soulless of the Utilitarians. Had Beatrice Webb not left the record of one perfect relationship, her devoted sense of duty, even her unformulated but powerful religious sense that "the discovery of the laws of nature... is an act of piety" might leave this first superficial impression untouched.

As it is, one tries vainly to reconcile this capacity for rich and delicate human feeling with the lack of any other disinterested human tie, with the contempt for impulse and emotion, for spontaneity and aesthetic pleasure; above all with the picture of a much older Beatrice Webb, vivid and alert as a girl, talking about Russia, not denying the tyranny which long ago she had stigmatised as "devilish," nor the chauvinism, nor the use of hostages, nor yet the deliberate mass starvation of opponents, nor even the judicial torture of the innocent, but blandly and imperturbably accepting and justifying them all. "As I near the end of life," she writes in 1920, "I become more contemptuous of cynicism, more convinced that what we know as 'goodness' is in accordance with the 'nature of things.'" Not for one moment doubting her sincerity, seeing it attested throughout her long, heroically disinterested life, one is left wondering still, hearing behind the voice which speaks in the diary another devotedly public-spirited voice—that of Bernard Shaw's Inquisitor.

The African Case

Report on Southern Africa. By Basil Davidson. Jonathan Cape. 286 pages. 16s.

This well-written book will take a leading place in the rising flood of comment about Africa, not because it is all fair comment by an experienced foreign observer, but because the African side of the case is presented very readably by a skilled writer. Indeed the particular job that Mr Davidson has set out to do could hardly have been done better. It is an important job because events have been spinning in Africa at an ever faster pace since the end of the war, and during the next few years decisions will have to be taken which may determine the continent's course for a generation.

This book is in four parts, three of them devoted to the Union of South Africa and the last to British Africa—Basutoland, representing the protectorates, and the Rhodesias, with a chapter on the question of federation. Mr Davidson and his publishers have managed to bring his story as up to date as April of this year. On South Africa, he presents the evidence not only against the Nationalists but against the whole white population. If taken at its face value, all that he so ably says is true. But it fails to be completely convincing because he never fairly presents the arguments on the other side. South Africa today is certainly a sad, frustrated and frightened place. Even many Nationalists act partly out of a spirit of mere defiance of the age in which they live. But although white South Africa is still very far from accepting the race relationships which Mr Davidson demands of it, it is by no means so confident about its present methods of tackling its tremendous problems as he suggests.

Mr Davidson treats the South African question under the three headings of the countryside, the towns and the growing industrialisation. He paints a heart-rending picture of the working of the apartheid laws; he describes many of his own fascinating journeyings and experiences; he gives a useful background of history, statistics and quotations; he dissects the goldmining industry and its close dependence on migratory labour. But it is in his treatment of the new South African industries that he most shrewdly sees what may well prove the main gleam of hope. These represent an economic revolution which already renders physical segregation absurd and threatens white political supremacy. "The irresistible forces of economic integration," Mr Davidson says,

move on their way; and Mr Simale, African worker, begins to earn £6 5s. a week and to know new needs, and think new thoughts, and nurse new ambitions... and to feel, little by little,

that power, saving power, comes slowly to his hand.

In the last part of his book, Mr Davidson gives a rapid survey of the neighbouring British territories on lines similar to his treatment of South Africa. While he strongly opposes central African federation because the present interests and activities of the white settlers run counter to those of the Africans, he sees improving African prospects as he travels north. The four specific northern advantages over Southern Rhodesia are the development of co-operatives, African trade unions, the principle of African urban land tenure, and political representation.

Mr Davidson's book cannot be dismissed. Although it represents the viewpoint of the humanitarian and idealist rather than the statesman and realist, it presents a clear challenge to the existing order. It is as a challenge and not as a report on southern Africa that it should be read.

Naval Hors-d'Oeuvres

My Naval Life. By Stephen King-Hall. Faber and Faber. 287 pages. 18s.

Commander King-Hall has a highly developed faculty for enjoying life and his book, reflecting this zest, abounds in good stories. Cadet King-Hall summoned before his Term Officer, a young Lieutenant, who seemed so imposing as to "rank with but after God"; Midshipman King-Hall in Africa, dashing to the rescue of a station master "locked in his office telegraphing frantically that no less than seven lions were walking up and down the platform"; Lieutenant King-Hall hiring a bath chair from Harrods during the taxi scarcity of the First World War, and in it propelling his girl back to her home in Eaton Square after dances ("She much appreciated the bath chair and on reaching Hyde Park Corner, I used to squeeze into the conveyance in order to free-wheel down Grosvenor Place at four o'clock in the morning"); these and many other episodes are related with gusto.

For those in search of more substantial fare, the book is less satisfactory. There is a good eye-witness account of Jutland and some penetrating criticisms are made of the Navy of the First World War and before; but the Commander does not develop these criticisms as fully as their interest seems to warrant. This is a pity for the book would have gained considerably in substance had he done so. As it is, this first part of Commander King-Hall's biography can scarcely be regarded as more than a naval hors-d'œuvre intended, perhaps, to whet the reader's appetite for the civilian main dish to follow. "My twenty years in the Navy prepared me for something," writes the Commander; but he does not disclose what it is. Those readers who find themselves unable to guess will have to wait for the publication of the second volume, "My Civilian Life," in which all will be revealed. The royalties of the present book have been given to the Hansard Society.

Economic Prehistory

Prehistoric Europe: The Economic Basis. By J. G. D. Clark. Methuen. 349 pages. 60s.

Without economic prehistory there can be no prehistory. From studying man's past life through the remains of his material equipment, together with his physical environment, what prehistoric archaeologists apprehend most directly is its economic side—the balancing of material means against physical conditions which gave him his subsistence. Indeed, primarily and basically, man's economic and his social and spiritual life were intertwined. Disengagement from the quest for subsistence has come to him only in patches and piecemeal, when it has come at all; his social and spiritual enrichment has depended on an economic surplus won by effort—its own activity of social and spiritual culture working in and through material. All social philosophers have needed their theories of prehistoric life. But it is only well within the present century that the possibility has dawned of making these something more than "imaginary history," as Malinowski rudely called it, through the use of evidences found by factual prehistory. And these evidences will be best understood—since they consist of material things found—where what they attest of prehistoric life is most obviously its material, economic basis.

Older prehistorians, while adequate evidences were accumulating slowly, were content to sketch their economic story with broad generalisations, got either by projecting historic evidences back into prehistory, or by picking only the crudest and simplest inferences from archaeological findings or physical environment. But in Europe today, despite many gaps due to perishable materials and defective exploration, the evidences accumulated are sufficient, in statistical bulk and accuracy of detail, to enable Dr Clark to devote the whole of this large book to the basic economic activities of our prehistoric forerunners and ancestors, and make it the first systematic study of its kind. From the end of the Ice Age to the Roman Empire, he deals with plant-gathering, hunting and fowling, fishing, sealing, and arable farming; how houses and settlements were built, how tools and weapons and equipment of all kinds were made, and how trade was plied and travel and transport contrived by land and water over and all round our continent and islands.

As befits the Disney Professor-elect of Archaeology in the University of Cambridge, Dr Clark's command of the archaeological evidences is masterly; he can use surviving folk culture and historical sources, too; and he sets the whole in its frame of geography, climatology and all the ecological sciences, so as to bring out vividly man's relationships with the plant and animal sharers of his habitat, and his use of its resources at each stage of his early economic development. Maps, illustrations, and documentation are abundant and good. All economic historians will

gain by studying this book; the general reader will find it full of information, to be browsed at pleasure.

1789 and All That

The Revolutionary Movement in France, 1815-1871. By John Plamenatz. Longmans. 184 pages. 16s.

Among the most important of the many legacies of the French Revolution to subsequent French history was a Republican movement which endured through the Bourbon Restoration, brought about the downfall of the July Monarchy, survived the failure of the Second Republic and lived to see the collapse of the Second Empire and the establishment of the Third Republic upon its ruins. It is with this movement, by which he means "the activities of all the groups that wanted to destroy the monarchy, whether Bourbon or Bonapartist," that Mr Plamenatz is here concerned. The story he has to tell is exceedingly complex, not least because Republicanism meant radically different things to different groups within its ranks. For a majority of its leaders it meant various shades of what might be called Liberal-Conservatism; for a minority, the Republic was understood as "social" in character and purpose. There never was, in fact, one movement, but a series of uneasy aggregations, shattered by such episodes as the massacres of June, 1848, or the civil war by which the Paris Commune was crushed in 1871. The one link between the various groups was their common admiration for the French Revolution, though here again, as de Tocqueville incisively noted in his "Recollections," division was enhanced by divergent interpretations of the "meaning" of the Revolution.

Mr Plamenatz labours under a self-denying ordinance which forbids him to discuss the "underlying causes" of the movement he examines. He would rather, he suggests, "look at the things themselves." Whatever may be the merits of this approach, it certainly demands a far more detailed analysis than is possible within the confines of such a short book. As a result, the historical record presented here is far from adequate; we are taken on a hurried tour of the main events of the period under consideration and proceed from one revolution to the next with only a brief glance at the ideas and motives of their various protagonists. Mr Plamenatz's unwillingness to risk a deeper probe into the social, economic and political aspirations of the various groups making up the Republican movement produces a picture in which chance, accident and personal characteristics play a wholly disproportionate part.

Mr Plamenatz rightly refuses to view revolutions as inevitable, or their course, once they have occurred, as pre-ordained. But the causes of their appearance and the reasons for the persistence of the Republican movement in France require a much more detailed analysis than he provides. It is eminently true that "there was no need for 20,000 Frenchmen to die in Paris in

1871"; but, even on the assumption that "a little goodwill and good sense" could have prevented the holocaust, the reasons why they were not forthcoming in 1871 or in 1848 are surely vital considerations in an appraisal of the period. As an introduction to the history of the Republican movement in France until the establishment of the Third Republic, this book may perhaps serve the needs of the student. But it is not the book which Mr Plamenatz's command of the material could have made possible.

Adopting Children

Child Adoption in the Modern World.
By Margaret Kornitzer. Putnam. 403 pages. 16s.

This book illuminates a fascinating and surprisingly obscure subject. During the last twenty-five years child adoption has increased enormously in most of the Western world, and particularly in the English speaking parts of it. In England and Wales there were nearly 3,000 legal adoptions in 1927 (the first year in which the law recognised them); by 1938 the figure was over 6,000; and by 1946 it had risen to 21,000, to fall again to 17,700 in 1949. No reliable statistics are available for the United States, but informed guesses quoted by Miss Kornitzer suggest a minimum of 16,000 in 1938, 50,000 in 1944 and nearly 75,000 in 1950. But while the number adopted has increased sharply, the demand has been far from satisfied.

Profit Measurement and Price Changes

By K. Lacey. This authoritative book comes at a most opportune time . . . when present-day prices have risen between two and three times the pre-war level. It demonstrates the necessity of a system under which profits are computed on the basis of maintaining intact the "real" capital. The book is written primarily for accountants and economists, but it will prove of interest and assistance to all who are interested in economic stability. " . . . an important contribution to this problem."

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In the United Kingdom there are now about ten would-be adopters for every available child, while one big American agency which receives about 5,000 applications a year only manages to satisfy about 150 of them.

Yet we really know very little about the subject—why more people wish to adopt children, what agencies they use, or the long term effects of adoption on the child. Miss Kornitzer's handbook, written mainly for social workers and would-be adopters, covers all these aspects and much else besides.

The accounts of adoption in the Commonwealth, Europe and America, are necessarily sketchy. The rest of the book however, in which Miss Kornitzer writes of the United Kingdom from first-hand experience, will certainly be of practical use. She covers both the formal side—the law, the roles of local authorities and adoption societies, and the rules governing placing, probation and supervision—and the personal problems which arise. She discusses the right age for adopting children, difficult and "unadoptable" children, the position of the natural mother and "telling the child."

The book is written in a cosy, common-sense style which is most endearing, although its haphazard arrangement is at times annoying. "Over-conscientiousness in adoption can lead to tensivity in the relationship and tensivity is the devil" is a typical remark. "Only the toughest and most loving of hearts can see in the perverse and enuretic child one who needs more—not less—compassion and patience from everyone concerned." It is not only adopted parents who will benefit from reading Miss Kornitzer.

Shorter Notices

The Development of Bank Debits and Clearings and their use in Economic Analysis. By George Garvy. Published by The Board of Governors of the Federal Reserve System. 175 pages.

Figures of bank clearings, from which the velocity of circulation of money can be derived, are statistics of long standing; they were first published in New York in 1853, and in the days before national income was calculated were among the most important indicators of business activity. They suffered, however, from both technical and analytical defects. Clearing figures as such—in the uncorrected form used in America up to 1918 and in Britain up to this day—exclude cheques deposited for credit and chargeable against other accounts at the same bank and miss (or misconstrue) other forms of money turnover.

It was to cure some of these technical faults that the Federal Reserve replaced them by its weekly reports on "debts to individual accounts" twenty-four years ago. Even in this corrected form, however, the statistics of bank debits are no very accurate guide to the movement of gross national product, since they include financial transactions, payments for second-hand property and duplicated payments for identical goods at different stages of production and distribution. Since they can be collated much more quickly than national income statistics, however, Mr Garvy justly claims that they are still worth study as early indicators of cyclical

change, and his book provides analysts with a valuable summary of their uses, abuses and traps.

Company Meetings. By W. F. Talbot. Stevens and Sons. 178 pages. 22s. 6d.

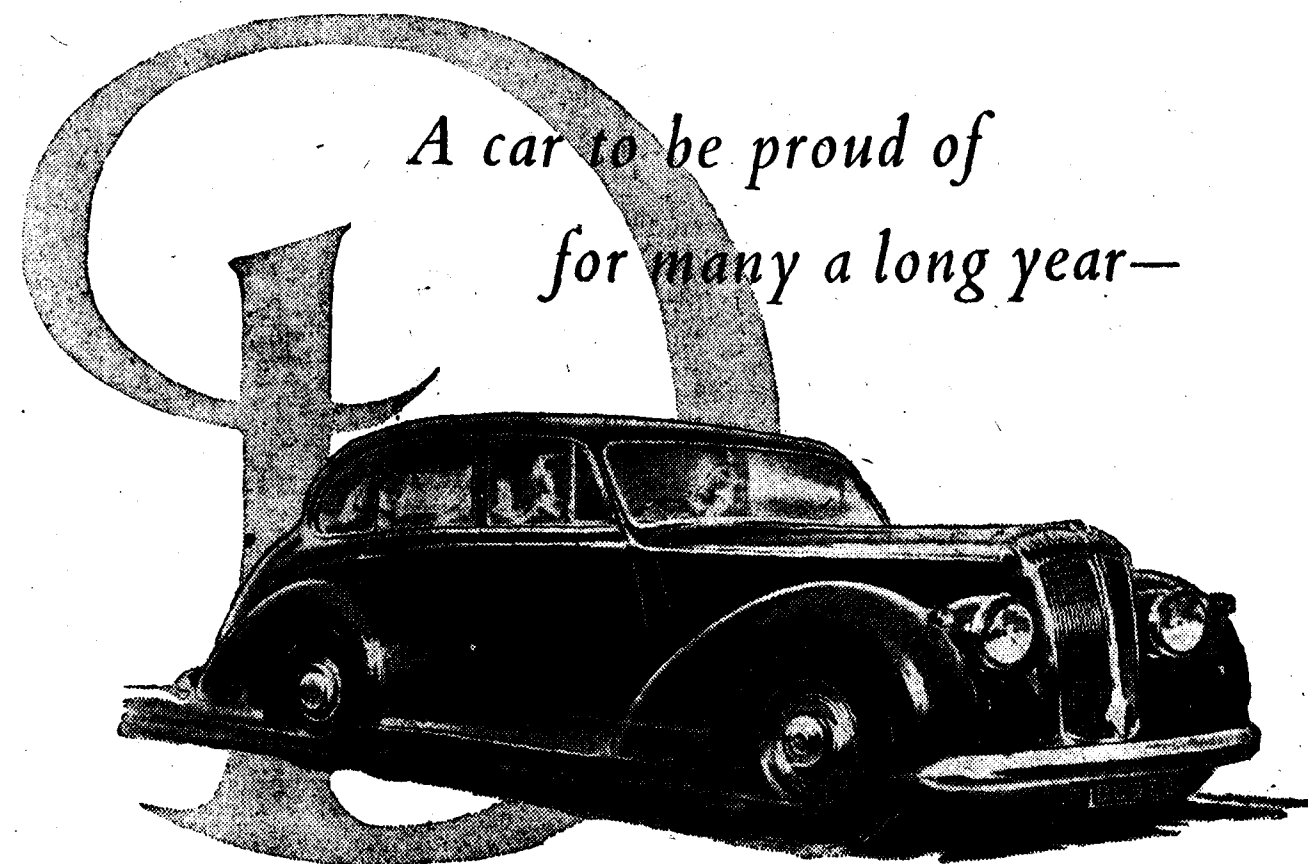
The public meetings of companies are normally characterised by either extreme routine or conflict. In the one case, the danger is that matters of importance may be overlooked; in the other, that an inexperienced chairman or secretary may be outmanoeuvred into an indefensible position. In both cases, knowledge, experience and vigilance in company officials are of the greatest importance. This book covers familiar ground; its value, which is considerable, lies in its arrangement and in its comprehensiveness. Its scope can best be shown by a short list of its contents: Part I: the requisites of a valid meeting, notices, the position and duties of the chairman, the quorum, motions and resolutions, voting, polls and proxies, the conduct of the discussion, privilege and the admission of the public and the press. Part II: board and general meetings, and secretarial duties before, during and after general meetings. The book also contains a most useful collection of forms and precedents and extracts from the appropriate rules and orders. It can confidently be recommended to all company directors and secretaries as a useful working guide.

Whitehall to West Indies. By Frank Norman. Bodley Head. 256 pages. 21s.

We are now slowly beginning to learn a little about the influences that the social services characteristic of the welfare state have had on the lives of the citizens who benefit from them, but we have hardly as yet recognised the need for studying the extent to which those services have moulded the experiences or shaped the personalities of the public servants responsible for their administration. This volume of reminiscences will provide a useful case-study for the inquirer who takes up this task. Mr Norman has devoted his life for some forty years to the service of society, and it is plainly apparent from what he tells us about his experiences that the civil service and the social services, the Board of Education, the Ministry of Labour, the International Labour Office and the Government of Jamaica have been stern masters demanding the bulk of his energies and interests, which he has gladly given up to them. One gathers, indeed, that Mr Norman has gained a large part of the pleasures of life from the duties of his public employment.

The peak of Mr Norman's career came when he acted as British Government delegate at the meetings of the ILO governing body. He appears to have become deeply involved as a person as well as an official in this work, which exposed him to a measure of criticism; it is interesting to note, however, that he kept on good terms with his trade union and other critics, which caused the German and Austrian delegates to suspect him of being an astute double-dealer. As Mr Norman's career advanced, he became more and more involved in issues of policy, but, the ILO apart, he seems to have found it difficult to make up his own mind about them. This is most apparent in the concluding chapters on the West Indies, where he served as Labour Adviser to the Jamaican Government and the Colonial Office. Though brought into direct contact with important issues of economic and colonial policy in this region, he has less of interest to say about people and problems in the West Indies than he has about those encountered lower down in the more restricted landscape of Whitehall.

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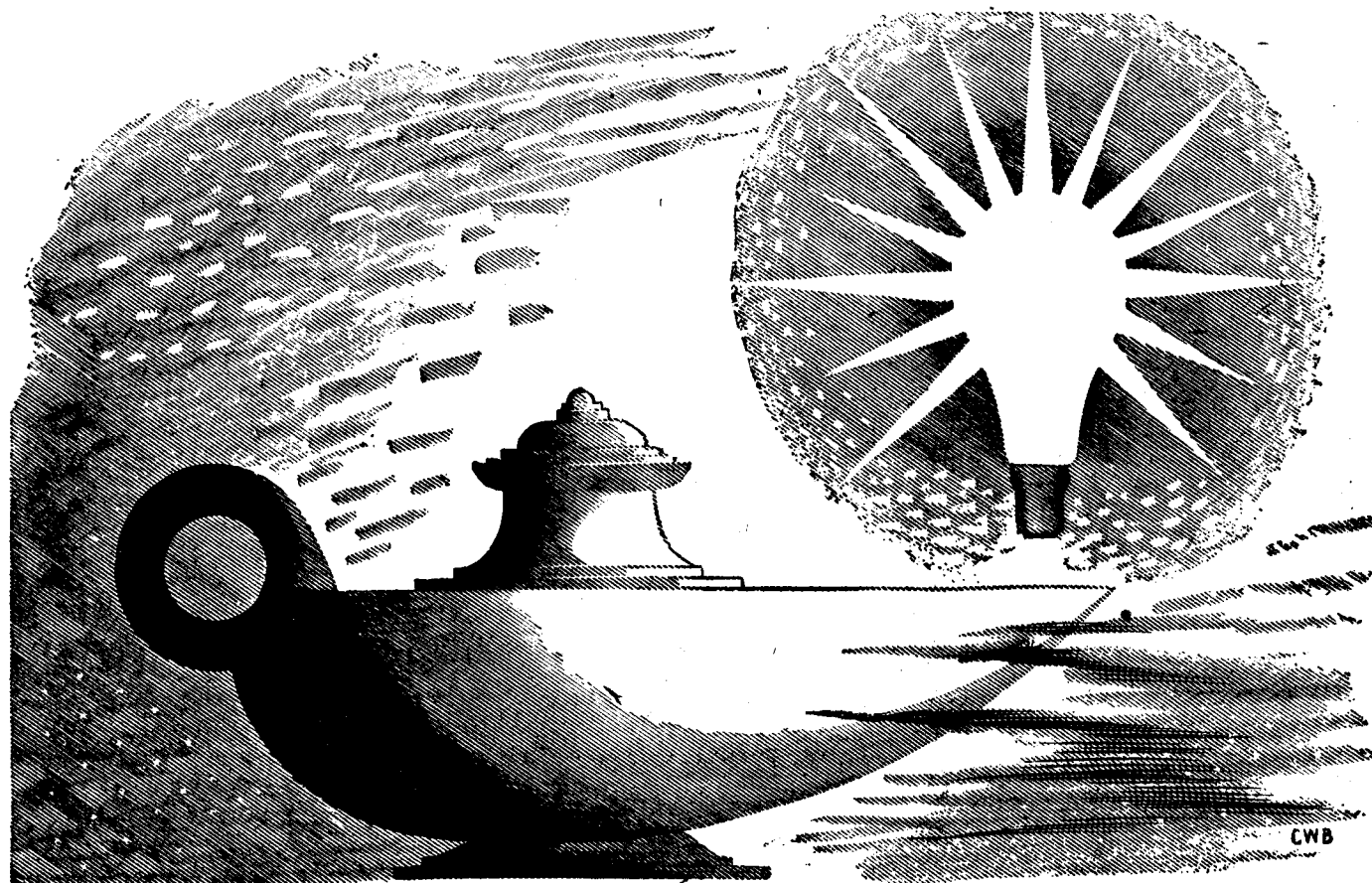


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AMERICAN SURVEY Republican Revolts

Chicago, Illinois

JUST before this most fascinating of Republican conventions began, it had got around that Governor Fine, the sphinx of Pennsylvania, was saying that whichever of the two principal candidates for the presidential nomination won the first argument on the convention rules by as much as one hundred votes would probably be nominated. So when, on the afternoon of the opening day, General Eisenhower was seen to have won by one hundred and ten votes, the excitement was tense and the Eisenhower bandwagon was plainly in motion.

The second crucial test came on Wednesday evening over which of the two delegations from Georgia, supporting respectively General Eisenhower and Senator Taft, should be seated. Here again, after some suspense, General Eisenhower was the winner and, although Senator Taft had picked up some votes that he did not have on the first test (possibly because this was not from the legal point of view the strongest of the anti-Taft cases), the writing now appeared to be on the wall. Even without the contested southern delegates that he had now won, General Eisenhower had 607 votes in these preliminary trials—enough to be nominated if he could hold on to them—and Senator Taft had only 531.

By this time—midnight on Wednesday—even those who, calloused by many a convention, know that nothing is really ever in the bag until the end of the final ballot, were to be heard conceding that it would now take some sort of a miracle for Mr Taft to catch the Republican elephant. This message, sent before the balloting for the nomination has begun, will similarly have to remain posed on, but not yet over, the edge of the astonishing revelation that so guileless and inexperienced a candidate as General Eisenhower may be able to ride through as tough a convention as this to beat a professional of such driving ambition and political skill as Mr Taft.

If it turns out that the Republican old guard cannot put Mr Taft across and if, in the last desperate deals, the hopes of the compromise candidates wither and die, then something of more than passing interest will have been demonstrated. For there is no mystery about the motives of the old guard, or about why the convention was required to accept Taft officials and Taft orators, or why certain Taft delegates from Texas, Louisiana and Georgia with no more obvious right to their seats than burglars have to their loot

were recognised by the Taft-controlled Republican National Committee.

The keynote speech of General MacArthur ceremoniously unveiled the glass in which the truth was reflected and Mr Herbert Hoover came along behind him and polished it for greater clarity. All who looked could then see that what was being attempted in Chicago was a supreme, and possibly a final, counter-revolution against all that President Roosevelt had done and President Truman had consolidated in America during the last twenty years. Against those in the Republican party who have been convinced that the United States must break with its past and fulfil a new destiny at home and abroad are ranged those who have never accepted such a doctrine, have never believed in the wisdom or rectitude of the New Deal and the Fair Deal and have never abandoned the dream of American isolation and self-sufficiency. Justice

to the old guard and to Senator Taft himself requires a recognition that they passionately and probably unshakably believe that they have been summoned to a holy crusade to save a nation on the brink of the abyss of socialism and internationalism which, in their creed, are synonyms for disaster and chaos.

General MacArthur's keynote speech made all this nakedly plain. The proposition might have been clothed with some of the decent obscurities that other speakers were using if General MacArthur had not for the last fifteen months sat brooding like St Simon Stylites at the top of the pillar New Yorkers know as the Waldorf Tower. As it was, he appeared to be unaware of the temper of his times or even of the ideas that Mr John Foster Dulles, with the consent of both major candidates, was writing into the Republican statement of policy

—ambiguous as that document later turned out to be.

So General MacArthur dramatically warned his audience not to place any reliance on collective security, advocated withdrawal "in due time" of American ground forces abroad and scornfully dismissed as parasites America's allies in western Europe, comparing them unfavourably with "the free peoples of Asia and Middle East" (not specifically identified) who wanted no American garrisons but only military equipment that would be put into the hands of men eager and able "to turn the tide decisively against Communism."

This was the old guard reaction on such a heroic scale and it was so obviously going to embarrass the Republican



Herblock in the Washington Post

presidential candidate, whoever he might be, in the months before November that it deserved the priority it received in many newspapers. But General MacArthur was no less revealing in the long passages in which he dealt with the home front. He represented every act of a Democratic Administration, whose social and economic policies have five times in free elections returned it to office, as part of a conspiracy whose object was to attain despotic power and which was now

reinstating those very excesses and abuses for which the British crown was indicted in 1776 by our Declaration of Independence.

The television cameras, reproducing the scene for an audience of perhaps seventy million, picked up the ovation General MacArthur received before he began to speak and an hour later mercilessly recorded the closing applause which, by convention standards, was almost perfunctory. The nation had a final glimpse of the civilian-suited general being patted on the back by the politicians and being led off the platform back to his aeroplane and to his high pillar.

Mr Hoover on the following night was more circumspect. He did not advise the party to withdraw its trust in collective security, though he also found that "the will is lacking" in America's western allies. He joined Mr Taft in advocating "less armies and an overwhelming striking force at less cost," which he promised would "extend our effectiveness to all menaced countries." And like Senator Taft he was at pains to show he was no isolationist:

I do not propose that we retreat into our shell like a turtle. I do propose the deadly strategy of a rattlesnake. Neither did his denunciation of the Administration's policies at home contain self-actuating booby-traps. He contrived, however, to detect behind the Administration's "plush curtain of tax and spend" the sinister ghosts of Mussolini, Karl Marx and Lord Keynes, mixing "poison for the American people."

The *New York Times* later noted of General MacArthur and Mr Hoover that

both orators left their audience with the impression that the Democratic party has somehow come into power by a *coup d'état* and that it is now the opportunity of the Republicans to free the great masses of the American people from the shackles of a small and wilful tyranny.

Something like this may well be what the old guard believes. The efficient Taft majority on the Republican National Committee has seen to it that other and differing beliefs, such as those of Governor Dewey, who was excluded from the platform along with the party's other liberals, have not been placed before the convention.

But the Taft organisation did not allow enough for the pressure which General Eisenhower and his managers were able to exert through the argument that a party needs to satisfy a television-equipped electorate that its hands are clean. This was made into a burning national issue during the arguments over the contested delegations and it was this which decided such men as Governor Fine of Pennsylvania. He knew long ago that 836,000 Republicans had voted for General Eisenhower in the presidential primary in his state, and that only 178,000 had voted for Senator Taft. If this expression of the popular will was carrying any weight with Mr Fine, he concealed it admirably during the weeks when both the Eisenhower and Taft factions were ardently courting him. It was not the votes of the million Republicans in Pennsylvania, who had put him in his present high office, but the one hundred and ten extra delegate votes in Chicago, which put General Eisenhower on the road to nomination, that at long last brought a decisive smile to the face of the sphinx.

Deficit Ahead

[FROM A CORRESPONDENT IN NEW YORK]

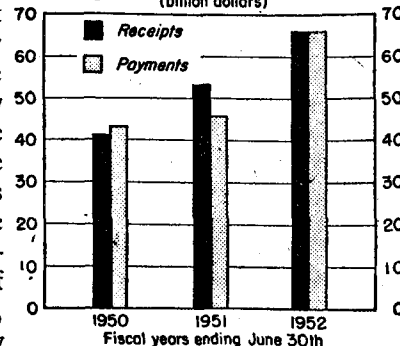
THE Treasury has just announced that it ended the 1952 fiscal year on June 30th with its cash budget approximately in balance. As a measure of the influence of the federal government's operations on the economy, this is the budget that matters; the deficit of \$4 billion shown in the administrative budget, which does not include receipts on account of the social security insurance scheme, does not for this reason indicate the money actually taken from individuals and businesses and returned to them through cash payments for goods and services. This deficit was, however, less than one-half as large as the President expected early this year, and the small cash surplus offered a sharp contrast to the cash deficit of \$4 or \$5 billion forecast in January. Revenues for the fiscal year, exceeding \$62 billion, were the highest on record, being almost 50 per cent above the highest of the war years. Expenditures were the greatest since 1945, but were substantially below predicted levels, largely because spending on the Mutual Security Agency account—foreign aid—was about \$2.5 billion less than expected, and because expenditures for military purposes and on ex-servicemen fell \$1.25 billion below the earlier estimates.

It is a reasonably safe assumption that the rate of spending by the services and by the Mutual Security Agency will increase significantly over the next six months. It is estimated that defence and related expenditures for the first half of the 1953 fiscal year, which began on July 1st, will exceed \$25 billion, while the other expenses of the federal government will come to about one-half that amount. Under the terms of the Mills' plan for accelerating corporate income tax payments, the Treasury will collect in the next six months only 30 per cent of corporate tax liabilities; the other 70 per cent was collected in the past six months. Next year the plan calls for payment of 80 per cent of corporate tax liability (on 1952 income) in the quarters ending in March and June; the Treasury, therefore, will find its expenditures rising for the rest of this year, while its receipts will be falling. It will have a substantial cash operating deficit in the coming six months, probably of about \$8 to \$10 billion.

The Treasury has already attacked the problem of financing this cash requirement by selling a six-year 2½ per cent bond, accepting subscriptions for more than \$4 billion. Payment for these bonds was made on July 1st; with this added to the large tax receipts received on the June 15th quarterly payment date, the Treasury now has a comfortable working balance to carry it through two or three of the lean months ahead. It is obvious, however, that the Treasury will have to come to the market by the end of this quarter

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

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STATEMENT OF CONDITION, JUNE 30, 1952

RESOURCES		LIABILITIES	
Cash and Due from Banks	\$1,477,139,773.97	Deposits	\$5,236,752,681.97
U.S. Government Obligations	1,232,757,393.74	Foreign Funds Borrowed	7,431,239.00
State and Municipal Securities	310,548,457.00	Dividend Payable August 1, 1952	2,960,000.00
Other Securities	331,571,914.82	Reserves—Taxes and Expenses	30,564,414.63
Mortgages	62,485,411.74	Other Liabilities	15,402,123.67
Loans	2,196,947,098.41	Acceptances Outstanding	41,053,062.08
Accrued Interest Receivable	11,955,791.57	Less: In Portfolio	3,944,470.80
Customers' Acceptance Liability	36,732,690.06	Capital Funds:	
Banking Houses	29,608,306.55	Capital Stock	\$111,000,000.00
Other Assets	7,886,438.98	(7,400,000 Shares—\$15 Par)	
		Surplus	189,000,000.00
		Undivided Profits	67,414,226.29
			367,414,226.29
	<u>\$5,697,633,276.84</u>		<u>\$5,697,633,276.84</u>

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to make at least a beginning on meeting its additional requirements. It is widely expected that this next financing will take the form of short-term bills maturing on the March and June, 1953, tax payment dates. Such obligations have proved to be attractive investments for corporations saving tax money out of income during the second half of the calendar year in preparation for making the actual payments in the first half of the next calendar year.

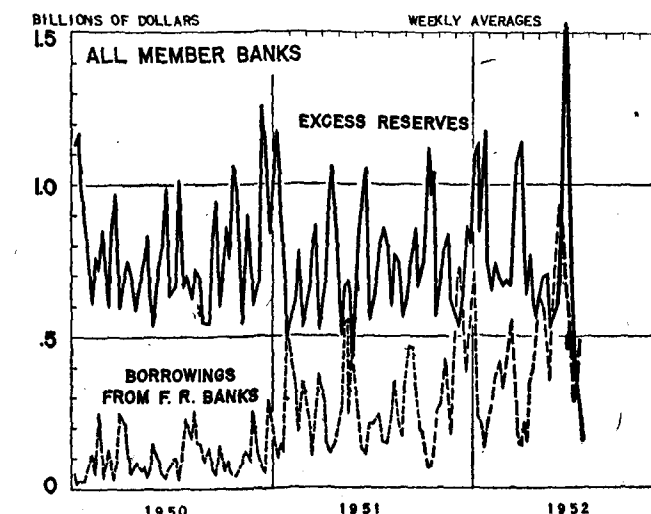
The Treasury's success with its 2½ per cent bond made its failure a month earlier with a long-term 2½ per cent bond seem even more dismal than it had first appeared. Up to 75 per cent of the subscribed amount of the first offering was payable in outstanding 2½ per cent bonds, which were freely available in the market at a discount. In effect, therefore, the Treasury was offering investors a return of 3½ per cent on the quarter of their subscription paid for in cash. The new bonds, however, were non-marketable, and holders wishing to obtain cash for them at any future time would have had to convert them first into five-year 1½ per cent notes and then sell the notes (probably at a discount) in the market. These terms reflected the Treasury's preoccupation with ingenious devices intended to insulate the debt from the market forces of supply and demand. The sorry reception given to the issue by investors probably furnished convincing evidence that such devices more than offset the comparatively attractive yield, and it may well prove to have been the Treasury's last attempt to avoid the test of the market.

When the 2½ per cent bond was so well received that the books were closed after only one day, there was a spate of explanation that the success was assured because non-bank investors were willing to buy with funds borrowed from banks to which they would sell the bonds immediately after allotments had been confirmed. (Non-bank investors were given preference in order to reduce the inflationary results of bank payment for the bonds.) It was widely predicted that these "free riders" would take quick profits, the bonds would thus go into the banking system after only a short detour, and the full inflationary impact of the financing would be felt immediately. Indeed, some so-called experts argued that the inflationary addition to the money supply would be multiplied because the banks would not only create the deposits to pay for the bonds, but would have the deposits returned to them as bank reserves, capable of supporting a further five- or six-fold expansion in bank credit, when the Treasury spent the proceeds. Most of the predictions seemed to be based on the conclusion that failure of the 2½ per cent issue had demonstrated there were no non-bank funds seeking investment. It now begins to appear that not nearly all of the new issue will move in the near future into the banking system; many savings institutions and insurance companies have concluded that the new bonds will provide a high-yielding secondary reserve of liquid funds. In any event, the Treasury has tapped more non-bank money with the 2½ per cent bond than it did with the 2½ per cent fiasco.

This development is perhaps just as well for the commercial banks, since they are having enough difficulty obtaining reserves from the central bank as it is. Although many observers interpreted the Federal Reserve Board's relaxation of the selective credit controls on hire-purchase and real estate construction, even before Congress made it mandatory, as a sign that the central bank was participating in a "save-the-boom" effort by the Administration, shrewder bankers have noted that since the end of March the money market has experienced its longest period of tightness since early 1933, when runs on the banks put a severe strain on their resources. It therefore seems more probable that the central bank, finding its general quantitative credit measures

proving increasingly effective, decided that it could safely allow the supplementary controls to wither on the vine, particularly since they had produced more resentment than any other restrictive measures in use.

The new bond issue has meant that the commercial banks must find something like \$500 million in reserves to support the increase in deposits created to absorb it. (Commercial banks which are members of the Federal Reserve System are required by law to maintain reserves against their deposits with the Federal Reserve Banks. Banks in Chicago and New York must hold an additional \$240 in reserves for every \$1,000 increase in their deposits; "excess reserves" are the difference between required reserves and those actually held by the member banks.) So far the central bank has been extremely niggardly in providing those reserves, and has



SOURCE: FEDERAL RESERVE BOARD.

made it clear that it is doing so most reluctantly. The commercial banks have been forced to borrow large sums from the Federal Reserve Banks in order to meet their reserve requirements. This method of providing reserves temporarily is in sharp contrast to the injection of more permanent funds through purchases of government securities in the pegged markets of more than a year ago. There is no doubt that the central bank will be called upon to furnish additional reserves in the next six months, when agricultural and business borrowings will increase seasonally. It is becoming increasingly evident, however, that these reserves will be doled out grudgingly and that the indebtedness of the banks to the Federal Reserve will provide the latter with an increasing measure of influence over the banks' lending policies.

American Notes

Stevenson Fingers His Hat

The Vice-President, Mr Barkley of Kentucky, is the latest candidate to throw his hat into the presidential ring, already crowded with Democratic headgear, and it is possible that his is the one which the Democrats may be forced to pick up. For he is a Southerner who supports Mr Truman's Fair Deal and an experienced fighter who is liked by voters as well as politicians. No other active contender for the Democratic presidential nomination draws so much strength from so many sections of the party but, largely because of his advanced age, Mr Barkley is far from being the strongest conceivable candidate. Yet this is what the Democrats must have if they are to achieve the victory which now seems to be within sight, although by no means yet within grasp, as a result of the bitter quarrel over the Republican nomina-



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Statement of Condition as of June 30, 1952

ASSETS		
Cash, Gold and Due from Banks		\$1,541,981,993
United States Government Obligations		1,547,303,755
Obligations of Other Federal Agencies		31,222,804
State and Municipal Securities		535,399,509
Other Securities		99,094,844
Loans and Discounts		2,180,010,102
Real Estate Loans and Securities		19,373,005
Customers' Liability for Acceptances		17,428,469
Stock in Federal Reserve Bank		9,000,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		29,624,883
Other Assets		8,244,192
Total		\$6,025,683,556
LIABILITIES		
Deposits		\$5,541,640,663
Liability on Acceptance and Bills		\$38,090,385
Less: Own Acceptances in Portfolio		20,056,902
Due to Foreign Central Banks (in Foreign Currencies)		18,033,483
Items in Transit with Branches		18,712,000
Reserves for:		11,303,097
Unearned Discount and Other Unearned Income		22,772,623
Interest, Taxes, Other Accrued Expenses, etc.		40,479,778
Dividend		3,312,000
Capital (7,200,000 Shares—\$20 Par)		\$144,000,000
Surplus		156,000,000
Undivided Profits		69,429,912
Total		\$6,025,683,556

Figures of Overseas Branches are as of June 25.
\$496,901,145 of United States Government Obligations and \$19,692,700 of other assets are deposited to secure \$400,945,247 of Public and Trust Deposits and for other purposes required or permitted by law. (Member Federal Deposit Insurance Corporation)

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tion and of the comparatively poor showing made by General Eisenhower in his pre-convention trials.

There is, however, another potential Democratic candidate who has all Mr Barkley's ability to bridge the party's divisions and who has proved himself a winner in local elections—Governor Adlai Stevenson of Illinois. He has obstinately refused to throw his hat into the ring, but last week, under pressure from the machine politicians, he at last consented to finger it hopefully. He announced that, while he was still determined not to participate in any movement to conscript himself for presidential service, and while he (unlike other people) therefore thought it improbable that such a movement would develop, he would, if it did develop, decide what to do in the light of conditions then existing. This equivocal statement was so much more definite than anything that Mr Stevenson had said earlier that it has been taken to mean that he would not refuse to jump into the ring after his hat if it were thrown in for him, even if that meant fighting General Eisenhower.

Mr Stevenson went on to say that the Democratic candidate should be one who could unite the northern and southern wings of the party, and to show how he would do so: it was, he said, the responsibility of the state government to protect the civil rights of Negroes, but if it failed in this, then he feared that the federal government would have to step in. This compromise was too dictatorial for Governor Byrnes of South Carolina and several other southern leaders, yet it was not enthusiastic enough for Mr Truman. Nevertheless, it seems probable that he still favours Mr Stevenson as his successor—and in spite of hints to the contrary Mr Truman still insists he will not run again himself. He does not, however, intend to announce his preference until the convention has actually begun; when that time comes the party is likely to take his advice.

Congress off to the Races

A gallant little rearguard, consisting of 14 Senators and 100 Representatives, remained in Washington on Monday to cover the exodus of Republicans to the grandstand in Chicago and of Democrats anxious to get into trim for their own races a fortnight hence. The task of those who stayed was to tie up the loose ends and relieve Congress of the necessity of coming back later. In its last hectic seventeen-hour meeting, Congress, though it failed to agree on atomic energy funds, managed to pass nearly \$50 billion in appropriations. The lion's share of this was \$46 billion for the services. The Bill carried almost \$5 billion less than Mr Truman had asked, but it was very welcome, not only because it restored the \$600 million for aircraft procurement lopped off by the House, and thus cleared the way for a 143-group Air Force by the middle of 1953, but also because it eliminated the House spending limit. The defence authorities have a healthy bank balance, thanks to unspent appropriations from earlier years, but a \$46 billion limit would have wrecked rearmament schedules. Military spending can now proceed to the expected tune of \$52 billion in the next twelve months. The Navy also succeeded in obtaining a second aircraft carrier, but it will have to find the money by scuttling other building plans.

Mr Cannon, chairman of the House Ways and Means Committee, estimates that Congress cut some \$10 billion from the President's requests. This may be optimistic, but already government employees are being missed, particularly from the economic stabilisation agencies which Congress voted to continue in name, but has denied the funds to function effectively. But neither haste nor economy were allowed to interfere with aid to deserving voters: time was found to pass the \$1 billion a year GI Bill for educational and other benefits for ex-servicemen, social security benefits and pensions of civil servants were raised, and combat pay for men serving in Korea was approved. Congress, believing

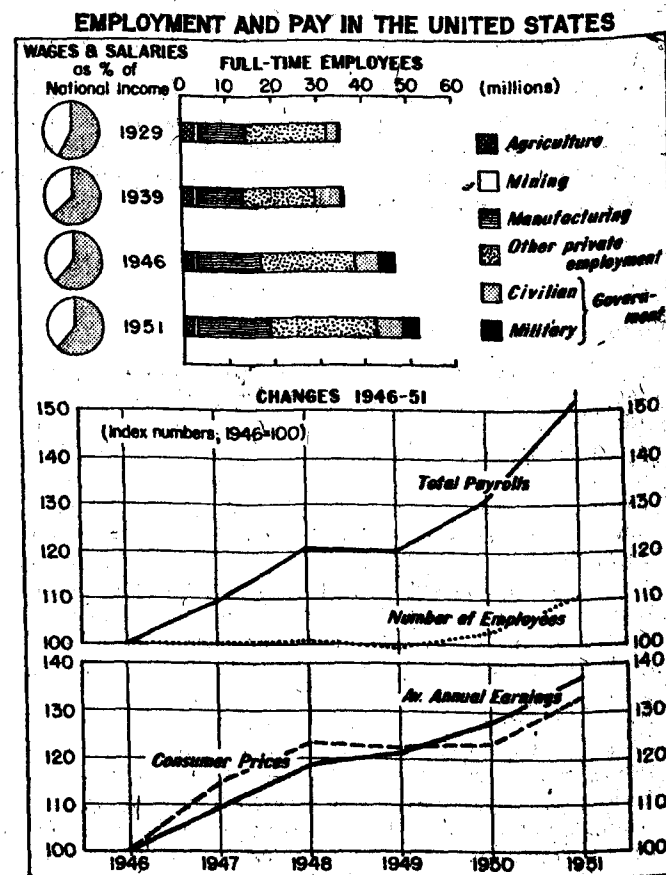
charity begins at home, also exempted the first \$3,000 of legislators' living expenses in Washington from taxation.

It was the supplementary appropriation Bill for foreign aid and atomic energy which caused the real eleventh-hour trouble. Foreign aid sailed through with a minor cut: \$6 billion has been appropriated, \$4.3 billion of it for Europe, as against \$6.4 billion authorised (the President asked for \$7.9 billion). But on atomic energy the House dug in its toes. Irritated by the cloak of security flung over a request for over \$3 billion, which it suspected concealed extravagance, it voted only \$1.45 billion and added a rider forbidding the commission to embark on any project unless it had the money to complete it. The rider remains, despite the Administration's urgent hints that a flood of powerful new atomic weapons is just around the corner. But President Truman's threat to call Congress back into special session to remove it is not likely to materialise. The Representatives who stayed behind took the responsibility of raising the funds for the commission to \$2.9 billion, something which makes the rider academic.

The President should, however, be able to find some other excuse for recalling Congress, if he wishes to repeat his successful strategy of 1948. But in 1948 it was the imperfections of a Republican Congress which were put on parade. The present Congress is Democratic by a small majority in the Senate and a larger one in the House, though it has rebuffed the President again and again, particularly on domestic issues. Mr Truman may therefore prefer not to call attention to its defects.

Steel Strike—or Lockout?

Despite the urging of both Houses of Congress, President Truman seems more determined than ever not to use the Taft-Hartley Act to secure a suspension of the steel strike, now in its sixth week. This is the longest stoppage in the industry since the war, and the shortage of steel is acute.



Automobile production this week is only 30 per cent of normal and unemployment is serious; what is worse still is that, according to the Office of Defence Mobilisation, lack of steel has halted or slowed down production of ammunition, tanks, and other defence goods. Even if the strike were settled immediately, it would take weeks for the pipelines to refill. There is no prospect now that steel can be derationed before next June; despite the expansion programme, the supply this year, at 99 million tons, will be 6 million tons less than it was last year. Direct losses through the strike now total 13 million tons. What worries the industry even more is the loss of iron ore caused by the sympathetic strike in Minnesota. Next winter's supplies have to be brought across the Great Lakes before they freeze over, and already about 10 million tons have been lost.

Mr Truman's new reason for refusing to use the Taft-Hartley Act in what is now unquestionably an emergency is that the stoppage is not a strike at all, but the result of a "conspiracy against the public interest" on the part of the six largest producers. This is, not unexpectedly, also the view of the union, which has brought a charge of refusal to bargain against them before the National Labour Relations Board. The big six have agreed to stand together, and pressure from the other five apparently accounts for the withdrawal of the Bethlehem Steel Company and some smaller producers from agreements they were ready to sign. The steel companies insist that joint negotiations are necessary to give them the strength to deal with a union covering the entire steel industry, and they draw the line at "compulsory unionism." In fact, however, it was an exceedingly weak form of union shop which the union accepted in its settlement with the Pittsburgh Steel Company, and its leaders are convinced that the industry is only too glad to see stocks run down since, once the strike is over, it will be able to charge higher prices. If this is true, a settlement should not be far off; stocks are reaching the vanishing point, and so are steelworkers' savings.

The Administration, which has taken the union's side throughout, has failed, in one respect, to help it "divide and rule." Companies which have settled with the union must wait for a general agreement before receiving price relief beyond that available already under the Capehart amendment, which allows price increases to cover cost rises up to July of last year. So far only one large company has claimed its Capehart relief. Clearly there is no temptation to individual firms to come to an agreement if all it means is that they are allowed to sell steel at a loss—at 1951 prices while they are paying 1952 wages and freight rates.

No Peace for Lattimore

There are two fallacies in the report, issued in good time for the election, of Senator McCarran's subcommittee on internal security on its eighteen months' investigation of the Institute of Pacific Relations in general and of Professor Owen Lattimore of Johns Hopkins University in particular. In the first place, in claiming that a small group with Communist sympathies, which is supposed to have controlled the institute, kept American policy in the Far East on a course favourable to Communism, the report is not only exaggerating the influence of the institute on the United States government, but is also exaggerating the influence that that government could have on events in China. In the second place, in alleging that Mr Lattimore committed perjury on five occasions during his lengthy evidence, the report, as has become a habit with such Congressional committees, not only makes no allowance for the difficulty of remembering details of long-past occurrences and opinions, but also appears to take it for granted that the unsubstantiated evidence of a converted Communist, Mr Louis Budenz, is to be preferred to that of Mr Lattimore. This is perhaps partly because Mr

Budenz told the committee what it wanted to hear, and partly because it resented Mr Lattimore's courageous resistance to its thirteen days of browbeating.

It has to be admitted that his replies to this latest inquisition did not always tally exactly with those he had given earlier in answer to Senator McCarthy's charges, but this is hardly enough to prove that Mr Lattimore was "a conscious articulate instrument of the Soviet conspiracy," as the report alleges. If the committee has its way, a grand jury will consider whether charges of perjury should be brought against Mr Lattimore in the courts, and also against Mr John Paton Davies, a State Department official now in Germany, who has already been cleared by the loyalty board. Mr Lattimore is therefore unlikely to have much time to use the passport which the State Department is now prepared to give him. The Department has finally apologised for its much publicised ban on his going abroad, which was founded on a baseless story told by an intoxicated travel agent, who is now under indictment for giving this false information to an employee of the Central Intelligence Agency.

The accusations made against the Institute of Pacific Relations itself in the committee's report are almost as controversial as those against Mr Lattimore. Half the institute's funds have in the past come from the Rockefeller and Carnegie Foundations, most of the rest from a number of well-known business firms, who were certainly not trying to further Communism. Nor was this the purpose of the eminent scholars responsible for the research work on the Far East done by the institute. This is its prime function, but it has also engaged in a good deal of propaganda and publicity work, a branch of its activities which does unfortunately sometimes seem to have been made use of by Communist sympathisers. But the report proves little, if anything, more than that both the institute and Professor Lattimore have not always shown sound political judgment.

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Puerto Rico Celebrates the Fourth

Puerto Ricans were able to celebrate American Independence Day with double enthusiasm this year, for Congress had approved the island's new constitution, and Mr Truman had made a point of signing it on July 3rd. The new charter, drawn up by Puerto Ricans themselves, makes the island a commonwealth, literally, in the Spanish, a "free associated state." In fact, what it gains is complete home rule. Puerto Ricans were already American citizens, with the right to elect their own Legislature and Governor. The few appointments which the American President still had power to make are now transferred to the Governor; Congress has given up its right to repeal laws passed by the Puerto Rican Legislature. Federal law still runs, but the Puerto Ricans pay no taxes to the mainland, although they enjoy the services of the US Coast Guard, Weather Bureau, Post Office, and so forth.

The wording of the Constitution suggests that statehood may be the eventual aim, and there are also strong supporters of complete independence. But Puerto Rico is too dependent on the United States, both as an outlet for its surplus population and as a market for its goods, to be able to afford independence yet. Statehood could not confer more self-government than the new Constitution does, and the voting representation to which it would entitle Puerto Rico in Congress would have to be paid for in taxes the island could ill afford. The Governor, Sr Munoz Marin, feels a period of political "repose" is now desirable, to enable his countrymen to concentrate on their economic problems; Puerto Rico is desperately poor as well as overcrowded. But he suggested, in a speech on July 4th, that the next step might be to provide that American laws might not take effect in Puerto Rico without ratification by the commonwealth legislature. This would create something similar to dominion status inside the American system for the first time.

Such a step should be within Puerto Rico's new powers, although, for a time, it seemed that Congress might spoil a

magnanimous gesture by insisting on the right to pass upon all amendments to the new constitution. The Puerto Ricans had already had to give way to the demand of the House that they curtail their Bill of Rights; Congress, which insisted that one should be included, was not prepared to approve one which went beyond that in the American Constitution and, on the model of the United Nations Declaration of 1948, recognised the rights to work, to protection against illness, to free elementary and secondary education, and to a standard of living adequate for health and well-being. Fortunately, in conference, the Senate was persuaded to give up any American veto over future constitutional changes. The steady progress of Puerto Rico to self-rule constitutes another impressive demonstration—the Philippines was the first—that the United States practices what it preaches about colonialism and self-government for dependent peoples.

Shorter Notes

In spite of election controversies, the Senate forgot its differences when voting on the ratification of the substitute German peace treaty and on the amendment to the North Atlantic Treaty which extends its guarantees to western Germany. Both were ratified by far more than the necessary two-thirds majority, with only five adverse votes in each case.

The visit of Mr Acheson, the Secretary of State, to Brazil, his first official trip to a country south of the United States border, had no specific reason since there are already plenty of normal channels for dealing with such matters as loans. Mr Acheson's purpose, in which he seems to have succeeded, was to give Brazilians a better understanding of why United States aid has had to be concentrated on Europe, and to explain once more that this does not denote any lessening of interest in the other countries of the western hemisphere.

THE WORLD OVERSEAS

Comeback of the Wafd

(By a Special Correspondent)

HOW much can Sirry Pasha do for Egypt in its present "critical" economic and political state? (The adjective quoted is King Farouk's.) After a fortnight in the saddle, his own ambitions are beginning to be clear. He hopes to be more than a mere caretaker till the elections in October. He wants "national unity," and so has released the secretary general of the Wafd party, Fuad Serag el Din Pasha, whom his predecessor had thought to be gravely responsible for the riots of January 26th in Cairo and had placed under arrest. He wants to come to a direct agreement with the Sudanese and has invited Sir Abdul Rahman el Mahdi Pasha—the chief protagonist of an independent Sudan—to meet him and talk things over. He wants to raise the standard of living by increasing food crops, and has set up a committee to work on the subject. Even for a premier blessed with nation-wide support all this would be a tall order. Its achievement is a virtual impossibility for a cabinet of independents which has at its heels the Wafd, pining for office and justifiably certain that it will win the elections provided they are free as, under Sirry, they are sure to be.

A survey of the fate of his predecessor suggests that he is to a large extent the Wafd's prisoner, and will retain its support only to the extent that he does not interfere with its plans. Hilaly Pasha's reign began in March with a short respite from such pressure. For a matter of weeks, he appeared to have the backing of a majority of the politically-minded, although he had neither party nor public following in the country. People were tired of the Wafd, with its over-concentration on the "national aspirations" vis à vis Great Britain, its manipulation of the cotton bourse, its "exceptional promotions" of toadies, and its two-year record of brushing aside the need for social improvements at home. When Hilaly first placed Serag el Din Pasha under house arrest all anti-Wafdists vastly enjoyed the many cartoons depicting his fate; people would have been glad to see it meted out to other Wafdist leaders. But Hilaly, though he hinted at possibilities of further action, never took it. He was busy negotiating with the British, believing that the British Government, in its pleasure at finding a reasonable man in office, would make considerable concession to him personally. He planned to fight a general election as the man who had at last realised Egypt's national aspirations by negotiation and without the loss of a drop of Egyptian blood. He therefore ignored the plea of supporters who urged him not to rely on getting results from Britain, and instead to strike at the Wafd while tempers against it were running high in the country.

Caution About Corruption

The farthest he went in this direction was to allow his able Minister of the Interior, Mortada el Maraghy Pasha, to replace about twenty senior Wafdist officials by supporters of his own government, and to encourage these to make corresponding changes among the *mudirs* of villages, who exercise important influence among illiterate voters during elections. Maraghy simultaneously undertook a thorough reorganisation of the police force with the aim of restoring its former non-party character. Committees enquiring into the "origin of fortunes" (as corruption is euphemistically called in Egypt)

went cautiously—which means slowly—about their work; no one was actually brought to book.

The Wafd now took heart. In April, its leaders turned the ground floor of Nahas Pasha's mansion in Cairo Garden City into a propaganda bureau. It knew that because Hilaly had failed to discredit them, his technique no longer found favour in the Palace. From the moment in April when he announced that the elections had been postponed he became the prey to well organised rumours that the King had dismissed him. Though he had nothing to show for his fairly fruitful talks with the British, he believed that he would be able to remain in office throughout the summer. He underestimated the power exercised by a few millionaires, whose main motive was a desire—like his own—to see the British make concessions. Failing this, they had other plans. They belong to a small group of rich men who, between January 1950 and January 1952, contributed generously to Wafd funds in order that they might not be bothered with tiresome questions concerning foreign exchange, land tax and import duties, and who, by April, longed for an end to the searching methods of Hilaly and his finance minister, and decided that both must go. Their confidence that they can, by stages, restore the Wafd is not preventing them, and many others, from transferring week by week at least a part of their capital abroad.

Undermining Hilaly

Emissaries of these millionaires and former Palace favourites therefore set about undermining Hilaly's position. No such action is taken in Egypt without first finding out how much foreign support is likely to be available for any successor. During the putting forth of feelers, even British residents were cautiously sounded as to their views about a return of the Wafd. By means of social and sociable approaches, a veritable onset was made upon the American Embassy; there Mr Caffery was known to think that the extension of the Egyptian crown's authority to the Sudan was a trifling matter; he is therefore regarded by Egyptians as favouring Egypt's aspirations in general.

Simultaneously, the Wafdist paper *Al Misri* switched from a rabidly anti-foreign to a pro-American policy. These tactics had exactly the effect upon Hilaly that the Wafd desired; they shattered his confidence by suggesting that no one was on his side. Immediately before his resignation he accused the Wafd of approaching an unnamed "foreign embassy" and offering Egyptian participation in the Middle East Command in return for help with getting him dismissed and the Wafd back to office. The social efforts already mentioned caused all Egyptian eyes to turn to the American Embassy. Mr Caffery, with the limelight upon him, felt constrained to put out a denial of any such attempt to interfere in domestic politics; but the mischief was done. He was not consciously party to any bargain, but the point to note is that all Egyptians believe that he became involved. This week a Cairo newspaper is unkindly wondering which of two conflicting Wafd commitments the party will observe when it resumes office: that made to its supporters to make no bargain with the West or that made to Washington to enlist in the Middle East defence organisation.

For the moment, therefore, Sirry has the support of the

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Stock of Federal Reserve Bank	3,595,050.00	Dividend Payable July 15, 1952	1,637,675.00
Other Securities	30,474,014.53	Outstanding Acceptances	14,883,999.57
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Mortgages	15,034,660.99	Other Liabilities	930,160.03
Banking Houses	13,715,812.16	Deposits	2,521,084,889.57
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friends that matter: the King and the Wafd. But it is highly doubtful whether either would continue support if crossed. Neither is ready to face and to back the uncomfortable measures that could alone put right the current upset caused in Egypt's cotton-based economy by a combination of former Wafd policy and of fluctuating world prices. The Wafd has only too plainly recovered from the fright that it received on beholding the violence of the forces it unleashed on Black Saturday. Already, its newspapers are urging Sirry to restore the "exceptional promotion" of its friends and relations that Hilaly so painstakingly undid. It seems to be ready to put the clock back, regardless of the possibility that it might once again be unable to control the mob—once its servant—that became on January 26th its master. No doubt it feels that its relations with Washington—if it has thought about these at all except as a stepping-stone to power—can be adjusted later. The danger of Communist disorders is always an ample excuse for procrastination, or even for the breaking of undertakings, if any such have been given.

A Fresh Stage in Korea

THE news from Korea suggests that the truce talks are edging closer towards a conclusion than at any previous time. The bombing of the North Korean power stations probably has little to do with this either one way or the other: the talks have no more been affected by the political naivety of American military planners than by the Bevanite ballyhoo in Britain. At Panmunjom the key task is, as it has been for several weeks, to convince the Chinese that the Allies' refusal to return prisoners who do not want to go back is final. Although the UN negotiators have long been hammering away at this, the Chinese are not yet quite convinced. When they are, provided there has been no further basic change in the military or political background, the moment will have come to work out a plan for repatriating willing prisoners, while omitting the unwilling.

Hitherto there has never been any proper chance that such a plan could be evolved, since neither side has accepted as genuine or permanent the stand taken by the other. The Chinese and North Koreans have believed—always rightly—that another turn of the screw, through either further delay or higher demands, could wring more concessions from the Allies. The UN Allies, in their turn, have taken many months to act on the supposition, which only time and the gradual widening of the area of actual agreement have substantiated, that the Chinese will really accept an armistice on feasible terms. These two attitudes spring from the fact that neither side regards itself as having been beaten in the field. Granted that the Chinese do want an armistice—as the evidence suggests—that no reasonable American wishes to prolong or extend the war, and that, at the same time, no more concessions can be made by the United Nations, the sole remaining question of the prisoners of war is clearly now open to a joint effort of settlement of a kind never previously possible.

No Mediation by India

How can this question be solved? During the past few weeks the Indians have tried to discover through diplomatic channels common ground between the Chinese point of view and that of the British, as representing the United Nations. As a result there have been reports that the Indians might play the role not only of honest broker but of mediating neutral, even going so far as to take part in the re-screening of prisoners. Such a possibility does not, however, exist. The Indians themselves are already combatants on the United Nations side, by virtue of their ambulance unit in Korea; their role, and a most useful one, is to interpret only and to take soundings in private, out of the public eye.

It is likewise certain that any attempt to carry out a neutral screening of prisoners at this stage could only do more harm than good. Not only would it be virtually impossible to find any agreed neutrals—the International Red Cross, after all, is passionately regarded by the Communists as an "instrument of the imperialists"—but no amount of genuine re-screening would make any appreciable difference to the number of Chinese prisoners, about three quarters of the total, who refuse to go back to Communist China. It has been the Koreans, rather than the Chinese, who have been difficult to screen, since very few Americans talk Korean; and it has until recently been the Korean camps which were impossible to enter. On the other hand, many Americans now in Korea talk Chinese, and the screening of the Chinese has been efficient, fair and thorough. Since it is these 15,000 Chinese prisoners who now cause the deadlock, neutral confirmation of their refusal to return would only add insult to Peking injury.

A solution, therefore, must lie along different lines from these. Fortunately, the opportunity for it already seems to be emerging. At the truce talks both sides are already suggesting that the lists of prisoners presented earlier this year require revision. But, if new lists are to be made, they will be very different lists, and this time there will be no need for them all to be handled in the same way. Once the Chinese understand that the United Nations will sign a truce only if all their own prisoners are returned—a very small number compared with the captured Communists—and if no Chinese or Koreans are repatriated unwillingly, it should not be impossible for Peking to accept the public handling only of those lists which cover the men to be returned. The other lists need never appear at the conference table, whatever the Chinese may or may not care to say about the United Nations for the record. This week, for instance, they branded the idea as a "brazen and adventurous plot." Naturally any such arrangement, needing the tacit agreement of the Chinese, would depend on their also genuinely wanting a truce. Since there seems to be no other way out, and since a week or two at least is bound to pass before the new lists can in fact be completed, an opportunity exists to explore in secret these possibilities and the detailed arrangements that would be necessary to implement them.

Sweden and the Soviet Outrages

[FROM OUR SCANDINAVIAN CORRESPONDENT]

"WHAT kind of people do they think we are?" might, to transpose the Churchillian phrase, fairly be used to describe the surge of anger and resolution which swept across Sweden when people learnt of Russia's recent callous and high-handed actions in the Baltic. As events unfolded and the technique of bland denial, truculent rectitude, counter-charge and partial indirect admission was applied to the Swedes, annoyance turned to contempt. "The Baltic Interlude," as it is called in the press, no longer fills the papers but it is never far from Swedish minds. For the Russian actions moved Sweden more deeply than any event since the war, shaking the belief that behaviour which is legally neutral can ensure political neutrality and reviving the deep, old distrust of Russian imperialism.

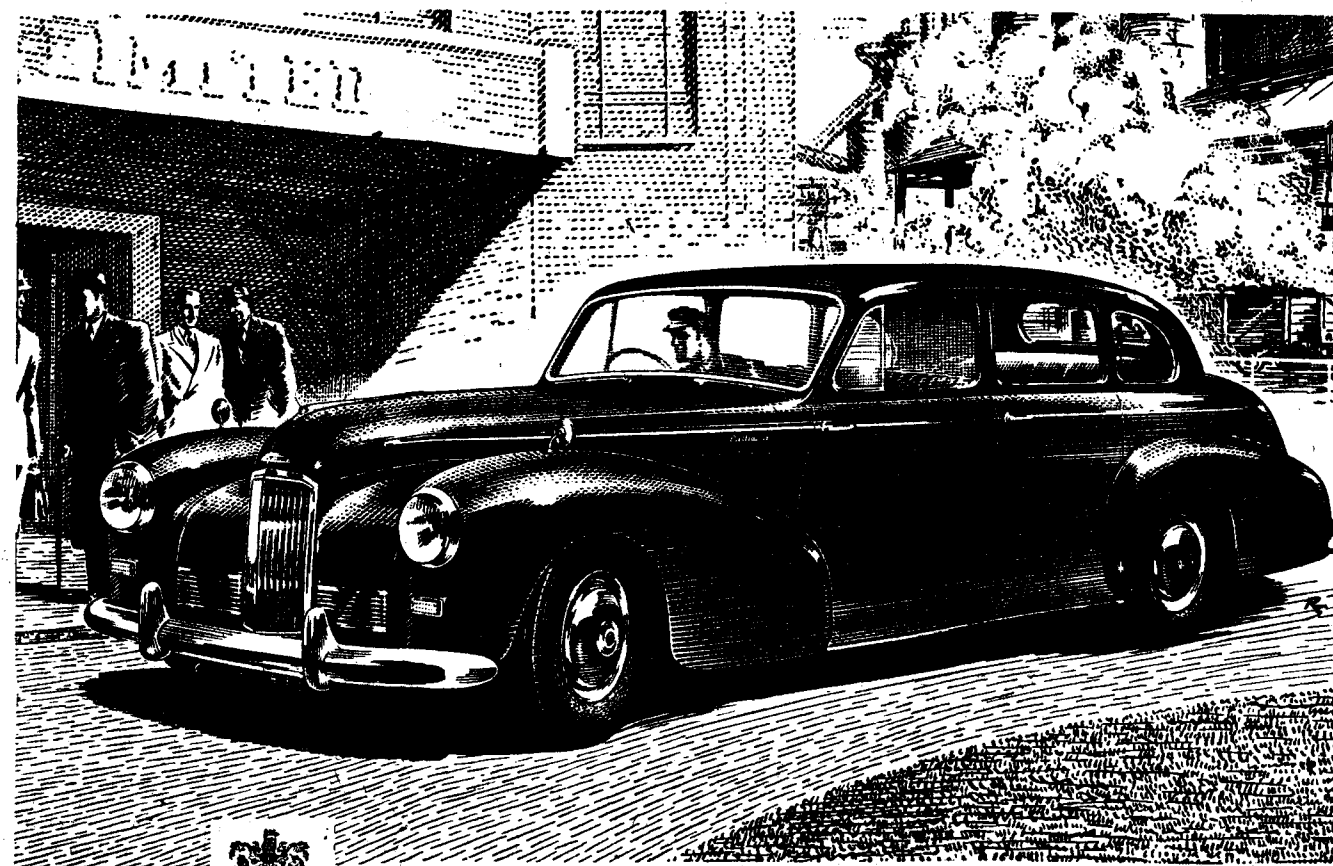
What happened can be established with reasonable accuracy from the timetable of events, but certain disputed details are unlikely ever to be solved. A Douglas DC-3 aircraft of the Swedish Air Force—the type known to the R.A.F. as a "Dakota"—unarmed and with a crew of eight, was flying over the Baltic a few miles east of Gotland on the morning of June 13th. It was in regular radio contact with its base. When it failed to come up on schedule and did not

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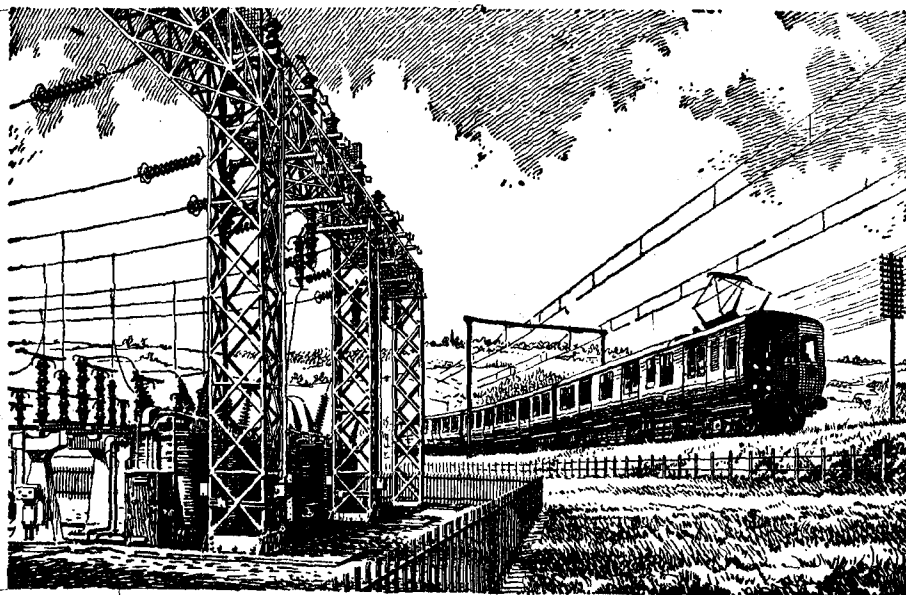
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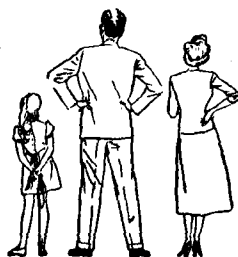
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reply to repeated signals, the alarm was sounded and a search began. In a Note of June 21st the Swedes asked the Russians directly whether they had shot the aircraft down. The Russians avoided a straight answer, but claimed on June 24th that two foreign aircraft of unknown nationality violated Soviet territory near Ventspils (Windau) and were driven off by Russian fighters at almost exactly the time that the last signals were heard from the DC-3. This is generally taken to be an indirect admission that they shot it down. Since an expert police inquiry subsequently concluded that the holes in the punctured rubber dinghy—the only trace so far found of the aircraft—were caused by bullets, there is little doubt that they did so. In its Note of July 1st the Swedish Government recorded its conviction that the DC-3, as well as a Catalina air/sea rescue flying boat that searched for it were shot down by the Russians.

About the Catalina there can be no doubt. It was attacked north-west of the island of Dagö early on June 16th by two MIG 15's and its crew rescued by a German ship. The Russians explain their behaviour by alleging that the machine violated their territory, refused repeated orders to land, and fired first at the Russian fighters. All of this has been denied by the Swedes and is generally disbelieved, not least because the Russians knew a rescue search was in progress and had been asked to co-operate in it.

Aircraft Carriers on Manoeuvres?

To explain this sudden display of violence one must put oneself in the place of the Russians. If one assumes an aggressive and neurotically suspicious attitude to foreign activities in general and, for this exercise, to Swedish activities in particular, a plausible explanation can be advanced. In the last few months a high officer of the Swedish Air Force and the Swedish Premier had both been to the United States. At the beginning of June a British submarine flotilla visited Stockholm, to be followed a few days afterwards by a senior R.A.F. officer. All this could look very sinister: and occasional outbursts in the Soviet press and radio have construed it—at least the visits to America—in a bad light. Then in the middle of June the Soviet Baltic Fleet held manoeuvres somewhere south of Gotland. According to reports of Danish fishermen, scores of aircraft were involved and two aircraft-carriers. There have also been stories of amphibious exercises. If these accounts are substantially true, they are important. They imply that the Russians were carrying out exercises of a type new to them—landing operations with carrier-borne air support. In any case it is certain that they were engaged in sea and air manoeuvres. In these circumstances they might well have been so suspicious of any foreign aircraft that stumbled into—or was sent to investigate—their manoeuvres that they shot it down, particularly if it had an "American" silhouette and the visibility was rather poor, as the official Swedish report shows it was. When, later the same day, another foreign aircraft flew over Soviet territory at Dagö one can imagine Russian suspicions confirmed and defences alerted. (The Swedes have apologised for the inadvertent violation of Soviet territory at Dagö, in bad visibility in the afternoon of June 13th by a Catalina searching for the DC-3.) Thus, when they picked up a third aircraft coming towards their coast on June 16th they sent fighters out and shot it down. This was the Catalina whose crew the German ship picked up.

Such, then, could be the explanation of Soviet behaviour. But for such actions over international waters there can be no excuse. The Soviet Union tends to consider the Baltic as a *mare clausum*. This attitude is reflected by the comment of a Finnish Communist newspaper that the Swedes got what they deserved for trespassing on a Russian "training area." The crucial question in regard to recent events, however, is whether they were deliberate, in the sense that Russian aircraft had orders to shoot at any Swedish aircraft observed near Russian units or Soviet territory; or whether they were incidental, in the sense that the Russians shot at what-

ever aircraft were found in what they considered their own air space. It seems most probable that the second assumption is true; in other words, that these regrettable incidents do not represent a new stage in Soviet relations with Sweden, but a continuation by more violent means of the hectoring policy that has been pursued since the war, with the attempted assertion of a 12-mile limit to the territorial waters of the Baltic States, the seizure of fishing boats or their shadowing to Swedish harbours, and so on.

Self-Criticism in China

One of the principal objectives of the Chinese Communists since they have been in power has been the spiritual subjugation of the country's intelligentsia. Conditions have been different from what they were formerly in Russia, for whereas the Russian Revolution wiped out or drove into exile a large part of this class as it existed in Russia in 1917, the great majority of Chinese intellectuals have remained in China and accepted the new regime; indeed, the Communists there owed their victory largely to the alienation of the intellectuals from the Kuomintang and their confidence in the promises of democratic moderation which the Communists made for tactical purposes in the period of the civil war. But for this very reason it has been all the more necessary for the Communists to carry out a thorough subjugation of this class, for, although it temporarily inclined towards them, it retained (apart from a small number of Communists of long standing) independent, critical standards of judgment, and, if disillusioned, could become a formidable factor of spiritual resistance to the regime. During the present century the Chinese intelligentsia, consisting of writers, journalists, scientists, and university and school teachers, has largely inherited the prestige and influence of the old Confucian *literati*, and its idealism and dissatisfaction with the existing order of things have been a major factor of political instability in China over two generations. The universities in particular maintained an independent position, and police action against professors and students, whether directed by "war-lords" or by the Kuomintang, always aroused popular resentment and sympathy for the victims.

Taming the Intellectuals

The Communists, however, have a new technique for taming the literary and academic class. They do not proceed by way of direct violence, though the mass executions which have been going on in China for many months past provide a menace for ultimate application against stubborn opponents. Nor is it intended physically to eliminate large numbers of intellectuals, for the policy is to make use of them in education and propaganda, and the original men of Yenan cannot provide from their own ranks all the knowledge and ability required in this field. In order, therefore, that their services may be used without leaving them any independence of mind or public or semi-public influence in their own right, their reputations as individuals, and even their own self-respect, must be systematically destroyed. The process for achieving this is one which has been borrowed from Russia and is somewhat similar to that employed to obtain confessions in propaganda trials in Communist countries; the Chinese Communists, however, seem to have added certain refinements of their own.

Briefly, the method is that the person to be discredited, perhaps a well-known writer or university professor, is told that in order to prove his loyalty to the regime and help his country by exposing the malignant influences of imperialism and what not, he must make a public speech of "self-criticism," confessing and denouncing his former erroneous opinions and actions against the people. He is told that there is no question of a criminal charge, and that, if his self-criticism is satisfactory, he has nothing to fear. But once he has submitted to the demand for "self-criticism," he is not

going to be let off easily. What follows has been described by the eminent Chinese writer and former Ambassador to the United States, Dr Hu Shih, as "psycho-analysis in public." The audience which he must address includes his professional colleagues, students, acquaintances and others who have been compulsorily assembled to hear him; it also includes specially trained Communist party interrogators, who have been investigating his past life and making a dossier of everything which is in any way discreditable or could be represented in an unfavourable light.

The victim first makes his own "self-criticism," in which he deplores his past errors and sins, but tries to preserve for himself some credit for decency of character or good intentions. Then the interrogators get to work with a ruthless cross-examination; this is called "criticism of self-criticism." The meeting may last from five to ten or twelve hours. The victim is driven from one retreat to another until his confession reaches the lowest depth of self-abasement and degradation. He must denounce his parents, his teachers and his friends, and impute to himself the basest motives in everything he has ever done, said or written. If he resists the process, he is sent away to compose a new self-criticism to be produced at another meeting; and the performance is repeated until his confession is accepted as adequate by the party interrogators and by the audience which takes its cue from them.

"Character Suicide"

In America the term "character-assassination" is in use to describe a campaign of personal detraction and slander against a public figure. The Communist method of "self-criticism," as applied under pressure from the party both within and outside its ranks, may be described as "character-suicide." A man who has been thoroughly processed in this way cannot retain any esteem either from himself or from his fellow men for his previous life and views. He is not, however, a lost soul, because, after having thus confessed his utter worthlessness, he is now saved by the new truth which has been revealed to him. By grace of the party he can lead a new life; he has no merit of his own, but the People's Republic can make him its instrument, and he may even be appointed to a position of authority. Psychologically, it seems that a man who has been broken by "criticism of self-criticism" becomes genuinely converted; the technique exploits a sense of guilt and inadequacy which is normally latent in the unconscious mind of a human being, so that he sees himself in the light of his enforced autobiography and cannot find any spiritual refuge except in the saving doctrine which is preached to him. As a professor of Peking University recently declared:

I had been unconscious of many defects until . . . I began to realise these defects as a result of the method of criticism of my self criticism. When I realised the sharpness and effectiveness of this weapon . . . I deeply regretted that I had not learned earlier to use it.

The only alternative, in present-day China, to such self-humiliation for those marked down by the party for public example, is that taken by two Canton merchants who made anti-Communist speeches through a megaphone from the roof of a high building and then hurled themselves into the street.

Staff Troubles in Uno

[BY A CORRESPONDENT]

THE difficulties of building an international secretariat are as well known as the need for one. If Geneva came closer to the ideal than does New York there are many reasons in this divided world which make it so. None of them is much comfort to the Secretary General of the United Nations at the present moment. Mr Lie is caught between two traditional schools of thought, both as hard to reconcile as they

were in 1920. The first has the ideal of international loyalty very much at heart, thinks that the best possible men should be chosen for available posts, regardless of nationality. This school believes that when members of the secretariat fall foul of political passions in their own countries they should be defended and protected by the Secretary General with the full support of member states. The second school deeply distrusts "internationalism." For employment by the United Nations differs from employment by any other political organisation only in that the claim to transcending national interest makes it the more suspect. National interest comes first, and supranational loyalties a very bad second.

This is an old dispute, but it is at the moment by no means academic. It has blown up again in the wake of the American drive to extirpate sympathy for communism from the United States.

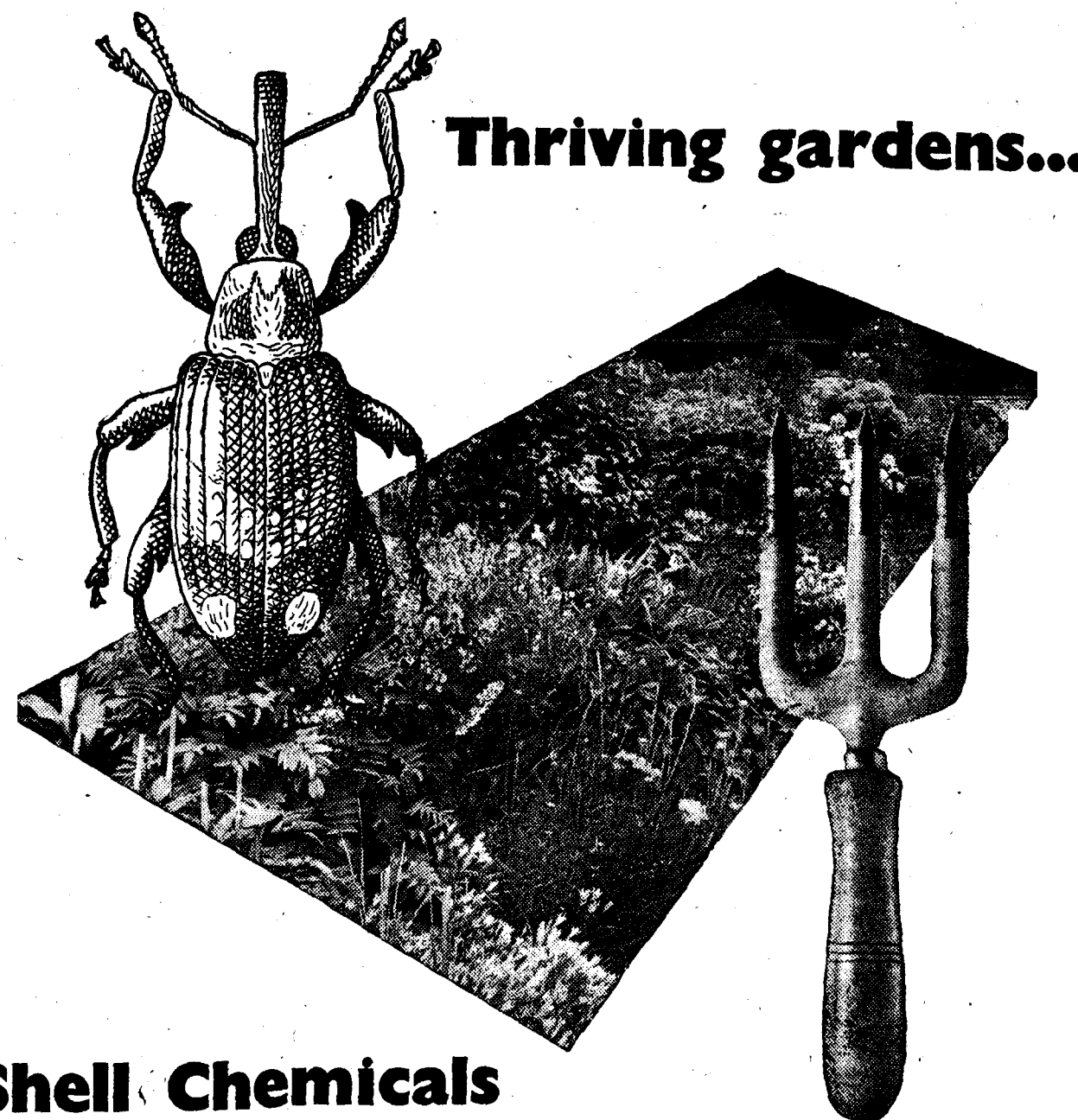
The *New York Times* stated that fifteen Americans in the Uno Secretariat have been dismissed or asked to resign, and that Uno plans to dismiss at least twice that number "who are suspected of having taken part in illegal Communist activities." A division chief in the Technical Assistance Administration has left under a cloud; so has an economic affairs officer. A Division Director on the ECOSOC staff, who knew both men, has been called for questioning by a Congressional Committee investigating persons suspected of disloyalty, and by a Federal Grand Jury in New York which has similar powers. The ECOSOC director's record is free of Communist connections; but so feverish is the hunt for American subversives, and in an election year so profitable, that the mere fact of being called for questioning creates a damaging suspicion.

Uno is, of course, unhappy about all this, but certain elements in the American government, supported by part of the public, have very little moral sense of the problem. The Federal Bureau of Investigation, owing much of its present power to its pursuit of Communist sympathisers, beats any bush for fresh game. They feed suspects to the Department of Justice, charged under the Smith Act with prosecuting Americans who are Communists, and under the McCarran Act with fending off any foreigner who was ever a member of the Communist party in any country.

Sensitive Morale

If, in the process, these departments thrust a heavy hand into Uno, and destroy the sensitive international morale which has been so carefully fostered, this is not their concern. They are merely doing their duty under American laws. There is always the chance that by sticking in their thumb they may pull out a vulnerable plum which will win them promotion. Since a US District Attorney successfully prosecuted Alger Hiss and was rewarded with a judgeship, the road for the ambitious in the Justice Department has been clearly marked. Their efforts are applauded by that part of the population which identifies patriotism with witch-hunting.

So far Uno officials themselves have not helped matters, having failed to announce a policy. Staff problems have beset the organisation since the beginning. The fact that these American pressures come at a time when temporary contracts are being replaced by longer-term ones is an added complication. When dead wood is being removed, a dubious twig can let it be known that the pruning is due to political pressures. The general attitude on the executive floor is one of hand-wringing and dismay. At a press conference held by the Secretary General shortly before he left for Europe, reporters tried to get some statement of policy. Would the Secretary General purge his staff under American pressures? Would he defend his staff from nationalist attacks? All such questions were turned aside on the ground that they were based on hearsay. It is understood that Uno deals officially with governments only through their foreign offices. Apparently the high command also shuts its eyes to relevant matter printed in responsible newspapers.



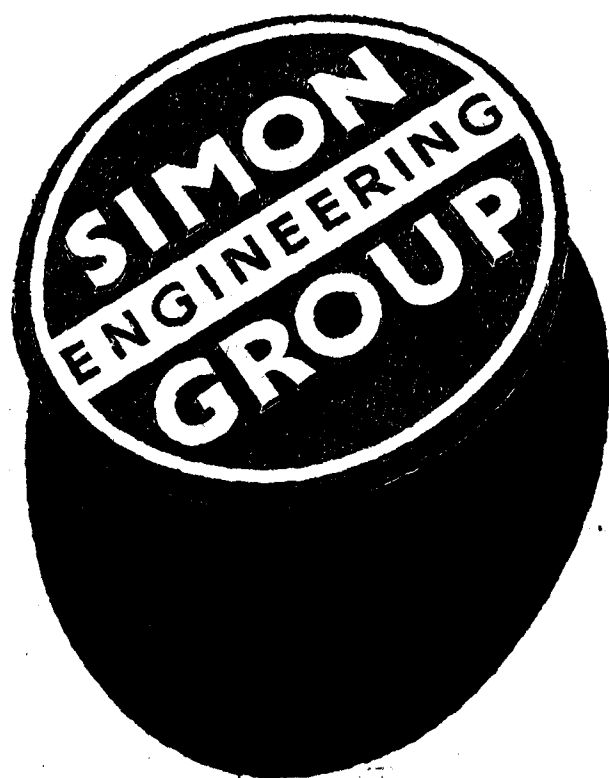
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This ostrich attitude may be convenient at the moment, but it is full of perils for the future. The dangerous pattern of American political persecution has by now become clear enough. Certain reformed Communists confess their sins and make lists of people with whom they have associated. Close or casual, these associations are then examined, and the process of examination in turn widens the circle of suspicion. If the victims work for an organisation its whole structure may be made to appear riddled with Communism, and all confidence in it destroyed. The obvious example is the State Department, an organic part of the American government. Had it not been for the staunch and forthright courage of Secretary Acheson and President Truman, the damage done to the department by this kind of persecution would have been much worse. As things are, the smear campaign is still effective enough to prevent State from rescuing the United Nations staff from attacks by Justice.

Uno, though it has headquarters on American soil and derives much of its power from American support, is much less well grounded in American life than the State Department. Not mentioned in the American constitution, only seven years old, and subject to partisan criticism from birth, it has still to win the kind of solid acceptance which is given to the state house and the city hall. Communist nations are among its foundation members—one more source of suspicion for the unthinking. These nations quite properly have their quota of citizens employed in the secretariat. Thus the prevailing doctrine of guilt by association, if not firmly checked, by the Secretary General, could implicate every American who meets foreign Communists in the corridors, sits beside them in the cafeteria, or huddles with them in the doorway when a storm blows up. To sensible people this sounds absurd, but zealots and professional informers are offered a happy hunting ground.

Pressures from Outside

These matters directly concern the American members of the secretariat, but indirectly they affect the morale of the whole staff, and the delegations dependent on their work. They may imperil the whole American relationship with Uno. They may also make it harder for the Secretary-General to withstand other pressures from other countries where political passions run higher and change more frequently than in the United States.

What is obviously needed is bold clarification of the issue, and a stiffening of spines in the office of the Secretary General. If he does not know what to do, it is time his advisers told him. Mr Lie is, after all, the agreed choice of some sixty chancelleries. Because his continuance in office has been uncertain since he fell out of Soviet favour, he is more than ever in need of counsel and support from experienced member nations. If Britain and France, to name only two, could frame with Mr Lie a policy that would be both firm and fair they would strengthen the position of tentatively interested Americans, who in turn have their own troubles.

Some countries can afford to make relations with Uno a routine foreign office matter. But the United States government must canvass wide public support for the organisation. The country is not a monolith. A great wave of public emotion liquidated an isolationist past and carried America into the United Nations. That feeling is still latent, and can be enlisted to block the isolationists and extreme nationalists who distrust and would destroy all international co-operation. But the friends of Uno must insist upon a positive policy to meet the crisis. If they are given only fuzzy statements of high principle by the secretariat they can hardly be expected to leap to the alarm bell. The honeymoon which followed this multiple marriage of nations is now long over. They are in their new home and starting out on the work which will either lead to lifelong union or divorce. One of the first needs is that the staff should settle down and straighten out its allegiance for good.

Belgium and the E.D.C.

[FROM OUR CORRESPONDENT]

SOME insight into the difficulties of devising the constitution of a united Europe can be had from looking at the issues which troubled Belgian minds while the treaty for a Defence Community was in the making. Belgium is a small country, which has, on the face of it, much to gain from international co-operation, whose politics are exceptionally stable, and whose government is exceptionally homogeneous. None the less, it has its doubts and backward glances about taking a new step towards the unification of Europe. For it has its historical tradition, its somewhat complicated constitution, and a population whose long-standing opinions about international relations are not changed overnight. Above all, the Belgians are sceptical about the attitude of the grand partners in this new alliance, France and Germany. They note and remember that neither country has welcomed the defence treaty with open arms; and they strongly suspect that, the immediate effect of the treaty far from producing new strength, may well be to precipitate internal unrest.

The Belgian position is most easily understood by examining the particular points on which their interventions in the negotiations were concentrated. It was the questions of the period of military service, and the size of the national defence budget which meant most to the Belgian public. Their military service is now fixed at two years, a term dictated by the effective military strength required to fulfil Belgium's obligations to Nato; but it is longer than the term accepted by its allies. The Belgians dislike this inequality of effort and have firmly announced that they will adapt their present term of service to the period finally agreed by the Council of Ministers for the Defence Community as a whole—which would probably mean reducing it. From the first, the Socialists have opposed a two-year term of service, and if the government changed its mind the effect on public morale needs would be considerable.

The problem of national defence budgets is of direct importance mainly in its effects on the parliamentary parties, particularly as its solution may involve some breach with the traditions and working of the constitution and parliamentary routine. This is the real reason why the Belgian delegation to the EDC talks insisted so firmly on the supremacy of the Council of Ministers in budgetary matters. From the first they argued that the approval of the defence community's budget must be by unanimous vote of the ministers, and thus in effect decided on an international, rather than supranational desire. In this way the Belgians hoped to preserve the maximum control by the national parliament and executive over the financial obligations of their country to the new community.

It is too early to predict with any certainty how the currents of opinion will flow in the future. Some idea of them can, however, be gained from the recent debate on the Schuman Plan. One of the most notable features of this debate was the behaviour of the Socialists. In the senate, they had abstained ; on the vote in the chamber, taken on June 12th, they voted solidly in favour and followed the impassioned lead of M. Spaak. The result was 165 votes for 13 against and 13 abstentions. Chief among the absentees was the president of the Chamber himself, who remained to the last unconvinced that the treaty did not contravene the Belgian constitution, and who feared the consequences for the parliamentary regime of so startling a step towards international co-operation.

Yet the lesson of this debate is encouraging. In each political party inside Belgium there are to be found both the friends and the foes of a united Europe. But when it came to the test, in the final debate on the Schuman Plan, the friends of Europe succeeded in carrying with them a very large proportion of parliament in the face of numerous reservations by many distinguished speakers.

THE BUSINESS WORLD

Tools for the Land

THE Royal Show closed last Friday week—if not in a blaze of triumph, then at least in a modest glow of success. The Royal is the highlight of the farming year, the biggest agricultural show of its kind in the world. It opened on July 1st under two handicaps; the West country site was beyond the reach of numbers of regular visitors, and the risk of foot-and-mouth disease caused the cancellation of all the livestock exhibits except for such show attractions as horses and bees. For these reasons, the 93,318 paying visitors, compared with the 131,333 who went to Cambridge last year, represented the lowest attendance since 1938; but this response, in such circumstances, affords a remarkable measure of the box-office value of the machinery industry that was left to provide the principal magnet for visitors.

This is an industry that has grown out of all recognition since the war. Its growth is in one sense the inevitable consequence of the increased prosperity of British farming and of the high wages that are forcing British farmers to use machines as a means of saving labour. But, in a more technical sense, the development owes much to the new blood that came in with the entry of motor manufacturers, Standard and Nuffield, who joined Ford in spreading ideas of standardisation and mass production in an industry too long inhibited by the fetishes of designing for local soil requirements. It owes, perhaps, most of all to the aggravating but inevitably stimulating personality of Harry Ferguson who, by making a success of his own business, has driven his competitors, in self-defence, to make a success of theirs.

The best measure of the growth is in the figures for production of tractors. From a modest 10,000 tractors in 1938, the industry has expanded to a point where it produced 137,000 tractors last year. Production in the first four months of 1952 has been running at an annual rate of 133,000, but this slight decline is mainly due to shortage of materials. The output of farm implements is not so easy to measure, but the combined value of all British-made implements, from ploughs to combines, rose from £25.5 million in 1948 to nearly £39 million last year. Comparable figures by value are not available for earlier years; but it is known, for example, that the number of ploughs produced has risen from 150,000 in 1938 to 800,000 last year. Output of combine harvesters has, of course, much surpassed this rate of growth; at 17,000 last year, it had almost doubled in three years.

Farmers have spent more freely on machinery than they did before the war, but their purchases have by no means kept pace with the rise in output. The industry has been able to expand on such a scale only by looking abroad for a large part of its market. It has been greatly helped in its search by the dollar shortage. The names of American and Canadian manufacturers such as Allis-Chalmers, International Harvester and Massey-Harris have an international status. But large portions of the

world markets have been closed to them, except in the rare cases where particular types of machines cannot be supplied from a non-dollar source. Yet some of the dollar-starved countries are beginning to mechanise their farming on a scale inconceivable by British standards.

The prospect of developing these world markets in the absence of North American competition has made it possible for tractor manufacturers to put down production lines capable of turning out 200 to 300 tractors a week, a scale of investment that could never have been justified on the strength of the home market alone. Of the 137,144 tractors produced last year, 112,577 were sold abroad, and exports have continued to rise; although the Australian restrictions during the first four months of 1952 may reduce the total for the year, overseas sales have been running at an annual rate of 123,600. The value of these exports last year amounted to £41 million. Nearly half the total number went to the sterling area, 8 per cent to the American continent, and 43 per cent to the rest of the world. In the first four months of 1952, sterling area exports dropped to 37 per cent of the rising total and American sales also fell, to less than 6 per cent—so that sales to other countries accounted for more than 57 per cent. This increase in non-sterling sales has occurred at a time when the pattern of exports of other vehicles has been moving in the opposite direction; for this reason the allocations of steel to tractor manufacturers were not cut with anything like the same severity as those for cars and commercial vehicles. Exports of implements have not risen in the same proportion. They meet more severe import restrictions than tractors, but have increased in value from £5.8 million in 1948 to £12.4 million last year and should rise this year to about £18 million.

To put these figures in perspective, it should be noted that production and exports of tractors last year were barely one third as much as the production and exports of cars. But there are only two big tractor makers, Ford and Ferguson, compared with six big motor manufacturers. The concentration of tractor production in the hands of these two companies has had far-reaching effects on the industry, and on the companies themselves. Until the arrival of Harry Ferguson, tractors were used on what can best be described as the "iron horse" principle, that is, the tractor pulled the implements that formerly had been pulled by the horse. Ferguson designed a method of coupling implements directly on to the tractor, with a hydraulic system to lift the tools out of the ground when the tractor turned at the end of the field. This has several practical advantages, but the most important is that it becomes possible to do much the same work with a less powerful, and therefore cheaper, tractor. Ferguson never mass-produced his own tractors and implements; instead he contracted to have them

built on a fixed-profit basis by companies with mass production facilities. His agreement with the American Ford Company was broken at the end of the war; and its legacy was the law-suit for patent infringements that dragged wearily on until last summer, by which time the principles of the disputed patents were in general use. The tractor industry has, in fact, copied Ferguson's idea of direct-mounted implements, but has not followed his methods of doing business. He now has a manufacturing arrangement with the Standard Motor Company that suits both parties admirably. Ferguson gets the benefit of Standard's beautifully equipped Banner Lane factory, while the motor company benefits from certain production economies (such as the use of the same engine for the Vanguard car as for the tractor) and also acquires an insurance against the vicissitudes of the car market without having to enter into any of the complexities of tractor distribution. The Ferguson implements (as distinct from tractors) are being built by a number of engineering companies that have, like Standard, no direct connection with farming.

The Ford Motor Company, which has been building tractors at Dagenham since the mid-twenties, has had to travel part of the way along this same road. When the new Fordson tractor was unveiled last winter, a range of "Ford-approved" implements was also announced. These are implements built and marketed by established implement manufacturers but designed specifically to operate with the new Fordson and its particular system of direct mounting. This makes it almost certain that a farmer with a Fordson will buy the specified implement, and it takes some of the sales responsibility from the implement manufacturer, who also benefits directly from Ford sales and Ford advertising. But not all mechanised farmers have either a Ferguson or a Fordson, nor do they all like direct-mounted implements. Farmers are characteristically suspicious of "new" ideas (novelty might wear off after 20 years) and are not over-anxious to pay an additional £90 odd for a tractor's hydraulic system. Therefore, although the chosen implement makers have welcomed the agreements offered by Ford, they are taking pains to emphasise their independence and their ability to supply implements for any tractor, British or American, and any system of attachment.

Meanwhile, at a small factory at Leamington, Ford is building a narrow range of the most essential implements, such as ploughs and disc harrows. These Ford-built implements are simple, standardised tools, giving a long production. Farmers who want fancy ploughs must go to specialists such as Ransomes, Sims and Jefferies, who will offer them a choice of ploughs ranging from one to six furrows, shallow ploughs, deep digging ploughs, reversible ploughs and disc ploughs of various sizes and depths, ploughs for crawler tractors, for medium-sized tractors, horticultural tractors—and horses. One result is that Ransomes are working under all the disadvantages involved in short runs and the need to carry heavy stocks of spares. But they have an international reputation as plough builders and can sell them in every market of the world, with the possible exception of the American continent. The same cannot be said of either the Fordson tractor or the Ford plough; but the specialised implement makers must sometimes wonder whether the game is worth the candle.

The Nuffield tractor has never been produced on a

scale comparable to that of the Ford or Ferguson, although many experts believe that it could have captured a much bigger share of the market than it has done. In many ways it was more attractive than the old Fordson (though the new Fordson has eliminated most of these differences). But Nuffield went into the farming market without Ford's experience in tractor distribution or Standard's freedom from marketing problems, and this could have been the Nuffield tractor's main handicap.

The medium-sized David Brown tractor, together with its full range of implements, is built by a company with extensive engineering resources, so these problems do not arise. The scale of production, however, does not compare with that of Ford or Ferguson. Together, these four medium-powered tractors, all of them less than 50 horsepower, accounted for 113,000 out of the 137,000 tractors built in this country last year. The balance was made up of the heavier tractors built on a very limited scale by companies such as Massey-Harris and Marshalls, and again David Brown. To this total of agricultural tractors should be added another 40,000 horticultural tractors, of 10 horsepower and less, that are extending mechanisation to market gardens, orchards and vineyards.

The British implement industry has been mainly concerned with providing the actual tillage implements, the ploughs, harrows, mowers, dairy equipment and threshing machines without which the land cannot be farmed. Competition is intense, and each company can safeguard its goodwill with home and foreign buyers only by making concessions in design to what the farmers believe are the requirements of their own district. The strongest companies have, like Ransomes, tried to overcome some of the overwhelming drawbacks of diversified design by mechanising the earlier stages of production, since implement assembly itself defies full mechanisation. To this end Ransomes opened three years ago a fully mechanised central foundry that serves all the company's assembly plants.

In recent years a new element has crept in. Farm labour has become too expensive to be used to man-handle crops or seedlings or manure or potatoes, and farmers are being obliged to use machines that contribute nothing in themselves to good farming but simply apply factory principles of mechanical handling to farm operations. The combine harvester is one such machine, another is the pick-up baler. It is no exaggeration to say that these developments have caught the British industry unawares, with the result that the non-dollar world's requirements have had to be met first by imports from the United States and Canada, and now by the output of factories opened in Britain by American and Canadian manufacturers. The three North American companies now establishing themselves

British Insurance

The annual survey of British Insurance will be found on pages 129 to 140 of this issue of *The Economist* and on pages 29 to 37 of the *Records and Statistics Supplement*.

in Britain—Massey-Harris, Allis-Chalmers and International Harvester—are likely, as a result of this move, to turn out to be the British industry's most serious competitors. They are concentrating production for the time being on implements such as combines and balers that are made, if at all, only on the most limited scale by the British industry. But each company has a complete and highly reputed range of tractors and implements, several items of which are in production here. All three were showing tractors at the Royal that are, like the International Harvester "Farmall," directly competitive with the British designs.

The plans of these overseas companies have been held up by the shortage of materials and restrictions on building, but within the next two years they will each be bringing large new factories into production. The prestige of American and Canadian machinery is high, both here and abroad, and if these companies can overcome the handicap resulting from the dollar poverty of potential customers, by producing their implements in the sterling area, it seems inevitable that they will recapture some of the foreign, and even of the British market, where the British industry has enjoyed near-monopoly during the past seven years. It is not easy to forecast the consequences of this competition ; but if, as seems likely, the farming market has reached the peak of its expansion, an increase in the number of producers surely means that someone will suffer.

This must happen if farming techniques remain unchanged, but there is a possibility that the process set

in motion by Harry Ferguson may be carried to its logical conclusion. Just as Ferguson made the tillage implement an integral part of the tractor, so some engineers are now beginning to think in terms of power-driven implements. Today, some combines are towed by tractor, some move under their own power. The former type takes two men to operate it, a tractor driver and a combine operator. The latter could be managed by one. It is not clear how far this principle can be carried, already farming is threatened with over-capitalisation,

PRODUCTION OF FARM IMPLEMENTS (£ Million)				
	Tractors		Machinery	
	Home	Export	Home	Export
1948.....	3.15	19.9	19.62	5.8
1949.....	10.79	17.35	19.23	6.0
1950.....	11.46	28.3	22.55	8.6
1951.....	10.65	40.9	26.46	12.4
1952 (provisional).	—	37	—	18

and many costly implements are used for only a few days out of the 365. The methods of working through contractors, farming syndicates or co-operatives are all possible ways of avoiding this risk, but none of them is ideally suited to farming requirements. Like the farmer, the farm machinery industry does not respond easily to changes, but high and rising labour costs make the acceptance of these new ideas inevitable if the machinery industry can devise a way of putting them into practice. If it does not do so, a second Harry Ferguson will.

Business Notes

Markets' Midsummer Dream

The tormenting fears that lately gripped the markets seem to have given place to a midsummer dream that is still casting its magic ahead. Since June 24th, when the industrial share index of *The Financial Times* reached its worst since 1949 (at 103.1) and many gilt-edged stocks dropped to their lowest levels for twenty years, a better tone has spread through Throgmorton Street. During the past week the improvement has become still more apparent, especially in the equity markets. The origin of this kindly spell seems to have been the calming of the fears widely entertained, particularly overseas, that the "hump" of the strain on the reserves, long supposed to be located at midsummer, might not be surmounted without a new upheaval. As Mr Butler has lately tried to emphasise, it was never reasonable to assume that the passing of this particular point would mean that the lights would all be set at green on the road ahead. But the widely held view abroad that the end-June experience might be the signal for a new devaluation of sterling or for a "freeing" of the exchange from its parity had certainly caused a wide "short" position in sterling. As a subsequent note records, the covering of part of this position has now produced a sharp rally in sterling. This in itself, as well as parallel reasoning by investors, has had its reflection in Throgmorton Street. The markets, in more senses than one, have lost their hump—for the present at least.

In the industrial markets, where the connection between sterling's fate and transfers of manpower to essential industry is obviously no better understood than by the public generally, the spell has been made to look more kindly still by the signs of incipient revival in retail trade and in textiles and by the decline in total unemployment. Such influences as these had by Wednesday last impelled the industrial share index up to 108.5, a gain of nearly 3 points on the week and one of over 5 points since midsummer. In gilt-edged the movement has been less pronounced this week, but prices are now well above their worst levels—generally by at least a full point in the longer stocks.

The opportunity offered by this better mood has been promptly presented to Australia for the launching of its long-discussed refinancing of the £11,789,000 of 3½ per cent stock, 1950-52, that matures on September 15th next. Underwriting was arranged on Wednesday, and the cash lists will open and close on Tuesday next, for an issue of 4½ per cent stock, 1960-62, offered at 98 for both cash and conversion applications. The redemption yield of 4½ per cent offers a small turn beside the nearest comparable Australian Government securities in the London market, but the tax-free redemption ingredient is naturally much less, since Australia had of course long since converted all those dear issues of the twenties and early thirties that carried coupon rates of 4½ per cent or more. Australia's position now is certainly in marked contrast to that of the days when relief was being given to Britain by repayments of sterling loans, by gifts from sterling balances and by the rapid expansion of these balances themselves. At their peak last summer they stood at £700 million; they are now stated to have "grounded" at what is regarded as the rock-bottom level of £240 million. There is ample demonstration here of Australia's need to cut sterling imports more severely than dollar imports. Meanwhile, in the twelve months to end-June, the Commonwealth's dollar trade showed a deficit of £30 million; in the main phase of the wool boom, the eleven months to end-May, 1951, there was a dollar surplus of £68 million. The new dollar loan from the International Bank, discussed in a later note this week, will span only a small part of this wide difference.

Rally in Sterling

In the early part of this week sterling made a striking rally in the foreign exchange market though by no means all of it has been held ; some appreciable net gains were achieved. This is notably true of the rate against the Canadian dollar, which from last week's low point of \$2.67½ has recovered this week to \$2.70¾. The rate of sterling against the US dollar moved from \$2.78¼ at the close of last week to \$2.79½ touched on Wednesday, but subsequently dropped back to \$2.78¾. A number of factors help to explain these rather sharp movements. There can be no doubt that a certain volume of bear covering has taken place. In North America, and particularly in Canada, rumours of a devaluation or freeing of sterling by June 30th, or soon after, had been rife for some weeks past and speculators had taken appropriate positions. When the June 30th "hump" and the statement on the gold reserves were passed without verifying these predictions, some of the speculators tended to run to cover. This probably explained the sharp reaction in Canadian dollars. The Canadian dollar has also weakened appreciably against the US dollar in the past few days. From a rate of 104 touched last week, it has weakened to 102.90.

The sharpness of the recovery of sterling in the earlier part of this week suggests that certain special transactions were involved; the covering of speculative positions may well have been reinforced by operations of a more official character. The temporary character of the influences that caused the sharp recovery of sterling at the beginning of this week was revealed by the set-back in terms of the US dollar that became apparent on Thursday. Transferable sterling remains remarkably strong and has been quoted up to \$2.66 this week. At this figure it is at a discount of less than 5 per cent under the official spot rate. This hardening of the rate is the combined effect of a slower rate of creation of transferable sterling supplies now that Britain's deficit with Western Europe is settled as to 100 per cent in gold and of increased demand following the steady improvement in the technique of using transferable sterling in international trade.

More Light on the Dollar Deficit

Not content with having made two separate statements on the state of the gold and dollar reserves in June, the Chancellor of the Exchequer, in answer to a Parliamentary question at the end of last week, gave some significant supplementary explanations that affect some of the deductions based on the earlier information. In his latest statement Mr Butler has not only shown the distribution of the gold and dollar deficit between each of the months in the quarter, but has allocated to each of these the amount of defence aid received from the United States. The relevant information can best be shown in the following table:

	\$ MILLION		
	Gold and Dollar Deficit	US Aid	Change in Reserves
April	63	25	-38
May	65	81	+16
June	88	95*	+7
Quarter's Total..	216	201	-15

* \$96 million of Military Aid, less \$1 million refund of previously received ERP Aid.

This information, it will be seen, departs in an important respect from that given on June 12th, when the Chancellor stated that some \$100 million of defence aid had been received since March 31st. His subsequent announcement that \$202 million of defence aid had been received by the end of

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June naturally led to the deduction that about \$102 million of this was received in the last eighteen days of June. Relating this to the already published figures of gold lost to EPU, it seemed to follow that over this period of 2½ weeks about \$45 million was lost by the Exchange Equalisation Account in bridging the gap between the supply and demand for dollars in the exchange market or in meeting official requirements outside the market. In the light of the amended information, however, the position would not appear to have been so serious as this. Defence aid in the whole of June amounted to \$96 million, and exceeded the payment to EPU by \$49 million. Since the gold reserve rose by only \$7 million, the loss by the Exchange Equalisation Account for the above purposes must have been \$42 million for the month as a whole.

During the interchange in Parliament last week, Mr Gaiskill took the same point as that made in these columns: he complained that the Chancellor was treating the gold and dollar "deficit" as the net loss of gold, i.e., only \$15 million during the quarter, and pointed out that it would be more correct to say that the deficit in this quarter was \$216 million, since the American aid ought to be excluded (as, indeed, it had been in previous official statements). The authorities have now, in effect, conceded the point. It would obviously be foolish, as well as misleading, to try to treat defence aid in this respect differently from Marshall Aid. In any case, though the defence aid received during the past quarter actually applied to many commodities, including steel and copper, that may have had a direct use for defence, some of them will obviously not be used thus directly. A hopeless tangle will be caused in the statistics if any attempt is made to exclude from the gold and dollar deficit items covered by Mutual Security aid—except the tanks, guns and military aircraft that are provided directly under that aid and presumably do not figure in the returns of overseas trade.

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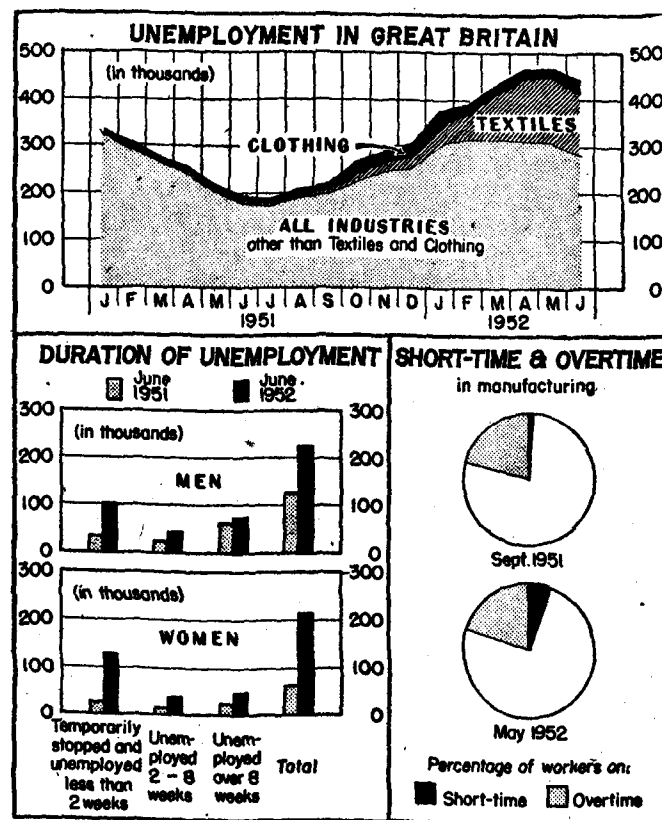
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Less Unemployment

For the second successive month, total unemployment in Britain has declined. But whereas between April and May the drop was merely a few hundreds, the June figures record 27,400 fewer people out of work than a month earlier. Some reduction is usual in these months, particularly because of seasonal falling-off in unemployment among agricultural workers. But, until May, mounting dismissals in the textile industries were dwarfing all other movements. The significance of the June improvement is that textile workers shared in it—the first drop recorded since the textile slump began some eight or nine months before.

This does not imply that the textile depression is over. A decline over the month of 6,000 in textile unemployment shrinks somewhat in importance when 136,700 are still workless in these industries, but since there was a sharp rise of 5,700 in the number out of work in the jute industry, the improvement for cotton workers alone may have been greater. Some workers may have transferred to other industries, but



it is unlikely that this movement has been suddenly accelerated. It looks, rather, as if the tide may just be on the point of turning for the cotton industry. On the other hand, 3,700 more people were out of work in the clothing industry in June than in the previous month, mostly in the tailoring section of the trade.

Outside the textile and clothing industries, 102,000 more people were out of work in June than at the same date last year. But then postwar unemployment was at its lowest point and was fantastically small by any standard. Looking back two years and again excluding textiles and clothing, 281,700 people were out of work in June, 1952, compared with 265,300 in June, 1950—an increase of only 16,400. Fewer men had been workless this June for any length of time, even when textile workers are included. These comparisons show the extent to which unemployment troubles are still confined to the textile and clothing industries. It is still the numbers temporarily stopped or out of work for a week to two that are most swollen. And, although numbers working short time in manufacturing have been increasing and reached 304,000 in May, there were still 1,159,000 working overtime—nearly as many as were doing so last September.

The Banks' Investments Depreciation

The first two of the half-yearly statements from clearing banks have come, as an agreeable surprise. It is well known, and indeed is obvious, that the further sharp fall in gilt-edged during the half-year involved all the banks in paper losses (quite apart from cash losses on investments realised) that have made additional heavy demands upon inner reserves already severely depleted by the heavy fall in the market during 1951 and in earlier postwar years. The two "northern" clearing banks, Martins and the District, have, however, succeeded in presenting half-year-end accounts that show their investments still valued, in the traditional way, at "under market value" and yet have avoided any drafts upon their published reserves. In the half-yearly statements the balance of profit and loss account is, of course, merged in "deposits and other accounts," so that it is not possible to ascertain whether the provision for investment depreciation has affected this portion of the total of disclosed reserves. But, in any case, the achievement is heartening, for, when the change of monetary policy occurred last autumn, both these banks were carrying investment portfolios that represented a higher proportion of their deposits than the average proportion for the clearing banks as a whole. Martins' excess over the average was only slight, but the District's investment ratio, at 30.5 per cent, was more than 5 per cent above it.

The accounts of these two banks should not be regarded as indicative of the pattern to be expected in the accounts of the "Big Five" banks that will be published in the middle of next week. It is generally understood that, after joint discussions of the problem, most of these banks will depart from the traditional practice of showing their investments at or under market value. The valuation basis is likely to be "at or under cost"; and the extent to which this diverges from market value will be indicated by a supplementary note on the accounts. Another interesting departure that is expected is a joint statement from the banks explaining to the public the reasons for the change in the form of the accounts. One of the five banks is expected to adhere to its traditional formula.

Australia Gets the Dollars

Mr Menzies' visit to Washington put the finishing touches to the long discussions that have been proceeding for the grant of a further loan from the International Bank for Reconstruction and Development to the Government of Australia. It was announced this week that the new loan will amount to \$50 million. It will be for a term of twenty years and bear interest at 4½ per cent, including the 1 per cent commission that under the Bank's Articles of Agreement is allocated to a special reserve. This is the second loan the International Bank has made to Australia. In August, 1950, a loan of \$100 million was made to finance capital development. About two-thirds of that loan has been disbursed; the balance will have been spent by early in 1953. The new loan for \$50 million will help to carry forward the development programme well into 1954. It is reassuring to learn that about one-third of the new loan will be used for development in the coalmining, iron and steel and electric power industries and in railway and road transport development. The balance will be used mainly in increasing the production of non-ferrous metals and for "other industrial development." The International Bank points out that development will be carried out in industries that are directly related to basic economic activities such as agriculture, transportation, fuel and power, and in industries that can produce hitherto imported goods on a competitive basis. At a time when Britain and the rest of the world urgently need food, when Australia is

setting up secondary industries that have to be protected behind tariff walls and is vainly contending against the drift of population from country to the towns, these assurances concerning the outlay of the Bank's loans are welcome.

The loan will provide the Commonwealth with foreign exchange with which to pay for some of the import of capital goods needed for these programmes. The proceeds of the loan will be "untied"; in accordance with the Articles of Agreement of the Bank, Australia will be free to use the dollars to finance imports from any part of the world, including the rest of the sterling area. If, therefore, Britain can tender competitively for the capital goods in question the results of this operation should be an accretion of the gold reserves of the sterling area. The domestic expenditure involved in the development programme will, as heretofore, be financed in Australian pounds, partly out of public funds and partly out of the savings of business enterprises and individuals.

Confidence in Coal

The Minister of Fuel and Power was able to give the House of Commons a far more encouraging picture of the country's fuel supplies than seemed likely early in the year. His present confidence is based on a complete change in the labour situation at the mines; whereas, last winter, the Coal Board expected to show a net loss of 10,000 men this year, and a consequent loss of a critical 4½ to 5½ million tons of coal, manpower has in fact increased by 23,000. A high proportion of these new recruits are boys, and all of them will need at least nine months training. But they make it reasonable to expect that production will reach about 226 million tons this year, compared with 223 million last year. Whether this figure is in fact reached depends very much on how rapidly these new men can be absorbed. The immediate effect of their recruitment is to a drop in output per shift—it is down to 1.19 tons compared with 1.21 last summer—as experienced workers are taken off existing faces to open up new ones. This fall in productivity has not been, and cannot be, fully allowed for in the production estimates.

Mr Lloyd estimated that the expected increase in output should make it possible to raise coal exports this year from 7 to 12½ million tons, bringing in about £60 million in foreign exchange. He did not say, however, how far this prospect has been opened up by the drop in inland consumption that has taken place this year. While production during the first 26 weeks has risen from 112.9 million tons in 1951 to 114.4 million tons this year, inland consumption has fallen from 108.5 million to 106.7 million tons, owing to a combination of fine weather and local unemployment. It is this, as much as the extra labour, that explains why "production is up—not as much as we should like but still up; stocks are up still more, and exports are up still more than that." Total exports for the year to June 28th were 5.4 million tons, compared with 3.3 million in the corresponding period last year.

Not all the fuel industries appear to expect home consumption to remain lower than it was last year; a 10 per cent reduction in electricity consumption has again been recommended during peak hours this winter, when unrestricted demand reaches 14 million Kw. On Monday Mr Lloyd gave more information about the methods of getting electricity to the consumer than he did about actual supplies. The new 275,000 volt grid, eventually to be raised to 400,000 volts, will be the means of linking power stations built on the Midland coal fields with electricity consumers in the south, which will both cut the tonnage of coal that has to be carried from north to south by the railways and make it possible to burn in the power stations low-grade coal that does not justify the cost of transport.

Rubber Earns Fewer Dollars

If the experience of rubber is typical, the sterling area's dollar earnings from commodities have been sharply reduced this year. Earnings from rubber during the first six months probably amounted to only \$100 million—or about half the total for January to June, 1951. Only to a relatively small extent was this decline due to a fall in the actual quantity of rubber exported; the main cause has been the steep decline in prices. In the first five months of the year 145,000 tons of rubber was exported from the Commonwealth to the United States, compared with 170,000 tons in the same period last year. Exports from Malaya (including re-exports of Indonesian rubber) fell particularly sharply during April and May, but this fall was partly offset by an increase in sales from United Kingdom stocks earlier in the year.

Part of the decline in Malayan exports to the United States was probably due to the drop in re-exports of rubber from Indonesia, Sarawak and Siam. A large part of the output of these territories is usually sent to Malaya for processing before being re-exported. Indonesia supplies most of the rubber for this triangular trade, and much of it is smuggled out to avoid payment of the export duty. This illicit trade has fallen sharply this year, because since February the Indonesian exchange regulations have given a much stronger incentive to direct dollar exports; though these exports already showed a substantial increase in the first quarter of this year, when they reached 75,000 tons (compared with only 17,000 tons in the same quarter of 1951).

Rubber output in Malaya and Indonesia is declining because of reduced tapping by the smallholders. The fall in production has been most marked in Indonesia, where output this year has reached only 360,000 tons compared with some 440,000 tons in the first half of last year. Although estate production increased by 50 per cent over its 1951 level, smallholder output fell by one third. In Malaya total output has fallen from 308,000 tons in the first half of last year to 280,000 tons this year. Estate production was virtually unchanged, but smallholders' output fell by about 15 per cent. World production is also falling, and up to June amounted to 850,000 tons, compared with 972,000 tons in the same period last year. Consumption, however, has fallen less steeply—from 805,000 tons in January to June, 1951, to 750,000 tons this year. Purchases for the stockpile are believed to have reached 200,000 tons. Indeed, American stockpiling this year (despite earlier pronouncements to the contrary) seems to have been as heavy as it was twelve months ago, and has been more than sufficient to absorb the surplus output. These figures explain the present steadier tone in the market. If it continues, it should help to arrest the alarming drop in dollar earnings.

Copper Rises Again

The British price of copper rose again last weekend, when the Ministry of Materials increased its selling price from £281 to £287 a ton. The reason given for this latest rise is that it "follows the conclusion of a further round of negotiations between the Ministry of Materials and the Commonwealth suppliers." This is, apparently, only another stop-gap measure, for the Ministry and the suppliers are to meet again to discuss future pricing. The new price is equivalent to 33½ cents a lb for electrolytic copper in New York and it is still below the so-called world market level. If anything, prices in the New York market have hardened during the past week or so, and 35 cents a lb is no longer merely a vain hope of the Chilean producers. According to some market reports, this price has already been paid for significant quantities.

The events of the past two months have shown up the defects of government trading. Nowadays British buyers must either be content to buy all their supplies "spot" or, if they wish to buy forward, they must foresee not only the

trend of the market but also the mental contortions of departmental officials, for the Ministry in recent weeks has vacillated from one policy to another. If private trade in metals cannot yet be restored, then the Ministry of Materials should at least make it clear how it intends to fix its prices, and then stick to that policy. It would be better to follow a quotation of an American journal than to have these constant negotiations with producers, which often leave both sides dissatisfied. Now that the Northern Rhodesian copper mining companies have agreed to pay a higher price for coal from the Wankie mines—they are to pay the same price as consumers in Southern Rhodesia, actually 14s. 3d. a ton f.o.r. Wankie—they may be more anxious to receive the "world" price for their copper. But production costs for copper, as a result of the increased cost of coal, are expected to rise by only 4s. 6d. a ton.

* * *

Blue Riband Economics

The new passenger liner *United States* made history on her maiden voyage by this week crossing the Atlantic between Ambrose Light and Bishop Rock in 3 days 10 hours 40 minutes, at an average speed of 35.59 knots. The fastest previous passage was made by the *Queen Mary* in 1938, when she took 10 hours 2 minutes longer to do the same crossing at an average speed of 31.69 knots. The difference between these two performances is some measure of the technical progress that has been achieved in shipbuilding and marine engineering in the intervening years. Both vessels are quadruple-screw turbine steamships, but to achieve her speed the machinery of the *United States* does not develop as much shaft horse power as the *Queen Mary* (believed to be in the region of 200,000 h.p.); it has been housed in a much smaller hull, together with accommodation for nearly the same number of passengers and crew. A significant feature of the design of the *United States* has been the incorporation of some 2,000 tons of aluminium alloy in her superstructure and interior fittings, so the total displacement is probably little more than half that of either of the *Queens*. It is principally this relationship between weight and dimensions that accounts for the remarkable speed of the *United States*. Her actual gross tonnage is 53,330, compared with 81,237 for the *Queen Mary*.

The question of speed for a passenger liner cannot, of course, be considered apart from the economics of operation. Speed is the most expensive factor in the cost of a ship, first because of the initial installation required to produce it and the sacrifices of cargo space or passenger space that that involves, and secondly because of the heavy consumption of fuel that it entails. It is open to question, therefore, whether the speed of the *United States* is a commercial proposition, particularly in view of the fact that sea transport cannot hope to compete with air transport in the matter of speedy transit. The *United States*, on the other hand, has been deliberately designed for use as a troop transport in wartime, and in that role she will be able to carry 12,000 troops at speeds of probably up to 40 knots; during the war, it will be recalled, the *Queens* each carried some 15,000 troops at uneconomic speeds. It is for these "defence features," of which speed is among the most important, that the United States Government has contributed no less than \$42 million, including the so-called "shipbuilding differential subsidy," to the total of some \$70 million that the vessel cost.

The fact remains that the entry of the *United States* into commercial service on the North Atlantic raises the thorny problem of uneconomic competition. Built largely with state funds, the *United States* is being operated by a company that also receives an "operating subsidy," in competition with British and other foreign companies that are in the business to make a living by paying their way—and, incidentally, to earn much-needed dollars. The strategic arguments in favour of the *United States* are strong, but her

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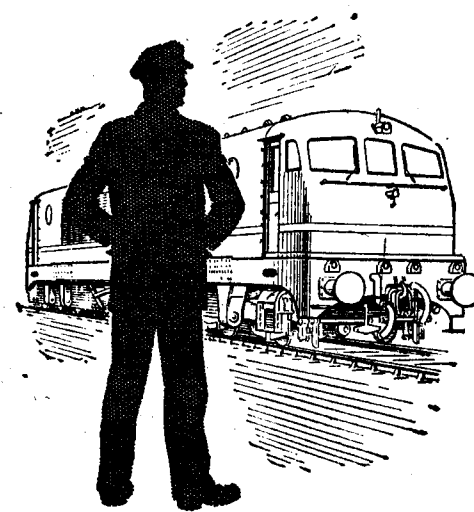
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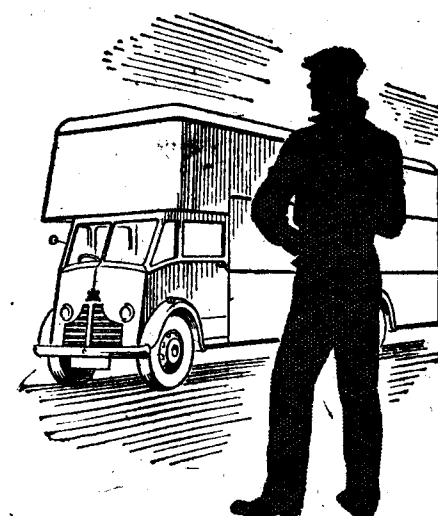
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I wish there was the same demand for my products

Have you tried to create one?

I'm spending quite a bit on advertising

In what papers? Do you go in the Daily Mirror, for example?

Good gracious no. Personally I don't like it

That's no reason for not advertising in it. The fact

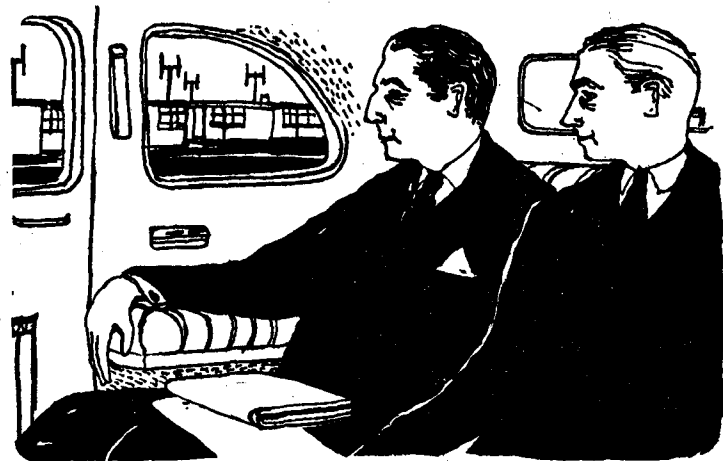
is, whether you like it or not, the Daily Mirror is the greatest mass market medium in the world. More than four million families read it every day

Working class, most of them?

Of course, but you and I can't afford to be snobbish about that. As I said when we passed that estate just now — look at those television masts

DAILY MIRROR

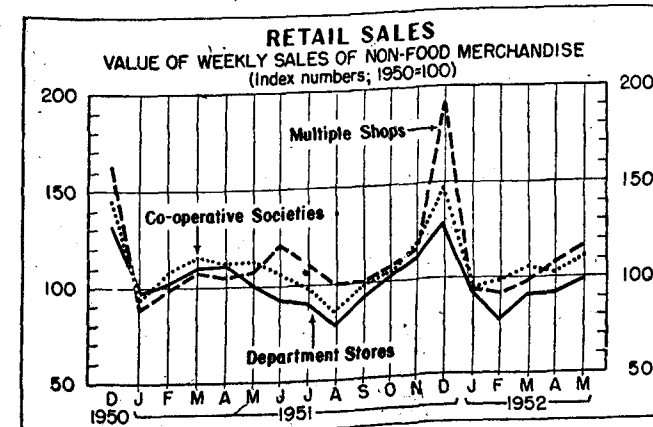
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entry into commercial competition with state support raises controversial international and economic problems to which the American authorities have so far turned a blind eye. Those problems are shortly to be intensified by the forthcoming entry into service of thirty-five *Mariner* class cargo liners, with speeds of 20 knots, built at the taxpayers' expense, to be operated in commercial service by private companies in receipt of government subsidies.

Stores Foresee Hard Times

The first sign of a recovery in retail sales was recorded in the statistics for March, and the latest Board of Trade returns show that the tempo of sales was still improving in May. The index of weekly sales (which has been re-calculated on a new base of 1950=100) rose from 101 in April to 109, and there is no reason to suspect that this improvement has not continued. But in recent weeks the chairman of Harrods has thought it necessary to warn shareholders that his company may not be able to maintain its present dividend, and soon afterwards the John Lewis group announced cuts of 5 per cent in all salaries below £600, 10 per cent in those between £1,000 and £2,000 and 20 per cent in those above £2,000. For some months there have been signs that department stores, and especially those in the central London area, have come up against special trading difficulties in addition to the broad effects of the sales recession that they shared with all types of retailer, and they do not appear to be attracting as big a share of the improved trade as some of their competitors. In May, when sales of non-food merchandise by the big retailers were 3 per



cent higher than a year ago, those of the department stores were actually 1 per cent lower. A comparison with other types of large retailer shows that sales by the multiples were 7 per cent higher, and those by the co-operatives 2 per cent lower. May, however, was the first month in which the co-operatives have shown a bigger fall in trade, compared with the previous year, than the department stores. The evidence is not conclusive, but the accompanying chart does suggest that the multiple stores are capturing a higher proportion of the rising sales than either of their big competitors.

The special difficulties of trading in the west end of London seem likely to affect the stores' prospects for the remainder of their financial year. Harrods and John Lewis have the great proportion of their interests concentrated in this area. So, of course, has Fortnum and Mason, a company that has lately made a number of internal changes. When, that has lately made a number of internal changes. When, in May, sales of non-food merchandise in the country as a whole were 3 per cent higher than in the previous year (when the retail boom was nearly over), sales in the central (when the retail boom was nearly over), sales in the central and west end areas were 3 per cent lower. For the first four months of the retail trading year (i.e., February-May) sales are down by 7 per cent for the country as a whole, but sales are down by 17 per cent in these particular London districts. Taken together, these trends suggest that it is the better-class goods that have suffered most from the retail slump of the past nine

or ten months, although here and there individual luxury retailers have prospered. The department store is not an economical method of retailing; it involves carrying heavy stocks of a wide variety of merchandise, in violation of the fundamental principles of good stock-keeping. The stores are therefore especially vulnerable to any sharp recession in sales or to rapid falls in price such as have taken place in the past months. They also feel with particular severity the loss on stock valuations that results from reduction in rates of purchase tax.

Scottish Banks' New Charges

An important change in the traditional system of bank charges in Scotland was announced by the seven Scottish banks last week, and will take effect on September 1st. The Scottish banks have never followed the system—always important and now very widespread in England—of charging a commission for the conduct of current bank accounts; they equally abstained from the practice, common in England until the Daltonian intervention in monetary policy in 1945, of allowing interest on current account balances. Instead, they have worked on a principle that has always seemed peculiar to people in England, of levying an *ad valorem* charge on the recipient of a cheque for the work of collecting it for him. The general rule has been to charge 1s. per cent on any cheque paid into or encashed at a branch other than that upon which it was drawn, though exceptions have been granted for London cheques and for certain "local" cheques in Scotland. This system has long been a source of grievance among beneficiaries of cheques, especially those to whom it was unfamiliar; but it also has the anomalous result that the banking charges bore no definable or consistent relationship to the cost of providing facilities to those directly benefiting from them—the account-holders, in their capacity of drawers of cheques. Partly for these reasons, and partly because the Scottish banks, like their bigger brothers in England, have been feeling the pressure both of rising costs and (probably even more acutely) of falling gilt-edged, they have now decided to move towards a system resembling the English practice.

From September 1st the traditional practice of charging for cheque collections is to be discontinued. Instead, the banks will levy a specific charge on current account-holders of 6d. for each cheque (except for cash drawings on the drawee branch), with a minimum charge of 10s. a half-year. This new system, though resembling the English practice, will of course be much more formalised, in line with the Scottish tradition of standardisation of banking charges and allowances. An even more striking difference is that the commission charges are to be subject to an offset, in the shape of an allowance of interest on all current account balances exceeding £100. The allowance will be at the rate of 6d. per month for each complete £100 in the lowest daily credit balance shown during the month, but the total allowance will never be permitted to exceed the total of the charges due for cheque drawings. These two devices provide the elements of a rational system of charges; but it remains to be seen whether the banks will find the chosen levels satisfactory from the standpoint of their revenues. The average cost of handling cheques is estimated for Scotland, as for England, to be fully 1s. per item, so that some small accounts may still be unremunerative on a direct reckoning. Customers whose accounts make special demands will, however, be subject to additional charges, to be settled by negotiation.

EMI Changes Speed

Like a timid bather, Electric and Musical Industries Limited is carefully testing the temperature of the water before taking its plunge into the market for long-playing records. It is sending to the United States a batch of tape

recordings and one or two long-playing "masters," to be distributed there by RCA-Victor which, since the ending of EMI's agreement with the American Columbia company, is the only channel for the placing of EMI's recordings in the United States. The tape recordings will be transposed by Victor on to two types of long-playing record, a 12-inch disc making 33½ revolutions a minute on the turntable and playing for about 25 minutes a side, and a 7-inch disc played at 45 rpm. and lasting only as long as the traditional 78 rpm records. The decision to launch into the short 45 rpm records has presumably been based on the fact that some of EMI's most popular works are far too short for the long 33 rpm record that has so far provided the main appeal of the long-playing catalogues.

The handful of long-playing "masters" sent to Victor are presumably duplicates of those being recorded in preparation for the release of the first long-playing "His Master's Voice" records on the home market in October. EMI has still not announced the speed chosen for these records. The company has delayed its action in this sphere for a full two years after its main rival, Decca, had introduced "LP" to Britain; the delay being attributed to its unwillingness to make a premature choice between the speeds (and sizes) of micro-groove records. Of the two American companies handling EMI records in the United States, Columbia favoured 33½ rpm while Victor launched the smaller 45 rpm record (with an abnormally large centre hole to accommodate a special record changer, and therefore requiring a special auxiliary spindle). This divergence presented a pretty problem in diplomacy to EMI. Appearances suggest that it has been solved by adopting both systems, but not before Columbia had terminated its agreements with EMI and found a new European distributor for its records. Columbia, four years ago, was the first company to put long-playing records on the market, and access to its extensive catalogue of 33 rpm records would have made EMI's task of catching up with Decca much easier than it will be without that assistance. Victor has only a small 33 rpm catalogue, and it is significant that some of the recordings sent to America have been made from old records in EMI's 78 rpm catalogue. The quality of recordings transposed from short- to long-playing records by other companies has not generally been regarded as satisfactory. It is, however, the only way in which a company can build up a comprehensive long-playing catalogue at short notice, and EMI appears confident that it has evolved a technique for doing so that overcomes earlier defects. If so, it will earn the gratitude of an increasingly discriminating record-buying public—and one that is especially exacting in its demands for "LP."

Cotton's Bid for Freedom

On its first test, the restoration of partial freedom to the cotton market has provoked only a moderate response. Only 47 firms covering 60 mills with a total of 5 million spindles (15 per cent of the spindle capacity of Britain) have elected to buy the whole of their raw cotton privately; 162 firms comprising 210 mills with a total of 23 million spindles (68 per cent of the industry) have elected to continue to buy wholly from the Raw Cotton Commission. The remaining 15 firms (55 mills with a total number of spindles amounting to 6 million) have decided to buy part of their cotton supplies privately and part through the commission. A few firms have still to reply. On the basis of last year's consumption, 29 per cent of Britain's cotton imports will now be handled privately. This proportion is higher than was first expected, but it is hardly a resounding demonstration of Lancashire's faith in private purchase. Those mills that have contracted out will begin to import their own supplies from September 1st; but until these shipments arrive, the commission will continue to supply them.

The decisions that have been taken are not irrevocable;

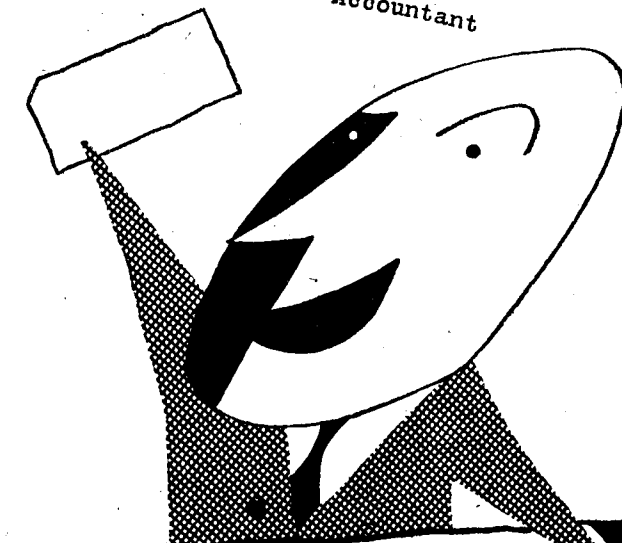
spinners will be allowed to review their choice at the beginning of each season. In addition, during the first year those that have contracted out may, under certain conditions, resume buying from the commission. Given these safeguards, it is, perhaps, surprising that less than a sixth of the cotton industry has decided to return to private buying, particularly as Lancashire has not been slow to criticise the RCC. The complicated procedure of licensing and the system of exchanging "dollar-entitlements" no doubt scared all but the bravest of spinners. If this dual system of private and government purchase is to be successful, both sides must work together. There will undoubtedly be mistakes and difficulties, but the temptation to blame the other must be resisted. The commission, for its part, must accord the same cover facilities to the spinners who have contracted out as to those who have elected to remain with it, for it continues to operate the cover scheme for the whole industry. These new buying arrangements must be accepted as an experiment—an experiment that is intended to discover not only the best method of procuring raw cotton for Lancashire but also a way to restore freedom to other controlled markets that deal in dollar commodities.

Another "No" to Premier Petrol

Once again, an unsuccessful approach has been made to the Government to allow the sale of branded, and therefore first-grade, petrol in the U.K. This time the request was put forward by the Shell and B.P. interests, following the refusal in February when there was a joint approach with other companies. The Shell and Anglo-Iranian groups, whose products are distributed in this country by Shell-Mex and B.P., have almost completed a £100 million programme of refinery expansion. This programme includes the construction of four of Britain's six catalytic crackers, which are specialised refinery units from which the best quality petrol is produced. The potential sales of premier grade petrol are, no doubt, a matter of speculation; the already high cost of motoring might tend to reduce the consumption of premier grade petrol below the pre-war level, when two out of three motorists bought premier grades. On the other hand, the additional cost is proportionately much less than it was when the petrol tax was only 9d. a gallon against 2s. 6d. today, and the added efficiency secured by running a vehicle on premier grades may tempt commercial users to buy the better quality petrol, particularly since many light goods vehicles today have precisely the same engines as private cars.

Mr Geoffrey Lloyd has said that he is very anxious that the best qualities of petrol should once again be on sale in this country. There are indeed strong technical arguments for the return of premier grade petrols. These include not only the savings in consumption that would result but also the need to satisfy the motor industry's requirements for a better quality petrol in order to provide an adequate proving ground for British vehicles to be sold abroad. There is also the consideration that the "cat crackers" will be yielding large quantities of those gases, such as ethylene and butylene, on which is based the rapidly developing petroleum chemical industry, itself a great dollar saver. Meanwhile, the cracking plants, unless they can be used for the purpose for which they were designed, must of necessity be uneconomical (Shell's Stanlow plant cost between £8 million and £9 million) while the motorist and the motor industry are being deprived of a first quality product. At every stage, there has always been some impediment to using these plants for the purposes for which they were designed; dollars are short, or Abadan is seized, or the time is inopportune. This habit of saying "no" is becoming tedious. In view of the substantial issues at stake—issues affecting the export prospects of the British motor industry as well as the petroleum industry—a public review of the complicated factors that are involved would be welcome.

'the board were positively startled'
Smiled the Chief Accountant

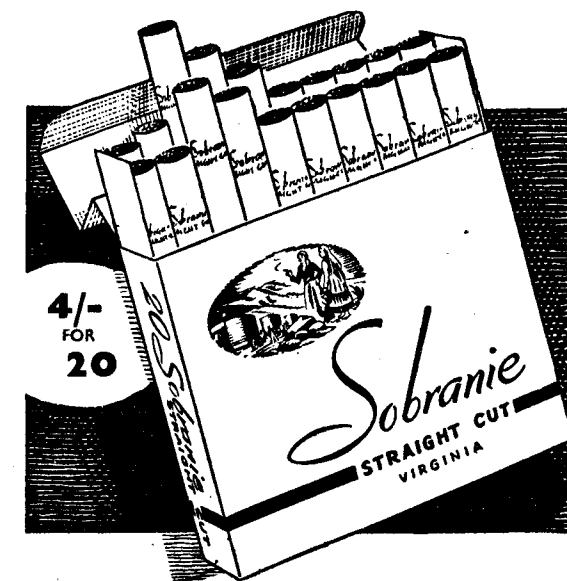


'The Chairman looked almost alarmed when I gave him the figures' "Those are three weeks too soon to be trustworthy" said he. "When I convinced him he asked "Have you suddenly become a genius?" 'It's a possibility to be considered with cautious optimism' I told him, but he knows as well as I do a lot of the headache has gone out of our accounting since we installed the Powers-Samas punched card system'

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Burmah Oil Plans

A capital programme that may cost Burmah Oil between £20 and £25 million in the next five or six years is the latest development to rectify the shortage of refinery capacity outside the United States that has faced the oil industry since the seizure of Abadan. At the annual meeting of Burmah Oil, Sir Kenneth Harper revealed that the company, in alliance with Shell, is to build a new refinery at Bombay to supply a large part of the Indian market formerly supplied from Abadan. Burmah Oil's share in the cost of this new refinery will be about £9 million.

The curtailment of refinery capacity occurred when demand in the Far East, as throughout the rest of the world, was rapidly increasing. To meet this expansion in trade, Shell and Burmah Oil are co-operating further in a plan to build new installations and depots to extend their distributing capacity in India and Pakistan; Burmah Oil will provide about £6½ million of the money required for these projects. The building of tankers, together with expenditure on another capital project as yet unspecified and still under consideration, might swell the total of Burmah Oil's new investment during the next few years to £25 million. The company hopes to finance these developments without approaching the market for new money. At the end of last year it held about £13½ million in short-dated government securities, but the full costs of the plans that have been decided upon, or are in mind, will call for the continued ploughing back of a high proportion of net earnings. If this prospect is not sufficient to convince shareholders that dividend restraint will be the order of the day, they will note Sir Kenneth's warning that the proposed scrip bonus of ordinary shares does not imply any promise of an increased distribution of profits in the future.

Efficiency in Steel Construction

The report of the Anglo-American Productivity Team on methods of preparing and erecting big steel structures suggests that superior efficiency in American production is not confined to the highly mechanised, mass-production industries. Both in producing bridge and structural steel-work and in erecting bridges and steel-framed buildings the output per man and speed of erection is higher in the United States than in Britain. Yet, according to the team, "the breakdown of skills and operations common in mechanised industries cannot be used to any great extent."

A number of reasons are suggested. In the first place, where large fabricated sections have to be handled in the works, shop lay-out and handling devices can help the regular flow of materials, and cut down the labour needed to handle the materials and finished sections. Two other factors simplify work on the shop floor—the specialisation of production and preparation of detailed drawings before fabrication is started. American companies building mechanical handling plant tend to specialise on certain components, such as chains and sprockets. They will sell as much as three-fifths of their output and are content to buy their other requirements.

Much of the report is highly technical. It contains suggestions that the British standard for welded joints should be reviewed so that thinner plates may be used, with consequent economies. British steel fabricators are also handicapped, it appears, by the inability of British road or rail transport to carry finished structural units as large as those transported to the erection site by American railroads. This makes for higher assembly costs on the site. But the report makes one general, and highly important, point about the "economical and flexible use of labour"—which is all the more significant because it is dealing with precisely those industries where it has not proved possible to break down skilled operations into a number of simple, repetitive jobs.

This brings the team straight up against the problem of British trade union organisation. Demarcation rules and shop practices will make it difficult to introduce into this country the flexibility that so impressed the team in America. And, apart from the record of speedier erection in the USA steel erectors at work on American building sites do not enjoy either a guaranteed week or payment for "wet-time."

Entrepôt in Tea

The announcement by the Indian Government last week that it has agreed to the resumption of the re-export of Indian tea by Britain to the Continent is not likely to increase Mincing Lane's tea trade, at least not for the present. British re-exports of tea are permitted only under special licence, and the British Government must determine when full scale re-export is to be resumed. It will not alter the present arrangements so long as consumers in this country are unable to buy all the tea they require. However, this does not necessarily mean that the re-export trade must wait until rationing is ended; if, when the ration is increased to 2½ oz. per week this month, consumption does not rise to the full amount, the question might be reviewed. The British Government would undoubtedly never consent to lift the ban on re-exports to only one area, as India now proposes.

Last year when the London tea market was reopened, India and Ceylon were anxious to prevent the rebirth of London as the world's tea centre; they hoped instead to maintain Colombo and Calcutta as the international markets. This year, tea faces a buyers' market and the growers are clearly worried by the weakness in prices. India's first concern now is to expand tea consumption wherever possible;

UNITED KINGDOM'S RE-EXPORTS OF TEA
(thousand lb.)

	1938	1946	1947	1948	1949	1950	1951
Irish Republic	18,273	16,350	6,653	—	—	1	n.a.
Germany	8,018	160	281	304	1,194	1,002	2,578
Netherlands	2,063	18,142	4,982	1,499	313	654	525
Poland and Danzig	2,395	1,900	1	3	31	—	—
Russia	8,550	2,500	—	—	1	1	1
United States	13,146	—	2	59	66	136	377
Argentina	1,221	—	15	99	322	99	460
Other Countries	12,427	5,826	2,366	4,353	6,725	10,867	9,236
TOTAL	66,093	44,878	14,300	6,317	8,652	12,760	13,177

Source: International Tea Committee.

and London, although no longer the all-important market it once was, could still play a vital part. Admittedly, many countries grew accustomed to doing without Mincing Lane during the war and have continued to import much of their tea direct from the Far East, but there is still no other market that possesses such a wide knowledge of blending and tasting and where teas from almost all countries in the world can be obtained.

Before the war re-exports of tea from this country averaged about 70 million lb a year, but in 1951 they amounted to only 13 million lb. The resumption of the Indian tea trade with the continent would not bridge the gap, as coffee is the principal beverage on the continent and only a small quantity of tea is consumed. Ireland was this country's best customer for tea before the war, but since 1947 it has obtained tea direct from its own buying mission in the Far East. The second largest market for Britain's tea trade before the war was the United States, but it is unlikely to regain its prewar size. Almost all tea now reaches America direct from the tea growing countries.

Consent of Her Majesty's Treasury has been obtained to this issue in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act, 1946.

GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA CONVERSION LOAN

OFFER OF CONVERSION TO HOLDERS OF

£11,789,758 Commonwealth of Australia 3½ per Cent. Registered Stock, 1950-1952,

into

GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA

4½ PER CENT. REGISTERED STOCK, 1960-1962,

at the rate of £98 per cent.

Interest payable 15th March and 15th September.

Six months' Interest will be paid on 15th March, 1953.

The Government of the Commonwealth of Australia will comply with the requirements of the Colonial Stock Act, 1900, in order that Trustees may invest in the Stock, subject to the provisions set forth in the Trustee Act, 1925.

Commonwealth Bank of Australia is authorised by the Government of the Commonwealth of Australia to offer to holders of £11,789,758 Commonwealth of Australia 3½ per cent. Registered Stock, 1950-1952, maturing 15th September, 1952, Conversion of their holdings, in whole or in part, into an equal nominal amount of Government of the Commonwealth of Australia 4½ per cent. Registered Stock, 1960-1962, on the terms set forth in this prospectus.

Principal of the new Loan will be repaid in London at par on 15th September, 1962, the Government of the Commonwealth of Australia having the option to redeem the Stock at par, in whole or in part, on or after 15th September, 1960, on giving three months' notice by public advertisement. The Loan, which has been approved by the Australian Loan Council, is authorised by Acts No. 26 of 1919, No. 18 of 1921, No. 5 of 1928, No. 4 of 1929 and No. 46 of 1944, of the Parliament of the Commonwealth of Australia, and is issued in accordance with a law passed by that Parliament by which the Commonwealth of Australia, as from 1st July, 1929, took over the debts of the various States. The direct liability of the Commonwealth to Stockholders and Bondholders in respect of the Loans so taken over was confirmed in the Financial Agreements (Commonwealth Liability) Act, which became law in March, 1932.

Holders who convert will receive on 15th September, 1952, a cash payment of £2 per cent. representing the difference between the issue price of the new Stock and the redemption price of the old Loan. They will also receive the usual six months' interest payable on that date.

Six months' interest on the new Stock will be paid on 15th March, 1953. Holders accepting the offer of conversion must lodge their acceptances on the appropriate forms accompanied by the relative Stock Certificates, at COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2. These forms have been posted to the Stockholders or, in the case of joint accounts, to the Stockholder first named in such accounts. Any Commonwealth of Australia 3½ per cent. Registered Stock, 1950-1952, not converted will be paid off at par on 15th September, 1952, together with the six months' interest then due. The books of the Commonwealth of Australia 3½ per cent. Registered Stock, 1950-1952, will be finally closed for transfers on the evening of 14th August, 1952. Instructions as to the disposal of redemption moneys must be lodged at COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2, on the prescribed forms, which will be forwarded in due course. The Stock now offered will be registered and transferable in any amount by deed, at COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2. Stamp duty on all transfers will be paid by the Government of the Commonwealth of Australia. Interest warrants will be transmitted by post at the Stockholders' risk, and in the case of joint accounts, the warrants will be forwarded to the person first named in the account, unless instructions to the contrary be given.

Commonwealth of Australia Stocks issued and payable in London and the interest thereon, the property of persons not domiciled in Australia, are not, and will not be, subject to any taxes, duties or levies in Australia. All Commonwealth Loans, all Loans issued by the several States and now taken over by the Commonwealth, and all Loans guaranteed by the Commonwealth, carry a Sinking Fund in accordance with the provisions of the National Debt Sinking Fund Act, 1923-1934, and the Financial Agreement Act.

In the case of all such Loans, the following contributions to the Sinking Fund must be made out of Commonwealth and State Revenues:

(a) On the present Conversion Loan and all Loans existing on 30th June, 1927, including such Loans when converted into other Loans, a minimum of 7s. 6d. Australian currency per £100 per annum.

(b) On any new Loan, 10s. Australian currency per £100 per annum.

In the case of Loans raised in the United Kingdom the contributions stated above are in respect of each £100 sterling.

The amount of Sinking Fund moneys for use in London during the year ending 30th June, 1952, has not yet been allocated by the National Debt Commission, but it is expected to be approximately £3,126,000 Sterling.

Commonwealth Bank of Australia is further authorised to offer for subscription in cash Government of the Commonwealth of Australia 4½ per cent. Registered Stock, 1960-1962, to an amount sufficient to make up, with the Stock converted, the above total of £11,789,758.

PRICE OF ISSUE £98 per cent.

Payable £10 0 0 per cent on Application.

£18 0 0 " " " 7th August, 1952.

£70 0 0 " " " 15th September, 1952.

£98 0 0 per cent.

An interest payment of 2s. 4d. (less tax) per £100 Stock will be made on 15th September, 1952.

Cash applications on the prescribed forms will be received at COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2, and must be for even amounts of £100 of Stock and be accompanied by a deposit of £10 per cent. on the amount applied for.

In the event of partial allotment, the surplus from the amount paid as deposit will be returned to the applicant. In case of default in the payment of any instalment at its due date the amount previously paid will be liable to forfeiture, and the relative allotment to cancellation.

Payment in full may be made on or after allotment, but no discount will be allowed. Scrip Certificates to Bearer in respect of Cash Allotments will be issued in denominations of £1,000, £500 and £100, in exchange for Allotment Letters. These Certificates must be surrendered to COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2, at the time the final instalment is paid, for exchange into Registered Stock Certificates.

COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2, Interest Coupons for 2s. 4d. (less tax) per £100 Stock, payable 15th September, 1952, will be attached to the Scrip Certificates.

The revenues of the Commonwealth of Australia alone are liable in respect of this Stock and the interest thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of Her Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the interest thereon, or for any matter relating thereto.—40 and 41 Vict., cap. 59, sec. 19.

A commission of 5s. per £100 Stock will be paid to Bankers and Stockbrokers on allotments made in respect of conversion acceptances and cash applications bearing their stamp.

Prospectuses, with Statistical Statement relating to the Commonwealth of Australia, may be obtained from Commonwealth Bank of Australia, Stock Department, 8, Old Jewry, London, E.C.2; from Messrs. R. Nilsson & Co., 6, Threadneedle Street, London, E.C.2; and at the Offices of the Government of the Commonwealth of Australia, Australia House, Strand, London, W.C.2.

COMMONWEALTH BANK OF AUSTRALIA,

8, Old Jewry, London, E.C.2.

11th July, 1952.

The List for Cash Applications will open on Tuesday, 15th July, 1952, and will be closed at 3 p.m. on that day.

The List for Conversions will be closed at 3 p.m. on Monday, 21st July, 1952.

This Form may be used

Application Sheet No. Allotment No.

APPLICATION FOR GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA 4½ PER CENT. REGISTERED STOCK, 1960-1962.

To COMMONWEALTH BANK OF AUSTRALIA,
STOCK DEPARTMENT, 8, OLD JEWRY, LONDON, E.C.2.

I/we hereby apply for

(say pounds) of Government of the Commonwealth of Australia 4½ per cent. Registered Stock, 1960-1962, according to the Prospectus of 11th July, 1952, and undertake to pay £98 for every £100 of Stock, and to accept the same or any less amount that may be allotted to me/us, and to pay for the same in conformity with the terms of the said Prospectus.

I/we enclose the required deposit of £, being £10 per cent. on the amount applied for.

I/we declare that the applicant(s) is/are not resident outside the Scheduled Territories and that the security is not being acquired by me/us as the nominee(s) of any person(s) resident outside those Territories.

Signature

Please write distinctly. Name in full

[BLOCK LETTERS] (State Title, if any, or whether Mr., Mrs. or Miss)

Address

15th July, 1952.

* If this declaration cannot be made it should be deleted and a Form D (obtainable from a Banker or Stockbroker) completed as to declaration 2A and the Certificate appended thereto should accompany this application.

† The Scheduled Territories comprise the British Commonwealth (except Canada), the Irish Republic, British Trust Territories, British Protectorates and Protected States, Burma, Iraq, Iceland, the Hashemite Kingdom of the Jordan, Libya.

‡ The definition of "nominee" is given in the Bank of England's Notice E.C. (Securities) 1.

N.B.—Applications must be for amounts of not less than £100 and in multiples of £100.

Cheques should be made payable to BEARER and should be crossed thus:

Commonwealth Bank of Australia,
a/c Australian Loan.

Company Notes

Courtaulds.—Sir John Hanbury-Williams' statement accompanying the full accounts of Courtaulds can be regarded as an interim report. As it was written in June, Sir John is wisely reserving his comments upon the immediate trading outlook until the annual general meeting to be held at the end of this month. Sir John indicates that the present slump in sales has been largely confined to dress fabrics and household materials, and he specifically mentions that demand for industrial rayons has not been affected to the same extent—thanks possibly to the demands created by rearmament. Owing to the lack of up-to-date statistics, Sir John could offer no clear-cut answer to the question whether the present world potential in rayon production exceeds foreseeable demand. But after pointing out that if the prewar and postwar periods are compared, consumption of rayon per head has not changed substantially—thanks to the growth of the North American market—he thought it reasonable to assume that consumption per head will increase in line with any improvements in living standards. He adds that the recession should weed out the inefficient producers, but that "care should be exercised by all to limit further expansion—at any rate until the future is less obscure."

Consolidated earnings:—	Years to March 31,	
	1951	1952
Trading profit	18,392,835	20,353,292
Total income	20,224,670	23,153,859
Depreciation	2,484,748	3,184,898
Taxation	9,049,664	10,293,449
Net profit	8,689,862	9,675,766
Ordinary dividends	1,447,500	1,417,900
Ordinary dividends (per cent)	11½	11½
Retained by subsidiaries	1,556,527	2,158,452
Fixed assets replacement reserve	1,704,692	1,912,674
Stock replacement reserve	2,600,000	2,800,000
Added to carry forward	168,175	88,489

After this cautious statement, with its admission that the slump in the textile trade is world wide, the news that Courtaulds is pushing ahead with capital developments abroad comes as a distinct contrast. But the inter-weaving of the two themes of capital development and the present recession in trade does not necessarily indicate an unbounded and general optimism in the future. It may rather suggest that the company believes that the overseas market holds out the promise of a brighter future than does the market at home. It is noteworthy that, apart from the development of pulp mills in Natal, these capital developments are largely being fostered in the United States, Canada, and Australia—countries, in fact, that should enjoy a further improvement in living standards in the next few years.

The development of Courtaulds' overseas interests seems in no way to have been abated by the trade recession, for the group's outstanding capital commitments amount to £16 million. The capital programme, however, has given the group's finances an odd twist. The parent company has sold about £11 million of its holdings in government securities at a small profit and invested most of the proceeds in shares in overseas subsidiaries, which in turn have re-invested these new funds, presumably only temporarily, in government securities.

This re-orientation of the group's finances has taken place at a time when more of the group's resources had to be locked away in working capital. Sir John explains that the substantial increases in stocks were partly due to the rise in prices but more especially to the accumulation of raw materials and finished stocks as a result of the decline in sales. As

the mills were kept running for some time while output was exceeding sales, the group has built up substantial stocks that will have to be liquidated before the mills can return to more normal production. At the annual general meeting Sir John may be able to indicate with more precision when this is likely to occur.

English Sewing Cotton.—Following a boom in sales in 1951, English Sewing Cotton has been badly hit by the almost complete cessation of demand for weaving and knitting yarns, so that, at the moment "sales are poor, stocks are high and mills are operating on reduced production schedules." Mr Leslie Shaw, the chairman, is not content to draw attention to the company's recent troubles; he also warns shareholders that accounts drawn up in accordance with conventional accounting principles often create a false impression of prosperity. Computed by these standards, the group's trading profits show a slight increase from £1,321,107 to £1,370,438, but Mr Shaw points out that if profits were computed on a more realistic basis after allowing for the cost of replacing fixed and current assets a less satisfactory picture would emerge. Last year's inflation of prices was in fact responsible for about half of the rise in the book value of stocks of £1.4 million (to a total of £4.2 million). Given the present tax requirements, which count the results of price inflation as "profits," all the directors can do is to increase the stock reserve to £1 million by the appropriation of £500,000 from profits.

Consolidated earnings:—	Years to Dec. 31,	
	1950	1951
Trading profit	1,321,107	1,370,438
Total income	1,635,267	1,686,585
Depreciation	174,708	179,960
Taxation	670,268	749,582
Net profit	757,021	724,476
Ordinary dividends	135,000	131,250
Ordinary dividends (per cent)	12½	12½
Retained by subsidiaries	79,149	54,385
General reserve	500,000	500,000
Stock reserve	Dr 2,427	Dr 6,391

Looking towards the time when the present excess stocks will be liquidated and when "reasonably steady employment for efficient producers" can be expected, Mr Shaw makes some forthright comments on double-shift working. He suggests that there will have to be a marked change in attitude on the question of shift working if the industry is to be re-equipped economically and wisely. To replace the present spinning equipment in this country of 18 million mule spindles and 10½ million ring spindles would, on current methods of working, require 22 million ring spindles at a cost of between £300 and £350 million. But if "Lancashire's machinery were to operate a reasonable number of hours per annum" the need would be for only 7 million spindles at a cost of between £100 and £120 million. The company's own policy is to introduce shift working wherever practicable after making a careful assessment of the social problems which may qualify its economic advantages. In pursuit of this policy the company has leased a factory in Northern Ireland which will be equipped with modern plant and operated on shift working; this factory should be ready for production by 1955. Rationalisation may indeed be the only long-term solution for an industry that is now having to fight hard for any business it can secure.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, July 2, 1952	Price, July 9, 1952	Net Yield, July 9, 1952	Gross Yield, July 9, 1952
N.W.B. 2½% '51-53...	99½	99½	5 6	3 2 10½
N.W.B. 2½% '52-54...	98½	98½	1 19 6	3 8 9½
Exch. 2½% 1955...	96½	97½	2 7 10	3 8 9
Ser. Fund. 1½% '52...	99½	99½	1 10 5	2 14 6
Ser. Fund. 1½% '53...	98½	98½	1 12 4	2 11 0
Ser. Fund. 1½% '54...	96½	96½	2 4 1	3 2 2
N.W.B. 2½% '54-56...	95½	96½	2 5 5	3 9 1½
Fund. 2½% '52-57...	96½	96½	2 1 7	3 8 7½
Nat. Def. 3½% '54-58...	97½	97½	1 19 5	3 8 7½
War L'n. 3½% '55-59...	97½	97½	2 12 6	4 2 10½
Sav. Bds. 3½% '55-55...	87½	88½	2 12 1	3 18 1½
Fund. 2½% '56-61...	89½	90½	2 12 6	4 2 10½
Fund. 3½% '59-69...	82½	83½	2 17 10	4 10 4½
Fund. 3½% '66-68...	82½	83½	2 16 11	4 8 5½
Fund. 4½% '60-90...	94½	95½	2 14 11	4 15 1½
Sav. Bds. 3½% '60-70...	81½	82½	2 16 9	4 9 9½
Sav. Bds. 2½% '64-67...	80½	81½	2 18 6	4 15 10½
Vty. Bds. 4½% '20-76...	99½	99½	2 3 9	4 3 4½
Sav. Bds. 3½% '65-75...	78½	78½	2 16 6	4 9 3½
Consols 4½% 1957...	82½	82½	2 11 0	4 17 0½
Consols 4½% 1961...	73½	74½	2 9 10	4 15 5½
Treas. 2½% 1975...	54½	55½	2 7 11	4 11 10½
Treas. 3½% 1968...	63½	64½	2 9 2	4 14 2½
Treas. 3½% '77-80...	83½	84½	2 12 7	4 9 9½
Redemp. 3½% '86-96...	74½	74½	2 10 11	4 6 7½
War L'n. 3½% '94...	73½	73½	2 10 4	4 16 1½
Consols 2½% '94...	55½	56½	2 6 6	4 8 7½
Br. Elec. 3½% '68-73...	79½	80½	2 16 11	4 10 2½
Br. Elec. 3½% '74-77...	78½	79½	2 15 7	4 9 5½
Br. Elec. 4½% '74-79...	97½	98½	2 6 11	4 8 0½
Br. Elec. 3½% '76-79...	84½	85½	2 12 1	4 9 4½
Br. Tpt. 3½% '78-88...	73½	74½	2 14 2	4 9 1½
Br. Tpt. 3½% '80-90...	79½	80½	2 17 1	4 10 5½
Br. Gas 3½% '90-95...	72½	73½	2 12 3	4 8 1½
Br. Gas 3½% '69-71...	87½	88½	2 13 8	4 10 8½
Br. I. & S. 3½% '79-81...	84½	84½	2 12 2	4 9 0½

(a) To earliest date. (f) Flat yield. (l) To latest date
(s) Assumed average life 15 years approx. * Ex dividend

Last Two Dividends	Ordinary Stocks	Price, July 2, 1952	Price, July 9, 1952	Yield, July 9, 1952
(a) (b) (c)				
20 a	40 Anglo-Am. 10/...	5½	6½	4 15 1
5 a	25 Anglo-Iran 1/...	5½	6½	5 6 8
7½ a	12½ Assoc. Elec. 1/...	69/6	69/6	5 15 1
7½ a	20 Assoc. P. Cem. 1/...	91/3	93/9	5 17 4
12½ a	10 Bass 1/...	111/3	116/3	7 7 6
10 a	10 Boots 5/...	19/-	19/-	5 5 3
4 a	8½ Brad. Dyers 1/...	23/6	24/9	10 2 0
106 (i)	4½ Br. Celanese 10/...	20/6	21/10½	6 12 7
...	Br. Motor Cp. 5/...	28/1½	28/1½	...
8 a	12 Br. Oxygen 1/...	68/6	69/-	5 15 11
3 b	3 Can. Pac. 25/...	64½	65½	4 5 1
15 c	2½ Cunard 1/...	31/-	31/-	9 13 7
5 a	7½ Coats 1/...	41/6	43/-	5 16 3
5 a	6½ Courtaulds 1/...	33/6	35/7½	6 6 4
22½ c	17½ Distillers 4/...	16/9	17/3	5 4 4
17½ c	17½ Dunlop 1/...	45/-	45/7½	7 9 1
12½ c	15 Ford 1/...	46/6	47/3	6 7 0
22½ c	7½ Gen. Elect. 1/...	78/6	79/6	5 13 2
5 a	10 Guest Keen 1/...	50/-	50/-	6 0 0
17 b	7 Guinness 1/...	60/7½	60/7½	5 10 10½
5½ b	4½ Hawker Sid. 1/...	33/3	34/9	5 15 1
3 a	10 Imp. Chem. 1/...	42/9	43/9	5 18 10
13½ a	18½ Imp. Tobacco 1/...	82/6	85/-	5 10 7
32 c	2½ Int. Nick. n.p. 1/...	82½	82½	5 12 2
17½ c	17½ J. Burg Con. 1/...	56/10½	55/-	6 7 4
10 b	5 Lancs. Cotton 1/...	35/-	36/3½	8 5 6
7½ a	10 Lon. Brick 1/...	56/3	58/9	5 19 2
15 a	65 Marks & Sp. A 5/...	36/3	37/6	5 6 8½
6½ a	15½ Monsanto 5/...	22/6	23/9	4 14 9
8 a	10½ P. & O. Def. 1/...	45/6	47/-	6 16 2½
7½ a	17½ P. Johnson 10/...	33/6	34/6	7 4 11
185 c	100 Prudential 'A' 1/...	35	35½	5 13 6
200 c	50 Rhokana 1/...	22½	22½	8 19 9
5 a	10 Rolls Royce 1/...	54/6	56/6	5 14 8
15 a	110 Shell Stk. 1/...	78/9½	80/-	5 16 8½
12½ b	13½ Tube Invest. 1/...	50/3	51/6	4 17 1½
15 b	5 T. & Newall 1/...	79/4½	80/-	5 0 0
5 a	8½ Unilever 1/...	43/9	45/-	6 0 0
10 c	12½ Union Castle 1/...	20/6	20/6	6 1 11½
5 b	5 Union Disc. 1/...	37/-	38/-	5 5 3
16½ a	16½ Utd. Molass. 10/...	30/6	30/6	6 9 10½
50 c	50 U. S. Betong 1/...	38/9	38/9	25 16 0
2½ a	10 Vickers 1/...	40/9	42/-	5 19 1
27½ b	15 Woolworth 5/...	39/3	39/3	5 8 3

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 16% after capital bonus. (e) Yield basis 22-9 gross. (f) Yield basis 16%. (g) Yield basis 12½%. (h) Include special int. 7%. (i) Yield basis 6½%. (j) Yield basis 19-8%. (k) Yield basis 40%. * Ex div. † Free of tax.

EXCHEQUER RETURNS

For the 5 days ended July 5, 1952, total ordinary revenue was £65,444,000, against ordinary expenditure of £59,706,000 and issues to sinking funds £511,000. Thus, including sinking fund allocations of £6,877,000 the deficit accrued since April 1, 1952, was £195,738,000 compared with a surplus of £18,960,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	Actual, 1951-52	Actual, 1952-53	Week ended July 5, 1952	5 days ended July 5, 1952
REVENUE					
Ord. Revenue	180,422,500	227,183,000	285,677,000	15,973,000	25,360,000
Income Tax	123,000,000	24,700,000	22,500,000	1,000,000	1,000,000
Sur-tax	175,000,000	57,200,000	41,600,000	5,300,000	2,500,000
Estate, etc., Duties	57,500,000	17,600,000	13,850,000	1,500,000	1,100,000
Profits Tax & EPT	452,000,000	65,600,000	76,500,000	11,600,000	12,800,000
Excess Profits Levy	5,000,000	...	...	...	...
Special Contribution	2,000,000	1,045,000	580,000	70,000	40,000
Inland Revenue	261,872,500	393,328,000	440,707,000	32,190,000	42,800,000
Customs	104,350,000	264,536,000	272,328,000	22,242,000	21,295,000
Excise	772,000,000	184,800,000	180,182,000	781,000	380,000
Total Customs and Excise	1,815,500,000	449,336,000	452,520,000	23,024,000	21,675,000
Motor Duties	64,150,000	7,095,000	7,008,000	681,000	834,000
Surpl's from Trade	12,000,000	25,000,000	...	...	...
P.O. (Net Receipts)	15,000,000	2,700,000	2,700,000	...	...
Broadcast Licences	26,000,000	2,833,000	2,871,000	234,000	46,000
Sundry Loans	110,000,000	24,830,000	31,055,000	2,954,000	289,000
Miscell. (incl. Surpl. plus War Stores)	466,137,500	905,122,000	936,860,000	59,083,000	65,444,000
Total Ord. Rev.	4,661,375,000	9,051,122,000	9,368,660,000	59,083,000	65,444,000
SELF-BALANCING POST OFFICE	209,235,000	46,400,000	48,800,000	2,200,000	2,600,000
Income Tax on E.P.T. Refunds	4,900,000	1,376,000	1,755,000	101,000	115,000
Total	4,875,510,000	9,522,898,000	9,818,215,000	61,384,000	68,159,000

EXPENDITURE					
Issues out of the Exchequer to meet payments (£ thousand)					
Ord. Expenditure	575,000	117,028	135,836	4,327	...
Int. & Man. of Nat. Debt	40,000	9,644	10,123	1,281	1,360
Payments to N. Ireland	10,000	3,467	3,561	2,346	2,346
Other Cons. Funds	625,000	130,139	149,520	7,954	3,706
Total	3,605,562	752,515	976,201	45,100	56,800
Supply Services	423,056	882,654	1,125,721	53,054	59,706
Sinking Funds	...	3,508	6,877	898	511
Total Ord. Expd.	423,056	886,162	1,132,598	53,952	60,217
SELF-BALANCING POST OFFICE	209,235	46,400	48,800	2,200	2,600
Income Tax on E.P.T. Refunds	4,900	1,376	1,755	101	115
Total	4,444,697	933,938	1,183,153	56,253	62,932

After decreasing Exchequer balances by £523,147 to £3,329,805 the other operations for the 5 days increased the National Debt by £5,359,670 to £25,890 million.

NET RECEIPTS (£ thousand)		NET ISSUES (£ thousand)	
Land Settlement (Facilities) Acts, 1919 & 1921	300	National Debt Interest	850
Tithe Act, 1936, s. 26	8,658	PO & Telegraph (Money) Act, 1950	141
Cotton (Centralised Buying) Act, 1947, s. 21(3)	8,968	EPT Refunds	4,500
		Local Authorities Loans Act, 1945, s. 3(1)	2,041
		New Towns Act, 1946 & 1952	3,900
		Miscell. Fin. Provs. Act, 1946, S.2(1) War Damage	100
		War Damage Commission	299
		Town & Country Planning Acts, 1947	299
		Finance Acts, 1946 and 1947, Postwar Credits	20,077

On July 4th applications for 91 day bills to be paid from July 7 to July 12, 1952, were accepted dated Monday to Saturday as at about 73 per cent at 99 7/8, and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million were offered on July 11th. For the week ended July 12th the banks were not asked for Treasury deposits.

NET RECEIPTS (£ thousand)		10
Land Settlement (Facilities) Acts, 1919 & 1921 ...		300
Tithe Act, 1936, s. 26		8,658
Cotton (Centralised Buying) Act, 1947, s. 21(3)...		8,968
NET ISSUES (£ thousand)		9,346
National Debt Interest		850
PO & Telegraph (Money) Act, 1950		141
EPT Refunds		4,300
Local Authorities Loans Act, 1945, s. 3(1)		2,041
New Towns Acts, 1946 & 1952		
Miscell. Fin. Provs. Act, 1946, S.2(1) War Damage:		3,000
War Damage Commission		100
Town & Country Planning Acts, 1947		299
Finance Acts, 1946 and 1947, Postwar Credits		20,077

COMPANY MEETINGS

THE MERCANTILE AND GENERAL REINSURANCE COMPANY

FURTHER EXPANSION OF BUSINESS

TOTAL LIFE FUND EXCEEDS £2 MILLION

MR HUGH K. GOSCHEN'S STATEMENT

The annual general meeting of The Mercantile and General Reinsurance Company, Limited, will be held on July 29th at the company's chief office, 25-31 Moorgate, London, E.C.

The following is a statement by the chairman, Mr Hugh Kenneth Goschen, which has been circulated with the report and accounts for the year ended December 31, 1951:—

During the year Mr Julian S. Crossley was elected to the board in succession to the late Sir William M. Goodenough. We feel sure that Mr Crossley's special knowledge and experience of so many parts of the world where we do business will be of great value to us. We are most fortunate in having secured his services.

I look forward once more to proposing at the annual general meeting a vote of thanks to our management and staff. I am sure that the traditions of the company have been well maintained, and for this we have to thank our general manager, Mr Calburn, our managers, and other officials and every member of the staff.

This year we have been able to bring forward by several months the date of the publication of our accounts. As you will see, however, from the note on the balance-sheet, this has necessitated our having to make estimates in those cases where we have not received details of all the quarterly accounts from our ceding companies. Every care has been taken in making these estimates and we are satisfied that when the final results are received they will vary little in the aggregate from the figures shown here.

During the year the authorised share capital of the company was increased by £150,000 and the paid-up share capital by £50,000. These increases arise from the two resolutions which were passed at the annual general meeting on September 25, 1951.

RECORD PREMIUM INCOME

I am pleased to be able to report a further expansion of business and, on the whole, satisfactory results. The net premium income has soared to a new record figure of just under six million, as against nearly five and a half million in 1950—an increase of about 9 per cent. It is interesting to note the net premium increases of the years since the war: 1946—14 per cent; 1947—26 per cent; 1948—39 per cent; 1949—19 per cent; 1950—27 per cent. Our net premium income in 1951 was, in fact, almost three and a half times that of 1945. Whilst the expansion is due in part to the ever-widening range of our activities and personal connections, such phenomenal rates of increase are to be attributed for the most part to inflation, which has been so universal during recent years.

It is now evident that at least in some parts of the world this upward movement of prices has been halted and, if this becomes general, one of the major factors which has contributed to our increases in premium income will disappear. I think it is unlikely, therefore, that we shall continue to show the

same expansion in future years. During a period of generally favourable results competition for reinsurance business is intensified, the demand for reciprocity increases, and the professional reinsurer inevitably feels more keenly the competition of the direct-writing offices. Even so, there remains over the whole field of our activities a continuing demand for the specialised organisation and essentially long-term business outlook of the professional reinsurer. The continued support we receive in such times from our friends at home and overseas encourages us to redouble our efforts to respond to their needs with a prompt, efficient, and comprehensive reinsurance service, and to adapt ourselves the more readily to the rapidly changing conditions which are a feature of these unsettled times.

RESULTS OF THE VARIOUS DEPARTMENTS

In the fire department our business was well maintained, though the increase in premium income was modest by post-war standards, due in part to a change in accounting methods made necessary by the earlier closing of our books. Although the year was not without its disastrous losses from fire and windstorm, we were able to close our fire account with a satisfactory margin of profit.

In the accident department the result of the motor business was adverse. General third party and aviation, and common law liability at home, also give cause for some concern. Thanks, however, to the satisfactory burglary, personal accident, and other miscellaneous classes, no loss was sustained on balance.

Our marine account is making steady progress. As you will see, we have transferred an amount of £25,000 from profit and loss to this account. This does not mean that the account has made a loss—on the contrary, the experience has been favourable—but we felt that it was desirable to give this fund, which is still young and perhaps unbalanced, further strength. After this transfer the fund will stand at 136.67 per cent of the premiums. As will be seen, the account has been charged as usual with its share of tax.

You will notice that we are publishing for the first time a separate balance-sheet for the life department, although the figures for that department continue to be included in the company's general balance-sheet. The life department has specialised in reinsurance on the risk premium basis for over a quarter of a century, and approximately two-thirds of its business is transacted on that basis. As only the death risk is reassured, the actuarial reserves applicable to the principal policies are held by the ceding offices; for this reason the portion of the life fund which relates to this section of our business is relatively small. However, the reserves which relate to the business transacted on original terms have grown in recent years and the total life fund now exceeds £2 million. The directors have accordingly decided that the time is now opportune for the segregation of the life assets.

The new business figures of the life department show that it has lost none of its vigour; the net sums assured amounted to £8,748,697, compared with £6,503,654 in 1950. The gross sums assured in 1951 were £14,205,837, as compared with the 1950 total of £9,564,046. A part of the increase in the gross sums assured results from the use of the clearing house facilities for big cases which we provide. Approximately 50 per cent of our gross business was transacted within the United Kingdom.

INVESTMENT POSITION

The investments of the company show an increase of over £1 million. I have referred before to the difficulties inherent in an investment portfolio built up very largely in recent years in a time of cheap money; we do not have that cushion between book cost and market values which is the pride of many of the older companies. It is, therefore, satisfactory to be able to record that, in spite of a most difficult year when we had to contend with the policy of the new Government of credit restriction and higher interest rates with a consequent adjustment in market values of securities, we are still able to show a small margin between the market value and book cost. I must, however, add that the fall in prices since the end of the year has inevitably reduced the total market value of our investments, with the result that we have felt it prudent to make a transfer from profit and loss account of a further £25,000 to the reserves that we hold against such eventualities.

Our Canadian company, The Mercantile and General Reinsurance Company of Canada, Ltd., started business on January 1, 1952, as a licensed reinsurer in all the major classes except life and marine. Mr Calburn, who has just returned from a visit to Toronto, reports that the business is growing satisfactorily and is being developed on sound lines. We shall have to consider increasing the resources of this company during the coming year.

The excess profits levy, for which this year's Budget provides, could hardly have been designed in a way which would penalise more effectively this company with its small issued capital and its rapidly expanding business. Recent amendments have gone some way to mitigate the provisions which affected us so unfairly, but no amount of amendment will alter the fact that it is a tax on enterprise and efficiency and therefore a bad tax which should be stopped altogether as soon as possible.

NATION'S ECONOMIC PROBLEMS

The new Government, which came into power after the election last October, was immediately faced with the problem of the rapidly diminishing gold and dollar reserves of the sterling area; drastic import cuts were made and other measures taken. It seems that these measures have gone some way to meeting the short-term problem for the Chancellor of the Exchequer was able to tell us on June 12 that the dollar drain in the

sterling area had been reduced from £334 million over the last three months of 1951 to £10 million over the two and a half months previous to his statement. Whilst, however, it can be said that the short-term position is being held, we still have to work out a long-term policy, to expand our export trade and to rebuild our foreign investments on which the economic strength of our

country has for long been based. This will require courage and vision.

Such a policy is nowhere better reflected than in the growth of the British insurance market, which has bestowed such priceless benefits both upon our own community and throughout the world. The fact that this industry has brought in the past and continues to bring a vital contribution to imme-

diately prosperity should not make us forget that its own fortunes and the reserves upon which it rests are the result of a long-term outlook. So, too, is it the policy of this company, rather than to see a quick return, to render service and to help in ironing out the inevitable ups and downs of the insurers as a contribution towards the general prosperity both now and in the future.

BURMAH OIL COMPANY, LIMITED

CAPITALISATION OF RESERVES

PROGRAMME OF CAPITAL EXPENDITURE

INCREASING EXPANSION OF TRADING

SIR KENNETH B. HARPER'S ADDRESS

The fiftieth annual general meeting of the members of the Burmah Oil Company, Limited, was held on Friday, July 4, 1952, in the Merchants' Hall, 30, George Square, Glasgow.

Sir Kenneth B. Harper, chairman of the company, presided.

The chairman said:

Ladies and gentlemen, with your permission I propose holding as read the notice convening our meeting and would call on the secretary to read the auditors' report.

The secretary, having read the report of the auditors,

The chairman said: Ladies and gentlemen, the accounts and director's report have been in your hands for three weeks, and I do not propose to refer in detail to the figures this morning but if any shareholder has any question to ask I shall be glad to answer it when, in a few minutes, I formally move that the accounts and report be adopted.

PROPOSED CAPITALISATION OF RESERVES

You will have noted, I hope with approval, the directors' intention to seek the Capital Issues Committee's consent to capitalise £6,868,257 from reserves and issue that number of Ordinary shares of £1 each among the present stockholders in the proportion of one for two. It has for many years been the directors' policy to finance expansion of the company's business and operations out of accumulated undistributed profits and from time to time to convert part of those accumulated reserves into share capital so as to bring the share capital more into line with the capital employed in the business. The present conversion is a continuation of that policy. If the Capital Issues Committee's consent is received an extraordinary general meeting will be called to give shareholders the opportunity, which I am sure they will be pleased to take, to pass the necessary resolutions.

I must make it clear that this increase in share capital does not imply any promise of increased distribution of profits in the future.

PROGRAMME OF CAPITAL EXPENDITURE

You will see in the balance sheet that excluding the investments in our wholly owned subsidiary companies, and what we call trading investments (that is our shareholdings in Burmah-Shell, Candles Ltd., and Oil Well Engineering Co. Ltd.) and excluding also our investments in Anglo-Iranian and Shell, the company had a surplus of current assets over current liabilities at the end of the year amounting to about £19 million, including about £13½ million in the form of

British Government securities. (These stocks, by the way, are all short dated so we have escaped the full severity of the fall in price of Government securities.) You will be interested to know what the board proposes to do with the liquid portion of this surplus.

We have before us during the next five or six years a considerable programme of capital expenditure, due partly to catching up with replacements and developments which were held back by the war and partly to catering for the increasing expansion of our trading business.

The three new tankers which we are building will cost between them about £2 million. Events at Abadan, from which we have drawn the greater part of our supplies of petroleum products since we lost our Burma production, have caused us to review our future supply position and we have decided to build a refinery at Bombay in conjunction with Shell to supply a large part of our requirements for the Indian market. Our share of the cost of this refinery is estimated at some £9 million. Then to cater for the distribution of the steadily increasing trade in both India and Pakistan, Burmah-Shell have a programme of expansion of their installations, depots and other facilities and our Pakistan Trading Company is planning to build a new installation at Chittagong. Our share of financing these two items will amount to about £6½ million.

At least one other project is under consideration and our capital programme over the next five or six years may therefore amount to £20 to £25 million; a very considerable figure, especially if we allow ourselves to look back nostalgically to costs as they were before the war. Costs of steel and other materials and of labour in our spheres in the East are both about three times what they were in 1938. It was of course obvious to all of us very soon after the war that we should have to expect increases of that order for several years at best and shareholders have shown their appreciation of that inescapable fact by agreeing uncomplainingly to the large sums we have been placing to reserve in recent years, but as a result of this policy we hope (I say it without prejudice) to be able to finance all the new expenditure I have just referred to without going to the market for more money; and I need hardly add that every one of these capital developments is designed to bring you in in due course a better return on your money than is obtainable from the securities in which it is at present invested.

EXCESS PROFITS LEVY

You will want to have an indication of what the Excess Profits Levy is likely to

cost us. The answer, of course, depends on the amount of taxable profit, which I cannot forecast but on the basis of the 1951 level of profits and taking into account not only the levy but the various alterations in the incidence of Profits Tax, we estimate that the additional tax payable would have been about £200,000. I shall not comment on this regrettable political commitment, except to say that it contradicts the Government's own policy of encouraging production by private enterprise.

POSITION IN BURMA

Turning to the events of 1951, I wish I could report greater progress in restoring stability in Burma. So far as one can see, the various insurgent groups which have been campaigning, separately or together, since 1948 against the established Government made no headway last year. On the other hand the Government brought very little more of the country under their control. It would seem, in fact, that neither side is strong enough to make a marked impression on the other, and yet one cannot help feeling that in a country in the state that Burma has been in for so long, conditions do not just stand still; they either improve or they get worse and all of us who wish to see Burma at internal peace again are anxious that a marked and substantial improvement will soon become visible.

Our own relations with the Union Government are most friendly.

JOINT VENTURE

Our plans for what has become known as a joint venture, to restore and develop the oil industry in Burma through the medium of a local company of which the three British oil companies and the Union Government would be the shareholders, made some advance in the past year. The terms have now been agreed, subject to acceptance by the Union Government of the oil companies' valuation of the assets to be passed over to the new company. The oil companies put this at the rupee equivalent of £15 million, in their estimation a proper and by no means excessive valuation. The Government's acceptance of this valuation is awaited.

This joint venture cannot immediately provide any new or increased employment. The oil companies are already producing and refining petroleum products at Chauk to the extent that they can be economically distributed by the available means of transport to the markets they can reach, and extension of these operations depends on the Government's success in bringing more of the country under their control.

DENIAL SUITS

The denial suits which we filed in 1948 drag on inactive and the present position is that application has been made to the Burma Court to decide and pronounce, as a preliminary issue, on the question whether or not the Burma Government is legally liable for compensation, without going into the details of the amount of loss and compensation involved.

INDIA AND PAKISTAN

Except in Burma, where it is still unsafe for parties to work in isolated jungle areas, we are carrying on our usual programme of prospecting for new sources of crude oil. Although the proportion of successes to failures has in the past, unfortunately, been a good deal lower in Burma, India and Pakistan than is usual in, for instance, USA or the Middle East, we must continue the search so long as there are reasonably promising areas to prospect in the countries in which we operate, as our scientists assure us there still are. Successful results would be of great benefit not only to us, but also to the countries concerned. Last year we were testing, or preparing to test, six areas in India and Pakistan, but so far no strike of oil has been reported from these wells.

The important producing and refining operations of the Assam Oil Company at Digboi continued successfully during the year. In Pakistan small production continued to be obtained at Chakwal, in the Punjab.

Our relations with the Central Governments of India and Pakistan and with the Governments of the States and Provinces in which our subsidiary and associated companies operate were as cordial as ever and were reflected in the trust imposed by the Governments in the companies at the time supplies from Abadan were cut off.

TRADING

The demand for petroleum products in India and Pakistan continued to expand, the increase over 1950 in our sales of all products being 21 per cent. While this was a substantial increase, the demand in these countries is still relatively very small when one compares it with countries like the USA and United Kingdom. For example, in the year 1938 the consumption of petroleum products per head of the population was 300 gallons in the United States, 56 gallons in the United Kingdom and 1 gallon in India and Pakistan. In 1951 consumption per head had risen in the United States to 578 gallons, in the United Kingdom to 104 gallons, and in India and Pakistan to 3 gallons. There is, unfortunately, no comparison to be drawn between the standards of living in the United Kingdom and the United States and the standard in these Eastern countries, but the figures indicate that as standards of living advance in the East there will be scope for a steady expansion of the demand for petroleum products.

In general, trading in petroleum products was agreeably free from restrictions both in India and in Pakistan, though the restrictions on trading between India and Pakistan, affecting us particularly in East Pakistan, to which I referred last year, unfortunately still remain.

Prices f.o.b. Gulf of Mexico, which is the basis of oil prices the world over, showed a very slight upward tendency during the year, but there was a substantial increase in freight rates, resulting in higher market prices, which in our markets are already loaded with import or excise duties and in some with sales taxes also. About half the price of motor spirit in India and Pakistan is due to such taxes. They are a favourite source of revenue to Governments because they are so easy to collect, but they are a heavy burden for the

consumer to carry on what is no longer a luxury product.

ABADAN—SUPPLY PROBLEM

The supplies of petroleum products we needed for our trade in 1951 totalled over 1 million tons, and with our Burma production so severely curtailed only about 26 per cent of this came from our own oilfields. The balance had to be imported and until July last year came almost entirely from Abadan. When, therefore, Abadan closed down an immediate supply problem arose for our suppliers and for us and all of Abadan's former customers. To replace production at the rate of 30 million tons a year, which was the amount which was suddenly cut off, was a major and inevitably costly operation; not only the finding of the oil itself, but the re-routing of tankers to load at ports which could supply it, and that, for the most part, meant re-routing to ports at the other side of the world. The magnitude of this operation can be imagined from the fact that in the critical two months there would ordinarily have been about 400 tankers loading at Anglo-Iranian's two ports in Iran. That the transformation was effected without any country in the world having to ration its distribution one can only describe as a remarkable achievement on the part of the international oil industry. The problem of maintaining supplies to meet consumers' needs has engaged the attention of committees, set up under the aegis of the Governments both in the United Kingdom and the United States, and they have rendered the greatest assistance.

LABOUR

The level of employment of labour by our companies remained steady last year in India and Pakistan and rose by a few hundred in Burma in line with a small increase in activity there. Relations generally were good, though negotiations with the unions continued to suffer from the application of the labour policies in those countries, particularly in India. The lack of discipline inevitably resulting from the too ready reference by the Government to adjudicators of what are often excessive demands by the unions and the amenableness of Indian adjudicators in responding to them are apt to frustrate the intention of the Trade Disputes Acts to get management and labour together. Until recently the Government of Pakistan appeared to set their face against the Indian practice of adjudication, but there are now signs that they, too, are tending to follow it. Despite the ever-present threat of litigation, the high standards of our welfare and terms of employment ensure that there is fundamental satisfaction among our men, which is greatly aided by wise and sympathetic understanding of the workers by our supervisory staffs.

It may be of interest to you to know that in the production, refining and marketing of petroleum and its products we provide direct employment for about 22,000 men and women at home and abroad. Our shareholders number about 46,000. Those who supply the tools and the capital are therefore just about double the number of those who supply the brains and the labour. The third partner in business nowadays, the Governments, provide neither capital nor labour, but they took 58 per cent of our 1951 profits.

TANKERS

Our small fleet of tankers continued to operate satisfactorily during the year. It has always been the board's policy to keep our ships in the best possible condition, and this has undoubtedly been repaid by their long service, aided by the loyal and efficient services of our officers and engineers. The three new tankers now building are small

ships of 8,400 tons each, suitably designed for the Eastern ports with which we trade. The first of them was launched six weeks ago and is expected to come into service in October this year. We expect delivery of the other two about the middle of next year.

STAFF

I would ask you to accord your appreciation of the continued good work of the staffs of our group of companies, both at home and in the East, ashore and afloat, under the guidance of your managing director, Mr Abraham, and of Mr Eadie, whose appointment a year ago as assistant managing director was so fitting. You will have appreciated from what I have said today that difficulties of many different kinds arise from day to day in the conduct of the business and we are fortunate in the managements and staff we have to deal with them.

Mr Abraham, Mr Eadie, and Colonel Spens all visited our Eastern properties last year. I shall be asking Colonel Spens to second the adoption of the report and accounts and I hope he will take that opportunity to give you some impressions from his visit.

I now beg to propose that the report of the directors and the audited statement of accounts including the balance sheet and profit and loss account to December 31, 1951, presented to this meeting be received, approved and adopted, and I call upon Colonel Spens to second this motion.

Colonel Spens, in seconding the motion, said that having been a director since 1936, he felt it was high time that he went to see the property of the company.

Along with Mr Eadie, the assistant managing director, he went to Rangoon to our oilfields at Chauk in Burma, and Digboi in Assam, Golmuri where the Tinsplate Company is situated, which is associated with Tata, to Chittagong in Eastern Pakistan, to Chakwal in Pakistan near Rawalpindi, where we also have oilfields, and our prospecting area in Baluchistan. He also saw the activities of our associated distributing company Burmah-Shell in India and Pakistan.

So far as Rangoon was concerned, he said that he was much impressed with our good relations with the Burmese Government, particularly those of Mr Abraham, the managing director, and those in charge of the management on the spot.

As regards all the other activities, he was greatly struck with the loyalty of the staffs, and their esprit de corps. He met many Scotsmen, and he was very glad to find that so many Scotsmen were associated with what is essentially a Scottish company. He met many of the covenanted Asian staffs, and felt that they had exactly the same feeling about the company as the British members thereof. In his opinion, all our relations with the Governments of Burma, India and Pakistan were good, and the company was respected and indeed admired. Finally, he stressed again the loyal and efficient service which had been got from the staffs which he was sure would always continue.

The report and accounts were unanimously adopted.

The final dividend of 2s. 6d. and the bonus of 1s. 2.4d. per £1 unit on the ordinary stock, both less income-tax at 9s. 6d. in the £, recommended by the directors, were approved and declared payable on July 18th, and the balance of £586,981 was carried forward.

Sir Kenneth B. Harper and Colonel Hugh B. Spens, CBE, DSO, DL, the directors retiring by rotation, were unanimously re-elected.

The proceedings terminated with a vote of thanks to the chairman.

J. LYONS AND COMPANY

PROGRESS LIMITED BY CONTROLS

MR M. GLUCKSTEIN ON AN EFFICIENT INDUSTRY

The fifty-eighth annual general meeting of J. Lyons and Company, Limited, was held on July 7th in London, Mr M. Gluckstein, the chairman, presiding.

The following is the chairman's circulated statement:—

In October last we were very grieved at the death of our colleague, Mr W. H. Gaunt. Joining the company 32 years previously, at a time when our transport was rapidly developing, he was primarily concerned with it and distribution. He was a man of wide interests and experience, and a leading authority in the transport world. His zeal for work, his humanity and his many interests are remembered by all with whom he was in touch, and they were many.

During the year Mr W. A. Coyte, also a director, retired, having reached, he felt, an age at which he wished to free himself of the strains of an active business life. He was chief engineer of the company and had served it for over 40 years. He was held by us all in high esteem. We were sorry to lose the benefit and pleasure of his association with us, and we wish him many years of good health and happiness in his retirement.

In December last we appointed to the board Mr Ivor F. Salmon. We continue our policy of creating a reserve of younger men ready to undertake higher responsibility and thus to maintain continuity in policy and management. Mr Ivor Salmon has had a long and thorough training in the business, and we welcome him to the seat on the Board for which he is so well qualified.

Our present articles restrict the number of directors to a maximum of 24, of whom not more than 14 may be ordinary directors. In view of the increasing ramifications of the business, we think it desirable to be able to accelerate the promotion of some of those younger men to whom I have referred in the previous paragraph. A resolution will accordingly be submitted to the meeting increasing the maximum number to 30, of whom not more than 20 may be ordinary directors.

TRADING RESULTS

The accounts which are presented with this statement are of the fifty-eighth year of the company and include the balance sheet and profit and loss account of the company and the consolidated balance sheet and profit and loss account of the group comprising the company and its subsidiaries.

The net profit for the year is £615,075, which compares with last year's figure of £610,262. Dividends on preference and preferred ordinary stocks for the year have absorbed £260,511. We are recommending the payment of final dividends on the ordinary, "A" ordinary and proportional profit capital at the same rates as last year, which, with the interim dividends paid in December last, will take £297,234. Included in this figure is a full year's dividend on the £660,000 "A" ordinary stock issued at the close of the previous year.

I think we may feel that these results are not, under present circumstances, unsatisfactory. Looking round at the company's wide range of activities we see limited progress—limited, of course, by causes beyond our control and not by any lack of effort. We have been able to complete a considerable extension to our factory at Rannoch Road in Fulham. This is principally for the production of frozen cooked foods, including a wide variety of sandwiches, which we

are making available under the name "Frood" for sale overseas and by shopkeepers and caterers throughout the country. We have also during the year been able to reopen some more of the tearooms which the war had closed. In London the meal voucher business, which we named the "Lyons Luncheon Club," continues to grow both at the Corner Houses and tearooms, and it clearly serves a real need especially for the office worker. In addition to maintaining our full range of products, we continue to put new ones before the housewife. Quaffy, the quick coffee, has been available for some time, and we have now added Chico, an instantly made coffee and chicory product, at a lower price. Our private catering department wins praise, not only at the Chelsea Flower Show, Wimbledon, and elsewhere in and around London, but also much further afield, for example, the catering arrangements for the opening of the wonderful new Abbey Steel Works at Margam, Glamorgan.

IMPOSITION OF NEW BURDENS

It will not be expected that, in a year in which the country's financial and raw materials position has been so difficult, we as a company have found things easy. Many restrictions are still imposed on us. There have been cuts in rations and in imports of unrationed foods. We have also suffered our full share of the accumulated effects of years in which taxation has made the proper replacement of capital assets more and more difficult, and of Budgets that have had the effect of reducing the standard of living to one low level of equality rather than of offering inducements to get above that level by work, efficiency and thrift. The last Budget seems to have begun a change which is welcome if it is the forerunner of others which will relieve the burdens on industry, for it seeks to restore incentive to the individual. Unhappily it stops at the individual and, instead of incentives for industry, it imposes new burdens. Perhaps they are necessary this year—on that there may be differences of opinion—but it is clear to everyone that our very livelihood depends on our industries competing in overseas markets. Should not the Government recognise that, where there has been monetary depreciation, it is useless to exhort industry to increase production unless steps are taken to encourage investment of additional capital by affording further tax relief in respect of all profit that is ploughed back into the business.

PRICE FACTOR

We are much concerned at the increases we are being forced to make in some of our prices. They are made only after close examination of the increased costs that compel them, and after every effort to avoid them. They are deferred as long as possible. Our policy will still be to increase the volume of business by reducing prices wherever and whenever that can be done.

None the less we welcomed the modifications proposed by the Government to the food subsidies, for although this meant some increases in our prices which we do not like, how could we object to proposals which, we hope, will lead to an increase in the quantities of food available. In the case of tea, the withdrawal of the subsidy is to be followed by an increase in the ration and, after that, the ending of rationing should be justified long before the end of the year.

TRIBUTE TO STAFF

I am glad to be able to say again that throughout the business we continue to enjoy the loyal and enthusiastic co-operation of our staff of all ranks without which we could not have overcome the many difficulties. There are two sides to loyalty, and I hope that our staff will continue to feel that their loyalty to the company is matched by the company's interest in them. Even those who are new to our service quickly seem to absorb from their fellow-workers of longer service that tradition of loyalty and enthusiastic endeavour in the company's interests, to which I have referred before and which has always characterised our staff. I am sure you will wish to be associated with us in this tribute to them.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the Chairman said:—

I only wish to add a word or two to the statement that was sent out with the accounts. I said there that we shall continue our endeavours not merely to avoid increasing prices but to reduce them whenever and wherever that becomes possible, but the nation cannot hope to see prices fall so long as the cost of Government is so high: on average since the war it has been increasing by nearly £100 million a year. There are signs that the present Government is making some effort to check this appalling progress, though the effort does not appear yet to be vigorous enough, nor to extend as far as it should.

The very high level of taxation is making it impossible for industry to maintain, still less to increase, capital assets. I know this is constantly being said by chairmen of companies. I make no apology for doing the same; it cannot be too often repeated. Taxation relief in respect of profits retained in the business is grossly inadequate. The Excess Profits Levy and the withdrawal of initial allowances will add to a tax burden which is already excessive and make it increasingly difficult for industry even to maintain its existing volume of production at a time when the need is to increase it. We recognise that rearmament is essential and that industry must make its contribution towards the cost; but industry is also faced with constant increases in the cost of renewing its tools, and if it cannot do so it can neither keep the country's labour force in employment, nor continue in full its contribution to the country's recovery. This applies, of course, to the catering industry as much as to any other.

To decry British catering seems to have become a national sport with no close season. I claim that the industry needs no vindication despite all its special handicaps. It is both efficient and enterprising, its prices compare favourably with those in any other country, and it has shown itself able to meet all emergencies and exceptional demands.

Whenever we have a great State function, such as the Coronation to be held in 1953, there is always so much talk about the expected crowds that the public assumes it will be difficult to get meals and refreshments. That assumption is unjustified, and I hope no one will be discouraged from coming on that account. We, and others in the catering trade, have long experience of the extra demands made on these occasions and we may be relied upon to meet them.

The report and accounts were unanimously adopted.

LAPORTE CHEMICALS LIMITED

FURTHER PROGRESS

PROJECTED PROVISION OF £2 MILLION OF NEW CAPITAL

MR L. P. O'BRIEN ON FORWARD PLANS

The forty-fifth annual general meeting of Laporte Chemicals Limited, was held on July 10th, in London, Mr L. P. O'Brien, chairman and managing director, presiding.

The following is an extract from his circulated statement:

I am happy to report a further advance in the earnings of the Laporte Group, although normally that is what one would look for in view of the retention in the business of considerable sums of undistributed surpluses in recent years, and because of the large sums spent annually on fruitful research. An increased capacity for production of the main specialities of the group occurred in time to take advantage of a strong demand. The sales figures in both home and export markets established records by weight and by value but there was a noticeable slackening off in forward demand in the January-March, 1952, quarter, which has continued to this date. Despite this slackening in demand, the main plants continued to run at full capacity and the surplus earned in the last quarter held level with the average of the three previous quarters.

In connection with the matter of reorganisation, we have wound up five of the subsidiary companies in order to simplify the structure of our group, to economise and add to its efficiency by cutting out unnecessary inter-company work. Associated Phosphate Manufacturers Limited, Wm. Burton and Sons (Bethnal Green) Limited and Genoxide Limited have been wound up. Their surplus assets, after discharge of liabilities, have been taken over by the parent company and the respective businesses are now being conducted on a departmental basis.

EXPANSION PROJECTS

Laporte Acids, Limited, is now engaged in building at Hunt Works a new sulphuric acid plant designed to burn pyrites; the rated capacity is 100 tons per day of 100 per cent acid. A significant part of the output of this new plant has been sold for some years ahead.

Our continually expanding hydrogen peroxide business is the mainstay of the parent company, and the fact that efficiencies and outputs have been improved is a source of gratification to your directors but, on the other hand, looking ahead, the research department is continually striving to evolve still cheaper and better methods of manufacture.

Some major projects planned by the Laporte Group for cutting down expenses and making more goods are held up for lack of permission to embark on new capital jobs at the present time, but as circumstances permit we shall put our plans into operation.

The biggest job in hand at present is the building by our subsidiary, National Titanium Pigments, Limited, of the new titanium oxide plant with its attendant new sulphuric acid plant at Battery Works, Stallingborough, North Lincolnshire. These plants are likely to be completed by March, 1953. Meanwhile, N.T.P. results for last year were satisfactory, based on the limited output at Luton.

DIVIDEND INCREASED TO 12½ PER CENT

Referring to the consolidated profit and loss account, the surplus arising from last

year's operations before deducting depreciation and taxation is £988,341—that is, 17 per cent more than for the previous year. Then there is, a non-recurring item of £62,507, also subject to taxation. The total income after depreciation was £887,802 (subject to taxation) against the previous £690,137. When we estimate how much we shall set aside for future taxation liabilities for 1952-53, we find we need £493,128—an increase of £160,225 over the previous year.

The accounts disclose the amount available for allocation as £633,993.

After detailing the various allocations, the statement continues: We propose to pay a final gross dividend of 9½ per cent, making the total dividend on the ordinary stock 12½ per cent, less tax—an increase of 2½ per cent, leaving £323,435 to be carried forward, an addition this time of £134,842.

Despite the total income of about £1 million, cash was bound to be down after the rate at which we have been spending it on capital jobs. By the end of May, 1952, the group had exhausted its cash balances and is now relying on bank credits, which need to be paid back in the early autumn. Consequently, later in the year you may expect to receive a communication from the company outlining its plans for raising about £2 million of additional capital.

CONFIDENCE IN THE FUTURE

We face the future with confidence, but everywhere there are indications that for some time ahead people here and abroad will be curtailing expenditure, and we shall be exceptionally fortunate if our group does not feel the effect of it to some extent. On the other hand, there are strong factors in our favour. (1) We are manufacturers of essential chemical products for which there are found new outlets in both bad and good times because this is the chemical and engineering age. (2) There is a healthy, world-wide hunger for an even better standard of living and chemical industries under modern conditions will be in the foreground to supply the ever-widening needs of the other basic industries, and also of the so-called secondary industries. (3) Within the possibilities of the postwar times, British chemical industries (including Laporte) have made and will yet make great scientific progress by new discoveries and have created new productive capacities and built up strong reserves. In this connection the Laporte Group rejoices in the prosperity of other chemical and allied industries, included among whom are our largest customers. (4) There is a good feeling between employers and employees, who work well together to overcome difficulties as they arise.

Certainly our forward plans are based on the firm belief that when our group extensions now in hand are completed we shall need to go still further to meet the demands of present and potential customers. So we shall not be too perturbed if orders slacken off while some of our buyers use up some of their stocks before gaining confidence to renew their orders.

The report was adopted.

ASSOCIATED WEAVERS

SIR FRANK NEWNES ON RECORD TURNOVER

NEW MOQUETTE FABRIC CREATED

The sixteenth annual general meeting of Associated Weavers Limited, will be held at the Savoy Hotel, London, on July 30, 1952.

The following are extracts from the statement by the chairman, Sir Frank H. Newnes, Bart, which has been circulated with the report and accounts for the year ended March 31, 1952.

For the year under review your group's turnover, despite a falling off in sales during the second half of the year, was once again a record both as to exports and home trade, but, in spite of this and due to circumstances outside our control, our consolidated profit for the year dropped. The net profit after all expenses but before deducting taxation was £300,538, against £430,709 for the previous year. This result was, however, the second best in your company's history, which we consider is by no means unsatisfactory when taking into consideration that, during the whole of the year, prices of the raw materials we use continued to fall and so did our selling prices, with the result that we suffered continuously from stock losses. Our main export markets are still closed, either by reason of controls or saturation, and this had, and is still having, its effect on our sales.

The directors, therefore, do not consider it wise to increase the total amount distributed in dividend. They have already paid 10 per cent, less tax, on the ordinary stock before it was increased by the most recent capital bonus. They now recommend a final dividend of 18 per cent, less tax, making a total of 28 per cent for the year, requiring £42,575 net, against £42,891 net last year.

The group's current assets at March 31st last of £999,386 were more than three times our current liabilities and included £118,672 cash at bank and in hand, which figure by May 31, 1952, had risen to £300,939.

During the latter part of the year our Moquette Division created a new and very attractive "Twin Pile Weave" fabric, which met with instantaneous success and which, by reason of a new technique in weaving, as well as its designs and styling, we are able to sell at a very economical price. We fully believe that this fabric will further enhance the popularity of moquette as a furniture covering now and in the future.

The complete re-equipment of the Carpet Division with the most modern machinery is proceeding, and it is hoped that the new plant will be completely installed and running by the middle of 1953. In April the carpet industry was freed further from controls and we welcome this action by the Board of Trade, which will enable us to develop new styles and qualities unfettered by restrictive regulations. On June 2, 1952, with other British carpet manufacturers, we reduced our prices, roughly by 10 per cent. It is still too early to assess what effect this reduction will have on demand. In the meantime the popularity of our "Weavercraft" carpet squares continues to grow, although recently sales have been considerably affected by fear of purchase tax alterations.

The equipment of our Spinning Division is now complete and is one of the most up-to-date of its type in this country.

During the year under review our subsidiary, Armoxide Limited, continued to increase its sales in both export and home markets, both figures being a record for the company. Here, again, I am pleased to record that we produced a new type of plastic

cloth, which we named "Florestin," which met with outstanding success at the British Furniture Trades Exhibition early this year.

With regard to the current year, none of the past difficulties of raw material shortages exist, but one cannot overlook the fact that

as a result of circumstances outside our control there still are serious problems to overcome. While these difficulties continue they must adversely affect our trading results, although our group turnover and profits to date are better than might be expected in

view of current circumstances.

In conclusion, may I again thank our executive staff, employees, our sales organisation and their agents throughout the world for the teamwork which has enabled us once again to achieve such satisfactory results.

WIGGINS TEAPE & COMPANY (1919) LIMITED

A TRIPLE RECORD

SATISFACTORY PROGRESS OF NEW PROJECTS

MR L. W. FARROW ON CURRENT YEAR'S PROSPECTS

The thirty-third annual general meeting of Wiggins Teape & Company (1919) Limited, was held on Thursday, July 3rd, in London, Mr L. W. Farrow, CBE, the chairman, presiding.

The following is an extract from the statement by the chairman, circulated with the report:—

The results for 1951 have proved, in every respect, a record in the history of the company. This can be accounted for as follows: (1) the productions of paper, including those from our new projects and other manufactured goods exceeded those of any previous year, (2) the sales of our own productions and those of merchant papers were an all-time record both at home and overseas, and (3) the sales in quantities exceeded both the productions of our mills and purchases made, thus we were reducing our stocks of paper.

The record sales of our own productions and those of merchant papers would even in a time of normal business have produced considerably increased profits, but to these profits must be added: (1) profits accruing from stocks of raw materials held at favourable prices when prices of paper were advanced; and (2) profits resulting from sales of finished products out of stock.

NEW PROJECTS

I have referred in my statements during the past four years to our three new projects in this country, namely (1) the new machine at Chartham Mill for the manufacture of tracing paper, (2) the new machine at Glory Mill for increasing the productions of photographic base paper, and (3) the Bridgend Paper Mill in South Wales for the manufacture of tissue paper. All these new projects made satisfactory progress during 1951 and contributed their quota of the profits earned. I do not propose to refer specifically to these projects in my statements in the future, as the construction and running-in periods are, I am glad to say, completed.

The South African Pulp and Paper Industries, Limited, in which your company has a substantial interest, again had a record year of trading profit during 1951. Your directors continue to be very satisfied with this overseas investment and our relations with the management of SAPPI remain most cordial.

Our subsidiary, Pirie Appleton and Company, Limited, and its group of companies overseas, continued to make satisfactory progress.

CAPITAL EXPENDITURE

Now that the constructional work on our new projects has been completed it is appropriate to refer to the sums expended on capital account since the end of the late war. These amount to £4,911,435 and, in addition, your company has had to find large sums of

cash, amounting to £4,357,025, for the increased working capital required by the expansion of the group's business and the rise in prices, an aggregate of £9,268,460. Against this total, a sum of £4,498,560 has been raised (including £2 million second debentures raised during the year), leaving a sum of £4,769,900, of which £806,911 has been capitalised by the issue of bonus ordinary capital and £3,962,989 remains as an addition to our various reserve accounts and provisions.

It will be appreciated from the foregoing remarks and the figures referred to that every penny of profit earned, remaining after the payment of taxation, interest and very modest dividends, has been required to provide the group with funds to meet the expansion in the working capital of the group, brought about by the inflation in prices. Notwithstanding the record profits earned, owing to the drain on the cash resources of the group by the incidence of very high taxation, it was necessary to supplement the amount of profits ploughed back into the business by the issue of £2 million 4½ per cent second debentures.

With regard to the accounts, the only change in the capital structure during the year has been the issue of second debentures to which I have referred.

The unsecured bank loan of £500,000 which appeared in our last balance sheet has been paid off and the amount owing on acceptance credits has been reduced to £270,000 out of the proceeds of the debenture issue. The balance of the acceptance credits has been extinguished since the date of the balance sheet.

A sum of £533,598 has been set aside out of the group profits for the year to cover the computed actuarial liability in respect of pensions granted by the group companies and supplementary pensions payable under revised pension schemes to members of the staff and operatives who have retired at the date of the balance sheet.

GROUP RESULTS

The consolidated trading profits of the group for 1951 after providing for all expenses and increases in revenue reserves amounted to £5,023,541, compared with £1,814,713 for 1950. After allowing for taxation dividends applicable to outside shareholders and profits retained in subsidiary companies, etc., the profit of Wiggins Teape & Company (1919) Limited amounts to £1,610,208, compared with £854,330 for 1950.

A sum of £695,913 has been transferred to reserves against stocks of paper and raw materials, bringing that reserve up to £1 million, which, of course, has borne tax. Your directors are confident that this sum is more than ample to cover any losses which may arise on these stocks due to reductions

in prices of raw materials, having regard to the fact that such losses, when they occur, will be a charge against profits for taxation purposes.

Your directors are recommending a final dividend of 4½ per cent, together with a bonus of 1 per cent, both free of tax, making, with the interim, a total of 6½ per cent, free of tax, on the ordinary stock for the year 1951, compared with 4½ per cent, free of tax, for the year 1950. After transferring £1,218,000 to general reserve, bringing that reserve to a total of £1,766,089, the carry forward is slightly increased to £62,667.

THE CURRENT YEAR

With regard to the current year, there has been a serious recession in the demand for paper and paper products, not only in this country, but throughout the world. So far as the home market is concerned, several factors have operated to bring this about. Significant among these is the recession in other trades, notably in the cotton, woollen and rayon industries, where reduced outputs have brought lessened demands for many types of paper. Also, owing to fear of a severe shortage of paper, stockists and consumers acquired large stocks which they are now anxious to reduce before placing new orders. Finally, buyers of paper have been expecting reductions in prices following the fall in the prices of raw materials and consequently have ordered only their barest requirements. However, reductions in the prices of most types of paper have now been made, but it is too early to gauge their effect.

In the export markets, restrictions and quotas have been imposed by many countries, mainly due to the need for conserving currencies in their efforts to balance their imports and exports.

With regard to the outlook for your own group, the future is unpredictable, but I am able to inform you that we have made satisfactory profits during the first five months of the year before taking into account depreciation of our stock values of paper and raw material, for which ample provision has been made in the 1951 accounts.

THANKS TO STAFF

It is my pleasant duty once again to refer to our employees, both at home and abroad, and to express to them our sincere appreciation for their untiring co-operation, loyal service and praiseworthy work during the past year. We are proud of our company and we are sure that this feeling is shared by our employees in the mills, warehouses and offices both in this country and overseas, who have always given of their best to keep the name of Wiggins Teape right in the forefront as papermakers and synonymous with quality and good service.

The report and accounts were adopted.

SMITH'S POTATO CRISPS

DEMAND UNABATED

The twenty-third ordinary general meeting of Smith's Potato Crisps (1929) Limited, was held on July 9th, in London.

Mr F. Le Neve-Foster, the chairman, in the course of his speech, said: The results which I have to place before you today are satisfactory. The profit of the group before taxation is £242,585 as against £232,885 last year. After making the appreciably larger provision which is necessary for taxation, the net profit is £92,458 as against £101,633, a slight fall. The increased profit is attributable to larger profits in the subsidiary companies which have been more than sufficient to offset the fall of approximately £10,000 in the results of the parent company. This is due mainly to the improved profits which we have derived from our farms belonging to the Estates Company. So far as the parent company is concerned, we have encountered many difficulties arising from increased costs.

DIVIDEND AND APPROPRIATIONS

The directors recommend a final dividend of 20 per cent, plus a cash bonus of 5 per cent, both less income tax, making a total distribution equivalent to 32½ per cent for the year, which is the same distribution as we have made for the past years. Some of you may have seen a reference to our results in one of the leading daily newspapers, wherein, after referring to your company as "a little blue chip," the directors were chided for not increasing the dividend. While we feel highly complimented in your company being referred to as "a little blue chip," a compliment which we think is fully justified, we feel that the criticism of parsimony to the shareholders is not deserved. Of the net group profits for the year of £92,458, we are distributing £64,194, leaving a margin of £28,264 in respect of profits retained, which can hardly be said to be excessive.

Smith's Potato Estates, Limited, taken all round, had a good season and we believe that the policy of up-grading and improvement which we have pursued at the farms during the last few years is beginning to bear some fruit. Perhaps the greatest problem which faces this country today is the necessity for increased production of home-grown food. We are proud of our contribution towards this end.

The demand for our product continues unabated. Wherever food is served or sold, Smith's Crisps will be found. They are universally popular at picnics and in the home. Quality is ever our watchword. There are no crisps like Smith's.

RISING COSTS

The effect of rising costs, materials, etc., has been severely felt by many of our small competitors, and, as a result, several of them have closed down and gone out of business. Our supplies are still limited by rationing of essential materials, but we are not prepared to sacrifice the quality of our product, which is the keynote of our success, by the use of inferior materials.

Taking a world view, it looks as if supplies of many commodities are becoming more plentiful and commodity prices for the most part show a definite downward trend.

Under Mr Smith's inspiration, I have every confidence that, come what may, with the unrivalled and dominating position we have established in the trade and the experience we have gained and the resources available, this company will continue to give an account of itself which is worthy of its record in the past.

The report was adopted.

SPEAR & JACKSON, LIMITED

(Saw and Tool Makers)

GROUP SALES PROGRESS

VERY SATISFACTORY LIQUID POSITION

MR A. K. WILSON ON THE WORLD-WIDE HIGH REPUTATION

The forty-seventh annual general meeting of Spear & Jackson, Limited, was held on July 4th in Sheffield.

Mr A. K. Wilson, chairman and managing director, presided.

The following is an extract from his circulated statement:—

The sales of both the parent company and of the group show an increase compared with the year 1950, but, in spite of this, profits for 1951 are lower than those for 1950. This is due to the sharp rise in the cost of all our materials during 1951 and to increases in wages. Selling prices have been adjusted, but it must be borne in mind that competition in many markets has greatly increased and, in revising prices, regard must be had to the extreme importance as long-term policy, of retaining the company's widespread goodwill even at rather lower profit margins. Our subsidiaries all show increased sales and the Canadian company shows an increased profit. The American company has made a useful profit, although this is less than that for 1950. The South African company has made a small loss.

PROFIT AND LOSS ACCOUNTS

Consolidated Account of the Group.—The trading profit of the group is £265,986, compared with £278,770, and the net profit after meeting all charges and providing for the estimated taxation liabilities on the profits of the year is £88,543, compared with £104,173.

The balance carried to the appropriation account of Spear & Jackson, Limited, is £48,458, compared with £72,172.

Appropriation Account of Spear & Jackson, Limited.—After bringing forward from last year £30,808 and adding Spear & Jackson's own profit, £48,458, and the net dividends from subsidiaries, £2,754, the amount

available is £82,020, compared with £101,867 last year.

DIVIDENDS

The dividend on the preference shares for the year has been paid, which required a net sum of £2,100. The directors recommend a dividend on the ordinary shares for the year of 17½ per cent, requiring a net sum of £15,159, the same as for last year. After giving effect to these appropriations and recommendations the balance to be carried forward to next year is £29,761, compared with £30,808 last year.

BALANCE SHEETS

Taxation liabilities on the profits of the year have been provided for and adequate reserves made in respect of outstanding matters affecting Excess Profits Tax liabilities.

The liquid position of the company and of the group, and the position as a whole shown by the two balance sheets, is again very satisfactory.

GENERAL

Conditions, particularly in the export markets, became increasingly difficult owing to growing competition and the adoption by many countries of varying systems of import limitation. Shortage of labour has also remained a problem. However, the demand for our products throughout the year has remained in excess of our maximum output.

As I have said earlier in my statement, costs of production rose sharply during the year, and still continue to rise, but in spite of this we do our utmost, whilst maintaining our high standards of quality, to produce our products at competitive prices. To this end research is continuously being carried on and an order has been placed for a modern electric arc furnace, which will strengthen our steel-making resources and, at the same time, further improve the quality of our steels.

The rearmament programme has, as yet only partially affected us. We are in close touch with the authorities and are giving them every assistance possible. It is recognised, however, that the essential nature of our products to industry and to agriculture renders it desirable that our normal production should not be interfered with more than is absolutely necessary.

FUTURE PROSPECTS

I said last year that it was difficult and dangerous to forecast far ahead under existing conditions, and these words can be repeated with greater emphasis to-day. Although growing competition and increasing restrictions imposed by overseas countries on imports is a serious matter, I feel confident that with our worldwide sales organisation and high reputation we shall obtain a share of orders, both in the home and overseas markets, which will enable us to maintain full production.

In conclusion I would again express to the company's management, staff, and employees the board's appreciation of the high standard of workmanship maintained and the output obtained.

The report and accounts were adopted.

BRITISH INSURANCE

Last week the Chairman of the British Insurance Association claimed that the premium income of British insurers throughout the world exceeded £1,000 million. Perhaps one-third of these premiums are for ordinary and industrial life assurance; of the two-thirds that is received for fire accident and marine insurance overseas business accounts for several hundred million pound annually. The three articles that follow on the industry's achievements and problems form the first section of this year's survey of British Insurance. This week's issue of the Records and Statistics Supplement contains detailed analyses and statistical comparisons for the leading offices and for every branch of insurance business.

New Investment Perspective

THE total assets of British insurance companies must now exceed £3,500 million, and nearly three quarters of them are held in stock exchange securities. It seems probable therefore that the depreciation caused by last year's cataclysm in the markets amounted to well over a hundred million pounds. For the purely life offices and the life departments of the composite offices, the percentage depreciation last year can, in fact, be roughly estimated since most of their assets are held in British securities. According to the Actuaries' Investment Index, Old Consols fell by 13.4 per cent last year, debentures by 13.5 per cent, and preference shares by 11.8 per cent, while ordinary shares rose by 2.4 per cent. If these movements are weighted according to the average distribution of insurance assets in 1950, they suggest a fall of 7 per cent in their total assets (after making allowance for the stable value of mortgages, real property and cash). The non-life assets of the composite offices probably fared rather better than this, for many of their investments are held overseas to cover liabilities under

their large foreign business. These overseas investments include many United States Government bonds, which fell by up to 5 per cent last year, compared with a fall of upwards of 10 per cent in the types of British Government securities most favoured by the life funds.

Last year's depreciation would have been bad enough in itself, even if it had not come at the end of a quinquennium that comprised four bad investment years and only one moderately good one (1950). Between December, 1946, and December, 1951, 3 per cent Savings Bonds 1965-75 (which are perhaps more representative of the gilt-edged holdings of life funds than 2½ per cent Consols) fell by 24.3 per cent, while—to quote the Actuaries' Index again—debentures fell by 25.3 per cent, preference shares by 33.3 per cent and ordinary shares by 13.4 per cent. It is true that market prices at the end of 1946 were grossly inflated above the average prices at which the then existing assets had been bought, and that most of the £1,000 million odd of securities bought since 1946 were also purchased at prices some way below the Daltonian peak. Nevertheless, the depreciation on new

THE SCOTTISH HOLIDAY that will send you home really rested, really fit, is at Major Fullerton Carnegie's Stronvar House Hotel. Wonderful food (home farm), country-house comfort. Ideal for children. 18,000 private acres of woods, lochs, moors and mountains in the heart of Rob Roy's country. Own boating, tennis, fishing, shooting, stalking. Overnight London.—Write Major B. Carnegie, "Stronvar, Balquhitter, Perthshire."

PROFESSOR JOSUE DE CASTRO (Chairman of the Council of the Food and Agricultural Organisation of U.N., author of "World Hunger") will speak on "The Work of the United Nations Organisation" on Tuesday, July 15th, St. Paul's Cathedral, 6 p.m.

YOUNG MAN (24), Honours B.Sc. (Econ.), experienced statistics and research, now in motor industry, seeks market research or statistical post in London area.—Box 998.

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investments must have been substantial—particularly for those companies that have been expanding their life and annuity funds most rapidly since the end of the war.

It so happens that two such offices, the Eagle Star and Legal and General, published a quinquennial valuation of their assets and liabilities at the end of last year. The provisions that they made are instructive. Eagle Star provided £3,500,000 to meet depreciation on assets standing in the balance sheet (before writing off this depreciation) at £47.5 million; its total life funds in December, 1946, had amounted to only £22.5 million. Legal and General wrote £3,950,000 off assets totalling £164.4 million (before depreciation); its total assets (including some non-life funds) had amounted to £91.7 million five years before. (It is worth incidental notice that freehold and leasehold properties of this office showed a further and pronounced rise last year from £34.1 million to £46.6 million.) Depreciation provisions by other life offices that valued their liabilities at the end of last year are shown in detail in the current issue of the *Records and Statistics* supplement. They tell much the same story as the figures of Eagle Star and Legal and General, and so do the balance sheets issued at the end of last year by many companies for which no actuarial valuation fell due last year. The latter often attached a note to their balance sheets which either indicated that depreciation had been fully covered out of hidden reserves or else disclosed the amount of any short fall between the market and balance sheet values of their assets—although they were under no statutory obligation to do so.

The extent of the depreciation in non-life assets last year is not so easy to assess. Aggregate market values of non-life assets still exceed balance-sheet values for most, though not all, of the offices. But fifteen out of the twenty leading composite offices whose results are analysed in the current issue of *Records and Statistics* found it advisable to make transfers to non-life reserves of one type or another at the end of last year; since the number of such transfers was larger than in 1950 it seems reasonable to assume that some non-life funds were also feeling the pinch of depreciated investment values and depleted reserves by the end of 1951.

The figures analysed so far take the story only up to the end of last year. One insurance company, however, draws up its accounts at a later date than the others. The financial year of the London and Manchester ended on March 24th and this office has, therefore, had to face the additional depreciation since the turn of the year, including that resulting from the Budget. It is not surprising, therefore, that the company (which showed total assets, before depreciation, of £45 million) has increased its investment reserve fund from £1,225,000 to £4,350,000. During the first six months of this year, according to the Actuaries' Investment Index, 2½ per cent Consols depreciated by 9.8 per cent, debentures by 4.8 per cent, preference shares by 5.4 per cent and ordinary shares by as much as 16.1 per cent. This additional depreciation, on top of that already suffered since the end of 1946, suggests that only a few life offices could to-day certify that the present value of their assets still exceeds their balance sheet value after deducting any published reserve fund.

The differing procedures adopted to meet last year's depreciation of investments call for careful interpretation of the tables on page 133 that summarise the distribution

of insurance companies' portfolios last year and of the tables in *Records and Statistics* that analyse them in greater detail. In previous years, most offices had a hidden but variable margin between balance sheet and market values for each category of investment; National Mutual Life, which has consistently valued its stock exchange assets at market prices (maintaining an investment reserve fund to absorb investment profits and losses) was an exception. At the end of 1951, however, some of the offices whose hidden reserves were exhausted wrote down the values of the assets to current market values; the true distribution of their assets between various categories is thus now shown in the tables. Other offices, however, provided for depreciation out of published investment reserves, while others did not make any provision for depreciation at all; the distribution of their assets shown in the tables is therefore only approximately correct.

Following the practice initiated in this survey in 1951, Tables IIA and IIB provide separate analyses of the distribution of assets in the life and non-life funds of the leading offices. A substantial proportion of non-life assets is invested in overseas Government securities (especially United States Government bonds); British Government securities represent a much lower percentage of total assets for non-life than for life business, but cash and agents' and other balances are much higher; this is partly a matter of policy, because of the risk of large claims arising at any time, and partly a book-keeping arrangement connected with the system of agents' accounts and reinsurance treaties that sometimes obliges the non-life offices to grant credit for substantial sums and considerable periods.

Table I shows that the reduction in both the absolute amount and the proportion of total assets invested in gilt-edged, which began in 1949 and gathered pace in 1950, speeded up still further last year; nevertheless British Government securities still account for 32 per cent of total assets compared with only 17 per cent in 1938. These sales of gilt-edged and the net addition to the companies' funds enabled the offices included in the table to invest £212 million in other securities in 1951. As in 1950, the largest increases were in mortgages and debentures; the former rose by £51.8 million to comprise 11.3 per cent of total assets (10.2 per cent in 1950) and the latter by £38.8 million to comprise 11.1 per cent of total assets (10.4 per cent in 1950). Ordinary shares and properties also rose substantially last year, the former by £33.1 million to comprise 10.8 per cent of total assets (10.3 per cent in 1950) and the latter by £30.1 million to comprise 6.8 per cent of total assets (6.2 per cent in 1950). Cash and agents' balances of the 43 companies increased last year by £31.3 million to represent 8.2 per cent of total assets.

Table III shows that last year the average yield on the life and annuity funds of the leading offices began—but only began—to reflect the better returns that had been obtainable for some time on new money, as well as the widespread increases in ordinary dividends in 1951. Yields shown by offices that have provided for investment depreciation by transfers from life and annuity funds show larger increases than those that made no such provision; for this and other reasons the yields secured last year by some of the offices differ materially from the average and some show a much larger increase on the yield secured in 1950 than others.

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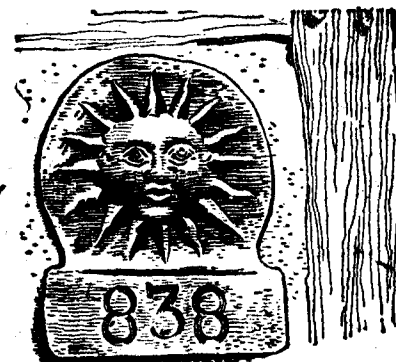
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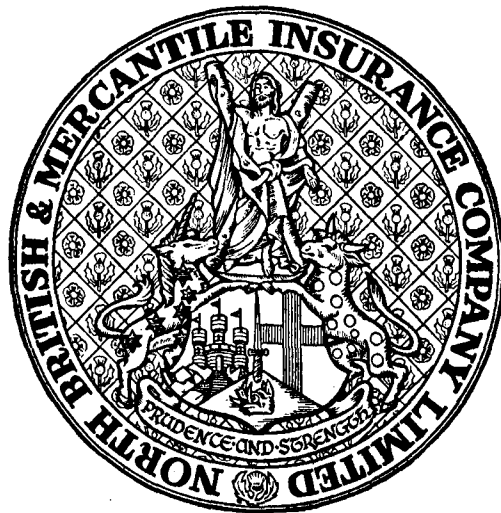
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ANALYSIS OF INSURANCE INVESTMENTS AND INTEREST RATES

TABLE I.—DISTRIBUTION OF INSURANCE ASSETS
TOTAL CONSOLIDATED ASSETS OF 43 OFFICES

Class of Assets	1949	1950	1951
	Per cent	£ million	Per cent
Mortgages, incl. policy loans	9.6	287.8	10.2
British Government and Government guaranteed securities	37.7	991.0	35.1
British Municipal and County and Overseas Government and Municipal securities	11.0	316.6	11.2
Debtenture stocks	9.1	295.5	10.4
Preference shares	7.7	212.1	7.5
Ordinary shares	10.1	292.8	10.3
Other investments	1.4	41.9	1.5
Property	5.8	174.6	6.2
Cash, agents' balances, etc.	7.6	214.4	7.6
Total Assets of 43 Offices	100.0	2,826.7	100.0

TABLE IIA.—PERCENTAGE DISTRIBUTION OF LIFE ANNUITY AND SINKING FUND ASSETS OF 41 OFFICES—END 1951

Company	Mortgages including Policy Loans	British Government and Government Guaranteed Securities	Home and Overseas Government and Municipal Securities	Debtenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
15 Mutual Life Offices									
Equitable	13.9	20.8	5.8	19.4	7.6	9.9	12.2	7.6	2.8
Friends' Provident(a)	25.4	11.7	3.0	19.0	8.6	13.7	7.8	7.0	3.8
London Life	14.9	38.5	7.0	8.1	6.8	13.4	...	9.3	2.0
Marine & General	13.6	17.9	2.7	10.8	18.5	20.0	...	12.7	3.8
National Mutual	14.6	20.9	1.4	14.8	12.8	17.2	...	11.3	7.0
National Provident	12.3	15.1	6.2	15.0	12.3	24.7	0.1	10.3	4.0
Norwich Union	49.3	10.7	6.8	4.1	1.0	3.6	6.9	14.2	3.4
Provident Mutual	5.2	35.0	4.7	11.2	14.7	20.6	...	2.5	6.1
Scottish Amicable	16.1	34.4	2.8	10.8	19.9	...	...	2.0	4.2
Scottish Equitable	25.1	24.7	2.2	14.5	10.6	19.2	...	0.9	2.8
Scottish Mutual	12.6	23.8	2.8	10.9	15.2	...	2.9	7.9	4.4
Scottish Provident	4.1	39.6	6.0	13.2	12.5	18.3	0.1	5.1	2.9
Scottish Widows	8.0	23.4	3.7	12.3	16.1	29.0	1.2	2.9	3.4
Standard	5.1	25.5	11.1	21.2	11.3	19.1	5.2	0.5	1.0
UK Provident	11.1	9.5	15.6	4.8	6.0	22.9	0.3	27.5	2.3
Average	17.7	22.5	6.8	12.6	9.5	16.7	3.5	7.7	3.0
4 Proprietary Life Offices									
Clerical, Medical & General	20.8	6.9	1.2	5.7	5.4	16.5	26.1	13.9	3.5
Equity & Law	11.4	17.3	2.0	13.0	10.6	25.0	13.1	5.1	2.5
Scottish Life	7.2	23.8	1.0	17.1	24.9	22.2	...	1.1	2.7
Sun Life	23.9	35.4	4.2	26.3	2.9	3.7	0.1	0.9	2.6
Average	19.2	26.1	3.0	19.4	6.8	12.0	7.0	3.8	2.7
6 Industrial-cum-Ordinary Offices									
Britannic	20.5	47.1	5.2	3.7	3.9	14.5	0.1	2.0	3.0
Co-operative (b)	26.0	47.6	3.3	3.1	3.7	5.0	3.9	4.1	3.3
Pearl (b)	2.7	45.8	10.6	12.6	7.0	13.2	0.1	3.1	3.9
Prudential (b)	4.8	45.0	5.8	13.3	7.7	10.2	0.4	8.7	4.1
Refuge	15.0	44.9	4.9	10.2	13.3	6.3	...	1.2	4.2
Wesleyan & General	26.4	44.9	4.9	5.6	11.1	...	...	4.8	2.3
Average	9.0	45.5	6.3	11.1	7.8	9.8	0.6	6.0	3.9
16 Composite Offices(c)									
Alliance	12.2	38.4	2.9	26.0	8.5	6.3	...	2.2	2.9
Atlas	18.0	24.8	7.1	14.4	8.9	12.2	0.3	10.2	4.1
Caledonian	14.8	38.8	3.5	7.2	6.1	17.9	...	5.3	6.4
Commercial Union	14.0	33.4	5.5	15.8	9.2	10.5	...	6.8	4.8
Eagle Star	9.4	36.5	3.2	7.1	10.6	19.9	0.5	10.5	2.3
Guardian	30.3	13.3	1.1	12.2	10.9	19.6	...	9.3	3.3
Law Union & Rock	26.8	37.2	7.9	7.8	6.5	6.2	...	5.0	2.6
Legal & General (b)	16.5	21.4	6.4	7.8	5.0	5.8	0.4	29.0	7.7
Liverpool & London & Globe	5.0	49.9	7.0	13.2	4.6	13.2	...	4.2	2.9
London Assurance	33.5	15.3	2.5	16.3	10.9	14.8	...	4.6	2.1
North British & Mercantile	19.2	43.5	11.9	6.1	3.5	7.6	1.3	1.0	5.9
Northern	20.4	18.3	7.8	17.9	11.5	16.3	...	3.3	4.5
Phoenix	20.1	36.1	6.8	11.2	6.3	11.4	...	5.8	2.3
Royal	7.9	51.1	12.2	11.1	3.6	10.6	...	0.7	2.8
Royal Exchange	9.6	16.6	6.0	33.0	10.8	11.4	0.4	7.8	4.4
Yorkshire	25.2	32.4	3.0	2.1	3.4	9.2	10.7	10.0	5.0
Average	16.4	30.7	8.5	11.7	6.8	10.3	0.6	12.1	14.9
Average of 41 Offices	13.3	35.9	6.2	12.1	7.8	11.5	1.6	7.7	3.9

(a) Excluding Century assets. (b) Including fire, accident, etc., assets (which in no case exceeded 5 per cent of the total assets). (c) Excluding sinking fund assets.

TABLE IIB.—PERCENTAGE DISTRIBUTION OF ASSETS OTHER THAN LIFE AND ANNUITY ASSETS OF 16 OFFICES—END 1951

Company	Mortgages including Policy Loans	British Government and Government Guaranteed Securities	Home and Overseas Government and Municipal Securities	Debtenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
Alliance	9.6	28.4	10.7	9.8	5.8	6.8	0.1	5.2	23.6
Atlas	7.6	10.2	27.3	8.8	1.5	5.8	0.4	4.7	33.7
Caledonian	...	19.8	24.4	6.9	4.2	2.3	...	3.2	39.1
Commercial Union	1.9	15.6	27.2	6.3	7.2	10.9	...	3.4	27.5
Eagle Star	6.3	4.4	13.7	5.4	5.7	32.8	1.4	7.4	22.8
Employers' Liability	...	4.2	58.0	2.5	1.3	6.2	1.9	3.0	22.9
Guardian	4.2	15.1	16.2	7.2	4.8	11.4	...	4.5	36.6
Liverpool & London & Globe	3.0	10.3	50.6	5.0	5.9	5.9	0.4	0.7	18.2
London & Lancashire	2.4	14.2	32.8	5.1	6.1	5.8	...	3.8	29.8
London Assurance	3.8	16.5	18.8	6.6	6.3	9.7	3.9	4.9	29.5
North British & Mercantile	0.7	20.6	33.8	8.2	5.2	6.1	2.4	1.4	21.6
Northern	0.9	23.7	20.1	8.9	5.5	7.4	...	0.6	32.9
Phoenix	3.3	9.8	29.9	13.2	5.8	6.6	0.2	5.4	25.8
Royal	2.5	16.3	43.9	4.8	5.5	6.0	2.1	2.4	16.5
Royal Exchange	3.2	20.7	20.9	9.9	2.3	3.9	0.5	1.4	37.2
Yorkshire	6.3	22.6	19.9	5.9	4.1	5.7	...	5.8	29.7
Average of Non-Life Assets of 16 Offices	3.0	15.6	31.2	6.9	5.2	7.9	0.9	3.2	26.1

TABLE III.—NET RATES OF INTEREST PER CENT
LIFE AND ANNUITY FUNDS OF 41 OFFICES

Company	1949	1950	1951
Mutual Life Offices	£ s. d.	£ s. d.	£ s. d.
Equitable	3 13 11	3 14 4	3 16 10
Friends' Provident	4 9 9	4 12 9	4 14 6
London Life	3 5 1	3 5 7	3 7 7
Marine & General	3 16 3	4 0 0	3 17 7
National Mutual	3 11 4	3 12 11	3 17 3
National Provident	4 3 4	4 5 6	4 11 5
Norwich Union	3 16 9	3 18 7	3 17 7
Provident Mutual	3 9 11	3 10 10	3 12 11
Scottish Amicable	3 15 0	3 14 6	3 16 2
Scottish Equitable	3 11 10	3 14 11	3 16 1
Scottish Mutual	3 10 0	3 9 10	3 18 1
Scottish Widows	3 8 8	3 9 8	3 15 6
Standard	3 15 4	3 18 1	4 1 11
UK Provident	3 17 5	3 18 5	4 1 4
United Kingdom Provident	3 19 8	3 19 3	4 5 0
Average	3 14 11	3 16 3	3 19 8
Proprietary Life Offices			
Clerical, Medical & General	3 12 0	3 12 10	4 1 0
Equity & Law	3 15 4	4 1 8	4 9 6
Scottish Life	3 11 4	3 14 7	3 17 10
Sun Life	3 3 0	3 3 1	3 7 3
Average	3 10 5	3 13 0	3 18 11
Industrial-cum-Ordinary Offices (a)			
Britannic	3 3 7	3 2 8	3 3 8
Co-operative	3 4 9	3 5 2	3 6 10
Pearl	3 10 1	3 9 7	3 12 7
Prudential	3 10 3	3 11 1	3 16 2
Refuge	3 6 1	3 5 11	3 7 8
Wesleyan & General	3 3 7	3 4 2	3 8 10
Average	3 6 5	3 6 5	3 9 4
Composite Offices			
Alliance	2 18 2	2 16 5	3 0 4
Atlas	3 5 9	3 5 5	3 12 6
Caledonian	3 2 10	3 2 11	3 9 4
Commercial Union	3 3 4	3 2 3	3 3 3
Eagle Star	3 13 4	3 11 10	3 14 10
Guardian	3 14 4	3 17 11	4 2 8
Law Union & Rock	3 7 3	3 6 3	3 8 1
Legal & General	3 10 1	3 10 9	3 17 6
Liverpool & London & Globe	3 2 0	3 0 6	3 0 11
North British & Mercantile	3 3 9	3 6 0	3 7 0
Northern	2 13 8	2 15 10	2 19 4
Phoenix	3 1 0	3 3 5	3 4 4
Royal	3 5 4	3 5 2	3 3 4
Royal Exchange	3 1 0	3 5 2	3 6 3
Yorkshire	3 12 4	3 9 4	3 16 7
Average	3 4 11	3 4 8	3 8 5
Average of 41 Offices	3 9 4	3 10 0	3 13 8

(a) Excluding industrial life funds.

DISTRIBUTION OF TOTAL ASSETS OF 43 OFFICES (£'000)

Company	Year	Mortgages including Policy Loans	British Government and Government Guaranteed Securities	Home and Overseas Government and Municipal Securities	Debtenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.	Total
Mutual Life Offices :											
Equitable	1950	3,214	4,207	1,092	4,901	2,000	1,944	2,653	1,732	492	22,235
	1951	3,256	4,871	1,342	4,544	1,775	2,304	2,849	1,779	656	23,376
Friends' Provident (a)	1950	6,423	4,208	702	4,791	2,341	3,364	1,965	1,799	914	26,507
	1951	7,556	3,488	888	5,658	2,577	4,088	2,329	2,988	1,123	29,793
London Life	1950	5,187	14,856	2,548	2,966	2,364	3,205	...	2,985	647	34,758
	1951	5,245	13,560	2,446	2,859	2,398	4,717	...	3,281	691	35,197
Marine & General	1950	679	940	124	596	970	...	...	481	239	4,687
	1951	678	887	136	536	920	995	...	630	188	4,970
National Mutual	1950	1,431	3,223	101	1,484	1,628	1,731	...	1,242	415	11,255
	1951	1,648	2,362	162	1,672	1,443	1,943	...	1,286	790	11,306
National Provident	1950	2,020	3,458	1,104	2,418	1,946	4,447	11	1,972	592	17,968
	1951	2,386	2,926	1,202	2,899	2,383	4,765	11	1,984	769	19,325
Norwich Union	1950	38,677	12,078	5,297	3,347	903	1,763	6,279	11,564	2,743	82,651
	1951	43,990	9,584	6,060	3,670	918	3,205	6,109	12,682	3,044	89,262
Provident Mutual	1950	916	6,631	962	1,949	2,934	3,752	...	460	686	18,290
	1951	960	6,501	881	2,084	2,728	3,830	...	462	1,124	18,570
Scottish Amicable	1950	4,138	9,030	691	2,927	2,643	4,565	...	502	691	25,187
	1951	4,576	9,807	785	3,080	2,779	5,659	...	571	1,207	28,464
Scottish Equitable	1950	3,708	4,070	188	2,269	1,581	3,094	...	128	475	15,513
	1951	4,027	3,961	350	2,323	1,692	3,084	...	142	453	16,032
Scottish Mutual	1950	1,083	2,615	304	1,147	2,207	1,799	349	928	668	11,100
	1951	1,466	2,777	326	1,269	2,242	1,800	341	923	611	11,655
Scottish Provident	1950	1,096	11,733	1,612	3,729	3,547	5,038	23	1,563	662	29,003
	1951	1,258	12,177	1,850	4,058	3,859	5,089	23	1,565	879	30,758
Scottish Widows'	1950	4,337	12,651	1,622	6,881	9,646	16,298	...	1,315	1,085	54,035
	1951	4,636	13,652	2,146	7,159	9,386	16,882	730	1,701	1,980	58,272
Standard	1950	4,123	25,926	10,059	17,579	9,624	13,700	4,459	476	1,018	86,964
	1951	5,057	25,026	10,869	20,879	11,084	18,758	5,140	485	1,017	98,315
United Kingdom Provident	1950	3,969	3,411	4,782	1,550	1,296	8,135	125	9,638	910	33,816
	1951	3,921	3,343	5,492	1,700	2,109	8,111	125	9,704	804	35,309
Total	1950	81,201	119,037	31,188	58,534	45,430	73,493	15,864	36,785	12,237	473,969
	1951	90,660	114,922	34,935	64,390	48,293	85,230	17,657	39,281	15,236	510,604
Proprietary Life Offices :											
Clerical, Medical & General	1950	4,777	1,869	252	1,335	1,325	3,609	5,181	3,885	427	22,660
	1951	4,889	1,623	279	1,351	1,280	3,885	6,154	3,263	815	23,539
Equity & Law	1950	4,486	5,432	472	4,633	4,310	8,145	4,533	1,807	845	34,663
	1951	4,110	6,263	734	4,690	3,809	9,041	4,727	1,849	914	36,137
Scottish Life	1950	684	3,428	113	2,038	3,216	2,306	...	129	339	12,253
	1951	925	3,044	121	2,189	3,180	2,833	...	134	343	12,769
Sun Life	1950	15,106	34,867	3,767	19,796	1,825	1,798	74	725	1,753	79,711
	1951	20,186	29,973	3,539	22,242	2,466	3,095	74	790	2,233	84,598
Total	1950	25,053	45,596	4,604	27,802	10,476	15,858	9,788	6,546	3,364	149,287
	1951	30,110	40,903	4,673	30,472	10,735	18,854	10,955	6,036	4,305	157,043
Industrial-cum-Ordinary Offices :											
Britannic	1950	12,911	35,444	3,780	1,955	2,724	10,290	106	1,319	3,193	71,722
	1951	15,638	35,936	3,963	2,843	2,939	11,071	106	1,511	2,254	76,261
Co-operative	1950	23,526	57,130	3,878	3,432	4,416	5,269	4,485	2,405	3,509	108,050
	1951	29,202	53,482	3,739	3,433	4,169	5,662	4,322	4,609	3,739	112,257
Pearl	1950	5,065	89,677	20,119	24,340	15,289	25,968	194	3,985	9,146	193,783
	1951	5,443	91,692	21,262	25,212	15,946	26,368	194	6,223	7,953	200,293
Prudential	1950	25,300	288,346	36,223	73,230	46,706	62,763	2,027	50,242	23,433	608,270
	1951	30,835	290,295	37,722	86,126	49,618	65,636	2,511	56,060	26,726	645,529
Refuge	1950	16,239	59,017	4,460	10,656	15,974	6,067	...	1,499	3,853	117,765
	1951	18,426	55,112	6,060	12,561	16,333	7,664	...	1,426	5,148	122,730
Wesleyan & General	1950	6,725	12,317	1,731	1,462	3,143	3	...	1,066	859	27,306
	1951	7,475	12,679	1,377	1,595	3,136	3	...	1,350	648	28,263
Total	1950	89,766	541,931	70,191	115,075	88,252	110,360	6,812	60,516	43,993	1,126,896
	1951	107,019	539,196	74,123	131,770	92,141	116,304	7,133	71,179	46,468	1,185,333
Composite Offices :											
Alliance	1950	6,096	20,420	3,659	9,541	3,978	3,272	18	1,961	6,788	55,733
	1951	6,351	18,948	3,811	10,244	4,059	3,694	16	2,095	7,355	56,573
Atlas	1950	4,985	8,342	6,659	4,281	1,556	3,579	126	3,064	5,924	38,516
	1951	5,555	7,598	6,568	4,925	2,349	3,874	126	3,211	7,012	41,218
Caledonian	1950	1,165	6,260	2,810	1,253	1,002	2,147	...	854	4,103	19,594
	1951	1,565	6,142	2,879	1,473	1,072	2,128	...	881	4,692	20,832
Commercial Union	1950	7,285	29,055	24,657	10,367	9,434	11,330	...	5,593	20,877	118,624
	1951	7,796	27,697	24,964	12,185	9,971	11,367	...	5,827	24,923	127,030
Eagle Star	1950	3,008	18,051	4,015	3,985	6,648	15,086	276	4,226	5,986	61,281
	1951	5,572	17,458	4,258	4,323	6,997	15,791	499	6,258	5,740	65,896
Employers' Liability	1950	...	1,615	21,239	335	520	1,988	690	1,140	7,535	35,062
	1951	...	1,555	21,551	931	493	2,284	690	1,121	8,530	37,155
Guardian	1950	4,930	5,746	3,195	3,440	3,157	4,682	...	2,336	6,657	34,043
	1951	6,466	5,568	3,507	3,725	3,001	5,962	...	2,634	8,108	38,971
Law Union & Rock (b)	1950	3,537	5,898	1,164	959	1,074	862	...	657	242	14,393
	1951	3,972	5,511	1,170	1,151	966	913	...	745	377	14,805
Legal & General	1950	19,835	41,511	11,694	10,596	8,788	8,033	398	34,115	10,250	145,218
	1951	26,461	34,412	10,346	12,556	8,059	9,239	380	46,557	12,400	160,410
Liverpool & London & Globe	1950	2,288	14,179	22,631	4,267	3,493	5,244	223	1,130	7,348	60,410
	1951	2,364	14,711	24,168	4,925	3,564	5,335	177	1,170	8,753	60,803
London Assurance	1950	5,542	6,821	5,252	4,402	3,242	4,487	1,002	1,943	7,048	39,739
	1951	6,716	6,861	5,273	4,489	3,492	5,048	1,002	2,075	7,948	42,904
London & Lancashire	1950	672	5,807	12,505	1,642	2,596	1,985	...	1,485	11,363	38,055
	1951	1,002	5,765	13,321	2,066	2,485	2,351	...	1,567	12,106	40,662
North British & Mercantile	1950	8,097	35,117	21,804	6,479	3,774	6,183	1,838	1,131	10,844	95,267
	1951	10,526	32,865	22,421	7,106	4,368	6,895	1,838	1,184	13,432	100,635
Northern	1950	4,267	12,201	7,346	5,637	3,798	4,172	31	796	8,988	47,237
	1951	4,600	10,886	7,618	6,443	4,045	5,653	...	871	10,690	50,806
Phoenix	1950	5,869	16,337	14,389	7,455	3,686	5,369	85	2,684	11,517	87,391
	1951	7,183	14,490	14,488	8,744	4,245	6,048	95	3,916	11,455	70,664
Royal	1950	4									

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In general, therefore, the figures shown in the tables call for cautious interpretation. But the broad picture presented by them is clear: In 1951 the 43 offices whose portfolios are summarised here, and which probably account for some 85 per cent of the total business transacted by the British insurance industry, showed an increase of £183½ million in their invested funds. Of this, £33.1 million went into ordinary shares, £8.1 million into preference shares and £38.8 million

into debentures. Without this massive annual new investment the stock markets would be even more unhappy than they are today. The accumulated investments of the insurance companies, and particularly those of the life and annuity funds, suffered from heavy depreciation on market values last year; but the depreciation that insurance investors really have to fear is that caused by moratoria on debenture services and passed dividends. There is no sign of such troubles on the horizon.

Valuations and Values

AT intervals of not more than five years every life office in this country has to carry out an actuarial valuation of its liabilities and submit a return on it to the Board of Trade; this return has to be accompanied by a certificate stating that "the assets set forth in the balance sheet are in the aggregate fully of the value stated therein less any investment reserve fund taken into account." The annual balance sheets published by each life office must also state "how the values of the stock exchange securities are arrived at." These are the two main obligations laid on insurance companies by the Assurance Companies Act of 1909. They do not specifically lay down the basis on which the valuation of the assets is to be made. In practice, however, the Act has always been interpreted as requiring that the valuation of marketable Stock Exchange securities should be at current market prices. For example, the Sun Life which valued its redeemable securities by the amortisation method at its recent valuation (for December 31, 1951), certified nevertheless that the total value of its quoted securities based on middle market prices was greater than the values shown in the balance sheet less the investment reserve fund.

Up to last year almost every life office could have issued a similar statement with its ordinary annual balance sheet, and some voluntarily did so. But last year's fall in security values has changed the situation radically. Several life assurance balance sheets made up at December 31, 1951, last showed that depreciation suffered up to that date had wiped out the margin between balance sheet and current values (whether previously retained in the form of hidden or published reserves). And there can be little doubt that the substantial further depreciation that has been experienced so far this year has reduced the current market values of many life funds to less than aggregate book values.

This raises problems in accounting terms which, fortunately, are less serious in real terms. The reserve that a life office has to hold in order to remain in sound shape is the aggregate amount that, when augmented by future premiums and net interest earnings, less expenses of management, will enable the office to meet its liabilities as they emerge. The office has to estimate three main unknowns—the future rate of mortality (which determines when the liability will emerge), the future cost of management, and the net rate of interest that it may earn on its invested funds. The first two of these are assessed on a conservative basis, so as to provide an ample margin for contingencies. There remains the question of the valuation rate of interest.

As is shown in Table III on page 133, the average net rate of interest on the life and annuity funds of 43 offices rose by 3s. 8d. per cent to £3 13s. 8d. per

cent last year. The rise in the yield on the assets at current market prices was, of course, considerably greater than this. The net yield on 2½ per cent Consols (allowing for tax at 7s. 6d.) rose last year by nearly 7s. per cent, while the net redemption yield on 20-year Government securities rose by more than 15s. per cent; a large proportion of life fund gilt-edged and debenture holdings (which accounted for 56.9 per cent of total assets at the end of 1950) are dated stocks and most of them now stand at a substantial discount, so that the increase in net redemption yields was particularly large last year. It seems clear, therefore, that all offices could legitimately have raised the net rate of interest assumed in their valuations by ½ per cent last year, and that many of them could have raised it by more than this.

Despite this, most offices undertaking valuations at the end of last year made only very conservative estimates of the increases in future yields on their funds. The average net rate of interest adopted in ordinary life assurance valuations made at the end of 1950 was 2½ per cent, while for those made at the end of last year it was a shade under 2½ per cent. In other words, the offices assessed their future liabilities at a greater total than they need legitimately have done and were estimating the eventual accumulation of their funds, at compound interest, at a lower future capital sum than present interest rates would justify. In consequence, the amount released from their actuarial reserves was smaller than it would otherwise have been, and some of last year's depreciation of investments was met by drafts out of trading profits. The actual releases from actuarial reserves following a given increase in valuation rates of interest is different for each office because the composition of business is different, but only the Wesleyan and General disclosed the amounts involved last year. It announced that in its ordinary branch an increase in the valuation rate of interest from 2½ per cent at the end of 1950 to 2¾ per cent at the end of 1952 released £289,000 (2.8 per cent) from actuarial reserves of £10,453,000. A release of this order is broadly representative of that which can be expected from an increase of one-quarter per cent in the rate of interest under a "net premium" valuation. The Wesleyan also announced a transfer to investment reserve of £370,000 last year, so that £81,000 of the depreciation that it suffered on its investments was met out of the year's trading profits.

It will be seen that valuation rates of interest, besides rising by less than they legitimately could have done last year, also started from a low level. In part this is due to the fact that under the "net premium" method of valuation, no specific provision is made for future bonuses on with-profits policies. The offices therefore assume a rate of interest that is 1 per cent or

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more below the net rate that they actually expect to earn, in order to make an arbitrary provision for future bonuses on with-profits policies. If depreciation in the market value of the assets of any office were to be exceptionally severe, this margin could be reduced, thereby releasing part of the reserves. Last year, however, the margin most definitely was not reduced, so that no office met part of its depreciation by anything that could be called a draft on future bonuses.

The picture that emerges from this survey is clearly encouraging. Those offices whose inner and published investment reserves were wiped out last year were able to meet the situation by reducing their liabilities to

a smaller extent than would have been justified. The further depreciation that has occurred this year can legitimately be met by increases in the valuation rate of interest; other adjustments of a more technical nature could also be made to the reserves, which are in several respects considerably stronger than is theoretically necessary. Provided that business in the books continues to expand, it can fairly be said that rising rates of interest are good for the life offices in spite of the concurrent capital losses that, in the end, need not be sustained on dated securities—and conversely that falling rates are bad, as was evident during the ill-fated Daltonian experiment.

British Insurance Overseas

A NUMBER of British offices transact such a large part of their non-life business overseas that it is only a slight exaggeration to say that for them the home market is of relatively minor importance. The British Insurance Association declared in 1948 that the overseas business of all United Kingdom insurers, including Lloyds' underwriters, accounted for 70 per cent of their total business. This estimate was made before devaluation and there has since been a sharp increase in the proportion of the total business, in terms of sterling, transacted in North America. The law calls for no differentiation in the statutory returns between home and overseas business—except for life assurance, where foreign business is significant but not important. Detailed information is, however, published overseas, in particular in the United States, where British insurers conduct a large business. Total fire, marine and casualty premium income of all United States stockholding companies, domestic and foreign, amounted in 1951 to \$5,720 million. Of this total, British offices last year secured \$618 million or 10.8 per cent; the proportion has been about 11 per cent since the war, compared with 14.9 per cent in 1940. The regrettable decline in the British

share of the expanding American insurance market is due largely to the postwar dollar shortage. Stringent requirements in the United States governing unearned premium reserves and provisions for outstanding claims call for the infusion of new dollar transfers if premium income is to be expanded rapidly; without such transfers, the growth of premium income is limited by the natural growth of the statutory reserves as they are built up from retained profits. The British offices have in the circumstances been compelled to regulate the rate of increase in their American business.

The accompanying table brings up to date the information given in an article in *The Economist* of October 1, 1949. Last year 57.6 per cent of the non-life premium income of the Royal-Liverpool and London and Globe group came from the United States. This group, alone amongst British insurers, still converts US dollars into sterling at \$4.86 = £1; at the current rate of exchange, the group's aggregate premium income would have been of the order of £98 million instead of £68.8 million shown in the accounts and the proportion of United States to total business 70 per cent instead of 57.6 per cent. The proportion for the Commercial Union was 42.2 per cent and that for the General Accident 61.2 per cent. Total premiums written by the British offices in America for fire, casualty and marine insurance expanded by \$25.1 million (5.1 per cent) in 1949, \$28.9 million (5.5 per cent) in 1950 and by \$67.2 million (12.2 per cent) in 1951.

Statutory underwriting profits in the United States considerably understate the profits actually earned, because insurers are required to set up unearned premium reserves equal to the whole of the premium for that part of the original term of the insurance that is unexpired at the date of the accounts. Many insurances in America are effected in advance for a number of years (usually three) and the unearned premiums represent a high proportion of the total premium payable. If acquisition costs (commission and management expenses) are put at 40 per cent, which is accepted in America as a fair figure, it follows that true profits will be understated during a period when premiums are expanding (as they have been for many years) by no less than 40 per cent of the difference between the premiums written and the premiums earned in a given year. This degree of under-

UNITED STATES BUSINESS OF BRITISH INSURANCE COMPANIES AND THEIR AMERICAN SUBSIDIARIES (\$ '000)

Company and Group	1949			1950			1951		
	Premiums	Underwriting Profit	Net Investment Earnings	Premiums	Underwriting Profit	Net Investment Earnings	Premiums	Underwriting Profit	Net Investment Earnings
Royal (incl. Liverpool & London & Globe)	155,158	14,822	7,870	163,944	489	9,403	192,374	3,887	9,254
Employers' Liability(a)	66,231	5,141	2,746	71,612	1,798	3,049	79,380	3,188	3,143
General Accident	47,461	4,730	2,246	50,138	2,417	2,518	56,285	1,048	2,773
Commercial Union	46,457	6,279	2,846	47,976	2,234	3,047	52,243	71	3,140
Phoenix	36,985	2,106	1,886	37,574	309	2,033	40,562	458	2,078
North British & Mercantile	29,546	3,789	1,952	32,619	585	2,150	34,454	320	2,185
London & Lancashire	28,416	2,930	1,247	29,243	860	1,523	32,033	899	1,498
Pearl	15,225	726	679	16,779	447	772	17,486	698	845
Sun	15,245	1,300	726	16,583	202	772	15,344	69	822
London Assurance	10,176	1,051	549	10,773	705	603	12,305	282	584
Royal Exchange	10,128	632	448	10,249	268	455	11,706	437	463
Northern	9,466	826	430	8,458	976	536	9,932	208	555
Scottish Union	8,145	678	314	8,111	535	331	9,855	839	356
Yorkshire	7,960	344	238	7,342	180	266	8,083	620	303
Caledonian	6,133	499	322	7,502	92	380	7,602	333	404
Atlas	7,126	1,117	298	6,015	71	395	6,828	414	398
Northwich Union	4,855	466	361	5,301	65	396	5,909	345	402
Century	5,886	385	201	4,402	609	229	5,317	365	296
Sea	4,090	1,287	206	2,938	340	217	4,115	11	223
Prudential	3,085	203	185	2,655	539	215	2,921	288	208
Alliance	2,707	817	163	1,180	200	166	1,734	35	179
Eagle Star	1,158	201	49	705	2	47	850	31	45
Guardian	404	150	49	705	2	47	850	31	45
Total	522,043	50,479	26,400	550,956	3,489	30,002	618,159	11,636	30,656

(a) The United States Companies are Associates and not Subsidiaries.

statement may thus involve a considerable statutory underwriting "loss" on long-term business. The aggregate premiums earned (that is, premiums written in the year, *plus* the year's release from unearned premium reserve for old business *minus* the appropriate additions to that reserve for new business) corresponding to the premiums written shown in the table were \$504.0 million in 1949, \$520.2 million in 1950 and \$572.0 million in 1951. The adjusted underwriting profits of the British offices after adding 40 per cent of each year's increase in the unearned premium reserve was \$57.7 million in 1949, \$15.8 million in 1950 and \$6.8 million in 1951—rather more satisfactory than the statutory results. The basis of American insurance accountancy has recently been altered in the State of New York, where an important part of all United States insurance business is transacted. Where premiums on long-term contracts are payable in instalments, only the amount actually paid during a given year is to be brought into account instead of, as hitherto, the whole of the premium. The new procedure will cause a "reduction" in premiums written—which correspond to the premium income from American business included by British insurance companies in their accounts—but it will not affect the amount of premiums earned on the American basis in each year, as it will be compensated for by a corresponding reduction in the statutory unearned premium reserves.

There is no reason to think that the average experience of British insurers in America last year differed materially from that of American companies. Fire insurance was normally profitable, but "extended coverage" insurance, which includes windstorm damage, continued to be unsatisfactory for many offices, because of late reported losses from the disastrous windstorms that swept through the north-eastern United States in November, 1950. Other classes of insurance were reasonably profitable in America, as elsewhere, with the marked exception of motor and employers' liability insurance. Both factors involved insurers in heavy losses; in motor insurance, soaring repair and replacement costs far outran increased premium rates, and both classes were affected by unprecedentedly high court awards for damages. The loss experience of all insurers, domestic and foreign, in motor insurance was so bad last year that immediate and substantial increases in premium rates were authorised by the Commissioners of Insurance in most of the states. This move was unprecedented; in a regulated insurance business such as casualty insurance, applications for rate increases have to be submitted to the Insurance Commissioner of each state, and have hitherto been granted only after considerable and costly delay. These increases should go some way towards bringing American motor insurance business towards balance, and the further rate increases that were recently requested, if granted, should put it on a profitable basis in 1953 if not in 1952 unless claims again increase.

Although United States business of the British insurance companies accounts for about one-half of their total non-life premium income, it makes an erratic and on the average none too generous contribution to profits. In Canada, where the reserve requirements are much the same as in the United States, British insurers secure a larger proportion (about 40 per cent) of the total premium income. Fire losses in Canada returned to normal last year after exceptional fire wastage in 1950 from two

serious conflagrations. Motor insurance losses in Canada increased sharply during 1951 making the business unprofitable to insurers there as elsewhere in the world.

British insurers operate directly or indirectly in practically every other country in the world. Many countries overseas are trying to retain as much insurance business as possible within their own boundaries and many are fostering their domestic insurance industries, sometimes by outright discrimination against foreign insurers. State reinsurance organisations are common, notably in South America. Onerous controls to which British insurance is subjected all over the world may be aimed primarily at safeguarding local policyholders. But too often the next stage is to protect an indigenous insurance industry by forcing foreign insurers to conduct their business under relatively disadvantageous conditions. That the British insurance industry continues to operate successfully and, on the average, profitably throughout the world is due partly to the reputation it has acquired over many years for scrupulous dealing and the most careful attention to local laws and requirements.

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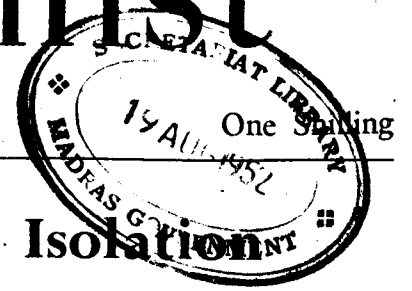
Reasonably comprehensive statistics are available of the overseas life assurance business of the British insurance companies. In 1949, the latest year for which the statutory returns to the Board of Trade are available, £65.0 million (12.3 per cent) of the total new sums assured by such companies represented overseas business. Statistics published by the Life Offices' Association and the Associated Scottish Life Offices for the first time last year showed that overseas new sums assured in 1950 amounted to £75.3 million (12.7 per cent) out of total new business of £593.2 million; as the total includes the considerable new business transacted in the United Kingdom by Commonwealth offices, the proportion of aggregate new business transacted overseas in 1950 by the United Kingdom offices was rather greater than 12.7 per cent. The Gresham Life, the Legal and General, the Mercantile and General (which transacts reinsurance business only), Norwich Union Life and Prudential account for a large proportion of all the overseas life business of British offices, and of these the Prudential alone accounted for 44 per cent of the whole in 1950. As all but a small proportion of the profits accrue to the with-profits policyholders in the form of bonuses, the transaction of life assurance business overseas does not yield any significant contribution to insurance earnings abroad. It is, however, important for prestige.

The information published by the British Insurance Association in 1948 included an estimate of the average overseas earnings of British insurers, including Lloyds underwriters, of £33 million taking into account both underwriting profits and interest earnings on the invested reserves. It is unfortunate that no later authoritative estimate is available; the devaluation of sterling in 1949 may have added about £10 million to this estimate, but, on the other hand 1950 and 1951 were lean years for insurance companies in America. Published underwriting profits in America in 1950 were only 0.6 per cent of premiums and there was an overall underwriting loss in 1951 compared with the average profit of 6 per cent of premium income that forms the basis of the Association's estimate. These results, however, greatly understate the true addition to the equity of British insurance business in the United States during the last two years.

The Economist

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LEADING ARTICLES

Defeat for Isolation	- - - -	141
Exports and Arms	- - - -	142
Moscow-Peking Axis	- - - -	143
The Census—I	- - - -	145
NOTES OF THE WEEK	- - - -	148

Further Left; No German-Unity Now; Moscow in a Corner; Parliamentary Pay; No Martyrdom for the Dean; M. Pinay Earns a Holiday; New Supply Pattern for Nato?; Dollar Orders for Europe; Scotland's Industrial Future; National Parks in Dispute; Bomb on Clapham; Consultation on South-East Asia; India's Reshuffle; All the News that Fits the Print; Facts on the Thomson Dispute; Little Cuts and Pinpricks; On the Atlantic Community; Witness from Russia.

LETTERS TO THE EDITOR	- - - -	156
-----------------------	---------	-----

BOOKS AND PUBLICATIONS	- - - -	159
------------------------	---------	-----

AMERICAN SURVEY

Back to Ohio	- - - -	162
The Changing South	- - - -	163
Watches to be Watched; Chicago Liked Ike; Television in Smoke-filled Rooms; Set Fair for Farmers?; Passport for Divorce; Discard on the Federal Reserve; Shorter Notes.		

THE WORLD OVERSEAS

Persia Seeks a Master	- - - -	171
The Yogi and the Dollar; German Communist Policy; Failure of the Chinese Air Force; Colombia's Political Plight; Critics of the Cameroons.		

THE BUSINESS WORLD

The Banks' Investments	- - - -	180
A Commodity Price Indicator	- - - -	182
BUSINESS NOTES	- - - -	185

Market Rise Faltering?; Exports Fall Again; Transport Commission Report; A Carrot from the IMF; Germany's Surplus in EPU; Policy in the Air; Cars and Covenants; Strategic Supplies Improve; Iraq Stays in the Sterling Area; A New Tax Certificate; Stocking at the Pit-head?; Keener Demand for Wool; The Trend of Production; Consumers in Council; Triplex Plays Safe; Growing Tanker Fleets; Indecision in Wheat; Shorter Notes.

COMPANY NOTES	- - - -	196
STATISTICAL SUMMARY	- - - -	197
COMPANY MEETINGS	- - - -	198

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Defeat for Isolation

ONE thing can now be said with confidence about the next President of the United States, and it is of the first importance to the free world. He will not be an isolationist or a neo-isolationist, whether the Republicans or the Democrats are victorious in November. The collapse of the Taft forces in Chicago, the very citadel of isolation, and the sudden landslide, on the first ballot, to General Eisenhower, mean that under a Republican Administration the main direction and emphasis of American foreign policy would remain unchanged. There will be no paralysis in Washington during the campaign, as there might have been if Senator Taft had won the nomination. The new Administration can be counted upon not to beat any hasty retreats from the international leadership America has assumed, and not to plunge into any reckless adventures in the Pacific.

It has been argued that the outcome would not have been very different if Senator Taft had been the Republican choice. Foreign policy would have been in the thick of the campaign, but it would have been reasonably certain throughout that Senator Taft would not win the Presidency and that another Democrat would be returned to carry on Mr Truman's foreign policies. But this argument takes no account of the reasonable feeling of many Americans that twenty years is long enough for any party to remain in power; the scandals of the past two years suggest that there are cobwebs which only a new broom can reach. It also ignores the great desirability of associating the Republicans as closely as possible with the revolution in foreign affairs which has taken place in the past decade, and giving them a sobering taste of responsibility. This might not transform the McCarthys and the Kems, but they would be kept on a shorter rein, if only because of the power of a President of their own party to grant or withhold patronage and other favours.

It is generally agreed that what undid Senator Taft's carefully laid plans to capture the nomination, whatever the cost to his party, was the conviction that he could not win the election and that he would drag other Republicans down to defeat with him. No Gallup poll could be found to suggest that Senator Taft could beat any Democrat, while General Eisenhower seemed able to lead the whole field. But although the political leaders from the wavering States were cynically determined to back a winner for the nomination, it is more reassuring that, in their cold judgment, the American people could not be persuaded to support the extreme and inconsistent policies and the unscrupulous tactics of Senator Taft's faction. When a party is out of power in Washington, its state governors have their fingers most firmly on the public pulse. All twenty-five Republican governors demanded fair play at the convention; only three supported Senator Taft. The mythical monster conjured up by the Communists and neutralists of an America half war-mongering and half retreatist, half MacArthur and half Hoover, was blown sky-high at Chicago.

General Eisenhower has yet to prove that he can be an inspired

political leader, but he has already provided, as Mr Walter Lippmann has pointed out, a rallying point for Republicans of moderate and responsible opinions on foreign affairs. The question is whether he can consolidate his victory over the old guard, and redeem, in his campaign for the Presidency, the lapses and compromises of his campaign for the nomination. Fortunately, the speed and completeness of his triumph at Chicago mean that the General has accumulated relatively few political debts. He lost no time in paying a mollifying visit to Senator Taft, but the vice-presidency has gone, not to Mr Knowland, the "Senator from Formosa" or to Senator Dirksen, the demagogic nominator of Senator Taft, but to Mr Nixon, the junior Senator from California. He was chosen because he would add appeal to the team, not as a sop to the defeated. Mr Nixon is a remarkable vote-getter in a politically critical state, and his selection will please the booming west coast; he has youth; and though once connected with the Un-American Activities Committee—he put the first finger on Alger Hiss—he has never been guilty of Senator McCarthy's excesses.

None of the disasters that have been averted in Chicago mean that, if the Republicans are victorious, an Eisenhower Administration will usher Europe into the promised land. General Eisenhower himself, for all his European experience and sympathies, is a mid-westerner by outlook and a cautious man with a dollar. Moreover, he will have to consider his own rank and file, who are chiefly concerned to bring expenditures and taxes down; it will not be easy to convince the Republican party, traditionally a high tariff group, that more imports and a more liberal trade policy are the only alternative to continued heavy foreign expenditures.

The real difficulty about a Republican Administration, however, is that it is almost certain to be saddled with a

Republican Congress in which the backward-looking elements of the party greatly outnumber those who secured the nomination of General Eisenhower. The House follows the Presidential election returns and, if there is a Republican majority, the committee chairmanships, in most cases, fall through the seniority rule into the hands of the old guard. To some extent this would also happen in the Senate, though Senator Wiley has been working hard to show that he is big enough to fill Senator Vandenberg's boots and there is a leavening of other modern-minded Republicans. The further irony is that some of the worst Republican Senators may be swept back to Washington if there is an Eisenhower flood. The odds this year, however, are all against a Republican sweep in the Senate, and if General Eisenhower is elected, he probably will be able to rely on a coalition of Democrats and liberal Republicans to carry through his international policies.

But so far the General has only won the first battle. He has still to win the last. On this it would be foolish to prophesy and the Democrats will enter the contest with high hopes, particularly if they can convince Governor Stevenson of Illinois that it is his duty to run. They start with the advantage that there are several million more registered Democrats than there are Republicans. Voters who have come of age in the past twenty years have known nothing but a Democratic Administration. The Democratic candidate, whoever he may be, will be able to offer prosperity with one hand and a crusade for human rights with the other. It is a formidable combination, and General Eisenhower, unlike Mr Willkie and Governor Dewey, may well suffer from not being a progressive at home. All that is certain is that it will be a disaster for the liberal wing of the Republican party if, having for the fourth time forced the choice of an internationalist candidate, the party once more goes down to defeat.

Exports and Arms

THE Prime Minister announced on Wednesday, during some vigorous questioning in the House of Commons, that the Government will soon announce "the very serious measures which are being taken in all fields in order to enable us to pay our way." The wisdom of this vague warning may be questioned, but there should be general relief that the House of Commons is to have a full discussion of the economic situation. Much has changed since the Budget debates began last March. It is essential to show, before Parliament rises for the summer, that opinion and policy are being kept in touch with events.

On one matter general agreement ought now to be easier than it was in the Budget debates. Then unemployment was increasing and some members on both sides of the House saw reasons for fearing that it would go on increasing. It has not. The slump so widely prophesied for 1952 has proved to be a mirage. This does not mean, of course, that a slump cannot happen. It does mean that the danger of a slump should not remain a factor in calculations of immediate policy. The number of people out of work is now showing its normal seasonal fall. There are signs that even the recession in textiles is past its worst. And elsewhere there have scarcely been even the beginnings of a recession. If the textile and clothing trades are excluded, unemployment last

month was almost identical with unemployment in any June from 1948 to 1950. The abnormal time was the summer of 1951, when inflation was at its most acute; a mad scramble for labour and raw materials all but eliminated unemployment—and the country imported far more than it exported. No one thought at the time that such a position could or should be sustained. Yet the only sense in which there is now a slump, or even a general recession, is that the economy has returned from this inflationary extremity to the condition of earlier postwar years—that is, to a level of employment as high as the most optimistic ever thought practicable.

Both Government and Opposition ought to be able to take this as their starting-point in the debate. It makes most of the speeches on the Budget out of date. The main burden of criticism of Mr Butler's policy, from both sides of Parliament, was that it was too tough, that it might produce too much deflation. Four months ago, when unemployment was rising, this line of argument was unconvincing but it was at least plausible. Now it has been proved wrong. Criticism can take only one form. Whatever the party views may be on particular matters, on the central issue the question must be this: Is the Government's policy still about right, or is it too mild to bring Britain's payments into balance? Any suggestion that it is too tough can be laughed out of court.

The Chancellor's speech in the debate may be expected to fall into two parts. He may be able to give some reasons for believing that the apparent ineffectiveness of his policy is mainly a lag in time. But unless he can show that it will very quickly become more effective, he must also announce new measures that will not so much reinforce as transform his policy. There is no other way that can give any real hope of solvency or any firm confidence that the country will scrape without disaster through the first year of this government's life.

It is too early to make confident guesses at the balance of payments in the first half of the year. But the visible gap between imports and exports has been £470 millions, compared with £550 millions in the first half of 1951. The improvement is perilously small. In recent months, it is true, the import cuts have begun to have a clear effect. From April to June the volume of imports was about 11 per cent smaller than in the same three months of 1951. But at the same time the volume of exports has fallen by 13 per cent. The gap between imports and exports has been narrowed only to the extent that the terms of trade have become more favourable to Britain; compared with the same period last year, export prices have risen more than import prices. It would be hazardous to rely on a continuing change of this kind. Indeed, Mr Butler himself seems to think it unlikely. The burden of his speech at Exeter last week-end was that British export prices are already so high as to endanger their competitive power in foreign markets. If prices are forced up by rises in wages, much trade—even in engineering products—will be lost.

The only new point in policy that Mr Butler has raised since the Budget is this appeal to the unions not to press for wage increases. No one can doubt that restraint is important; if wages are pushed up fast, the chances of increasing, or even maintaining, British exports will be small indeed. But this does not mean that appeals for wage restraint, even if they are successful, can play a positive part in restoring the British economy. Mr Butler is using the only argument that can be put to the unions: if they will be content with present wages, prices will on balance be constant or may even fall. The workers will therefore remain at least as well off as they are. But when production is not increas-

Moscow-Peking Axis

FOR more than a year and a half the Chinese People's Republic has been carrying on a war with the support of Russia as a non-belligerent ally. No Russian soldier has been in action on the battlefield, but China has been given indispensable help in the shape of armaments and specialist training for its forces. In the last resort there has been also the latent threat of direct Russian intervention if the war were extended to Manchuria. Now that there is a prospect, in spite of continually repeated delays and deadlocks in the truce negotiations, of an end to the Korean war, there is much speculation about whether Russo-Chinese ties are likely to remain as close as they are at present or are to be loosened when the pressure of the war in Korea is no longer operative. This question is related to the fact that this is the year by the end of which Moscow is bound by the Mao-Stalin treaty of February, 1950, to retrocede to China the rights in the Manchurian railways, Port Arthur and Dairen,

ing, people can in fact remain as well off only if the country continues to import more than it exports. If the external gap is to be closed—without running down stocks to a dangerous extent, without crippling industrial investment even more than Mr Butler already proposed to do, and without a further slowing down of rearmament—then the consumption of the British people cannot remain as high as it is. The choice lies in how far they should consume fewer imports and how far they should consume fewer British goods in order to make bigger exports possible. In either event the cut can be made effective only if incomes are reduced or if prices rise more than incomes. Wage restraint, as Mr Butler appeals for it, would not achieve either of these aims.

The need is now, as it has so often been before, to reduce the real demands on the British economy. There are, admittedly, no demands that can easily be cut. Certainly industrial investment ought not to suffer any more. Politically, the most popular thing to do would be to cut the rearmament programme; there are disturbing indications that this is Mr Churchill's intention. It is true that solvency must be put first; but security ought to come a very close second. There are many things—300,000 houses among them—that should be far lower down the scale. For the Conservatives to retreat still further from Labour's rearmament programme, rather than sacrifice their inflated housing programme, would be one of the grossest surrenders of principle to popularity that British politicians have ever made.

Mr Butler must be expected to be more courageous. His policy depended on the assumption that, if everything turned out as well as could be, Britain's foreign payments might just be balanced without cutting into consumption at home. The present signs are that consumption is being maintained, but the payments gap is not being closed and rearmament is making slower progress than was intended. Can Mr Butler show that those fears are unjustified, that a dramatic improvement in exports may be confidently expected quite soon? There is, unfortunately, no reason to think that he can; and if he cannot, he surely will not be content merely to tinker with his policy until Parliament reassembles in the autumn. To do so might conceivably invite a crisis before the autumn.

secured to Russia by the secret Yalta agreement of February, 1945, and the subsequent agreement with Chiang Kai-shek in the autumn of the same year.

From a Russian point of view there has never been any reason for renouncing the strong strategic position conferred by these treaty rights except the assumption that Communist China would be a reliable ally. The Yalta agreement restored the position which Tsarist Russia had held in Manchuria before 1905; this was Stalin's price paid by the United States and Britain, at China's expense and without its consent, for his entry into the war against Japan. Faced with the decision of the Big Three, the Chinese Government, then headed by Chiang Kai-shek, was compelled to make the cessions already agreed on. The pill was sugared for Chiang by a Russian undertaking to hand over Manchuria, apart from the cessions, to the Chinese ("National") government after a period of Russian military occupation.

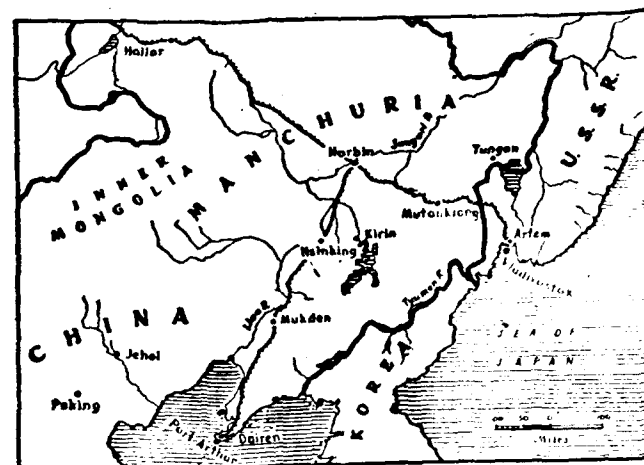
However, the subsequent behaviour of the Russians in obstructing the entry of Chiang's forces into Manchuria and turning over captured Japanese arms dumps to the Chinese Communists showed that, even with the position they had gained by the Yalta cessions, they were not willing for Manchuria to be controlled by a Chinese government friendly to America. This policy did not necessarily imply, in the autumn of 1945, an unlimited commitment to the side of the Chinese Communists—there is reason to believe that Moscow at that time doubted their capacity to win the whole of China—but rather the aim of having a separate Soviet-sponsored regime in Manchuria on the lines of the Japanese "Manchukuo." With the victory of the Communists throughout China, the separation of Manchuria has become superfluous from the Russian point of view—but always provided that the present regime in Peking is regarded as loyal and reliable.

When Mao Tse-tung returned from Moscow in February, 1950, he was able to show the Chinese people a treaty in which Russia had retroceded to Communist China the rights which had previously been extorted from Chiang Kai-shek. This gained Chinese patriotic approval for both Mao and Stalin; but the fact that Russia did not undertake actually to transfer the rights to China before either the conclusion of a peace treaty with Japan or the end of 1952 (whichever might be the earlier) suggests that Stalin was determined to put Mao on probation for a period before finally parting with such valuable guarantees.

There were early in 1950 widespread expectations in this country, and to a lesser extent in America, that the Chinese Communists, once in power, would not wish to bind themselves too closely to Russia. Tito's example was fresh in the minds of political observers and the Communists of China appeared to have been much less indebted to Russian support than those of Eastern Europe; Chinese national pride and traditional anti-foreign feeling were also quoted as ground for believing that even a Communist China would never submit to a Russian control of its foreign policy. Among those who nourished such hopes of a good understanding with the new China there are some who still argue that if the United Nations in Korea had never gone north of the 38th parallel, if Formosa had not been denied to Peking and if China's seat in the United Nations had been given to the People's Government, all would have been well. In general, however, the optimism about China which used to be so prevalent in official and business circles was based on an underestimate of the importance of ideology in determining the behaviour of Communist leaders. Particularly in China, foreigners who had had long experience of the country and had been accustomed to deal with politicians of "war-lord" and Kuomintang days were unable to believe that Marxist-Leninists would act in accordance with a conception of the world as divided into two irreconcilable "camps." However unreal and fantastic this conception may appear to the liberal mind, it is what Communists believe and act on, and nothing but disappointment and catastrophe has ever come from dealing with them on the assumption that it is not.

For Communists in power, alliance with other Communist states against the free world (that is, against

the "imperialist camp") is something to be taken for granted. The case of Tito does not disprove this generalisation, for he did not want to be a Titoist; he had to be, as the only alternative to his political elimination. Moscow overreached itself in trying to carry out a purge in Belgrade, and instead of obedience met an act of defiance which it was impossible to condone. But there is reason for thinking that the lesson has been well learnt in Moscow, and that Stalin will not again make such a mistake with a satellite or allied state which cannot be directly coerced (as can Poland or Rumania) by Soviet troops stationed in its territory. Certainly in relation to China (which is in any case a country on an altogether different scale from the nations of eastern Europe), there is no evidence that Moscow has attempted the kind of interference that drove Tito out of the fraternity of Communist states. On the contrary, such reports as filter through indicate that the Russians there are extremely careful to avoid giving any impression of domineering the Chinese. For example, in Manchurian factories where Japanese technicians used to give orders directly to Chinese workmen, the Russian advisers who have replaced them always use a Chinese intermediary. One curious feature of the present situation is said to be that



Chinese industrial managers now seek Russian advisers in order that, if anything goes wrong, the Russian can be blamed.

There is no doubt that the Russians are rapidly building up China into a considerable military power. The equipment which is being lavishly supplied is of excellent quality. But this military development, while greatly increasing China's capacity to make trouble for the "imperialist camp," cannot in any foreseeable future make China a real rival in power to the Soviet Union. There are no signs that Russia is trying to build up the industry of China at a pace corresponding to the arming of men. Apart from oil-drilling machinery for the new oilfield in the north-west, there does not appear to have been so far any really large-scale supply of capital goods from Russia to China, as distinct from finished war material. It may be that Russia could not in any case afford to industrialise China at high speed from its own resources; but, whatever the possibilities, a policy of arming, without industrialising, China appears best suited to the Soviet interest of maximising the power of the Communist world block while retaining its leadership in Moscow. For the Chinese Communists it offers an attractive prospect of cutting a figure in world affairs in keeping with what Chinese in general think it should be and of ability to pursue a strong forward policy in South

East Asia. Although China remains by far the weaker partner in the Moscow-Peking Axis, it can take far greater risks; for whereas Russia cannot count on being able to make a major aggressive move without risking an all-out war complete with atomic bombing, there does not seem to be any reason why China should not indulge in a series of adventures with immunity from such counter-attack.

The fact that any war against China is regarded by Western strategists as a strategic diversion—the "wrong war in the wrong place"—gives Peking a capacity for mischief which is not likely to diminish even if the Korean war is brought to an end. For Russia it is most

The Census—I.

A Nation of Clerks

THE preliminary results of the 1951 Census have now been published in the first of two volumes (HMSO, 17s. 6d.) based, for the sake of speed, on a representative sample of one out of every hundred. Although the sample was chosen with reasonable care, its smallness no doubt introduces some degree of error here and there. But for most general purposes the snapshot record is good enough, and the Census Office is to be congratulated on making so much available in so short a time—with the welcome innovation that figures are given for the whole of Britain, instead of Scotland being confined to separate and differently arranged volumes.

No Census was needed to show that the population is ageing, but over twenty years the change is so sharp that it must be noted first. Longevity, it should be said, is entirely responsible for the considerable increase in the number of pensioners. In spite of the rise in living standards, people do not—fortunately—retire from work earlier than they did in 1931; indeed, if anything, they go on working longer.

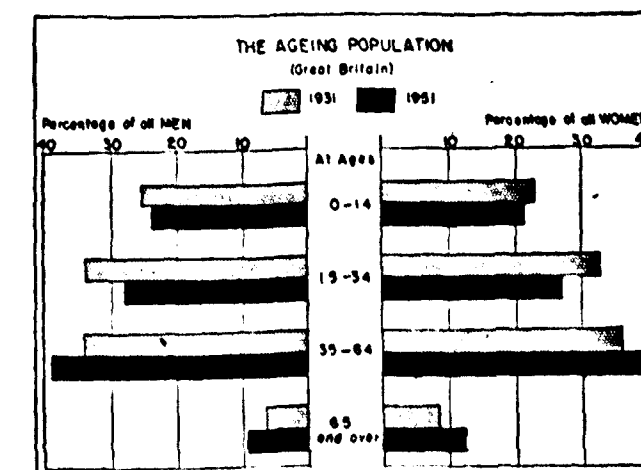
The British people live longer than they did in 1931, but they marry earlier. The increase in the number of young married couples is particularly marked in England and Wales rather than in Scotland. But even in the country as a whole the proportion of women marrying between the ages of 20 and 24 has almost doubled. In 1931, out of every 100 women in this age group 25 were married; in 1951, the proportion was 47 out of every 100. Not nearly so many men are married as young as this, but they, too, are marrying earlier than

1—AGE DISTRIBUTION (Great Britain)				
In Age Group	% of Men		% of Women	
	1931	1951	1931	1951
0-14	25.5	23.9	23.0	21.3
15-24	17.9	13.1	17.0	12.8
25-34	15.9	14.8	16.0	14.1
35-44	13.0	15.7	14.1	14.9
45-54	11.9	13.6	12.5	13.7
55-64	9.2	9.6	9.4	11.1
65-74	5.0	6.4	5.7	8.2
75 and over	1.7	2.8	2.4	4.1
All ages	100.0	100.0	100.0	100.0

satisfactory to be able to make trouble for the democracies, to extend, pin down and exhaust their forces, by encouraging China to pursue policies which can be undertaken in safety because of Russia's direct or indirect protection. For the Peking Government the partnership works well and it is difficult to see how Britain or America could bid China away from it as long as they do not intend either to hand over Japan to Communism or to accept a Chinese hegemony over South East Asia. It is best for British and American statesmen to prepare for a long period of cold war and armed containment in the Far East without hoping too much from their powers of diplomatic seduction.

they used to do. Sociologists may vie with economists in finding reasons for this, but the higher real earnings of the younger workers must be one of the most important. It certainly seems that the housing shortage has been little deterrent to marriage.

For women, the change has not been just a matter of marrying earlier if at all. Well into the middle age groups, a greater proportion of women are married today than twenty years ago. Here there can be no doubt about the main reason; although there are still fewer men than women at these ages, the deficiency is appreciably less than it was.



This ratio between the sexes depends, of course, first on their relative numbers at birth and then on their differing rates of survival. More baby boys are usually born than girls, but they are more difficult to rear and at all ages the death rate is higher for men. Indeed, women are now outliving men to an even greater extent than before. Among every five people over 65, three are women. But the high proportion of boy babies born during and since the war has increased the male superiority among children. When this generation reaches marrying age there should, therefore, be comparatively few superfluous women—as the demographers have been ungracious enough to call them.

The Census shows how wrong it is to suppose that almost all men marry women rather younger than themselves. A million and a quarter husbands have wives whose ages fall in a higher age group than their own.

The Census provides little new information about divorce. It records only those divorced people who have not re-married; unfortunately, no questions were asked about the age at which marriages were dissolved. But divorced men more often re-marry than do divorced women, since at all ages more women are returned as divorced. For every 1,000 married women between the ages of 30 and 44, there are about 16 divorced women; for men the proportion is about nine.

The most important section of the Census is the occupational classification, showing what kind of jobs people do rather than the industry for which they work. It gathers together all the clerks, all the business managers, all the professional people, whether they work for the National Coal Board or for a cotton mill. It shows how

2—MALES PER 1,000 FEMALES
(Great Britain)

Age Group	1931	1951
0-4	1,020	1,048
5-9	1,019	1,047
10-14	1,021	1,034
15-19	992	960
20-24	947	935
25-29	940	979
30-34	882	966
35-39	843	960
40-44	857	979
45-49	868	955
50-54	885	885
55-59	916	816
60-64	889	788
65-69	835	751
70-74	762	705
75-79	690	680
80-84	591	616
85 and over	473	451
All Ages	920	924

many are employers of others and how many work on their own. For the first time since 1931 it is possible to see exactly what the British worker does.

It is not surprising to find that although the number of people working, or looking for work, has risen in England and Wales by nearly 8 per cent, there are fewer working on their own account. Some of the home trades, such as dressmaking, have declined sharply. There are a few—but only a very few—more employers and managers, though in many industries the number of foremen for every thousand workers has increased.

Attempts to compare in detail occupations now and

twenty years ago are hampered by the statistician's familiar boggy—small changes in classification. In Table 4, such adjustments for these changes as are possible have been made. The decline in agriculture, mining and textiles and the development of engineering

3—WORKING POPULATION, 1931 AND 1951
(England and Wales)
(Thousands)

Status	Men		Women	
	1931	1951	1931	1951
Employers	922	336	138	46
Managers	835	586	321	102
Working on own account	9,806	820	4,664	219
Operatives	1,684	12,068	5,762	5,762
Out of work		269	483	102
Total Occupied	13,247	14,079	5,606	6,230
Retired or not gainfully occupied	1,386	1,940	10,805	11,763
Total Population of Working Age*	14,633	16,019	16,411	17,993

* Aged 14 and over in 1931; 15 and over in 1951.

4—MAIN CHANGES IN OCCUPATIONS
(England and Wales)

Occupation	Numbers occupied (Thousands)		% change from 1931 to 1951
	1931	1951	
Expanding:			
Defence	290	708	+144
Chemical trades	51	105	+106
Clerks, typists, etc.	1,273	2,124	+67
Professional and technical	799	1,249	+56
Metals, engineering	1,692	2,487	+47
Building, contracting, painting and decorating..	901	1,137	+26
Miscellaneous	2,693	2,911	+8
Other manufacturing occupations	1,179	1,199	+2
Contracting:			
Commerce and finance	2,071	2,001	-3
Transport and communications	1,635	1,532	-6
Agriculture and fishing	1,200	1,061	-12
Clothing and leather trades	842	736	-13
Personal service	2,406	1,890	-21
Textiles	858	564	-34
Mining and quarrying	963	604	-37
All occupations	18,853	20,308	+8

and chemicals are the well-known industrial trends shown by the ordinary employment statistics. The two most striking facts brought out by the Census are the increased number of professional and technical workers and the monstrous growth of clerks and typists; this group now absorbs one out of every ten workers in the country. About 500,000 of these are typists or secretaries; the remainder are costing and accounting

5—THE OLD AND THE RISING PROFESSIONS
(England and Wales)

	Numbers (thousands)			
	Men		Women	
	1931	1951	1931	1951
Clergy (Church of England), Roman Catholic priests, etc.	20.0	17.6	...	0.4
Doctors and radiographers	4.0	7.6	8.6	6.3
Dentists	26.5	33.0	2.8	8.9
Teachers (excluding music)	11.1	11.4	0.4	0.9
Judges, magistrates, barristers	79.5	121.8	181.8	182.9
Solicitors	3.0	3.1	0.1	...
Architects and town planners	15.8	16.6	0.1	0.4
Accountants	9.1	15.0	0.1	0.9
Authors, editors, journalists	13.8	26.2	0.1	0.8
Civil engineers and surveyors	15.8	20.3	3.2	6.4
Mechanical and electrical engineers	21.8	52.5	0.1	0.2
Scientific workers (including laboratory assistants)	11.1	41.5	...	...
Painters, sculptors, etc.	25.6	89.1	2.7	22.2
	10.2	9.8	5.7	5.6

clerks, book-keepers, office machine operators and a multitude of different categories of clerical workers. It is to be hoped that some day the Census Office will sort them out more clearly. In the age of form-filling and filing, that would be no more than common justice.

What of the professions? Table 5—in which the new figures have been adjusted (for example, by omitting article clerks) in order to bring them into line with the old—shows how differently the professions have fared since 1931. Law and dentistry, for example, have expanded very little, and the Church of England has fewer clergymen; Roman Catholic priests, on the other hand, have nearly doubled in number, although there are fewer nuns. The boom has been in the engineering and scientific professions—where numbers have doubled or trebled—and in accountancy. Women teachers remain about as numerous as in 1931, although considerably more men are teaching.

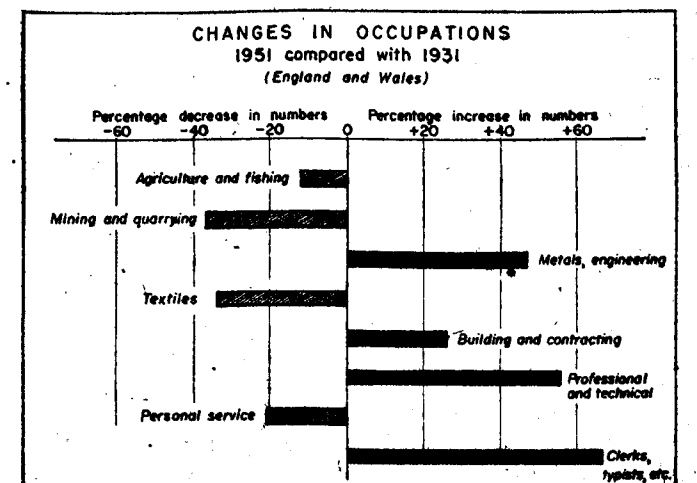
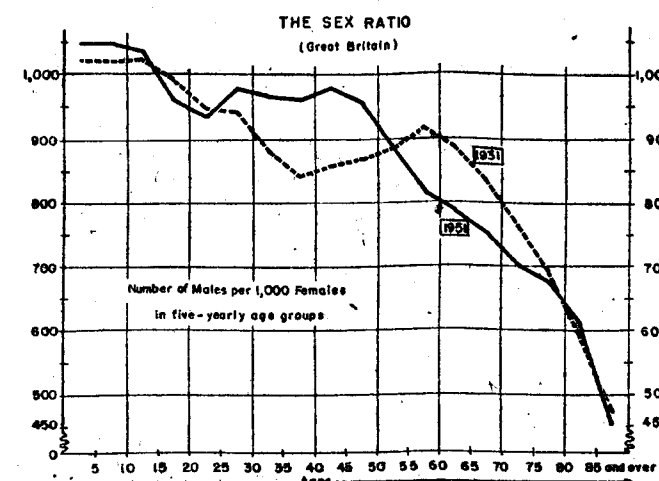
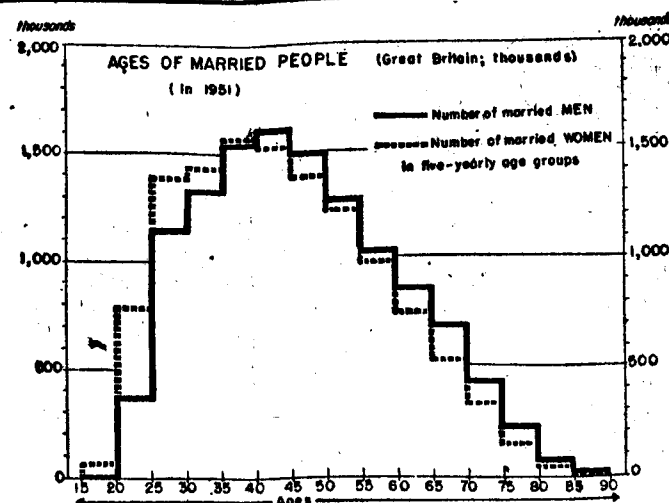
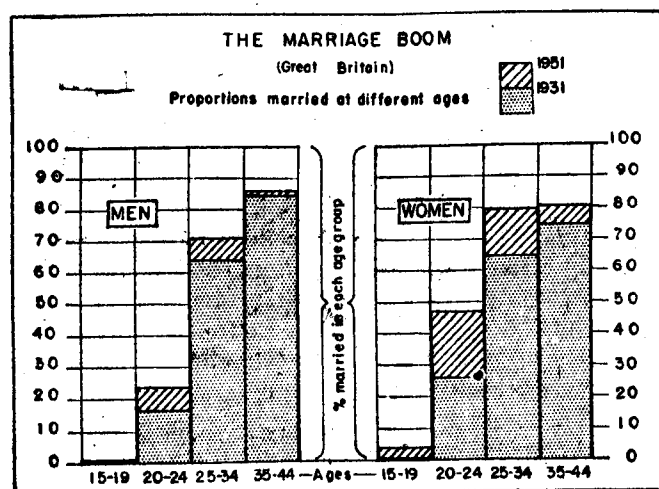
For every 1,000 men in the labour force there are 442 women today, compared with 424 in 1931. Women clerks and typists have more than doubled in numbers; domestic servants have almost halved. There are 130,000 more women shop assistants in England and Wales alone—but men shop assistants have decreased by more than that. The textile industry employs 200,000 fewer women although it still remains one of the chief occupations for women. A most striking change is that 20 out of every 100 married women are going out to work, compared with only ten in 1931. The last table shows that the factories and "charring," rather than the offices, are the most popular workplaces for those women with homes to look after as well.

There is much else that can be traced in the Census of Occupations: the decline of craftsmen such as the cabinet maker and the stone mason while the plumbers and the bricklayers grow in number; the growing use of the telephone and even the coming of the automatic

6—THE MAIN WOMEN'S OCCUPATIONS
(Great Britain)

Occupation	Women Workers (Thousands)	Women as % of Total Workers	Married Women as % of All Women Workers
Clerks, typists, secretaries	1,416	61	26
Domestic servants	783	93	38
Shop assistants	614	68	37
Textile workers	419	65	50
Garment workers	394	83	37
Nurses	237	89	21
Charwomen and office cleaners	233	94	69
Metal manufacture and engineering	225	8	52
Teachers	217	61	27
Shopkeepers or managers	180	29	49
Hotel, restaurant, etc., proprietors and managers	111	47	50
Laundry workers	109	88	48
Waitresses	87	77	45
Telephone operators	66	76	28
Social welfare workers	12	54	29
Librarians	11	73	9

lift, for lift attendants are fewer than they were twenty years ago; it shows the wireless and the talkies putting musicians out of a job, the welfare state sweeping the hawk off the streets and taking down the pawnbroker's sign. But of more immediate political importance are the census findings about housing, which will be reviewed in a second article.



NOTES OF THE WEEK

Further Left

Mr Bevan and his friends scored another success this week in their campaign to edge the Labour party to the Left. After long discussion, the Labour MPs on Wednesday adopted a policy statement opposing German rearmament at this stage; its terms were not exactly what Mr. Bevan wished but they were far from what Mr Attlee would have preferred. The final resolution—condemning German rearmament as “inopportune” and reasserting the so-called Attlee conditions—was moved from the centre of the party, not from the Bevanite wing, and showed unmistakably that the great majority of the party is out of sympathy with the stand that its leaders are trying to maintain on foreign affairs.

The reasons for this loss of sympathy are open to argument. Some Labour members on the Right and in the centre of the party say that Mr Attlee and his colleagues have forfeited support precisely because their stand for what they did in office has been half-hearted. If they had been firmer, the majority of the Parliamentary party would have accepted the views of the front bench more loyally. However that may be, the eyes of both the Right and the Left are now turning more and more away from the attitudes of MPs to those of the constituency parties. Both sides are now chiefly interested in the elections to the party's national executive committee at the annual conference in September. And therefore, it seems, the concern of ex-Ministers to stick to the previous policies will become more and more vestigial.

This is the only possible explanation of Mr Shinwell's speech last week-end. Mr Shinwell was a surprisingly good Minister of Defence. He listened to his official advisers. He won praise from Mr Churchill for his willingness to push through, against the feelings of his own party, the measures that had been shown to him to be necessary for the country's safety. But it was a different Mr Shinwell who spoke last Sunday. He advocated a cut in the period of national service on the ground that the country now has enough trained reserves. Few people ought to know better than the ex-Minister of Defence that the extended call-up was designed primarily to provide the men needed for current British commitments in Europe and the East, not to train more reserves. The speech was made, one must conclude, not by Mr Shinwell the ex-Minister but by Mr Shinwell the candidate for election to the party's national executive—from which he was ousted last year by one of Mr Bevan's followers.

When Labour is in office membership of the executive matters little; but in opposition it becomes a highly desirable prize for every Labour leader. Everything done or said inside the party during the next few weeks will be influenced by this election; it must be hoped that the outside world will understand this, as it has to try to understand the peculiarities of American politics in election year. Mr Bevan's group is determined to increase its power—it holds four of the seven seats in the choice of the constituency parties—and the more orthodox leaders are equally anxious at least to hold their position. Since no open electioneering is allowed, some strange postures will be struck and some strange sentiments uttered before the outcome of the voting is settled.

No German Unity Now

The essential fact that emerges from the diplomatic exchanges over German unity is that the Soviet Government feels able to risk free elections in Germany only if American forces have first withdrawn. It doubtless reckons that if they left Germany they would soon leave France too. Then Germans could vote without much risk to the Russians or their friends in the eastern zone. The last Soviet Note of

May 23rd, read in conjunction with the threats that came from German Communist leaders, indicated that Moscow had already given up hope of achieving its object by the tactics pursued for the last year and a half. It was evidently decided some time ago that the Adenauer government in Western Germany must be overthrown before anything could be done. For that purpose ex-Nazis and business men must be won over to the Communist-led National Front by the Soviet offer of a national army and trade behind the iron curtain.

The Politburo appears to think that what Mao Tse-tung achieved against the Kuomintang and the Americans in China could be repeated in Germany. The Communists are appealing to national sentiment and the Eastern Democratic Republic is being turned into the Yenan of Germany—an efficient, militarised base from which to win the whole country. All the announcements made last week at the conference of the Socialist Unity Party (which are discussed in an article on page 175) indicate that German unity is still far away, and that Moscow does not expect it to be achieved either in peace or freedom.

Moscow in a Corner

Soviet proposals have from the outset given priority to securing a peace treaty and the withdrawal of foreign—especially American—forces from Germany. Elections have never been more than a price for a peace treaty, which the Russians would pay unwillingly and only on terms that would safeguard their position in Germany. Forced by western arguments into a corner, they have had to admit in a vague way that they did not intend a freely-elected sovereign German government to take part in the peace negotiations. They wanted treaty talks to start at once, on lines laid down in earlier Notes, and they proposed that the German government should be under four-power control until the treaty was operating—or longer. Moreover, the commission to examine conditions for free elections was to be composed of representatives of the four powers.

The Note that was sent to Moscow by the western governments last week showed that there is as much difference between the composite style of the foreign offices and that of the Politburo as there is between their policies. It confined itself to essential points and made them with exemplary clarity.

The western representatives, now including Dr Adenauer, demand that an all-German government shall be freely elected before negotiations on a peace treaty begin. An impartial commission must decide whether conditions for free elections exist and the German government thus formed must be able to take a share as equal partner in negotiating the treaty. That treaty must not prohibit the Germans from joining defensive European and Atlantic alliances. As a start on this basis, the western Note proposes a four-power conference on how to form the proposed impartial commission. A point has therefore been reached in the long exchanges where the differences between the two sides stand out clearly. Indeed, the gap is so wide that it is hard to see how it can be bridged.

Parliamentary Pay

The salaries of MPs are perhaps unique in having remained unchanged since 1946, and there ought to be general sympathy with the Opposition's suggestion to the Government that a rise should be considered. It is right that

political life should mean some financial sacrifice for the majority of members, or at least that they should not stand for Parliament for the sake of gain. It is right, too, that members should not greet every rise in the cost of living by awarding themselves more money. But the rise has been steep since 1946. While it is true that MPs can claim larger expenses and so get more of their £1,000 a year tax free, this is a small compensation; and it is harder to earn money outside Parliament now that narrow majorities enforce constant attendance there.

The last rise, from £600 to £1,000, was made on the recommendation of a select committee, and if the Government treats the Opposition's approach favourably it will no doubt appoint another committee. The terms of reference should certainly include the plight of junior ministers, which is worse than that of most MPs. Their salaries of £1,500 were left unchanged in 1946, although they were allowed to keep also £500 of the member's salary that they had previously forfeited on accepting office. As ministers are debarred from all other means of earning, the financial sacrifice involved in accepting a junior ministry can easily be prohibitive.

It is obviously difficult, politically, to increase MPs' salaries while calling for general retrenchment; for this reason, compensation for higher living costs may well be sought in some other way. One possibility would be to make the £1,000 a year completely tax free; but it is a bad principle to exempt MPs from the income tax that they impose on the rest of the nation. Free postage would not save a great deal on ordinary constituency correspondence and it opens the door to postal electioneering at the state's expense, which would give the sitting member an advantage over his opponents in an election. Free secretarial assistance would relieve most members of their biggest expense; but the pool typist would be a poor substitute for the private secretary, and from the state's point of view this compensation would be unnecessarily generous. Probably the best solution is to make a straight addition to salary and trust the public to recognise that if the calibre of members and ministers is not to fall, the financial penalties of a political career cannot grow heavier indefinitely.

No Martyrdom for the Dean

Mr Churchill gave, on Tuesday, the right and inevitable answer to the demand for the establishment of a tribunal to inquire into the behaviour of the Dean of Canterbury. “Foolish, unpleasant and venomous things” may be said by those exercising the right of free speech; but “on the whole we would rather lump them.” Milton put the matter a little differently some three hundred years ago, but the principle remains the same. Even were the issue to be stated on the less exalted grounds of mere expediency, it is exceedingly doubtful whether the official gagging or punishment of this remarkable cleric would achieve, on balance, any useful end. He may now be valuable to the Communist cause as an active and unmolested propagandist; he would be very much more useful as a martyr. This consideration applies, to some extent, even to any action which might (as a statement of the Attorney-General's suggests) be taken against him under existing law; it applies incomparably more strongly to the setting up of a special tribunal to consider his particular case and to any penalties to which he might in the upshot be subjected.

Matters might be much worse. Instead of displaying himself as a progressively self-discredited ventriloquist's dummy the Dean might, after all, have presented the appearance of an ordinarily sensible, ordinarily honest-minded, not particularly gullible seeker after truth courageously proclaiming his discoveries. He might have been a subtle, intellectually powerful propagandist, capable of presenting the most outrageous falsehoods in such a way as

to carry conviction or at least to raise doubts. He might have possessed a crowd-compelling charm of personality or the daemonic force of fanaticism. The dilemma with which he confronts the liberal-minded would then have been sharp indeed. As it is, he appears precisely the sort of champion whom one would wish to find in the ranks of a bad cause. One might almost hold that if he did not exist it would be necessary to invent him; only then the invention would probably be dismissed as fantastic. He provides, for the education of the public, the essential and invaluable *reductio ad absurdum* of the whole class of fellow travellers; thanks to him, no publicist of his kidney will be able for a long time to come to fulminate against American germ warfare without automatically evoking a disrespectful *obbligato* accompaniment on invisible chopsticks.

M. Pinay Earns a Holiday

The substantial achievements standing to M. Pinay's credit since he took over the French Government last March have been very largely political. By splitting the Gaullist parliamentary group and attaching over thirty of its deputies to his conservative coalition, he has made possible the formation of a constitutional administration of the Right. Thus he has ended the frustration of the long line of centre coalitions whose internal differences reduced government to *immobilisme* and discredited parliament itself.

So long as the combined strength of the anti-parliamentary parties—Communists and Gaullists—stood at 220, the only possible constitutional administration had to stretch from socialists on the Left to conservatives and “independents” on the Right. Such teams had so little in common that they either did nothing or else collapsed as soon as they were compelled to do something. By the beginning of this year, it began to look less and less likely, under such conditions, that constitutional government could survive in France.

M. Pinay has revived hopes of stable government, sent the Assembly away on holiday and can now look forward to several months of quiet work before it meets again in the autumn. This is a breathing space he urgently needs for, in spite of his success in creating a conservative alliance, it will take immense ingenuity and patience on his part to hold it together when the stern issues of economic and foreign policy come up for decision.

The difficulty lies in the fact that to survive economically France needs to lower prices, invest—not hoard—more of its savings, increase productivity and enlarge its markets. Among M. Pinay's supporters are industrialists who accept these necessities. They are drawn mainly from heavy industry and are at present prepared to go forward with the Schuman Plan and other schemes to modernise and rationalise European industry. But the parliamentary coalition still depends entirely upon the support of peasants, traders, small businessmen—in short, the solid, unchanged, centre core of French individualism. These groups are behind the maintenance of high prices, protected markets and hoarded gold. The drama of the Pinay administration will lie in the discovery whether the streamlined conservatism of large industrialists and the old-fashioned conservatism of France's “little men” can work together when the economic issues that divide them really emerge.

New Supply Pattern for Nato?

The changes in the American military command in Europe, announced last week from Washington, have some important implications, economic as well as military, for Western Europe. The United States European Command, headed by General Thomas Handy, has been abolished and General Matthew Ridgway now becomes Commander-in-Chief of all American military units in Europe, apart from

those in Berlin, Austria and Trieste which will remain under the direct control of Washington. General Ridgway has also been given responsibility for the logistic problems of all American forces in Europe, including the organisation of supply lines and the co-ordination of "off-shore" purchases of military equipment in Europe. It is reported that the task of organising logistic support will be given to General Handy, acting as deputy to General Ridgway with headquarters in the Paris area.

The reorganisation will clearly place American forces in a stronger position for defence. At the same time, the creation of a centralised logistics establishment in Europe should also ensure that American offshore buying of military equipment for its own units is a businesslike and effective operation. It should ensure that the three American services do not compete for war materials produced in European factories and it should facilitate the placing of orders which in the past have sometimes been held up in Washington by men unfamiliar with what Europe could offer.

The recent changes will have little or no direct effect on General Ridgway's position as Commander of the Allied Forces in Europe or on the supply organisation of the non-American Nato units. All the European member nations of Nato remain individually responsible for supplying their own national units. The American reorganisation, however, might well set a pattern for the European Defence Community when it comes into being; and perhaps even Britain might adopt the same principle to co-ordinate British and Commonwealth arms and supplies with its partners in the Atlantic alliance.

Dollar Orders for Europe

American purchases of arms in Western Europe are beginning to reach sizeable dimensions. This week Mr William Draper, United States Special Representative in Europe, announced that the United States had placed nearly \$700 million worth of military orders with European factories in the fiscal year which ended on June 30th.

The items ordered include ammunition, special transport vehicles, auxiliary combat craft, and electronic and engineering equipment. France received by far the largest share of the contracts—some 50 per cent of the total—in accordance with an agreement reached with the United States at the Lisbon Conference. Under that agreement the United States undertook, in return for a French pledge to increase its defence contribution, to provide a substantial portion of aid in the form of military procurement in order to strengthen the French budget and to ease the dollar balance of payments.

Mr Draper gave this breakdown of the dollar orders:

US \$ million		US \$ million	
France	335.5	Greece	11
Italy	129	Denmark	6
United Kingdom ...	69	Norway	6
Belgium	46	Luxembourg	.3
Netherlands	38	Non-Nato Countries	43

Total 683.8

Some \$600 million of the total comes from funds allocated to the Mutual Security Agency and the items purchased will go to Nato nations, other than the United States. Another \$84 million has been financed by the Department of Defence for purchase of equipment in Europe that will be used by United States forces.

During the coming months, the new project to increase European aircraft production should further swell the offshore procurement programme. Last week it was announced in Paris that the American Government had accepted in principle the plan put forward by Nato for expanded aircraft production in Europe with American assistance. The plan calls for increased European production of some \$250 million, 60 per cent of which will be financed by the United States.

It can hardly be said often enough that the offshore procurement programme is one of the most beneficial aspects of transatlantic military co-operation. For Europeans it means the opportunity to earn dollars and thus to substitute the principle of partnership for patronage. And, so far as the Atlantic community as a whole is concerned, it may well pave the way for greater standardisation of the military equipment used by all the Nato forces.

Scotland's Industrial Future

Some interesting criticisms of development area policy, as it applies to Scotland, are contained in the report* of a committee appointed by the Scottish Council. This report is timely since there are indications that the postwar industrial boom in Scotland is at an end. The volume of new factory construction has declined since 1949. In the debate last week on Scottish industry, many members pressed the claims of their constituencies to a greater share of industrial employment. But, as the committee's report points out,

The number of new factories built every year in Scotland is small in relation to the number of towns seeking industrial development. . . . The Government cannot simply ladle in fresh employment whenever it wishes out of a bottomless bucket of enterprise.

The committee in fact appreciates, with a welcome realism, the limitations set on a policy for the location of industry. The general distribution of industry in Scotland cannot and should not in its view be altered. Government guidance and aid can, however, facilitate gradual adjustments and can settle which areas should be specially favoured. Present policy favours one half of Scotland at the expense of the other half. In particular the Glasgow development area, which accounts for over half the industrial employment in Scotland, has received the lion's share of postwar expansion. Of 281 new factories constructed in Scotland in the five years 1946-1950, 211 were in the Glasgow area and nearly all of these were financed by the Government.

The report believes that it is wrong to make unemployment, or the fear of it, the exclusive criterion of policy on location. In any case, the level of unemployment in the rest of Scotland is not appreciably lower now than in its three development areas. Many other parts of the country, such as the decaying fishing ports of the east coast, have as good a claim to special aid as Glasgow. But the whole of Scotland cannot be made a development area or the point of the policy would be lost. The report seeks a solution in a more flexible policy, under which Government assistance for new industry would be available to any area if circumstances warrant. In particular, the developing mining areas and certain of the country towns, with which the report is primarily concerned, should get a larger share of new enterprise, presumably at the expense of the Glasgow area. The dynamic requirements of industrial development, for instance on the South Fife coalfield, should take precedence over the need to prop up existing communities. Carefully applied, this policy would also serve the important social aim of relieving the grave congestion of population and housing in the Glasgow area. It would not achieve miracles, but it should ensure that Government aid is distributed with more discrimination and less conservatism than at present.

National Parks in Dispute

The Minister of Housing and Local Government has been under fire in two successive weeks for his administration of the National Parks Act. He can console himself that this would have happened whatever he had done. The Act itself was an uneasy compromise between national and local

* Report of the Committee on Local Development in Scotland. Published by the Scottish Council. 5s.

interests, and no balance struck by Mr Macmillan in its administration would have pleased everyone.

Under the Act, the normal machinery of administration for a national park was to be a joint planning board; this would contain a proportion of Ministerial nominees, the representatives of the national interest in the park, and would have its own planning officer and an adequate budget. The model was followed for the first park, the Peak District, where it is working satisfactorily. It was modified in the case of the Lake District. Now it has been abandoned altogether in the case of Snowdonia, where planning will be left to the local authorities concerned, aided by a joint advisory committee.

The differences, as Mr Macmillan complained, seem rather small—especially to a Minister who must contend with the fervent objections of Welsh nationalism. Nevertheless the critics, who include the main amenity societies, feel that the principle of the national parks is being betrayed. The Minister himself weakened his case by agreeing that the parks are areas where the claims of amenity and of public access should be paramount—a definition that indeed goes too far. But the critics fear that the principle will not be fully observed by local authorities, who are subject to local pressures for development and who have a strong interest in financial economy. Local authorities must foot part of the bill, and it has been pointed out that rateable value is usually in inverse proportion to natural beauty.

The Minister deserves sympathy against such criticisms. Presumably it is still intended that one tenth of the area of England and Wales shall eventually be turned into national parks. If so, it is clearly impracticable—as well as undesirable—to sever so much of the country from the local planning authorities. Nor can highly preferential treatment be given to an area of this size when all local authorities have new responsibilities and powers to protect amenity everywhere, not in the national parks alone. The more idealistic conception of the parks would probably be better served if there were no more than two or three of them, which then might have a truly national administration and be adequately financed. But this is not the present arrangement, and as things are Mr Macmillan's susceptibility to local pressures hardly warrants blame.

Bomb on Clapham

In Kensington this week civil defence officers from the London region have been studying the effects of an atomic explosion in relation to the organisation and plans for dealing with it. The study will be particularly concerned with damage to buildings and essential public services; it is a sequel to the one held last year, which dealt with casualties and welfare organisation.

For the purpose of the study it will be assumed that an atom bomb is exploded over Clapham Junction, at 11 a.m. a year hence. It is a bomb equivalent to 20,000 tons of TNT

—the size of the bomb dropped on Nagasaki. It could, of course, be as much as five times greater than this, but it is thought that enemy designers may favour the smaller types of bomb. It is assumed to explode at a height of 700 feet, compared with 2,000 feet at which the bombs were exploded over Japan—for the lower height would cause more destruction to framed buildings, which were relatively little damaged in Japan, as well as to underground services. It is assumed also that the population would have had enough warning to get to their Anderson shelters or strutted basements—although it is hard to see what justification there is for assuming that in one year's time they would have any shelters to go to.

The study will show how various regional organisations are being tied into the operational plan for London. As well as the regional organisations for transport and telecommunications, there is an emergency organisation of building contractors, panels are being set up among factories which could help each other, and the public utility undertakings are represented on a committee to advise on priorities for repairs. The study of a definite incident ought to bring some realism and urgency into the deliberations of these organisations, as well as into the long-drawn discussion of the local committees. But progress is very slow. For months now the planners have been considering the use of mobile columns of rescuers to operate from the periphery of target areas; but the long-expected experimental column will not be in operation until early next year. Civil defence remains an exercise in small-scale democracy rather than in military operations.

Consultation on South East Asia

The visit to Singapore of M. Letourneau, the French Resident Minister in Indo-China, has again focused attention on the need to plan joint action against Communism in South-East Asia. M. Letourneau was doubtless able to give Mr Malcolm MacDonald, the United Kingdom's Commissioner-General in South-East Asia, and the three British Service commanders whom he met, a survey of his recent useful visit to Washington. There was also considered for the first time the establishment of a permanent office, perhaps in Singapore, through which the Americans, British and French could be kept fully informed of each other's experience and plans. This would be an improvement on the present system, whereby the exchange of ideas largely depends on personal visits.

There are, however, three separate problems of consultation, and the proposed permanent agency, while no doubt of value, could hardly do more than scratch the surface of the real difficulties. There is, first of all, a problem of local consultation between the three western powers; but, as Mr MacDonald himself has just pointed out, the regular exchanges of information agreed upon at the military staff

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talks in May of last year have been working well. The other two concern the basic policies of the three powers for assisting each other, and the amount of agreement they manage to reach with local leaders for bringing Asians themselves into the struggle against their Communist compatriots. Basic policies can only be settled in Washington, and alignment with Asians is primarily a matter of British and French attitudes inside Malaya and Indo-China.

In Washington, the intermittent discussions of the past few months have not so far produced any final agreement on the planning that would be required if the Vietminh challenge in Indo-China were to be reinforced with more active Chinese aid. The rock on which all such discussions ultimately founder is western failure to agree on how to treat Communist China.

India's Reshuffle

As part of the first major diplomatic reshuffle since Indian independence, a change is being made at India House in London. Mr Krishna Menon, the retiring High Commissioner, had handed over to Mr G. B. Kher after nearly five years of historic trail blazing. As he said in a farewell speech, the outstanding feature of his term of office has been the growth of truly cordial relations between Britain—first under a Labour and then under a Conservative government—and the new India. It has, in its own way, represented the beginning of a new era in human affairs. Mr Menon's lifetime of struggle has been fitly and happily rewarded. Mr Kher, his successor, enters on his post with great experience of public service as the Chief Minister of Bombay. He has Gandhian characteristics of humility and friendliness and is sure of a warm and widespread welcome.

Other changes are the replacement of Sardar Panikkar in Peking by Mr Ragavan from Prague, and of Professor Radhakrishnan in Moscow by Mr K. P. S. Menon, who has been Mr Nehru's close adviser in Delhi since Sir Girja Bajpai went to govern Bombay. Mr G. L. Mehta, with industrial planning experience, is going to Washington, and Sardar Panikkar, after more than one false start, is in due course to go to Cairo. While these changes put a new emphasis into India's foreign representation, they leave Mr Nehru's own team of direct advisers in Delhi rather weak. The change comes at a moment when Communist pressure at home has begun to show the tactics of the Communist powers abroad in a different light. The next few months may therefore be important in moulding India's foreign policies, and it is a pity that Mr Nehru enters them without either a foreign minister or any experienced senior official to help him in Delhi.

All the News that Fits the Print

If newspapers had more newsprint their first concern would be to present more international news. That is the unanimous verdict given by a panel of five editors—Australian, British, Chilean, Dutch and Finnish—in the latest bulletin of the recently founded International Press Institute. Other editors would confirm that there is no lack of material on foreign affairs; it floods in, in the form of dispatches from correspondents and agencies, and of syndicated background articles, only to be mercilessly cut and often finally pushed out by home news. Editors are therefore discouraged from sending special correspondents to report on developments of great significance—for example, the rapid postwar evolution of tropical Africa—which cannot be presented in snippets. It means that foreign news is often printed in such condensed form as to be utterly incomprehensible except to a few initiates; and that whole regions—Latin America for one—are virtually ignored by the press in other countries because their affairs are less urgent than those of, say, Germany or the Far East.

It is doubtful whether unlimited newsprint would produce a foreign editor's utopia. Fuller foreign reporting would make many newspapers too heavy for the average reader unless balanced by more pure entertainment. The correspondent in Lagos, Lima or Labrador might see his dispatches at last used in full, but only a minority of devoted readers would get past the distractions of the feature pages, gossip columns and strip cartoons to read them. Experience in North America, which is not short of newsprint, tends to confirm this fear. To take in the foreign news content of a United States daily paper at breakfast or in the crowded bus is a feat of agility, concentration and aversion from fleshly delights. In that country of massive dailies people turn increasingly to weekly news magazines to keep themselves abreast of events.

It has to be accepted that the most widely read newspapers owe their success to their deliberately popular style; give them extra newsprint and the extra pages would probably yield to fashion notes, sensational revelations and humorous columnists—not to analyses of Yugoslavia's economic problems or of the strategic significance of Nepal. It is sad to see the diplomatic and foreign correspondents so strictly rationed for space; but there is no sign that most readers object.

Facts on the Thomson Dispute

The Court of Enquiry set up by the Minister of Labour to investigate the dispute between D. C. Thomson and Company and members of the National Society of Operative Printers and Assistants published its report at the end of last week. It is an absorbing case history in industrial relations. The court has produced no solution, but it has set out both the facts and the considerations involved. Both sides, it considers, have acted within their legal rights, but have they been wise?

The Thomson dispute really began in 1926. In April of that year Thomson's signed an agreement with the Dundee Typographical Society, which contained a provision that no employee should leave a regular situation without giving or receiving a full fortnight's notice. Less than a month later Thomson's men were called out by that union in support of the General Strike. The management at Thomson's was, in its own words, "very, very vexed" and as result it decided to employ only men who did not belong to a union, and to make that clear to each man before he was engaged. The management was legally free to act in that way and the unions did not seriously suggest that the conditions of work at Thomson's had been depressed by this practice. After the war, however, they felt a crusading urge to recruit into their ranks men in Thomson's employ. In January, a man suspected of being a union member was dismissed. He was a union member, and he took his case to his union (Natsopa). In March another employee, also a union member, met with trouble. Whether he was dismissed or himself gave notice was a matter of conflict, but he himself thought he had been dismissed. He, too, saw his union organiser, and from that interview came the decision by the union members in Thomson's to strike, later followed by a national campaign by the unions against the firm, which in return challenged them at law.

Thomson's legal suits are still pending. But the original dispute results from a clash between the basic principles involved in industrial relations. The claim of a man to be free to join a union is met by the claim of an employer to be free to employ non-union men only. The claim that trade union solidarity demands that men should break contracts the union has negotiated for them is met by the claim that, unless collective agreements are honoured, it will be of no interest to management to negotiate another. Those who think of industrial relations in terms of the class struggle



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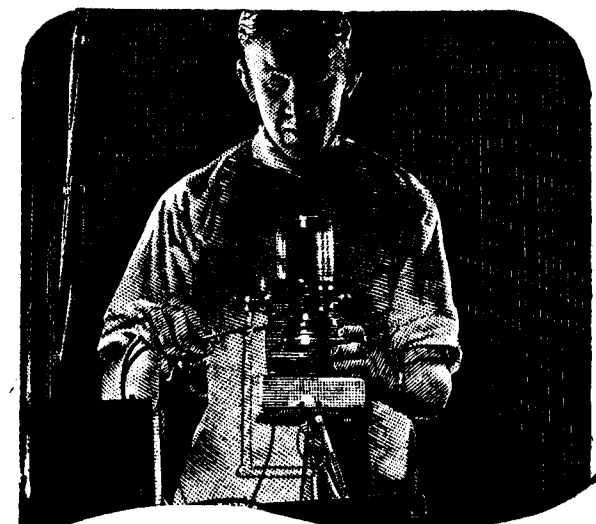
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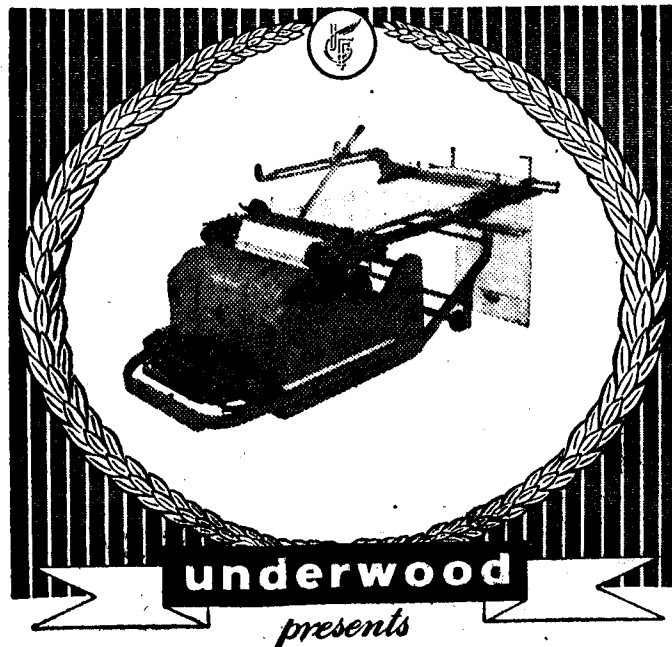
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will, of course, fight this battle in a spirit of "no surrender." Those who feel that industrial relations, like treaties, demand some surrender of full legal sovereignty, of the right to treat anything as a scrap of paper as convenient, will look for a compromise.

Little Cuts and Pinpricks

The closing of several picture and museum galleries over the last few months has raised a rather comical storm of indignation in Parliament and the press. The champions of culture have vied with each other in finding bad words for the Government's cuts in its grants. But the recent restrictions are in fact only a slight worsening of a position which has exasperated serious students for years. Can it be possible that members of the Opposition have been suffering in silence, year after year, the failure to repair, restaff and reopen far larger numbers of prewar galleries than those now under discussion? Or was this week's debate the first they had heard of the matter? They are evidently well content that the British Museum reading room should continue to close at five o'clock. There is, in fact, something sadly opportunist and unconvincing in this sudden show of zeal.

To denounce a cut as "cheese-paring" just because the saving of £30,000 is only a little one is obvious nonsense. Given the unpleasant need to make cuts in Government expenditure, why should the national museums escape scot-free, while equally worthy causes suffer indiscriminately because they are the objects of bigger grants? Members of the Opposition, even though their own experience of making cuts is sadly limited, must surely realise that a big cut in a big grant means "cheese-paring economics" too—a whole series of them. Priorities there must be, but this chorus of howls at one pinprick will not help to establish them sanely.

On the Atlantic Community

The birth of a new voluntary organisation named Friends of Atlantic Union has, not unexpectedly, led existing bodies such as the United Nations Association and Federal Union to voice a little concern over the growing number of voluntary groups working in the field of world affairs. It is argued, with reason, that many people fully endorse both the United Nations idea and the movement towards Atlantic and European unity, but cannot find either the time or the money to lend active support to three or four different organisations. Less intelligent members of the public are confused by the existence of so many societies, each appearing wholly admirable in purpose, and fall back all the more easily into apathy.

The apparently simple solution of a merger of such bodies is not practicable, even if it were desirable. The United Nations exists; close Atlantic partnership exists, but short of union; and federal union does not exist at all. In each case the job of inquiry and propaganda to be done is different. The Friends of Atlantic Union might well discover that Nato could do some important things better than Uno does them; and they might come to the conclusion that federation is not a possible method of Atlantic union. It is too much to believe that a single organisation could survive either such disagreements or the administrative strains that would be set up.

The idea of the Atlantic community needs far more research and thought than anyone has yet given to it. There are political, economic and constitutional problems to be considered and the whole experience of Nato to be examined. The organisations which are now objecting—albeit mildly—to the appearance of a new body can hardly claim either that they have done this work or that their terms of reference would allow them to do it.

Witness from Russia

It is a pity that wiser use is not made of the Russians who, from time to time, move westward and seek asylum. Recently a young engineer called Volchansky arrived from eastern Germany, apparently discontented with his work and life. In due course the office of the American High Commissioner released a statement by him in general terms and the man himself appeared before a press conference. The gist of what he said is that the Soviet leaders are deterred from aggressive war by fear of internal revolution, that "a disturbed and resentful people would be able to liberate themselves upon receiving arms," and that it should be a western war aim to "overthrow the Soviet regime."

Two things may be said about this reported statement. One is that no individual short of Beria himself would be entitled to make such a sweeping judgment about the Russian people. The other is that such statements do positive harm at a time when quite a lot of people are wondering what Mr John Foster Dulles means by substituting "liberation" for "containment." It is proper that the American High Commissioner's office should allow accurate, first-hand information from a Soviet refugee to reach the press; it is not proper that it should sponsor inflammatory general statements—in Germany of all countries.

Whigs and Democrats

In the United States of America, the respective claims of the two great parties to our sympathies are more equally balanced than at first appears. The "Whigs" there are the Conservative party—as far as a party with such a name can be said to have any existence in a new country like America. The "Democrats" answer to our extreme Radicals. . . . The "Democrats" are right on the great material question of the day—Free Trade. . . . They demand the freest commercial intercourse with all nations. In a word, they are in America the defenders of that system which we believe not only to be founded on truth and justice, but to carry in its train the fullest development and the highest prosperity of the world. . . . But on nearly all other points we regard their tendencies as dangerous and their principles as wrong. . . . They are strongest among the daring, reckless, and unquiet spirits of the South and West. They include the most wild and ignorant of the population. It is among them that the opposers and defiers of established authority are principally found. . . . On matters of foreign policy, also, their principles are indefensible, and their morality is lax. . . . They are constantly on the verge of involving their country in wars and quarrels on the most trivial pretext and the smallest provocation. . . . The Whigs, as a whole, are a far more educated class than their competitors. They have far more notion of the decorums and dignities of policy, and of those laws of justice and morality which belong to civilised and international life. . . . They are the advocates of the supremacy of the law, on those occasions when it comes into collision with the popular passions of the hour. . . . They have, generally speaking, more comprehension than the Democrats, of the intellectual and moral, as contradistinguished from the mere material, interests of their nation and of humanity; they represent a more cultivated people, and a higher stage of civilisation. But they favour a Protective tariff. . . . Like most men and parties their views are warped and darkened by their immediate pecuniary interests. . . . While the Democrats would be most disposed to quarrel with us on territorial questions, the Whigs would be most likely to declare hostilities against us in a war of tariffs. . . . It is, therefore, not easy to say to which party we should wish success. Both, we hope, will become yearly more enlightened.

The Economist

July 17, 1852

Letters to the Editor

Federation Moves On

Sir,—In their letters in your issue of July 5th, your correspondents write of the importance of partnership between Africans and Europeans, but they nowhere define what such a partnership ought to entail—nor have other commentators. Surely, the ultimate objective of partnership must be full equality of opportunity between African and European. This implies that eventually—and that day is, no doubt, far distant—the two peoples will come to compose a multi-national and multi-racial society. But this concept surely implies that such a society will not be divided along lines of race or colour, but along lines of skill and mental capacity in which members of both races will be found performing all the various economic functions proper to a modern society. In consequence not only will Africans be found doing skilled jobs and occupying professional and administrative posts but Europeans will be found occupying unskilled and manual trades.

Is this really what the advocates of partnership desire? It is not enough to say that they are not averse to the idea of African advancement unless they are prepared to accept the second half of this proposition. Of this there is, as yet, no sign at all. The theory of white settlement in central and southern Africa has always rested on the assumption that all Europeans shall be entitled, as of right, to the professional, administrative, technical and in general the more highly skilled professions and trades irrespective of talent. Moreover, to the extent to which immigration is exchanged the available opportunities for Africans must be restricted by reason of the need to provide for the newcomers. Is hypocrisy too harsh a word to use of this use of the word partnership?—Yours faithfully, IDRISS C. BELL
Swansea

A Streetcar Named Defunct

Sir,—Your article on the tram in your issue of July 5th lacks the logic that is a feature of the comments you make on a related form of transport, namely, railways, so I write suggesting possibly more appropriate criteria with which tramways should be judged.

You make the mere assertion "undoubtedly removal of trams helps to keep down congestion." Have you observed it, or did London Transport tell you so? Possibly an extra seventy-seven buses on the road seem to cause less congestion than the seventy-five trams they replace? But are those buses carrying as many passengers as the seventy-five trams? I suggest that nine buses anywhere on the road cause more congestion than the seven trams, constrained to single file, which carry closely the same number of passengers. "Trams cause congestion to other traffic" is the usual cry—but other traffic also causes

congestion to the trams. Is it not public transport in itself that causes road congestion? Is it not because trams rarely operate apart from buses, whereas buses are generally part of the traffic on any road, that the unthinking blame trams for traffic congestion, forgetting that, in the absence of seven trams, nine buses ought to be added to those on the road.

Your comparison of tram and bus speeds in Bristol is patently unfair. Bristol trams were the original ones of 1900 vintage, not modernised or renewed because of a tendency you mentioned, that the system was liable to be bought by the municipality every seven years. Comparison of the speeds of such trams with those of modern buses proves nothing. Birmingham trams, of 1925, average 12 m.p.h. on the largely reserved track routes to the Lickey Hills, whilst most modern trams (even the ex-London "Felthams" of 1932, now in Leeds) can attain speeds of 35 m.p.h.

It is true that London Transport has substituted buses for trams in the ratio of 77:75 rather than in the seating ratio of 77:56, but one cannot help asking whether the actual substitution ratio means that fewer peak-hour places are available to travellers? I submit that the total of seats available to peak-hour travellers should be the criterion for any substitution, lest a less satisfactory service be provided in the guise of progress. One wonders how many passengers in ex-tram areas have changed to railway travel now that they have the "benefit" of all-bus road services?

Whilst the above points are debatable, your comments on costs are not debatable, but rather, when viewed properly, give opposite conclusions from your own.

Tramway receipts during 1950 were only 65 per cent of expenditure. During that year trams still offered workmen's returns and other cheap fares such as 6d. maximum, 11d. return and 3d. mid-day (hence 6d. return, in effect, during off-peak hours) on ex-LCC routes. The single fare on many of the journeys covered by these facilities (nowadays generally designated "anomalies") is generally about 1s., so it seems that with equal patronage and present-day fares the tramway deficit would probably have become a surplus.

You comment that trams cost 31.2d. per car-mile compared with 24.9d. for the bus. Since trams have 73 seats and buses have 56 seats, this gives 0.428d. and 0.443d. as the costs per tram and bus seat-mile, with the tram about 4 per cent cheaper than the bus on the basis of its ability to carry people. Since London trams are more expensive to operate than need be because of the conduit current collection system, modernisation of the system and conversion to overhead wires would give an even more favourable comparison.

You also comment that new buses cost £3,500-£5,000 and new trams £8,000-£11,000, but do not relate this to the service expected of the vehicle;

without such considerations the most economical vehicle cannot be chosen. Since trams have 73 seats (for the sake of argument, though a large modern one such as would be suitable for London would seat about 80), and last about 25 years, and buses have 56 seats and are not expected to last more than 12 years, the seat-year of life costs should be determined. These are £6.03 and £7.45 (taking the higher of your prices quoted) so, on this basis, the tram is cheaper by 19 per cent.—Yours faithfully, B. JOHN PRIGMORE
Imperial College, London, S.W.7

Gains for the Dutch Labour Party

Sir,—In your issue of July 5th your correspondent comments on the results of the Dutch elections. With regard to the loss of two seats in Parliament sustained by the Catholic People's Party your correspondent remarks: "Part of this movement [i.e., this loss] was no doubt caused by an internal rift in the Catholic People's Party, where a junta of integralist theorists and reactionary businessmen had made a bid for party leadership." Your correspondent refers here to a group, formed by three former Cabinet Ministers, by some professors of the Catholic University at Nijmegen, and by a number of well-known Catholics. This group expresses widespread discontent with the policy of the Catholic People's Party. The group was invited by the party to a discussion which resulted in a covenant that has caused considerable trouble.

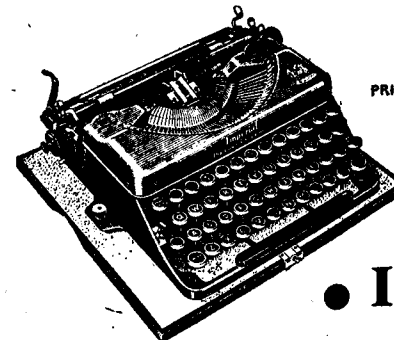
The group had no political aspirations whatsoever. It had nothing in common with a "junta," nor with an effort to capture party leadership. It maintained that government policy, for which the Catholic People's Party bears its share of responsibility, showed too many collectivist and levelling tendencies, and neglected the incentives necessary for a widespread formation of capital. It neglected the problem of securing a more highly qualified labour force. It also criticised the attitude of the Catholic People's Party in preferring a government with participation of the Dutch Labour Party.

I do not know what your correspondent means exactly by "integralism," but I was quite amazed at his description of some of my friends in the group. In some quarters it seems to be fashionable to treat as proof of a "reactionary mentality" any critical comment by businessmen on measures that are called progressive. These members of our group, who may be regarded as leading personalities among Catholic businessmen, think that social justice is incompatible with the enlightened despotism of bureaucratic managers and with a continuous concentration of human responsibilities. The tendencies towards a "managerial revolution" could easily be described as "reactionary."—Yours faithfully, F. DUYNSTEE
Nijmegen



out of the mouths
of babes and office boys

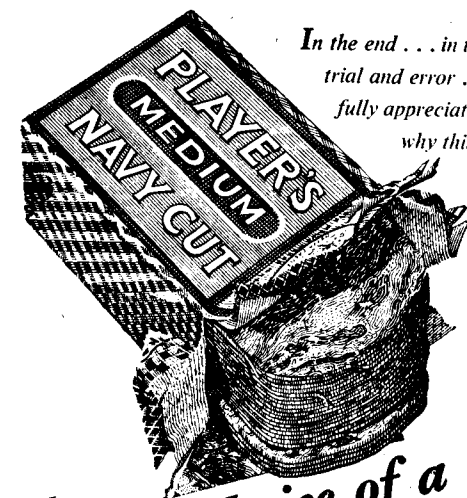
They say around the office that I'm only good for spilling tea and losing parcels, but I've got me ambitions. One day I'll be an efficiency expert and — coo! — will I make 'em jump. I'll wear an Anfony Eden hat and carry a brief case with a secret compartment. Cool and very superior I'll sit at me chromium-plated desk, call up old Winterbottom (who is at present the boss) and say: "Winterbottom, must I do everythink meself? I've decided that there's a place in every office for portable typewriters. And it's been brought to me notice that there's nothing better than the Imperial Good Companion. Order half a doz. now. Oh, and by the way, Winterbottom, you're fired."



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Books and Publications

Confidential Conversations

The Forrestal Diaries. Edited by Walter Millis. Cassell. 542 pages. 25s.

James Forrestal served continuously in the American government from May, 1940, until March, 1949; for the first three months as an administrative assistant to President Roosevelt, then successively as Under Secretary of the Navy, Secretary of the Navy and Secretary of Defence when that post was created in July, 1947. Less than two months after he resigned he jumped from the sixteenth floor of the Naval Hospital at Bethesda; but, before he went to hospital, he sent instructions that his diaries, which began in July, 1944, should be deposited at the White House. "This was an unusual request," remarks Mr Walter Millis, who has edited the diaries. "One can only infer that it reflected Forrestal's awareness of the confidential nature of much of this material and his desire to insure it, under any eventualities, against irresponsible publication."

It seems more likely that they were deposited at the White House to prevent any kind of publication at all, and it might have been better for many reputations had their appearance at least been delayed until all the protagonists were dead. For these are not diaries, in the ordinary sense of the word, but notes, usually dictated at the end of the day and uncorrected, designed to remind Mr Forrestal of what he might forget rather than of what he was certain to remember. The big events of history are, therefore, hardly mentioned at all, but luncheon conversations are reported in detail—to the probable discomfort of people who never expected their casual intellectual squibs to become a solemn part of the raw material of history.

It must be admitted that this book sets a doubtful precedent and one which, if widely followed, would render public men mute even at the dinner-table—or at least force them to have their private conversations as rigorously screened as their public speeches. Nevertheless it is possible to be grateful for this particular indiscretion as so much of what Mr Forrestal recorded is of absorbing interest. For the historian the most valuable series of entries will be that which describes the long and bitter negotiations which preceded the unification of the armed forces and the establishment of the National Security Council, without which body American diplomacy would still be operating regardless of available military power.

Mr Forrestal gives an example in his account of the time when the Jugoslavs shot down some American fliers. "Acheson," he says "was all for an immediate and aggressive use of American air fighter power over Jugoslavia. [General] Norstad at that time had to point out to him that such a demonstration would inevitably mean

war and we would be exposing green and untrained pilots to a superior and competent enemy." It was on such occasions, Forrestal said, that the National Security Council would be useful—"to make a careful examination . . . and avoid stumbling into war." This story of the patience with which Mr Forrestal fought, compromised or stuck in his heels to get what he thought vital for his country's security is evidence enough of why two Presidents promoted him to the highest post in his particular field and finally allowed him to work himself to death.

During most of his time in office he was one of the principal targets of American "liberals" because he was "prematurely anti-Communist"—"I find," he wrote in 1944,

that whenever any American suggests that we act in accordance with the needs of our own security he is apt to be called a god-damned Fascist or Imperialist, while if Uncle Joe suggests that he needs the Baltic Provinces, half of Poland, all of Bessarabia and access to the Mediterranean, all hands agree that he is a fine, frank, candid and generally delightful fellow who is very easy to deal with because he is so explicit in what he wants.

But he got a certain pleasure later from being able to remind people, as he reminded Mr James Byrnes in April, 1947, that they had chided him earlier for "being too extreme in my views about the Russians" when they started complaining that the Russians were "stubborn, obstinate and don't scare." Despite all the attacks on him as the prototype of Wall Street in government, however, Forrestal recognised the need to "have the support of public opinion in whatever policy we found it necessary to adopt," and he never bore any resemblance to the portrait painted of him by the Left.

Nor did he bear much resemblance to the ordinary Wall Street banker, though he had been one until he joined the administration. Unlike the other bankers in the government, he was the son of an Irish immigrant and had preferred to work his way through Princeton rather than Tammahy. Unlike other Irish-Americans, too, he devoted his official career to what he believed to be the best interests of the United States rather than Eire. And, since he understood the importance of Britain to the national security of his own country, he never allowed his Irish ancestry or his innate conservatism to colour his dealings with the Labour government.

Had he lived to write a book from these notes—and there is no evidence that he intended to do so—Mr Forrestal would no doubt have saved himself and his friends some embarrassing moments. His extreme preoccupation with his own

particular subject meant that his views on others often lacked depth. Since he reported his own unconsidered contributions to conversations along with those of other people, he therefore emerges from the book a lesser man, or a more superficial one, than he really was. But that is an unimportant defect in one of the most important additions to the books that add to our understanding of recent history.

Capitalism and Freedom

Religion and the Decline of Capitalism. By V. A. Demant. Faber. 204 pages. 12s. 6d.

Professor Demant's Holland Lectures deliberately invite comparison with Mr Tawney's famous lectures in the same series published under the title "Religion and the Rise of Capitalism." Partly because his pen is not so graceful as Mr Tawney's, and partly because he does not give the reader such sharp antitheses, Professor Demant's work will not rouse such a stir as Mr Tawney's, but a great deal of solid learning has gone into its making, and it deserves close study by economists and theologians alike.

Perhaps Professor Demant is not making so controversial an assumption as he supposes in locating "the nerve of capitalism" in "the predominance of market relationships over the greater part of the social field." He becomes a little more controversial when he sees the main problem set by the capitalist phase of history as the achievement of great economic advantages at the cost of colossal social dislocations. It is, of course, a fact that the assumptions of "the capitalist phase" are rejected today over a vast area of Asia and challenged even in Europe; and Professor Demant finds four main causes for the decline—"the hostility it brought on itself, the break-up of its own institutional framework and defeats of its demands for indefinite expansion, its parasitism on the non-economic foundation of society, and destruction of the dispositions which impelled it." But he never really faces the economic fact to which Bernard Shaw drew his attention just before his death, namely, that where capitalism is allowed to operate it is far from decaying but has been carried to unprecedented magnitudes.

More important still, from his own point of view as Regius Professor of Moral and Pastoral Theology at Oxford, is his failure to recognise fundamental moral facts. He is obsessed with the belief that capitalism claimed freedom for economic activities from ethical control; and in the sense that it sought to free economic life from the shackles imposed by obscurantist teachers he is right. But the claim made on behalf of the much-abused capitalist era is, not that it freed economic activities from moral considerations, but that, by greatly

extending the field of individual choice, it laid true foundations for the moral life. Only free men can be moral men. Capitalism may be in decline, but so is freedom; and perhaps this is no accident.

French Election Studies

Sociologie Electorale. By François Goguel and Georges Dupeux.

Geographie des Elections Francaises de 1870 à 1951. By François Goguel. (Cahiers nos. 26 and 27 of the Fondation Nationale des Sciences Politiques. Paris. 96 pages. 450 frs. 144 pages. 500 frs.)

Studies of general elections in this country have often been dominated by the national campaigns and by the view that elections are essentially plebiscites within a single great constituency in which the effect of the electoral system is to distort the difference between the total votes cast when they are translated into the number of seats won. In France, where there has been a tradition of such studies since M. André Siegfried's pioneer work in 1913, the present generation of students of general elections is busy giving new depth to the old outline of France's complicated political geography. Much more material is available in France, and most of the little handbook *Sociologie Electorale* is a guide to the sources; it is also a useful guide to the membership of successive chambers and shows how the votes went in crucial divisions.

In the first part, M. Goguel shows that even the subtle relationship between the tenurial system and politics that M. Siegfried established for western France does not hold good for all other parts of the country. It is true that in a country where rural matters are still dominant, the question of how the land is held is important. But the link with politics cannot be deduced automatically. To trace it one is sometimes driven back to the very roots of France's agrarian history. Similarly, although there is a correlation between religious observance and political behaviour, churchgoing and voting to the right are not in direct mathematical relationship in all regions.

To these cautions should be added the warning that investigations are much less advanced for urban than for rural populations. It is clear, in fact, that even in France the new approach to politics has still a long way to go, particularly as the influence of the political parties themselves has hitherto hardly begun to interest sociologists.

M. Goguel's "geography" is primarily a series of maps of French election results from 1871 to 1951; careful commentaries show the limitation of such a graphic presentation, particularly when so large a unit as the department is used. But even so, is he right to say that the maps are highly suggestive? M. Goguel believes that the final Socialist-Communist breach in 1946 marked the end of that dualism in French politics which he himself described as "the party of order" versus "the party of movement." There is reason now to believe that there is a division between the more forward-

looking parts of the country (in economic terms) with their Gaullist and Communist orientation, and the more backward areas which still remain within the conventional framework of the older groupings of the Third Republic. Because, he believes, the latter areas are still preponderant electorally speaking, the governments of the Fourth Republic are prevented from tackling realistically the grave social and economic problems they have inherited.

No one, least of all M. Goguel, would claim more than a hypothetical value for a suggestion based on relatively limited data; but the prospect that such suggestions open, both as a guide for understanding the France of today and as a stimulus to future studies, is certainly stimulating. Unfortunately, the rise in printing costs means that much of the work listed by M. Dupeux can be consulted only in typescript in the various university libraries. Nevertheless the existence of this series of *cahiers* and of the *Revue Française de Science Politique* makes it likely that at least the essential results of French studies of this kind will be made available fairly rapidly.

Diagnostic Historian

Avenues of History. By Sir Lewis Namier. Hamish Hamilton. 202 pages. 15s.

Anyone reading this book can understand why Sir Lewis Namier is generally regarded as one of the foremost of living British historians. The learning, insight and discrimination which characterise his work are becoming rare in an age when many historians are content to achieve no more than technical competence in their subject.

Here Sir Lewis has put together a number of his reviews and some occasional essays, but the work has far more unity and coherence than this formal description might suggest. This is because his view of the study of history, which is set forth in the first essay, not only shapes his own writing, but is the unvarying standard against which he measures the work of others. He compares the task of the historian to medical diagnosis; something which, although it demands experience and a scientific approach, is, in the last resort, intuitive. "Analytic insight into the tangle of human affairs coupled with a consciousness of his own limitations," he says, "is the mark of the real historian." That he himself possesses these qualities is shown in the remainder of his book.

With the exception of a generous, if critical, estimate of Dr Toynbee's synoptic vision of the whole sweep of human history, the rest of the volume is concerned with particular themes in modern British and European history. In British history the work ranges from an appreciative review of Professor Neale's book on Parliament under the first Elizabeth to an essay on the general elections of 1945 and 1950, together with three masterly sketches of Josiah Wedgwood, Wyndham Deedes and Orde Wingate. An edition of George III's letters to Bute moves Sir Lewis to further comment on a subject he has made peculiarly his own, while the publication of Henry Hobhouse's

diary is the occasion for some reflections on George IV and his ministers.

The seven essays in European history are all concerned in various ways with the century of German preponderance on the continent. They include an account of that curious but pathetic friendship between the Emperor Francis Joseph and Frau Schrott, together with a study of the relationship of nationality and liberty, which is perhaps the best thing in a distinguished book.

Evolution of a Humanitarian

The Memoirs of Herbert Hoover, 1874-1920. Hollis and Carter. 496 pages. 32s.

In 1919 John Maynard Keynes found only one man who emerged from the ordeal of the Paris Peace Conference with an enhanced reputation. "This complex personality," said Keynes, with his habitual air of weary Titan (or, as others might put it, of exhausted prize fighter), his eyes steadily fixed on the true and essential facts of the European situation, imported into the Councils of Paris, when he took part in them, precisely that atmosphere of reality, knowledge, magnanimity and disinterestedness which, if they had been found in other quarters, also, would have given us the Good Peace.

It is one of the ironies of history that this Aristides of Versailles should live to become the presidential Pangloss of 1929 and the exponent of Gibraltarism in 1952. If one could understand the evolution of Herbert Hoover one would understand much of the strange evolution of American conservatism. That is the main interest that attaches to his autobiography.

The book opens in characteristic style. It might almost be a parody of any successful Republican's reminiscences. Every cliché falls into place as neatly as the buttons on the business suit. The Iowa birthplace is straight Tom Sawyer—right down to Injun Joe. The best food in the Ritz does not compare with Aunt Millie's Sunday dinner; the most modern fishing tackle gives no such delight as was afforded by the "butcher-string-line and hooks ten for a dime" that did duty in the village stream. Then comes the story of "free-lance engineering" all over the world, with the Iowa Quaker's son winning every kind of success and barking his shins wherever he goes on the social conventions of the great effete world of Edwardian Imperialism.

It is with the collapse of that world in the ruins of 1914-18 that the opportunity comes to apply that same organising, constructive talent to a humanitarian end, and it is with the story of Belgian Relief that the autobiography first comes alive with a humanity which is neither imagined nor assumed. A certain largeness gets into the narrative, a certain passionate disinterestedness which makes the Keynesian tribute credible. Perhaps the humanitarianism never quite sees Europeans as fully human, but only as American *marqués*. Even so, it views them with a generous pity, and the story of the Hoover Relief is a story that does

its modest narrator great credit. If, here and there, one encounters hints of the Hoover that is to come, it is less in the facts than in the way the author has recorded them, writing isolationist history for the *Saturday Evening Post* in November, 1941. On the facts we leave him a Wilsonian and a League supporter; it remains for his second volume to explain the change that ensued.

Some Hard Words

An Explaining and Pronouncing Dictionary of Scientific and Technical Words. By W. E. Flood and Michael West. Longmans. 397 pages. 12s. 6d. net.

This dictionary is by "The New Method Dictionary" (author, Michael West) out of—the stud book is dubious on this point—either the well-known "Dictionary of Difficult Words" or the excellent "Chambers's Technical Dictionary," both of which devote much space to science, whether pure or applied. By this attribution of parentage, no slur is intended. Mr Michael West is a skilled and intelligent editor; along comes someone with a righteous desire and a marked ability to do something worthy in the cause of science, and to the marriage of congruent minds and parallel abilities let there be no impediment.

Illustrators, like translators, normally get a raw deal, especially the technical

and diagrammatic illustrators. Mr Charles A. Baker has supplied the public with 1,300 pictures and diagrams and the two authors with a most potent aid. Very, yet not too, small, these line drawings form, not an addition to, but an integral part of this useful book.

Smaller than "Chambers's Technical Dictionary" and more precise in scope than "A Dictionary of Difficult Words," this dictionary is neither forbiddingly technical nor difficult. (But why include *dyke*, which may sound technical to a civil engineer but which strikes the rest of us as an ordinary and very old English word?) It is intended both for the general reader and for the beginner in science or in technology; and it admirably fulfils this purpose. The definitions are terse, lucid, simple. The words used in the definitions fall within the vocabulary of every averagely educated person; here we see the practised and purposeful hand of Mr West. The book has yet another virtue: it will be very useful indeed to foreigners.

Geographical Compression

Ports and Harbours. By F. W. Morgan. Hutchinson's University Library. 176 pages. 8s. 6d.

Had he lived longer, the late F. W. Morgan would have provided us with greater works of original scholarship than this little book would pretend to be, but hardly one on which greater pains in compilation and selection had

obviously been lavished. The book begins with a description of the various types of harbour and of port installation. There follows a convincing classification and treatment of ports according to the trade for which they are used. Of the other chapters, all of considerable interest, one, that on port hinterlands, must stand as an example. This comments upon the struggle for traffic between the ports of continental Europe and elsewhere, as seen in national railway and waterway policies. Such a chapter makes the reader at once regretful at the compression inevitable in a book of only 176 pages of text; and amazed that it was possible to include—not necessarily superficially—so much.

Surprisingly in a book by a geographer, the maps are disappointing; it is sometimes difficult to distinguish land from sea, an unexpected fault. On the other hand, statistical material is interesting and recent.

As might be expected, considerable, but not disproportionate, attention is given to the relation between port growth and the physical nature of coasts, but the frequent mention of splendid natural harbours which have not developed into ports disprove any charges of geographical determinism. In fact, a nice balance is held between the various aspects of ports and harbours. An engineer, a port operator, an economist even, would have written otherwise. Perhaps because Mr Morgan wrote as a geographer, who is none of these, the book is an excellent general introduction to the subject.

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AMERICAN SURVEY

Back to Ohio

Chicago, Illinois

THE Republican Party has chosen a man who is the candidate of the liberal wing of the party, though nobody knows as yet how liberal he himself is, and has saddled him with a programme which is the product of the conservative wing. There is nothing new in this. Much the same thing has happened three times before, and each time the Democrats won the election. General Eisenhower may be a big enough man to overcome the handicaps under which he must start his campaign, but it cannot be assumed that he is. He has done nothing yet, since he came home, to show that he is the unbeatable man or that he has the kind of political intelligence which makes a candidate develop while running for office. Mufti killed much of the magic, and nothing has yet taken its place. But it must be remembered that the General has shown an amazing capacity for growth in difficult situations in the past, and he could do so again. He will start, however, still showing the deep scars which Senator Taft's tactics have inflicted on him and on the chances of the Republican elephant.

The Taft family has been the pet of the "regular" Republicans for forty years and, during that time, has done more to destroy them than a hundred Democratic leaders put together. In 1912 the *Chicago Tribune* attacked the "draggled and battered remnants of the old guard" and their "ruthless extremes of machine rule, trickery, bullying and fraud." Perhaps the only things that have changed since that time are that the *Chicago Tribune* has itself become one of the old guard, or has even travelled far to the right of it, and that President Taft's son has proved a far less efficient driver of the steamroller than his father.

"A modern Joshua" Senator Dirksen called the present Mr Taft, but he is a Joshua who has marched round the walls of Jericho four times so far, and each time it has been he who has fallen down. But his baleful influence on the party has been apparent ever since he was elected to the Senate in 1938. Though he was beaten himself at the nominating conventions in 1940, 1948 and 1952, and his understudy, Senator Bricker, was beaten in 1944, he has maintained control of the "real Republicans," who are so adequately represented in both Houses of Congress. And, though Mr Willkie and Mr Dewey deprived him of the nomination in 1940 and 1948—and it was really Mr Dewey

and not General Eisenhower who beat him again this year—he and his friends made it almost impossible for either of them to win the Presidency.

They were up to their old tricks again last week. Because the Senator came nearer to victory than ever before, the Eisenhower forces had to be even more ruthless in the latter stages of the convention than Mr Dewey had been in 1948. They had to work hard to counteract, because they could not prevent, the choice of speakers at the convention. Nobody can yet say how much harm those speakers did to the party because though it is accepted that nobody listens to speeches at a convention, this year there were many owners of tele-

vision sets who were privy to the proceedings for the first time and must have been surprised at what they discovered. They heard speech after speech, not only from General MacArthur and Mr Hoover or even Senator McCarthy, but also from Senators Bridges, Cain and Kem, Representatives Judd and Mrs St George and Mrs Church and General Hurley, which contained nothing but rancour and bitterness. The nearest to a positive policy to come out of any of them was Mr Judd's assertion that "most of the great forward steps of history were strictly negative"—not in itself a very stirring method of appealing for votes from a people enjoying a higher level of prosperity than ever before.

But, no doubt to their surprise, these owners of television sets discovered that they were not prosperous at all. They were, in fact, "being reduced to the tragedy of want" (Mr Hoover), "leaderless and floundering" (Mr Judd), "profoundly concerned as America flounders in uncertainty and indecision" (Governor Fine), "squandering their blood, wasting their resources and sacrificing their position while they cringed in the face of Communism" (Senator McCarthy). Never before had they "been in such jeopardy" (Governor McKeldin of Maryland); the American system of free enterprise was in danger from "wasteful, ruthless and corrupt policies" (General Hurley) and they were "desperate for a plan which will revive hope and restore faith" (General MacArthur). They must have envied those lucky people in other countries who are not bearing the burden of motor cars, deep freezes and air conditioning.

But they heard no mention of anything the Republican party was going to do to right these wrongs. They were

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The Changing South

[FROM A CORRESPONDENT IN VIRGINIA]

FIFTEEN years ago, the south reacted with the outraged pride of an under-developed country to the New Deal report that called it the nation's Number One Economic Problem. But no one denied that there was a wide gap between the material level of the south and that of the rest of the country. Today there is still a gap, but it is much narrower, thanks rather to the war than to the efforts of social reformers and economic planners. Average income in the south-eastern region, at \$882 a head, was in 1949 still well below the national average of \$1,330 a head. But it was 156 per cent higher than in 1929 and the rise had been faster than in any other region.

The agricultural cycle of one-crop cultivation of eroded acres, which could be summed up in two lines—poor land makes poor people, poor people make poor land—has been broken. This changed agricultural pattern is based on soil conservation and reforestation and on turning flood waters into sources of hydro-electric power. For this new agriculture is balanced by a developing industry; the whole southern environment has changed in the last fifteen years.

The eleven south-eastern states still have a higher proportion of their families living in rural areas than any other region, but agriculture no longer holds first place in providing income as it did in 1929. In 1949 manufacturing supplied about one-sixth, as against one-eighth from agriculture, of a total regional income which had grown from \$8,681,000 to \$27,084,000 in twenty years. This increase in income, even when divided among a population that had a net growth of 22 per cent over the two decades, means, when put into real rather than statistical terms, that the south-east has new things to do, more power with which to do them, and more to spend after they are done.

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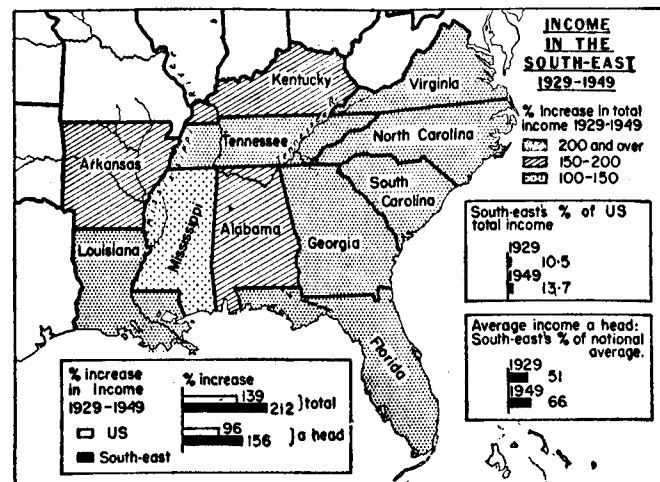
Everything that happened in Chicago last week, indeed, tended to show that the Senator and his old guard, though they may have lost the nomination, propose to keep control where they still have it—and it cannot even be challenged in Congress—regain it where they have lost it and, some think, even capture the candidate himself. There is, however, one serious weakness in their position which the Eisenhower forces could exploit if they wanted to, or if Mr Dewey were staying to run the campaign. Mr Taft has announced, and the fact is obvious in view of his age, that he will not try again for the Presidency. It is only necessary to look back to 1948 and the example of Senator Vandenberg to see what happens to the authority of anyone in Congress who cannot, when he cracks the whip, use the threat of excommunication if and when he becomes President. If General Eisenhower is elected in November it is probable that Mr Taft will have lost much of his power, though those Senators who will come back on the General's coat-tails are mostly incurable and will constitute a serious nuisance. But, until the Eisenhower managers have proved that they can elect their man—and it is an article of faith in the middle west that the "Wall Street New Deal Bankers" cannot win an election—the burden of Taftism will be a heavy one.

General Eisenhower has not yet evolved a policy of his own and even seems determined to avoid having one, at least until after he is elected. Up to now his silence has been justified by the need to get involved in what Governor Warren called the hectic scramble for the most conservative delegates. They have now been won and, when the campaign begins in earnest, something better is wanted than the platform's repeated "we charge . . ." against the Democrats or, in foreign affairs, its undocumented promises of cheap miracles.

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

The present president of the Alabama Farm Bureau Federation wears a ten-gallon hat. It symbolises the beef industry of the south-east—a new industry which brings with it permanent pasture and more fertile soil. Cattle have moved east while cotton has moved west. In the period 1928-30, meat animals provided 9 per cent, and cotton and cottonseed 41 per cent, of the region's cash receipts from farm marketings. In 1946-48, cotton and cottonseed had dropped to 25 per cent, and meat animals had risen to 17 per cent. Cross-breeding is making both beef and dairy cattle increasingly profitable: the enterprising South Carolinians who in the eighteenth century imported Sindhi bulls from India to get a breed more able to stand the hot weather, ticks and insects of the deep south must look down with approval on the experiments of today.

The new agriculture is being carried on with fewer people: for every thousand acres of farm land there were 57 workers in 1930 compared with 43 today. And the 43 have much better equipment to work with. In other parts of the country the recent trend has been away from horses and mules to



Source: US Department of Commerce

mechanical horse-power; but in the South, for many farmers, getting a draught animal was a big step up, and the number has increased from 98 to 117 for each hundred farm workers. At the same time, tractors and lorries have come too—a 300 per cent increase in the former, a 233 per cent increase in the latter, along with farm-to-market roads to run them on. In the Tennessee Valley, and many other areas, an electric pump now brings water to indoor baths and kitchens of farmsteads where previously the farm wife walked bucket-laden to and from the well. Even the cabins in the cotton proudly display the gleaming whiteness of a washing-machine on the front porch.

These improvements in farming have been paralleled by the increased use of forest products, from saw timber to pulp and paper plants. The region, with 20 per cent of the nation's commercial timber land, ranks second only to the far west. Mineral development has come on even faster. Coal mining is a traditional occupation in the south-east and output a man-day is still about one-sixth below the national average, largely because of lack of mechanisation. It is in other fuels, petroleum and natural gas, that the big change has taken place; the region's share of the nation's proved reserves came up from 5 per cent in 1935 to 11 per cent in 1948.

In the nineteen thirties the development of the Tennessee Valley was a major saga; improved navigation, flood control and electricity brought new industry, more productive farming, and increasing tourist trade. In the nineteen forties, the region became dotted with army and air force installa-

tions, rapidly set up to take advantage of an all-year-round climate for training and government payments became a growing factor in income. Oak Ridge was built in Tennessee as one of three major centres for the original atomic development; today further huge atomic plants are being built near Aiken, South Carolina, and Paducah, Kentucky. Industry in general was stimulated to go south during the war by acute shortages of labour in the traditional industrial areas and by a policy of dispersal as a safeguard against attack.

This southward movement had in fact started before the war. Then the migration of such industries as textiles and furniture-making, which left towns in New England and Michigan desolate in the depression years, was undertaken in order to be closer to supplies of raw materials—cotton and timber—and to hire cheaper, unorganised labour. But after the war, as a study by the National Planning Association has shown, industries moved south, or, more frequently, added to their total capacity by starting new units in the south, for two other reasons. Those making producers' goods were interested in the low land values which made the erection of modern, all-on-one-floor, assembly-line plants less expensive than in congested industrial areas. And those making consumers' goods or engaged in retail trade discovered that the south, with its new income, was a promising market.

As a result, manufacturers' outlays for new plant and equipment in the south-east in 1947 were above the average investment a worker for the same industry over the whole country in more than half of the major manufacturing groups. The industrial diversification which came with this new investment had a further effect: it increased the number of southern workers employed in industries where the value added by manufacture is in the higher range. Traditionally, the south's industrial employment has been centred in such occupations as textiles, tobacco and furniture, where the value added for each worker is low. As a consequence, earnings are now going up. In 1939, the average annual wage of production workers in manufacturing industries in the south-east was \$760; in 1947 it was \$1,908, and in 17 industrial groups it was over \$2,200.

This broadened base of family purchasing power was good news for the shopkeeper and the salesman. A generation ago the mail-order house catalogue, a gay companion to the family Bible on the tenant farmer's table, was wistfully known as "the wish-book." Today, that family is able to satisfy its wishes: between 1929 and 1948 the region increased its share of all goods sold at retail in the country by one-fourth, taking 15 instead of 12 per cent. Sales a head were still the lowest of all regions, but they nearly tripled over the two decades, and in 1948 were only 28 per cent below the national average, instead of 44 per cent as in 1929.

The new purchases have not been confined to goods: people are also in the market for health and education. A recent study of physicians' income shows that the southern doctor is doing better than his colleagues in the middle and north-eastern states: his \$11,159 mean income is above the national average. School building has been pushed also, in part through a general raising of the standard of facilities and in part as a result of legal decisions requiring equal facilities for Negroes and whites.

The south still has a long way to go. But over the last twenty years its economic characteristics have become much more like those of the rest of the country. The people and the resources have always been there. Today, the capital which for so many years was lacking is increasingly available to enable the people to make the resources produce.

American Notes

Watches to be Watched

President Truman, asking the Public Advisory Board for Mutual Security to make a comprehensive and independent survey of American foreign trade policy, has recognised the creeping protectionist tide which is undermining the country's efforts to encourage its allies to earn more dollars. So far little real damage has been done either by the amendments to the Defence Production Act—some of them defeated—designed to protect commodity producers, or by the endeavours of manufacturers to escape from foreign competition which they blame upon the Reciprocal Trade Agreements Act. But such attempts, especially when coupled with the Senate's failure to act on the Customs Simplification Bill, eat away at Europe's confidence in American understanding of what free trade really involves. That confidence had already been shaken last year by the Battle Act, designed to prevent countries receiving American aid from trading with the Soviet world, and one of the specific questions Mr Truman asked the advisory board to consider was whether the United States could not compensate in some way for insisting on trade restrictions of this particular kind.

The members of the board, representing business, labour, agriculture, education and so on, are well aware of the contradictions between recent developments in American trade policy and the purposes for which American money is being spent under the Mutual Security Programme. But it is the narrow-minded representatives of narrower interests who are responsible for those developments, the cheese producers and the manufacturers of glacé cherries, wooden screws and other minor products. They are keeping the Tariff Commission busy listening to their pleas for relief under the escape clause in the latest version of the Trade Agreements Act on the grounds that they are being unfairly injured by foreign competition.

The commission has recently reached decisions on what are probably the most important of these complaints—those brought by motor-cycle manufacturers and by watch makers. In refusing the application of the former, the majority of the commission in effect found that when foreign manufacturers have created a demand in the United States for a product that was not formerly available there, American manufacturers trying to steal this new market are not entitled to tariff protection. But the Swiss watches are taking an established market from the American products and, presumably for this reason, the commission is understood to have recommended an increase in duties on watches in a report to the President which has not yet been published.

Mr Truman must now either allow the increase or account to Congress for his failure to do so. If he does the latter, as seems likely, he may set the stage for the new Congress's first test on tariff policy. A more exhaustive trial will come

in the debates on the Trade Agreements Act, which must be renewed before the middle of next year. If the Republican platform is to be taken as a guide to what the party really intends to do, it seems that the Act will be further weakened in the event of a Republican victory.

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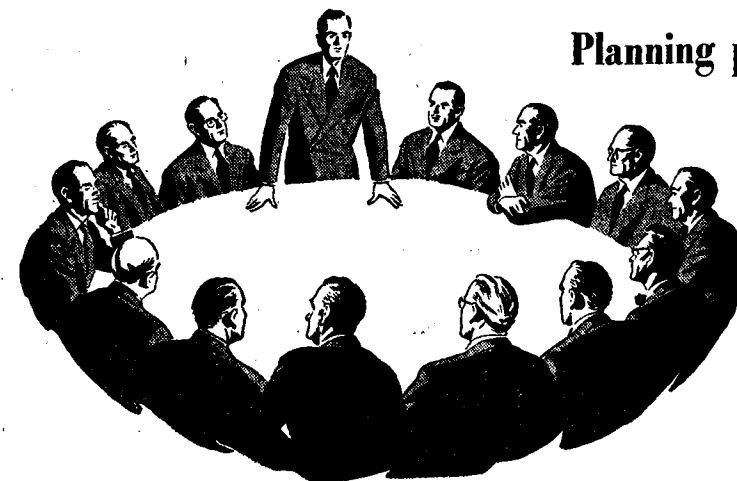
Chicago Liked Ike

After he had won the preliminary struggles over the convention rules and the seating of delegates from Georgia and Texas, the nomination of General Eisenhower as Republican candidate seemed almost inevitable. What no one had expected was that it would come on the first ballot, the occasion when a number of states traditionally pay tribute to their favourite sons before settling down to a serious choice. But Governor Fine of Pennsylvania had already climbed down off the fence, bringing 53 of Pennsylvania's votes with him; the bulk of Michigan's votes were already in the bag. The first tally was so close—595 votes for the General, 500 for Senator Taft—that Minnesota's 19, originally pledged to Mr Stassen, were enough to carry the General over the top. It seems, however, to have been the Minnesota delegation, rather than Mr Stassen, to whom gratitude is due, and there may be no rewards such as that already presented to Mr Summerfield of Michigan, the new chairman of the National Committee. However, by that time there was a stampede to get on the bandwagon, and the first ballot, as revised, gave General Eisenhower 849 to Senator Taft's 280. Only California, of the states which might have exercised a great influence on the decision, stayed obstinately loyal to its favourite son, in the hope of a deadlock from which Governor Warren might profit.

Senator Taft's preliminary 500 was the highest number of votes ever rolled up for a Republican candidate who was not going to win. It was plain from the bitterness with which the Taft forces attacked "Two-timer" Dewey—a reference to the fact that he had twice led the party to defeat—and from the ovation given him by the Eisenhower supporters that much of the credit for the victory belongs to the Governor of New York. He was largely responsible for persuading the Republican Governors, who were meeting, by an odd coincidence, in Texas, to send their message demanding an amendment of the rules in the interest of fair play, and this made it possible for the Eisenhower forces to wring the last ounce of advantage out of the "stolen delegates" issue.

One of the most awkward minor problems facing the convention was the question of a civil rights plank. The Republicans enjoyed a monopoly of the Negro vote from the Civil War down to the New Deal, when Franklin Roosevelt managed to woo it away. In 1948 a strong civil rights plank was adopted, recommending federal compulsion to end discrimination. The Republicans, with no hope of

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carrying any of the southern states, put all their emphasis on persuading the Negroes in the north to return to the fold. This year, however, both Senator Taft and General Eisenhower opposed federal compulsion; many Republicans hope that, under General Eisenhower, several southern states can be won away from their Democratic allegiance. The plank which was adopted, consequently, deplores appeals to racial prejudice, promises federal action to end lynching and the poll tax which is still used in some southern states to disfranchise Negroes, but declares that action to end discrimination is primarily a matter for the states and should only be supplemented, and never duplicated, by the federal government.

Television in Smoke-filled Rooms

There was a new look at the Republican convention this year: peepie-creepies, *alias* walkie-lookies, and periscope eyes brought the bands and banners and buttons, the celebrities and the common delegates, the agreed public speeches and the supposedly private arguments, into the nation's 18 million television homes, where 60 million viewers saw far more of the Republican rally than they would have done had they travelled to Chicago. The conventions had been televised in 1948, but then only about 400,000 television sets were in use; now half the population has access to them.

Three of the four television networks covered the convention, each under the sponsorship of a different manufacturer who advertised his products whenever a speaker sat down. However, the sight of a pretty girl showing off a refrigerator must have been more welcome than usual after the bombast of Senator McCarthy. Chicago's stockyard amphitheatre was chosen for the convention mainly because there was room for the tons of complicated equipment needed by the hundreds of television technicians. The amount paid by the sponsors for the honour of bringing the convention home to the American people is put at about \$7 million. The networks are nevertheless thought to have lost money, not so much because of the cost of providing the facilities as because they had to reimburse both sponsors and performers for programmes cancelled to leave the screen clear for hour after hour of convention coverage.

One of General Eisenhower's first experiences on his return to the United States was to have his bald head powdered before a television appearance and he made his acceptance speech dressed in "television blue"; other colours cannot be transmitted so satisfactorily. Television schools for political candidates have long been available and the Democratic convention managers have been grooming their cast for next week in the light of the mistakes made by the Republicans. Delegates have been reminded that the camera goes into every corner of the hall and that neither teeth nor shirt sleeves should be displayed unduly, since the public is supposed to expect dignity and discretion from those who are choosing the next President of the United States. The Democrats have realised, too, that not all political speakers are photogenic and they propose to relieve the viewers' eyes by illustrating the speeches with films of the party's achievements.

At the Republican convention, the cameras took the voters into the smoke-filled rooms as well as the convention hall. They could see whose free cigars—the Californians substituted orange juice—their state representatives were accepting and could guess at what promises were being given in return. They saw, and heard, Senator Taft's followers trying to keep the Eisenhower supporters from the disputed southern states from stating their case before the cameras, and the television interviewers striking blows for the freedom of the microphone.

The interviewers eventually won their battle and were admitted to the hearings of the credentials committee. In

fighting it, they brought the Taft Steamroller into America's living rooms and hastened the revulsion that put General Eisenhower on the road to victory.

Set Fair for Farmers?

If nature continues to smile, farmers will gather in a harvest this year second only to that of 1948. It is true that 2,000,000 acres less are being devoted to cotton this year than were last, but it may be assumed that the Department of Agriculture, after the scolding it received for its over-estimate in 1951, is erring on the conservative side. The final harvest may be near last year's 15.2 million bales. The Department believes that the maize crop will only be exceeded by that in the record year 1948, while the wheat crop is likely to be the third largest, at 1.2 billion bushels.

It does not seem that the farmer can lose, especially in a year when his harvest of votes is even more precious. Congress has hastily backed away from the idea of flexible price supports, which were designed to discourage over-production by lowering the loan rate to farmers in times of abundance. A Bill passed in the last days of the session takes away, until at least 1955, the right of the Secretary of Agriculture to set price supports of basic commodities at less than 90 per cent of parity, the artificial price which is supposed to provide the farmer with the same purchasing power that he enjoyed at an earlier period. And Congress has put off until 1956 the changeover from the old to the modernised method of calculating parity. The change, scheduled to take place in 1954, would have encouraged diversification by lowering the parity prices, and thus the supports, for such basic commodities as wheat, maize, cotton and tobacco.

There is no doubt that President Truman will sign the Bill. The Democrats are going into this election with 90 per cent blazoned on their banners, in the hope that the farm vote will reward them as it did in 1948. The Republicans in their platform have austere refused to outbid the Democrats, but they endorse the present system. The word of approval planned for Senator Aiken's flexible price scheme, which is important to dairy and poultry farmers who, like ordinary consumers, must pay inflated prices for grain, was hastily withdrawn when the action of Congress seemed to leave the Republicans in an exposed position. All the Republicans offer the farmer is more freedom from controls and administration, where possible, at local levels rather than in Washington. Their suggestion for a bi-partisan Farm Board, to review farm policies, would seem to be quite unnecessary. Nothing is so bi-partisan as farm policy, especially in election year.

Presumably neither party is looking beyond November. If they were, a year of bumper harvests at home and narrowing markets abroad would hardly be the time to set the scene once more for the piling up of costly surpluses. As much as 50 per cent of this year's wheat may find its way into the government's hands. But there is no way for the consumer or taxpayer to make his protest effective.

Passport for Divorce

Senator McCarran, who has sponsored so much mischievous and reactionary legislation, has one cause dear to his heart which is neither: a Bill to compel every state to recognise valid divorces granted by other states. Divorce is a state concern, and the laws governing it vary widely; it has been estimated that over 3 million men and women who have been divorced and have remarried are bigamists, in the eyes of some states, and open to criminal prosecution. Their children may be declared illegitimate. It would seem that,



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as Justice Jackson of the Supreme Court argued in an opinion,

if there is one thing that people are entitled to expect from their lawmakers, it is rules of law that will enable individuals to tell whether they are married and if so to whom. Today the most learned lawyer cannot advise many people with any confidence.

The Senate adopted Senator McCarran's Bill unanimously, but unfortunately the House does not seem to have had time to complete action on it before adjourning. Although the Senator comes from Nevada, the measure does not necessarily benefit home industries. The standards set up for a valid decree require that the state granting it be the last in which the couple lived together or that the defendant be personally subject to the jurisdiction of the state or appear in the proceedings—requirements which Reno, which asks only a six-weeks residence by one party, does not satisfy at present. Neither would states be required to recognise the divorce mill over the border in Mexico, though film stars may not repair there so often now that a Cuernavaca divorce requires six months' residence. Other Mexican cities, however, remain more obliging, as Miss Ethel Mermah found when the Cuernavaca door was shut in her face. An out-of-state divorce could still be challenged on the score of fraud.

The present measure is based upon Article 4 of the Constitution which requires each state to give "full faith and credit" to the public acts and judicial proceedings of all the others. If the states have not done so in the past, it has not been simply the result of muddle and vindictiveness. If a man wins an out-of-state decree he may not be required to support his wife and family adequately and they may become public charges; property rights may also be called in question. Efforts have been made in the past to give the federal government power to regulate marriage and divorce. But legal opinion prefers the adoption of standards for recognition of out-of-state decrees, coupled with reform of the state laws to make them more uniform. The Roman Catholic church strongly opposes anything which will encourage divorce. But with 500,000 divorce cases a year, public opinion is changing; it even seems prepared to tolerate, for the first time, the presence in the White House of a divorced man—Governor Stevenson of Illinois.

* * *

Discord on the Federal Reserve

It is doubtful whether the average voter will be as impressed as the *New York Times* hopes he will be by the Republican platform's declaration of freedom for the Federal Reserve System from domination by either the Treasury or the White House. But the Republicans have an impressive array of expert opinion on their side in this matter, including that of such liberal, though unorthodox, Democrats as Senator Paul Douglas. In an outspoken minority dissent to the report on monetary policy and management of the public debt, just issued by a subcommittee of the Joint Congressional Committee on the Economic Report, Mr Douglas, with the support of Mr Wolcott, demands that Congress draw a sharp line between the functions of the Federal Reserve Board and those of the Treasury; between the responsibilities for the regulation of monetary and debt policies. At present the line is blurred by the requirement that the nominally independent FRB must co-ordinate its activities with the Treasury.

Senator Douglas's dissent was to be expected, but what was unexpected was that the so-called majority report, which had the full approval of only two of the three remaining members, did not come down on the side of the Treasury. For Representative Wright Patman, who over a year ago initiated this exhaustive investigation, is well known for his advocacy of the cheap money loved by the Treasury and for his distrust of the FRB's policy of restraining inflation by credit restriction and high interest rates. The differences between the two bodies led to open dissension early in 1951, which was

settled by an "accord" on the policies to be followed in financing the government's requirements which was widely held to be a victory for the FRB. Nevertheless, Mr Patman's report finds that this accord, which amounted only to an agreement to settle these matters by discussion, established a satisfactory method of dealing with debt management, for the present at least. But to Senator Douglas the accord had merely given rise to "admonishment, cajolery and heckling" between the two agencies.

The majority report, however, went on to tilt the balance in favour of the Treasury and the White House by recommending a number of technical and administrative changes in the Federal Reserve System, among them a decrease in both the number of governors and the length of their terms of office, which would have the effect of giving the President and Congress more immediate control over the FRB than they have at present. The report also proposed that the President should set up an advisory council on fiscal and monetary policy; this had been suggested by the Secretary of the Treasury and criticised by the FRB. This discordant report will be of little assistance to the new Congress should it wish to try to establish permanent harmony between the FRB and the Treasury, but in the absence of an open clash it may decide to leave things as they are.

Shorter Notes

The government, after years of what at the best can only be called undignified legal manoeuvres, has at last apparently recognised the weakness of its case in its dispute with Mr Stanley Dollar, former president of the trans-Pacific shipping line which used to bear his name. In 1938 the government took over his stock as security for a \$7,500,000 debt, repaid in 1943. Mr Dollar then began a series of suits for repossession of what is now known as the American President Lines and at last, when the case was going to the Supreme Court for the third time, the government announced that it would put up its holdings for sale in September and divide the proceeds with the Dollar interests. It is thought that Mr Dollar himself may be top bidder.

*

A child-loving philanthropist with \$300,000 to spare is wanted in Santa Claus, Indiana, for the present owners of the tiny village can no longer find time to manage its unusually seasonal business. The 100-year-old town, with its Reindeer Park and miniature railway, slumbers most of the year until Christmas approaches; then about 200 people are employed at the post office giving millions of letters and parcels the Santa Claus touch. Prospective buyers of Santa Claus must be fond of children and intend to continue the town's activities without commercialising them.

*

To rain or not to rain has been the question in the farm valleys of the State of Washington. While wheat farmers were anxiously scanning the sky for results of their rain-making with silver iodide, cherry growers were busy shooting cloud-dispersing chemicals into the air to stop rain from spoiling their harvest. Which faction will prevail has yet to be seen although the "drys" claim success.

*

Record exports in May, of \$1.485 billion, will widen still further America's trade gap, which for the first four months this year was almost 200 per cent greater than it was in the same period last year, when large quantities of strategic materials were being imported at high prices. No figures are available yet on imports for May, but from January to April they were \$3.6 billion, which in contrast with exports of \$5.3 billion left a balance of \$1.7 billion; last year's trade gap for the first four months was \$565 million.

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THE WORLD OVERSEAS

Persia Seeks a Master

THE disease that besets Persian politics is a dislike of other people's leadership combined with an unwillingness to display it oneself. This has been lavishly illustrated during the last fortnight by the course of events in Teheran which has now culminated in the resignation of Dr Mossadegh for the second time because, it is reported, of the Shah's refusal to grant him all the powers he wants.

Dr Mossadegh returned from The Hague in low fettle. He had nothing to show for his trip. His reception fell short of expectations. His Finance Minister had in his absence informed the Press that the national finances were in a disastrous state, and that payment of salaries in June would be "a prodigious task." It was in this atmosphere that Dr Mossadegh first resigned, as is the practice of the Premier when a new Parliament has been elected. The new Majlis, when it met, displayed its feelings towards him by electing as its speaker the Imam Jume'h, the religious leader of an orthodox Islamic group among the mullahs, and the opponent of Dr Mossadegh's unorthodox cheer-leader, Mullah Kashani. It gave its support, therefore, to a man antipathetic to Mossadegh but without a party or constructive policy. Within a matter of days that same Majlis, having no other leader, was begging Dr Mossadegh to retain the Premiership. The Senate demurred. It felt that the Majlis should have consulted it before plumping for such a decision. The Shah also was known to be hesitant; the Imam Jume'h was pressing him to swallow his antipathy to the only other politician who is ready to try to retrieve the country from its economic plight — the aged but wily Qawan es Saltaneh. (It should be remembered that the Senate consists of 60 elder statesmen, half of them nominated by the Shah, and that it was brought into being, largely on the latter's initiative, in 1949, in order to serve as a brake upon the decisions of an irresponsible Majlis; it has never filled this role.) This time, however, the Senate refused to endorse the Majlis's decision. Some Senators expected the Shah to commend their attitude. To their astonishment the Shah limply exhorted them "to find a formula to the satisfaction of Dr Mossadegh before it is too late." Given only this negative lead, fourteen out of the thirty-six Senators attending the House voted for Dr Mossadegh. In the kingdom of the blind, the one-eyed is king.

Curious Financial Remedies

Whether the choice was right was soon a matter of doubt in Teheran. It was questioned in informed circles because of the curious set of financial remedies for the country's plight which Dr Mossadegh let it be known that he proposed to adopt: increase of the note issue from seven to eleven milliard rials; the raising of two further milliards by new taxation; the suspension of all pensions; the sale of the crown jewels for foreign exchange wherewith to build factories to serve as cover for the additional note issue. Each one of these projects is anathema to some important section of the population. But the choice of Mossadegh was also questioned by people without knowledge of public finance, for after it was made he imposed a new condition for continuing in office. He demanded six months' arbitrary authority in "financial and banking matters." He reinforced the demand by murmuring that he was inviting Dr Schacht to help him out. All Persian politicians have a pathological dislike of dictatorship; it calls to their minds visions of prison and the arbitrary whims of the last Reza

Shah. They therefore give undue reverence to a force that they call "the will of the people." What they have never recognised is that this force — ignorant, inconclusive and vacillating — cannot contribute to any nation's well-being unless it is steered by some man or group of men endowed with a grasp of public affairs. Dr Mossadegh challenged them to a choice between himself as arbitrary steersman and the production of some other hand that is prepared to steer.

How great is the need for such a hand is revealed by the figures available from both the National Bank and the Finance Ministry. Last March, Persia ended its financial year 1951-52 with a total ordinary expenditure of 8,700 million rials as against revenue of 6,530 million rials only. Additional extraordinary expenditure — incurred chiefly in order to pay the idle employees of the National Iranian Oil Company — brought total cash outgoings to the unprecedented figure of 10,870 million rials. The resultant deficit of over 4,000 million rials was met by devices several of which are unrepeatable: the conversion of £14 million held as a sterling reserve yielded 1,220 million rials; the raiding of pension and other special funds and of the sugar monopoly, 780 million; a national loan, to which response was disappointing, 450 million; and profits on the sale of foreign exchange, 550 million. All salaries and wage payments were therefore met, although government indebtedness to contractors increased. Since March, the deficit has grown at the rate of 250 to 300 million rials monthly. Revenue from customs dues has fallen; domestic oil sales are always lower in summer than in winter, which has increased the monthly deficit on the National Iranian Oil Company. It seems unlikely that more than half the salaries and wages due at the end of this month can be met; the lapse may not matter among civil servants, who are hardened to arrears, but might cause trouble at Abadan where former AIOC workers are accustomed to prompt payment on the due date.

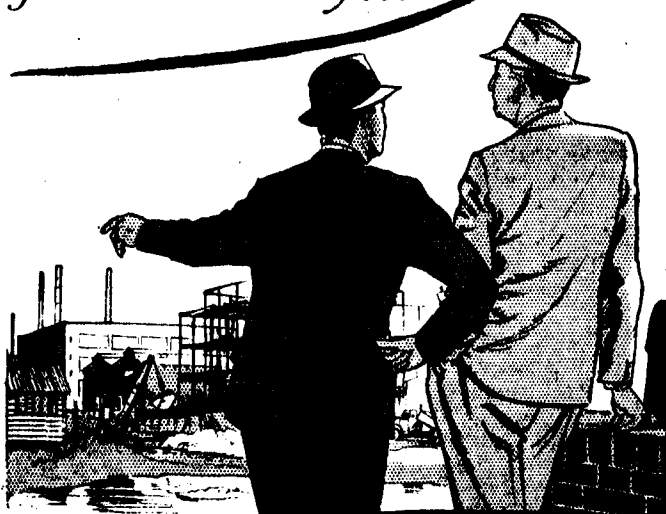
The National Bank of Iran, which is a well-run organisation practising — in difficult circumstances — extreme orthodoxy in monetary policy, is therefore faced with the distasteful choice of seeing unpaid salaries and unemployment grow to menacing levels, or else launching inflation by making fresh direct advances to the government or agreeing to increase the note issue. Although there are few ways out of a financial crisis of these dimensions, practised orientals may be able to "juggle through" for further weeks or even months, though each of their raids upon reserves yields less than its predecessor.

As is only natural, a country in such straits turns constantly to thoughts of revenue from oil. Dr Mossadegh has undoubtedly derived some of his steady public backing from his contention that only British machinations stand between him and success. What he prefers not to see, and what no Persian therefore sees, is that oil sold without regard for old agreements, and without hint of compensation to the party to whom it was leased, undermines the whole fabric of international investment. It is useless to point out to an opportunist in financial straits that though sales of oil, the legality of which is open to question, may yield some immediate earnings they prejudice the whole future of investment in under-developed areas, Persia included.

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only that aid does not result in dollar imperialism or a materialising of Indian values: one of the greatest difficulties in furthering closer ties is the frequent misconception that all Americans bounce, and that, in their country all success is measured by the bank account. It is precisely because of these reservations that the form aid is now taking—the Community Development Projects—is a pure stroke of genius. There can be no strings in training Indians to develop their own agriculture by the use of fertiliser or better ploughs and no one, not even the Communist opposition, can object to increasing agricultural yields. Recently, too, as the help has come in, from the wheat loan to Point Four and the Ford Foundation grants—though it is still admittedly less than has been given to Formosa or the Philippines or Japan—people are beginning to contrast what the Americans are doing with what the Russians have failed to do. Russian wheat and Chinese rice have to be paid for at the full market price.

So there is again that feeling of friendship which there was in 1946 and 1947. India's ruling classes share with the Americans their lack of cynicism though they do not have the Americans' occasional ruthlessness; and their favourite colour is grey, not the American black-and-white. With all that Indians find to criticise in the United States and its policies, they do now accept that the Americans are free, friendly and doing their best.

German Communist Policy

THE five-hour survey given by Walter Ulbricht, secretary-general of the German Socialist Unity Party, at its second conference on July 9th underlined the fact that Soviet policy runs along lines which only change within narrow limits. It is not like a tram, but like a trolley bus. Sometimes it is expedient to talk about the peaceful coexistence of the two camps into which a world is divided, and sometimes it is not. Ulbricht, echoing some of the major Communist speeches of the last few years, explained the two hostile camps without mentioning peaceful coexistence. He stressed the orthodox line, that rivalry for markets inside the capitalist camp will lead to a common assault against the Socialist camp unless—to translate Communist jargon into plain terms—there is a revolution in Western Germany, and perhaps some other countries as well. The revolutions are, however, to be patriotic risings to overthrow pro-American governments, and Communists must sink their ideological aims in order to win allies among the middle classes, the professional military men and business circles. Communists must not imagine that the peace campaign has anything to do with pacifism, particularly in Soviet Germany, where a national army is to be set up.

Stalin has declared that war is inevitable unless "the people" take matters into their own hands and overthrow the pro-American governments. Ulbricht followed this thesis closely, adding the up-to-date point that the attempt to blockade China and the Soviet bloc had been responsible for speeding-up their efforts to become independent of the western world; this in turn reduced the available markets for the big capitalist countries and increased the internal contradictions in that camp—and so the danger of war. The chief "conflict," repeated Ulbricht, is between America and Britain.

Soviet policy for Germany has changed as little as this view of world developments; Ulbricht removed the faintest doubts on this score. The Communist aim is "a peace treaty and the restoration of German unity on a democratic basis." Apart from using this revealing word "democratic," Ulbricht underlined that in the new Germany the pro-western groups, and the "bankers, estate-owners and armaments millionaires" would be swept away. The social order would not

be exactly the same as in the Soviet German Republic, but neither would it resemble the Adenauer regime.

As to methods of achieving unity, Ulbricht indicated that the Russians will not accept the western governments' invitation to a conference on setting up an impartial commission, as a preliminary to free elections. The policy he outlined was the same as that laid down some months ago, when the Soviet Government apparently decided that its campaign for a peace treaty would not succeed as long as Dr Adenauer remained in power, and launched its national Germany army. Ulbricht still demands that the Adenauer government shall be overthrown by mass action outside parliament. The only change is in timing. Clearly it has been an infuriating disappointment to the Communists that the Western German trade union leader, Herr Fette, called off the strikes and demonstrations that were being held in May against the new works council laws. These actions were being used by the Communists and by some Social Democrats to protest against the treaties with the West, and it was evidently hoped that they might lead to the fall of Dr Adenauer. Now Herr Fette is branded, with Dr Schumacher, as a traitor. The overthrow of Bonn is, however, declared to be not only possible but inevitable, because a national liberation movement will arise against the "occupation regime."

Nevertheless, the date has been postponed, and the Communists have decided that active military backing may be needed to bring about the national revolution in Western Germany. Ulbricht made some very significant statements on these lines. He said:

This liberation struggle cannot proceed in one unbroken ascending curve. After an upswing there might be a temporary abatement, followed by another, yet more powerful advance. Hence the vanguard of the working class must aim at a gradual extension of the workers and the national liberation struggle. The Communists must look boldly ahead and prepare themselves and the masses—particularly the young people—for coming events.

The series of changes in the administration of the Soviet German Republic just announced by Ulbricht do not mean that Soviet aims have changed, only that the attempt of the last few months to speed up the timetable has been abandoned. The Soviet Republic, as he once more stressed, is simply to be turned into a more efficient base for securing all Germany. The Soviet Union's system is to be more closely adopted. The various *Laender* are being retained "in principle" for the day of reunion, but are in practice abolished. Instead, the country is being divided into administrative units based on economic areas. The form of government at the centre was already changed earlier this year to follow the Soviet model. Similarly, the Soviet system of justice is being adopted more faithfully than before, and the first steps towards collectivised farming are being taken. As Ulbricht said, the People's Republic is now to advance towards Socialism, and "State power is the main instrument" for this purpose. The State must therefore be strengthened together with the party that rules it.

All these measures are intended to help the campaign to secure Western Germany, as well as to prevent further undermining of the People's Republic from the West. The Eastern German army is intended to be the national army for all "liberated" Germany. It will be equipped with the weapons of modern warfare. The forces must be "filled with hatred of the US, British and French imperialists," and feel closely linked with the people's democracies and the "colonial peoples who are fighting wars of liberation." They must remember that wars against foreign rule are just. Herr Ulbricht, in a revealing declaration that was repeated in a telegram to Stalin, forecast that the resistance movement in the West would be encouraged by the knowledge that the national army stood ready to aid it. The only weakness in all this is the fact that, at present, despite all the opposition to rearmament, there is no resistance movement in Western Germany as understood by Stalin or Ulbricht.

Failure of the Chinese Air Force

[BY A CORRESPONDENT]

IN the past few weeks, United Nations bombers and fighter-bombers have made a series of attacks on power plants and other industrial targets in North Korea. Most attention has so far been focused on the political aspects of these raids, but the lack of Chinese reaction to the raids has surprised many air observers as well as political commentators. In spite of the prime importance of the defence of these targets for the Communist supply and industrial organisation in both Korea and Manchuria, the Chinese Air Force has failed signally to carry out a job of local defence which should have been well within its powers.

It was only last November that General Vandenberg, Chief of Staff of the United States Air Forces, stated that China had become a major air power. According to American intelligence estimates, the strength of the Chinese Air Force has increased from a figure of about 1,500 aircraft last autumn to a total of about 2,000 this summer. These figures have been repeated in responsible statements by British Ministers. It is known that about half the Chinese Air Force strength consists of MIG jets which are at least equal in performance to the Sabre, the best jet fighter that the United Nations can put into the air over Korea. The Chinese Air Force has received further supplies of radar equipment in the last few months. Moreover, by announcing the targets before the bombing in some cases, the United Nations have eased the tactical situation for the Chinese fighter squadrons. Not that their position is tactically difficult, for they know that raiding United Nations aircraft must always return to the same target areas. Moreover, Chinese MIGs still outnumber the escorting United Nations jet fighters and they have greater flexibility in their attacks on the bombers than the escorting fighters, which must be handicapped by the restricted manoeuvres imposed by their escort duties.

Despite all these advantages and the reported increase in operational strength, the Chinese Air Force has provided either very little effective opposition or no opposition at all. United Nations losses in these raids have been due mostly to battle casualties on take-off or when landing, or to the increased concentration of the Communist radar-controlled anti-aircraft fire in the target area. At a press conference in Washington last week, the American Air Under-Secretary, Mr Gilpatrick, revealed the puzzling fact that as the total number of jet aircraft in the Chinese Air Force has increased, the number of sightings of, and interceptions by, MIGs had decreased. When the MIGs do fight, however, they seem to be getting more aggressive and more experienced.

Lack of Trained Men

This can only mean that there is a serious lack of trained men in the Chinese Air Force which may be approaching the proportions of a crisis. A detailed study of combat reports from Korea over the last year or so has revealed clearly that the vast majority of Communist pilots have been inexperienced and hesitant. They have been ready to attack only when they had the advantage of height; and even then, they would only make a quick pass at the bombers and avoid anything in the nature of a dog-fight. But in the last year or so the Chinese Air Force has lost many of its élite pilots, including flying instructors, who have been the ones willing to engage in close combat and who have suffered heavy losses, especially against the Sabres flown by the more experienced United Nations airmen.

The Chinese Air Force has, moreover, been presented with a new operational problem. Many of the attacks on the power plants have been made by United Nations jet aircraft carrying bombs. These have presented a more difficult target

for the defending MIGs than the slower and larger American Superfortress bombers which were used in most of the bombing attacks of 1950 and 1951. There is also some evidence that the Chinese Air Force has been hampered by a supply problem. It is true that spare parts and replacement engines sometimes have to come from Soviet factories more than a thousand miles away. But this is a secondary problem compared with the major task of training an élite cadre of fighter pilots who can lead their air squadrons into effective air combat. War records so far have not sufficiently stressed how important this sort of air aristocracy was for victory in the Battle of Britain in 1940, nor how the lack of such an aristocracy was a basic reason for the air defeat of Germany in the spring and summer of 1944. The Communists must be better aware of this situation than we are. There is evidence that they are stepping up their operational training with MIGs in Manchuria and in the Maritime Provinces of the USSR and holding some back from premature front-line combat.

Colombia's Political Plight

[FROM OUR CORRESPONDENT RECENTLY IN BOGOTÁ]

SOME recent reports in the foreign press have given the impression that Colombia, the third biggest of the South American republics, was in the throes of an undeclared but full-scale civil war. These reports, as Mark Twain said of the premature announcements of his own death, have been somewhat exaggerated. Yet the sporadic violence which has cursed Colombia ever since the tragic outburst of riot and destruction in Bogotá in 1948 is still a serious reality. In recent months there has been less guerrilla activity by *bando-leros* in the remote western plains, where the disorders were originally most widespread; but there have also been more disturbances than before in the eastern provinces, where in one week in May over thirty persons were killed along the Magdalena valley. On June 29th nineteen soldiers were killed by an organised guerilla band in central Colombia. Not all of this violence is strictly political in character, for individuals and minor gangs have in some cases taken advantage of the disturbed situation to avenge private grudges or simply to rob. But until 1946 Colombia was one of the most law-abiding countries in Latin America, and the growth of lawlessness since then is admitted by all parties to spring primarily from political tensions. And it is to be feared that the new rift that has now appeared in the governing Conservative party may exacerbate these tensions.

The Conservatives came to power in the elections of 1946, when the Liberal party, which had long governed Colombia, was split by the left-wing demagogue Gaitán. Gaitán's rabble-rousing speeches during the following year heaped up fuel for the conflagration of 1948, in which he was killed, and after which the government clamped down firmly, and with much justification, on all political agitation that might lead to a second similar disaster. Moderate Liberals have since been in the unhappy position of having to avoid any appearance of condoning lawlessness, while at the same time deeply resenting the government's authoritarian methods. All responsible Colombians sincerely deplore the continuation of violence, but while the Conservatives claim that it would have ended long since if the constitutional Liberal opposition had not more or less passively condoned it, the Liberals in turn blame Conservative intransigence for most of the trouble. In such circumstances the tension between the two main political groups, always strong in a country where party affiliation is usually determined by birth, has become even stronger. A nation-wide "Campaign for Peace," launched with the blessings of the Church as an effort to end all internecine conflict, has hitherto failed to mend the breach, partly because, although Colombia is a strongly Catholic country, the Church is identified in many Liberal minds too closely with the Conservative tradition.

Recently, however, the Liberals have thought to see a ray of light in their darkness. Dr Gilberto Alzate, who was elected as President of the Senate last year, has broken sharply away from the official Conservative Party and carried many of its members with him. At the beginning of the year, indeed, it seemed that Dr Alzate, who had already openly declared war on several ministers and on Senator Alvaro Gómez, son of the ailing President and editor of *El Siglo*, the chief party newspaper, would capture the leadership of the party. Governmental leaders fought back bitterly, and gained some ground, but a Conservative convention which met in Bogotá at the end of May acclaimed Dr Alzate, and the party has found itself embarrassed by the existence of two rival directorates, each claiming the rightful leadership. The Liberal press naturally gave the split a prominent place in its pages until forbidden to do so by the government censorship, and some Liberals have expressed the hope that the Alzate crisis would compel the early holding of general elections, in which, they believe, they would easily defeat their divided opponents.

But it would seem that in their desperation the Liberals are playing with fire. Talk of any kind of co-operation between them and the *Alzatistas* ignores the hard facts about Dr Alzate's past and present record. In 1936 he was one of the founders of a short-lived near-fascist movement named *Nacionalismo*. To-day his big bald head and jowl still look like Mussolini's, and his demagogic attacks on "financial oligarchies" strongly recall those of Gaitán. Such a man would be a dangerous ally for a Liberal Party which, despite its bitterness, still holds fast to much that is truly liberal.

Colombia's political strife, moreover, seems all the more irrational in view of the country's present prosperity. With the market for its principal export, coffee, continuing strong, a sound balance of payments position, impressive developments in such crops for internal consumption as rice, and

the beginnings of a considerable heavy industry, Colombia is riding a real boom. Industry and the government have been able to finance such ambitious undertakings as the Neusa dam and hydro-electric plant, and the new pipeline which brings petroleum up from the Magdalena to Bogotá. Businessmen are optimistic and employees are drawing better pay than ever. Against such a background the country's bitter political feuds take on a tragically unreal air.

Critics of the Cameroons

[BY OUR CORRESPONDENT IN WEST AFRICA]

AT its meetings this summer the Trusteeship Council of the United Nations is to discuss reports from seven African territories, including the British Cameroons. This so-called "Cinderella" of West Africa consists of two long narrow ribbons of mountain and tropical scrub, lying alongside the Nigerian frontier. Its population of a million is fragmented into scores of different small tribes, and its economic life is rudimentary, apart from the former German plantation now run by the Cameroons Development Corporation. But these hardly enviable scraps of land provide splendid baiting material for use against imperial Britain at the Trusteeship Council. The name Cameroons comes from a Portuguese word meaning prawns or shrimps, found in abundance there. Hence the latest joke at Uno—*prawns in the game*.

The situation lends itself to such exploitation. Nineteenth of the old German colony of the Kamerun went to France, under League of Nations mandate, after the first world war; the remainder, while retaining its legal identity, was mandated to Britain and its two small parts were integrated administratively into Nigeria. The boundaries were, indeed, determined by ethnographic links with Nigeria in the north, and by geographical ones in the south. For all

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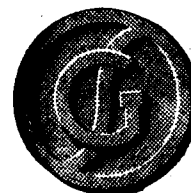
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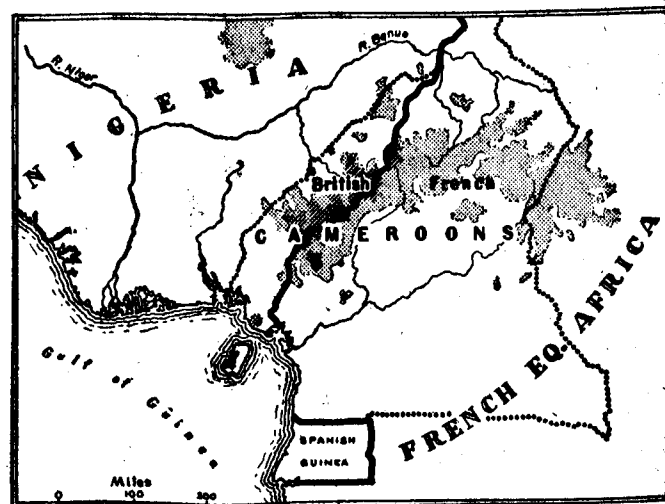
practical purposes the two areas have been part of Nigeria for more than thirty years. They have no natural unity of any kind, being separated by part of Nigeria itself, and they are quite incapable, politically, economically, or culturally, of standing on their own feet; but the two together have become a Trust Territory, and the objectives of trusteeship under Article 76 of the Charter of the United Nations include "progressive development towards self-government or independence."

The only practicable version of this in the British Cameroons is self-government within the framework of a self-governing and independent Nigeria, until the tribes concerned are able to make a democratic choice of their own; but this policy can be represented as submerging a small Trust Territory into a British colony. So the Soviet delegate at last summer's meeting of the Trusteeship Council was colourful and apt in saying that "the policy of the administering authority with regard to the Trust Territory directly contradicts the Charter of the United Nations and violates its requirements." The contradiction, however, is not between British policy and the Charter, but between the principles of trusteeship taken neat and the facts of historical geography, although the United Nations, including Britain, Russia itself and everybody else, acquiesced in the illogicality. It is still possible to call Britain Perfidious Albion.

This year an alternative line of attack has been opened up for Britain's critics. The Trusteeship Council has received a petition from the Kamerun United National Congress (described by itself as "a virile and vociferous national organisation," founded in August, 1951) arguing that the territory is uncommonly backward, and that its poverty is due to the oddity of the international and administrative arrangements imposed by British sleight of hand. It presses for the early unification of the two sections of the Cameroons, French and British, preparatory to "the emergence of the Kamerun as a cohesive self-governing or independent Nation." Incidentally, the literary quality and intellectual niceness of the petition, signed by a Mr Jabea Dibonga, are

enough to prove that Britain has not denied education to the inhabitants of the Cameroons; for if Mr Dibonga did not write it, who did?

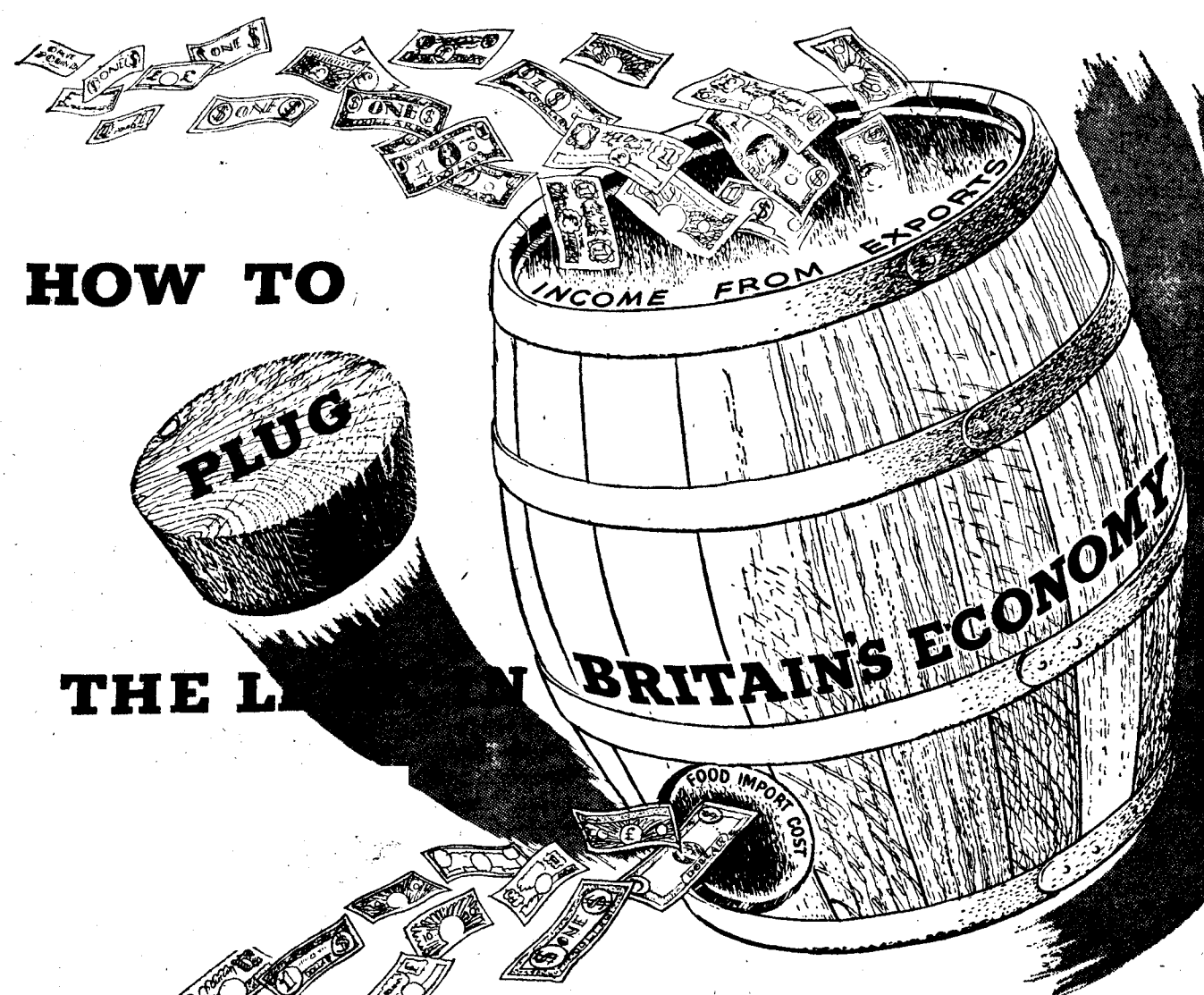
The political movement behind the petition is complicated in origin. It springs partly from pure frontier problems, such as customs, and in the last year or two the demand for unification has been heard increasingly from the French side. Nor have the tides of nationalism now sweeping West Africa altogether by-passed the Cameroons. Finally, there is the inspiration of the unification movement among the Ewe people in Togoland. The two cases are not parallel, for while in Togo there is the basic unity of the Ewe, there is no such unity in the Cameroons, and never has been. Before 1914 the area had scarcely been pacified by the Germans, certainly not unified, and it remains thoroughly heterogeneous. The British answer to the whole question is quite clear. All the arguments for separation put forward in 1919 have been reinforced by the passage of time and the moulding influence of two distinct colonial policies; the movement for unification is so far small and artificial; the British Cameroons would suffer, as the territory receives both direct and indirect subsidies from Nigeria, as well as other advantages, such as the marketing of exports through the Nigerian marketing boards; and its healthy



economic development, just beginning, would be interrupted by the separation from Nigeria.

There is another possible part-solution which is superficially more attractive. It was put forward when a United Nations visiting mission toured the country in 1949, reappears in the petition, and is sure to crop up when the next visiting mission arrives later this year. Briefly, the suggestion is that the two sections of the British Cameroons should be formed into a separate or fourth region, under the existing Nigerian constitution, with the same quite wide regional autonomy, and the same budgetary and administrative separateness, as the other three regions. In the future the region might elect to stay with Nigeria, or join the French Cameroons in a sort of federation; at any rate there would be some choice. Here again, though, the British answer is clear and definite. The Cameroons has been given greatly increased representation in the regional legislatures, under the new constitution, and there is even a special minister for the territory in the central council of ministers. The region could not compare with the other three in area, population, or economic strength, and has neither the money, the men, nor the experience to run its own regional legislature and administration.

It remains to be seen how far these arguments will carry in the Trusteeship Council, where Britain is once more on the defensive. The nationalist movement in the Cameroons is embryonic, though it is bound to develop; but for the moment its political importance lies mainly abroad.



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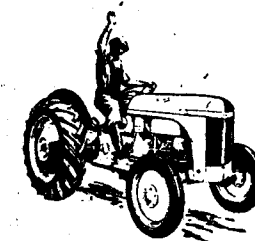
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THE BUSINESS WORLD

The Banks' Investments

IN their mid-year statements of account issued this week four out of the "Big Five" banks have, as expected, made an important departure from traditional habits in bank accounting. Instead of writing down the book value of their investments in British Government securities to take account of the further depreciation that has occurred during the past six months, and thus to permit them to be shown "at or under market value," these banks have stated them "at or under cost and below redemption price" but above market value, which in each case is disclosed in a marginal note. The aggregate difference between the two sets of figures is just over £34 million, compared with an aggregate book value of £1,371 million.

This change may be open to misconception by people unfamiliar with the mechanics of banking. Therefore it should perhaps be said at the outset, before discussing the details of the change, that it is mainly of technical significance. In particular, the disclosure of this depreciation does not mean that the banks have lost the money it represents, or even that they have necessarily suffered any greater degree of depreciation than those banks that have adhered to the traditional accounting procedure and have not disclosed any depreciation at all. In conditions such as have obtained in the gilt-edged market in the past six months—and, indeed, over the past five years considered as a whole—no bank, and least of all the big ones, could have avoided depreciation on its investments, no matter how skilfully it operated.

The banks that have altered their practice in this fashion are the Midland, the Westminster, Barclays and Lloyds. The other six English clearing banks—the National Provincial, the three "northern" banks, and the two smaller institutions—have all followed the time-honoured practice, and they also show more clearly than is usually done at the mid-year what that practice is. They all specifically state that investments are shown at less than market value, but give no indication of the nature of the writing-down—except that it has not been at the expense of published reserve funds.

The procedure adopted by the tradition-breakers is not quite uniform. All four banks state that no transfers have been made from contingency account or from reserve fund, as existing at January 1st last, to write down British Government securities during the half-year; but the Midland and the Westminster banks state, in addition, that they have not made any provision for writing-down out of the profits of the half-year. The clear implication, on the one hand, is that the other two banks, Barclays and Lloyds, have written down their December 31st book valuations by undisclosed amounts; and, on the other hand, that the only changes in the book valuations of the Midland and Westminster over the half-year are those resulting from purchases and sales. Except to the extent that the end-December valuations

of these two latter banks still incorporated a hidden reserve, the difference now shown between book value and market value measures the actual net depreciation sustained during the half-year. It is not surprising, therefore, that these two banks disclose wider differences than the other two.

The comparison between the two valuations is shown in Table I, from which it will be seen that there is a marked similarity in the percentage depreciation within each pair of banks, and a notable contrast between the pairs. If the 3 per cent margin shown by the Midland and the Westminster does, indeed, reflect the greater part of the actual fall during the half-year, it represents a creditable achievement. Even such a short-dated security as 2½ per cent National War Bonds, 1954-56, dropped by 3.9 per cent during the period; 2½ per cent Funding Loan, 1956-61, dropped by 3.5 per cent; 3 per cent Savings Bonds, 1955-65, by 4.9 per cent, 3 per cent Funding, 1959-69, by 6.2 per cent. The "one-way-option" stocks, such as 2½ per cent Consols, slumped by

TABLE I.
CLEARING BANKS' GOVERNMENT SECURITIES: NEW BASIS
(£ Mn.)

At June 30, 1952	Book Value*†	Market Value	Depreciation† Actual %	Published Reserve and Share Premium Account	Book Value: Change Since Dec. 31, 1951
Midland	422.29	409.35	12.94	3.06	{ 12.29 2.87 } — 0.03
Westminster	237.30	229.38	7.92	3.33	{ 9.32 } — 11.39
Barclays	390.76	383.17	7.59	1.04	{ 9.88 3.87 } — 2.52
Lloyds	320.55	314.55	6.00	1.87	{ 13.66 1.14 } — 8.65
TOTAL	1,370.90	1,336.45	34.45	2.51	{ 45.15 7.88 } — 22.59

* At or under cost and below redemption price.

† See explanations in text for difference between the practice of the two pairs of banks.

more than 9 per cent; while, at the other extreme of the scale, the 1952-54 War bonds fell by 1.7 per cent and the 1954 Serial Funding stock—the longest of the bonds foisted on to the banks last November in exchange for Treasury bills—fell by 2.4 per cent, to 3½ per cent below its issue price. A comparison of these movements with the disclosed depreciation of little more than 3 per cent makes it plain that the banks' efforts in recent years to reduce the average life of their portfolios (by no means an easy task to perform without severe penalties, in market conditions such as have obtained for a large part of the past quinquennium) have met with substantial success. The individual statements, as well as a joint "notice" issued from the Bankers' Clearing House, emphasise that none of the four banks holds any British Government security that has no fixed redemption date, and that the "majority" of each portfolio matures within ten years. It seems evident from the market experience

that "majority" must mean substantially more than half.

It is equally obvious, however, that the banks that have made this break with tradition have not done so merely with the object of demonstrating the success of their policies of shortening portfolios in order to keep the depreciation within moderate bounds. Nor, despite the indications that the new principles are likely to be followed in future, can it be pretended that the change has not been dictated by the exigencies of the moment. The driving force has been the huge strain put upon the traditional practice, a progressively increasing strain that has extended over the whole period since the collapse of the Daltonian monetary policy early in 1947. In these five-and-a-half years the ill-starred "Daltons" dropped by 46 per cent, and the average level of the whole gilt-edged market fell by almost one-third. At June 30th a two-year bond stood fully 5 per cent lower than a three-year bond (with equivalent coupon) stood in the Dalton heyday.

When this period is surveyed as a whole, it is, in fact a remarkable tribute to the conservatism and strength of British banking that the provisions from current profits and from previously accumulated inner reserves have sufficed to enable the banks to cover their investment depreciation internally for so long, for the average level of clearing bank investments over these years was £1,500 million, almost two and a half times its prewar level; it was increased by a further £500 million by the funding of Treasury bills last November. But inner reserves exist to provide for other contingencies, and more important ones, than book depreciation on the investment portfolio, notably provision for bad debts; and one of the reasons why the reserves have been able to stand the long-sustained strain of falling gilt-edged values is, no doubt, that calls upon them for bad debts have been unusually light. Indeed, in some recent years the accounting of bad and doubtful debts actually fortified the inner reserves, because the recoveries from debts written off early in the war exceeded the need for new provisions.

But now that the seller's market has ended and monetary discipline is creating more realistic business conditions, the banks' risks on loans and advances are rising. It is more important that ample inner reserves should be available for these contingencies, and other less definable ones, than that the accounting convention of investment valuation should be maintained. Hence, whether or not the banks that have dropped the convention could have met the whole of this half-year's depreciation of investments from their contingency reserves (a question to which the latest statements naturally give no answer), it is clear that such a procedure would at least have brought those reserves to a lower level than the banks concerned were prepared to countenance. In any case, there is no assurance that gilt-edged values may not fall still further.

Naturally, the point at which the balance of advantage seems to favour a break with tradition is a matter of judgment, and its position will accordingly differ from bank to bank. But, given the decision to protect inner reserves, there was, in principle, one alternative to the course actually adopted—to follow the precedent, set in 1931, of drawing on published reserves. But the situation now is very different from what it was then. Whereas the investment portfolios have expanded hugely since prewar days, the banks' capital and disclosed reserves have risen only slightly. Thus, although it is true that the depreciation now shown by the four banks is in

each case less than the published reserves, it represents a very substantial proportion of them—a proportion that in one case slightly exceeds the portion of these reserves not held on share premium account. The balances carried forward on profit and loss account are not, of course, disclosed in the half-yearly statements.

The banks have therefore made a virtue of necessity—or, if not literally of necessity, then at least of circumstances that they would have wished otherwise. The sea-change in the gilt-edged market has driven them to discover the unrealities that are unquestionably present in the traditional accounting practice (what the Clearing House "notice" calls the "old custom"); and some bankers are now flatly contradicting in private the very arguments that they used in public defence of the convention only a few months ago. The new arguments are certainly no less respectable than the old. It is contended that the market prices of the particular securities do not in fact afford a "true and fair" measure of the worth of the portfolios in question—first, because the portfolios never could be sold as a whole at such prices (or, indeed, at any prices, given their huge extent in relation to the size of the market) and, more particularly, because it is almost impossible to conceive circumstances in which more than a moderate proportion of them might have to be sold as a means of reducing their total.

TABLE II
CLEARING BANKS' GOVERNMENT SECURITIES: OLD BASIS
£ million

	Book Value*		Change over Half Year (+ or -)
	Dec. 31, 1951	June 30, 1952	
National Provincial	200.32	195.93	— 4.39
District	88.45†	82.19†	— 6.26
Martins	101.17†	98.54†	— 2.63
Williams Deacon's	41.78	40.13	— 1.65
Glyn, Mills	19.53	18.51	— 1.02
Coutts	17.89	18.36	+ 0.47
TOTAL	469.14	453.66	— 15.48

* Valuations are in every case stated to be less than market value.
† Includes gilt-edged investments other than British Government Securities.

To the extent that the investments are sure to be retainable until the fixed redemption dates, the banks can reasonably regard their "true" value as the price they will secure on redemption; and meanwhile to ignore market depreciation entirely, on the ground that it will automatically disappear as redemption date approaches. On this basis, the existence of depreciation at a particular moment is of practical significance only to the extent that securities may have to be realised—for example, if the Government pursues a deflationary monetary policy that forces down the level of deposits, or if a credit discipline of the present kind makes it necessary to sell investments in order to make room for advances. Unless official monetary policy were extraordinarily misguided, the proportion of the investment portfolios that might have to be sold for such reasons is bound to be relatively small; but any sales compelled by monetary policy will almost inevitably be made at a loss—and the extent of any such realised loss is, of course, totally unaffected by the particular accounting techniques the banks may have chosen to adopt. A realised loss is no less real because

it has already been provided for out of inner reserves.

If this is to be the new theory of bank accounting, it may help to break down the doctrine of obscurantism in bank accounts. If a depreciation is disclosed, it will keep very firmly in the minds of bank managements their duty to maintain a high proportion of short-dated securities at such times, and may perhaps induce them to tell the public a little more about the disposition of the portfolios. In any case, if this mid-year precedent is followed, the extent of the depreciation from one half-year to the next will give a fair measure of the shape of the holdings—

A Commodity Price Indicator

ANY addition to the deluge of statistics that now floods the world requires, if not an apology, at least an explanation. The new commodity price indicator that this article introduces has the modest aim of illustrating general trends in world commodity prices. It might be thought that there are indices enough for this task. But, unfortunately, it is no longer true that British prices alone furnish a reliable guide to movements in world commodity prices. They are affected by subsidies and by the arbitrary pricing policies of the government trading departments, which are still responsible for buying one third of this country's imports. Some of the British markets for staple commodities have been closed for years, and American quotations are often the only guide to world price movements: American demand now dominates the commodity markets, and although many of the American markets are relatively insensitive to changes in supply and demand and are hampered by

COMMODITY PRICE INDICATOR
Base: July, 1949–June, 1950=100

MONTHLY			WEEKLY		
Mid-month	Sterling	Dollar	Weeks	Sterling	Dollar
1950:—			1952:—		
June.....	116	107	April 2.....	139	129
• 1951:—			9.....	140	129
March.....	182	168	16.....	139	128
April.....	173	160	23.....	137	127
May.....	167	154	30.....	135	125
June.....	162	150	May 7.....	134	124
July.....	156	144	14.....	132	122
1952:—			21.....	131	121
January....	149	138	28.....	130	120
February..	146	135	June 4.....	132	122
March.....	142	131	11.....	132	122
April.....	139	128	18.....	130	120
May.....	131	121	25.....	130	120
June.....	131	121	July 2.....	131	121
July.....	130	120	9.....	129	119
			16.....	130	120

frequent changes in import duties, for certain commodities—particularly copper, lead and zinc—only American quotations are available.

The sharp rise in commodity prices after the outbreak of the Korean war revealed certain limitations in the various American index numbers as indicators of the world price trends that affect the sterling economy; yet, hitherto, these index numbers have been the only ones available for this purpose. Between June, 1950, and March, 1951, most of the American indices showed a total rise in commodity prices of about 35 per cent, whereas the British price index of imported raw materials

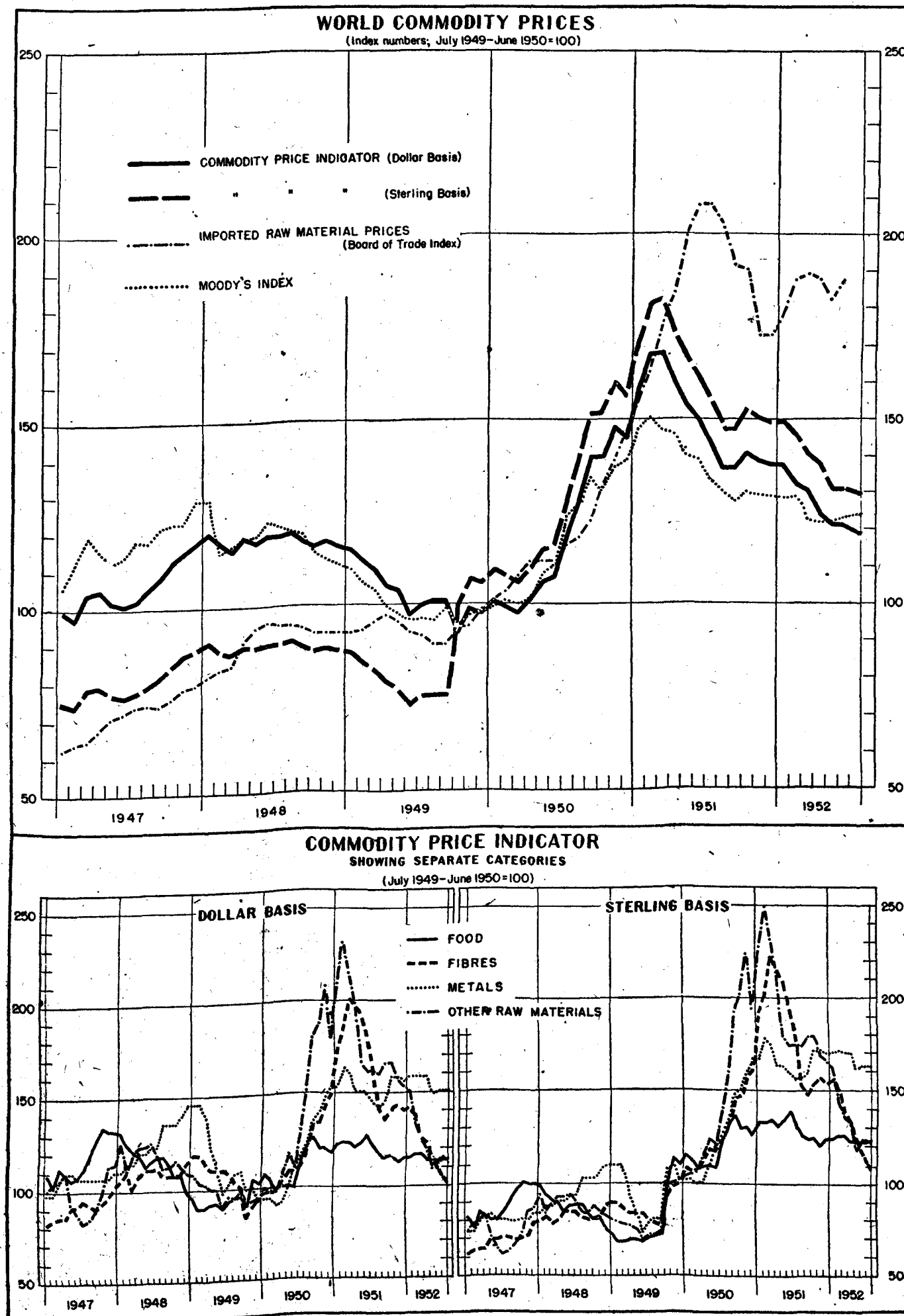
and a very rough indication of the risk of losses that might be faced if the banks had to contract their portfolios. Unfortunately, the banks seem no more disposed than in the past to present informative profit and loss accounts. But, so far as the past half-year is concerned, there is no doubt that the trend of current earnings—that is, excluding the consideration of investment depreciation—has been more favourable. If there is no deterioration in the second half of the year, the banks at the year-end will certainly be making substantial transfers to reinforce their inner contingency accounts.

showed a maximum rise of 87 per cent. The relatively modest increase shown by the American indices is explained by the commodities chosen and the way their prices are weighted. An index number capable of indicating the general trends in world commodity markets must meet two requirements. It must show the general movement in prices of commodities important in international trade; secondly, it should be simple in scope and method. The new commodity price indicator outlined in this article will, it is hoped, satisfy both conditions.

The indicator uses the prices of seventeen commodities, listed in the statistical notes in this week's issue of the *Records and Statistics* supplement. They form a representative rather than a comprehensive group. For each of thirteen commodities a single representative quality has been taken; the other four (wheat, cotton, wool and copra) include more than one type, raising a problem that is discussed more fully in the statistical notes. Prices for each commodity are taken from the most representative market—for example, London for tin and rubber, New York for copper, lead and zinc, and Colombo for tea. Each price is converted, where necessary, into dollars or sterling, at the current rate of exchange and then into an individual index. The indicator is an average of these individual indices.

The choice therefore had to be made between different methods of averaging, in particular between an arithmetic mean and a geometric mean. Most statisticians argue in favour of a geometric mean for an unweighted average, but although the indicator had to be an unweighted average (for reasons discussed below), the arithmetic mean was chosen so as to achieve a better balance between the changes in the different commodity prices. The geometric mean tends to damp down the larger movements and to accentuate the smaller ones. To have used an elaborate system of weighting would have demanded the right selection of weights and the discovery of some recent period when the relations between different commodity prices could be regarded as normal. Since the war, there has been no such period; the outstanding feature of the commodity markets since 1946 has been the wide variation in relative prices.

The choice of an arithmetic average means that the indicator is in fact weighted by the number of commodities chosen. It includes six foods (wheat, maize, coffee, cocoa, tea and sugar), four fibres (cotton, wool, jute and sisal), four metals (copper, lead, zinc and tin) and three other raw materials (rubber, petroleum and copra). The number of commodities chosen in each group corresponds approximately to the relative values





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of world trade in these groups before and after the war. Thus food—with six items out of seventeen—has an effective weight of 35 per cent in the indicator; this corresponds almost exactly to the proportion that food represents in the value of all basic commodities entering international trade. Perhaps fibres, on the same reckoning, are underweighted, but this could be corrected only by reducing the total number of commodities in the indicator, which would be undesirable on other grounds.

A major complication is the choice of a suitable base period. But for the war in Korea, 1950 might have been the first "normal" postwar year; the boom in commodities in the second half of the year rules it out as a base year. Both 1947 and 1948 were influenced by abnormal postwar demand and by the abolition of price controls in the United States. On the other hand, 1949 was a year of mild recession followed by devaluation. In the end it was decided to take the twelve months July, 1949, to June, 1950; and to calculate the index in both dollar and sterling values. The dollar version shows the trend of commodity prices in relation to the fixed price of gold. The sterling version shows the trend of prices as it affects those countries using sterling in their international transactions. As a result of the choice of base period, the graph of the sterling index is below the dollar index up to devaluation and above it after devaluation.

It has been emphasised throughout that the purpose of the new indicator is to show a general trend, not to provide an accurate measure of movement. If it is true that major movements in commodity prices are determined more by changes in demand than by changes in supply, and that demand reflects the prevailing monetary conditions, the price indicator should give a sensitive reaction to monetary influences throughout the world. But it has certain admitted limitations. It covers a limited number of commodities, chosen as being representative, but not claimed to be fully representative. The use of an arithmetic mean without any system of weighting gives any one of the seventeen commodities an individual weight of nearly 6 per cent. If the price of one commodity increased by 100 per cent and all the others remained the same, the indicator would rise by nearly 6 per cent. Nor does the indicator take into account "free market" prices of various commodities, where they exist. The difficulty here is to get a representative free market price at a given point each week and to know how much of the commodity changed hands at that price. Finally, seasonal trends in prices have not been eliminated. When the indicator is published each week in the *Records and Statistics* supplement and at intervals in *The Economist*, it will always be compared with its figure for twelve months before.

In the first of the three accompanying charts, the indicator (on both dollar and sterling base) is plotted against the Board of Trade index of import prices for raw materials and Moody's index of staple commodities. The dollar version of the indicator follows the Moody's index fairly closely until June, 1950, and then rises much more steeply, reaching a peak in March, 1951, when it was 68 per cent above its base (or 57 per cent above June, 1950). The Moody's index reached its peak in February, 1951, when it was 50 per cent above the 1949-50 base or 36 per cent above June, 1950. Both fell to a low point in September, 1951, recovered slightly and then

fell to a new low in the second quarter of this year. The indicator has shown little change since May, whereas Moody's index showed a rise in June.

The sterling version of the indicator is higher than the Board of Trade index in 1947 and the first half of 1948. This can be explained first by the fact that the Board of Trade index plotted here does not include food—and food prices were high during this period—and, secondly, by the tendency, under government trading, for prices to lag both on the upswing and on the downswing, a feature particularly noticeable in 1949 when commodity prices were falling. The indicator rose to a peak in March, 1951, when it was 82 per cent above the 1949-50 base and 57 per cent above June, 1950. The Board of Trade index, on the other hand, reached a peak in May, 1951, when it was 108 per cent above

the same base period and 87 per cent above June, 1950. This difference, too, can be explained by the fact that food prices are excluded from the Board of Trade index as shown—and they rose much more modestly than raw material prices—while throughout last year Britain was buying raw materials at premium prices.

The two other charts show the trends of the main groups of commodities included in the indicator—food, fibres, metals and other raw materials—in dollar and sterling terms. They reveal wide differences in the behaviour of commodity prices during the past twelve months. At the present time metals and other raw materials are rising, while food and fibres are still falling. The indicator for the last three months suggests that the fall in prices that persisted almost continuously since March of last year may be exhausted.

Business Notes

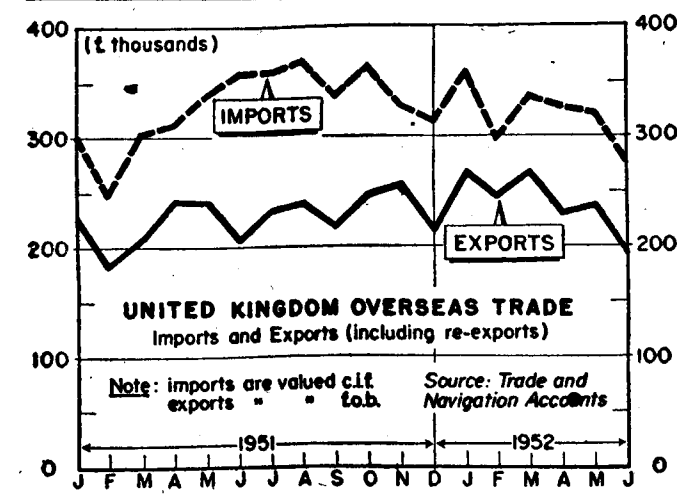
Market Rise Faltering?

The recovery that began in stock markets just over three weeks ago made further headway until last Thursday, when it was jolted into reverse by the unexpectedly alarmist tone of a statement from the Prime Minister. In the week to last Wednesday the gradient of the advance in gilt-edged was actually steepening, and spread right through the list, not excluding the shorts. On Wednesday, the gains ranged up to $\frac{3}{4}$ —for 3½ per cent War Loan, raising its week's movement to 1½ points, a rate of improvement that was paralleled by several other stocks, notably the longest of the Savings Bonds. At this point some quotations were as much as 3 points above the nadir reached on June 24th. In industrial equities the trend was similar, though less pronounced: in the week to last Wednesday, the ordinary share index of *The Financial Times* had gained another 2½ points, carrying it to 111.0, or appreciably more than half-way from the mid-summer low of 103.1 towards the peak of 114.1 touched at end-April. No new influences were discernible to account for this buoyancy—no influences, that is to say, beyond those noted in these columns last week. The dominant consideration, plainly, has been the sense of relief that the mid-year "hump" has been passed without disaster; and a further influence has been the evidence that the worst has been seen in the localised recession in textiles and certain other consumer goods.

These, however, are negative consolations that have little relevance to the fundamentals of Britain's economic problem. In the circumstances, though some recovery in markets was perhaps to be expected, its persistence and momentum have come as a surprise—especially as the institutional investors have throughout maintained an attitude of marked caution. On Thursday, therefore, the markets inevitably proved vulnerable to Mr Churchill's reference, on the previous day, to the "grave and far-reaching" measures "affecting every branch of our national life" that are to be explained in the coming two-day debate in Parliament on the economic situation as a whole. Not unnaturally, the markets took fright at such spectacular phrasing, characteristic though it was. There now seems considerable doubt whether the measures to be described are primarily those already in operation or measures still to be revealed. But if the markets were wrong on Thursday in supposing that there has been a sudden deterioration, and one requiring dramatic new measures, they were almost equally wrong before that in supposing that the passing of the first "hump" of danger meant that the period of the alert is nearing its end.

Exports Fall Again

The provisional figures for overseas trade in June show that exports are continuing their downward slide. Last month they fell sharply, to £185 million compared with £226 million in the previous month and £200 million in June, 1951. This was the lowest total since February, 1951. The monthly figures tend to exaggerate the seriousness of the decline because they do not allow for the differing number of working days; even so the daily rate of exports was 3 per cent lower than in May. Imports in June fell by £44 million to £277 million, and were thus £81 million less than in June of last year. After allowing for re-exports of more than £8 million, the excess of imports (valued c.i.f.) over total



exports (f.o.b.) was just under £8½ million, compared with £85 million in May and £149 million in June last year.

Exports in the first half of 1952 amounted to £1,346 million, which is more than £100 million above their total in the first half of 1951. The whole of this rise, however, was concentrated in the first three months of 1952, and it did not take place in exports to the most important markets; thanks largely to a fall in exports to Canada (a market that now shows some tentative signs of reviving), shipments to North America during the past six months have amounted to only £126 million or 10 per cent less than in the corresponding period last year. On the import side, there are signs that at long last the rise may have been stemmed. During the first

half of this year imports totalled £1,903 million, compared with £1,856 million in the same period last year and £2,058 million in the second half of 1951. The reduction in imports compared with the second half of last year was mainly due to a fall in volume.

It seems probable from the half yearly figures that Britain's overall deficit in the past six months was about (or perhaps rather over) £100 million, compared with £93 million in the first half of last year and £428 million in the second half. If an allowance of 12½ per cent is made for freight and insurance charges, the f.o.b. value of imports in the first half of 1952 appears to have been about £1,670 million; total exports (including re-exports) were £1,430 million, which would leave a visible deficit of about £240 million, compared with £336 million in the first half of last year and £453 million in the second half. It will be disappointing if net invisible receipts have not covered at least £120 million of the latest half-yearly deficit, and rather unexpectedly cheering if they have covered more than £150 million of it. In any case it is evident that there is still a long way to go if the overall deficit is to be removed this year, and the May and June trade returns do not show many signs of progress along it.

Transport Commission Report

The financial accounts of the British Transport Commission for 1951 were published a month ago; this fact, and the appearance of the Government's bill robs the commission's full report of some of its accustomed limelight. But many of the comments in the report have great significance in the present controversy on transport policy. They certainly put the commission's point of view fairly and squarely. At the very outset, the chairman, Lord Hurcomb, claims that

if the Commission were able to proceed with their plans for the integrated development of their services under a suitably revised organisation of their administration, and if they were permitted to adjust without undue delays the level of their charges to meet the costs of the various services provided, they would look forward with some confidence to the maintenance of the (financial) equilibrium achieved.

This statement begs a number of questions—including the best ways of revising the transport organisation (on which the commission is as silent as the Government) and the long-term implications of giving the commission an automatic warranty against increases in external costs. But it is ironical that at the very moment when the Government should be proposing the dispersal of the road haulage services operated by the Road Haulage Executive on behalf of the commission, the latter should be claiming noteworthy improvements in the efficiency of the road services.

Such improvements were to be expected after the first difficulties of acquiring the fleets had been overcome; the stage has at least been reached when a more satisfactory service is being provided for the trading community and when it would become possible—but for the Government's intentions—to talk intelligently about the real meaning of integration of road and rail services, and the principles on which their respective charges should be determined. The commission's report repudiates the notion that it may enforce "arbitrary selections of its services upon the public." It asks only that "the customer should pay the real cost of the services he selects, and that he should not receive one service at its bare cost if he insists at the same time on the maintenance of other services at less than cost." The application of these principles presents a number of practical difficulties, including accurate traffic costing; on this the commission has made some progress, though much more work remains to be done. The notes on traffic costing included in the report provide, indeed, the foundation of a study in transport economics, which are at least as important as the arguments about ownership and competition that now enjoy political currency.

The commission is not to be blamed for putting its case vigorously. It is in the business of integrating transport, and its report shows that it is forming reasoned lines of policy for carrying it out. Whether it could succeed, given the ambiguities of its present organisation and the marked lack of co-operation on the side of labour in making integration work is another matter. If the Transport Bill goes forward in its present form, it will not have the chance.

A Carrot from the IMF

One of the functions of the executive board of the International Monetary Fund is to compile an annual report on exchange restrictions in force in member countries, and to carry out consultations about means of lifting them. Last week the board issued its third annual report on this subject. It had a depressing tale to tell. At the beginning of 1951 some progress was being made towards the removal of these restrictions, but at the end of the year and at the beginning of 1952 the pendulum swung right back towards more stringent restriction. Apart from the United States, Canada and a handful of central American countries, nearly all members of the IMF now impose discriminatory restrictions of one sort or another. The Fund is therefore having to carry out "consultations" with no less than 44 of its 51 members. In the course of these consultations, the executive board reveals, it has felt able to declare that members that run into difficulties as a result of easing import and exchange restrictions could "reasonably expect" to be allowed to draw upon the fund's resources.

Since it began to receive American aid in 1948 Britain has been effectively barred from drawing dollars out of the fund; if this ban were removed Britain could, under the fund's articles of agreement, expect to be allowed to draw out about \$300 million in the course of the first twelve months. Independent members of the sterling area, who are also members of the fund, would have drawing rights on a further sum of over \$200 million in a twelve-month period. This is perhaps not, by itself, sufficient of a carrot to persuade the British authorities to make a real move towards convertibility—but it is one of several inducements that they must be eyeing as they stand on the edge of the water wondering if they dare to take some plunge. Needless to say, the executive board's present report, which is wholly concerned with exchange restrictions, does not have anything to say about the recent debate on the desirability of a move towards floating exchange rates; that is a subject on which some pronouncement may perhaps be expected when the fund's full annual report comes out in September.

Germany's Surplus in EPU

The complete figures relating to the operations of the European Payments Union in June are again dominated by the fact that Germany ranks as the main creditor, with a surplus of \$76.4 million compared with one of \$66.4 million in May. In accordance with the scale of credit and gold payments, Germany took one half of its surplus in gold and one half by increasing its balance with EPU. If the June rate of surplus is maintained, Germany will have exhausted its quota by September, a position that would call for special measures to decide how any surpluses in excess of the quota will be paid. It was little more than a year ago that Germany had exceeded its quota in the other direction and that special help had to be given to it by EPU. The violence of the swing that has occurred in the German balance of payments is a measure of the effectiveness of the remedial measures applied to the domestic economy following the investigation of the situation by EPU experts. It is also a measure of the volatility of the German balance of payments, free as it is from the burden of making provision for

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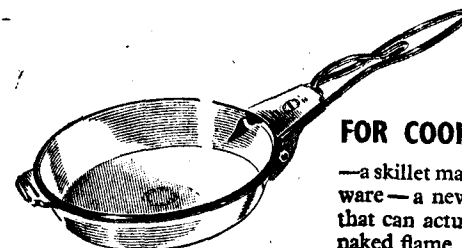
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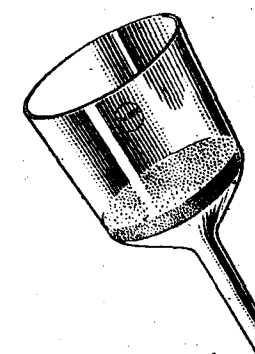
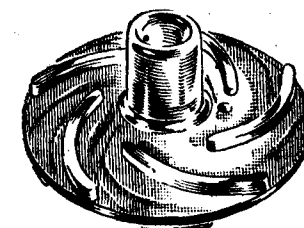
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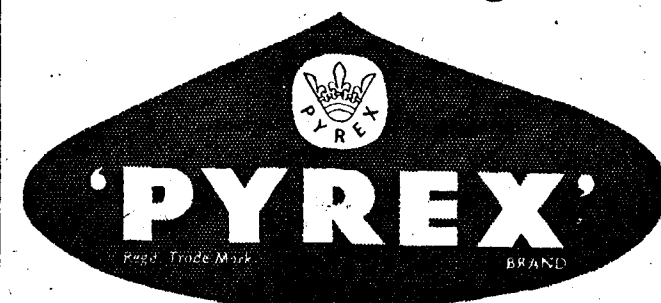
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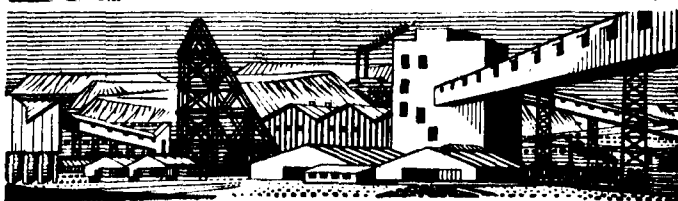
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external debts and for appropriate contributions to the common defence of western Europe. This dramatic change in the German position is a factor that, it is hoped, has not been overlooked in the course of the London conversations on German external debts.

The other main feature of the June returns of the EPU is the fact that France has become the second largest creditor, with a surplus of \$22 million, following a small deficit for the previous month. The French import cuts, together with the seasonal peak of tourist expenditure in France, are evidently making themselves felt. For France, as for a number of other countries, however, the June settlement has been considerably complicated by the results of the changes introduced in EPU at the end of its initial two-year life. Thus France received the benefit of the \$25 million allocated for future armament deliveries to Belgium. On the other hand, France was called upon to repay the exceptional credit of \$100 million granted by the Union last spring. As a result of these various cross-entries France was called upon to pay \$47.6 million in gold to the Union in respect of June operations. Third in the list of creditor countries is Belgium, with a surplus of \$21 million. The Belgian position with EPU has been completely transformed as a result of the new agreement made with Belgium. The increased quota and the substantial gold repayments made to Belgium have reduced Belgian credits to EPU from \$423.9 million to \$243.9 million.

The final figures for the June operations confirm that the United Kingdom had a net deficit in that month of £17,084,286 or \$47,836,000. No further use of existing sterling resources took place during the month. The accounting deficit was, however, reduced from July 1st by \$25 million following the new arrangement with Belgium. This reduced the amount of gold paid by the United Kingdom to the Union to £8,155,715. Up to date the total amount of gold paid by the United Kingdom to EPU amounts to £172,521,786, while the total overdraft run up with EPU by the United Kingdom is equivalent to £227,143,000.

Policy in the Air

The Government's aviation policy began to take more substantial shape during the course of Wednesday night's debate. It is becoming increasingly clear that the Government expects the two air corporations to keep within the boundaries of their existing networks, leaving private operators to develop any new routes that the traffic justifies. Mr Lennox Boyd also said in the course of the debate that, to help the private operators, the new Air Transport Advisory Council would not consider applications from the corporations to open up new freight services for one year. This should give the private operators time to get such services established. He repeated the assurance already given by the corporations that they would not keep aircraft specifically for charter work.

This is a fair and sensible policy so far as it goes, but it is still doubtful whether it goes far enough to give private operators a fighting chance of survival. Unless the Government is going to give the ATAC a specific directive to discriminate in favour of the private operators, it is conceivable that the corporation could drive them off any new route that they attempted to develop, whatever the Government's intentions on the matter. The competitive weakness of the private operators lies in their lack of capital and lack of aircraft. Capital to buy new aircraft will be hard to raise unless the company can show that it has a licence to operate a new route or service. But if a company asks the ATAC for a licence that it cannot start to operate for two or three years because it has still to buy the aircraft, the corporations with their expanding fleets can always make a counter-application for a service to be operated almost immediately on the same route. If the traffic justifies the new service at all, the ATAC can hardly avoid granting the licence to the

carrier who can develop it the most rapidly—and that will usually be one of the corporations.

There is no sign that the corporations intend to adopt destructive tactics, but it is reasonable to assume that by the time a new service begins to look economically attractive to the private operator, it will have looked equally attractive to the corporations. Because of these difficulties, the private operators are likely to ask the government for help in buying aircraft. Nothing that has been said suggests that they will get a sympathetic hearing, unless the Treasury, which has consistently vetoed the building up of a military transport fleet, can be persuaded that aircraft bought and leased to private operators will at least provide the framework of a strategic reserve.

* * *

Cars and Covenants

In deciding to lift the covenant on certain cars, the motor industry is taking the first step out of the morass of regulations and documents that has turned the once simple process of buying a car into a formidable legal undertaking. The tactics of retreat are quite different from those adopted when the restrictions were being introduced. This time, little or no information is being given to the public. No list of covenant-free cars has been issued; it is generally assumed that a model will be withdrawn from the covenant when the second-hand price for a car just out of covenant is lower than its list price when new, or in the industry's words when "it cannot now be the object of speculation," but there is no indication of the standards by which prices will be compared.

Such reticence may puzzle car owners who want to know which models are in or out of covenant. How does it happen that a Daimler may now change hands freely whereas the equally expensive Rolls-Royce remains subject to covenant? This fact is the more remarkable since it was only with difficulty that Rolls was persuaded to join the covenant scheme when it was introduced. The decision whether or not to withdraw has in fact been left in the hands of the individual manufacturers, some of whom may feel that escape from the covenant is, in present circumstances, a rather invidious freedom. The present arrangements are designed to provide them with a backdoor through which models can be withdrawn piecemeal without loss of face. Between 50 and 60 models have been withdrawn for a start, among them some of the more expensive cars, built by the "big six" manufacturers. More are likely to follow, for second-hand prices have been falling since the beginning of the year and the release of even a handful of 1951 and 1952 models on the market is bound to have a depressing effect on the second-hand prices of 1949 and 1950 cars just out of covenant. This change in values could conceivably recoil on the British Motor Trades Association, the body that has pursued covenant breakers with considerable vigour. Has the BMTA, by cancelling all outstanding covenants on cars withdrawn from the scheme, exposed itself to action? Certainly, the covenant has been annulled unilaterally in these cases without the consent of the purchasers of the cars that have been released from covenant, and some of them might argue that damage had resulted. It was always possible to argue that the covenant was a dubious expedient; it will be doubly dubious when applied to some cars and not to all, particularly when car prices may have seen their peak.

* * *

Strategic Supplies Improve

The International Materials Conference has now announced its allocations of copper, nickel, cobalt, tungsten and molybdenum for the third quarter of 1952. Without exception, they are at the highest rates since allocation began twelve months ago. The general improvement in supplies of strategic materials has also been reflected in recent changes

in the conference's functions. Zinc allocation was abandoned last month and the cotton and cotton linters committee is to be disbanded in September. The position of other commodity committees that are not concerned with allocation is to be reviewed shortly, and they too will probably be disbanded. At that stage the whole future of the IMC would presumably have to be reviewed.

Copper may be the next candidate for release from international rationing. The allocation for the third quarter has been fixed at 744,290 metric tons (including supplies for the United States stockpile), compared with 723,680 metric tons in the second quarter, but the Chilean Government is again left free to dispose of a limited amount of its copper outside the scheme. At the request of the United States a new clause has been added to the copper committee's recommendations; it provides that if some countries do not take up the whole of their copper entitlements, domestic users in the United States and other participating countries shall be given the opportunity of purchasing the balance. United States domestic consumers are also to be free to take up any surplus quotas of tungsten, cobalt and molybdenum. Since 1950 the production of tungsten in the free world has doubled and that of molybdenum has risen by 50 per cent. By contrast, nickel remains the scarcest of the strategic materials, though the allocation for this quarter has been increased from 35,195 tons to 36,580 tons. The allocation of cobalt has been restored to a quarterly basis and the distribution in the third quarter will amount to 2,475 tons compared with 4,413 tons in the first half of this year. Britain's share of these respective commodities will be 100,300 tons for copper (against 97,200 tons last quarter), 5,428 tons for nickel (against 5,326 tons last quarter), 360 tons for cobalt (against 648 tons in the first half of the year), 950 tons for tungsten (against 1,629 tons in the first half of the year) and 591 tons for molybdenum (against 1,067 tons in the first half of the year).

Iraq Stays in the Sterling Area

The sensible attitude taken up by the Iraq authorities in the negotiations leading to the recent oil agreement has clearly caused them to be regarded with careful favour by Whitehall. The more prosperous Iraq becomes—and in the near future it is likely to become very prosperous—the more pointed will the contrast be between the good fortune of its nationals and the plight of their unfortunate neighbours in Iran. It is presumably for this reason that the British Treasury has leant over backwards to be generous in the financial agreement that it concluded with Iraq last week. The whole of Iraq's blocked sterling balance of £23 million is to be released and the country is to remain a full member of the sterling area. This apparently means that it will be allowed to draw any dollars that it needs (after deciding on its own dollar import programme) from the sterling area central pool. Provided the oil boom lasts, however, Iraq is unlikely to impose any net strain on British resources, and its government has promised that it will act as a co-operative member of the sterling area and that it intends to regard the newly released sterling balance as part of the cover for its currency.

A New Tax Certificate

The Government is at last raising the rate of interest allowed on new Tax Reserve Certificates from the level to which Dr Dalton reduced it in 1946. He then introduced a second series, with a tax-free rate of $\frac{1}{4}$ per cent, compared with the 1 per cent offered by the wartime series. As from last Wednesday, the current issue was superseded by a third series, bearing interest at $1\frac{1}{4}$ per cent tax free, the interest being payable, as in the past, for a maximum period of two years. Since 1944, the period during which the certificates

may be tendered in payment of taxes has been limited to five years, but no such limit is fixed for the new certificates. Notably since the increase in Bank rate to 4 per cent, the $\frac{1}{4}$ per cent tax free rate had become hopelessly out of line with the realities of the market; for taxpayers subject only to income-tax at the standard rate, it was equivalent to less than three-quarters of the rate obtainable from balances on deposit account at the banks, and, more significant still, has ceased to be of interest to the institutional buyers that are mainly concerned.

In consequence, as noted in these columns a fortnight ago, the sales of certificates dropped steeply—to a level, indeed, that only just covered the rate of redemptions at a time when these are seasonably low. In this current fiscal year, sales up to July 12th amounted to only £41 million, compared with £112½ million in the similar period of 1951-52, while redemptions rose from £28½ million to nearly £33 million. The net borrowings, therefore, dropped from £84 million to only £8 million. If the new certificates attract accumulated tax reserves now held on bank accounts, they will help the Government to reduce its swollen borrowings from the banking system; but any resultant reduction of bank deposits will be of technical rather than fundamental significance. It may, however, tend to reduce the banks' liquidity ratios, and to that extent will act as a minor stiffener of monetary policy.

Stocking at the Pit-head?

The summer holiday season is already having an effect on coal production. Last week, when output of deep-mined coal fell from 4,076,000 tons to 3,840,400 tons, 371,500 tons are estimated to have been lost because men were away on holiday. In spite of this drop, distributed stocks of coal continued to rise; at 16,491,000 tons they are now coming close to the safety margin of 17 to 18 million tons with which the Coal Board hopes to start the winter. At this time last year stocks stood at the disturbingly low level of less than 13 million tons. The difference between the two years is partly due to increased output, but also to the far less predictable factor of falling consumption. In an address to the National Coal Board's summer school this week, Mr Schumacher, the Board's economic adviser, estimated that a variation of only one degree in the average temperature over the year affects inland consumption by 1,500,000 tons; in addition, of course, coal consumption is particularly sensitive to the level of industrial activity. For this reason Mr Schumacher believes that there is a strong case in favour of holding buffer stocks of coal. He estimated that pithead stocks of 5 to 10 million tons of coal, in addition to normal distributed stocks, would make it possible to meet incalculable fluctuations in consumption without dislocating supplies to consumers or, alternatively, upsetting production schedules in the mines.

There is no sign that the Coal Board is yet willing to follow Mr Schumacher in thinking along these lines. Under present conditions the Board would hardly be permitted to build up such stocks at the expense of either domestic or foreign consumers, even though both would eventually benefit. Moreover, stocks of the size contemplated would tie up £30 million of capital at present pithead prices, while the physical problem of storage, at one cubic yard of coal to a ton, is also a formidable one. These problems can be overcome; in the long run it might even prove cheaper to put capital into coal stocks than to pay guaranteed wages to miners on short-time because of a temporary recession in demand. The Board's real objection, however, is neither financial nor technical. It is simply that miners associate unsold heaps of coal at the pithead with short-time and unemployment, and will not keep up their present rate of production (including overtime and Saturday working) when they see such stocks accumulating. The Coal Board

may be unduly apprehensive about the miners' reactions, for when stocks began to accumulate recently in the Lancashire pits the miners showed no great sympathy for their apparently panic-stricken union leaders. They may need educating along the lines suggested by Mr Schumacher but they are surely not ineducatable.

Keener Demand for Wool

Prices at the London wool sales this week have endorsed the higher levels at the close of the Australian sales in June. Merino 64's were sold on Tuesday for 145d. a lb (clean) compared with 134d. a lb at the last London sales held in May; crossbreds reached 69d. a lb (clean) compared with 57d. a lb in May. As all overseas markets are now closed until the autumn, these "between season" sales in London provide a significant guide to the trend of prices. The fact that on the opening day the recovery that has been taking place during the past two months was fully maintained—and even perhaps slightly augmented—suggests that manufacturers are now more ready to add to commercial stocks, which had been allowed to run down to a very low level last April. Combing wools attracted the most attention in the London sales, a reflection of the fact that world production of tops has been slowly recovering for some months. The other main feature at the opening of the sales, the brisk demand for crossbred wools, can be explained by the long closed season in New Zealand, where the sales ended in April and will not begin again until November. Argentina holds large stocks of crossbred wool, but it is still not a very eager seller as it is hoping for much higher prices next season.

It is too early to give any reliable clip estimates for the new season. It seems, however, that the world clip may show a slight reduction on last year—perhaps to about 2,270 million lb (clean). The end-of-season stocks in producers' hands probably amounted to 130 million lb, which would suggest a total supply for 1952-53 of 2,400 million. If world consumption remains at its 1951 level of 2,250 million lb (clean), there would then be a surplus of 150 million lb, which does not seem an excessive allowance for stockpiling and for any further build-up in manufacturers' stocks. On this reckoning, the outlook for wool should not be too bleak.

The Trend of Production

Industrial production, which bounded up by 6½ per cent in 1949 and 8½ per cent in 1950, stopped rising after the last quarter of 1950, and in the autumn of 1951 showed a definite tendency to fall. By April and May of this year production was still some 2 per cent below its level in the same two months of 1951. The Treasury has now produced figures showing how this has been reflected in the performance of individual industries. The following tables show that the general level of industrial production has to a large extent been underpinned by increasing activity in the building industries, and in direct consumer goods industries such as those producing drinks, tobacco and paper or printed materials. These account for about one-fifth of the country's total production. In at least half the field of production, covering the bulk of the metal goods industries, food, mining and public utilities, production is still rising, but at a diminishing rate compared with last year. In some of the most important industries, production is now lower than it was a year ago. These include the vehicles, textiles, pottery and precision instrument industries, each of which has been an important exporter. The fall in production in the vehicle industries is, it is true, largely due to shortage of materials, but deliveries to the home market have not fallen sufficiently to maintain the same rate of exports from this reduced output—for passenger cars home deliveries are considerably higher than last year. The fact that vehicle exports



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ABRIDGED STATEMENT OF ASSETS AND LIABILITIES, 30th JUNE, 1952.

LIABILITIES	
Capital	£1,060,000
Reserve Fund	1,060,000
Current, Deposit and Other Accounts	60,940,246
Liability for Acceptances, Engagements, etc....	7,419,591
	£70,479,837
ASSETS	
Cash in hand and Balance at Bank of England	£4,474,327
Balances with, and Cheques in course of Collection on, other Banks in the British Isles	3,733,581
Money at Call and Short Notice	12,451,000
Bills Discounted	2,264,106
Treasury Deposit Receipts	—
Investments:—	
British Government Securities	18,511,537
Other Securities	401,222
Advances to Customers and other Accounts	20,529,473
Bank Premises:—	
Freehold	£620,000
Leasehold	75,000
	695,000
Liabilities of Customers for Acceptances, Engagements, etc.	7,419,591
	£70,479,837

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this year are higher—month for month—than in 1951 is partly due to the shipping difficulties that delayed exports in the early months of the year. The fall in textile, clothing and pottery production can be explained, more simply, by a fall in demand at home and abroad. The extent of the fall is

PERCENTAGE CHANGES IN PRODUCTION

	1st Quarter— 1952 over 1951*	1st Quarter— 1951 over 1950
Vehicles	- 8	+ 2½
Textiles	-14	+ 4
Clothing	-19	+ 5
China and earthenware	- 3	+13
Precision instruments and jewellery	-15	+13
Engineering, shipbuilding, electrical goods	+ 6	+10
Mining and quarrying	+ 1½	+ 3½
Gas, water and electricity	+ 4½	+ 7
Food	nil	+ 2
Metal goods not elsewhere shown	nil	+ 3
Ferrous metals	nil	+ 3
Non-ferrous metals	+ 4	+16
Glass	+ 6½	+ 8½
Building and contracting	+ 6	- 4
Drink and tobacco	+18	- 3
Paper and printing	+ 7	- 2
Bricks, cement, etc.	+11	+ 9

* As Easter fell in March in 1951 but in April in 1952, the first three months of 1952 are here compared with January, February and April of 1951.

shown not only by the drop in production but by the drop of 200,000 in the numbers employed in these industries and by the rising total of hours lost through short-time working; this has risen from 850 hours in the week ending on September 22nd last year to 5,186 hours in the week ending May 24th this year.

London 1900-1951

PROFESSOR D. W. BROGAN, in the July issue of **HISTORY TODAY**, contributes a fascinating account of London 1900-1951. Here, fully illustrated, is the story of how Londoners have fared, and how their city has grown and changed, during the last fifty troubled years. Other illustrated articles in this issue include: *The Battle of Marathon* by S. E. P. Atherley; *Two British Embassies to China, 1793 and 1816*, by G. H. Le May; *Marx and the Philosophy of History* by Lindley Fraser; *A Background to Feuding—the Vendetta in Kentucky* by A. L. Lloyd; and *The Writing of Local History* by W. G. Hoskins.

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Consumers in Council

The Industrial Coal Consumers' Council encountered its first serious complaint last year, and to judge from its annual report, published last week, emerged somewhat shaken by the ordeal. During the year, the Coal Board introduced a new and highly complex price structure, the first rationalised pricing system attempted by the industry. The committee confessed that

our first reaction to the proposals was that the involved method of assessing the relative values of the various coals appeared to be unduly complicated. We were persuaded, finally, that the use of some such method was inescapable if there were ever to be a rational price structure.

Individual consumers were not so persuaded and the users of carbonising coal promptly lodged a complaint about the new prices with the Council. This appears to be the only serious objection raised to the new price structure; the Coal Board told the Council that talks had been held with the major consumers before its introduction and gave assurances that immediate steps would be taken to deal with the inevitable anomalies. The single complaint was based on the fact that the Coal Board had decided to charge the users of carbonising coal a hefty premium. This coal, found mainly in Durham, is scarce and therefore valuable; it is being rapidly exhausted and uneconomically mined in old-fashioned pits with narrow unmechanisable seams. The users complained that they were being exploited, because the Coal Board had reduced prices to domestic and other industrial consumers and made good the loss by putting up the price of carbonising coals. The gas industry is making the same case privately to the Coal Board. The Coal Board retorted that it had done what was possible to meet the case of the carbonisation industry before the price structure was introduced, and it still maintains that the Durham mines are losing about 1s. a ton by selling their carbonising coals even at the present high prices. "There was," reports the Council, "a strong difference of opinion among the members" about the justice of the case. The Coal Board made it clear that any alteration in the price of carbonising coal would put the whole of the new structure back in the melting pot, and this apparently swung the Council in favour of the Coal Board, for when the new prices were put to the vote, they were approved by a majority, the size of which is discreetly omitted from the report. The only other body to approach the Council during the year was the Institute of British Launderers, who were anxious that further rises in working costs in the pits should be met by increased efficiency, not by another rise in price.

Triplex Plays Safe

Since the advent of dearer money, necessity has proved to be the mother of innovation in the market for new industrial capital. The pioneer issue of a convertible loan stock by Distillers last May is now to be followed by a hardly less novel issue by Triplex Safety Glass. The company will break away, if only temporarily, from its single class capital structure by offering its equity shareholders 350,000 15 per cent 10s. cumulative preference shares; the exact price of the issue will be determined by market conditions when the offer is made, but it is expected to be around 20s. At this price the new shares would offer the high yield of 7½ per cent—a yield that is higher than the 7¼ per cent offered by the company's 10s. ordinary shares at the current price of 21s.

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Growing Tanker Fleets

During the first half of this year the active world tanker fleet has increased by 1,250,000 tons deadweight; excluding US Government-owned tankers, it now totals 30,763,997 tons d.w. This figure, prepared by Davies and Newman Ltd., London tanker brokers, compares with a world total of only 16,078,000 tons in July, 1939. The largest increase during the last six months has been in the British fleet, which expanded by 225,000 tons to a total of 7,056,538 tons, making it equal in size to the American fleet. But American tanker interests also own large blocks of tanker tonnage under the Panama and Liberia flags; the total tonnage under these flags amounts to 2,936,428 and 1,100,579 tons respectively.

The tonnage and the flags of tankers which await launching or have already been ordered, show that the future composition of the world tanker fleet will undergo significant alterations. The figures relating to the principal fleets are given in the following table:—

Flag	As at July 1, 1952	On Order as at July 1, 1952	Total in Existence and on Order
United States	7,061	1,136	8,197
British	7,057	3,463	10,520
Norwegian	4,617	3,659	8,276
Panamanian	2,936	1,899	4,831
French	1,266	609	1,875
Italian	1,125	325	1,450
Swedish	919	638	1,558

Despite the size of the existing tanker fleet, tonnage on order and still to be delivered amounts to a total of 13,692,170 tons d.w. The division of this tonnage among the principal flags is shown above. There remain 1,225,980 tons accredited to "other flags." Of these the majority will eventually be registered in Panama or Liberia by American owners; even so the high proportion of British and Norwegian tanker tonnage on order is remarkable.

These totals do not make any allowance for the scrapping of obsolete tonnage. Existing ships together with those now on order will bring the combined world total to more than 44 million tons d.w. by about 1957-58, ignoring subsequent orders and subsequent disposals. At present, however, there are over 6,000,000 tons in service built in 1934 or earlier, and practically all of this tonnage should be scrapped by 1958. This block of obsolete tanker tonnage includes 1,124,000 tons of British, 746,000 tons of Panamanian, 636,000 tons of Norwegian and 510,000 tons of United States tankers. If the figures are adjusted to allow for the scrapping of this tonnage, then by 1958 the British tanker fleet should total 9,396,000 tons, which is considerably larger than it is at present, while the American fleet, at 7,687,000 tons, will show little change.

The Norwegian fleet, at 7,640,000, will also be much larger, so will the Panamanian tonnage, at 4,085,000 tons. It is likely, therefore, that although by 1958 the world tanker fleet will be much bigger, the British and Norwegian share of the total will be even higher, and the American share lower, than at present.

Indecision in Wheat

The continued life of the international wheat agreement is still in the balance. The wheat council has told member governments that the formal recommendation required to extend the agreement beyond July, 1953, cannot be made in any case before the end of this season. It has also explained that renewal for a further period must depend upon whether member countries can agree upon maximum and minimum prices and, indeed, upon what constitutes a maximum or minimum price—that is, whether carrying charges are to be included or not. A special committee is considering these matters as well as the possibility of relating the agreed price schedule to a new or existing price index that would permit an automatic revision of the maximum and minimum prices at regular intervals. Until the committee has finished its study, the council feels it cannot take a decision. Hence it has postponed the discussion on the extension of the agreement until January 12, 1953.

It would seem from current opinion in both producing and consuming countries that the chances of an extension are slender. Neither side is particularly keen on fixing now either a maximum or minimum price for the next four or five years, and unless some method of an automatic revision can be devised, the wheat scheme may be allowed to lapse.

Shorter Notes

The active note circulation increased by another £19.4 million in the week to last Wednesday. This means that it had increased by £42.7 million in the three weeks since the fiduciary issue was raised to £1,500 million on June 24th; in the corresponding three weeks of 1951, it increased by only £18.4 million. The note reserve in the banking department of the Bank of England now stands at only £15.6 million; last year the active note circulation increased by a further £26 million in the last two weeks of July, so that another increase in the fiduciary issue seems inevitable in the course of the next few days, in preparation for the usual seasonal peak in demand for notes in August Bank Holiday week.

The awarding of an American Army contract, for nine power transformers, to Ferranti Ltd. is a victory of persistence. Ferranti's tender was £71,420 less than the lowest American tender. The Army considered this was sufficient justification to waive the Buy American act, which forbids the purchase of defence equipment outside the United States unless the difference in price is so great as to make this unreasonable; but two years ago an equally low Ferranti tender was rejected by the Seattle power authorities.

Two errors that occurred in Table IIa on page 133 of last week's issue of *The Economist* showing the percentage distribution of life, annuity and sinking fund assets of 41 insurance offices at the end of 1951 should be corrected. The proportion of the assets of 16 composite offices held in Home and Overseas Government and Municipal Securities should read 6.5 per cent (and not 8.5 per cent) and the proportion represented by Agents' Balances and Cash, should read 4.9 per cent (and not 14.9 per cent).

Company Notes

Renold and Coventry Chain.—In the year to March 30th Renold and Coventry Chain increased both output (by 6 per cent) and productive capacity, but unfortunately the shortage of steel prevented the fullest use being made of the new capacity and supply still lagged some way behind demand. Prices rose, but so did costs, so that while sales rose by £920,600 to £5,993,000, group trading profits rose by only £147,224, to £976,936. The directors' decision to maintain the distribution on the equity capital (as increased by the recent rights issue) must be regarded as a recognition of the steady growth in business rather than as a reflection of the very slight increase in net profits, after tax, from £280,356 to £281,672. An interim dividend of 3 per cent was paid on an ordinary capital of £1,131,310, and a final dividend of 9 per cent has been recommended on a capital of £2,413,464, as increased by a scrip bonus of 905,049 shares and a rights issue of 377,105 £1 shares at 30s. each.

The company has enjoyed an increase in sales in each year since the war and, as with many other skilled engineering concerns, the main task facing it this year is to secure a further increase in productive capacity. The group's outstanding capital commitments of £537,000 suggest that this programme of development is being quickly got under way. The programme will be partly financed out of the receipts of the cash issue of ordinary shares. At the end of the financial year these receipts had been used to pay off the parent

Consolidated earnings :—	Years to March 30, 1951	1952
Trading profit.....	829,712	976,936
Total income.....	890,759	1,111,622
Depreciation.....	119,265	142,149
Taxation.....	400,861	498,100
Net profit.....	280,356	281,672
Ordinary dividends.....	104,788	131,854
Ordinary dividends (per cent).....	17½	12(a)
Re-equipment reserve.....	58,000	186,000
General reserve.....	90,000	—
Added to group carry forward.....	32,492	25,539
Consolidated balance sheet analysis :—		
Fixed assets, less depreciation.....	2,117,345	2,354,232
Net current assets.....	1,247,240	2,249,920
Stocks.....	1,312,413	1,521,372
Cash.....	101,446	380,039
Reserves.....	1,710,912	1,532,179
Ordinary capital.....	1,131,310	2,413,464

company's bank overdraft of £495,995 and to set up a cash balance of £317,983. At the moment, in the chairman's words, "demand continues at a high level in all the markets, and for the immediate future the distribution of the company's products will have to remain subject to systematic rationing."

Thomas De La Rue.—Since the war Thomas De La Rue has pressed forward with a policy of developing and diversifying its industrial manufactures. This policy has not met with unqualified success. The distribution on equity capital has remained unchanged since 1947, and it was not until the financial year 1950-51 that sales of the company's plastic products made any considerable contribution to earnings. They repeated—in fact increased—this contribution in the financial year to March 29th last; earnings from the industrial division of the company largely account for the advance in group trading profits from £761,463 to £880,403. Unfortunately there are already clear signs that these new ventures will not make such a satisfactory contribution to earnings this year. Restrictions imposed in certain overseas markets towards the end of the company's financial year and the falling off in demand for some of the company's products at home have already led to a reduction in sales, which—the directors declare—"must be expected to continue until trading conditions throughout the world improve."

Last year's trading results enabled the directors to maintain the ordinary dividend at a rate equivalent to 50 per cent on the old capital (before the 100 per cent scrip bonus), but the fact that British Industrial Plastics recently passed its interim dividend suggests that De La Rue's ordinary dividend may also be in danger.

The biggest danger is, of course, the recession in trade, but another factor, almost as potent in its effect on dividend payments, is

Consolidated earnings :—	Years to March 29, 1951	1952
Trading profit.....	761,463	880,403
Total income.....	1,016,346	888,350
Depreciation.....	162,149	206,816
Taxation.....	420,848	406,059
Net profit.....	189,644	255,651
Ordinary dividends.....	123,274	121,538
Ordinary dividends (per cent).....	30	35
General reserve.....	250,000	100,000
Added to group carry forward.....	26,208	Dr. 11,085
Consolidated balance sheet analysis :—		
Fixed assets, less depreciation.....	2,233,433	2,315,580
Net current assets.....	1,146,045	885,896
Stocks.....	1,467,122	2,197,932
Cash.....	124,713	49,428
Bank loan.....	520,000	845,000
Reserves.....	2,539,314	2,220,775
Debenture capital.....	260,119	—
Ordinary capital.....	463,000	926,000

to be found in the group's balance sheet. In effect, the group possesses no liquid resources. Its cash holdings have been reduced from £124,713 to £49,428, while its bank borrowings have risen from £520,000 to £845,000. The repayment of a debenture stock a year ago may partly account for the growing stringency in liquid resources, but in the main it arises from the increase in stocks (from £1,467,122 to £2,197,932) and in debtors (from £1,196,352 to £1,474,248). Presumably the increase in stocks reflects the accumulation of goods and raw materials in the company's factories following the decline in sales. The possibility of losses on stocks this year cannot, therefore, be ignored.

Amalgamated Metal.—The Amalgamated Metal group sells a sizeable proportion of its stocks forward, and the chairman of the group, Mr. Walter Gardner, has therefore wisely laid emphasis on the somewhat exceptional nature of trading results in the year to December 31st last, when group trading profits soared from £403,509 to £1,919,439. In 1950 profits were adversely affected by the loss incurred by the subsidiary, Henry Gardner, through the incidence of commodity contracts maturing in that year. A year ago the directors pointed out that corresponding contracts maturing in 1951 would more than offset this loss; and in the event, the profits earned on these contracts account for £470,000 of the increase of over £1,500,000 in total profits. The exceptionally sharp advance in profits must also owe a good deal to the increase in the price of most of the commodities in which the group is interested, particularly at the beginning of 1951. At first sight the increase in the ordinary dividend from 7 to 8 per cent looks meagre when set beside the bound in net profits from £223,982 to £1,008,867. But this happy experience is hardly likely to be repeated and there is a need to retain the greater part of earnings in the business to finance increased investment in both working and fixed capital. The rise in stocks (from £1,821,568 to £2,918,910) and in debtors (from £4,019,329 to £5,182,642) has been accompanied by an increase in bank overdrafts from £687,740 to £1,610,924, while the company is extending its business in new fields, notably in the general import and export trade in Australia, Canada and Malaya. At the current price of 18s. 6d., the £1 ordinary shares yield £8 13s. per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, July 9, 1952	Price, July 16, 1952	Net Yield, July 16, 1952	Gross Yield, July 16, 1952
N.W.B. 2½% '51-53...	99½	99½	1 2 9	3 7 2
N.W.B. 2½% '52-54...	98½	98½	1 7 9	3 7 4
Exch. 2½% 1955...	97½	97½	2 7 4	3 8 5
Ser. Fund. 1½% '52...	99½	99½	1 10 2	2 15 8
Ser. Fund. 1½% '53...	98½	98½	1 11 4	2 10 3
Ser. Fund. 1½% '54...	96½	97	2 3 7	3 1 10
N.W.B. 2½% '54-56...	96½	96½	2 3 1	3 6 10
Fund. 2½% '52-57...	97½	97½	2 0 9	3 7 9
Nat. Def. 3½% '54-58...	97½	98	1 18 7	3 7 6
War L'n. 3½% '55-59...	97½	98	1 18 3	3 8 3
Sav. Bds. 3½% '55-60...	88½	89½	2 10 11	4 1 2
Fund. 2½% '56-61...	90½	90½	2 11 10	3 7 11
Fund. 3½% '59-69...	83½	84½	2 14 9	4 6 11
Fund. 3½% '66-68...	83½	84½	2 14 6	4 6 7
Fund. 4½% '60-90...	95½	97½	2 10 4	4 10 3
Sav. Bds. 3½% '60-70...	82½	84½	2 14 3	4 6 11
Sav. Bds. 2½% '64-67...	81	82½	2 18 9	4 2 10
Vty. Bds. 4½% '20-76...	99½	100½	2 2 4	4 1 9
Sav. Bds. 3½% '65-75...	78½	80½	2 14 2	4 6 7
Consols 4½% Aft. 1957...	82½	83½	2 10 3	4 15 0
Consols 3½% Aft. 1961...	76	76	2 8 8	4 13 0
Treas. 2½% Aft. 1975...	55½	56½	2 7 0	4 10 1
Treas. 3½% Aft. 1968...	64½	66½	2 7 8	4 11 5
Treas. 3½% '77-80...	74½	76½	2 11 8	4 8 5
Redemp. 3½% '86-96...	74½	76½	2 9 6	4 8 5
War Loan 3½% Aft. 1952...	73½	75½	2 9 8	4 13 1
Consols 2½%...	56½	57½	2 8 8	4 7 1
Br. Elec. 3½% '68-73...	80½	82½	2 14 8	4 7 6
Br. Elec. 3½% '74-77...	79½	80½	2 13 4	4 6 9
Br. Elec. 4½% '74-79...	98½	99½	2 8 1	4 7 0
Br. Elec. 3½% '76-79...	85½	86½	2 8 10	4 6 10
Br. Tpt. 3½% '78-88...	74½	75½	2 12 10	4 7 5
Br. Tpt. 3½% '68-73...	80½	82½	2 14 10	4 7 9
Br. Gas 3½% '90-95...	73½	75	2 11 0	4 6 5
Br. Gas 3½% '69-71...	88	89½	2 11 7	4 8 3
Br. I. & S. 3½% '79-81...	84½	85½	2 10 10	4 7 4

(a) To earliest date. (f) Flat yield. (h) To latest date. (s) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends	Ordinary Stocks	Price, July 9, 1952	Price, July 16, 1952	Yield, July 16, 1952
(a) (b) (c)	(d) (e) (f)	(g) (h) (i)	(j) (k) (l)	(m) (n) (o)
20 a	40 b Anglo-Am. 10/-	6½	6½	4 16 11
5 a	25 b Anglo-Iran £1	5½	5½	5 6 8
7 a	12½ c Assoc. Elec. £1	69½	69½	5 15 1
7 a	20 d Assoc. P. Cem. £1	93½	96½	5 13 6
12½ a	10 e Bass £1	116½	125½	6 18 7
10 a	10 f Boots 5/-	19½	19½	5 5 3
4 a	8½ g Brad. Dyers £1	24½	24½	10 2 0
10½ a	4½ h Br. Celanese 10/-	21½	22½	6 11 10
...	...	...	...	...
8 a	12 i Br. Oxygen £1	69½	74½	5 8 1
3 b	5 j Can. Pac. £25	36½	36½	4 5 7
5 a	7½ k Coats £1	35½	35½	6 16 7
5 a	6½ l Courtauld £1	35½	35½	6 8 7
15 a	2½ m Curdall £1	31½	31½	9 4 7
22½ a	1½ n Distillers 4/-	17½	18½	5 0 0
17½ a	1½ o Dunlop £1	45½	47½	7 7 4
12½ a	15 p Ford £1	47½	49½	6 2 8
22½ a	7½ q Gen. Elect. £1	79½	79½	5 13 9
5 a	10 r Guest Keen £1	50½	51½	5 16 6
17 b	7 s Guinness £1	60½	61½	5 8 7
5½ a	4½ t Hawker Sid. £1	34½	36½	5 9 7
5 a	10 u Imp. Chem. £1	43½	44½	5 18 2
13½ a	18½ v Imp. Tobacco £1	85½	86½	7 8 5
32 c	2½ w Int. Nick. n.p.	82½	85	5 9 3
17½ a	17½ x J.Burg Con. £1	55½	55½	6 7 3
10 b	5 y Lancs. Cotton £1	36½	36½	8 4 5
7½ a	10 z Lon. Brick £1	58½	60½	5 15 8
15 a	65 aa Marks & Sp. A 5/-	37½	40½	5 0 0
6½ a	15½ ab Monasanto 5/-	23½	25½	4 10 0
8 a	10½ ac P. & O. Def. £1	47½	47½	6 16 2
7½ a	17½ ad P. Johnson 10/-	34½	36½	6 17 0
18½ c	100 ae Prudential 'A' £1	35½	35½	5 13 6
200 c	50 af Rhokana £1	22½	22	9 1 10
5 a	10 ag Rolls Royce £1	56½	59½	5 0 10
15 a	110 ah 'Shell' Stk. £1	80½	80½	5 13 7
12½ b	13½ ai Tube Invest. £1	51½	51½	4 17 7
15 b	5 aj T. & Newall £1	80½	83½	4 15 6
5 a	8½ ak Unilever £1	45½	46½	5 16 9
10 c	12½ al Union Castle £1	20½	20½	6 1 11
5 b	5 am Union Disc. £1	38½	39½	5 2 7
16½ a	7½ an Utd. Molass. 10/-	30½	30½	6 9 10
60 c	60 ao U. S.ua Betong £1	38½	37½	26 13 4
2½ a	10 b Vickers £1	42½	42½	5 17 8
27½ b	15 a Woolworth 5/-	39½	41½	5 3 8

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 16½% after capital bonus. (e) Yield basis 22½% gross. (f) Yield basis 16%. (g) Yield basis 12½%. (h) Include special int. 7%. (i) Yield basis 6½%. (j) Yield basis 19½%. (k) Yield basis 40%. * Ex div. † Free of tax.

EXCHEQUER RETURNS

For the week ended July 12, 1952, total ordinary revenue was £57,327,000, against ordinary expenditure of £74,034,000 and issues to sinking funds £630,000. Thus, including sinking fund allocations of £7,507,000 the deficit accrued since April 1, 1952, was £213,074,000 compared with a surplus of £13,791,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	April 1, 1951 to July 12, 1951	April 1, 1952 to July 12, 1952	Week ended July 12, 1951	Week ended July 12, 1952
REVENUE					
ORD. REVENUE					
Income Tax.....	180,422½	246,456	306,629	19,273	20,952
Sur-tax.....	123,000	25,900	23,400	1,200	900
Estate, etc., Duties.....	175,000	61,400	44,600	4,200	3,000
Stamps.....	57,500	18,900	15,050	1,300	1,200
Profits Tax & E.P.T. Excess Profits Levy.....	432,000	71,700	82,700	6,100	6,200
Special Contribution and other Inland Revenue.....	2,000	1,135	630	90	50
Total Inland Rev.....	261,872½	425,491	473,009	32,163	32,302
Customs.....	104,350	281,849	290,196	17,313	17,868
Excise.....	772,000	189,500	184,132	4,700	3,940
Total Customs and Excise.....	181,550	471,349	474,328	22,013	21,808
Motor Duties.....	64,150	7,837	7,847	742	839
Surpl's from Tradg. P.O. (Net Receipts).....	12,000	25,000	—	—	—
Broadcast Licences.....	15,000	2,700	2,700	—	—
Sundry Loans.....	26,000	4,787	5,242	1,954	2,371
Miscell. (incl. Surpl's War Stores).....	110,000	24,889	31,061	59	7
Total Ord. Rev.....	466,137½	962,053	994,187	56,931	57,327
SELF-BALANCING Post Office.....	209,235	48,900	51,700	2,500	2,900
Income Tax on E.P.T. Refunds.....	4,900	1,502	1,880	126	125
Total.....	487,512½	1,012,455	1,047,767	59,557	60,352

	Estimate, 1952-53	April 1, 1951 to July 12, 1951	April 1, 1952 to July 12, 1952	Week ended July 12, 1951	Week ended July 12, 1952
EXPENDITURE					
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt.....	575,000	117,878	138,170	850	2,334
Payments to N. Ireland.....	40,000	9,644	10,123	—	—
Other Cons. Funds.....	10,000	3,957	3,561	490	—
Total.....	625,000	131,479	151,854	1,340	2,334
Supply Services.....	360,562	813,215	1,047,901	60,700	71,700
Total Ord. Expd.....	423,056	944,694	1,199,755	62,040	74,034
Sinking Funds.....	—	3,568	7,507	60	630
Total (excl. Self-Bal. Expd.).....	423,056	948,262	1,207,262	62,100	74,664
SELF-BALANCING Post Office.....	209,235	48,900	51,700	2,500	2,900
Income Tax on E.P.T. Refunds.....	4,900	1,502	1,880	126	125
Total.....	444,697	998,664	1,260,842	64,726	77,689

After decreasing Exchequer balances by £183,432 to £3,146,373 the other operations for the week increased the National Debt by £41,785,593 to £25,932 million.

NET RECEIPTS (£ thousand)		754
Export Guarantees Act, 1949, s. 3.....		183
RPU (Financial Provisions) Act, 1950, s. 3.....		937
NET ISSUES (£ thousand)		335
National Debt Interest		850
PO & Telegraph (Money) Act, 1950.....		153
EPT Refunds	7,000	
Local Authorities Loans Act, 1945, s. 3(1).....		150
Cinematograph Film Production (Special Loans) Acts, 1949 & 1950.....		30
Development of Inventions Act, 1948, s. 11(1).....		750
Coal Industry Acts, 1946 to 1951.....		
Miscell. Fin. Provs. Act, 1946, S.2(1) War Damage: Board of Trade.....	1,000	
Miscell. Financial Provs. Acts, 1946 & 1950: Civil Contingencies Fund.....		15,000
Finance Acts, 1946 and 1947, Postwar Credits.....		302
		25,570

BOOKER BROTHERS, McCONNELL & COMPANY

(West India, African and general import and export merchants, sugar estate owners, rum blenders and importers, ship owners and shipping agents, and store owners)

INCREASED TRADING RESULTS

CONTRIBUTION TO COLONIAL ECONOMIC DEVELOPMENT

PROPOSED BONUS ISSUE

MR J. M. CAMPBELL'S REVIEW OF PROGRESS AND PROSPECTS

The fifty-second annual general meeting of Booker Brothers, McConnell & Company, Limited, will be held on August 7th at the registered office of the company, 37-41, Gracechurch Street, London, E.C.3.

The following is the statement of the chairman, Mr J. M. Campbell, circulated with the report and accounts:

DIRECTORATE

Since our last meeting Mr A. F. V. McConnell, who was chairman, has accepted the board's invitation to become president of the company. I have been appointed chairman in his stead. These changes were made because it was thought wise that the chair should be held by someone actively concerned and experienced in the everyday management and affairs of the company; and it was thought fitting that the family and name of McConnell, which have been so prominent in its history, should be identified with the company in this way, at its head. I would here refer, with deep regret, to the death on March 14, 1952, of Mr A. J. McConnell who served and directed the company most excellently during 35 years until his retirement in 1921.

For my part I feel particularly honoured at being made chairman because to me, as to all of us in the group, Bookers is not merely a business—it is a cause. Perhaps I may try to tell you briefly and, I fear, very inadequately what Bookers means to us.

In the world of men to-day there is a turbulent interaction of forces, good and evil, creative and destructive. Foremost among the creative forces is the British Commonwealth or Empire (I will not play politics by insisting on one designation or the other—it is the substance that matters, not the name); indeed the future of the British Commonwealth will certainly shape the future of mankind. Upon the triumph or ruin of the ideals which the Commonwealth represents, and which inspire it, depend whether civilisation—the ability of men to live in creative concert together—or chaos will prevail. Of vital concern to, and vitally concerned in, the future of the Commonwealth are those millions of colonial peoples whose lives are beset by a formidable host of problems, conflicts and difficulties—social, economic and political. These problems must be solved, these conflicts resolved and these difficulties overcome before the mighty influence of colonial peoples for progress and for good can, as we believe it will, decisively weigh the balance on the side of civilisation.

You may think it bathos that I should turn from world forces to Bookers, but in this organic structure—the world, the British Commonwealth, the Colonial territories, the individual men and women in them—Colonial companies such as Bookers form an essential part. Without them there could

have been, and there could be, no Colonial economic development—thus no social or political development. There could in fact be no Common Wealth. Thus we who serve Bookers—I hope I may speak for the shareholders who after all are Bookers—can feel that we are, in microcosm, with the peoples of the territories where we operate, serving the future of mankind. Without doubt our role is comparatively inconspicuous among the more significant, and the more portentous, forms of service, but nevertheless we are proud of it.

MANAGEMENT, STAFF AND LABOUR

As chairman my only hope of success lies in my being able to rely on the friendship, guidance and support of all my colleagues throughout the group. By my colleagues I mean every one of the men and women employed by Bookers in the British West Indies and British Guiana, in Central Africa and in this country; for the sum of their individual achievement is the measure of the achievement of the whole group. It is no use having shops and ships and sugar estates without the men and women to till the fields, to harvest the cane, to make the sugar and transport it, to sail the ships, to sell the goods, to keep the books—in short, to perform the hundred and one difficult tasks of management, staff and labour upon whose proper performance the success of Bookers rests. It is impossible to overstate the extent to which the success or failure of any unit or department does, in practice, depend upon the work of the individual—be he office boy or director, estate manager or shovel-man, cane-cutter or chemist, engineer or book-keeper, seaman or captain, typist or traveller, secretary or salesman. Some posts, of course, carry far heavier responsibilities than others—especially those concerned with the management of staff and labour and thus affecting the lives of others and their ability to give of their best; bad work usually spells bad management.

You probably realise that the recent reorganisation of Bookers was designed to the end that each individual may be in a position to know and to understand clearly what are his duties and responsibilities, how they are to be carried out and what their purpose is. I do not say that we have perfectly succeeded, but the first showing of our application to business organisation of these first principles of human relations is very encouraging. No doubt this is partly because in Bookers we fortunately started with a body of men and women of more than ordinary worth. I make no apology for introducing our management, staff and labour unusually early in my statement and I now thank them sincerely on your behalf for their work and loyalty in 1951.

FINANCE

Our accounts are in your hands nearly two months earlier than usual. Great credit

for this is due to Mr Tyrrell, our advisory group accountant, and the accounting staff throughout the group. We have again dealt in the directors' report with the main features of the accounts, but I must emphasise that the financial position of the group is even more liquid than examination of the balance sheet might suggest because unsold sugar is as good as cash. For instance, the value of this year's sugar crop, apart from rum and molasses, should be over £6 million, but the payment for it will inevitably be irregular owing to the vagaries of production and transport. It would be quite uneconomic for us to have so large a figure of cash at the bank that we could at all times finance our produce on hand. At some times we want large overdrafts, at others hardly any. Our bankers understand our needs and have always been ready to help us. Taking all in all I am sure that our present financial resources are sufficient, provided fresh inflation does not come upon us and provided we engage in no new development. Furthermore, deflation, even in moderate degree, would release to us substantial sums of cash—but he would be a brave man who would prophesy which of the three, inflation, deflation or steady money values will be experienced during the next twelve months. Indeed, any prophecy to-day about the future of business is most hazardous, but as you will infer from what I am going to tell you about the various undertakings of the group, your board are reasonably confident about future prospects. This does not mean to say that profits will be maintained at their present level, which seems unlikely. Taxation will be bearing even more heavily on the group in the coming years because some of our sugar companies will soon cease to benefit from a temporarily favourable basis of tax computation. Against that, however, your board are advised that the excess profits levy will probably not affect us because our overseas companies are not liable to this bad tax. Looming above all considerations such as these affecting the affairs of one group of companies is the grim struggle for the survival of the whole sterling area.

SUGAR

Our sugar undertakings did well in 1951, thanks to good autumn weather; admirable direction and management wholeheartedly supported by staff; fine work by our labourers; and improved efficiency in the field, and in the factories where our heavy capital expenditure so ably planned and executed by our engineers and chemists under the guidance of our technical director, Mr Eisner, is bearing rich fruit.

The outbreak of leaf scald disease which threatened cane cultivation towards the end of 1950 has been investigated by a number of experts. Their programme of control measures has been rigorously pursued with good evidence of success.

Our group of sugar estates produced

157,324 tons of sugar in 1951 as against 138,772 tons in 1950. I should here explain that of these totals only 81,939 tons and 76,757 tons have been dealt with in the Booker group accounts of the respective years. This is because the balance is produced by estates for which we act as agents or of which we own varying proportions of the share capital without their being subsidiary companies. We hope that output in 1952 will be still higher than in 1951, but we cannot tell what agricultural conditions in the autumn may be or what the weather will bring.

In the sphere of industrial relations, negotiations over such matters as wages and conditions of employment have been carried on with the established trades unions in a most constructive and friendly atmosphere. Their support of new incentive schemes and their sound advice to labour have done much towards industrial peace and increased output. I believe that there is a growing understanding among our labourers that it is they who gain most by higher output and they who lose most by strikes and stoppages of work. During the year a Union Provident Scheme was established, to which employers made a substantial contribution.

COMMONWEALTH SUGAR AGREEMENT

On December 21st last year the Commonwealth Sugar Agreement was signed. It has rightly been called a Charter for Commonwealth Sugar. Other than to remind you that it carries assurance, for eight years ahead, of "reasonably remunerative" prices for about two-thirds of our planned production of sugar, I need not expound the agreement as its very comprehensive details have been widely published. I need only add that the agreed method for determining each year this "reasonably remunerative" price is far from being a cost-plus method conducive to inefficiency. It will not protect the high-cost producer. On the contrary—it will by its very nature impose the need for the utmost efficiency and will only establish prices sufficient to stimulate the flow of sterling sugar which this country so urgently needs. Now that by this agreement the fears and anxieties which have in the past inhibited full production have been swept aside, our objective is to produce the greatest tonnage of sugar from the smallest acreage in the shortest time at the least cost. Only by reaching this objective can the future prosperity of the sugar industry of British Guiana, and thus of the Colony, be assured. With this clearly in mind, Mr Follett-Smith, the chairman of Bookers Sugar Estates Limited, has wisely decided to appoint, as agricultural director, Dr H. Evans, PhD, BSc, a leading member of the staff of the cocoa research scheme at the Imperial College of Tropical Agriculture in Trinidad. Dr Evans is a plant physiologist of international repute, who has, moreover, done valuable work on sugar cane in Mauritius. We have the highest hopes of what he may be able to achieve in British Guiana.

TRADING CONDITIONS BETWEEN CANADA AND BRITISH WEST INDIES

Against all these encouraging indications and events there is still one grave cause for anxiety—apart from all the hazards ever inherent in tropical agriculture. I mean the present condition of trade between Canada and the British West Indies. Mr McConnell mentioned this to you last year and I cannot now do better than repeat what I said recently in my chairman's speech at the annual general meeting of the West India Committee:—

"First, and of extreme importance, there is the fact that although Canada is not a party to the Commonwealth Sugar Agreement, the export quotas in the agree-

ment provide for the supply from Commonwealth sources of virtually the whole of Canada's sugar requirements; indeed the agreement is designed to give Canadian requirements overriding priority.

"Canada, traditionally, buys the bulk of her sugar supplies from the British West Indies; and in turn the British West Indies are, traditionally, an important export market for Canada—and indeed an expanding market in which the value of Imperial Preference should stand Canada in good stead. There is, moreover, a great fund of mutual goodwill between Canada and the British West Indies. In such conditions reciprocal trade between the two areas should flourish. But today, alas, currency restrictions, even with the new Trade Liberalisation Plan in being, severely limit British West Indian imports from Canada. This valuable reciprocal trade is thus threatened. As you know, Canada has turned to non-Commonwealth sources for some of her sugar supplies just because she has an opportunity to develop counterpart trade with the countries concerned. I can imagine no greater economic disaster to the British West Indies than the result of failure to appreciate the value of the Canadian market for sugar. There can be no certainty that this disaster will be averted until there is a real rather than a formal liberalisation of Canada-West Indian trade. Even from the point of view of dollar conservation one feels bound to question the wisdom of a policy which seeks to save a few million dollars at the direct risk of diverting Canada's sources of sugar supply and thus lose \$50 million dollars or more.

"I hope that everyone here and in the British West Indies—and in Canada—who can in any way influence policies and actions in this field will spare no effort to ensure that we do not lose the Canadian sugar market through negligence, shortsightedness or stupidity; moreover, that they will do all they can to create the most favourable possible conditions for the strengthening of the vital economic relationship between the British West Indies and Canada whose economic might grows stronger every day."

1953 will almost certainly have its full share of normal commercial problems for Bookers Sugar Estates; in particular we do not know what prices we shall receive for our free sugar, rum and molasses. We must expect the world price of sugar to be low, the demand for bulk rum to be less and there has already been an avalanche in the price of molasses which we shall begin to feel in the second half of this year. Nevertheless, and barring disasters, we are reasonably confident in the prospects of our sugar undertakings for the next two or three years.

During the last twelve months—partly because of the Commonwealth sugar negotiations—our relationship with officials of the Colonial Office and the Ministry of Food has been particularly close; and it has been, from our point of view, particularly happy. We are very grateful for their unfailing courtesy and for the help and advice which they always so readily give us.

Before leaving sugar and the part of the group concerned with primary production, I should tell you that we are undertaking a small pilot scheme to investigate the potentialities of sugar production in Nyasaland. This scheme is as yet in its infancy, and we shall not know until the end of 1953 whether a major scheme is possible, and if it is, in what way, if any, Bookers can participate in it. I am sure you will agree that your board must always be alive to new possibilities in keeping with the general nature of our business. For instance, we are also taking part in pilot schemes investigating the potentialities

of growing jute and bananas in British Guiana.

SHOPKEEPING

In 1951 our trading companies in Northern Rhodesia achieved an encouraging increase in their turnover and made a satisfactory return on capital employed. The position of copper, on which the economy of that territory is so largely based, gives reason to hope that its prosperity may be maintained, but in our businesses there we cannot count upon being insulated from slumps elsewhere.

In Nyasaland, too, our shops did remarkably well. The economy of Nyasaland, largely dependent as it is on tea and tobacco, is more vulnerable than that of Northern Rhodesia. As in Northern Rhodesia, we are still extending our activities in Nyasaland, and we can rely upon our board and management there to make money as long as there is no major slump in the territory. You should know that Mr Downs, the chairman and managing director of our company in Nyasaland (The London and Blantyre Supply Company, Limited), has, at his own request, retired from active management after serving the company magnificently for over 40 years. I am very glad to say that he has agreed to continue for the time being as chairman. We as shareholders of the London and Blantyre Supply Company owe a great debt of gratitude to Mr Downs, for it is no exaggeration to say that he made that company and for many years virtually was the company.

In Trinidad, Stephens, Limited, again did well, and their results compared very favourably with our Central African concerns. Mr Boon, for many years Stephens' successful chairman, has accepted appointment as managing director of Bookers Stores in British Guiana and took up his new post on January 1st this year. Mr Boon will remain chairman of Stephens for the time being.

In British Guiana the actual financial results did not show the improvement over 1950 that we had hoped for. Nevertheless, I can assure you that under the new organisation immense progress has, in fact, been made. The dynamic and efficiency of management has improved out of all recognition—although there are still many things to be put right and many problems to be solved. The standard and quality of our premises, stocks, salesmanship and display are now second to none in the British West Indies. We have much to be proud of today in our shops in British Guiana because through them we are not only supplying the needs of the people, but raising all standards throughout the Colony and indeed the Caribbean area.

In London, Campbell Booker Carter's business as an export, buying, shipping and confirming house flourished as never before, with a turnover of nearly seven million pounds sterling. Their staff deserve much praise for handling efficiently this considerable increase in the volume as well as in the value of orders and shipments. There can be little doubt that their business in 1952 will fall from this abnormally high level.

As you know, Campbell Booker Carter's activities fall into three categories. They are an independent export, buying, shipping and confirming house; they are the parent of our trading and shopkeeping companies in the British West Indies, British Guiana and Central Africa; and they act as buyers and shippers to their trading and shopkeeping subsidiaries. They have an extraordinarily good board and team of management, but at present they lack in London really up-to-date knowledge and experience of Colonial shopkeeping. For this reason we have asked Mr Leishman, the chairman of Campbell Booker Carter (Central Africa), Limited, to come to London in October this year to act,

with Mr Walker and Mr Robson, as a joint managing director of the Campbell Booker Carter Trading Group. Mr Leishman is a trader of quite outstanding ability, whose whole career has been in Central Africa and who, although a Scot by birth, has come to regard himself, I think, as a Rhodesian. It is his high sense of duty which has moved him to agree to come to London. He will be a great asset here.

SHIPPING

The long traditions of George Booker and Company handed on to Booker Brothers (Liverpool), Limited, under whose aegis the shipping section of the group operates, were well maintained during 1951 by its management and staff, United Kingdom, colonial and seagoing.

The Booker Line, which as you know provides British Guiana with a valuable freight and passenger service to and from Liverpool, like most British shipping companies carried good cargoes in 1951 at comparatively high freight rates. It was thus able to earn good profits. Throughout the year and since the beginning of this year, however, operating costs have continuously risen while freights are tending to fall. We cannot therefore count on a repetition of 1951 results. Moreover shipowners are penalised even more severely than other industrialists by present taxation practice. Depreciation allowances are of course quite insufficient to accumulate, over the life of a ship, enough money to replace it. Even in 1951 it was barely possible to find out of taxed profits a great enough sum of money to put to replacement reserve in order to augment the depreciation allowances to the necessary extent. In fact the experience of the Booker Line in 1951 admirably illustrates the justice of the submissions made by Steamship Owners' Representatives to the Royal Commission on Taxation. It is to be hoped that the major principles contained in these submissions will be accepted. Shipowning as a business is highly susceptible to world trading conditions, earnings are subject to wide fluctuations and competition can be very fierce. The Booker Line cannot detach itself from factors which affect the industry as a whole and it may be that in the future the sums requisite to be transferred annually to replacement reserve out of taxed profits will prove beyond those profits.

Bookers Shipping and Trading Company is progressing steadily in its shipping and forwarding work for outside shippers; and the passenger department earned good profits and, I believe, gave good service in 1951. The London branch of Bookers Shipping and Trading Company has now, deservedly, been promoted to its own offices at Ocean House, Little Trinity Lane, London, E.C.4.

In British Guiana our shipping interests had a rather better year than in 1950, but results were still disappointing. This is a sphere of our business which is still in the throes of reorganisation, and which is clearly suffering from the heritage of the past and of the war. Any modest profits which can be made at present must be ploughed back into the business in order that assets may be restored as quickly as possible. Given time and the right people in the right jobs in British Guiana, your board believe that our Demerara shipping interests can be made to show a good return on our investment in them. The prospects for coastal and small craft in the British West Indies are perhaps particularly promising.

RUM

Although United Rum Merchants, Limited, sold 50 per cent more rum during 1951 than they sold during 1950, their profits dropped owing to the continued steep rise in the costs

of production and distribution about which my predecessor warned you. To date this year we have, disappointingly, sold much less rum than in 1951, although more than to the same date in 1950. Reduction in sales, coupled with increasing costs, may produce very slender profits for United Rum Merchants in 1952. Encouraging features in an otherwise rather dismal situation are that during the last three years United Rum Merchants have opened several hundreds of new accounts for their brands in the United Kingdom; and that during the same period their share of the total rum consumed here has bounded up. Further, there is little evidence of a reduction in the demand for rum as against other spirits. Therefore, while shortage of money and strangling duty may bring about less demand for all spirits, there is every reason to believe that Lemon Hart and Lambs Navy Rum are actually swimming against the tide—if I may be allowed to mix my metaphor on the plea that it is at least nautical and therefore appropriate to rum! These facts speak highly for the salesmanship of the company. Sales to export markets were well maintained in 1951, but here again costs were overtaking profits. Mr Metcalfe and Mr Woolley were recently appointed joint managing directors of United Rum Merchants. You will see that the supplement to the 1951 accounts of the Booker group, which takes the form of the story of rum from the cane to the consumer, has been written by Mr Woolley, whose principal responsibility is the selling side of United Rum Merchants. Your board hope in future years to publish similar supplements describing the other main sections of the group—sugar, ships and shops—written by some of the men immediately responsible for them.

PROPERTIES, HOLDINGS AND SERVICES

The arrangements by which, under last year's reorganisation, our investments, properties and services in British Guiana were combined under one company has not worked. It was not possible for the one management to operate profit-making companies, to administer services and to look after properties all at the same time. We have accordingly split this company into three parts. Two of these parts become non-profit making companies to be called Bookers Central Properties and Bookers Central Services; the remaining part being called Industrial Holdings (BG), Limited. The last mentioned company, as its name suggests, will foster and operate our existing small companies and departments in British Guiana, such as our manufacturing drug company (with its retailing subsidiaries in Trinidad and Barbados), our lithographic company, balata company, petroleum marketing company and our produce, insurance and advertising departments. These companies and departments are, as I say, small, but they are none the less important. They, and the men who conceive and manage them, are important not only to the Booker Group to whose profits they can and should make appreciable contribution, but also to the development of British Guiana in which we are so vitally interested.

In conclusion I must tell you that my colleagues, on reading the draft of my statement to this point, told me that they thought I gave too discouraging an impression of the affairs of the group. We all live in difficult days and I have stated the position fairly and squarely as I see it. However, I agree with them that in reviewing the progress and the prospects of each section of our diverse group independently, I have, perhaps, failed to bring out the strength of the whole. I can only say that I am sure that in the knowledge of that great strength shareholders can be confident in their company—and proud of it.

THE BRITISH BANK OF IRAN AND THE MIDDLE EAST

CHANGE OF NAME

The sixty-third ordinary general meeting of this company was held on July 16th, in London, The Rt. Hon. Lord Kennet of the Dene, PC, GBE, DSO, DSC, the chairman, presiding.

The following are extracts from his circulated statement:—

Our accounts show a strong position. Cash and money at call exceed £29 million compared with £14 million a year ago. Deposits at £45 million compared with £34 million the previous year, are higher than ever before. A year ago deposits at Iranian branches were £13 million. By March 20, 1952, they had fallen to £6 million so that the net increase of £11 million in total deposits represents an increase of £18 million at branches outside Iran. It will be seen that we may expect no Iranian deposits to appear in the next balance sheet.

Investments at £6 million are £1 million more than last year. Bills discounted, loans, and advances, at £9 million, are £4 million less, because of preparations for winding up our Iranian business. Fixed assets at £100,000 are unchanged. This is the written-down value of our premises outside Iran.

It will be no surprise to learn that we are withdrawing from business in Iran. All our provincial branches there have been closed; and that at Teheran will close for new business on July 30th. Thereafter we shall maintain in Teheran only a small staff for long enough to finish the winding up of our Iranian business.

EFFECT OF RESTRICTIVE LEGISLATION

This is the inevitable and foreseen result of the adoption by Iran in recent years of legislation imposing on us as a foreign bank restrictive conditions under which we have been unable to carry on business save at a loss.

Your board has been actively extending the bank's business to other scenes more favourable for the employment of its capital, and of that invaluable asset, the services of an able and devoted staff qualified by special experience in the Middle East.

THE NEW CHARTER

The business of our bank as a whole is now widely based, and has gained in stability by its geographical extension. At the extraordinary general meeting, which will begin when this meeting ends, your approval will be sought for the adoption of a new charter and new statutes, to replace our old deed of settlement. Your approval of the resolutions will pave the way for further progress and expansion on lines we have had under continuous consideration.

The new charter provides for the completion of the change in our name from The Imperial Bank of Iran to The British Bank of the Middle East, and thus registers the history of the bank's development. It removes geographical limitations upon our business. The powers given us under our old charter were in many respects obsolete; the new charter brings them into relation with the business of a bank under modern conditions.

The report was adopted and at an extraordinary general meeting resolutions adopting the new charter and new regulations (to be known as statutes) were carried *nem. con.*

GOODLASS WALL AND LEAD INDUSTRIES

ALL-TIME RECORD RESULTS

NEED FOR ALLEVIATION OF TAXATION BURDEN

MR J. L. McCONNELL ON ABNORMAL TRADING CONDITIONS

The twenty-first annual general meeting of Goodlass Wall and Lead Industries, Limited, was held on July 10th in London, Mr J. L. McConnell, the chairman, presiding.

The following is an extract from his circulated statement:—

The group profits at £3,380,991 are an all-time record, being £833,411 greater than in 1950. After deducting taxation of £1,950,163 and minority shareholders' interests, the net consolidated profit becomes £1,355,811, or an increase over the previous year of £124,980 only. The profit before taxation is most satisfactory, but 1951 was once again a year of general inflation and rising prices, and it is my duty to point out to stockholders that our trading results for that reason are in excess of what we consider the earning capacity of the group under normal trading conditions. I must also draw attention to the fact that we have to pay tax on the increase in value of our base stocks of metals. These stocks are to all intents and purposes the equivalent of plant in that they must be kept up if the volume of trading is to be maintained, and no part of the increase in value, which is largely subject to taxation, is included in our profits. In consequence, the amount to be found for taxation is out of step with the earnings actually appearing in the accounts and for 1951 we have followed the same procedure as for the previous year and have written up the base stocks by £421,875, being the amount of taxation payable on their appreciation.

UNITED KINGDOM COMPANIES

Trading during the year fell into two well-defined categories. During the first six months raw materials, particularly lead and white pigments, were in short supply; consumers, by reason of the uncertainty surrounding the operations in Korea, stocked up heavily, and the United Kingdom official price of lead was generally lower than that prevailing elsewhere, with resulting advantage to our export trade. The period was, therefore, one of considerable activity and deliveries were limited only by the availability of raw materials. During the second six months the picture completely changed. Uncertainty regarding the future course of prices made our customers disinclined to book ahead, saddled as they were with heavy stocks, and the high prices of metals began to militate against sales. These and general all-round signs of financial stringency resulted in the year closing on a relatively quiet note. This has turned out to be the prelude to a recession in trade during the current year, but in 1951 the effect was not sufficient to outweigh the favourable influences during the earlier period. Our smelting and refining and antimony departments did exceptionally well; the Fry's Metal Foundries group improved on their 1950 results, which were themselves very good; and export results were highly satisfactory. The general level of trading was maintained as against the previous year except in sheet lead and lead pipe, where the high price of metal had some effect. Our business in lead oxides with the electrical battery industry was active, and our trade in lead compounds for use in the

ceramic and pottery industries continued to expand.

Goodlass Wall and Company Limited, Liverpool, our largest paint company, had a good year and, in spite of the shortage of certain raw materials and of tins and drums, improved upon their 1950 figures. Several newly developed products show promise. Our other paint companies at home did well.

OVERSEAS LEAD COMPANIES

The volume of trade done by the Calcutta companies showed little change in total from 1950 and the results were again excellent. The new company in Durban established itself more fully during the year.

OVERSEAS PAINT COMPANIES

Our companies in Australia, Eire, India and South Africa maintained their positions. Severe price control makes development difficult in Australia, and the exorbitant demands of labour in Bombay are making enterprise of all kinds unattractive. Inflation continues in the Argentine at a steadily increasing rate; the results of our company there were at a satisfactory level, but are once again omitted from our consolidated accounts on account of exchange restrictions.

TRADE INVESTMENTS

British Titan Products Company, Limited, have again gone ahead well and the completion of their latest unit at Grimsby in the autumn will involve an increase in our sizeable investment in that company. In spite of the difficulties in Australia, British Australian Lead Manufacturers Proprietary Limited continues to prosper. Our associated company in Johannesburg, Enthoven Fry, Limited, has had an excellent year.

RAW MATERIAL SUPPLIES

Except for a period in the early part of the year, lead has been in free supply, both in virgin and secondary form. The former is still under Government control. The official United Kingdom price varied during 1951 from £136 per ton at the commencement to £180 per ton in July and to £175 at the end of the year, while the price of lead on the Continent varied inversely from about £200 per ton at the beginning of the year to £175 in July and £150 at the end of the year. The effect upon our export activities is apparent. An advantage over Continental manufacturers of about £60 per ton in the early part of the year gradually changed to a disadvantage of about £25 at the end of the year. It is impossible to conduct a stable export trade under such conditions and the price policy of the authorities appears to have been governed by the appearance of their own trading account in metals rather than by the necessity to maintain the export trade of the country in lead manufactures at a high level.

FINANCIAL POLICY

For various reasons the financial position of the group has become less liquid. It is

illuminating, I think, to look at the changes which have taken place not in a single year, but over a rather longer period, so I have extracted the figures showing the changes over the three years from the end of 1948 to the end of 1951. During that period the increase in fixed assets and trade investments amounts, in round figures, to £1,800,000. Stocks and debtors, after deducting liabilities, including future taxation, have increased by £3,500,000, so that it has been necessary for us to find in all a sum of £5,300,000. This has been done by ploughing back into the business undistributed profits and depreciation of £3,700,000 (after charging for taxation no less a sum than £4,200,000) and the difference of £1,600,000 represent the extent by which our net liquid assets have been reduced during the period. We are indeed fortunate that a conservative financial policy in the past has so far enabled us to stand the strain imposed by present conditions.

The total stocks of the group at December 31st last were high. Since then, however, the fall in the prices of both lead and antimony has somewhat eased the position, but it will take some time to bring about the necessary improvements in our liquid position. We are experiencing a recession in trade; there are existing commitments which have to be worked off, and although we have come more or less to the end of the programme of expansion and rehabilitation envisaged some years ago, there are some developments still to be undertaken. The amount of United Kingdom taxation payable in respect of the last three years on the increase in value of our base stocks of metals has amounted to over £573,000. The prosperity of the country depends upon the prosperity of industry. I do, therefore, urge the Government, as the position of the country becomes stronger and its own economy measures become effective, to take steps to alleviate the excessive burden now resting upon industry.

In considering dividend policy on this occasion, your board has endeavoured to reconcile the stockholders' claim to a share in the substantial improvement in the company's earnings for 1951 with the need for continued conservation of the resources of the company, and has decided to recommend a final dividend of 64 per cent, less tax, making a total of 10 per cent, less tax, for the year (compared with 20 per cent, less tax, for the previous year upon the Ordinary stock then in issue) and that, in addition, a bonus of 2 per cent, less tax, be paid on the ordinary stock.

Our trading for the first five months of this year has been at lower than normal levels in most departments. The inability of our customers to obtain their full requirements of steel and other essential scarce materials has indirectly affected us, and in addition the instability of the prices of metals has not encouraged buying. Unless the position materially improves, we are bound to experience some reduction in our earnings. We are, however, interested in a large variety of industries and activities and with the first-class plant and organisation we have at our command we shall be able to take advantage of any change for the better.

The report and accounts were adopted.

BOVRIL, LIMITED

ALLIANCE OF INDUSTRY AND AGRICULTURE

LORD LUKE'S REVIEW

The fifty-fifth annual general meeting of Bovril, Limited, was held on July 11th.

The Rt. Hon. Lord Luke, the chairman, in his address to the shareholders, said that the production, distribution and consumption of beef today continued to be a matter of considerable concern, not only for this country but even for countries like the Argentine and Australia.

The Bovril group of companies had found, through long years of experience, that cattle breeding on a large scale had not been strikingly profitable. But that was probably due to their having chosen out-of-the-way parts of the world, which had required large sums of capital for development to offset the natural difficulties.

The factor, however, which had made their business as a whole successful, had been the alliance of the pastoral side of the business with the sale of the end-product, which had made the sources of capital available for ploughing back, and it was this alliance of industry with agriculture which in the chairman's mind was essential for the greater production of food in our Islands.

CAPITAL FOR FOOD PRODUCTION

The basic needs of agriculture in this country were the proper equipment of farms with machinery and housing and the re-development of marginal land, all of which would need a good deal of capital. The question arose, where was the capital to come from? It was doubtful whether agriculture itself was a payable enough proposition to enable it to provide sufficient capital from its own resources. Bank loans, though they had done much to help, were temporary and at the present moment restricted. The Treasury, which had taken as much money as possible off the landowners who formerly had been able to make capital improvements on their own land from their own resources, was unlikely to vote large sums for capital development unless it owned the land as well.

Industry (other than agriculture) should take a greatly increased interest and, indeed, action in solving this vital problem by investing capital in food production. Many industrialists had already made a contribution to our livestock improvement by the establishment of pedigree breeding herds of all kinds, and why should not this go a stage further into the fields of commercial production and re-unite urban and rural activities?

FORECASTS DIFFICULT

On an overall review of the results of the activities of the Bovril group of companies during the past year, figures could be considered satisfactory. Most enterprises had been successful, but there had been disappointments in the USA and Australia.

Whilst home sales had always provided most of the profit, the company had increasingly profited from the export trade. The nature of the business depended largely on the weather, and the seasons for cattle breeding in the southern hemisphere could be adversely affected one way or the other by the kind of winter we had to face. For instance, in the Argentine where droughts had been exceptionally severe during recent years in certain areas, this did not luckily affect their properties in any marked degree. But in the Northern Territory of Australia the recent severe drought would mean that

cattle losses in 1952 were likely to be extremely heavy. Again, in this country, the winter of 1950-51 was a hard period with a consequent epidemic of influenza which had greatly increased sales. This last winter had been rather mild and the country had been comparatively free from epidemics, but sales had been maintained at a satisfactory level.

With these things in mind it was always difficult to forecast future results with any degree of accuracy, but in the chairman's view the company was in as strong a position as possible to meet adverse circumstances.

OVERSEAS DEVELOPMENTS

Conditions in the Argentine were extremely difficult but it would be appropriate to pay tribute to the efforts that that country was now making to re-establish her export surpluses with meatless days, restricted use of flour and many other restrictions. The process would take time, especially where meat was concerned, but no one should underestimate her great recuperative powers.

Argentine Estates of Bovril Limited played its part by maintaining its estancias, breeding up cattle stocks and by giving employment to some 3,000 Argentines both on the land and in their factory at Santa Elena.

The effects of the drought in Australia would be shown in the current and future financial years, and not in the year under review. Their breeding cattle on Victoria River Downs, their movement to the Bovril station in Queensland and subsequent sale to meatworks on the east coast had continued to make progress.

The position concerning the projected meatworks at Katherine, about which he had spoken with some concern last year, had deteriorated. Lengthy consultations had failed to interest the Federal Government in assisting a great piece of the development work which had gone beyond the means of private enterprise and they had been reluctantly forced to take the decision of liquidating the whole venture. A sum of £100,000 had been written off as special depreciation to meet losses which might be incurred on realisation of assets.

STRONG SALES POSITION

Sales during the past year had been most satisfactory, in fact the best for some years. Satisfactory progress had been made at their factory in Northern Ireland and during the year they had placed on the market a new type of Baby Weaning Food in cube form which had been well received.

Exports in 1951 had shown an increase of more than 25 per cent over the previous year, and the figure achieved was the highest yet recorded in the history of the company. Bovril (Canada) Limited, had shown another good year and it was a pleasure to record the very steady progress that was maintained in that country. Much hard work was needed to build up and gradually develop the large potential market in the USA.

The group trading profit at £887,271 was nearly £400,000 more than last year. Taxation, however, accounted for £480,416 and the net profit of the group was £377,947 against £185,881. Payment of a final dividend on the deferred stock of 10 per cent was recommended, making 12½ per cent for the year and leaving an increase in the amount to be carried forward of £13,118 at £225,762.

AMALGAMATED METAL CORPORATION, LIMITED

EXCEPTIONAL TRADING RESULTS

The twenty-third annual general meeting of Amalgamated Metal Corporation, Limited, will be held on August 7th at Princes House, 93, Gresham Street, London, E.C.

The following is an extract from the statement by the chairman, Mr W. Gardner, issued with the accounts for the year ended December 31, 1951:

Group profit before providing for UK taxation is £2,096,891, compared with £592,877 for the previous year.

A year ago the directors reported that the group profits had been affected by the loss incurred by Henry Gardner and Company, Limited, through the incidence of commodity contracts maturing in 1950, and that there were corresponding contracts maturing in 1951 the profits of which would more than offset the 1950 loss. The contracts were duly implemented in 1951 and the profits on them, amounting to approximately £470,000 before tax, account for part of the increase of £1,504,014 in the profit before tax for 1951. In other respects, too, trading results have been exceptional.

USA AND COMMODITIES

The commodities in which we are interested have again been largely dominated by the course of action of the American authorities.

After a long abstention from the tin market on account of arguments over the price, the USA resumed purchases under an arrangement by which the British Government would supply 20,000 tons during 1952 at 118 cents per lb.

We had some hopes that the London Metal Exchange Market for lead might be reopened but this has not yet been found practicable.

In April the United States Government announced that the importation of natural rubber was to be handed back to commercial channels and, at the same time, abolished temporary end-use controls on the consumption of natural rubber. Any favourable effect from these announcements was offset by fixing a minimum usage of 450,000 tons for GRS which, together with Butyl and Neoprene, means that United States consumers must consume around 650,000 tons of synthetic rubber if they are to avoid the re-imposition of end-use controls.

These decisions, combined with the manner in which the transition was accomplished and the reduction in the price of synthetic, have proved more than the market could stand.

EXTENDED ACTIVITIES

Our new enterprises are making satisfactory progress. The British Metal Corporation has further expanded its overseas interests and has formed a company in Bulawayo, Southern Rhodesia, under the style of The British Metal Corporation (Central Africa) Limited. The British Metal Corporation (Canada) Limited has recently opened offices in Toronto and Vancouver. Drew, Brown Limited has also extended its activities to British Columbia.

It is a great pleasure to refer to the appointment of the British Metal Corporation Limited as the sales agents (with the exception of certain countries) for copper produced by Rhokana Corporation Limited and Nchanga Consolidated Copper Mines Limited. We particularly welcome the use to be made of the services of our constituent company by this important group.

DARWINS

SUCCESSFUL CONSOLIDATION

The twenty-third annual general meeting of Darwins Limited was held on July 11th at Sheffield, Mr F. Thompson-Schwab (the chairman) presiding.

The following is an extract from his circulated statement:

The accounts cover a period of nine months terminating on December 31, 1951. This period represents the fulfilment of a period of recuperation and consolidation which started in the autumn of 1949.

Turning now to the balance-sheet figures, it will be noted that the value of stocks has increased by £186,000 since March, 1951. This increase is largely due to a greater volume of work in progress. There has also been a reduction of £96,000 in our bank overdraft, making a total reduction in two years of approximately £225,000.

Fixed assets are valued at £541,000 after depreciation, but to replace them would require a sum several times in excess of that figure.

During the past two years nearly £300,000 has been spent on maintenance and replacements. In the nine months under review the figure is £127,000. After allowing for this, and after all charges except taxation, our profit figure amounts to £308,000 against a corresponding figure for the previous twelve months of £138,000.

DIVIDENDS AND RESERVES

Out of the profit figure of £308,000 we have to allow for preference dividend and the interim dividend already paid on the ordinary share capital. These two items together absorb just under £15,000 so we have to get together with the carry forward of £17,000 from last year £310,000 with which to deal. Our estimated provision for taxation is no less than £188,800 which reduces our available profit to £122,139. We propose to you the payment of a final ordinary dividend of 5 per cent, absorbing £13,496. We also propose to transfer to general reserve £100,000, bringing the figures up to £150,000 and to carry forward £8,643.

The years 1950 and 1951 have been decisive ones and I believe we may claim to have established a relationship with our work-people which is second to none.

The history of this company is well known in the critical years of 1947, 1948 and 1949. It has emerged from difficulties which were not of its own seeking, only to find that the increased profit which it is now able to make through the cutting out of inefficiency and waste, is subject to the excess profits levy—a levy resulting from a political promise to take a profit out of the rearmament programme. So far as this company is concerned it is nothing of the kind.

IMPROVED LIQUID POSITION

The liquid position of the company has improved in the nine months under review by about £190,000, and as a result of current trading there should be a further improvement during the year.

Results for the first quarter of the current year show a satisfactory increase over the corresponding period of last year. This rate of progress should not be expected to continue throughout the year, but I have solid reasons for believing that when we next meet we shall be able to show at least a modest increase in the profit figure before taxation.

The report was adopted.

TELEPHONE MANUFACTURING COMPANY

DIFFICULT TRADING CONDITIONS

The twenty-second annual general meeting of Telephone Manufacturing Company, Limited, was held on July 14th, in London, Mr Fred. T. Jackson, OBE, CMLIE, chairman and managing director, presiding.

The following is an extract from his circulated statement:

The net profit, after tax, of the parent company is £80,321 as compared with £86,413. The total of reserves and the unappropriated balance of profit and loss account of the parent company amounts to £534,040 and, therefore, exceeds the issued capital of the company.

As I forecast last year, the results of the parent company for 1951 are somewhat less favourable. Although the turnover was maintained there has been a further reduction in the rate of profit.

Direct export business accounted for 31 per cent of our sales for 1951 a smaller proportion than for 1950. Australia, our chief export market, has taken less, but the reduction has been offset partially by increased business in Canada and other countries.

After referring to the progress of the subsidiary companies, the statement continued:

You will expect me to refer to prospects for the current year. Altogether 1952 is likely to be a difficult year, and I do not think we can avoid some further reduction in the profits earned by your company.

The report was adopted and the dividend of 10 per cent approved.

WALKER CAIN, LIMITED

GRATIFYING RESULTS

The thirtieth ordinary annual general meeting of Walker Cain, Limited, was held on July 10th in London.

The Rt. Hon. Lord Brocket, the chairman, in the course of his speech, said: It is a matter of much satisfaction to your board to place before you such gratifying results in view of the heavy burden of increased taxation and the progressive increases in material costs and of wages.

The inexorable trend in manufacturing costs has been such that our chief benefit was derived from the retail side of the business in our managed houses.

The demand for bottled beers is inclined steadily to increase. Although there is a growing tendency for bottled beer our draught sales have been uniformly steady—a tribute to the excellence of our products.

The gross trading profit at £1,647,063 shows an increase of £183,866. Profits tax and income tax totals £923,407, an increase of £164,566. The net profit is £538,031, compared with £523,069.

Only 2.4 per cent of our revenue goes to the ordinary shareholders, the owners of the business. A further interesting fact is that during the financial year under review, we have paid the immense sum of £5½ million pounds in beer, wine and spirit duties, taxation and rates. This figure does not take into account the duty paid on other beers, wines, spirits and tobacco purchased duty paid, which would bring the total to approximately £6½ million.

I need hardly emphasise the position of strength which your accounts disclose. The

JACKSON THE TAILOR LIMITED

INCREASED TURNOVER

The twentieth annual general meeting of Jackson the Tailor Limited was held on July 15th at Newcastle. Mr Lionel Jacobson (chairman and joint managing director) presiding.

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

Last September good quality wool could be bought for approximately one-third of the price prevailing at Easter, 1951. So gigantic a fluctuation in the price of our basic raw material in the space of barely five months could not fail to have a marked effect on our position particularly as it coincided with a sharp recession in public demand. This falling-off in retail demand was general throughout the world and its immediate consequence was that goods, particularly worsted suitings, were in much freer supply, and delivery was speedier than had been anticipated. The acceleration of the rate of delivery of both cloth and linings resulted in the receipt of goods in excess of demand which was reflected by an increase in stock.

LOWER TRADING PROFIT

In such circumstances it was necessary for our board to take steps to stimulate demand and maintain turnover. We succeeded not only in maintaining full employment in our works during a difficult period but also we increased our turnover compared with the results of the previous year. Such a policy could not be effected without sacrifice and this is reflected in the trading profit of the group which is lower than that of last year but is similar to that for the year to January 31, 1950.

My belief is that the only sound policy which will yield lasting results is to offer to the public a well-constructed sound garment at a price well within their pocket. The fall in the price of wool has enabled us to extend and improve our range of suits at popular prices despite the continued rising tendency of our wages and distribution costs. We must master these problems for we are still faced with a measure of price resistance on the part of the public. I welcome the present level of wool prices. The consequent reduction in the price of cloth means that we can give our customers better value and will undoubtedly lead in due course to an expansion of retail trade. It is possible that this may involve a further reduction in profit margin, but we feel that some small contribution from the benefits of past expansion allocated to the maintenance of future goodwill must lead to the stability of the business of the group.

SOUND REPUTATION

So soundly is the reputation of the Jackson group established with the public that nothing which has happened during the past year has diminished the confidence which we have in its future prosperity.

Boom conditions prevailed in our industry during the first half of 1951. This year's retail sales show only a small reduction for that period. This is a considerable achievement by the sales section of the business when you bear in mind that there has been a substantial reduction in the average unit price which as a natural consequence entails a lower margin of gross profit.

I have previously drawn your attention to the support I have received from the other members of the board and the senior executive. The same spirit prevails in these changed times.

The report was adopted.

Total of net current assets exceed current liabilities by £3,356,468, so that we are in a good position to undertake the many schemes of improvements and redevelopments which are awaiting sanction.

The report was adopted and the dividend of 18 per cent approved.

THE METAL BOX COMPANY, LIMITED

REVIEW BY THE CHAIRMAN—
SIR ROBERT BARLOW

The thirty-first Annual General Meeting of The Metal Box Company, Limited, was held on July 16th at the May Fair Hotel, Berkeley Street, London, W.

Sir Robert Barlow, the Chairman, presided.

The following is an extract from his statement, which had been circulated with the reports and accounts for the year ended March 31, 1952:

Sales and income from investments have risen during the year—

At home ... From £21,037,000 to £26,529,000
Overseas ... From £7,272,000 to £9,894,000

£28,309,000 £36,423,000

The profits of the group have risen, after taxation, to £1,515,000, or 4.2 per cent on sales.

This greater activity has served to provide some 17,000 employees of the Company at home with an additional £668,000 in wages, salaries and other benefits, bringing the total to £5,612,000.

The state will take in additional taxation £571,000, bringing its share to £1,797,500.

The 8,500 stockholders of the Home Company will receive an additional £42,500, making their total £351,263.

Of the profits, £752,000 will be retained in the Home Company and £212,000 in the Overseas Group.

These sums, though substantial, are inadequate for the requirements of the business. Permission having been obtained from the Capital Issues Committee, an issue of a further 903,192 Ordinary Shares at £2 per share was made on June 14, 1952.

The issue will provide about £1,775,000 new money. The fact that this is almost the same as the amount paid out in taxation this year is merely coincidental—though it does emphasise the harmful effect on industry of taxation at its present level.

The position has now been reached where the more rapidly a business is developed, the harder it is hit by taxation. This is not the way to build up our industrial power in an increasingly competitive world.

TINPLATE

The supply of tinplate has not improved during the year and the restrictions on its use are still in operation, yet the growth of our business has continued. This has been due to the management making better use of what it could get, in adapting substitute materials and in spreading its activities.

It is true that since the turn of the year production has begun at the Trostre mill of the Steel Company of Wales, and is beginning to ease the position. But, as I pointed out in this review a year ago, this new mill cannot replace the production of the existing old type mills. These must be kept in opera-

tion, certainly until such time as other mills of the capacity of Trostre have been installed.

PRODUCTION

Improvements and additions to our means of production at home have been continued during the year at a cost of £1,350,000 and we are already committed to a further expenditure of £850,000.

SALES

The problems of production and material supply have loomed so large for so long that it is a relief and a stimulant to focus attention again on the prospect of selling our goods.

The report and accounts were adopted.

Complete copies are available on request from the Secretary, The Metal Box Company, Limited, The Langham, Portland Place, London, W.1.

RICHARD COSTAIN, LIMITED

VERY SATISFACTORY RESULTS

EXPANSION OF OVERSEAS BUSINESS

MR R. R. COSTAIN'S STATEMENT

The nineteenth annual general meeting of Richard Costain, Limited, was held on July 10th at Rodney House, Chichester Street, Dolphin Square, London, S.W.1, Mr R. R. Costain, CBE (chairman and joint managing director), presiding.

The secretary (Mr L. Richards, ASAA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:—

The accounts for the year ending December 31, 1951, again show a small increase in profits over the previous year, the greater part of which is absorbed by additional taxation. The net profits of the group, after providing for tax, amount to £103,033. The board recommends a dividend of 10 per cent, less tax, on the ordinary share capital, and, after placing £8,987 to capital redemption reserve fund, £25,000 to general reserve, the balance of profit and loss account carried forward is increased by £22,905.

The balance sheet of 1951 reflects the large volume of work in progress which has necessitated increased bank borrowings. In this connection the shareholders will be asked to approve an increase in the company's borrowing powers at the extraordinary general meeting to be held after the conclusion of the annual general meeting. These increased borrowing powers are desirable to simplify the co-ordination of financial resources with subsidiary companies, and are necessary in these days of decreased values of currencies to carry out the necessary work for the future progress and development of your company.

REPUTATION MAINTAINED

The work carried out by your company abroad continues to maintain a reputation for efficiency and speed of production, and shows every indication of expanding, in spite of development limitations imposed by capital restrictions. In conjunction with a South African firm, we have practically completed the large Hunyani Dam Scheme in Southern Rhodesia, and are in the process of carrying out works in many areas of the African Continent.

At home, one of the large reservoir contracts will be nearing completion at the end of this year, and a reduction in other types of building and civil engineering work must be anticipated. Your company is fortunate, however, in having two or three large contracts that will, I hope, show satisfactory results both for 1953 and 1954.

The factory side of your business continues to be very satisfactory, and the development of pre-cast concrete works in England, Wales and Scotland continues.

I am pleased to report that our association with Messrs John Brown and Company, Limited, is prospering in the joint company, Costain-John Brown, Limited, which has already acquired a reputation in the engineering and erection of chemical plant and oil refinery work. This company forms part of an American and English group which has jointly been awarded the contract of designing and erecting an oil refinery near Fremantle, Australia.

RIISING OPERATION COSTS

The properties owned by your company are still being maintained in a high standard of repair, but I regret to inform you that the revenue returns from these properties are deteriorating as operating costs continue to rise. I cannot hold out any hope of an improvement in this situation until proper appreciation is taken in Parliament of the difficulties that property owners suffer under the present legislation, and it is hoped that Parliament will rectify a situation which all reasonable men realise is imposing an unfair burden on a section of society in this country, and will undoubtedly, unless action is taken in the near future, affect the whole economic structure of the British Isles.

FUTURE PROSPECTS

From my earlier remarks you will appreciate the impossibility of making any prognostication as regards the future prospects of your company, and I can only say that all members of the board are fully conscious of the responsibility placed upon them, and are carrying out their duties to the best of their ability in these difficult days.

Finally, I think you will agree with me that the results of the year's business are very satisfactory. The year has not been an easy one, and your directors wish to record their high appreciation of the work of the staff, both at home and overseas.

The report and accounts were adopted and the dividend of 10 per cent was approved.

The retiring directors, Mr R. M. Wynne Edwards, DSO, OBE, MA, MICE, and Mr E. J. Cook, BSc, AMICE, were re-elected, and the remuneration of the joint auditors, Messrs James Worley and Sons and Messrs Peat Marwick Mitchell and Company, was fixed.

At the subsequent extraordinary general meeting and separate class meetings of the holders of Preference and "A" Preference shares, a resolution was passed amending the articles of association of the company.

The proceedings then terminated.

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

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

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LEADING ARTICLES

Set Sterling Free? - - - - - 205
When the Russians Bring Gifts - 208
The Census—II - - - - - 210

NOTES OF THE WEEK - - - - - 213

Egypt's Army Coup; The Hague Court Verdict; Two Cheers for Dr Mossadegh; The Guillotine for State Pubs; Preparations for Morecambe; The Shopworkers Wait; Saarbrücken versus Strasbourg; Franco-German Steel Rivals; Norway Stands Firm; Motion on Liberty; Corporation Confined; Improving Farm Layout; A Command for the Straits; Deadlock on Admirals; Crops Across the Curtain; Malan versus Parliament; Censorship for Comics?

LETTERS TO THE EDITOR - - - - - 221

BOOKS AND PUBLICATIONS - - - - - 222

AMERICAN SURVEY

Democratic Discipline - - - - - 227
Hoppy's Millions - - - - - 228
Soothing Defence Fears; Cartels on the Carpet; Fair Trade Comes Back; Whisky Galore; Shareholders' Profile; Entertainment by Americans Only; Shorter Note.

THE WORLD OVERSEAS

The Events in Egypt - - - - - 234
No Truce on the Radio Front; Eddies Round Dr Adenauer; Change in Australia's Tax System; Maturing Mexico; The British in India.

THE BUSINESS WORLD

The Drain on Industry - - - - - 243
Electrical Entente - - - - - 245

BUSINESS NOTES - - - - - 247

Leap in Bank Deposits; Competition in Transport; Action on Monopolies; Dollar Exports Improve; Import Cuts in Effect; Competition in Cinema Prices?; Yorkshire Penny Bank's Capital; Settling Germany's Debts; Trade with China; Japan and Gatt; More Sulphur; Fiduciary Issue Raised Again; Steel and Shipbuilding; Hire Purchase and Price Control; New Bottle for Old Wine; Prospects on the St Lawrence; The Cost of Synthetic Rubber; Tungsten Price Confusion; Shorter Notes.

COMPANY NOTES - - - - - 255

STATISTICAL SUMMARY - - - - - 257

COMPANY MEETINGS - - - - - 258

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Set Sterling Free?

THE "very serious measures" that the Government is taking to take "to enable us to pay our way" are not to be announced until next week. Usually, on these occasions, there are plenty of inspired forecasts of what is intended, which turn out to be reasonably well-founded. This time there are none; nobody professes to know what is coming. This may be because dramatic policies are being planned of such novelty that secrecy is essential. Or it may be, as has often happened before, that Ministers have found it easier to agree that something must be done than to decide what to do, and that, when Mr Churchill used such minatory language, he was speaking in the spirit of King Lear—

I will do such things—

What they are yet I know not—but they shall be
The terrors of the earth.

The urge, of course, will be to find something new to do. It is an understandable desire and, within the limits of reason, a wholly praiseworthy one, for it is a sickening and dispiriting business to meet each recurring alarm with nothing but fresh turns of the familiar screws; to cut imports and capital investment once again, when anybody can see that the only final cure is expansion. With every fresh instalment of restriction, the hope that it will be the last becomes more slender, and the public's willingness to endure it correspondingly less. If there is a new formula, it is badly needed.

In such an awkward fix, it seems natural to the present generation to seek a way out by doing something to the currency. The currency proposal that is on the agenda at present is one to "set sterling free" by allowing the rate of exchange to fluctuate in the market and by restoring a degree of convertibility to the pound. It should be said at once that there is no reason to suppose that these proposals have been accepted by the Government or that they will figure in next week's announcements. On the contrary, such signs as are visible to the outside observer suggest that no such decision has been taken. Nevertheless, "setting the pound free" has been authoritatively proposed and seriously discussed; there are many people who believe that it could cure the chronic anæmia of Britain's external finances; and it deserves some analysis, as a prelude to whatever measures the Government may have to announce next week. Moreover, the success that has been achieved in stopping—or almost stopping—the flux of reserves makes it possible to discuss such questions in a context of some freedom of choice and of timing. The possibility of the ultimate calamity arriving and of the reserves running out cannot yet be wholly excluded; and if it arrives the only remaining freedom of choice will be between desperately unpleasant alternatives. But it can now be hoped that this will be avoided.

"Setting the pound free," as currently proposed, does not mean what it says. In the first place, the freedom of the exchange rate to fluctuate in the market would be conditioned by the active intervention

of the authorities, who would be able, on any day, to determine what the rate should be. It is not a proposal that the reserves should not be used, but that instead of playing a passive and compulsory role, as they do with a fixed rate, they should be employed actively and at discretion. A fixed rate is, in a sense, a one-way option given by the Bank of England to those who hold pounds and are entitled to exchange them into other currencies; a fluctuating rate would enable the Bank to exact a price from those who wish to exchange. And in the second place, the convertibility that is now proposed would also fall a long way short of perfect freedom. It is not, for instance, proposed that residents in the United Kingdom or in the rest of the sterling area should have any more licence to convert their pounds into other currencies than they have at present; or that anyone, wherever resident, should be allowed to move capital funds that are now restricted; or that the sterling balances owing to other countries should be paid off in dollars or gold. What is proposed, it appears, is that from now on anyone residing outside the sterling area who comes into possession of pounds as a result of current trade (i.e., not capital transactions) should be allowed to convert them into gold or dollars.

This would not be full convertibility. But it would be a step towards full convertibility, and a step that the City of London would very much like to be able to take. The new factor that has emerged in recent months is that the City is, for the first time, willing to accept a fluctuating exchange rate for sterling as the price that has to be paid for this step towards convertibility. The argument is that the withdrawal of the obligation to peg the rate at \$2.80, and the freedom it would confer on the Bank to use the reserve as a *masse de manœuvre* on its own initiative, instead of keeping it passively at the disposal of the licensed holders of sterling, would make it possible to meet the demands to which convertibility would give rise; had there been a fluctuating rate in 1947, the attempt to provide convertibility would not then have failed. This is the proposal that requires examination.

Freedom the Obvious Goal

The great majority of informed opinion would accept convertibility as the obvious and desirable goal of British policy; it has been solemnly proclaimed often enough. It is true that one cannot help having some doubts whether sterling and most of the other European currencies will ever be freely convertible into dollars, in the full sense of the word, which would include freedom for capital transfers. But it is common ground with all but a small minority of opinion that, if Britain is to survive as a commercial nation, sterling will have to be much more freely convertible into other currencies than it is today. A country's currency cannot be convertible unless the country can earn its living in fair competition with other countries. This is the challenge that the British people must accept. The alternative notion of a ring-fenced high-cost partnership between the United Kingdom and some few members of the present sterling area is not only most unattractive, but impracticable; for fewer and fewer of them would play a game that promises them so little. Convertibility—if not in its complete form *vis-à-vis* the dollar area, then at least with the rest of the world—imposes itself as the objective of British policy.

There is something also to be said, in a long-term

context, for a floating exchange rate. The general argument between fixed and fluctuating rates is a familiar one, on which most people have long since taken sides. But there is also a special argument of application to sterling in the present phase of its history. The world economy is obviously still in a most abnormal state. Nobody can possibly make even a reasonable guess about the real value of sterling until the four major question marks of world economics are resolved. Can the dollar gap be closed, either by "natural" means or by forms of action by the American Government moderate and inexpensive enough to have a chance of being continued? How long will rearmament continue and what will it cost? Will there be another slump and if so how severe will it be? Will the relationship between the prices of primary products and the prices of manufactures remain so cruelly unfavourable to an industrial country that has lost its overseas investments? With all these major uncertainties, nobody can say at what rate of exchange—if at any—the accounts of the United Kingdom can be brought into a new permanent equilibrium. The one thing that is certain is that the eventual rate will not turn out to be one of \$2.80 to the pound. If a change in the rate is inevitable, and if nobody will ever be able to calculate *a priori* what it should be, it is at least arguable that opportunity should be taken to let the pressures of the market-place determine the answer. This may well be better than a series of attempts to think up a new permanent fixed rate, each of which ends in a crisis devaluation.

The Cost of Convertibility

A free pound—free to move on the exchanges and free to be converted—is thus, to put it at its lowest, an acceptable object of policy. But to say this is something quite different from asserting that a move in that direction at the present moment is either timely or possible. The present position is dominated by three facts: the terms of trade, though they have improved a little, are still strongly adverse; there is still a deficit in the balance of payments; and the reserves are critically low. The British economy is still sick; and though it may be true that plenty of exercise is a condition of good health, it does not follow that an invalid either could or should go in for a hurdle race just because he is tired of being in bed.

Convertibility for sterling is highly desirable; but none of the impressive arguments in its favour can really conceal the fact that it would cost something in terms of the reserves. There is a very subtle argument connected with the various special categories of restricted sterling which it is not easy to unravel but which it is important that the public should understand. When a foreigner comes into possession of sterling which he is not allowed to convert into the currency of his choice, it remains standing to his credit in a London bank. It is not practical to prohibit him from doing anything at all with it, and in practice various categories of foreigners are allowed to make various sorts of purchases with their restricted sterling. But once any such concession is made, the door is opened to methods—more or less roundabouts, more or less legal—by which the foreigner can get his money out. An exemplar of all these transactions (far too simple and obvious to be permitted, but it will serve to illustrate the principle) is this: the foreigner uses his sterling to buy some sterling area commodity for which there is a market in the United States (say Indian shellac); he sells it in America, perhaps underselling the regular suppliers;

and the dollars for which it sells, instead of coming into the Bank of England's reserves, stay in his pocket, with or without the knowledge of his own government. Rates are quoted in the markets of the world (other than London) for the different varieties of fancy sterling, and the discount that they show on the official rate of \$2.80 represents the price that has to be paid for grey-market conversion by those whose pounds are officially supposed to be blocked.

These fancy rates for sterling are very greatly disliked by the Bank of England. In part, this is the hatred that every controller has for what escapes from his control. But it is also true that the existence of grey-market convertibility costs this country reserves; the dollars paid for shellac in the simple example just quoted are lost to the national chest. But this simply illustrates the fact that, for a country in Britain's position, any restriction on convertibility saves some dollars and conversely any relaxation or evasion of the restriction costs some dollars. Grey-market convertibility must cost the country less than permitted convertibility at the official rate; firstly, because those who use the grey market convert their pounds at a lower rate; and secondly because there must be some holders of sterling who, through scruple or ignorance, do not use these methods. To try to stop the loss of reserves that comes from the existence of these fancy rates of granting the right of conversion at the official rate would be absurd; it would be like trying to stop the leaks in a ship's plates by opening the cocks.

This is a most summary treatment of a very complex subject. But it is perhaps enough to establish the fact that the technicalities of the exchange market do not disturb the general proposition that any extension of the area in which sterling is convertible would necessarily cost this country some of its reserves. How great the loss of reserves would be is a matter of judgment. It is easy to see that the grant of convertibility would lead to some people offering pounds for sale who would not otherwise do so—if it did not have that effect it would be meaningless. But would it lead to anybody buying pounds who would not otherwise do so? Much play is made with the increased confidence that would be felt in sterling. But what would be the cash value of confidence? There would be approving statements; but how much money? The maximum amount of freedom that can be contemplated at present is not very much; British currency policy has been very erratic in the past and might have sudden reversals in the future; and the Opposition could be counted on to undermine any appearance of permanence that it was sought to give to the new arrangements. In these circumstances, it is difficult to believe that there would be much additional demand for sterling as a result of convertibility; and if money were to come in, it would help the reserves only at the cost of also building up London's short-term debts to the world.

The City takes a more sanguine view than that set down here—which would be an impressive fact were it not for the memory that in 1947 the experts also thought that convertibility would not cost much. Much or little, it would cost something; and in the present state of the reserves anything that would bear upon them is dangerous. The inconvertibility of sterling is indeed a disgrace; the bankers are right to feel it keenly. But the only way to avoid the taint of bankruptcy is not to be bankrupt. Repugnant though it is, the conclusion must be that convertibility will have to wait until the reserves are larger, and going up.

The argument for and against abandoning a fixed rate for sterling is a little different. Convertibility, for a country in Britain's position, with heavy short-term debts, must always cost the reserves something; a flexible rate of exchange could, in certain circumstances, assist them. But hardly in the circumstances of today. So long as there is a deficit in the balance of payments, a floating rate would tend to be a sinking rate. But a sinking rate would turn the terms of trade still more unfavourably against Britain. For the present it is surely better to keep the pound up. The floating rate must wait until either the balance of payments is strong enough to prevent it from sinking or else a fall in the prices of primary products, and particularly of food, make a depreciation of sterling tolerable.

Third Parties

There is another set of considerations that has not yet been brought into the argument. This is the reaction upon other countries of a policy of "setting the pound free." The countries of the sterling area have a right to be consulted. The predictions of a collapse of the sterling area if the fixed rate for sterling were abandoned are grossly exaggerated; but the other sterling area countries could hardly be expected to like a policy that would leave the value of their currencies to the discretion of the managers in London—and would leave the managers in London at the mercy of the economic policies of the present and subsequent British governments. And though they all say they want convertibility, the sort of convertibility they want is the right to turn their own pounds into dollars, which is not at all what is proposed.

There is also Europe to be considered. Setting the pound free would almost certainly disrupt the European Payments Union. Its monthly clearing could hardly be worked if rates of exchange were moving hourly. EPU is a set of devices by which creditors in Europe agree to take something other than gold or dollars for their credits; if they can get gold or dollars through British convertibility why should they be content with less? Opinions differ about EPU between those who emphasise how inferior it is to complete convertibility of all European currencies and those who remember what an improvement it is on the bilateral payments agreements that preceded it. But this at least should be generally acceptable: that it would be a very great pity to disrupt EPU unless what was put in its place was a really large step towards something demonstrably better.

Moreover, if EPU went, the liberalisation of European trade that it has made possible would also go. Liberalisation has been seriously eaten into of recent months; but there is still a great deal of it left. It is doubtful whether the countries of Europe would be ready to maintain their open general licences for imports of each other's goods if the accompanying payments were forced back into bilateral channels. Furthermore, if the pound sterling were made convertible by unilateral action, there would be some tendency in Europe, as there was in 1947, to discriminate against British goods in order to have a favourable balance with Britain and thus secure precious dollars. Thus the effect on Europe of setting the pound free would almost certainly be, in some degree, to restrict trade. Yet it ought to be a standing rule of economic policy that any currency arrangement that restricts trade

is *ipso facto* suspect. It would seem sensible to conclude that there should be no British move towards either floating rates or convertibility without at least an attempt to concert action with some or all of the European nations, as well as with the members of the sterling area.

The Scope for New Policies

These currency proposals have been worth analysing at such length only because there appears to be a dangerous fascination in the manipulation of money. In the earlier postwar years the theorists of the left wing used to argue that it was possible to escape from the cruel necessities of Britain's place in the world by planning all trade and confining it within barter bargains. There is a corresponding tendency now on the Right to believe that there is a secret passage out of Britain's economic confinements that will be opened up by uttering the magic formula of free markets. But the inescapable fact is that no currency, planned or free, can be stronger than the economy on which it is based. All these arguments come back in the end to the same place: until Britain's domestic economy is put into such a state that it can earn its living in the world, the pound sterling will not be strong enough to be set free without sinking out of sight or to be made convertible without exhausting the reserves.

To come back to the old familiar problem is not, of course, to say that there is nothing new to be done about

it. But it is to assert that the field for useful action is at home and not in currency manipulations. The one bright feather in the present government's cap is that it brought back into use the weapon of credit control. The results to date have been excellent, and the policy has not yet had time to reach its full development. But though it is the essential basis for other actions, no one ever pretended that it could restore the efficiency of the British economy single-handed. The other actions must now follow. It is idle to expect any government with a narrow majority to do much by way of cutting the standard of popular consumption, and it is difficult to be much more optimistic about government expenditure. But the other side of the equation remains; a 5 per cent increase in output (for the same real incomes) would be as effective as a 5 per cent reduction in consumption, and much more satisfactory. Can nothing be done to reduce the monstrous impediments to initiative and effort? There was a moment when the Labour Government planned a great movement for incentive wage schemes, but it fizzled out. Does the EPL mean that the Government's mind is closed to any measures of rearranging taxation so as to bear less heavily on the qualities that are needed for economic efficiency? The popular conviction may have to be accepted that, in a welfare state, no stick may ever be applied to the economic donkey. But are carrots also taboo? Is that present-day Conservative doctrine? And if not, exactly what is it that prevents a Conservative Government from doing what it believes in?

When the Russians Bring Gifts

THERE is a feeling in the air that the growing strength and cohesion of the western allies in Europe are making an impact on Stalin's advisers. There is no striking recoil in Soviet policy to be recorded, and the small gestures of appeasement that are being made remain furtive; but the face that is turned towards the west bears something less of a scowl than it did, and in Korea the psychological conditions for a truce have been prepared with some care. Roughly speaking, the role that is played at the moment by Moscow and its allies is that of the manager with his team of heavy-weight and light-weight boxers. He pays them and trains them between fights, chooses their contests, and gives advice from the corner of the ring while the fight is on. If it is won he takes much of the credit; if it is lost he explains the reasons to the public; but he takes no part in the contests himself. Hence the contradictions in Soviet policy which are so puzzling to those who have not read their Lenin and find it hard to distinguish between the long-term strategy of Stalinism and its short-term tactics.

It happens, not altogether by accident, that the soft-speaking phase in Soviet policy coincides with growing pains in Nato. The military programmes agreed on in February at the Lisbon conference are behind schedule, for a variety of reasons; the tooling up has gone well but the divisions and weapons do not run off the assembly lines. And now that General Ridgway has twice the troops and aircraft that General Eisenhower had when he took over in April, 1951, there is a disposition to say that delays can be afforded, because the threat of scientific weapons is being and in creation supplies all that is needed to prevent world war breaking out in Europe. What value is to be set on such speculations will, perhaps,

be clearer when Mr Churchill has spoken next week in the House of Commons. For the moment it is more important to examine what is new and what is unchanged in Moscow's conduct of the cold war.

Clearly, if Stalin's object for the time being is to keep the Soviet Union out of trouble, the satellite governments and the national Communist parties become the main weapons of policy; and the problem of their use is to fight the right actions at the right times in the right places. Policy must be clear but it must be flexible. For instance, the peace campaign as conducted in 1950-51 failed to produce the protest and action by the "working masses" against the Korean war that was hoped; the campaign to sabotage deliveries of American weapons to France resulted in little more than a crane or two being thrown into the water. Such failures have to be forgotten and substitutes found. To do so is not difficult, for everywhere the Communist Party can be relied on to continue the struggle, infinitely adaptable, covering the retreat from one position by advance into another.

The last six months have produced two typical examples. It was necessary to distract public attention from the somersault performed by the Russians when they offered the Germans a national army. (It used to be a "crime against peace" to argue in favour of a German army; now it is a crime against peace—in Communist Europe quite literally a punishable offence—to argue against it.) So the manoeuvre has been covered by the world-wide germ warfare campaign against the Americans. Likewise, a complete change of tone in all that has been said about what China will do to the UN armies and what it demands of the Americans has been covered by the suggestion that western industrialists and

traders must get back to business as usual, cut loose from allied restrictions on trade with Communist countries, and enter the vast markets that they are reputed to offer.

Behind such tactics, and behind the reshuffle of Soviet ambassadors in Berlin, London, Peking and Washington, lies a political strategy which the instructions sent to the national Communist parties make no attempt to conceal. The main objective stands out clearly: it is to divide the Atlantic allies, in particular to divide Britain from the United States. Ultimately it is hoped to get American forces out of Europe, leaving Germany to become in course of time an ally of the Soviet Union. If the drive can be taken out of western rearmament and dissension sown in the ranks of Nato, then more time has been won to tighten the Soviet grip on eastern Europe, to mobilise German nationalism and to bring to the west the long-awaited, long-prophesied slump.

If this is the general plan, what are its particular features? Firstly, that blandishments and bullying go on side by side. Hints of expanded trade and peaceful co-existence come from Moscow while Ulbricht and Grotewohl preach from Eastern Germany the overthrow of Dr Adenauer by violence. Trade between Japan and Communist China is revived while Communist-led mobs demonstrate in Tokyo against the government and the Americans. Moscow can talk to Paris in friendlier tones while M. Duclos leads armed gangs against the Paris police.

Secondly, there is in action a new version of the tactics of the united front against imperialism laid down by Lenin. The Communist is to keep quiet about his ideology; his duty is to get allies, not to stand aloof. The common enemy is the American on the local airfield or in the local base; the emotion to be roused against him is national feeling; Europe, like Asia, is to be "liberated" from the foreign imperialist by its own efforts. If demonstrators get shot or battered by the police, so much the better; they make useful martyrs. Governments which co-operate with the United States must be attacked, if possible overthrown. If it can be done only with the help of Nazis and Fascists, then make allies of them.

Thirdly, liberation movements in Asia and Africa must go on, varying in intensity according to local circumstances. In some places—for example in Africa—all that is needed is to work with the momentum of events; in others, for example Indo-China and Malaya and Burma, there is not only a field for political exploitation but also a military situation in which China is directly interested. Lastly, it is important to note the timing of these tactics. Between now and 1954 the western alliance is due to reach the peak of its defence preparations, the peak from which it will look down on a future and lower level of peacetime readiness. Already there are complaints, second thoughts and recriminations about the burden of what is being done; and there is gloomy speculation about what will happen to the American and European economies when rearmament begins to sag. By next year many people will want to believe that the danger to the free world has been exaggerated, and it is the task of Communist propaganda to provide the evidence: peace in Korea if not in Malaya and Indo-China; temporary stabilisation in Europe while Soviet Germany struggles to win free Germany; offers of new markets to the West's consumer goods on condition that it offers raw materials and capital equipment in exchange.

Supposing, it may be asked, that these things do all happen, what does it matter? A drop in tension, less spent on rearmament, more trade with the East—these are all things to be welcomed. Why regard a Soviet effort to bring them about as a dangerous part of a cold war campaign? The answer is, of course, one that is constantly being forgotten: that the purpose of the West in building up strength is to negotiate on equal terms a fair settlement of the problems created by the last war. For without such a settlement the peaceful co-existence of Europe with the Russians is not possible. Now that this strength is in sight of achievement, it is naturally the Russians' purpose to put off negotiations which promise no benefits to themselves. Some of them may believe that the Atlantic front created by their hostility can now be destroyed by a little appeasement; others may be genuinely frightened of the West's manifest superiority in scientific weapons and industrial potential; others may still believe that Europe and Asia will be theirs for the asking if a slump follows rearmament.

Whatever the dominant opinion in the Kremlin—and there is no possibility of being certain what it is—the present directive for political warfare is clear: set German against German and Japanese against Japanese; exploit all disagreements between the United States and its allies; get the Americans out of Europe and, if possible, the British out of Asia; keep the colonial wars simmering but never let them boil over. The West will do well to fear the Russians when they bring in 1952 the gifts they could have offered so much more convincingly in 1947.

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Houses for All?

THE findings of the housing census have been awaited with some eagerness. For far too long housing policy has had to be judged by factual evidence which has been pitifully bare in many respects. The census does not provide all the information that is needed, but it helps considerably. Like the other preliminary results, the housing figures as yet available are based on a one per cent sample only. It will be surprising, however, if the final picture differs in any important respect. Only private households have been considered and the figures throughout exclude establishments like hotels or boarding-houses. Houses (throughout this article taken to mean "dwelling units") vacant on the night of the census have also been omitted.

It is changes in the number and size of families, rather than in the population, which primarily govern housing demands. In 1951, the number of households (a "household" is deemed to include any resident domestic servants or lodgers living with a family), was 27 per cent greater than in 1931, although the increase in the total population was only a third as large. There is nothing new about the number of households growing faster than the population—it has been going on throughout the century. Correspondingly, the average size of a household has been getting smaller; it is now 3.19 persons in England and Wales and 3.39 in Scotland, as compared with 3.72 and 3.99 in 1931.

A simple average has a dangerous way of hiding wide differences. On examining the sizes of households—which is possible in both years for only England and Wales—the surprising change is not that the number of households of eight or more persons has halved, but that the number of people living alone has doubled. One out of every ten households now consists of a single person. Households of two or three persons are still the most usual but it is the twos now, rather than the threes, that predominate.

1—HOUSEHOLDS AND THEIR SIZE
(England and Wales)

Size of Household (No. of Persons)	No. of Households (thousands)		Per cent Change from 1931 to 1951	No. of Households of each size out of every 1,000 Households	
	1931	1951		1931	1951
1	689	1,398	+103	67	107
2	2,240	3,642	+63	219	279
3	2,460	3,256	+32	241	250
4	1,981	2,485	+25	194	191
5	1,271	1,241	-2	124	95
6	747	568	-24	73	44
7	422	247	-42	41	19
8	214	109	-49	21	8
9	112	51	-54	11	4
10 and over	98	45	-54	9	3
All Sizes	10,233	13,043	+27	1,000	1,000

Many causes have been working together to bring about this shift from the larger to the smaller household—economic and social as well as what demographers call natural ones. The lower birth-rate and earlier marriages have helped. So has the welfare state by

making old people less dependent on their relatives and able to maintain a separate home. There are more elderly widows today increasing the number of people living alone. But young adults, too, will be more represented among the one-person households since their higher real earnings have enabled them to set up somewhere on their own. If the 1931 girl lived away from home it was in a hostel or as a resident domestic servant (adding to the size of a middle-class household in the census); her 1951 counterpart was installed in a "bed-sitter." All this has resulted in a redistribution of the population into smaller households.

To ask whether house-building has been keeping pace seems like begging the question. For, of course, a household cannot be formed unless it has somewhere to live. But by no means all households had a house or flat entirely to themselves in 1931—about one out of every five shared a dwelling. Has this side of the picture changed? On the contrary, it is almost exactly as it was twenty years ago. The count of structurally separate houses or flats made in April of last year showed that they had increased by some 30 per cent since 1931—slightly more than the households. Proportionately, rather fewer households are sharing today, but because the total number of households is so much larger, there are, in fact, some 80,000 more households without a dwelling entirely to themselves.

2—THE COUNT OF HOUSES AND HOUSEHOLDS
(Thousands)

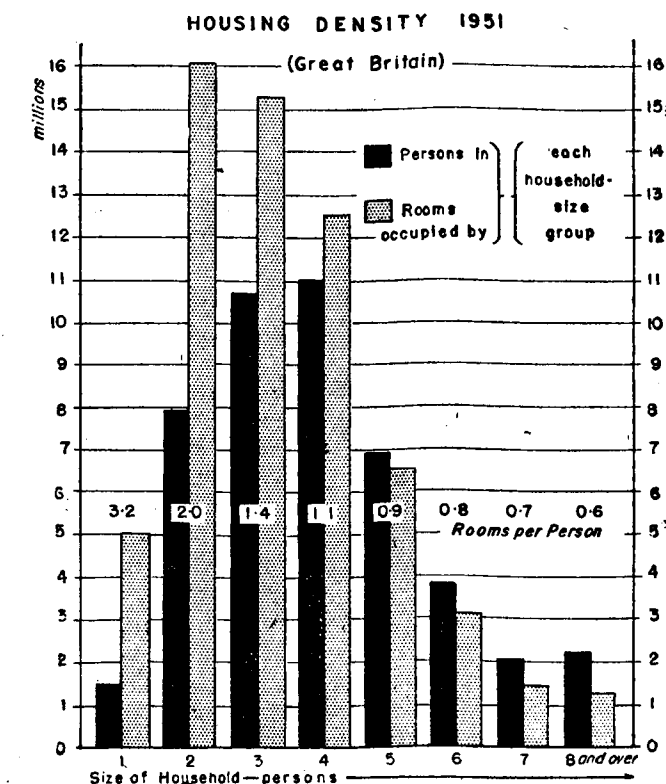
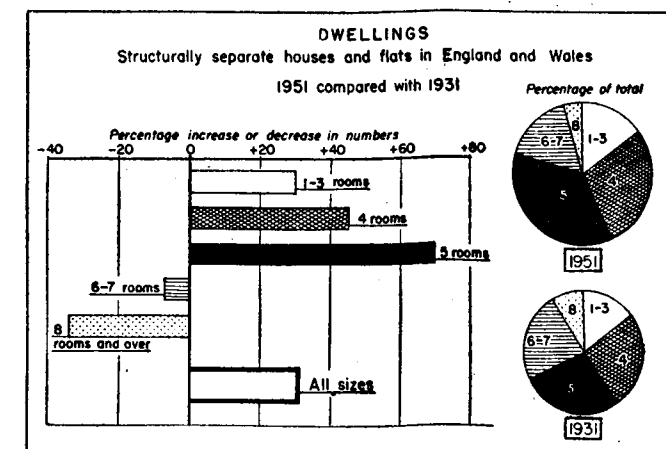
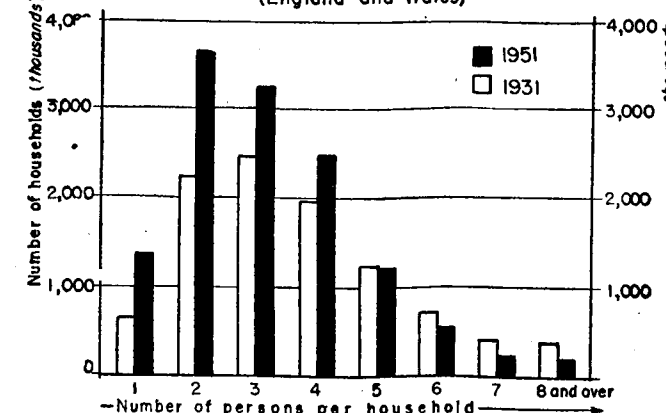
	England and Wales	Scotland	Gt. Britain
Total households:—			
1931	10,233	1,172	11,405
1951	13,043	1,438	14,481
Per cent change	+27	+23	+27
Structurally separate dwellings:—			
1931	9,124	1,147	10,271
1951	11,934	1,378	13,312
Per cent change	+31	+20	+30
Households sharing a dwelling:—			
1931	1,949	48	1,997
1951	1,968	111	2,079
Shared dwellings:—			
1931	840	23	863
1951	859	50	909

The figure of over a million by which households outnumber separate dwellings is not a measure of the demand for additional homes. There will always be people who want to live in the same house as other people, although separately enough to count as a distinct household. The difference between the shared dwelling and a flat may be no more than a plywood partition on the landing with a door in it. Usually, however, occupants of shared dwellings are not entirely independent of each other and in some 70 per cent of cases at least the toilet arrangements are shared. Without doubt the majority of households who share a dwelling would rather not; but the census figures do not say how many. Nor, of course, can they answer such complex economic

questions as the relative preference for cheap shared accommodation and expensive new houses.

Just as the average household is smaller today, so too, of course, is the average house. Owing to the concentration of new building on smaller houses and to large old houses being divided into flats, there are now (in England and Wales) many more of all sizes of dwellings containing up to five living rooms (including kitchens but not

DISTRIBUTION OF HOUSEHOLDS BY SIZE
(England and Wales)



sculleries) than in 1931 and fewer of the larger sizes. The numbers of four-roomed and five-roomed houses have increased so much that 60 per cent of all houses in Britain are now of these two sizes.

3—AVERAGE NUMBER OF ROOMS OCCUPIED
(England and Wales)

Size of Household (Number of Persons)	Average number of rooms per household		Average number of rooms per person	
	1931	1951	1931	1951
1	3.0	3.3	2.99	3.31
2	4.1	4.1	2.07	2.06
3	4.5	4.4	1.49	1.46
4	4.7	4.6	1.18	1.16
5	4.9	4.9	0.98	0.97
6	5.0	5.0	0.83	0.84
7	5.1	5.2	0.73	0.74
8 and over	5.6	5.3	0.62	0.59
All Sizes	4.5	4.3	1.21	1.36

How does the new pattern of families fit into the new pattern of houses? At first sight, it looks as if the fit is much as it was twenty years ago. Table 3 shows that, in England and Wales, the same size of household occupied on the average just about as many rooms twenty years ago as today. At each census, for instance, the average household of two had about four rooms and the average household of five about five rooms, the number of rooms per person getting progressively less as the family size increases. It is the better housing standards for smaller families that allow a claim to be made for progress. For, since there are so many more smaller families, as a whole the population is rather more sparsely housed—statistically it works out at about one extra room for every seven persons. In Scotland, where housing densities compare unfavourably with England, the same sort of process has been going on and now, on the average, there is about one room for every person. Sharing households generally have less space per person than others.

4—DISTRIBUTION OF ROOMS AMONG HOUSEHOLDS
(Great Britain)

Number of Rooms Occupied	Percentage of Households of each size				
	1 person	2 persons	3 persons	4-5 persons	6+ persons
1	15.3	3.1	1.9	0.9	0.3
2	21.7	13.6	8.8	5.2	2.8
3	19.7	18.7	17.4	13.5	9.5
4	21.7	27.0	27.7	27.0	26.5
5	14.7	25.2	30.0	36.2	36.2
6 and over	6.9	12.5	14.2	17.1	24.7
	100.0	100.0	100.0	100.0	100.0

These neat statistical averages conceal, of course, the acute overcrowding at one end and the spacious living at the other. Both have become relatively smaller since 1931. Out of every thousand households of any one size, there are fewer living in a very small number of rooms and fewer living in a very large number of rooms. The averages are about the same but both ends of the scale have been telescoped. Thus, in spite of the great increase in one-person households, the number of one-room households is pretty much what it was twenty years ago. This is one of the most striking facts that

emerge. Another is that whatever the size of household, whether it contains one or ten persons, the most frequent size of house is either four or five rooms.

There are, however, still plenty of large families living in small homes and small families living in large ones. Of the one-room dwellings, for instance, nearly half are occupied by more than one person. There are nearly 600,000 households of four persons living in accommodation of less than four rooms. Table 5 shows, on the other hand, how many of the smaller households have rooms to spare even after allowing either two or three rooms to each person. There are, for instance, 674,000 households of one person with more than three rooms and—after allowing them their three rooms each—they have over a million rooms to spare.

5—SPARE ROOMS
(Great Britain)

Size of Household (Number of Persons)	Allowing 2 rooms per person		Allowing 3 rooms per person	
	Number of Households	Number of Spare Rooms	Number of Households	Number of Spare Rooms
	('000)	('000)	('000)	('000)
1.....	981	2,169	674	1,188
2.....	1,504	2,300	159	298
3.....	163	308	16	42
4.....	33	86	4	22

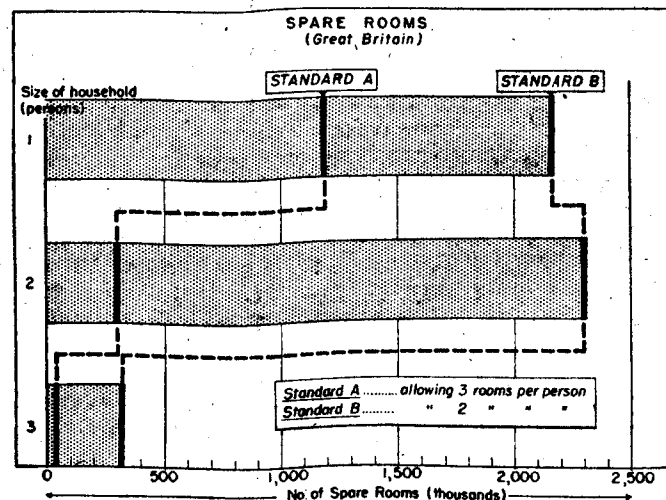
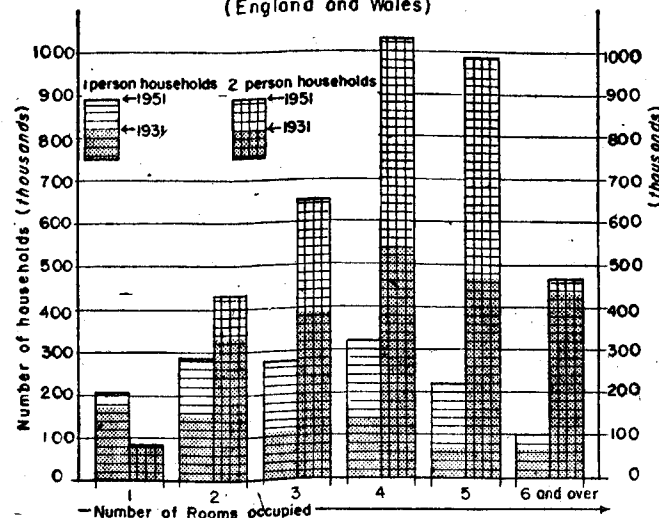
This calculation is not intended to encourage anyone to rush to the conclusion that small families have no right to live in large houses or that all families should be induced to live at a specified standard. If people can afford to pay the cost of housing themselves so spaciouly, and if they choose to spend their incomes in that way, to interfere with their preferences would seem to most people to be an indefensible attack on personal liberties. But something is surely wrong if, at a time of housing shortage, public policy positively encourages the wasteful use of housing space by housing subsidies and—particularly—by rent restriction. And the housing census leaves no room for doubt that many families, reduced in size by one cause or another, find it distinctly cheaper to stay where they are than to move to a smaller dwelling. In consequence larger families are forced to remain cramped.

There is a lot more to be learnt from the census. London housing is almost a separate story, for here there is the highest concentration of small households and comparatively few large ones. Half the larger houses with six or more rooms and one-fifth of all dwellings in Greater London are shared by two or more households. Outside London, the people of Wales and Merseyside share more houses than elsewhere. The largest households are to be found in Clydeside where there is most overcrowding. In England, Newcastle is one of the worst areas. It will come as a surprise to many people that 37 per cent of all dwellings in the country are still without a fixed bath.

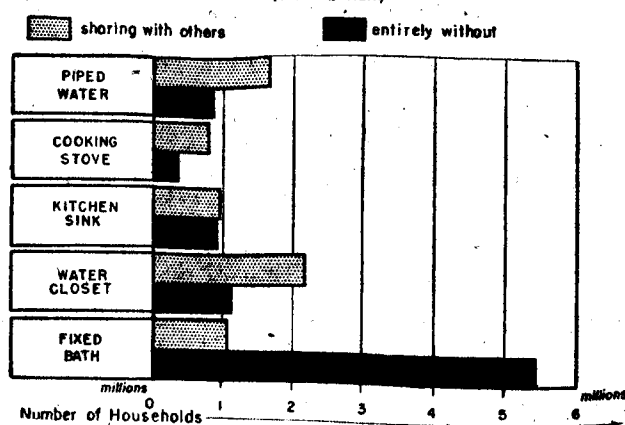
But while the details of the housing census will repay careful study, its main value is in the two general lessons to be drawn from it. First, the standard three-bedroom house is not the only requirement for a population in which over a third of households consist of one or two people. And, secondly, rent restriction is undoubtedly preventing the best use of existing housing space.

The census, unfortunately, has still left untouched the money side of housing. How many people own and how many rent their houses? If they rent, how much do they pay? These are important questions to which no answers are given. The British people are only beginning to accept—as the Americans do much more readily—being questioned about their income and spending. Such questions, indeed, are not entirely suitable for a full-scale census. But, if the final results prove this sample trial to be as successful as is anticipated, there may be hope that some special inter-census inquiries will be made. If so, the object of filling the gaps that still remain in housing information deserves preference over that of merely bringing existing information up to date.

THE GROWTH OF SMALL HOUSEHOLDS
(England and Wales)



HOUSEHOLD ARRANGEMENTS 1951
(Great Britain)



NOTES OF THE WEEK

Egypt's Army Coup

"The whole of Egypt will welcome this news," says the proclamation issued by General Neguib Mohammed, organiser of Wednesday's army coup in Cairo. It announced that the army was purging the corrupt old guard that commanded it from safe seats in the rear during the Palestine war and was still in control until this week. The General is right if by "the whole of Egypt" he means the considerable group of town-bred, literate, middle-class Egyptians who have for years felt increasing resentment and frustration at the way personal fortunes were being amassed in high places.

This group has hitherto kept quiet in public on account of the traditional authority of pasha and palace; but this week it registers two notable victories. The first was scored for it by Sirry Pasha, when he resigned rather than appoint to the two important ministries of war and finance palace nominees whose reputations find no favour with any honest Egyptian. The second was won by General Neguib Mohammed when, with the support of the whole of the officer corps below his own rank, he secured from King Farouk acceptance of his claim to be commander-in-chief—the royal favourites at the top of the army having been already removed. It remains to be seen whether his energy will be sustained long enough also to purge the corruption ingrained in two other quarters: the Wafd party machine, and part of the entourage that depends on palace employment for a livelihood.

The chain of events that led to Sirry Pasha's fall, Hilaly Pasha's reinstatement, and then—within twenty-four hours—the army coup and the "emergency premiership" of Aly Maher is set out on page 234. Meantime a few conclusions can be drawn. The first is that King Farouk's popularity and prestige, for some years not high, have suffered a serious setback; he has had to accept dictation from a general whom he has lately opposed with marks of disfavour. The second is that the changes have to do with purely internal affairs. From habit, the army officers concerned in the coup gave, through the American Embassy, a warning against British intervention; but no foreigner even thinks of intervening in a matter so domestic. The only repercussion of these events upon Egypt's neighbours is likely to be in the Sudan, which can scarcely be tempted to ask just at present for a connection with the Egyptian crown. Lastly, a comparison with events in Persia is obvious but not apt; for in Cairo the changes have been dictated by a disciplined army, in Teheran by a mob; in the one by reason, and in the other by emotion. The only common feature is that both monarchs have had to bow to dictation by men they had tried to quell.

The Hague Court Verdict

By nine votes to five the International Court of Justice has ruled that it is not competent to deal with the merits of the Anglo-Persian oil dispute. It has therefore found for Dr Mossadegh's view that disagreement over a contract with a foreign company is not a dispute between states, and against the British Government's contention that this quarrel had become in the legal sense international, which means inter-governmental. The decision will give a boost to Persian self-confidence and will set back British chances of reaching a settlement that might recover some of the lost assets; but this demonstration of judicial impartiality reflects credit on the court.

Persians had for weeks been reckoning on their fingers the number of judges on whom they could count for political and "anti-imperialist" reasons. In fact, the British judge

voted for the verdict, the American (who might have been assumed to be less self-interested) against it, while the Brazilian and Chilean—who might have been super-sensitive on the score of a nation's claim to develop its own raw materials—also voted against it. But, as has often been pointed out in these pages, decisions in favour of defaulting sovereign debtors, however well founded they may be in law, have a deplorable effect on the mind of the large-scale investor overseas. What has happened in Persia will affect all under-developed countries' chances of attracting foreign investment.

Meantime, Persia has the oil and the Anglo-Iranian Oil Company must fight for its rights in a climate of opinion less favourable to its chances than hitherto. Three courses of action are open to it: either to get an arbitrator appointed under its concession agreement; or to fight for its concession rights in national courts, whenever the Persians try to sell oil from the concession area—a procedure which may succeed in some countries but certainly not in all; or to consider accepting the compensation for its assets which Professor Rolin, Persia's able Belgian advocate at The Hague, asserts that his client is ready to pay, though from what funds he does not say. All three choices are unattractive. The first, tried on its own, will lead nowhere so long as a mob which has canonised Dr Mossadegh has the last word in Teheran.

* * *

Two Cheers for Dr Mossadegh

By an accident of timing, Dr Mossadegh received two fillips on the same day. The verdict from The Hague was one; his acceptance once again as premier by an overwhelming majority of the Majlis was the other. This high-speed come-back followed four eventful days. The Shah forced Dr Mossadegh to resign, either because the latter insisted on becoming minister in charge of the army, or because he wanted to be an economic and financial dictator, or both. Then the Shah appointed in his place Qavam es Sultaneh, who prematurely announced that he would get the oil flowing again thanks to a "new policy." To his opponents this meant he would seek foreign help. Then the Mossadegh *claque* called into the streets of Teheran a crowd in which nationalist zealots, religious fanatics, and Communist wreckers shouting for a republic all played their part. Over thirty people were killed in the capital last Sunday. Qavam therefore resigned, and Dr Mossadegh was shouted back into office. The loss of prestige suffered by the Shah is obvious.

Dr Mossadegh is clearly a selfless person: anyone self-interested would have been content to retire while still an idol of the people and to leave someone else to put order into the chaos he has made of the state's finances. But he is also conceited, and his chief supporting newspaper claims that "now that the campaign against the foreigner has ended," he can put things right on the home front. Other observers persist in asking whether he can carry out unpopular economies when the mob that has put him into power may well be his master and whether he can sell crude oil fast enough to pay the workers at Abadan. A survey of the world's available tankers and refineries makes this doubtful. How, moreover, can he pay the army and the police?

While he is finding ways of getting some oil moving, there is a growing Tudeh party seizing its chances, an army getting more and more dissatisfied, and a national bank getting more and more alarmed. It seems doubtful whether Dr Mossadegh will be able to sell oil fast enough to keep pace with these mounting troubles.

The Guillotine for State Pubs

In one way or another the Government has lost a great many parliamentary points this session, and its latest recourse to the guillotine is another blunder. While this session will see only a White Paper instead of an iron and steel Bill and other major legislation is held up, while the debate on the economic situation must wait until next week, it looks bad to force through this session a Bill that merely repeals the state monopoly of public houses in new towns. Had the Tory whips pushed ahead with this Bill in standing committee soon after it had its second reading in February, it would have been safely on the statute book by now. But by leaving the committee stage to this late hour, they offered the Opposition a golden opportunity to filibuster—which Mr Ede and his colleagues promptly took. This in turn forced Mr Crookshank to choose between either losing the measure or using the ponderous weapon of the guillotine—and to waste a precious day in the process. As a result, the Labour party had a riotous day on Monday when the guillotine motion was debated. They filled the air with taunts that all this was being done at the brewers' behest. They claimed that on the committee which started to consider the Bill the president of the Band of Hope was "replaced" by a director of a large brewery—who, they went on to declare, had broken the rules of the House by voting in committee in spite of his pecuniary interest. They discovered with horror that the Brewers' Society had a parliamentary committee. Mr Bevan demanded to know which MPs were on it, declaring that if this information were not given, no one would dare speak for the Bill lest he be suspected of being in the pay of the brewers. The Opposition, in short, had a field day.

The Home Secretary had the impossible task of trying to show that the Bill was important and urgent enough to justify the stifling of parliamentary discussion. It was important to save the large sums that would otherwise have to be spent on acquiring existing houses, it would save setting up a new authority to run them in the widely scattered towns, and it would avoid taking action to which public opinion was opposed. It was urgent because plans for the new towns were meanwhile held up and because the three newly built houses could not otherwise be brought into use for some time. But the Tories have certainly lost both ways in this battle. They have lost in parliament by having had to use the guillotine, and in the country by allowing their opposition to state public houses—which the public almost certainly shared—to seem tainted by friendship for the brewers.

Preparations for Morecambe

The resolutions submitted by the constituency parties for the forthcoming Labour Party Conference were published this week. Only a fraction of them will survive the ballot and see the light of day at Morecambe. Nevertheless, these four hundred-odd statements, reflecting as they do the pre-occupation of the local party members, are of more interest than usual this year. Although the struggle for the party's leadership has been intensified while Labour has been out of office, its progress is only observable in the form of a conflict of personalities within the Parliamentary Labour party. But it remains an open question how far the Bevanites have succeeded in crystallising the discontents and frustrations of the rank and file so as to turn a conflict of personalities into an issue of policy in the eyes of the party's supporters. The resolutions for the annual conference are not an entirely reliable indicator of this. The fire-eating statements often come from branches whose candidates are never likely to reach Westminster and everywhere the wording of the resolutions tends to echo Labour enthusiasts rather than Labour voters.

But when allowance has been made for this inevitable bias the fact remains that between one-third and one-half of the resolutions concern rearmament and foreign policy compared

with less than one-fifth last year, and concessions to the need for the present level of rearmament (even "painless" rearmament) are hard to find. So much preoccupation with the issues on which Mr Bevan has taken his stand must have shocked the party leaders.

These debates on the party line may, however, be overshadowed by the voting on the opening day of the conference for the party leadership. The chief contest is for the seven constituency seats, which are elected on the votes of the delegates to the conference, each of whom has voting powers in proportion to the membership of his local party. The nominations will not be completed until mid-August, and the competition is intense. At first sight, the Bevanites, who last year won four of the seven places, go into the contest with strong advantages. They can count on the natural leftward bias of the constituencies. This is partly due to a desire to provide a counterpoise to the domination of the executive by the trade unions, which results from the fact that the unions have twelve seats of their own and have a decisive say in the five women's seats. It is also partly due to the system of indirect voting, as many delegates, particularly from areas held in Parliament by the Tories, are drawn from the left of the party. This has carried Mr Bevan to the head of the constituency poll every year since the war. It will be of interest, too, to see, when the nomination lists are published, whether the Bevanites have concentrated their attack by putting forward only a few candidates. No such co-ordination is likely among the other candidates, so that the orthodox votes may be spread widely—and ineffectively.

Yet with all these tendencies towards the left, it is hard to believe that the rank and file of the labour movement—if they really face the problem—will be prepared to sacrifice leaders of the calibre of Mr Morrison, Mr Griffiths, and even Dr Dalton, for further Bevanite representatives. What is at stake in these elections is not the party's policy, but the calibre of its leadership. To spurn its tried leaders at this stage would be an act of electoral folly as well as a breach of common sense.

The Shopworkers Wait

Much protest has greeted the Minister of Labour's refusal to accept automatically the wage increases proposed for some 1,500 workers in the distributive trades. His request to the 12 wages councils concerned that they should reconsider their recommendations in the light of the Chancellor's appeal for wage restraint is regarded by unions and Labour MPs alike as an unwarrantable interference with the machinery of wage negotiation; and Mr Bevan has made the more subtle point that by seeming to be opposed to wage increases the Minister has undermined his own influence as an arbitrator in industrial disputes.

Yet Sir Walter Monckton could hardly have acted otherwise. When recommendations are submitted to him by a wages council he must either issue orders to make them effective or refer them back for further consideration. The agreements in question were arrived at before May 15th, when the Chancellor appealed to the TUC for restraint in making wage claims, and they were submitted to the Minister in May and June. To have accepted them would therefore have been to encourage industry to ignore the Chancellor's appeal altogether. Sir Walter has done no more than Mr George Isaacs did as Minister of Labour in 1948. Shortly after the Labour Government issued its White Paper urging moderation in wage and salary increases, Mr Isaacs referred back the proposals of three wages councils for reconsideration in the light of that policy. When the same proposals were again submitted to him he made orders giving effect to them—as Sir Walter may do on the present occasion if the wages councils stand firm by their recommendations. He did not—indeed cannot—veto the increases they proposed.

He has, however, delayed them. At first sight it seems unfair that this one section of workers should have their hopes deferred just because their wages happen to be negotiated through wages councils. It seems doubly unfair because they are among the lower paid workers—indeed, that is precisely why the wages councils were set up. Much criticism has been directed to this point even by those most aware of the need for wage restraint. The injustice however, has been exaggerated. Large wage claims are being put forward in the basic and nationalised industries. But the electricity workers and the railwaymen have had their demands rejected, and now even the miners have met with a refusal of their demand for an extra 30s. a week. The only major award that has been agreed since the Chancellor made his appeal is the extra 5s. a week proposed by the Agricultural Wages Board. In the consumer trades wages are at a standstill; employers and workers are waiting to see the way trade is turning. The shopworkers are not alone in having to wait; and the delay, however infuriating for them, has the advantage of weakening the connection between wages and prices and so of checking their neck-and-neck race.

Saarbruecken versus Strasbourg

Mr Eden's proposals for linking the large and loose Council of Europe with the small and tight European defence community and industrial pool are now virtually discarded. Polite people in Paris say they are on ice; but there is normally no ice in a waste paper basket. The proposals are criticised as asking for representation without responsibility; they would allow the British and the Scandinavians to listen without talking.

So the plans for what is now called "Schumania" go ahead and it is more difficult than ever to see where this country fits in. What is aimed at is a small political authority for Europe with as much power as possible; the British seem to hanker after a large political authority with as little power as possible. People like M. Monnet think they can bring off a federal union; but their critics accuse them of building the first working model of a technocracy; Mr Eden's advisers seem to think the attempt will fail, but if it did not then Britain might become a western Cinderella.

The situation is highly confusing, especially as there is a Socialist view to take into account. British Socialists naturally tell European colleagues that they expect to come back to power; the Europeans therefore dream of Labour Britain keeping Catholic Germany in its place. They think this could be done by siting the Schuman Pool Authority in Strasbourg where British MPs could at least come and talk twice a year. Non-Socialists, on the other hand, who believe they can start Western Europe on the road to federation by setting up a political authority now, want to avoid Strasbourg at all costs. They would prefer a new start in Saarbruecken, a hideous town but really interested in heavy industry and Franco-German understanding.

Until Holland has found a government, no marked progress towards a political authority need be expected. But later this month M. Monnet comes to London and will want to discuss practical matters. How will the British take part on a permanent basis in some of the technical committees set up under the High Authority of the coal and steel pool? And how will British Ministers consult with the Ministers of the Pool? It is in the British interest, for the future if not for the present, to find answers. For the Ministers of "Schumania" have been meeting and getting down to detail.

Franco-German Steel Rivals

The High Authority of the coal and steel pool will start its operations in an atmosphere of keen rivalry between the French and German steel industries. Both sides have been

placing numerous projects before the steel committee of the OEEC. Though the committee is only advisory, weight is attached to its opinions. The French plan to increase their crude steel output to 21 million tons a year, while the Germans—though they talk of only 16½ million tons—have proposals for an output of flat products which will call for a crude steel output of about 21 million tons. Present German production is at the rate of 15½ million tons a year.

The Ruhr has been unable to secure the approval of the steel committee of the OEEC for its two largest projects—expansion of the Thyssen works and the former Hermann Goering works at Watenstedt. Various minor projects were approved at the committee's last meeting, but Britain and France held out against the two biggest. The French want to leave the question to be decided by the High Authority, knowing that in the meantime the moribund Military Security Board maintains its veto on the German projects. Furthermore, the OEEC committee found that the Germans have not realised the necessity of providing it with properly worked out plans, fitted into an assessment of the steel industry as a whole, including the likely markets. German industrialists have much to learn after decades of secret rearmament, war and unlimited demand, followed by an occupation regime.

Two facts dominate German thinking. One is that German steel output compared with 1913 shows nothing like the same increase as that of France and Britain. The other is that the Ruhr, since the last war, has been able to modernise its plant only in isolated instances, whereas France, taking advantage of Germany's handicaps and Marshall aid, has forged ahead with large, modern works. The Thyssen works at Hamborn are on the finest natural site for a combined steel plant and strip mill in Europe; but they have been rendered uneconomic by Allied dismantlement. Even if market research were to show that there was no future demand for the product of an expanded works at Hamborn, it would still be a national and political demand that they should be rebuilt to their prewar capacity of 2½ million tons of steel a year; and capital would not stand in the way.

The German steel industry looks forward with some confidence to a majority vote in favour of expanding the Thyssen and Watenstedt works when the matter comes up in the High Authority. The British will not be there and the Belgians have already voted in favour of the German projects at the recent OEEC committee meeting. But it is evident that initial harmony within the Schuman community will much depend on the extent to which France is prepared to acknowledge the Ruhr's claims. Recent statements by leaders of the French steel industry indicate that German expansion will be tolerated only if the Saar steelworks remain within the French economic orbit and if their own expansion plans are rapidly implemented. It is also evident that the French will insist upon a considerable expansion of German coking capacity before giving approval to large German steel increases. The approval of the High Authority will not be needed for self-financing, but will decide the all-important question where credits from the International Bank and other American sources are to be placed. Clearly it will help to save the Schuman pool experiment from failure over the issue of investments if the German industrialists approach the conference table with more frankness than they have shown in Paris.

Norway Stands Firm

Although in 1949 it was the Norwegians who led other European countries to join the five Brussels Treaty partners in the Atlantic Pact, they made it clear from the start that they would not allow foreign troops to be stationed on their soil unless and until they themselves felt that an attack was imminent. This question, virtually dormant since the birth of Nato, has recently come to life in connection with the

general welcome given in Denmark to the idea that allied bases should be created in that country.

To Denmark, exposed to immediate land attack, the essential point is that, as the Copenhagen *Social-Demokraten* puts it, "if we want aid in time and in sufficient strength, we must make sure that this aid can reach us." To Norway, traditionally more self-reliant and more sheltered from attack in spite of its common frontier with the Soviet Union, the problem is more complex. Account must be taken of the paranoid fears of its powerful neighbour, of the long time needed to prepare bases in difficult terrain, and above all of the maintenance of morale among a people accustomed to shoulder their own burdens. The fact that the Norwegians have felt it necessary to restate their distaste for allied bases reveals their continued sensitiveness on this point; but it does not imply any weakening of their loyalty to Nato.

That loyalty has, indeed, been staunchly reaffirmed in the Storting's recent approval of a record defence appropriation of 3,400 million kroner (£170 million) for the financial year that has just begun. Part of this total comes from Nato and United States funds, but Norway itself will find Kr. 2,750 million. Airfields and other installations account for Kr. 1,000 million, and will absorb about eight per cent of Norway's timber and ten per cent of its cement. For a country already suffering from a shortage of labour this is a remarkable effort; all the more so because Norway's foreign trade position is again disturbing. In the first half of 1952 imports totalled Kr. 2,883 million and exports only Kr. 1,994 million; in June the unbalance was exceptionally marked, and freight rates, on which Norway relies heavily as invisible exports, are falling sharply. Norwegians are entitled to remind their friends, as *Morgenbladet* did last week, that their policy regarding bases means paying a stiff price "rather than transferring this burden to our allies."

Motion on Liberty

The House of Lords, last week, continued its debate on the liberty of the subject. The previous occasion was in July, 1950, when Lord Samuel introduced his Bill for the preservation of the rights of the subject. That was given a second reading by 66 votes to 24 and forthwith disappeared. Last week's motion by Lord Samuel said very much the same things as his earlier Bill. Amended at the instance of Lord Salisbury to allow for the "progressive restoration of such liberties as and when the national situation allows," the motion was carried unanimously. So far, there is every prospect that the debate will again be resumed (it is to be hoped by Lord Samuel) in a year or so and on very much the same lines. The arguments on either side remain; the noble Lords who utter them change. Out of office, civil liberty is the cry. In office, there is always the proviso: "unfortunately, these are just the very liberties which it is quite impracticable, for administrative reasons, to restore at this moment"—just as, for six years, it was quite impossible, administratively, to abolish the identity card.

In sober truth, of course, it is not possible to make a clean sweep of every restriction on liberty as it was believed to exist last century; it would be foolish to suggest that all warrants allowing a public servant to inspect private premises should be abolished, which is one of the proposals sometimes put forward. Lord Jowitt was right when he said, in last week's debate, that a string of slogans do not make a parliamentary Bill. A general debate has value, in that it reminds civil servants of their duty to act judicially and to ask themselves if the powers they demand (or give themselves) are really necessary; but its effect wears off, and repetition hastens that process. Private members cannot hope to do very much. Even comparatively minor proposals, such as that to alter the burden of proof in the criminal prosecution of directors for offences committed by their companies, tend

to be argued on party lines, and the private member cannot call in the Whip in aid. Last year, the Government extended its emergency powers in bulk for another year, but it promised to think them out in detail in the time so given. Civil liberties are not at the moment in such danger that any super-priority can be claimed, but the promise remains to be redeemed, and a set of comprehensive proposals to restore some liberties (and a solid argument to defend those restrictions which are to be retained) would be a most encouraging response to this debate. It would also be a very fitting tribute to Lord Samuel himself.

Corporation Confined

One of the most interesting points raised in last week's debate in the House of Commons on colonial affairs was the future of the Colonial Development Corporation. The two reports for which Lord Reith has been responsible as chairman have both emphasised the anomalous position in which the corporation is placed. It is bound to act as a commercial concern—that is, over a period and over the whole range of its undertakings, it has to show a profit; yet it is subject to disadvantages that no ordinary commercial concern would tolerate. In the words of the latest report, the corporation is intended to "do economic good; just that; but to do it without losing money."

The attitude of the Labour and Conservative governments to the corporation's anomalous position is interesting. In a debate on the colonies in the House of Lords this week, Lord Ogmore, Minister of State for the Colonies in the Labour Government, said that

there is a complete difference of approach between the Government and the Opposition in the matter of the Colonial Development Corporation.

Perhaps that is going too far, but the difference of emphasis is certainly significant. The Labour Secretary of State tended, to begin with at least, to regard his ultimate responsibility for the corporation's activities as necessary for the protection of the colonial peoples—to prevent them from being submitted to development they did not like. He put more stress on the corporation's duty to do good, and was more willing to overlook Lord Reith's qualifying clause.

Even before the change of government, this optimistic view of the corporation's function was being modified. Now, under a Conservative Secretary of State, the change of emphasis has been underlined. It is the protection of the taxpayer's money that is given priority, not doing good to the colonies. Last week, Mr Lyttelton laid down four criteria, at least one of which must be satisfied before sanction is given to a scheme put up by the corporation. First, is the colonial government concerned willing to share in the scheme if it has the money? Second, are local experts being mobilised and is local advice being taken? Third, has local capital been offered a stake and has it accepted? Fourth, has private enterprise in this country, carrying on the same kind of business, been asked to participate? Few people who have the interests of both the colonies and the taxpayer at heart will disagree with these criteria. What remains to be seen is whether they leave the corporation enough scope to justify its present organisation.

Improving Farm Layout

The unsatisfactory layout of many farms is a well-known obstacle to the improvement of farming efficiency in Britain. The Agriculture Act empowered the Agricultural Land Commission to prepare schemes for the adjustment of farm boundaries and a scheme has been drawn up for the Yetminster area in Dorset.* This is an area where fragmentation of holdings is especially bad. Of the 35 farmers

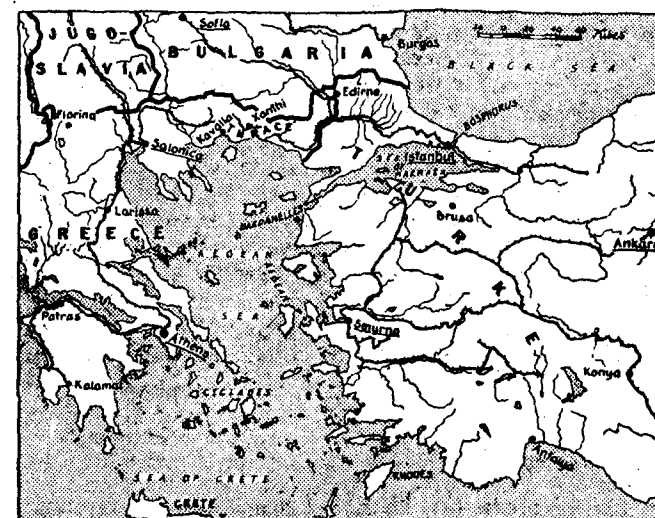
in the area, 27 occupy between them no less than 93 separate parcels of land. One farm is in nineteen scattered pieces. The farms are not especially large. There are also 47 separate owners in the area, and some farms have three or four landlords.

The Commission is sure that bad layouts are a principal cause of the poor standard of farming in the area. Difficulties of access impede a balanced rotation of crops, since the nearer fields tend to be overworked while the more isolated parts of the farm are neglected. In the same way, difficulties over the movement of stock prevent the building up of attested herds. Fencing and ditching are unnecessarily costly, and improvement schemes necessitate a higher degree of co-operation than can usually be obtained. Both the quantity and the quality of farm production suffer. The reorganisation of farm units is, however, complex and difficult. The best way would be to consolidate the disjointed pattern of ownership, but this is not effectively within the Commission's powers. Its scheme provides instead for a limited exchange and transfer of farm tenancies—in itself, a hard enough matter to arrange equitably. Its proposals have been modified in the light of strong local opposition, but even so it seems doubtful whether they command the "substantial degree of support among interests affected" which, in the Commission's own view, is necessary to the success of a scheme of this sort.

The Government's action in dropping the scheme is not surprising. Presumably no more schemes will be prepared under the Act, since the same difficulties would arise elsewhere. But the problem, which relates in some measure to the greater part of the country, is too important to be shelved. Since existing owners in any area will not agree to pool their rights, it might be best to empower the Commission itself to acquire an appropriate area of land and reorganise the layouts of the individual farms within it. An experiment on these lines, besides its direct benefits, would make it easier to weigh the gains and drawbacks of action on a larger scale.

A Command for the Straits

Frankness should not be out of place among Atlantic allies; so it may as well be said bluntly that a way has now been found of placing the armies of Greece and Turkey under Nato command, without assigning them to the Italian General Frattini. The latter will continue to command



allied land forces in Southern Europe, and an American general will command the Greek and Turkish forces from a south-eastern headquarters. He will have an international staff and the support of a tactical air force. The chain of command extends upwards from this headquarters to General Ridgway via Admiral Carney, whose empire as allied com-

mander-in-chief in Southern Europe is now established as far as the shores of the Caspian Sea.

The change draws attention to the way in which Nato, since Greece and Turkey joined it, has moved steadily closer to the Middle East. Indeed, the revised North Atlantic Treaty could be read as giving General Ridgway responsibility for defending the islands of the Eastern Mediterranean; and the statement that the defence of Thrace is the special task of the new headquarters does not alter the fact that Nato is now concerned with protecting the eastern as well as the western shore of the Straits. Clearly, if this flank of the Middle East is to be regarded henceforth as part of southern Europe, the Arabs will have to think again about their refusal to take collaboration with Nato seriously.

Deadlock on Admirals

On the sea command in the Mediterranean the deadlock between American and British views remains. Hitherto it has been easy to say that if either side gave way there would be uproar either in the American Navy or in the House of Commons—and some people think the former more important. Now it looks as if a substantial part of the British case has been conceded. The Americans, by agreeing to the new south-eastern headquarters, have admitted that Mediterranean defence east of Italy cannot be directly controlled from Paris and Naples; and it was argued by the British that strategy in the Mediterranean involved the Middle East and Commonwealth as much as it concerned Western Europe. They suggested quite reasonably that Admiral Carney, General Ridgway's commander-in-chief in Southern Europe, had too much on his plate to give proper attention to the multiple naval problems of Mediterranean strategy.

Now, however, Admiral Carney's plate is less amply covered. He will push much on to the new south-eastern headquarters; although he still commands American naval forces in the Mediterranean, he has lost the Sixth Fleet to General Ridgway. The time has come to reconsider the British position. Now that Nato has accepted responsibility for the Eastern Mediterranean, there is no logical reason why the Commander-in-Chief Mediterranean Fleet should not accept Nato responsibility under an American Commander-in-Chief Allied Forces if it were offered. If Admiral Mountbatten became commander of allied naval forces, Southern Europe, Mr Churchill would be accepting with good grace the obvious fact—that Southern Europe wants an American at the top. The Americans' *quid pro quo* would be to admit that from time to time their ships might come, as part of allied forces, under a British officer—or rather under an international commander who is British. It has happened in Korea and it will happen in forthcoming manoeuvres.

Crops Across the Curtain

So far this summer Nature seems to be on the side of the West. While reports come in of a bumper crop in France and Italy, of good harvests in the United States and Canada, there are indications that conditions in the Soviet Union have been unfavourable. Because of a cold spring, sowing started late and had to be done rapidly. The first half of May was then dry over most of the country, and in central Russia there was a lack of moisture up to the end of June. Heavy rains in the Ukraine are now reported, but excessive rainfall has apparently damaged crops in parts of that republic.

The Soviet authorities say that improved techniques, deep sowing and quick gathering with the aid of combine-harvesters will make up for the bad weather; but it does not seem rash to assume that this year's yield will be not much greater than that of last year, when drought in Siberia and the Volga region reduced the crop. In 1951 grain

* Yetminster Farm Boundary Report. HMSO. 10s. 6d.

production (on a standing crop basis) was about 120 million tons, or over 4 million tons less than in the two previous years. By 1949, production had recovered from the great ravages of war, but since then the vagaries of Nature—among other factors—have prevented further expansion. Grain production has failed to reach the goal of 127 million tons set for 1950 in the Five-Year Plan; and it is still some 12 million tons short of the figure set for 1942 in the last prewar plan. Indeed, it is scarcely greater than the actual crops gathered in the years immediately before the war.

In the latest issue of *News*, the English-language magazine produced in Moscow, *The Economist* is taken to task for pointing out the striking fact that there is a vast gap between the great achievement of Soviet industry and the lag in its farm production. A certain Professor V. Kovda quotes figures to show that grain output is now about 60 per cent greater than before the revolution. True enough; but during those 35 years population has increased by about half, the output of coal rose tenfold, of steel sevenfold, of electricity fiftyfold. Can Mr Kovda really be a professor of economics?

Malan versus Parliament

There can seldom have been a more tragic farce in a land with a tradition of British democratic procedure than the first meeting this week of the Judicial Committee of the new South Africa High Court of Parliament. Set up by Dr Malan's Nationalist government in the session of the Union Parliament which is just over, this organ of the new "High Court" has been hearing the prime minister's application for a review of the unanimous verdict, given by the properly constituted Appeal Court, that the Separate Representation of Voters' Act is invalid. All independent observers outside the influence of South African politics maintain that if the Appeal Court rules the Act invalid, then it is invalid. It seems equally clear that the establishment of a High Court of Parliament by less than a two-thirds parliamentary majority is *ultra vires* and, therefore, also invalid.

Only the six Nationalist members of the ten-man committee took their seats. Even the government can hardly have expected the four members of the opposition whom it appointed to join in advising parliament to overrule their own support of the Appeal Court. Although this is at present still a constitutional fight, it is no mere battle of words. The opposition in South Africa feels that it is fighting for its own future existence.

The bitterness of the struggle over the coming months and its effect on other parts of Africa, raise the question of what can be done by those outside the Union who understand what is at stake. Dr Malan and his followers should be persistently reminded of how strongly his policies are resented and opposed in the rest of the world; but nothing but harm can come from outsiders claiming that there is a right to interfere officially. The protest organised in London last week, for instance, by the Union of Democratic Control and signed by 115 members of the British Parliament, was provocative and ill-advised. Dr Malan will use it to prove his thesis that the South African opposition is a tool of the British and to rally support for the government against outside interference.

Censorship for Comics?

The addiction of British schoolchildren to American-style "comics" is, in the opinion of Sir Hugh Lucas-Tooth, Parliamentary Under-Secretary at the Home Office, a matter to be dealt with by parents and not by official intervention. Answering a question in Parliament last week, he explained that any action by the Government would effectively amount to censorship, which would be "unacceptable" to public opinion in this country. The argument is a powerful one,

though it is hard to draw a firm logical line between a crudely printed series of "stills" and a moving picture, censorship of which is accepted virtually without cavil. Certainly few of these "comics," translated into terms of celluloid, would rate a "U" certificate; and a good many would undoubtedly qualify for an "H."

It is indeed just possible for a particularly alert, conscientious and persuasive parent effectively to follow Sir Hugh's naïvely confident advice to "discourage children from reading these magazines and direct their attention to more suitable reading matter." Most, however, give up the unequal struggle—leaving the occasional nonconformist to suffer all the odium attaching to priggishness and tyranny. How much harm is in fact done to the minds and morals of children by continuous exposure to this mephitic tripe is at present a matter of conjecture, though teachers, juvenile court magistrates and, incidentally, the governments of Canada, New Zealand and Sweden have their own ideas. Certainly there is a wide difference between the traditional British comics, which are merely trivial, and the juvenile No Orchids imported from, or modelled on, those sources of which America has the unenviable monopoly. The former, like their blameless counterparts in book form, resemble the cheap sweets and sherbets whose main drawback is that they kill the appetite for real food; the latter can better be compared to actively noxious drugs.

Or can they? There is scope for objective inquiry. Were it established that their effect is in fact serious, legal action should (again on the film analogy) be possible short of illiberality; it should not be beyond the ingenuity of legislators to provide that certain classes of illustrated literature, like tobacco, alcohol, and the privilege of seeing certain classes of film, should be saleable only to customers over a minimum age. Parents could then safely be left with the more manageable task of stopping leaks at their own discretion.

Webster's Dictionary

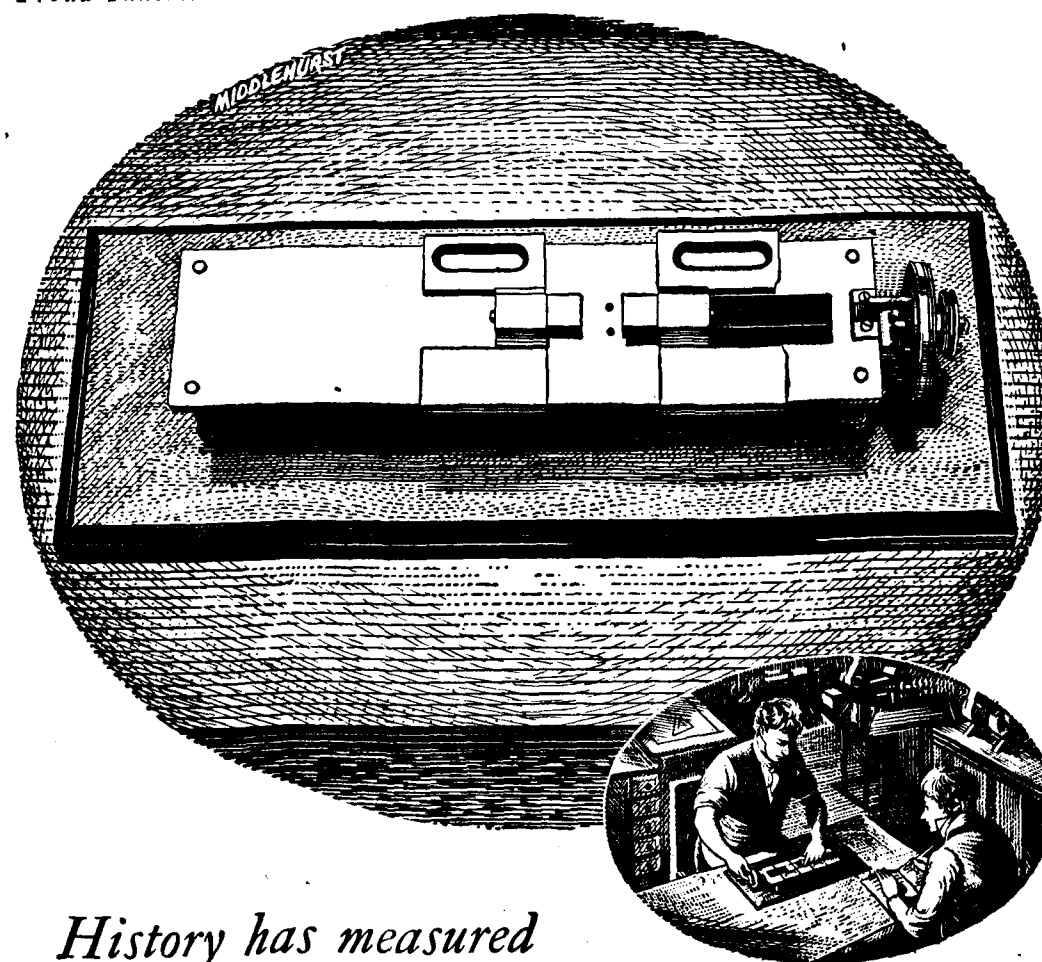
A Dictionary of the English Language, &c. By Noah Webster, LL.D. Revised and Enlarged by Chauncey A. Goderich. Office of the Illustrated London Library, Strand.

Though Noah Webster is very fiercely attacked by some English philologists, his dictionary, improved by the introduction of all kinds of modern words, scientific, technical, and popular, and abridged by the Professor at Yale college, is so much superior to Walker's, or any common pronouncing English dictionary, that this edition of it must be most acceptable to the English public. There is no permanent dictionary maker now amongst us (except some gentlemen who have compiled technical dictionaries, or dictionaries of particular subjects), and accordingly our general dictionaries, almost unimproved for more than half a century, remain much behind the wants of the age. It is probable that in this half century as many words have been added to the language as before existed in it; and though the greater part of these may not be common to all, there are no readers who do not occasionally get puzzled by an unknown or a hard word, of which they would like to have, but cannot get, the meaning explained. Than a good English dictionary, including all words now in use, we know of no book more generally wanted. As the present work, in addition to other improvements, contains a vocabulary of modern geographical names, with their pronunciation, and as it has served the American public, it is very likely to serve the English public, at least till our great publishers and lexicographers provide us a better.

The Economist

July 24, 1952

Proud Inheritance



History has measured his genius with accuracy....

Of the private life of Henry Maudslay only a little is known, but of his engineering genius historians can tell us much—since his passion for accuracy and perfection of finish led him to introduce many developments in manufacturing technique which have since become common-places of precision engineering. The first slide-rest and the screw-cutting lathe were his inventions, as were the punching and shearing machines and the table type of steam engine; and in 1805 his constant search for accuracy led him to produce the earliest micrometer, nicknamed by him "the Lord Chancellor". Now preserved in the Science Museum, South Kensington, it was officially tested in 1918 and found to possess a quite extraordinary degree of

accuracy considering the date of its construction. Maudslay knew that without the machine real accuracy was impossible... but he also knew that fine machines were useless without fine craftsmanship. Were he alive today he would have thrilled to see the combination of both in the modern Maudslay plant in Warwickshire which bears his name: and the engineering precision and finish of the heavy commercial vehicles produced there would satisfy even his meticulous standards.



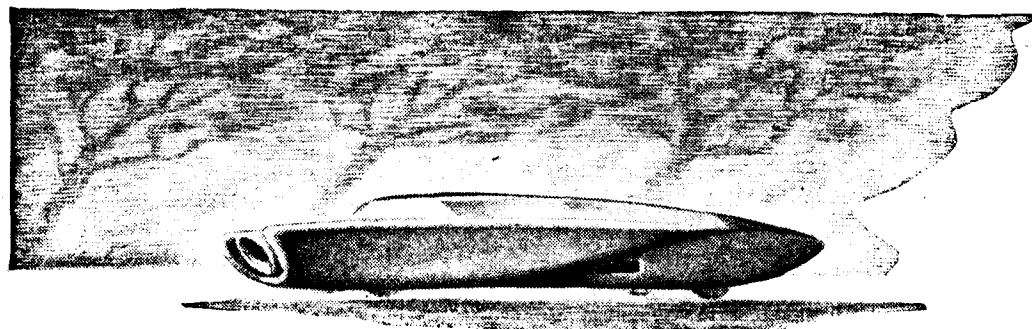
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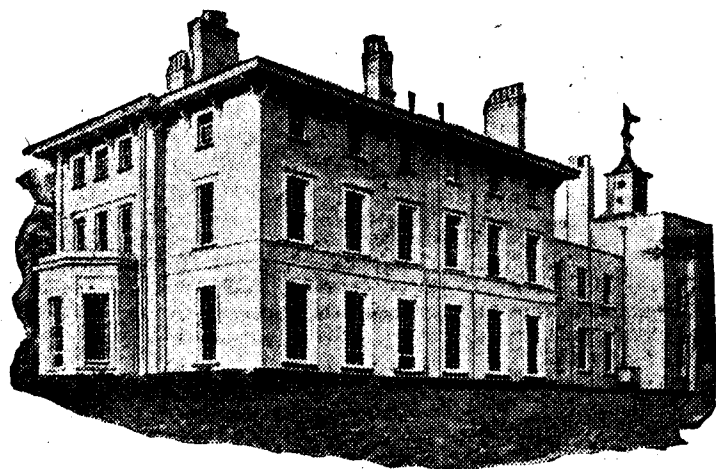
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Letters to the Editor

Canada's New Horizons

Sir,—Your article in your issue of July 5th had a note of sadness that this country was not participating more in the Canadian boom. Yet there is one way in which it might gain, and that is by sending more of its young people to get their share of the engineering and other technical jobs that are going to be increasingly available. Largely with this in mind, the Canadian British Education Committee was founded in London to try to smooth the path for those boys and girls from this country who wished to enter Canadian life via a Canadian university. This is the best and surest way of preparing for a successful career in Canadian industry.

We have removed the currency and other obstacles thanks largely to the great understanding and sympathy of the British Government who 15 months ago granted us a quota of 100 students per year. These would be allowed to exchange sufficient pounds into Canadian dollars to pay for their Canadian expenses. The Canadian universities also agreed to keep sufficient places available in spite of overcrowding and in spite of the fact that a student pays only a minor portion of the cost of his education, the rest being met by Canadian provincial government aid or through university endowments. No restrictions were made by either side about the future residence of the students, they could either stay in Canada or return home. In either case they are almost certain to be a factor in improving the economic and other relations between Canada and this country.

Yet so far our results have been most disappointing. Last year only 22 students took advantage of the scheme and this year there will be about 26. I wonder if parents in this country realise Canada's wonderful opportunities.

More disappointing still has been my experience with a small bursary scheme. The president of one of the largest Canadian mining groups and I founded at our own expense what we termed "Self-Help" bursaries for 10 students in mining and geology. The first year we propose to give money and after that to guarantee the student summer work in a gold or base metal mine or a job with a field geological party. Not merely should he be able to clear at least \$500 towards his winter's university expenses but he will get practical experience and make valuable contacts which might result in a good position after graduation. We had, however, great difficulty in bringing this scheme to the notice of potential candidates. Perhaps the title "Self-Help" frightened them, although self-help is the basis of Canada's prosperity in which they are being offered a share.—Yours faithfully,

H. H. HEMMING

The Canadian British Education
Committee, 62, Trafalgar Square,
W.C.2

Coercing the Farmers

Sir,—May I, on behalf of this association, wholeheartedly support your concern that the threats to the traditional liberties of person and property implicit in our present agricultural policy should arouse so little anger? The Government's policy derives from a fundamentally false premise which is at the root of many of our economic problems today.

We have not yet succeeded in throwing off the memory of our wartime economy. In wartime we have to produce as much food as possible from our own soil, whatever it may cost, because it is physically impossible to get it from elsewhere. But when war is over we must, if we are to compete in world markets, grow as much food as it pays us to grow and not one ounce more. It is absurd to imagine that we can permanently compete with other industrial countries if their people have access to the cheapest food supplies while we have not.

Capital and labour are limited. If more of each is devoted to food growing, less is available for the production of other things, such as exports. Furthermore, the greater the amount of capital and labour that require to be applied to land in order to produce food, the dearer that food will be. Then everything else will be dearer than it need be because the cost of food is by far the greatest part of the cost of everything else. If our exports are dearer than they need be, we shall earn less foreign currency with which to buy food and raw materials from abroad. We shall then have to produce more at home, and the whole vicious but diminishing circle will start again. The truth of this paradox is that the more food we grow at home, the less we have to eat.

Many people are disturbed at the way farm land is being taken from farmers and used for other purposes. But hundreds of times more food is produced by the earnings of Lord Nuffield's factories than any farmer could grow out of the land he occupies. The speed at which the use of land has changed has been the measurement of the growth of our wealth and power, not of our decline. A far more insidious danger is the taking of farm land from one farmer in order to give it to another. That is the result of agricultural policies which are based on the fallacy that we have to produce as much food as possible at home. Under the Agriculture Act, 1947, the Minister has the arbitrary right, under Sections 84 and 85, for instance, to deprive a farmer or smallholder of his right to occupy his own land on the grounds that for one reason or another he is not, in the opinion of the Minister, making "full and efficient use of it for agriculture." The dispossessed man has no right of appeal to any court of law. Needless to say, the tendency is for the little men to be

dispossessed and for their land to be given to bigger men. It is for the purpose of protecting small farmers and smallholders against the arbitrary decisions of Ministers that this association has been formed.—Yours faithfully,

OLIVER SMEDLEY

Farmholders and Smallholders
Association, W.I.

Gains for the Dutch Labour Party

Sir,—Professor Duynstee of Nijmegen clarifies a few points about a group in the Dutch Catholic People's Party, led by himself. While grateful for the clarifications, one may, however, doubt a few of his points. Professor Duynstee says his group had "no political aspirations whatsoever." I presume he means to say no aspirations for office or parliamentary representation; the latter, however, is not strictly true, as one of his group got a seat in the first chamber, presumably not unconnected with the group's action. Whether this activity will not bring one of them a place in the cabinet remains to be seen. But political aspirations may mean influence, power in the general sense of the word, as well as "jobs for the boys." All the activity of Professor Duynstees group was intended to get more influence in the Catholic People's Party, and the negotiations he refers to were mainly about that point.

Professor Duynstee says he does not know what "integralist" means. I will not embarrass readers of *The Economist* with theological abstractions, but for those eager to know a glance at the dictionary will be sufficient.

It is entirely up to Professor Duynstee to give his business friends (or former business friends) other names than "reactionary," but it is evident from their demands, and from the violent reaction they inspired in the Catholic trade union leaders, which way their sympathies went.—Yours faithfully,

YOUR CORRESPONDENT

The Hague

Europe in a Hurry

Sir,—Those of us who publicly advocate support of federation in Europe are often met with opposition which seems grounded in emotion rather than objective reasoning. It is well to remember how the opponents of federation think, and perhaps I may take two examples. (1) It is alleged that the federal idea would not work and that the Continent should be discouraged from adopting it. This piece of gratuitous advice is contrary to the evidence of history, and it is hard to see how federation could be worse than the present system of international "co-operation" which has failed to prevent us spending 20 per cent of the first half of this century in world war.

(2) Seldom explicit, but often behind arguments against federation, whether including Britain or not, is the postwar "little Englander" defeatist isolationism, coupled with the fear that, keeping ourselves out of European "entanglements," we may find ourselves dwarfed not only by the United States but also by a united Western Europe. We are apt to talk of continentals as defeatists and of the Americans as isolationists, but we have our own share of both; it looks as if it is our own small-mindedness which led us to what appears to have been the official belief, namely that the Europeans would never accept the temporary sacrifices necessary to establish a federation and secure the long-term benefits springing from it. Incidentally, contrary to what you imply in your article in your issue of July 12th, a reduction in the parliamentary authority of the people will not be among these sacrifices; certain functions, at present nominally controlled through national parliaments but in reality in the hands of international committees whose democratic responsibility is hard to trace, will be transferred to a supra-national parliament—the people will lose nothing of their sovereignty, though the authority of the national governments will be curtailed.

Finally, let us be frank in admitting that the argument in the last resort against federation, that we must be free to do as we choose in the case of a conflict of interest with our international partners, exalts to the status of a national creed what is, in this interdependent

world, nothing better than piracy. Not until the pirates accept or are subject to law shall we be sure of peace.—Yours faithfully, MARTIN MADDAN

West Malling

On the Atlantic Community

Sir,—You infer that the terms of reference of existing organisations have prevented them, and still prevent them, from pursuing the objects of the Friends of Atlantic Union. But in fact Federal Union—within the limits of its finances—has advocated the development of the Atlantic-Commonwealth community since its inception in 1938. In 1951, and again this year, it passed resolutions stating that it would "welcome the formation of a federation embracing a federated Europe, the United States of America and those countries of the British Commonwealth willing and eligible to join." The resolution continued, "Such a federation so formed must be open to all nations to join as soon as they can conform to the requirements of the federation."

Secondly, you infer that Federal Union is among the voluntary bodies which have "objected" to the setting up of the Friends of Atlantic Union. Presumably this is a reference to our letter which appeared in *The Times* on July 17th. But in fact we welcomed the debut of the Friends of Atlantic Union; you misinterpret our letter.

The Friends of Atlantic Union have

a particular field of study, which we consider will be in the forefront of international affairs for some years to come. If, as we believe, they are to be an organisation concerned largely with research, then their efforts should receive every encouragement. But in the meantime there is, as witnessed by the letter of the United Nations Association to *The Times*, a real need for a meeting between members of that association's executive and of our own, of the Friends of Atlantic Union and the United Europe Movement, in order to secure a better understanding and sense of perspective in the relations of the four bodies. It was the idea of such a meeting that inspired our letter to *The Times* and not, as you would appear to suggest, a desire to "object" to the setting up of a new organisation.—Yours faithfully,

E. DOUGLAS ROBINSON

Federal Union, W.C.2

Cheaper Jute

Sir,—I think the concluding three words of your note of July 5, 1952, "an unhealthy surplus," are somewhat misleading. The surplus can be regarded as "unhealthy" only from the Pakistan Government's point of view, whilst for the world at large it can only be welcomed as a means of bringing about lower prices for this essential packing material, to the benefit of all concerned. Yours faithfully,

WILLIAM G. CLASEN

Hamburg

Books and Publications

Atomic Aristocrats

The Traitors: The Double Life of Fuchs, Pontecorvo and Nunn May. By Alan Moorehead. Hamish Hamilton. 222 pages. 12s. 6d.

To understand everything about these unhappy men is not to pardon everything, even though Mr Moorehead seems at times to be pleading that it was the state of Europe in the thirties that led each of them into the sin of pride. On the contrary, as one comes to the end of this sordid and puzzling story of deceit and arrogance, it is the remarks of the British judges that stick in the memory. "I think you acted with degradation," said Mr Justice Oliver to Nunn May. "You betrayed the hospitality and protection given to you by the grossest treachery," said Lord Goddard to Fuchs. The young German Communist who arrived in a Quaker household in 1933, "white-faced, half-starved, with a bundle of dirty linen" was earning fifteen years later £1,800 a year as one of Harwell's most trusted physicists. A strange character in any age: mighty drinker, chain smoker, good mountaineer, "paragon of thoughtfulness," first-class chairman of a dull committee. When he boasts that he had achieved "a controlled schizophrenia," he is being very German and very modern. One feels he sometimes said

to himself, "I am crooked in a very interesting sort of way." Pontecorvo, on the other hand, seems to have been merely restless; it is not certain he was a spy.

This is a book of great interest because it gives the fullest available account of Fuchs—the only character of the three that really matters—and because it throws some light on the security problems created by refugees. When men like Fuchs came to England, Germany was the enemy and Russia the ally. In September, 1945, when Nunn May was returning to England with a line established to the Soviet Director of Intelligence, when Fuchs was handing over details of the bomb to the Russians, and when Pontecorvo was working at Chalk River—then the Russians were already the enemy. That fact, so reluctantly admitted in Downing Street, was first made perfectly clear by the Gouzenko disclosures in Canada.

For security to switch the emphasis was not easy; and on the evidence in this book they were very unlucky over Fuchs. Three years before he was

caught he was watched carefully for weeks; but they happened to be the weeks when he was "dormant." The eventual clue came from America and from the strain of the deceit on the deceiver. How Mr Skardon decontrolled the schizophrenia is a fascinating episode. By 1949 Fuchs had become a keen Harwellian. "Had there been Harwell colours and a school tie," writes Mr Moorehead, "Fuchs would have worn them."

The author does not sound too comfortable in his job of interpreting the minds of these atomic aristocrats. Sometimes he has an honest-to-God way of calling them rascals; sometimes psychology and the *Zeitgeist* play their part in some rather jejune judgments. The crack about the new ethics getting joined up with the new physics does not quite come off. The physics are new in the sense that they give enormous power to individuals in laboratories; but the ethics are not new, nor are the temptations facing the atomic physicist. There were during the war many hundreds of people who could have lost it by thinking it their duty to pass on official information. It will be a pity if discussion of this provocative book makes people lose sight of one simple fact: that those who

promise not to give away secrets and then do so are dishonourable. If the secrets are big enough the offence will be called treason; and it is right that Mr Moorehead should have called his book "The Traitors." There are those who would have called it "Victims of Hitler" or "They Lied for Humanity."

Slandorous Pinpricks

Ordeal by Slander. By Owen Lattimore. MacGibbon and Kee. 236 pages. 13s. 6d.

This book was written in a hurry by a bewildered and angry man, but it is none the worse for that. It is the account of what happened to Professor Owen Lattimore and his family during the few weeks between March 13, 1950—the day on which Senator McCarthy first called him a "pro-Communist" adviser to the State Department—and May 2nd of the same year, when the Senate Subcommittee under the chairmanship of Senator Tydings heard Mr Lattimore's last testimony and questioned him for the last time. And it concludes with two chapters in which the victim discusses his ordeal and tries to warn his fellow-countrymen that "it might be you." Had he known what was in store for him, he might have said "It might be me again."

Indeed, in view of what has happened to him since the book was written, Mr Lattimore would have been better advised to call it "Slandorous Pinpricks" and reserved the word "ordeal" for the next instalment of his persecution. In the last few months he has learned that even the State Department, to which he was supposed to be a "pro-Communist" adviser, is prepared to sacrifice him, and, on the flimsiest evidence, put his name on a list of people not allowed to leave the country. And he has also discovered that Senator McCarran is a far more subtle, experienced and dangerous—because more "respectable"—inquisitor than the barbarian McCarthy.

Nobody knows yet whether he will escape from his encounter with the McCarran Committee unscathed. It has recently recommended that the Department of Justice should submit to a grand jury the question of whether he "testified falsely . . . with reference to at least five separate matters." To anyone who has watched the manner in which this committee conducts its business, it is a tribute to any witness to admit that he has only been tricked into five errors, but it is also an unfortunate fact that nobody who is tried in the United States—and it is by no means certain that Mr Lattimore will ever come to trial—on any charge which suggests, however remotely, disloyalty can expect at this moment to have a fair trial.

Mr Lattimore was in Afghanistan on a mission for the United Nations when Senator McCarthy made his first accusation. And, as he took no notice of the cables he got about it, but went on with his work, he was also there a few days later when the charge was changed to "top espionage agent in this country."

His wife, therefore, had to bear the brunt of the early publicity alone, and she contributes one chapter to fill the gap in the story before her husband got back to the United States. In that chapter she puts her finger on one of the most curious aspects of the case. It is unlike Mr McCarthy to begin with a comparatively mild accusation if he is going to proceed to a more serious one. His technique calls for hitting with everything at once. So she admits that she never connected the advance publicity on the second charge—in which the Senator described his anonymous "top espionage agent" as the "former boss of Alger Hiss" in a spy ring in the State Department—with her husband, partly because the description did not fit him.

She was probably perfectly right not to do so. The best evidence is that Mr Lattimore was, in fact, a last minute substitute, which would account for his earlier mention in a minor role. The "former boss of Alger Hiss"—and that is something Mr Lattimore never was—was going to be an entirely new, and much more sensational, name. It has never been clear why the Senator switched victims at the last moment. It may have been because the China Lobby moved in to run his campaign at that moment and persuaded him to turn his guns on their favourite target.

This short book only tells the beginning of the story, but its account of the hearings before the Senate Committee, and of the discomfiture of the comic villain, Senator Hickenlooper, is excellent. At the end there is a suggestion that virtue is triumphant, but Mr Lattimore was not to know that his victorious spring campaign in 1950 was not the end but rather the first instalment of a serial—and a serial which has made many Americans wonder where their country is heading to. There is something ironical in the situation of a country which has fought to rid itself of the privileges of a king and finds itself saddled instead with the unlimited immunity of 531 princelings.

Artistic Empire

Duveen. By S. N. Behrman. Hamish Hamilton. 210 pages. 12s. 6d.

The basis of Joseph Duveen's imperial career as an art dealer was a simple one. He convinced American millionaires that the ideal "buy" for a man of wealth was a work of art. His favourite sales argument to a prospective client was: "Do you realise that the only thing you can spend a hundred thousand dollars on without incurring an obligation to spend a great deal more for its upkeep is a picture? Once you've bought it, it costs you only a few hundred dollars every 15 years for cleaning." Although they paid through the nose for their acquisitions, the millionaires were nevertheless persuaded that by accepting the Duveen doctrine, they were economising on the running costs of their possessions. The other allurements which Duveen spread before them was, of course, that each

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great picture he sold represented a monopoly which a wealthy man could vaunt before his rivals. And, finally, since many of his customers were ageing men in poor health, Duveen gave them the reassuring hope that, through their great collections, their names would survive their deaths.

Whatever one may think of the morality of these motives, they have secured for America a high proportion of Europe's best pictures, and created such celebrated institutions as the National Gallery in Washington. How much Duveen really knew about pictures is doubtful, but he had the wisdom to enrol as his adviser, Bernard Berenson, the most authoritative and scrupulous of art experts. Thus fortified, so to speak, on his lines of communication, Duveen practised a wide variety of tactical manoeuvres on his clients. Sometimes he stormed them, sometimes he stalked them, but in the end he sold them the world's great pictures at unheard-of prices. Moreover, if a "Duveen" came back on the market he bought it (at a higher figure, if necessary) for the crux of his business was to maintain the fantastic commercial values he had created for the Old Masters.

The Duveen epoch is over, and the conditions for the further exploitation of its economic doctrine no longer exist. While it lasted it filled America with many of the world's best treasures, muddled up artistic with commercial values, and produced, in Duveen himself, one of the most vivid personalities of this century. Mr Behrman's ebullient biography of this legendary figure is also, although it was not intended as such, a social document of great significance.

Seed Without Fruit

Essai sur la Nature du Commerce en général. By Richard Cantillon. Institut National D'Etudes Demographiques. 192 pages. 750 frs. (950 frs. bound).

Richard Cantillon died in 1734 at the age of thirty-seven, victim of a burglar who, after murdering him in his bed, set his house on fire. Of his works, the by-product of a brilliant if somewhat scandalous career in the speculation-crazy Paris of John Law, there survived only the "*Essai sur la Nature du Commerce en général*," which remained unpublished for some thirty years and was at first only uncertainly attributed to its author. Overshadowed first by the Physiocrats and then by the British classics, it has roused ever since only an intermittent interest as a curiosity of the history of economics; it has left no descendants and no perceptible mark on the advance of economic science.

Reading it today in this beautifully edited and attractively produced volume, one is astonished at this lack of repercussions. For the "*Essai*" is unique. It is the work of a man who, accepting without question the political assumptions of mercantilism, of the permanent cold war between all nations, nevertheless fully recognises the power of purely economic forces, of the interaction of basic physical data and the self-interest

of individuals to override and nullify the efforts of politicians. His theory is, indeed, primitive; all is white and black; as one of his editors acutely remarks, one no more looks in the "*Essai*" for a recognition of the marginal principle than for perspective in a masterpiece of Giotto. His basic economic entity is an awkward intrinsic value made up of land-and-labour, which debar him from the heroic simplifications of the classics and imposes on his argument all the disadvantages of a sort of intellectual bimetalism. Like Quesnay, he is obsessed with the notion of economic circuits, with the tracing of particular flows of money and goods—a task which even the econometrists of today, with all the tools of modern statistics and method ready to hand, are only beginning to find practicable. Occasionally, too, he commits actual and glaring faults of logic.

The "*Essai*" is, however, full of acute observation and of highly seminal ideas. There are passages, dealing with the relation between the balance of payments, the quantity of money, the volume of unemployment and the standard of living, which might be applied almost unchanged to the world of today; here, a lifelike theoretical description of the Australian crisis, there, a sage critique of cheap money policy as pursued by a Central Bank in collaboration with a Chancellor, elsewhere again an emphasis on the necessity—and difficulty—of deciding whether the state of the economy calls for more or for less effective purchasing power. Cantillon no more believed in the beneficence of the Hidden Hand than in the mutual benefits of international trade. He was an interventionist in principle. He did, however, realise what intervention was up against. But for the accident of his early death, he might, like Ricardo, have turned entirely from business to theory; he might have corresponded with and met Adam Smith; he might have influenced the whole development of classical economics and hence the intellectual climate to the nineteenth century. Or again, of course, he might not; but one cannot read the "*Essai*" without such vain but fascinating speculations.

Emigrants From India

Indians Overseas, 1838-1949. By C. Kondapi. Oxford University Press for the Indian Council of World Affairs. 558 pages. 35s.

This bulky work collects much information of value and interest to all concerned with the prosperity of the Commonwealth in the east. After an introduction sketching the history and nature of Indian emigration, Mr Kondapi considers in detail the conditions which have greeted the emigrants in the countries of reception. Chapters are devoted to educational facilities, labour legislation and welfare, and the peculiar problems of wartime. (Some may raise an eyebrow at the statements on page 178 about the Indian National Army.) Then follows the longest chapter (over 200 pages) significantly entitled "Disabilities." It reviews, occa-

sionally in rather tiresome and petulant language, the restrictions on entry and residence, the occupation of land, the right to trade and work, and social intercourse which face the Indian immigrant in varying degrees throughout the world, but particularly in Africa. It is a melancholy story, but the author preserves on the whole a detached viewpoint, though he clearly has great difficulty in understanding the reasons moving any community to hasty measures of self-protection when faced with an influx of cheap labour of a different race.

After chapters on the political status of Indians overseas and the machinery available for their protection, there are suggestions for the future. Although a menacing tone is noticeable in places ("The colour bar has today become an economic weapon in the hands of the whites and their governments") the recommendations are in general sane and practicable. Mixed marriages are approved because they are a unifying factor and prevent Indians becoming a separate entity in their new community.

Shorter Notices

Schumpeter: Social Scientist. Edited by Seymour Harris. Harvard University Press. (London: Geoffrey Cumberlege.) 124 pages. 25s.

Wesley Clair Mitchell, The Economic Scientist. Edited by A. F. Burns. National Bureau of Economic Research. 387 pages. \$4.00.

The predominantly transatlantic habit of inviting the colleagues and relations of eminent men, lately deceased, to contribute matter to a memorial volume is a pleasant one and, moreover, likely to make easier the task of future historians anxious to assess the quality and human background of another generation's leading minds. It does not, however, result in the production of books susceptible to the ordinary processes of reviewing. The critic is disarmed by the atmosphere of piety; the mere commentator is baffled by the multiplicity of authorship and the inevitable overlapping of "aspects" as tribute succeeds tribute; the fellow-disciple finds that someone has said it all already. Both the symposia under review fulfil the primary purpose of presenting their respective heroes in relation to the thought and the events of their day. That on Wesley Mitchell, biographically the more comprehensive, is of especial interest to those aware of the peculiarly uneasy tension subsisting, within the general discipline of economics, between the empirical and the deductive elements of thought; that on Schumpeter, briefer and from time to time refreshingly astringent, reminds the reader that this pioneer of dynamic analysis was not only a highly original thinker but second only to Keynes as a cause of original thought in others.

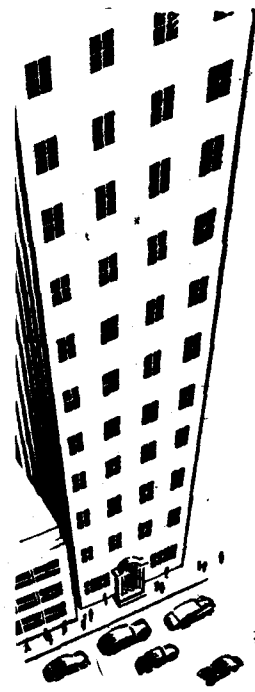
Mr President. By William Hillman. Hutchinson. 196 pages. 21s.

The English edition of President Truman's diaries and private papers, collected by Mr Hillman, has now been published. A review of the American edition, published by Messrs Farrar, Straus and Young, New York, appeared in our issue of April 5, 1952.

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AMERICAN SURVEY

Democratic Discipline

Chicago, July 23.

THE Democrats came to Chicago full of good intentions and determined not to make the same mistakes as the Republicans. They managed to avoid some of them but they also invented new ones of their own, and by the end of the third day of the Democratic convention there seemed to be more than a superficial resemblance between this week's proceedings and those at the Republican convention two weeks ago. There was certainly not much difference between the habits, behaviour and arguments of the disputed delegations from Texas and Mississippi in either party, or between those of either faction within each party, and it was soon clear in the bright northern light of Illinois that all Southerners, except perhaps Maverick Texans, whatever party label they wear, believe themselves eternally persecuted by the North.

The quarrels of this week have been worse organised and the cases of both sides less well presented than in the fight between the Taft and Eisenhower forces. Two weeks ago the struggle was between two wings for control of the party; this week it was an attempt on the part of an undoubted majority of the party to discipline, without losing, a small minority. The actual contest between the two factions in Texas and Mississippi was therefore only incidental; this was proved by the decision of the North to allow the States' Rights Democrats, or Dixiecrats, to be seated, although it could have refused to seat them had it wanted to do so. What was at stake was more important than the factional dispute this year. It was the question of party discipline in the future—or, since the word discipline is unpopular, what was called in Senator Blair Moody's resolution "the great American principle of majority rule."

Nobody has any objection to the Dixiecrats starting their own party if they want to. But there is considerable, and legitimate, objection to their calling their own candidate, whether he is one of their own backs as in 1948 or the official Republican candidate as is threatened this year, the "Democratic" candidate and not permitting the people of their states to have a chance to vote for the choice of the Democratic convention. It was only in those states where the Dixiecrat was on the ballot as the official Democratic candidate that he won four years ago and the Moody resolution is designed to stop this happening in future. And it is at the future that it is aimed more than at this year.

This resolution will become part of the permanent rules of Democratic National Conventions and when the southern delegations arrive in 1956 they will know that, before being allowed to take their seats, they must give an assurance that they will "exert every honourable means available . . . to provide that the nominees of this convention for President and Vice-President . . . appear on the election ballot under the heading, name or designation of the Democratic party." They have been permitted to sign this year with the proviso that they are not required to do anything which contravenes the laws of their state or the instructions of the party organisation in their state. But next time there will be no such proviso and then no southern state which is not prepared to put the official candidate of the national party on

the ballot as a Democrat will be allowed to come to the convention, to try to get its own candidate nominated and then betray the party by refusing to accept the decision of the majority.

Those Northerners who started the move for this resolution were not all, however, motivated by thoughts of the future or by the ideal of party unity. Some at least were hoping to drive the Southerners out of the convention, to make the Democratic party homogeneous and militantly liberal and, incidentally, to make it unnecessary for the convention to turn to Governor Adlai Stevenson of Illinois in order to keep the party together. Had Mr Stevenson not addressed the first session and displayed his quality before their strategy began to work, they might have succeeded. But Monday's speech from a reluctant candidate convinced so many in the North that they had a chance to bind the party instead of splitting it that the militant liberals could not muster enough votes to unseat the Texas and Mississippi delegations. They found themselves driven, probably with prodding by telephone from the White House in Washington, to try to find a compromise which would allow those who maintained they could not sign the assurance to do so.

★

In its present form the resolution has splintered the South and only three states have failed to give the assurance. Alabama, which put the Dixiecrats on the ballot in 1948, has since passed a law making it obligatory to put the official party candidates on it; Florida found it had such a law after one of its Senators had made a vigorous denunciation of the resolution, and Tennessee and North Carolina are no longer sufficiently affected by the southern neurosis to worry. Only Virginia, South Carolina and Louisiana refused to sign, and each has its reasons. That of South Carolina is the corrosive bitterness of Governor Byrnes against President Truman, and his evident desire to hurt the party at all costs, even if it means hurting Mr Stevenson, for whom Mr Byrnes had such admiration when he was with him in the State Department. In the case of Virginia, it is probable that Senator Byrd, the nominally Democratic owner of the state, is trying to find some good excuse for taking it overtly into the Republican ranks where he himself would feel at home.

The position would have been very different had either Mr Averell Harriman or Senator Kefauver appeared likely to win the nomination, and would change again should either do so. In that case the three lone southern states might well be joined by others and there is still no guarantee that even Mr Stevenson would be the official Democratic candidate in the states which have given this year's limited version of the assurance. But if, as began to be accepted even before he had finished his speech, Mr Stevenson is nominated and takes, as expected, a Southerner as the Vice-Presidential

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

candidate, the South would have everything to lose and nothing to gain by forcing a split this year. The Southerners will have four years to think over the future and decide whether the Democratic party is too hot—or too tactless—to hold them.

Tact has much to do with it. Franklin Roosevelt was never popular in the South, and even now the appearance of Mrs Roosevelt on the platform was greeted with southern silence, but he took good care not to go as far as the hot-heads of the North are now prepared to go and he never lost the southern states. Everything known about Mr Stevenson suggests that he would be at least as successful in keeping the party together, and possibly more successful in making the South think that someone loves it. But it may be too late to do anything about the two burrs under the saddle of the Democratic donkey except to let them go anywhere they please. There does not seem to be anywhere much for Governor Byrnes to go, but elephants have thicker hides than donkeys and, since Senator McCarthy causes the Republican elephant no discomfort, it could easily bear Senator Byrd.

Hoppy's Millions

[FROM AN AMERICAN CORRESPONDENT]

AMERICAN advertising and merchandising experts shake their heads in pity and wonderment at the failure of the late Prince Consort to capitalise on his name. Had he charged five per cent of the manufacturer's price for every Prince Albert coat—and better still, had he seen to it that there were also Prince Albert top hats, cravats, gaiters, waistcoats and walking sticks on which to levy an exaction—there is no telling what a tidy fortune might have been built up. Naturally, no one in the United States would miss an opportunity like that today. A good example of how a name is exploited and of what the rewards can be is the case of the western film star, Hopalong Cassidy. Thanks to television, he is a popular hero and therefore a merchandising sensation; his is a name to conjure with, and therefore to sell goods with.

Several million Americans between the ages of three and eleven glue themselves to the family television set once a week to watch Hopalong's inevitable triumph over evil. It follows that they constitute an eager market for about 150 different products used by that age group, ranging from such obvious cowboy accoutrements as boots, shirts, toy pistols and sombreros to such unlikely and un-ranch-like equipment as wallpaper, bicycle horns and bedspreads, all bearing the Hopalong Cassidy name and picture. About a hundred manufacturers are licensed to use the label, on payment of five per cent of the factory price of each item sold. The business amounts to \$20 million a year at wholesale, twice that much at retail, and thus brings the Hopalong Cassidy Enterprises about \$1 million a year.

The roots of this commercial triumph go back to 1935 when, after a successful career of heart-throbbing roles in silent films, an actor, Mr William Boyd, was beset by a run of bad luck. Penniless and jobless, he jumped at a chance to play in a series of western, or horse opera, films, even though he could stay on the back of a horse only with great difficulty. The central character of some 66 of these films produced in the following eight years was Hopalong Cassidy, portrayed by Mr Boyd as a figure of western sartorial elegance and as clean-living as the schoolmarm or rancher's daughter whom he saved from peril after peril.

After the war, with rare foresight and the expenditure of

nearly \$400,000, Mr Boyd bought up all of the old Hopalong pictures to use on television. When that medium came into its own, his films were an instant success. Youthful devotees of westerns found it much handier and less expensive to view one on a television set than to wheedle 25 cents out of their parents for admission to a neighbourhood cinema.

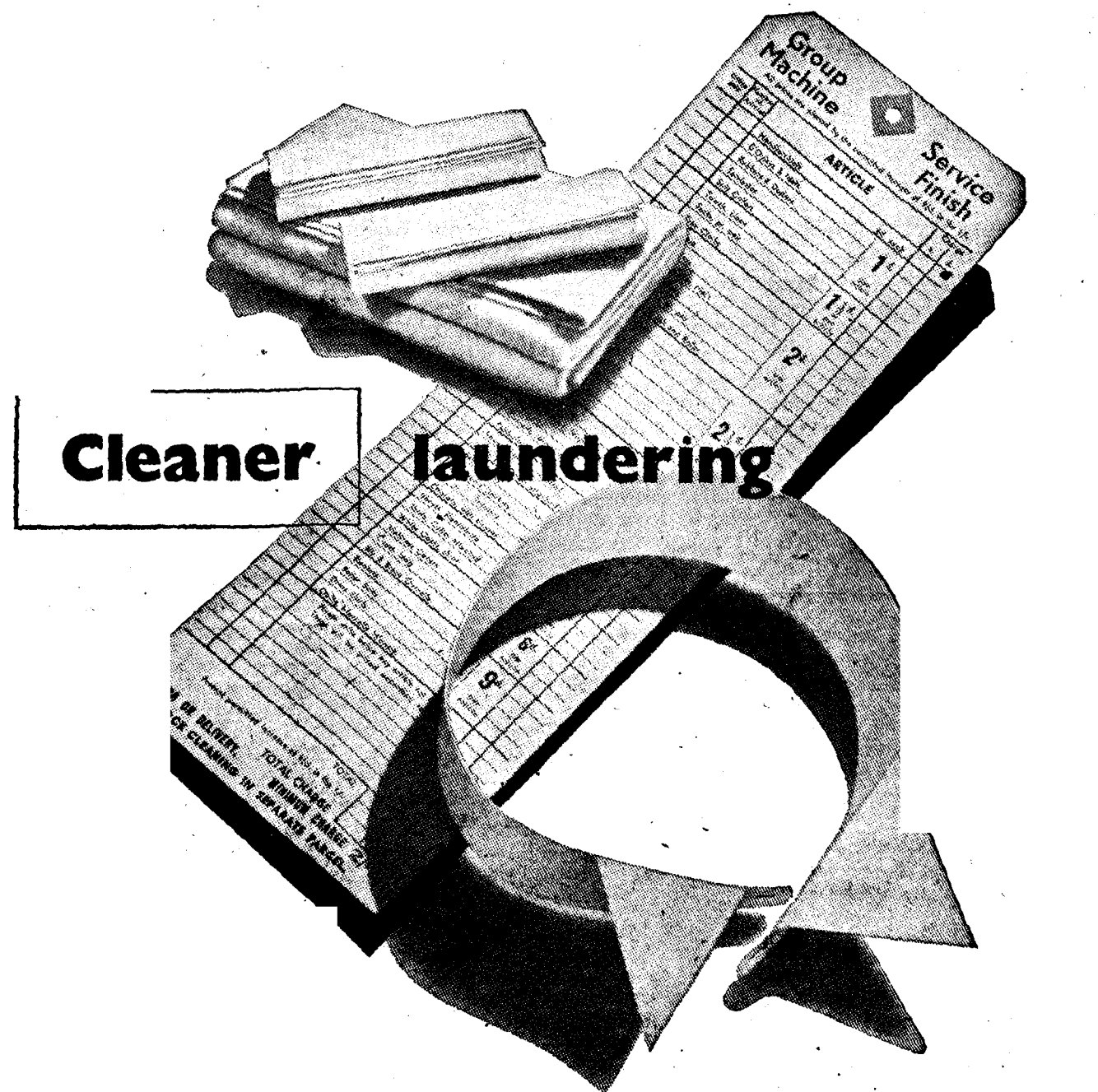
The popularity of the old films with a new audience was such that at one point last year they were being shown simultaneously in 62 of the 63 cities with television stations. This year they are telecast over 49 stations, and negotiations are under way for the filming of a new series, designed exclusively for television. If for any reason these fail, it will not matter; some Hoppy films have already been shown three or four times in the same city and, in Hollywood parlance, audience acceptance remained undiminished. This is not strange because, except for the personal appeal of the actors, one western film is almost indistinguishable from another.

Exposure to Hoppy produced mass adoration, from which it was only a small step to mass emulation. A sales organisation was set up and the boom was on. A measure of the efficacy of Hoppy's cachet in moving goods can be found in the experience of the Rollfast Company, makers of roller skates. It may be argued that a bare minimum of cow-punchers have traversed the Texas plains and the Montana Rockies on skates, but young admirers of Hoppy did not hesitate to buy Rollfast's product, particularly since it was embellished with jewelled ankle-straps and spurs. Rollfast's spring season in 1950 established a new record; an extra shift had to be employed to meet the demand. The company moved at once to make the Hopalong Cassidy bicycle equipped with built-in gun holsters on each side, the saddle trimmed with leather fringe and nailhead studs, and the handlebars shaped like steer horns.

Increases of from 25 to 2,000 per cent in sales were reported by retailers of children's clothing—hats, shirts, boots, trousers, socks, gloves, belts, underwear, pyjamas, cravats, and even cowgirl skirts. Some imitate the western styles; others are simply an ordinary product with a Hopalong Cassidy picture or emblem stamped, printed or embroidered on the cloth. As would have been expected, sales of shooting irons, spurs and pint-size ten-gallon hats boomed; it is more surprising that sales also soared for biscuits, ice cream, candy bars, soap, toothpaste, hair-ribbons and penny banks, provided they carried the Hoppy name. In the past year, the biggest innovation has been the licensing of dairy companies in 14 of the largest metropolitan markets, and two of the world's largest baking companies. The dairies, using the name and picture on milk cartons, report that business has increased from 15 to 20 per cent.

The latest catalogue of the Hopalong Cassidy Enterprises, listing all products using the name, shows such diverse and unexpected items as Hoppy ear muffs, rain sets (hat, coat and gun), bow ties, polo shirts, dressing gowns, bedside lamps, lunch pails, bathroom rugs, fountain pens, greeting cards, games of all varieties, colouring sets, television chairs (to sit in while viewing the Master), window shades, clothes hampers, linoleum, laundry bags, and the Hopalong Cassidy Bath Roundup which "contains a sculptured cake of Topper, Hoppy's famous horse, in pure castile soap, and two large cylinders of Hoppy's favourite bubble bath, pine scented (\$1 retail)."

To calculate Mr Boyd's gross income is difficult, but it is obvious that it runs into a large sum. Besides the estimated \$1 million a year from royalties on sales, he gets \$5,000 a



Shell Chemicals

Shell research has brought a new, improved technique to the laundry. The modern detergents are kind to all fabrics; their efficiency is unaffected by the hardness of water and they deposit no lime scum—a major cause of greying in white materials. Outstanding among these Shell products from petroleum is LENSEX—an all-classification detergent now being used on an ever-increasing

scale in many laundries. Its versatility ranges from the safe washing of delicate fabrics to powerful grease-removing action on mechanics' overalls. LENSEX is also playing an important part in laundry economics, because with all types of laundering—light, heavy, white, coloured—it gives a cleaner wash on less fuel and water, and in less time.



SHELL CHEMICALS LIMITED, Norman House, 105-109 Strand, London, W.C.2

week from a nationwide radio programme, \$1,000 weekly for each film televised in each large city, and an undisclosed amount from the sales of two million comic books every month and from comic strips running in 200 daily newspapers. Much of this, of course, is absorbed by expenses and by royalties paid to the writer of western novels who created the character of Hopalong many years ago. But even more of it goes for taxes, since no depreciation can be charged on the original assets. Mr Boyd's public relations office declares that, despite his large gross income, he has been unable, so far, to recoup his initial outlay of about \$400,000.

Lest British readers smugly believe that their own young are immune to the Hoppy craze and that such a thing could happen only in America, it should be noted that in recent months one-third of all Hoppy's fan mail has come from the United Kingdom, where "penetration" has been confined entirely to theatre showing of the films.

There is some ugly talk that Hoppy is slipping in the United States, giving way to rivals in the shape of Captain Video and other television pioneers of interplanetary travel. Takers of the merchandising pulse report growing sales of toddlers' anti-gravity suits, as well as space helmets for the under twelves. Even lay observers are struck by the fact that when children are seen moving forward in a half-crouch, their fists gripping either a facsimile or imaginary pistol, fewer and fewer say "Bang," and more and more say something resembling the sound which Paris hoardings aver is made by Perrier water. Hoppy's six-shooter, bubble-bathed and pine-scented though it may be, seems to be giving way to the Space Cadet's Atomic Disintegration Ray Gun. This is progress, and a new generation of merchant princes is racing to keep abreast of it.

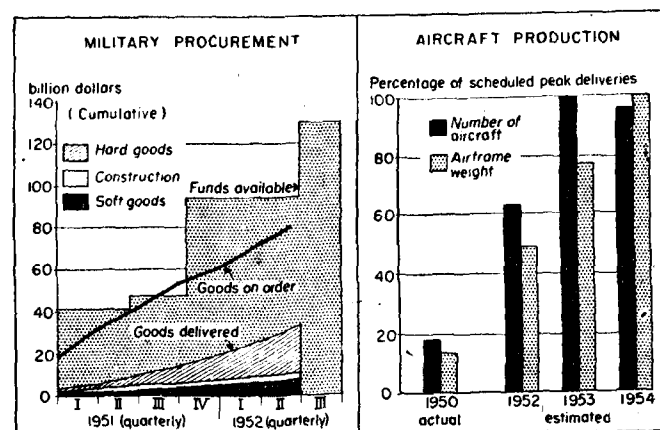
American Notes

Soothing Defence Fears

The Department of Commerce and the Committee for Economic Development, a private organisation, are trying to repeat an earlier success with their joint study of the potential markets for America's expanded industrial output that will exist when defence spending begins to fall off. In 1943, at a time when fear of a postwar depression was general, they forecast a coming world-wide demand for American goods which, when the war ended, turned out to be even greater than they had predicted. They hope that this similar study will allay the similar fears that exist today. But, in his mid-year economic report, the President struck at different fears, those of the many people who contend that the defence effort, at home and abroad, is exhausting the economic strength of the United States. Mr Truman, prophesying that by 1960 the country's gross national product will be nearing \$440 billion a year, pointed out that it had risen by \$40 billion, at 1951 prices, during the past two years, while the increase in all national security expenditures during the same period had been only about \$30 billion. This meant that the country's standard of living had been maintained in spite of foreign aid and the defence programme.

Spending for that programme, now at an annual rate of over \$30 billion, should be running at about \$42 billion sometime next year. The latest quarterly report of the Acting Director of Defence Mobilisation, Mr Steelman, showed that, although some manufacturers were still behind schedule, deliveries on military contracts were at last rising fast, particularly in the most tardy category, that of "hard goods," the tanks, aircraft, electronic equipment and so on, which require a long tooling-up period before they can come off the assembly lines. Mr Steelman's report was largely devoted to soothing the fears of yet a third group of critics

of the defence programme, led by Mr Bernard Baruch, who argue that this year's "stretch-out," which has delayed the period of maximum deliveries until well into 1953, is endangering the safety of the United States. To this Mr Steelman gives the standard reply, that the delay means that



in the end the United States will have the best weapons and that this is preferable to having inferior ones more quickly. The final answer to this argument depends on the Russians.

Both Mr Steelman and the President emphasise two points: first, that their plans for security and prosperity are already threatened by the steel strike and will be completely disrupted if it is not settled quickly; and secondly, that in spite of the uneven state of the economy at present, soft in some spots, hard in others, there is a real risk of renewed inflation during the coming winter. And they insist that both dangers have been accentuated by Congress's refusal to give the President what he wants: authority to seize the steel plants was denied to him and his powers of controlling prices, rents, wages and credit have all been weakened.

Cartels on the Carpet

As has happened before, the heat of the summer and of the coming election has gone to the heads of Senators left behind in Washington to hunt for publicity that will commend their party to the voters; furthermore, Democrats never have any difficulty in finding reasons for attacks on monopoly and big business. But Senator Lyndon Johnson and his Preparedness Sub-committee have perhaps some excuse for patting themselves on the back for having saved the United States from the "gouging" of the tin cartel by encouraging their government to force down the price of tin. The committee's report at least puts a case for its assertion that the price of \$1.12 a pound, on which the negotiations with Bolivia stuck, was a fair one; however, its failure to publish the results of its special investigation into Malayan conditions suggests that they may have been less favourable to the committee's argument.

Senator Johnson, somewhat irresponsibly for a man who belongs to the Armed Services Committee, has always regarded it as outside his field to consider the implications for the foreign policy of the United States of his strictures on the tin cartel. But Senator Hennings, of Missouri, maintains that he is thinking chiefly of that foreign policy when he charges the world's seven leading oil firms—the five major American companies, the Royal Dutch-Shell group and the Anglo-Iranian Oil Company—with controlling the oil market, exploiting oil consumers and dominating American policy in the Middle East, Indonesia and Venezuela, by means of an oil cartel. Mr Hennings alleges that these firms are using their monopoly to fix prices and to make "excessive" profits by

overcharging not American consumers, who would be likely to "seek corrective government action" if they did, but America's allies, who do not like to criticise American firms when they depend on gifts of American dollars. Some weight has been given to Mr Hennings's accusations by the Mutual Security Agency's recent suspension of dollar grants for oil purchased from three American firms in the Middle East, on the ground that discriminatory prices had been charged.

Mr Hennings had to do without the help of the famous study made for the Federal Trade Commission, which is supposed to establish the existence of this international oil cartel, but which has never been published for reasons of national security. This report was, however, available to the Senate Small Business Committee led by Senator Long of Louisiana, a State where the independent oil companies, always ready to harass the large integrated ones, have much influence. Mr Long's committee is now holding hearings on the oil cartel and its effect on domestic oil supplies. Meanwhile the Department of Justice, needled by Mr Hennings, is also about to begin a civil anti-trust suit and to seek a criminal indictment from a grand jury against these seven oil companies. Mr McGranery, the new Attorney-General, is probably as anxious to divert attention from his lack of energy in clearing the Department of corruption as he is to present the Democrats with a good advertisement. The prosecution has been put in charge of Mr Leonard Emmerglick, who has been responsible for such gigantic and successful anti-trust cases as that against the Aluminum Company of America, and there is every prospect that these latest anti-trust proceedings may dwarf even those to which the oil industry has been subjected in the past.

Fair Trade Comes Back

Contrary to all expectations, and to the advice he received from most of the departments concerned, President Truman has changed his mind and signed the McGuire-Keogh Bill which replaces the teeth of the state fair trade laws knocked out over a year ago by the Supreme Court. "Fair trade" is the euphemism for resale price maintenance preferred by those who are trying to educate the public to regard price-cutting as an economic crime. Until the Supreme Court decision in the Schwegmann case last May, it was believed that a manufacturer who signed a price agreement with a single retailer in one of the 45 fair trade states could, under the Miller-Tydings Act, force all other retailers in the state to charge that price. It was these "non-signers" who were freed by the Court and whom the new Bill brings back into line.

Mr Truman approved it without enthusiasm. Perhaps he was impressed, in an election year, by the squadrons of indignant small businessmen who whipped up substantial Congressional majorities for the measure. The consumer, as usual, put his case less vividly. The President admitted that fair trade suppresses certain valuable elements of competition, but he felt that its restraints on cut-throat competition would be the salvation of many small businesses—and Mr Truman was once a small businessman himself. He suggested that Congress, at its leisure, might profitably review the whole vexed question of public price policy.

Legally, fair traders are almost back where they were last May, with one exception. In the opinion of the Fair Trade Council, the Bill does not really wipe out a lower court's decision, in the Wentling case, which permits mail order houses in one state to conduct raiding operations over the border. As a practical matter, fair trade may revive only slowly, especially in the appliance field. Manufacturers have to do the policing under the Act, and those with heavy inventories may respond cautiously to the demands of

orthodox retailers for protection against price-cutters, such as the discount houses, who at least can move substantial quantities of goods. Price-cutting has become almost a habit. In the past year brokers have sprung up who make a speciality of buying appliances from distressed retailers and reselling them at cut-rates. In New Jersey there has been so much of this that it is now a crime to remove the serial numbers from appliances and machinery, something which is done to make it impossible for the manufacturer to trace the leak. The mail-order houses are ready to push their own brands if the prices of others go up. It may be that fair trade only works when the economic sun shines and, though the retailers' clouds are lightening, they have not all rolled away.

Whisky Galore

The distilling industry fears it is about to drown in oceans of whisky, legitimate and bootleg, while taxes leave the ordinary customer with hardly a drop to drink. Last November the federal excise tax was raised to \$10.50 a gallon from \$9; with state levies, taxation takes about \$13 on a gallon which costs \$1.50 to produce. One result has been to lower the sales of legitimate whisky; pints are sold where fifths used to be even though prices have been cut, and hostesses are serving California sherry instead of rye. Another has been to encourage moonshine—untaxed whisky—to move out of the southern hills and invade the north, from which it was driven when Prohibition was repealed almost twenty years ago. Today's bootlegger is thoroughly up to date; he uses chlorophyll to disguise the aroma of his still. Sometimes he is a displaced person, a gambler run out of his normal occupation by the new federal tax on gambling.

The federal alcohol tax unit suspects the industry, and probably with some cause, of exaggerating the bootleg bogey when it estimates that illegal capacity is greater than that of the licensed distillers, and talks about "prohibition by taxation." But the unit itself, though it has less than 900 agents, seized stills last year with a capacity of 120 million gallons of alcohol a year. The total licensed production of whisky and neutral spirits was 302 million gallons in 1951, and this spring half the legitimate distillers in Kentucky—traditional centre of the industry—were idle.

What the industry would like, and it is said that bartenders are dispensing propaganda with their cocktails, is for the federal tax to be cut to \$6 a gallon, the level at which it stood in 1944. This, no doubt, is expecting too much, but the industry takes pleasure in pointing out that federal revenues, instead of increasing with last year's new tax, actually fell by \$126 million in the first six months it was in force. Last year the federal government drew \$2.5 billion from taxes on beer, liquor, and wines. The state governments, which depend on alcohol taxes for 5 per cent of their revenues, are also feeling the pinch and are likely to lobby for a reduction in the federal tax.

What adds mightily to the distillers' worries is the 768 million gallons of whisky in warehouses, a nine years' supply at the present rate of consumption. Production was increased after the war in Korea broke out, in the fear that the government might ban it, and in the hopes that people, deprived of other things to spend their money on, might buy more spirits. Both proved wrong. But the federal tax on stocks from 1946 and 1947 must be paid, at the end of eight years, whether they are sold or not. Representative Eberharter would put off this day of reckoning by granting the distillers four more years of grace. But on this the industry is sharply split. Those with heavy inventories support him, but those without suspect that his Bill represents a conspiracy to give strong companies the chance of offering the public twelve-year-old whiskies, when the usual age is only four to eight years.

Shareholders Profile

The decision of the New York Stock Exchange to stay open half an hour longer, until 3.30 p.m., five days a week, is the first fruit of the study of share ownership prepared by the Brookings Institution at the request of the exchange. Other exchanges had already extended their hours, in the hope of attracting more western business, for when it is 3 p.m. in New York it is only noon on the west coast. Those who believed the "Big Board" should follow suit found decisive ammunition in the study's report that the proportion of share-owning families to the whole population is higher in the far west than anywhere else, and that the largest number of share-owning families is concentrated in the twelve north-central states—often more loosely described as the middle west. Saturday closing will mean that the exchange will be open only half an hour longer each week, and in addition to recognising the westward movement of population and wealth, the change should make it easier to attract staff and save money.

The Brookings study provides the first comprehensive reliable information about shareholders and shareholding. After eliminating all duplication, it concludes that only 6,490,000 Americans own shares in public companies. This unquestionably is a shock and a challenge to those who believe that wide ownership of industry is the chief safeguard of the present economic system. Many others have an indirect interest through ownership of insurance or participation in pension schemes, but previous estimates of direct holders had run as high as 15 million. About one out of every sixteen adults owns one or more shares. There is some indication that the trend is upward; a quarter of the present number only became shareholders in the past three years. Share buying seems to be influenced much more by hopes than by fears of inflation. Only 1 per cent of the purchasers bought shares as a hedge against inflation; 28 per cent hoped for capital gains.

Out of the survey's accumulation of facts the profile of the average stockholder emerges. He is slightly more likely to be a man than a woman and, if a man, his holdings are larger, contrary to the belief that women, by living longer, are inheriting the earth. He is most probably between 50 and 60 years old; a home-owner; and a member of a small, rather than a large, family. The more education an individual has, the more likely he is to own shares. The table below shows the distribution of share ownership according to the income of the family to which the owner belongs:

Reported Combined Family Income a Year	Total Population		Individual Share Owners		
	Per cent	Number	Per cent of Group	Estimated Number	Per cent of Total
Less than \$2,000...	16.5	(000) 25,660	1.1	(000) 280	4.3
\$2,000—\$3,000...	15.7	24,460	1.4	350	5.4
\$3,000—\$4,000...	23.1	35,900	1.6	590	9.1
\$4,000—\$5,000...	17.6	27,370	3.0	830	12.8
\$5,000—\$10,000...	23.0	35,820	8.0	2,880	44.4
Over \$10,000.....	4.1	6,310	24.7	1,560	24.0
Total Individuals...	100.0	155,520	4.2	6,490	100.0

The fact that 76 per cent of all shareholders fall in the group with incomes of under \$10,000 a year has been widely welcomed in some quarters as a proof of economic democracy. It would have been even more illuminating if the survey had been able to estimate the value of shares held by each income group—but this, apparently, was more than it was felt the long-suffering sample should be asked to submit to.

The survey unquestionably will provide much useful guidance, both to those whose business is dealing in securities and to the organisations interested in creating a wider com-

munity stake in industry. Manufacturing companies, for example, may note with some dismay how far they fall behind the public utilities and oil companies in securing employee ownership of their shares. Further studies at regular intervals, either under private auspices or those of the government, would make the present survey even more valuable than it is, by indicating the trends in share ownership.

Entertainment by Americans Only

The exception that proves the rule that there are more people at work in the United States than ever before can be found in the entertainment industry. Mr Petrillo estimates that only 5 per cent of the members of his American Federation of Musicians are adequately employed, Broadway has had another of the poor theatrical seasons that are becoming a habit and in Hollywood the film skies are as dark as ever. As a result there has been an outburst of attempts to restrict employment in entertainment to Americans only.

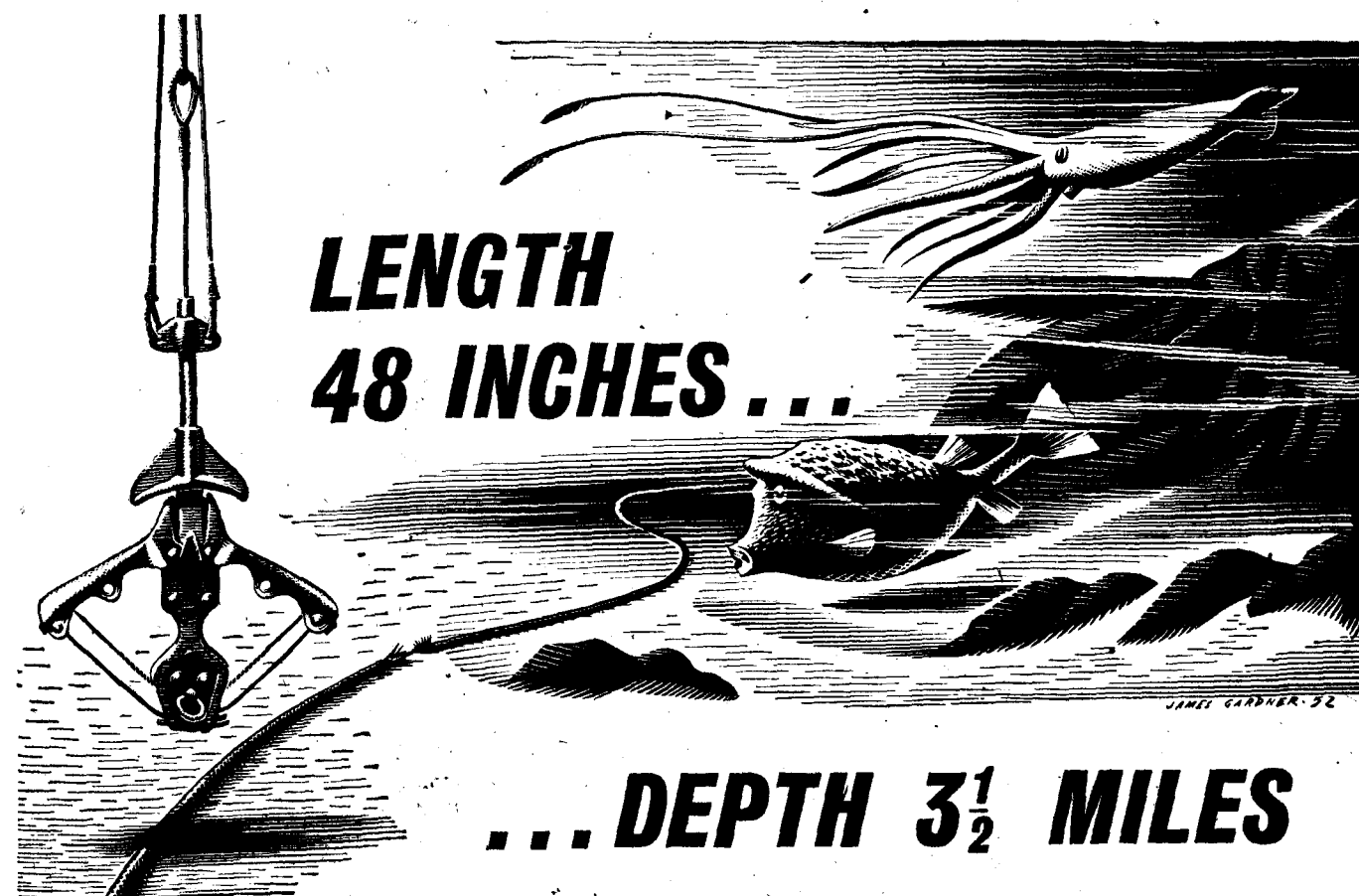
Mr Petrillo began it, as he has many other make-work expedients, by notifying conductors and musical performers some months ago that, if they made gramophone records abroad with foreign orchestras, they would risk losing their membership in his union, which would mean that they could not play with any important American orchestra. Both Mr Artie Shaw and Mr Andre Kostelanetz changed their plans for recording in London as a result, but Mr Artur Rodzinski was apparently forgiven for ignoring the ban in Vienna, when he confessed that the record in question had been a failure. Mr Petrillo has now followed up this initial effort by warning gramophone companies that they are breaking their contracts with his union if they record abroad.

Mr Petrillo's moves must be intended chiefly to show his members how active he is on their behalf, for he can hardly expect to get much more recording-work for them by this nationalistic approach. Only a high tariff could prevent the importation of records as long as Americans continue to want to hear foreign orchestras. And the reason why American companies have been making records abroad is that the wages of foreign musicians are lower than those that Mr Petrillo insists on in the United States—although they are not high even there—and so it costs less to record abroad. If Mr Petrillo prevents these records from being made in Europe, few of them will be made at all.

In Hollywood, too, trade unionists have been protesting against the growing tendency to make films abroad, both for cinema and television showing, simply because it is cheaper; the union is, however, prepared to accept the practice where it is for the purpose of using frozen dollars or of finding authentic scenery. And in New York the Actors' Equity Association, partly in order to bring pressure on British Equity to permit the employment of more young Americans on the London stage, has decreed that no alien may be engaged at a salary of less than \$500 a week and that 60 per cent of the cast of each company must be resident in the United States. The first casualty under this rule is likely to be the London production of "The Trial of Mr Pickwick," for which an all-British cast is said to be essential; even once-British actors now resident and naturalised in the United States are not considered to be adequate substitutes.

Shorter Note

The Civil Aeronautics Board has extended for seven years the permits already held by Pan American Airways and Trans World Airlines to operate passenger flights across the Atlantic. These are now the only two American airlines serving these routes, and the board's ruling confirms that it wishes to encourage competition on them, rather than to pick one "chosen instrument" to represent the United States on transatlantic flights.



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THE WORLD OVERSEAS

The Events in Egypt

THERE have been rumblings of discontent in the officer corps of the Egyptian army ever since last December when King Farouk tried and failed to get a nominee of his own elected as president of the Officers Club in Cairo. Some observers were, therefore, surprised when the army turned out to quell the riots of Black Saturday, January 26th. The double explanation of the role it played on that evening is that tradition is strong and that the officer corps is not subversive of law and order, whereas the rioters were. Yet the discontent of the officer class continued to prevail and came to a head, as will be seen, during the recent three-week premiership of Sirry Pasha.

Nevertheless, no one foresaw the whirlwind onset of the events of the past week. The weather is hot. The palace and the pashas have left Cairo either for the summer seat of government at Alexandria, or for holidays abroad. The two Wafdists who were likely to be the chief workers for change—Nahas Pasha and Serag-ed-Din Pasha—were both on board ships *en route* for European spas. Everyone calculated that Sirry, whose honesty is widely recognised though the process by which he came to power is deplored, had at least the summer months in which to start trying to straighten the country's disordered economy.

Then it became known that he was having difficulty in filling one unenviable post—the ministry of finance. The Palace had a nominee from its own ranks, but one unwelcome to Sirry. The rumours of army discontent had at the same time been substantiated. At a meeting of the Officers Club, General Neguib Mohammed, who has been its president since the December affair, freely voiced the club's feelings on the way in which Egypt was being run. By royal order, the club was thereupon closed. Sirry, who well saw the dangers of army antagonism at such a juncture, tried to meet the situation by proposing General Neguib Mohammed as his Minister for War. The King refused a candidate so antipathetic to him personally, and proposed a counter-nominee whom Sirry knew would be *persona non grata* with most army officers. Rather than accept either of the palace candidates for two key portfolios, Sirry resigned.

Hilaly Returns—For 24 Hours

Hilaly's cabinet had been popular with the officer class because it was thought to be bent on carrying through a purge under the recent "Origin of Fortunes" law, which is designed to root out the corrupt practices and illegal gains of the last ten years. Influenced, it seems, by the common-sense of his then Chief of the Royal Cabinet, Hafez Afifi Pasha, the King realised the importance of heeding army unrest, and recalled Hilaly. Hilaly therefore resumed office last Tuesday; he must have been able to set some conditions for return to a job out of which he had been jostled in the unsavoury circumstances described in *The Economist* of July 12th, for he put back into office the two brooms whose resolute sweeping had made certain Egyptians in high places feel uncomfortable—Ahmed Mortada el Maraghy Pasha at the Ministry of the Interior and Zaki Abdel Motaal Bey at the Ministry of Finance.

The one significant change in the new Hilaly cabinet may have helped to cause its demise within twenty-four hours of its birth. By appointing Ismail Cherin Bey as Minister for War he was in fact supporting King Farouk in an effort to show the army who was master; this young man, though

respected, is entirely without experience of office and is the King's brother-in-law.

During last Tuesday night General Neguib Mohammed read the signs of the times. He was an object of royal disfavour, and banishment to some desert outpost was likely to be his fate. He therefore acted swiftly upon a plan that must have been held ready, for it ran on oiled wheels. By dawn the army was in control of key points in Cairo including its radio station, though it made no attempt to take over the civil administration. The General thereupon sent his ultimatum to the Palace at Alexandria. He must be made commander-in-chief and the ranks above him must be purged; King Farouk concurred.

The basic reasons for army disaffection cannot be fully understood without going back to the story of the Palestine war. In that campaign many Egyptian units at the front fought well, but did so in adverse circumstances, for their supply position was most inadequate. They were sabotaged from the rear by an old guard that, either through inefficiency or graft, or both, sent them old and faulty ammunition out of which fortunes had been made *en route*, and never despatched across the Canal the comforts for which funds were being collected in Cairo. A public inquiry made since that date has revealed a degree of callousness and corruption at the top that has shocked all honest men. General Neguib, commander of a division and wounded three times in the Palestine campaign, has never made any secret of the fact that this is his view, and he is the symbol of army resentment at what happened. Hence his statement in his proclamation that "people who received bribes contributed to our defeat during the Palestine war." (The word defeat in connection with that war has never so far been publicly pronounced in Egypt.) Hence the purpose of his *coup* which was, according to the same proclamation, to put an end to "a period of gross corruption and government instability."

Cleaning up the Top Brass

Since General Neguib's aim to clean up corruption inside the army was so much akin to that of Hilaly Pasha in politics, it could be well imagined that they would work in harness. Maraghy Pasha, the Minister of the Interior, on Wednesday morning travelled by air from a cabinet meeting in Alexandria to confer with the new master of Cairo, and was said to have fallen in with all the latter's demands. But General Neguib would not parley and by Wednesday afternoon the Hilaly cabinet had resigned. Maybe its relations with General Neguib broke on the question of its appointment of the royal nominee as minister for war. But it is more likely that General Neguib was already in collaboration with a different and equally honest potentiality for the premiership, Aly Maher Pasha.

Whatever the reason for the change, Aly Maher is, as *The Economist* goes to press, trying to form a cabinet. It will be remembered that he was the patriot who, after the riots of January 26th, had the honesty and moral courage to take over the management of the country. If the palace is still going to count now that it has had to cede points to a disaffected officer corps, it is worth noting that Aly Maher has, for family reasons, more influence with the King than has Hilaly. His first efforts were said to be directed towards forming a cabinet that includes the Moslem Brotherhood, which in a somewhat unconstructive way, also stands for a fight against corruption.

No Truce on the Radio Front

Six months ago British broadcasting across the Iron Curtain seemed to be on the verge of a repulse that might develop into a rout. On the one hand, the Soviet Union had just extended its jamming operations to blanket not only BBC programmes in Russian but also those in Polish and Finnish; on the other, the BBC, already outstripped in scale both by Soviet and by American broadcasting to Europe, faced rigorous cuts in its output owing to the limits imposed on its grant-in-aid from the Treasury. To the prospect of further Soviet jamming was added that of growing competition among other broadcasters for positions on the crowded short-wave bands.

Most of these fears proved justified. Since the beginning of the year, Communist jamming stations have gone into action against first one and then another of the BBC's transmissions to eastern Europe. Jammers, deployed not so much in batteries as in whole field regiments, have opened up against broadcasts in Czech, Slovak, Hungarian, Rumanian, Bulgarian and even Albanian. Eastern Germany is now the only part of the Soviet half of Europe that can listen without interruption to BBC programmes; and there the Communists appear to be adopting the technique of drowning-out rather than jamming, for they have brought into play a newly completed and exceptionally powerful transmitter at Koepenick, near Berlin, and have stepped up the power of three other East German stations.

Yet the threatened rout has not taken place. With a touch of drama, the Government announced in the nick of time that the extra costs involved in countering the jammers would be borne on a separate account. Without this concession, the BBC would have had to amputate its programmes even more drastically than rising costs had already forced it to do. With it, the Corporation has been able to maintain most of its services to the free world and to bring additional transmitters into play to get jammed programmes through. As in the case of broadcasts in Russian, there is evidence that listeners in what have been christened the "new jamocracies" are still able to hear London if they have good sets and the patience to search the wavebands.

Rush Hours on the Air

The front is being held; but the reserves behind it are now very small. British broadcasters are looking ahead anxiously to the coming winter, when the seven-year sunspot cycle will produce a peak of interference. In purely technical terms, broadcasts from London could, of course, be pushed through to eastern Europe more strongly if large groups of transmitters were concentrated on them at midday hours when the transmitters are not otherwise employed. But as few people in Communist countries are able to listen during working hours, it is questionable whether a concentrated effort at such times is as effective as even a weak output at dawn or in the evening.

Short-wave broadcasting in evening hours is, however, increasingly subject only to the law of the jungle. The number of rival transmissions is still multiplying, and in the continued absence of any international agreement covering this field the BBC has to contend not only with Communist but with new American and other western stations. Its long-established frequencies are being "cuddled" more and more tightly as the official Voice of America, the independent Radio Free Europe, and the networks of continental countries increase their activities. If a frequency is abandoned even for a short time it is automatically occupied by a hungry rival; and if a powerful station chooses to take up a position at the very elbow of a more modest one, the latter is practically off the air from then on. The prospects

of a general international agreement to relieve this pressure are clearly remote. But there seems no reason why the western governments, which are already acting together on many sectors of the radio front, should not agree among themselves finally to end this internecine strife. It might well be a suitable question for Britain's permanent representative in Nato to take up with his colleagues.

Eddies Round Dr Adenauer

It now appears that October will be the earliest month for the second and third readings of the European defence treaty and the Bonn conventions in the *Bundestag*. The Constitutional Court is not likely to give its verdict before then on the all-important issue that will decide whether Dr Adenauer must secure a two-thirds majority in the Lower House for the EDC treaty. The Chancellor has not much backing for his efforts to push the treaties through quickly. The nearer the moment comes for taking this crucial step the more nervous the Germans become. Many would like the French Assembly to lead the way and others suggest that the American President should be elected before the *Bundestag* takes the final vote.

Reports from Paris stressing French determination to keep the economic wealth of the Saar, and from Berlin on steps to set up an East German army, have encouraged the search for an alternative to present plans for defence. Both Dr. Adenauer and Herr Ulbricht, it has been noted, are declaring that their armed forces have to be built up in order to make the other side ready to talk on German unity. Where is this to end? Are Germans to be moved against each other as pawns in a deadly game between America and Russia? Since the signing of the new conventions that are to end the occupation regime Germans feel renewed national self-confidence. It is time, they say, that Germany produced a foreign policy of its own. There are few who feel that Germans are prone to show disastrous incompetence in this field. The general view is that the present international trouble is due to President Roosevelt's deals with Stalin at Yalta. History for the Germans begins in 1944. And in 1952, as one leading politician said the other day, Germany is an equal partner of the western powers, and must use its rights to make them "think German."

Alternatives to European Army

Some of the various alternatives to the European army that are being discussed might be described as "neutralism plus" or "rearmament minus." They are based on the axiom that Germany must not be involved in a war which would inevitably destroy it. Dr W. W. Schuetz, a very intelligent and ardent champion of German unity, has written a book* in which he warns Americans that their new German allies have no confidence in US strategy, and that, in turn, a dangerous lack of confidence in the Germans will arise in America if the alliance has only a weak backing in the Federal Republic. Germans must be convinced that they will achieve unity and that America means to press Russia back without war. In a closely reasoned argument Dr Schuetz proposes that Germany should rearm in the framework of the European army, but that the number of its divisions should be strictly limited, and that American forces should retire to the Rhine. The Soviet Union, in other words, should not be threatened with an ultimatum arising out of actual strength, but only with the potential that the West could develop if Stalin chose to challenge it.

Dr Schuetz is connected with the Christian-Democrat Minister of All-German Affairs, Herr Jakob Kaiser. Another politician, this time from the ranks of the Free Democratic

* *Deutschland Am Rande Zweier Welten*. Europa Verlag.

party, Herr Pfeleiderer, has found some support for a proposal that the non-German forces should retire to the corners of the country, leaving a German government in command of the rest. This has been criticised as a plan for dividing Germany into four instead of three. The "Austrian solution" has also been tentatively put forward, but has been generally condemned. And there always remain the Social-Democrats, implacably opposed to the EDC, and the new conventions. If they are, nevertheless, ratified, Dr Schumacher's party will demand revision.

One or two popular writers have recently openly expressed a thought that is in the minds of many—that the European army must develop into a German-American alliance, in which France would willingly accept Germany's role as defender of Western Europe. Major (Retd.) Adalbert Weinstein, who is in touch with professional military opinion, suggests in the *Frankfurter Allgemeine Zeitung* that, as the psychological basis for a European army is evidently lacking in France, a possible alternative to the EDC might well be the "integration" of West German and American armies. These are straws in the wind. Many German military men believe that America will eventually find that it is cheaper and more efficient to rearm Germany direct than through an international bureaucracy. Their ideas, it may be said, are regarded with horror by the same German circles who found the Nazi regime repugnant.

Dr Adenauer's increasingly difficult coalition partners, the Free Democrats, are trying to become the party of the army. In the north this party tends very much to the right. It championed the generals' demand that the so-called war criminals, notably Field-Marshal Kesselring and Manstein, shall be released. This demand is insistently made, usually on the understanding that the men shall not be freed as an act of mercy—many of them are already being released after much reduced terms of imprisonment—but as atonement by the Allies for a miscarriage of justice. The FDP Congress has declared that the solution found in the Bonn Treaty is not satisfactory; the present "intolerable situation" must be ended by an amnesty. The Germans, they say, have shown their magnanimity for the sake of Europe, by their readiness to forget their resentment, provided the Allies do belated justice to honourable soldiers.

The Nazis Come Back

The Free Democrat Congress has also demanded that any discrimination imposed by de-nazification tribunals against former Nazis must be rescinded. This is part of a campaign to win the votes of those former Nazis who have accepted democracy as "fate." It is backed by other, more extreme right-wing parties, and by the professional military men, who feel bound to champion the *Waffen SS*. The trend towards rehabilitation of the Nazis is strong. Former Nazi party officials are rapidly coming back to jobs in business and local administrations. The popular illustrated weeklies, which have very large circulations, abound in articles chosen to foster nationalism, anti-Semitism and anti-Americanism. Dr Adenauer has his following, but its voice is drowned.

The Chancellor has also been steering a hard course between the employers and trade unions on the question of joint direction of private and public enterprises. Last week, he met with the first large-scale and successful revolt among his coalition partners on this issue. The works constitution bill was passed, although the Chancellor had pressed for it to be postponed while the trade unions' objections were further examined. It is very much to the credit of the trade union federation's leader, Herr Fette, that instead of resuming strikes against the law he has announced that he will fight it in the next elections. Communist hopes have thus been frustrated and parliamentary democracy has been saved. The outcome of this crisis gives grounds for confidence in the strength of the best elements in Germany.

Change in Australia's Tax System

[FROM OUR MELBOURNE CORRESPONDENT]

THE decision of the Commonwealth Government to return to the six States their former taxing powers is more than a political gesture. It is a decision which when translated into action will alter profoundly the financial and the political relationship between the Federal and State Governments. No other single act in the history of Australian federalism has done more to strengthen and consolidate the centralisation of power in Canberra than the adoption of uniform income taxation in 1942. Its abandonment must similarly cause just as profound a change, but it will not mean a plain reversion to the state of affairs which obtained previously.

Since federation in 1901, there has been a gradual increase in the powers and authority of the central government. This process was inevitably accelerated during time of war, when the Commonwealth was responsible for the defence of the nation. The adoption of uniform income tax in 1942 was necessary to enable war finance to be obtained in the most efficient manner possible. It was never intended that it should be a permanent arrangement. It was a High Court decision which established that the Federal Government possessed priority of income taxation not only in war, but also in peace, and the Chifley Labour Government continued uniform income tax into the peace.

Federal Stranglehold

In theory, a uniform tax possessed all the virtues. It simplified administration and at a stroke eliminated the necessity for a multiplicity of returns from taxpayers residing in and deriving income from different States. With two separate taxing authorities in the field, the lot of the taxpayer was unenviable. But the implications of uniform tax go much further than the mere simplification of tax administration. With the Federal Government possessing absolute priority in the field, it naturally became tax master, and as tax master it was in a position to exercise a strangle-neck control over the States, if it wished. For under uniform tax, the States are dependent upon Canberra for the bulk of their revenue by a reimbursement of taxes collected by it.

In essence, the States, since 1942, have spent large sums of revenue without having the responsibility of raising it. Every year Canberra witnesses the unedifying spectacle of the six State Premiers importuning, pleading and cajoling with the Prime Minister for more and more money for their States. When they are refused further instalments of money they are able to make political capital of the fact that progress and development is being stifled through the parsimony of the wealthy and autocratic Commonwealth.

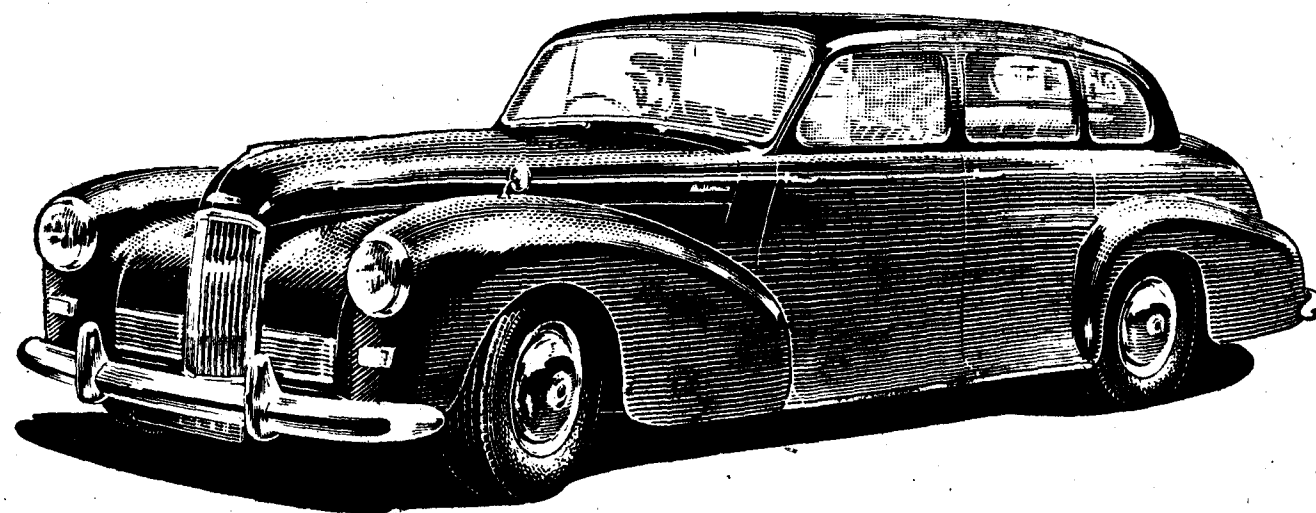
After the July meeting of the Loan Council, five of the six State Premiers left Canberra bitterly disgruntled about the refusal of the Commonwealth to meet their demands for more money to balance their budgets and carry on essential public works. They wanted increased tax reimbursements and they wanted the Commonwealth to increase the amount it was prepared to underwrite for works programmes. The South Australian Premier (Mr Playford), who leads a Liberal-Country Party administration, accused Mr Menzies of being "guilty of sharp practice to help only some States." The acrimony which is so much part and parcel of Australian political life was here prominently displayed.

It is therefore not surprising that the present financial relations between the Federal Government and the States have reached breaking point. For the last ten years the States have always regarded the Federal Government as an authority upon which they could fall back for funds. Now,

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SOCIAL PAGE

U S

Some of us will be breathing a sigh of relief now that to its close draws High Summer. What a month it has been for all of us. Dutiful at Lord's, wise at the Horse Show, and surprised, once again, in the Stewards' Enclosure, at the mad rush of Henley, belying the leafy peacefulness of the River—Death in the Afternoon! One longs now, to relax in the friendlier, impromptu atmosphere of Goodwood and breathe the air, fresher of the sea, at Cowes. Yet how English it all is, how English we all are.

Deb's Diary

I arrived bright and early at the opening of the Schweppereilli show. Among men—yes, men—present, were my friend Jock "Bingle" Bog-Boggs, and Tony Schwepp-Schweppingham, with whom I chatted.

Schweptuagenarian SWIMS CHANNEL

Aunt of Peer's Secretary fed with Tonic Water and Gravy

SURPRISING INTERVIEW

When questioned, Mrs. Boss was understood to say that she "didn't enjoy it, feet very tired," and "needed strong spectacles for threading a needle." Lord Fairchild, interested in the race, said "Good going."

COMING OUT in H.M.S. Schweppshire

Miss Fiona Bfield, seen enjoying herself by the floodlit ha-ha in the grounds

Charity Matinee

at THE SCHWEMBASSY THEATRE

of Schwan House, is not the only one "just-out" present who can wear

INFORMAL EVENING

at Schweppstow Castle

a diamond tiara and take a tumble on skis with equal grace.

Well-known Dog Lovers to Wed

Sir Leonard Leg-Legge and his bride Miss Jones met through a mutual animal hobby. Yes, photographed below is her Uralian Setter, his Breton Half-shank Poodle.



ALPINE WEDDING



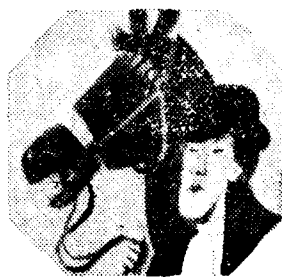
Johnny "Dalgardo" Phipps, once his hands are off the wheel of his Bentley, loves to scramble up the more fashionable peaks of the Piz Früenfrü. Guests applaud as his bride eagerly climbs Wedding Cake Mountain

WAGNERIAN WEDDING



BLANKNESSE-FURTHERMORE. Lady Furthermore's younger daughter, keen horsewoman yet fond of books, plans a music career. Train-bearers, Wagnerian attired, piquantly completed the "Ring" theme.

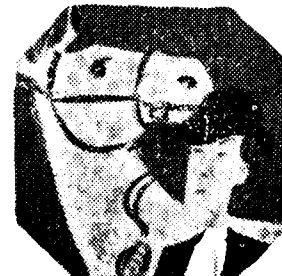
SOUTHWARD BOUND



Lady Bruce Wince Wincester, off to Schwischia



Miss Joan Crash, nineteenth cousin to the Earl of Schweppey, off to Schwischl



The Honorable Davina Crash, off to Aix-la-Schweppelle

Written by Stephen Potter. Drawn by Lewitt-Him

the decision to throw the right of taxation back to the individual States means that there will at least be some relation between spending and the taxable capacity of the people most directly affected. States will no longer have the right to go cap in hand to Canberra to plead for funds to maintain their current services. This will be a responsibility of the individual State Governments, which will presumably have to trim their coats according to the available cloth. For their funds for development works, the States will continue to use the mechanism of the Loan Council, an authority consisting of Federal and State Treasurers designed to regulate the amount of public borrowing both in Australia and abroad. In the current financial year, which began on July 1st, the Commonwealth Government has undertaken to underwrite the cost of public works in the States by £180 million, which is considerably less than the £247.5 million put forward by the States as their minimum requirements. As the amount raised by public borrowings is not, on the most optimistic estimates, expected to exceed £50 million, it is clear that the Commonwealth is committed to find £125 million either from revenue or from expansion of credit. In the year just ended, the Commonwealth found £160 million for State works, of which £45 million was found by the issue of Treasury Bills.

The abandonment of uniform taxation will not automatically be followed by a magical betterment of Federal-State relations. And in the case of some States—Queensland and New South Wales for example—there could well be a sharp increase in total taxation on the basis of current spending. Victoria, which was the lowest-taxed State before 1942, and which accordingly suffered by the formula for reimbursement, is likely to benefit.

It will not be as simple to return the taxing powers to the States as it was to put uniform taxing into operation. That is well realised by the Commonwealth and States Governments which have appointed a committee of Treasury experts to report on the implications of making so fundamental a change in the financial and political structure of Australia. It is easy to say that financial responsibility must be returned to State Governments, but whatever happens, the Commonwealth, still with priority of income tax and enjoying customs, excise and sales tax revenue, must still dominate the financial scene of the Commonwealth.

Maturing Mexico

[FROM A CORRESPONDENT IN MEXICO CITY]

THE surprising thing about Mexico's presidential election on July 6th was neither the result nor the sporadic rioting that broke out the next day, but rather the utter calm and orderliness of the voting itself. Mexicans are used to shutting themselves up and keeping the children safely indoors on election day, leaving the streets to the rashly adventure-some and the determinedly partisan. To everyone's amazement, over 4 million of the country's 5 million voters (bachelors over 21 and married men over 18) queued docilely for hours outside the polls, submitted good-naturedly to repeated searches for weapons, marked their ballots and went quietly home. It was a landmark in Mexican politics.

To be sure, all but one of the four opposition candidates immediately shouted "fraud," finding it no more necessary to await official returns, still trickling in, to realise their defeat than did the ruling party's candidate, Señor Adolfo Ruiz Cortines, need formal assurance of his victory. In fact, after a few days of counting votes, representatives of the opposition parties gave up in boredom and left only the representatives of the governing *Partido Revolucionario Institucional* (PRI) to watch the final tabulation. Mexicans, by long experience, have developed a deep cynicism about election results so that in the end no one ever feels quite certain about what really happened, but there is every reason

to believe that Señor Ruiz Cortines actually obtained a substantial majority.

Furthermore, it became fully evident in the days just after the election that Mexico has passed the period where voting is simply an excuse or a signal for rebellion. No one would commit the folly of supposing that this outward digestion of the democratic forms means that the country has reached the stage where an opposition candidate might come to power through the polls. Rather, it marks the beginning of the transition to an epoch marked by stability, formality, and a slow broadening of the base of government.

President Miguel Alemán's government took immense precautions, yet the efforts of General Miguel Henríquez Guzmán, the foremost opposition candidate, to launch an uprising clearly owed their failure far more to lack of popular support than to any administrative repression. Even the Communist party publicly dropped its friend Señor Lombardo Toledano when it realised what a bad showing he had made, and offered in thinly veiled terms to back any Henríquez bid for power through revolt. The reaction was nil. In private talk, Mexicans of all classes kept repeating, "We'd like a change of government, but fighting for it has gone out of fashion. Better the imposition (as the administration's candidates are widely called) than a revolution."

Voters Wake Up

It is not only weariness of violence that has brought about this feeling, but also the fact that Mexico has entered a period of moderation and consolidation. The change most Mexicans yearn for is no longer a basic change of politics but an improvement in the standards of government and, primarily, an absolute, undeniable proof that the electorate can have its way. Such proof could only come through the conceded victory of an anti-administration candidate at the polls, and that is still a long way off. Still, the desire for it reflects a feeling of participation in national life, and of the citizen's responsibility for, as well as to, his government, that is new in Mexico.

Sensing the awakening interest, all the candidates made unusually vigorous campaigns and probably succeeded in extending the boundaries of political life. To begin with, the government did a commendable job in encouraging a record number of voters to register. Then each aspirant, no matter how small his chances, penetrated far into the countryside and did his best to rouse the apathetic peons as well as deluging the more alert townsmen with his propaganda.

Issues and personalities, not energy, were the two most glaring deficiencies in the whole electoral show. The scarcity of issues, however, was due to the fact that the government's programme is basically satisfactory. Stressing broad projects for economic development—electrification, land-reclamation, capital investment in industry, education and, to a lesser extent, housing—the PRI advocated what Mexicans feel their country needs, and no opponent would have found it worth while to argue differently. Foreign policy was considered irrelevant. The left tried to drag in anti-Yankeeism but failed to arouse interest. Corruption and "millionairization" of officials might well have been an issue, but the politicians chose to skirt it. While Señor Ruiz Cortines's backers made much of his personal reputation for honesty, no party to the campaign made much effort to dig elsewhere in the rewarding field of exposure.

Señor Ruiz Cortines's own pallid personality was a notable factor. A tired and colourless civil servant who has worked himself up through the ranks and into President Alemán's footsteps as Governor of the State of Vera Cruz and then Minister of the Interior, he is not made of the stuff for hero-worship. His followers were *PRistas*, not *Ruiz-Cortinistas*. This shift in emphasis from the man to the party is a healthy one, a proper step to follow the shift from soldier to civilian that marked Señor Alemán's campaign in 1946.

General Henriquez, the strongest opposition candidate, may be said to have formed his party for the occasion—an amalgamation of right, left, army and assorted discontent—and he did campaign on personality. But even in the areas of his greatest popularity, people were *Henriquistas* mainly as the most convenient way of opposing the PRI, not by positive choice. When the election tumult finally dies, the name of Henriquez will be forgotten. Señor Lombardo, once an imposing figure on the national scene and an internationally known labour leader, suffered badly from the label of “Moscow agent” and demonstrated conclusively that he has lost his once firm hold on the Mexican labour movement. By the official count, he appears to have won only between two and three per cent of the vote. The fourth candidate, Señor Efraín González Luna, also cut a small figure although he showed up somewhat better at the balloting. He was the nominee of the Catholic Party. Mexico, however devout in religion, is all but anti-clerical in politics, and the Church now has a sort of gentleman’s agreement with the government that neither will go out of its way to embarrass or interfere with the other. The campaign of the quiet, conservative González was by no means a breach of the agreement.

As President Alemán said conversationally this week, “It wasn’t a perfect election. Perfection and politics don’t go together. But it was peaceful and genuinely popular. That is a milestone in Mexican history.”

The British in India

[FROM A CORRESPONDENT IN CALCUTTA]

In a recent parliamentary reply to Communist criticism of alleged British influence in India, Mr T. Krishnamachari, Indian Minister of Commerce, retorted that British industrialists set a standard for India: they treated labour better; they automatically adjusted their dearness allowances to the Calcutta Chamber of Commerce price index; they did not keep a double set of books in order to avoid taxes; they were readier to keep their mills going when profits began to fall off; they provided a *levée en masse* which the country wanted. The publicity given to these remarks has led to the wide expression of the view that British stock has never stood higher in India than today. This is true, but like all generalisations, it needs to be seen in perspective.

In 1947, Indians had contradictory feelings towards the British. There was jubilation over independence, but resentment over the partition of the sub-continent, for which Hindus held the British to blame. The termination of the political struggle eased tensions and led to an upsurge of friendliness towards the British, but all politicians and many business men looked forward to the rapid Indianisation of industry and the virtual elimination of the British from India.

Time has now softened the initial resentment against partition and, for a variety of reasons, feeling towards British business men has gradually begun to change for the better. The British themselves made an important contribution towards this shift. They underwent a subtle psychological change. The “corruption of absolute power” ceased to work upon them; they shed their arrogance; they ceased to patronise; they showed greater consideration; although they did not fraternise, they made efforts to unbend. Moreover, by and large, and with many notable exceptions, the calibre of British business men in education, technical knowledge, and experience of the world, was greater than that of the Indians. In 1946-48 a number of prominent British businesses sold out to Indians, and the way in which a number of these concerns were subsequently managed aroused such dismay among Indian investors that rumours of a change in management is now apt to cause nervousness on the stock exchange. British ability to state a reasoned case came to be increasingly appreciated as the Government intervened more and more in economic matters; both Indian

officials and industrialists began to insist on the inclusion of a Briton or two in delegations to New Delhi. And the comparative ease with which the British stood up to the Government’s successful nation-wide drive against tax-evaders did not pass unnoticed.

In international relations—diplomatic and economic—ministers have gradually come to realise that the Commonwealth not only imposes no impediments to freedom but brings advantages with it. The first manifestation of this realisation took the form of defending membership of the Commonwealth by minimising its importance. Critics were assured that it “meant nothing really.” But since the Communists became the chief parliamentary opposition after this year’s elections, their daily attacks on the British connection have had the unforeseen effect of forcing India’s leaders, political and industrial, to think out their ideas more carefully. Where but a few months ago everyone from Pandit Nehru down, allowed themselves only non-committal references to the Soviet Union, the Communists have now goaded them to a point where they feel no embarrassment in explaining the utility of the Commonwealth connection, and in pointing to Soviet weaknesses.

Return of Self-Confidence

The result of all these developments has been that whereas, in 1947, most British business men felt that it was only a question of time before they would be compelled to sell out to Indians, today their self-confidence has returned. The rise in British prestige is a matter for congratulation, not for complacency. The British benefit by a system of education and administration, since vanished, which gave the generation of Indians now in power a bias towards Britain (all the stronger for being frequently unconscious). The British will be increasingly reminded as the years pass that they are in the somewhat uncertain position that foreigners must always occupy in any country. They would be wise to continue the process of increasingly associating Indian capital and personnel with their firms.

Relations between British and Indians in the same firm are uniformly pleasant; equality of treatment in access to confidential information, and in matters of leave and salary is absolute. Social mixing outside office hours, however, depends on whether the Indians are “westernised.” If they are, they are apt to belong to an older generation, and they are not representative of Indian business men as a whole. Westernisation will doubtless continue among those whose parents were thus brought up but the degree is likely to decrease as the teaching of English is now begun at a later stage and is allotted less space in school time-tables. The British business man of tomorrow will have to be as ready to learn an Indian language as his colleague in France is to learn French; with each passing year more official pronouncements will be made solely in Indian languages. On the other hand, it is not entirely the fault of the British if there is still little mixing with the average orthodox Hindu, whose social customs would anyway gravely hinder it.

Henceforth, British business men and technicians will experience increasing competition from Indians. Hitherto, in return for their virtual monopoly of experience and technique, the British have been able to command good salaries, generous provident funds, houses at nominal rents, free cars, leave passages and medical attention. But Indians have been learning all the time and large numbers have caught up. They are both willing and able to undertake high responsibilities for substantially less than British salaries and amenities. Some Britons seem to assume that the British must be more efficient simply because they are more highly paid. There have, however, been outstanding examples of a change in company management from British to Indian followed by remarkable increases in profits. The British retort that this is due to black marketeering may be true in some cases, but not in all.



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Tripoli, for Benghazi harbour was badly damaged. Local labour was not yet trained in modern construction methods. There were dock strikes and shortages in Britain, drought in Cyrenaica. But the work was completed on time.

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THE BUSINESS WORLD

The Drain on Industry

IT is in the spring and early summer that the voice of the British company chairman is most frequently heard in the land. Between April 1st and June 30th last the accounts of 840 public companies were issued; they represented about 35 per cent by number, and over 45 per cent by total income, of the accounts published in the year to end-June as a whole. Excluding the rubber companies, whose accounting dates sprawl untidily across a wide period, the financial years of just over half this sample of companies coincided very closely with the calendar year 1951; most of the rest ended at some date up to and including March 31st. It is therefore fair to say that the quarter's accounts broadly mirror trading experience in 1951, although the sample is perhaps unduly weighted by the experience of large companies with worldwide (as distinct from purely British) interests.

The tables accompanying this article, and the fuller tables in the current issue of the *Records and Statistics* supplement, show that the total income of these 840 companies rose by £49 million, or some 6 per cent, in their latest year; if the exceptional experience of nine oil companies is excluded, the total income of 831 companies rose by £105 million, or just over 17 per cent. This compares with an increase of 16 per cent in the total income of the 475 companies that published accounts in the first quarter of 1952, of 32 per cent in the total income of 564 companies (excluding the oil companies) that published accounts in the last quarter of 1951, and of 24 per cent in the 515 accounts published in the quarter before that. In the year to June, 1952 as a whole, 2,397 public companies showed an increase of £292 million, or 19 per cent, in total income; they raised their ordinary dividend payments by just over £8 million or 5½ per cent, the percentage increase declared by companies that published accounts in the second quarter of 1952 being the same as that for the twelve months as a whole. By comparison, according to the preliminary national income estimates, wages and salaries rose by £765 million in 1951, or 11 per cent.

Most industries—certainly most of those in direct contact with consumers—experienced a downturn in their fortunes after the late summer or early autumn of 1951. In the accounts published last quarter, however, only six of the thirty-three groups (under the classification adopted in *Records and Statistics*) showed that this downturn had wiped out the effects of the previous improvement in trading receipts. The groups showing a fall in gross trading profits were oil (from £174.3 million to £116.3 million, owing mainly to the fall of £44 million in the profits of Anglo-Iranian), wool (from £4,413,000 to £2,542,000), clothing and footwear, shops and stores, tea, and iron and steel. The largest proportional increases in gross trading profits were shown by newspapers, paper and printing (38 per cent), shipping (32 per cent), tobacco (29 per cent) and chemicals (25 per cent). Most other groups showed very stable profits, and it is significant, as a sign of the recognition by directors of shadows ahead,

that in one-third of the thirty-three groups ordinary dividend payments fell.

All these figures, of course, refer to profits as the tax collector defines them; they are therefore misleading in economic terms—which is very useful for those who like to be misled. When subjected to closer analysis, the figures reveal yet again the harm done to the fabric of the economy by the present Inland Revenue system of assessment of depreciation allowances and inventory gains. It will be seen from the accompanying table that the 840 companies in last quarter's sample earned a total income of just over £844 million, of which more than £355 million was paid out in tax. Of the rest, various administrative and other charges (including pensions and directors' emoluments) took just under £43 million, debenture interest and preference dividends took over £27 million, ordinary dividends (up by just over £3,500,000) took less than £70 million, and more than £71 million represented either the minority share in profits or profits retained by subsidiaries.

This left just over £277 million, of which rather less than £129 million represented the depreciation allowances (including the now defunct initial allowances) granted by the tax authorities, rather less than £78 million was needed for various contingency and other specific reserves (including those for the replacement of assets, both fixed and current), and rather less than £71 million could be added to general revenue reserves and accumulated profits. These additions to reserves were necessarily insufficient to finance the increase of just under £142 million shown in the book value of the companies' assets (after allowing for a book depreciation of just under £88 million) and the increase of over £345 million shown in the book value of their stocks (an increase due mostly to higher prices). In consequence, even while the boom remained on the boil, British industry was again obliged either to live off its capital or to run further into debt.

*

From where did the necessary funds come? The composite balance sheet of these 840 companies, set out in the second of the accompanying tables, shows—at first sight surprisingly—that their holdings of marketable securities and cash ran up by £17 million in the year; this, however, was wholly due to an increase in the gilt-edged holdings of the iron and steel, engineering and shipbuilding groups (as an aftermath of steel nationalisation). On the other side of the composite balance sheet, borrowing from the banks increased by over £76 million, creditors and accrued charges by over £217 million (or by some £98 million more than current debtors) and other current liabilities and provisions by £22 million. The rest of the necessary finance had to be raised on the long-term capital market. The table shows that these companies raised just under £40 million on new debentures and preference shares, and increased

their ordinary capital by just over £41 million in the year.

Although part of the latter no doubt represented capitalisation of reserves, there is already some sign in these figures of one of the most notable features of the capital market since the inauguration of dearer money—the switch from borrowing on debentures to the raising of capital by rights issues of equities. This is in some ways a welcome development, for the piling up of prior charges had previously gone on at a rate that sent a shudder down the spine of all those who paused to consider what it might mean if ever a slump returned. But, under present circumstances, the rights issue tends to be simply a device for mulcting the ordinary shareholder of part of the capital value of his existing shares and wringing new funds out of him at pistol point—and this, all too often, merely to ensure that the real value of his company's assets can be maintained intact. The student of current trends must therefore make one of three assumptions about the future finances of British industry. Either he must assume that this "stand and deliver" technique can go on for ever; or he must assume that the productive assets of British industry will be irreparably eroded (ultimately to vanishing point); or he must assume that the system of assessment of industrial profits for tax purposes will eventually be amended. Since the first of these assumptions is absurd and the second will some day be recognised as unpleasant, the third assumption must in the end surely carry the day.

In recent weeks a series of expert witnesses has appeared before the Royal Commission on Taxation urging, in effect, that the day should be hastened. There are two major points at issue. The first is that profit and loss accounts are misleading documents unless they are drawn up in terms of reasonably standard units of account. At the moment they are not so drawn up, for part of the costs written into them—namely the costs involved in the wearing out of a fixed asset—is measured in pounds of the 1930's (or whenever the asset in question was originally acquired) while other entries in the accounts are measured in pounds of the 1950's. In France and some other countries depreciation allowances are now calculated after multiplying the cost of a fixed asset by an officially computed index number that expresses the fall in the value of money since the date of its acquisition. The evidence recently given to the Royal Commission by Lord Runciman and others has made it clear that some such system will have to be adopted in Britain if British shipping (to mention only one hard-hit industry) is not to fall gravely behind its foreign competitors when existing ships wear out. It is true that this view is not accepted by all British accountants, to some of whom a 1930 pound apparently is still the same as a 1952 pound because it bears the same label. But it is notable how far even the most conservative sectors of accounting opinion have moved in the last year. In evidence before the Commission last week, spokesmen for the Institute of Chartered Accountants in England and Wales suggested guardedly that the Inland Revenue's statutory rules governing the compilation of accounts for tax purposes should be abandoned and replaced by accountancy principles "subject to some solution of the problem of replacement costs."

The second major point at issue concerns the method of stock valuation that should be used when assessing profits and liability to tax upon them. The Royal Commission last week received a detailed memorandum from

the British Bankers' Association, which examined and praised United States income tax regulations on this subject. The bankers believe that "a trader should always be allowed to regard himself as disposing first of those items in his stock which have cost him most." This would be likely to involve use of the first-in-first-out (FIFO) method of stock valuation at a time of falling

PROFITS, PROVISIONS AND DEPRECIATION (£'000)				
	Reports Published April–June, 1952		Reports Published July, 1951–June, 1952	
	840 Companies		2,397 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	736,651	777,038	1,397,052	1,680,186
Income from investments	42,283	46,984	88,951	98,392
Other current income	1,735	1,302	6,510	6,391
Non-recurring credits	14,451	18,692	38,997	38,321
Total Income	795,120	844,016	1,531,510	1,823,290
Repairs and maintenance	5,869	3,835	11,566	11,549
Depreciation	113,860	128,616	211,369	238,010
Income tax (excluding profits tax)	250,045	265,989	468,050	572,613
Profits tax	68,656	89,460†	147,388	204,825
Directors' emoluments	15,872	17,043	39,603	43,035
Administrative charges, etc.	8,312	9,022	32,441	34,887
Contingencies, provisions, etc.	98,976	77,664	153,942	186,138
Pensions	12,014	12,917	19,543	21,824
Minority share in profits	10,432	11,690	17,500	18,989
Profits retained by subsidiaries	53,945	59,745	87,353	110,579
Debt interest	10,008	11,718	24,842	28,903
Preference dividends	16,168	15,642	33,616	32,862
Ordinary dividends	66,237	69,798	144,773	152,833
Revenue reserves	67,160	59,533	119,628	140,859
Brought in (parent company)	104,544	111,322	218,255	238,151
Carried forward (parent company)	111,322	122,666	238,151	264,485

† Including EPL.

ANALYSIS OF COMPANY BALANCE SHEETS PUBLISHED
APRIL–JUNE, 1952
(£'000)

	840 Companies			840 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies) —			Fixed Assets —		
Debtenture	301,763	337,204	Land, property and plant	1,942,947	2,182,313
Preference	426,876	431,111	Less depreciation	599,104	686,713
Ordinary	737,348	778,578			
	1,465,987	1,546,893	Trade Investments	321,146	314,552
Reserves and Surplus —			Intangible Assets	172,391	171,112
Capital reserves	597,061	652,378			
Revenue res. and carry forward	862,839	1,022,714	Current Assets —		
Total Capital Reserves & Surplus	2,925,887	3,221,985	Stocks	1,098,567	1,444,120
Outside Interests in Subsidiaries	144,091	157,711	Debtors	657,751	775,991
Current Liabilities and Provisions —			Gilt-edged securities	125,901	160,418
Bank overdrafts and loans	121,097	197,427	Other marketable investments	235,781	226,457
Creditors and accrued charges	979,167	1,196,278	Cash	512,521	504,378
Reserve for future taxation	187,868	197,716			
Other provisions	109,491	121,511			
	1,397,623	1,712,932		2,630,221	3,111,364
	4,467,601	5,092,628		4,467,601	5,092,628

prices and the last-in-first-out (LIFO) method at a time of rising prices. The bankers provided a statistical example which showed that a company selling 200,000 tons of a given material at £15 per ton in a year in which the cost of that material rose from £10 to £15 a ton and its stock from 100,000 tons to 110,000 tons, might equally well be said

to show a profit of £910,000, or £664,800, or £410,000 or £370,000—according to which of four methods of stock valuation was used (with the FIFO basis in this case showing the largest profit and the LIFO basis the smallest one). The bankers then transposed the figures to illustrate what would happen in a year when cost prices fell from £15 to £10, stocks fell from 110,000 tons to 100,000 tons and average selling price was £13; they concluded that the company could be variously assessed as showing a loss of £410,000, a loss of £154,800, a loss of £10,000 or a profit of £30,000 (with LIFO on this occasion showing the only profit and FIFO the largest loss).

There may be some who will object that this is a proposal that industry should be allowed to play a game of "heads we win, tails you lose," with the revenue, and who will therefore prefer the present system under which

Electrical Entente

ELECTRICAL interconnections crossing international boundaries have been commonplace in the European power economy for over 30 years. The recent decision by the British and French nationalised electricity supply authorities to instal a cable across the English Channel, therefore, may be considered as no more than an additional—and inevitable—extension of a pattern that already covers most of Western Europe. The theoretical advantages of the scheme have never been in dispute, but the technical feat of laying a more powerful submarine cable than has ever been laid hitherto needed much expert thought. A committee, drawn from the staffs of the British Electricity Authority and *Electricité de France*, has been considering the technical aspects of the problem for over two years; and has now decided that it is a practicable proposition—though the necessary development work may take another two years.

The operating advantages of any international link are, in effect, merely an extension of the benefits to be gained from the national interconnection of power plants into a "grid system." These are the reduction of idle capital in the form of standby-plant, since one standby unit can serve many stations; the need for less total plant, since diversity of demand spreads the peak loads; a reduction in total production costs of electricity, since the most efficient stations can be used to generate the greatest amount of current; and increased security of supply.

These advantages of grid operation have been realised to a great extent both in Britain and in France. The Electricity Act establishing the British grid system was first passed by Parliament in 1927. In the 10-year period between 1926 and 1936 (by which time the grid was in full operation) the linking of this country's generating resources on grid principles resulted in a reduction of the proportion of plant that had to be held spare from 70 per cent of the total capacity in 1926 to 26 per cent in 1936; the average cost of generation (including capital charges) was reduced from 0.4d. per unit to 0.19d. per unit over the same period. Moreover, the war demonstrated that major enemy attacks, with consequent damage to generating and transmission equipment, could not succeed in bringing about a breakdown of the country's electricity supply.

In France the development of hydro-electric power capacity in the Alps, the *Massif Central* and the Pyrenees,

the tax authorities tend to gain most of the time. But this is a short-sighted view. There is room for debate whether the French system of depreciation allowances and the LIFO-FIFO method of stock valuation are the best cures available for two grave economic ills—the wasting sickness that is preventing industry from keeping its productive assets in proper shape without running into debt, and the inflammation of wage demands that is inevitable when published "profits" look so high even though true profits are so low. But only those who are blind to the wasting sickness, or those who find the inflammation useful for the furtherance of their political ideals, will deny that a cure of some sort is needed. It is greatly to be hoped that the majority, at least, of the Commission will seek to propound such a cure; otherwise another Commission will some day have to be set up to conduct a post-mortem.

together with the location of large coal deposits in the north, has introduced greater benefits from complete interconnection than in Britain. The ability to share load—through the medium of long-distance links connecting the hydro regions with the industrial load areas and their thermal power plants in the north—has meant that each method of generation could be operated more efficiently than in a country with either all-thermal or all-hydro generation. The possibility of storing energy in reservoirs to drive hydro-electric plants, is of great advantage to the operators of interconnected power networks. Such benefits of co-ordinated power production apply equally to international power exchanges. In addition, the diversity of peak load is greater as the grid networks become wider in extent. The French peak is generally about one hour in advance of the British peak. And as Europe becomes more closely linked electrically, the peak period becomes even more widely spread—as, for example, when a link extends from southern Italy to industrial Scotland.

Both Britain and France face a shortage of generating plant to meet growing demand. Lord Citrine, chairman of BEA, repeated at the British Electrical Power Convention in June his familiar argument that the present Government limitation of 1,500,000 kilowatts of new plant each year needed to be raised in order to cover the expected increase in demand and the replacement of coal-wasting, obsolete plant. The cost of new generating plant is now of the order of £64 per kW, and has increased by about one third since 1948. In France, the large programme of hydro-electric development undertaken since the war has now, to a considerable extent, been accomplished; but the prospective increase in demand is such that a further plan will have to be set in motion without delay, if severe electricity shortages are to be avoided in four or five years' time. So far, the French Government have not authorised the capital expenditure for certain concluding stages of the first post-war plan, and further major developments have had to be postponed. The two power systems are roughly similar in size. In Britain, at the end of March, 1952, steam plant with a maximum capacity of 14,214,000 kW was available, together with 185,000 kW of water power from Scotland. France, at the end of 1951, had 5,843,000 kW of installed thermal capacity, and

6,784,000 kW of hydro plant, making a total of 12,627,000 kW. The average price received per unit in Great Britain as shown in the last available BEA report (1950-51) was 1.181 pence for 46,500 million units. In France, 38,279 million units were sold in 1951, for an average price of 1.16 pence per unit.

The broad lines of operation for a cross-Channel link are also clear. Britain would export energy to France in the summer period, thus utilising thermal generating plants in this country at greater efficiency and at a higher load factor and saving water at times of drought in some of the hydro-electric plants in France. In winter, the electrical tide would be likely to run the other way. When water supplies in the hydro plants are plentiful, power could be imported to help to meet the peak load in Great Britain and to save coal by ensuring greater efficiency, and by bringing in energy that did not require coal. An increase of thermal efficiency of 0.01 per cent in the average British national figures would save 160,000 tons of coal a year. Interconnection, bringing an improved load factor and better utilisation of plant, could thus contribute significantly to more economic power production. On the slight price differential between French and British unit prices, the transfer of 54,000 million units—about one year's consumption for Great Britain—would save the whole cost, about £4,500,000, of the present pilot project. In practice, such a transfer would take several years.

But considerable advantages to both national power systems can be obtained without any large net export of power in either direction. The 1951 balance sheet of French operation with interconnections to Belgium, Luxembourg, Germany, Switzerland, Italy and Spain, shows a net result of only 3 million units exported, though 638 million units passed at various times in and out across the country's frontiers, giving considerable advantages to the operating engineers both in France and in the other countries concerned. Thus, any misconception that interconnection by means of a Channel cable might involve the electrical "dependence" of Britain upon a foreign power is disproved. Moreover, the low figures of net transfer, in comparison with the large amounts of power actually transferred in both directions at different times of the day and year, show that in terms of finance the two power authorities could render each other valuable assistance with a negligible effect upon the balance of payments between the two countries. The initial cost of £4,500,000—and presumably the actual construction by cable companies—will be shared between the two countries. But since the project remains in the future, no agreements upon charges, methods of operation, maintenance and security of supply appear yet to have been reached.

Considering its potential advantages, it seems disappointing that the initial Channel cable project envisages an interconnector with a capacity of only 100,000 kW, no more than the output of one large modern power station; thus it will be no more than a pilot link. It is understood that the interconnector will take the form of four single-core cables, operating at 132,000 volts, insulated with pre-impregnated paper and covered with lead, with gas used under pressure to maintain the insulation in good electrical condition at all times. The three-phase alternating current system, operating at 50 cycles a second, is used both in Britain and France, and the

laying of four cables, physically separated by about 500 yards, will provide a spare conductor to preserve continuity of supply in the event of fault or fouling.

Technical problems in projects for transmitting alternating current over lengthy cable systems arise from the heavy charging current that such cables require; for example, a 25-mile cable of the type proposed might well need 50,000 kVA simply to charge it up. This fact presents operating difficulties; before a swing of power in one direction or the other can take place, much of the energy provoking the power swing must be stored in the cable insulation. As a consequence, relatively costly compensating equipment has to be provided.

An alternative to the standard alternating current system would be the use of high voltage direct current, and a scheme operating on this principle is now being constructed for what will be the world's longest submarine power cable link—the supply of energy to the island of Gotland, 62 miles off the east coast of Sweden. The conversion of alternating current into direct current by means of large mercury arc valves, and its reconversion at the remote end into alternating current, has been pioneered by Swedish engineers, who are convinced of its practicability. High voltage direct current transmission avoids any difficulty over charging current; it needs only two cables instead of the three required for three-phase alternating current transmission (and in emergency it can be operated at half the power using a single cable and a seawater return, as in the Gotland scheme); it requires smaller cables for a given capacity; and it affords better control of load flow. On the other hand, the terminal equipment is more expensive and complicated than for an AC system. However, the proposed Channel cable is likely to be suitable for future operation on the direct current system, and the transmission capacity would be trebled if this change were made. Further interconnections might well be of the direct current type. This first 100,000 kW link will enable valuable operating experience to be gained. But significant economies, by the more efficient use of plant, cannot be achieved until a substantial link, which might transfer perhaps a million kilowatts, at a capital cost of about £15 million, comes in its train.

Price Indices of Capital Equipment

The Economist Intelligence Unit, in conjunction with the Association of Certified and Corporate Accountants, has compiled a series of indices showing changes in the cost of replacing industrial and other assets. Indices available are

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Business Notes

Leap in Bank Deposits

The credit trends shown in the latest statement from the clearing banks make a striking contrast with the intentions of the Government's disinflationary policy—though this contrast is, of course, only another facet of that shown in the Exchequer return, discussed in these columns three weeks ago. In the 5½ weeks to June 30th net bank deposits leaped by £120 million, which is easily the biggest increase since the wholly abnormal movement of October, 1950, and, except for one or two wartime years, is in fact the largest June movement ever experienced. In 1946, during the height of the Daltonian frenzy, the movement was £112 million. At June 30th, after the latest increase, the total of net bank deposits, at £5,817 million, was still £134 million less than at the corresponding date last year; but in April the fall shown on the year was £203 million. This striking movement does not mean that there has been any apparent softening of the impact of the new monetary discipline on the private sector of the economy. It is true that bank advances to this sector seem to have been increased during the month, but the amount of this increase was almost certainly less than the movement of the advances total might seem to imply; this total dropped by £30 million, or by £15 million less than the month's call on the BEA loan, the proceeds of which may be presumed to have been applied in repayment of outstanding electricity advances. Other forms of bank finance for the private sector of the economy were, moreover, sharply contracted. Bank portfolios of commercial bills dropped by another £18 million, reducing them to only £83½ million, or more than £100 million below the peak of last February, while aggregate investment holdings declined by another £15 million (partly, no doubt, in consequence of writing-down).

The £64 million fall in these three items, taken in conjunction with the £120 million increase in net deposits, implies that governmental demands for bank finance expanded during the 5½ weeks by no less than £184 million. There has thus been a sharp accentuation of the tendency noticeable in May, when the presumed amount of government borrowing was just over £70 million; in June last year, it may be noted, the Government was apparently able to reduce its indebtedness to the banking system. These borrowings are, of course, readily explicable by the trends shown in the Exchequer return. During the period most nearly comparable to that covered by the banks' statement, there was an above-line Exchequer deficit of nearly £150 million and, in addition, there were large expenditures below the line—£15 notably, £57 million for advances to local authorities, £15 million apparently absorbed in working capital by trading controls and £7 million by war damage. If, for the reasons given here three weeks ago, the strongly adverse trend shown in the above-line account during the first quarter of the fiscal year may be expected to be partly corrected later in the year, the Government should eventually be able to repay part, at least, of these excessive borrowings. But, until this hoped-for change becomes fully apparent, the credit trend will be watched with some anxiety. One inevitable consequence of the scale of Government borrowing has been a sharp expansion of the banks' liquid assets; despite the contraction of commercial paper, the banks' total bill portfolios rose during the month by no less than £129 million, raising the ratios of total liquid assets to deposits to 34.7 per cent, easily its highest point since the special exchange of Treasury bills into Serial Funding Stocks took place last November. Clearly, the need for a funding operation grows steadily.

Competition in Transport

"Even the most fearsome critics of the present Government's new Transport Bill—the independent critics, that is—all unite in saying that drastic transformation of the 1947 Act is absolutely necessary." With this challenge to the Opposition, the Minister of Transport on Tuesday steered the debate on the 1951 report of the Transport Commission towards a debate on the new Bill itself. Mr Lennox-Boyd praised the report, and accepted without protest that it had been written "with the Government's Transport Bill in mind"; this might have helped those responsible for the report "to clear their minds and to clarify certain issues." Clarification on the Bill then followed. The Commission's achievements—which the Minister acknowledged—were not the fruits of integration; they were the achievements of the separate parts of the Commission's businesses. "The absolute failure in the realm of integration" forced upon the Government the obligation to introduce a new Transport Bill.

It is true that integration of transport has not been a spectacular success; five years would in any case be a short time for any material progress towards integration, and the past five years have not been among the most placid in the country's economic history. The recipe that the Minister propounded was decentralisation—and the best way to deal with decentralisation was "through private enterprise and competition." The traveller and trader should be allowed to choose the form of transport they prefer; but they should pay "not only in the ordinary cost of transport that they use, but also the cost of any other transport services which it is in their own interest should also be preserved." Hence, in the Minister's view, the justification for payments from the road levy to assist the railways.

Mr Lennox-Boyd went on to claim that the charging powers contemplated for the railways in the new Bill would give them headroom to meet increases in costs, and competitive power to quote rates below the new maximum rates. There are, however, limitations to these new liberties. The power to increase rates by up to 10 per cent to meet increased costs is subject to retrospective sanction of the Transport Tribunal—as is proper. The power to quote less than maximum rates is subject to publication, equality of charges and prohibition of undue preference, together, in the last resort, with power for aggrieved carriers to appeal under certain conditions to the Transport Tribunal against competitive charges below maximum rates. This is dipping the toe in the cold water of competition. It is odd that the railways are to be supported by a levy because of their competitive weakness, and at the same time to be denied the exercise of free competition because of their "huge resources."

Action on Monopolies

The work of the Monopolies Commission on cases submitted by the President of the Board of Trade has been meticulous, comprehensive and fair. It has also been slow, though sufficient experience has now been gained to justify the hope of at least some speeding up of its output. Wednesday's debate on the Commission's work was a very calm affair. Dr Dalton asked the expected questions. "Deeply disappointed" with the working out of the Act of 1948, for which he shared responsibility, he suggested the use of Section 15 which empowers the Board of Trade to refer for investigation the general effects throughout industry of any particular restrictive practice, such as the use of the collective boycott, exclusive dealing arrangements or restricted entry into an industry.

To this suggestion, Mr Thorneycroft (who admitted to a prejudice against monopoly, and one that did not distinguish too carefully between public and private monopoly) gave a measured welcome. The Commission's four reports (on dental goods, rainwater goods, electric lamps, and electric cables) have disclosed strong family resemblances among the various restrictive devices that the Commission found to exist in these industries. Only one of the four industries has been brought under the sanction of a Statutory order, and this has seemed to many to put the one in an invidious position when there are other industries (whether under enquiry or not) that are free. Clearly, the banning in any particular industry of practices generally pursued quite legally elsewhere is neither just nor expeditious. Mr Thorneycroft's proposal, therefore, to make use of the procedure under Section 15, and to ask the Monopolies Commission to make "a general study of some practices based on their original reports" offers a chance of greater expedition. Exclusive dealing and the collective boycott, the President suggested, would together be "a very strong candidate" for early examination.

Dollar Exports Improve

Exports in the first half of this year reached £1,347 million and were £107 million higher than those of the first half of 1951. These figures alone might suggest that the export drive is going well; unfortunately, they conceal a disturbing decline in trade during the second quarter of the year. Exports in the June quarter, indeed, were 13 per cent lower than those of the previous quarter, and of this fall about 5 per cent can be attributed to the fact that the second quarter included fewer working days, since it included both Easter and Whitsun. The net loss reflects, in part, the damage to British exports caused by the tightening of import restrictions by sterling area countries. Thus the general trend in exports is discouraging, though fortunately there is comfort to be derived from a recovery in exports to the dollar area.

The metal using industries carrying the treble burden of demands for exports, defence, and home investment, have been succeeding quite well in meeting their export responsibilities. In the first half of this year, the value of metal goods exports reached £655 million, no less than £80 million above

THE TREND OF SELECTED BRITISH EXPORTS
(£'000s)

	Totals		Monthly Average	Monthly Totals		
	1st Half, 1951	1st Half, 1952	1st Qtr., 1952	April, 1952	May, 1952	June, 1952
Coal	11,832	24,519	3,616	3,578	5,398	4,696
Machinery and parts	170,166	218,817	37,625	37,247	37,543	30,919
Chemicals	66,393	75,843	13,523	11,504	13,312	10,466
Cotton goods	103,649	86,025	16,608	13,657	12,027	10,462
Wool manufactures	95,962	61,606	11,331	9,804	9,303	8,531
Cars	50,873	60,738	10,948	9,255	10,446	8,181
Domestic pottery (incl. china)	7,642	9,127	1,678	1,628	1,348	1,118

the total for the first half of 1951. Even here, however, import cuts in sterling countries are being significantly felt. Machinery exports, which amounted to £219 million in the first half of the year compared with £170 million in the same period last year, were slightly smaller in the second quarter of this year than in the first—the value of shipments to Australia and New Zealand alone declined by 50 per cent. Exports of vehicles show a similar trend. For the first half of the year they reached £262 million, £32 million above the corresponding figure for last year; but they dropped from £139 million in the first quarter of this year to £125 million in the second. Only 74,000 cars were shipped abroad in the second quarter, compared with 87,000 between January and March; exports to Australia in the second quarter totalled less than 4,000, compared with 22,500 in the pre-

ceding three months, when there was presumably some hasty shipment of cars before the barrier was lowered. Given the depressed state of textile trade throughout the world, the severe reduction of textile exports was plainly inevitable. In the first half of this year exports of cotton goods were £86 million, against £104 million in the first half of 1951; exports of wool manufactures fell from £96 million to £62 million, and of silk goods from £31 million to £23 million. Second quarter exports were lower than those of the first quarter. It is heartening that coal exports are recovering rapidly this year.

The rise in exports to the dollar area is a welcome contrast to the recent decline in total exports. In the second quarter exports to the United States reached £36 million, some £1½ million more than in the first quarter. Exports of textiles and of tin increased and the number of cars shipped in the second quarter—8,937—was double that of the first quarter. The recovery in exports to Canada continues; car shipments, in particular, are doing much better. Nearly 8,000 cars were exported in the second quarter compared with 548 in the first quarter, but the rate of shipment is still far below that of the first half of 1951.

Import Cuts in Effect

The policy of cutting imports, on which the first phase of the Chancellor's measures of last November was so largely constructed, is now becoming visible in the trade figures. The import bill for the first half of the year amounted to £1,901 million—some £46 million higher, in fact, than that of the first half of last year. But the import figures for May and June showed a significant fall. Imports in June totalled £276 million and were £81 million lower than those of June, 1951. Not all of this fall can be attributed to the Chancellor's cuts of November and February but imports of several items affected by the cuts are now falling. These include a number of foodstuffs—among them fruit and vegetables, cocoa preparations and tinned ham—from Europe, which have been lower this year than in the first half of 1951. On the other hand, although there is to be a severe cut in the allocation of dollars for tobacco this year, the cut did

THE TREND OF SELECTED IMPORTS
(£'000s)

	Totals		Monthly Average	Monthly Totals		
	First half 1951	First half 1952	First quarter 1952	April	May	June
Food:—						
Grain and flour	119,800	153,333	25,113	29,853	23,848	25,194
Tinned ham	19,135	6,412	1,230	793	804	1,135
Raw Materials:—						
Coal	7,949	2,728	900	18	15,730	12,038
Raw wool	168,243	87,990	14,085	18,048	9,071	7,372
Raw cotton	116,337	78,267	14,498	17,537	12,466	8,224
Paper making materials	57,510	79,730	15,646	11,876	20,329	21,164
Crude petroleum	60,522	120,218	19,980	21,507		
Manufactured Goods:—						
Steel plates and sheets	1,651	6,054	1,040	1,162	982	909
Machine tools	5,061	25,058	4,035	3,926	5,059	3,986
Lead	7,686	15,418	3,530	1,773	1,454	1,383
Zinc	8,338	20,450	3,328	3,636	4,495	2,562
Tin	3,258	2,283	630	180	158	59

not apply to purchases from last year's crop. Large quantities of tobacco continued to arrive in the first quarter of this year and imports for the half year were higher than in the same period last year. Grain imports were not subject to any reduction; they amounted to £153 million, costing £33½ million more than in the first half of 1951 because of larger and more expensive arrivals of wheat and maize.

Few raw materials came under the Chancellor's axe; smaller quantities of paper making materials, leather and paper (except newsprint) have been imported this year than in the same period last year. Lower import prices have also played their part in reducing the value of raw material



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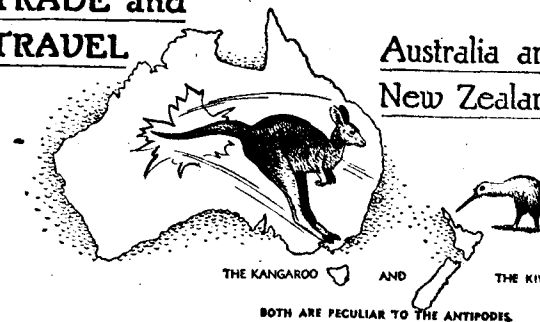
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private debts has apparently been raised to a figure of between 300 million and 340 million Deutsche marks. There has been no fresh news this week about the way in which this sum might be distributed—except that the sterling and other soft-currency bondholders may have made some concessions to American opposition to the enforcement of dollar clauses. At any rate, the representatives of American bondholders, who returned to New York in a "huff" on this subject a few weeks ago, have now announced that they have rejoined the conference as "a new basis for discussions with respect to the Dawes and Young loans has been developed which appears to present a reasonable prospect of equitable settlement."

It also remains to be seen whether the apparent generosity of Germany's second thoughts may not be due to its hopes that there will be some curtailment of the payments that it will have to make to the Allied governments in respect of postwar credits. The next stage in the debt discussions will be the negotiation of bilateral agreements between Germany and the three creditor governments—the United States, Britain and France—for settlement of these postwar credits. Only when these agreements have been signed will the stage have been prepared for the official ratification of the agreements that now seem about to be signed between Germany and the private creditors. There is thus still some room for possible slips between the cup and the lip. The same judgment, of course, applies to Japanese debts, the conference on which began in New York last Monday, after a statement by the Japanese ambassador-at-large that his country is considering a "very generous settlement." In the circumstances, it is hardly surprising that on the Stock Exchange this week, movements of both German and Japanese bonds have been wide and erratic.

One early consequence of the effective understanding on Germany's standstill debts should be the reappearance of German bills and other forms of credit on the London market. About £32 million of such credits (including some £12 million in respect of arrears of interest) should re-appear as a result of the proposed "re-commercialisation" of the standstill debts. Some of these credits will take the form of cash advances, on which a rate of 4 per cent will be paid, while the remainder will appear as German bills, for which a discount rate of 3½ per cent has provisionally been fixed. These facilities will henceforth be extended exclusively against *bona fide* imports into Germany.

Trade With China

Some interesting repercussions of the Moscow Economic Conference and of the talks which were begun there for developing trade between Britain and Communist China, have recently become apparent. The vague plans and expressions of hope which were expressed at that conference have since been followed up by more precise conversations between Lord Boyd Orr and other members of the British delegation at the Moscow Economic Conference and the Chinese Export and Import Agency which, for the time being, is domiciled in East Berlin. These discussions have now induced the British interests concerned to form a company by name of International Trade Association Limited to act as a channel through which the established Far Eastern merchants may find a sympathetic approach to the Chinese market. This new company is administered by persons who attended the Moscow Economic Conference. Its chairman is Mr W. D. Lorimer, managing director of North British Locomotives, and other directors include Mr J. Perry and Mr G. B. Drayson, MP. This company is intended to act as a co-ordinating and introductory channel. It has neither the organisation nor the finance to handle trade on its own account. It may, however, be in a position to render certain services to already established merchants in the Far East. Some of the contracts which were discussed in general terms

at the Moscow Economic Conference are now beginning to crystallise. During the past three weeks the Board of Trade have issued licences for the export of some £1,000,000 of non-strategic chemicals to China. Some of these shipments can trace their origin to the initiative taken in the course of the Moscow talks.

Japan and Gatt

The Japanese Government has notified the executive secretary of the General Agreement on Tariffs and Trade of its desire to accede to that agreement and to enter into tariff negotiations with 28 contracting parties. This request has been communicated to all the contracting parties of Gatt. They have been asked if they have any objection to Japan entering negotiations under the new procedure worked out in 1951, which allows individual countries to become contracting parties without holding a full-scale multilateral tariff conference. They have also been asked whether, in the event of negotiations taking place, they want to participate. The Japanese demand for accession to Gatt follows logically from the coming into force of the Japanese Peace Treaty. The probable entry of Japan among the contracting parties is likely to be a major event for Gatt. It will also set a difficult problem for the United Kingdom Government, whose attitude to Japanese imports into Britain and the dependent territories remains decidedly equivocal. It was about a year ago that the President of the Board of Trade in the Labour government announced that the United Kingdom had decided to withhold from Japan the most-favoured nation treatment "bearing in mind the prewar record of Japanese competition, especially in the textile trades." This remains the attitude and policy of the Conservative Government. It can, however, no longer be adhered to if Japan becomes a contracting party of Gatt. As a contracting party Japan would have the automatic right to claim most-favoured nation treatment from Britain and all other members. This issue may help to crystallise the British Government's attitude to Gatt, an issue on which profound differences of opinion appear to obtain within ministerial circles.

More Sulphur

A gradual increase in world supplies of sulphur has enabled the International Materials Conference to raise its allocations for the second half of this year. The IMC announced this week that 3,200,260 tons will be distributed to consumer countries in the current six months compared with 2,951,400 tons in the preceding half year. The United Kingdom share will be increased by 1,000 tons to 195,000 tons.

The Sulphur Committee of the IMC reports that world stocks of sulphur, which had been falling throughout 1950 and the early part of 1951, have ceased to decline since international allocations began last July. A shortage of sulphur persists but the efforts of the IMC have at least succeeded in bringing world consumption down to virtually the same level as production. Its task has been made a little easier by a perceptible increase in output, which in the second half of this year is expected to reach 3,200,000 tons compared with 3,070,000 tons in the second half of 1951. Even with this rise, however, production still lags far behind requirements, which are put at 3,830,000 tons for the current half year.

World requirements of sulphur are likely to continue to increase rapidly over the next few years. The setback suffered by the rayon industry has undoubtedly reduced its need for sulphuric acid for the time being, but this factor will probably result in nothing more than a slight kink in the upward trend of world demand for sulphur. On the

other hand, it is not certain that production will for ever lag behind the growth of demand. In the last year or two, sulphur has come to be regarded as a commodity threatened with perpetual and absolute shortage. The United States produces more than 90 per cent of the world's sulphur and although its production (largely from rich natural deposits) is being expanded, its reserves of sulphur in this natural form are known to be limited. But in the United States and elsewhere in the world, there are large deposits of other sulphur bearing materials which were not profitable to exploit while natural sulphur deposits were ample for the world's needs. These alternative sources of sulphur are being increasingly exploited. Sulphur is also being recovered from petroleum and natural gas. In this country Shell have one recovery plant in operation and another is being set up at the Esso refinery at Fawley. An anhydrite plant is being constructed by ICI and the principal consumers of sulphuric acid in this country. The largest use of sulphur is in the production of sulphuric acid and both here and in the United States many acid plants are now being converted to use pyrites. The development of these alternative sources of sulphur make it arguable whether sulphur will for all time be afflicted by shortage.

Fiduciary Issue Raised Again

As expected, the Treasury has had to authorise a second "summer holiday increase" in the fiduciary issue, by £50 million to £1,550 million. By last Wednesday the active note circulation had already risen to £1,502.6 million, compared with £1,380.9 million a year ago. It will inevitably rise again during the current week, before turning down from its customary August Bank Holiday peak. In the nine weeks since May 21st the active note circulation has risen by nearly £97 million, or almost exactly double its increase in the corres-

ponding nine weeks of 1951. Part of the explanation of this very large increase may be that people are preferring to hold more of their purchasing power in the form of notes and less in bank deposits, in consequence of the rising trend of bank charges; while the active note circulation at the end of June was some £93 million higher than a year before, the level of gross bank deposits was some £102 million lower. But it would be wise to draw consolation from this approximate stabilisation of the total volume of money, especially as the trend of deposits is at present sharply upwards. The main determinants of the size of the note issue relative to the size of bank deposits are the proportions of current income going to those who do not usually have bank accounts and, above all, the level of prices (and thus of weekly needs for ready cash).

Steel and Shipbuilding

The principal feature of Lloyd's Register shipbuilding returns for the second quarter of the year is the marked drop in the tonnage on which work was begun in British yards. This amounted to no more than 205,641 tons, the lowest figure for any quarter since the war, and compares with 324,831; 361,259 and 423,602 tons respectively for the three previous quarters. Work started in the last twelve months has totalled 1,315,000 tons gross, compared with 1,476,000 tons in the previous twelve months. Foreign shipyards, on the other hand, have been increasing their activity, and in the last quarter Japan alone began nearly as much tonnage as the United Kingdom. In 1951 Britain was responsible for 40 per cent of the tonnage laid down in the world; but in the last quarter the British share was lower than 20 per cent. This is some indication of the effects of the steel allocation measures of which the shipbuilders have been so critical recently. They complain that the total quantity of



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steel allocated to the yards is well below normal requirements, that deliveries are lower than allocations, and that the specifications and sequence of delivery frequently interfere with the regular flow of work.

Such delays can have a far-reaching effect, increasing the cost of shipbuilding and upsetting promised delivery dates. The order book of the British shipbuilding industry stands at about 7 million tons, with an estimated value of about £670 million; one-third of which is for direct export. This total includes orders for some 850,000 tons which have been received since the beginning of the year; if the industry could get all the steel it requires, of the right specifications and at the right time, this latest batch of orders would represent about six months' output capacity. Any impediment to the smooth operation of the shipbuilding industry is particularly unwelcome at a time when foreign competition is becoming noticeably stronger.

Hire Purchase and Price Control

The hire purchase regulations that Mr Butler introduced last January, in order to restrict demand for goods that might be exportable, were bundled in on top of earlier hire purchase regulations meant to serve a very different purpose—that of preventing abuse of the price control system. Last week, the Board of Trade discontinued one of these earlier regulations, which had in effect made it impossible for non-price-controlled goods (except non-utility furniture and bedding) to be included in the same hire purchase or credit sale agreement as price-controlled goods. This regulation had caused great administrative inconvenience to traders since the recent freeing from price control of carpets and certain other household textiles and goods—a process of de-control, incidentally, which is being gradually extended and which last week reached out to all forms of push chairs, in a new perambulation to freedom. There is still considerable controversy about whether the new style hire purchase measures (including the recent request to the banks to reduce their lending against hire purchase proper) are having much real effect on consumption, but it is certainly important that they should be thoroughly disentwined from price control orders, which were not desired to cut back consumers' demand but to cosset it.

New Bottle for Old Wine

Thursday's successful new issue by George G. Sandeman, the well-known port and sherry exporters, was the first direct offer of new equities to the public for some months. The background to the issue was the familiar one of erosion of private capital under the relentless pressure of death duties. For 162 years George G. Sandeman has traded either as a partnership or as a limited private company; the present scale of death duties has now forced its owners to seek a market quotation for the whole of the company's issued capital of £432,016 5 per cent £1 preference shares and £1,000,000 £1 ordinary shares—and to offer 500,000 of these ordinary shares to the public at a price of 22s. 6d. each. The company's directors will still own or control nearly 344,000 of the ordinary shares and will remain responsible for the management of the company.

In the last ten years the company has shown a progressive profit record, with quite a sharp expansion in earnings in the last two years. As there has been a fall in sales in the first six months of this year, the directors do not expect profits in 1952 to equal those earned last year, but they estimate them conservatively at £275,000; after tax and preference dividend payments this would cover the contemplated dividend of 9 per cent more than twice. At the offer price of 22s. 6d. the new shares, which have no precise counterpart in the market, yield a full 8 per cent—a yield

that appears to be well in line with shares of a similar status in the consumption trades. As total net assets (excluding any allowance for goodwill) amount to £2,248,000, of which net current assets (largely representing stocks of maturing wine) account for about £1,869,000, a relatively low capitalisation appears to have been put upon the business. The over-subscription of this issue made by a reluctant pioneer may tempt others to break away from the long tradition of the family business in the wine trade.

Prospects on the St Lawrence

The sudden surge of interest in the St Lawrence seaway has taken the Canadian authorities somewhat by surprise, for the scheme has not yet been approved and no body responsible for its administration has yet been appointed. In outline, the object is to provide a 2,600-mile waterway through Canada from the Atlantic to the Great Lakes, and at the same time to dam the St Lawrence river in order to construct three hydro-electric power plants, totalling 3,500,000 horse-power, along its course. It was always hoped that the United States would share the cost and the work of this scheme with Canada, but American railway companies and other transport interests have maintained their effective lobby against the project. In these circumstances Congress has not yet approved the scheme, and Canada has therefore decided to go ahead alone. Before it can do so, however, certain aspects of the scheme still have to be approved by the Joint International Commission, which arbitrates on questions involving any change in the water frontier between the United States and Canada. No opposition is expected from the commission, but the formalities of hearings and approval cannot be completed before the autumn and until then the Canadian government cannot take any active steps to put life into what is still a paper scheme.

Until the project takes concrete shape, it is impossible to assess what the requirements will be and how well fitted British manufacturers would be to supply them. It seems possible that British companies will have opportunities of providing construction materials as well as tendering for power plants and machinery. British, and presumably most European, prices for power plant and similar custom-built machinery tend to be comfortably below American, and their delivery dates may also be better. But it will present a major challenge to such companies to provide spares and servicing facilities from a distance of 4,000 miles to compare with those provided by American manufacturers just across the border.

The Cost of Synthetic Rubber

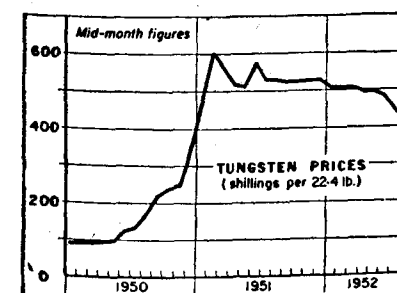
A special committee is to meet in London at the end of next week to study the proposal for an international agreement to prevent "burdensome surpluses or serious shortages of rubber." The committee, which consists of representatives of the main consuming and producing countries, has been set up on the recommendation of the Ottawa Conference of the International Rubber Study Group last May. At that time the price of rubber was only 2s. 1d. a lb, and many producers claimed that their costs of production were far above this level. In the last two months there has been a slight recovery (to 2s. 2½d. a lb last Wednesday), but the plight of the natural rubber industry is still serious enough for Sir Gerald Templer and others to draw anxious attention to its possible political repercussions in South-East Asia.

Rubber growers have long maintained that the American Government's pricing policy for synthetic rubber constitutes one of the chief obstacles to the prosperity of natural rubber, and the American reclaim rubber industry is now echoing this complaint. A member of the Rubber Reclaimers' Asso-

ciation has recently told a Senate Committee that if the synthetic industry were in private hands, the prices "would have to be 28 to 31 US cents a lb to reflect a profit after taxes." This price would be equivalent to between 2s. and 2s. 2½d. a lb, and would be sufficient to enable the natural rubber industry to compete; it compares with the 23 cents a lb at present fixed by the United States Reconstruction Finance Corporation, which controls the synthetic industry.

Tungsten Price Confusion

Following the recent reduction in the official United Kingdom buying price for tungsten ore from 445s. to 425s. a unit (of 22.4 lb), the selling price has been reduced from 467s. 6d. to 447s. 6d. a unit. The buying price is purely nominal, for little ore is being offered to Britain at this level. The recent weakness of tungsten has been caused



not so much by a decline in demand as by the significant increase in output during the past six months, particularly in Burma, Siam and Korea. Britain is anxious to see this larger supply reflected in a sharp decline in the price; although this has already fallen by a third from its peak of last year, it is still some three and a half times the level of June, 1950. Britain, therefore, is not an eager buyer.

Producers expect the price to recover, despite the fact that output is now running at about double the rate

Company Notes

Distillers.—The market's disappointment with the mere maintenance of Distillers' ordinary dividend at 22½ per cent was immediately reflected in a fall of 9d., to 17s. 6d., in the 4s. ordinary shares; as the recently issued loan stock is ultimately convertible into ordinary shares, it also fell—by 1½ points to 104. Some investors had apparently been encouraged to expect a 25 per cent dividend by the directors' statement at the time of the loan stock issue that the results for the year to March 31st would show a further substantial rise in trading profits, and had not given sufficient heed to the current warning that taxation would absorb a large proportion of this increase. Both the forecasts of increased profits and higher taxation are confirmed in the company's preliminary statement. Group trading profits have advanced from £17,947,229 to £21,265,450, but, thanks to the increase in the provision for taxation from £9,515,576 to £11,816,737, group net profits have risen by only £311,525 to £7,170,450.

	Years to Mar. 31, 1951	1952
Trading profit	17,947,229	21,265,450
Total income	18,411,095	21,729,345
Depreciation	1,103,627	1,395,730
Taxation	9,515,576	11,816,737
Net profit	6,858,925	7,170,450
Ordinary dividends	2,701,960	2,668,416
Ordinary dividends (per cent)	22½	22½
Retained by subsidiaries	2,977,137	2,651,373
General reserve	685,527	1,000,000
Stock contingencies reserve		400,000
Added to carry forward	423,351	143,109

4s. ordinary stock at 17s. 6d. yields 15 8s. per cent.

The increase in gross profits in the last few years has obviously owed a good deal to the world-wide inflation of prices, but it has also reflected a steady expansion and development of business—not only in the

dollar-earning trade in potable spirits, but also in the company's participation in the chemical and plastics industries. These developments imply increased investment in both fixed and working capital, and require the continual support of ploughed back profits, as well as of the new money raised by the loan stock; in the latest year the group's general reserves have been reinforced by the appropriation from profits of £1,679,824 (against £3,188,013), and its stock contingencies reserves by the appropriation of £1,561,274 (against £439,190). In the next few years the company's dividend policy must also be geared to the consideration that a speedy conversion of the loan stock (which would be encouraged by an increase in equity distributions) would mean a rapid increase in equity capital. The directors may, therefore, feel under a double incentive not to raise the coupon rate until the development programme has fully matured.

W. H. Smith and Son.—The problems faced by W. H. Smith and Son may differ more in size than in kind from those faced by the newspaper agent "round the corner," but it will be surprising if many of the smaller newspaper and stationery retailers can echo the report made by the group's chairman, Mr. D. J. Smith, that a substantial increase in the value of sales (due almost entirely to last year's all round increases in prices, particularly of the national daily newspapers) was achieved without the loss of any customers. On the other hand, almost all retailers will endorse the chairman's remark that expenses have continued to rise. The main components have been a bigger wage bill, now accompanied by claims for further wage increases, on the retail side of the trade, and a rise in cartage and carriage

costs on the wholesale side. Rising costs have not, however, altogether absorbed the increase in the group's income from its sales (including a continuing expansion in its export trade), so that it has been able to report a further increase in trading profits, from £1,629,094 to £2,154,674.

	Years to Mar. 29, 1951	1952
Consolidated earnings:—		
Trading profit	1,629,094	2,154,674
Total income	1,645,289	2,180,744
Depreciation	160,646	194,543
Taxation	819,567	1,185,622
Net profit	527,789	570,837
Ordinary dividends	192,750	189,000
Ordinary dividends (per cent)	12	12
Revenue reserves	240,000	294,000
Added to group carry forward	4,119	4,986
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	3,871,221	3,938,709
Net current assets	3,026,888	3,635,609
Stocks	1,910,707	2,167,252
Cash	1,395,034	1,581,448
Reserves	3,236,831	3,638,927
Ordinary capital	1,000,600	1,000,600

£1 "A" ordinary stock at 39s. 4½d. yields 16 2s. per cent.

Taxation at £1,185,622 (against £819,567) has eaten into earnings, but group net profits still show an increase, from £527,789 to £570,837. The company has therefore had no difficulty in maintaining the year's distribution on the "A" and "B" ordinary shares at 12 per cent and in increasing its appropriations to revenue reserves from £240,000 to £294,000. Unlike many other retail concerns the group has been able to strengthen its liquid resources, and there should, therefore, be no difficulty in again maintaining dividend payments this year. Shareholders should not hope for much more than this, for Mr D. J. Smith warns them that there is no real prospect of a further large increase in sales this year, especially "as it is hoped that the rise in

Shorter Notes

The Capital Issues Committee, which in the past few months has notably liberalised its attitude towards the capitalisation of company reserves, has now granted permission to Imperial Tobacco to capitalise £22,537,830 from its capital and revenue reserves. The company is therefore to issue 22,537,830 new £1 ordinary shares at par to equity stockholders in the ratio of three new shares for every £5 of stock held. More decisively than many boards, the directors of Imperial Tobacco emphasise that the capitalisation of reserves does not mean bigger dividends. Eschewing the more customary phrases, the directors point out that "the proposed issue contains no element of bonus and carries no implication as to the rate of dividend beyond the fact that whatever the amount to be distributed the rate of dividend will be five-eighths of what it would have been had this capitalisation of reserves not been made."

The Ministry of Materials has announced that control over the purchase and use of teak ended on July 22nd. An import licence will still be necessary when importing teak from outside the sterling area.

prices has been halted." And there is a danger that while sales are being stabilised, costs will continue to rise.

Bleachers' Association.—The slump in the textile trade came too late to be fully reflected in Bleachers' accounts drawn up at the end of last March, so that the group's trading profits show a further increase, from £1,244,211 to £1,423,298, though profits as well as sales must have been tapering off before the end of the financial year. As taxation has increased from £523,518 to £674,817, group net profits have fallen from £433,023 to £419,291. The decision to cut the ordinary dividend from 8 to 6 per cent does not appear to spring directly from this decline. It should be regarded rather as a deliberate attempt to build up the group's reserves in preparation for the effect that the slump in sales will have upon the accounts for the current year. In all, the group has ploughed back £280,000 (against £200,000) to reserves from net profits.

Consolidated earnings:—	Years to March 31, 1951	1952
Trading profit	1,244,211	1,423,298
Total income	1,332,348	1,502,717
Depreciation	150,592	151,856
Taxation	523,518	674,817
Net profit	433,023	419,291
Ordinary dividends	80,193	60,145
General reserve	100,000	100,000
Fixed assets replacement reserves	100,000	100,000
Other specific reserves	79,294	7,320
Added to group carry forward	79,294	7,320
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	5,709,294	5,673,097
Net current assets	1,935,567	2,531,819
Stocks	1,374,206	1,821,653
Cash	338,574	155,844
Reserves	1,850,549	2,175,941
Ordinary capital	1,909,368	1,909,368

10s. ordinary stock at 7s. yields 18 11s. per cent.

The need to make these appropriations is all too apparent from the consolidated balance sheet. Further sums have been locked away in working capital so that cash balances have been reduced from £338,574 to £155,844 and quoted investments from £781,744 to £639,833. The increase in the book value of stocks, from £1,374,206 to £1,821,653, may largely reflect the piling up of unsold stocks in the association's warehouses; the appropriation of £30,000 in a subsidiary company's stock depreciation reserve is a sign that losses on these stocks may be feared. Similarly the transfer of £50,000 to an investments contingency fund indicates a threat of other losses if the group is forced (by the dearth of cash balances) to realise part of its investment holdings. Some measure of the dangers that may lie in store for the association is to be found in the yield of over 8½ per cent offered by the 10s. ordinary stock units at the current price of 7s.

Lewis Berger.—The dividend policy of the directors of Lewis Berger is in sharp contrast to that of the directors of Bleachers. Faced with a similar, if less severe, slump in sales, they have taken the surprising step of increasing the ordinary dividend from 15 to 18 per cent. The advance in group trading profits, from £905,766 to £1,001,748, and the even smaller increase in net profits, from £362,316 to £368,844, might be regarded as providing the justification for this policy, yet it is accompanied by the chairman's insistent warnings about current trading prospects. Having pointed out that profits earned by the group overseas now exceed those earned by its home companies, Mr T. Lilley indicates that sales of the group's paint and related products, particularly in export markets, have been affected since the beginning of the year by credit and import restrictions. Furthermore, in the year to March 31st last, profits of certain overseas companies had already been reduced as stocks had had to be revalued at lower market prices. Mr Lilley also refers to "critical

trading problems" and suggests that the outlook for the group in 1952 is not encouraging.

An examination of the consolidated balance sheet makes the directors' decision to increase the equity distribution no less intriguing. Cash balances have been drawn down from £471,293 to £64,209, and the group has had to borrow £744,677 from the banks. These changes appear to be the direct outcome of further investment in working capital; the

Consolidated earnings:—	Years to March 31, 1951	1952
Trading profit	905,766	1,001,748
Total income	919,019	1,049,250
Depreciation	108,965	119,240
Taxation	398,000	510,000
Net profit	362,316	368,844
Ordinary dividends	126,019	149,482
Retained by subsidiaries	15*	18
General reserve	227,275	207,324
Added to carry forward	Dr 47,794	Dr 2,662
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	2,697,597	3,007,616
Net current assets	2,929,638	2,701,054
Stocks	2,536,452	3,790,638
Cash	471,293	64,209
Bank overdraft	744,677	—
Reserves	3,112,915	2,759,660
Ordinary capital	1,054,550	1,581,825

As ordinary share at 10s. Od. yields 17 4s. per cent.

* Equivalent rate on new capital of £1,581,825.

book value of stocks, for example, has risen by over 50 per cent from £2,536,452 to £3,790,638. This leap can be attributed in part to heavy buying of raw materials by the Australian subsidiary towards the end of the financial year, in an attempt to forestall the import restrictions. In the current financial year the group's liquid resources will be temporarily reinforced by the cash receipts from the sale of the company's leasehold interest in Berger House. But Mr Lilley explains that this sale has been made "in order to arrange that the capital funds expended are reimbursed for use in the production and sale of paint products"—an admission that does not seem to hold out much promise that the company's requirements for working capital will decrease. All this suggests that the very best that can be expected in the current year is that the ordinary dividend will be maintained.

Salts (Saltaire).—In the last few months holders of wool textile shares have grown accustomed to hard knocks; that now administered by Salts (Saltaire) is a pile-driver. In the year to March 31st last, group profits tumbled by over 70 per cent, from £1,960,712 to £527,053. The fact that the "golden fleece" profits of 1950-51 largely represented inventory gains and were in no sense "true" profits does nothing to soften this blow. Indeed the full effect of the recession in trade has not been reflected in the latest preliminary statement, for in the accounts drawn up at the end of last March no provision has been made for the difference of £243,000 between the value of forward purchase contracts for materials and the market replacement value of those materials (or the estimated net realisable value when this is lower). Presumably this loss will have to be written off the current year's profits or made good by writing back part of the stock and contingencies reserve of £1,000,000. Although the provision for taxation has been sharply reduced, from £1,011,365 to £266,172, net profits have fallen from £871,127 to £166,401. The dividend on the ordinary shares has, therefore, been cut from 75 to 50 per cent and the dividend on the preferred ordinary shares from 150 to 125 per cent. These dividend payments, which together amount to £161,175, absorb almost the whole of net profits, so that the transfer of £40,000 (against £580,000) to revenue reserves has been made possible only by drawing down the carry forward from £203,261 to £168,487. After the announcement of the cut in dividends the 1s. ordinary shares were marked down 9d. to 5s., to give a yield of 10 per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, July 16, 1952	Price, July 23, 1952	Net Yield, July 23, 1952	Gross Yield, July 23, 1952
War Bonds 2½% '51-53	99½	99½	1 10	3 1 61
War Bonds 2½% '52-54	98½	98½	1 18 0	3 8 01
Exchequer 2½% 1955	97½	97½	2 7 11	3 9 1
Ser. Funding 1½% '52	99½	99½	1 11 11	2 19 0
Ser. Funding 1½% '53	99	99	1 11 3	2 10 6
Ser. Funding 1½% '54	97	97	2 3 8	3 2 1
War Bonds 2½% '54-56	96½	96½	2 3 1	3 6 111
Funding 2½% '52-54	97½	97½	2 0 1	3 7 31
Nat. Def. 3½% '54-58	98	98	1 19 2	3 7 31
War Loan 3½% '55-59	98½	98	1 18 9	3 8 111
Savings 3½% '55-65	88½	88½	2 12 11	4 3 51
Funding 2½% '56-61	90½	89½	2 14 0	4 0 41
Funding 3½% '59-69	84½	84½	2 15 8	4 8 01
Funding 3½% '66-68	85½	84½	2 15 4	4 6 81
Funding 4½% '60-90	97½	97½	2 11 3	4 11 31
Savings 3½% '60-70	84½	83½	2 15 11	4 8 101
Savings 2½% '64-67	82½	81½	2 17 11	4 5 31
Victory 4½% '20-76	100½	100½	2 2 2	4 1 81
Savings 3½% '65-75	80½	80½	2 14 11	4 7 61
Consols 4½% (aft. 1957)	83½	82½	2 11 0	4 17 07
Cons. 3½% (aft. 1961)	76	74½	2 9 10	4 15 67
Treas. 2½% (aft. 1975)	55½	55½	2 7 10	4 11 107
Treas. 3½% (aft. 1986)	66½	65½	2 8 3	4 12 67
Treasury 3½% '77-80	85½	84½	2 12 4	4 9 71
Redemption 3½% '86-96	75½	75½	2 10 0	4 5 41
War Loan 3½% (aft. 1952)	75	73½	2 10 0	4 15 97
Consols 2½%	57½	56½	2 6 6	4 8 97
Br. Elec. 3½% '68-73	82½	81½	2 15 7	4 8 81
Br. Elec. 3½% '74-77	80½	80½	2 13 11	4 7 51
Br. Elec. 4½% '74-79	99	99	2 6 11	4 7 21
Br. Elec. 3½% '76-79	86½	86½	2 11 0	4 8 111
Br. Trans. 3½% '78-88	75½	74½	2 13 10	4 8 97
Br. Trans. 3½% '88-73	82½	81½	2 15 10	4 8 111
Br. Gas 3½% '90-95	75	74½	2 11 9	4 7 51
Br. Gas 3½% '99-71	89	89	2 12 4	4 9 31
Br. I. & S. 3½% '79-81	85½	84½	2 11 8	4 8 61

(e) To earliest date. (f) Flat yield. (d) To latest date. (s) Assumed average life 15 years approx. * Ex dividend.

Last Two Dividends	Ordinary Stocks	Price, July 16, 1952	Price, July 23, 1952	Yield, July 23, 1952
(a) (b) (c)				
20 a	Anglo-Am. 10/-	6 1/4	6 1/4	4 1/2 d
5 a	Anglo-Iran 1/-	5 1/2	5 1/2	5 3/4
7 1/2 a	Assoc. Elec. 1/-	69/6	69/6	5 15 1
7 1/2 a	Assoc. P. Cem. 1/-	96/10	97/6	5 12 10
12 1/2 a	10 Bass 1/-	125/9	125/9	7 1 9
10 a	10 Boots 5/-	19/-	19/-	6 5 3
8 1/2 a	3 Brad. Dyers 1/-	24/9	24/9	9 15 8
100 (s)	Br. Calaness 10/-	22/-	21/9	6 13 4
	Br. Motor Cp. 5/-	28/9	28/4	6 13 4
8 a	12 Br. Oxygen 1/-	74/-	74/-	5 8 1
3 1/2 a	3 Can. Pac. 25/-	364/4	364/4	4 5 7
5 a	7 1/2 Coats 1/-	43/3	41/10	5 19 4
5 a	6 1/2 Courtauld 1/-	35/-	34/9	6 9 6
15 a	2 1/2 Cunard 1/-	32/6	32/6	9 4 7
7 1/2 a	15 Distillers 4/-	18/-	17/6	5 2 10
17 1/2 a	17 1/2 Dunlop 1/-	47/6	46/3	7 11 4
12 1/2 a	15 Ford 1/-	49/-	49/-	6 2 5
22 1/2 a	7 1/2 Gen. Elect. 1/-	79/6	78/6	5 14 8
5 a	10 Guest Keen 1/-	51/6	51/-	5 17 8
17 1/2 a	7 1/2 Guinness 1/-	61/10	61/3	5 9 9
5 1/2 a	4 1/2 Hawker Sid. 1/-	36/6	35/-	5 14 3
3 a	10 Imp. Chem. 1/-	44/-	43/9	5 18 10
18 1/2 a	15 1/2 Imp. Tobacco 1/-	86/3	82/6	7 15 2
22 1/2 a	22 1/2 Int. Nick. a.p.	88/5	88/5	5 9 3
17 1/2 a	17 1/2 J. Burg. Con. 1/-	55/-	55/-	6 7 3
10 b	5 a Lancs. Cotton 1/-	36/8	36/7	8 3 10
7 1/2 a	10 Lon. Brick 1/-	60/-	60/-	5 16 8
15 a	65 Marks & Sp. A 5/-	40/-	39/9	5 0 8
6 1/2 a	15 1/2 Monsanto 5/-	25/-	25/-	4 10 0
8 a	10 1/2 P. & O. Def. 1/-	47/-	46/6	6 17 8
7 1/2 a	17 1/2 P. Johnson 10/-	36/6	35/6	7 0 10
18 1/2 a	10 1/2 Prudential 'A' 1/-	33/-	33/-	5 13 6
200 a	50 a Rhokana 1/-	22/-	21/-	9 2 10
5 a	10 Rolls Royce 1/-	59/6	58/-	5 3 5
15 a	110 "Shell" Stk. 1/-	80/7	80/-	5 14 6
12 1/2 a	13 1/2 Tube Invest. 1/-	51/3	51/3	4 17 7
15 b	5 T. & Newall 1/-	83/9	82/6	4 17 0
5 a	8 1/2 Unilever 1/-	46/3	45/-	6 0 0
10 a	12 1/2 Union Castle 1/-	20/6	20/6	6 1 11
5 b	5 a Union Disc. 1/-	39/-	38/-	5 5 3
16 1/2 a	16 1/2 Utd. Molass. 10/-	30/6	30/-	6 12 0
50 a	50 U. S. Betong 1/-	37/6	37/6	28 13 4
2 1/2 a	10 Vickers 1/-	42/6	41/6	6 0 8
27 1/2 a	15 a Woolworth 5/-	41/-	40/6	5 4 11

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 16 1/2% after capital bonus. (e) Yield basis 22 1/2% gross. (f) Yield basis 16%. (g) Yield basis 12 1/2%. (h) Include special inf. 7%. (i) Yield basis 6 1/2%. (m) Yield basis 18 1/2%. (n) Yield basis 40%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended July 19, 1952, total ordinary revenue was £55,568,000, against ordinary expenditure of £73,363,000 and issues to sinking funds £1,050,000. Thus, including sinking fund allocations of £8,557,000 the deficit accrued since April 1, 1952, was £231,919,000 compared with a surplus of £34,405,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate 1952-53	April 1, 1951 to July 21, 1951	April 1, 1952 to July 19, 1952	Week ended July 19, 1952	Week ended July 19, 1951
REVENUE					
Ord. Revenue	180,423	265,100	325,336	18,644	18,707
Income Tax	123,000	26,800	24,000	900	600
Sur-tax	175,000	65,400	46,500	4,000	1,900
Estate, etc., Duties	57,500	20,200	15,650	1,300	600
Stamps	452,000	78,000	92,000	6,300	9,300
Profits Tax & E.P.T.	5,000	...	...	...	...
Excess Profits Levy	2,000	1,205	630	70	...
Special Contribution	...	...	...	...	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,875	456,705	504,116	31,214	31,107
Customs	104,350	301,857	310,432	20,008	20,236
Excise	772,000	195,100	188,357	5,600	4,225
Total Customs and Excise	1,815,000	496,957	498,789	25,608	24,461
Motor Duties	64,150	7,971	7,847	134	...
Suppl's from Tradg. P.O. (Net Receipts)	12,000	57,500	...	32,500	...
Broadcast Licences	15,000	2,700	2,700	...	...
Sundry Loans	26,000	6,765	5,242	1,978	...
Miscell. (incl. Surplus War Stores)	110,000	25,867	31,061	977	...
Total Ord. Rev.	466,137	1,054,464	1,049,755	92,411	55,568
SELF-BALANCING	209,235	52,900	55,400	4,000	3,700
Post Office	4,900	1,598	1,957	96	77
Income Tax on E.P.T. Refunds	...	...	...	...	...
Total	487,551	1,089,624	1,107,112	96,507	59,345

	Estimate 1952-53	April 1, 1951 to July 21, 1951	April 1, 1952 to July 19, 1952	Week ended July 19, 1952	Week ended July 19, 1951
EXPENDITURE					
Ord. Expenditure	575,000	124,104	148,229	6,225	10,059
Int. & Man. of Nat. Debt	40,000	9,644	10,123	...	...
Payments to N. Ireland	10,000	3,957	4,065	...	504
Other Cons. Funds	...	...	...	...	...
Total	625,000	137,704	162,416	6,225	10,563
Supply Services	360,562	882,356	1,110,701	69,140	62,800
Total Ord. Expd.	423,056	1,020,060	1,273,117	75,365	73,363
Sinking Funds	...	3,918	8,557	350	1,050
Total (excl. Self-Bal. Expd.)	423,056	1,023,978	1,281,674	75,715	74,413
SELF-BALANCING	209,235	52,900	55,400	4,000	3,700
Post Office	4,900	1,598	1,957	96	77
Income Tax on E.P.T. Refunds	...	...	...	...	...
Total	444,697	1,078,476	1,339,071	79,811	78,190

After decreasing Exchequer balances by £107,765 to £3,038,608 the other operations for the week increased the National Debt by £39,882,892 to £25,972 million.

NET RECEIPTS (£ thousand)	
Cinematograph Film Production (Special Loans) Act, 1949, s. 8(1)	105
NET ISSUES (£ thousand)	
PO & Telegraph (Money) Act, 1950	850
EPT Refunds	93
Local Authorities Loans Act, 1945, s. 3(1)	5,000
Miscell. Financial Provs. Act, 1950, s. 2(1)	1,500
Northern Ireland Exchequer	3,000
Cotton (Centralised Buying) Act, 1947, s. 21(1)	500
Overseas Resources Development Act, 1948, s. 17(1)	10,000
Colonial Development	308
Miscell. Financial Provs. Acts, 1946 and 1950 :—	
Civil Contingencies Fund	21,251
Finance Acts, 1946 and 1947, Postwar Credits	

PATONS & BALDWIN, LIMITED

REVERSAL OF CONDITIONS IN TEXTILE INDUSTRY

CONSUMER RESISTANCE AND WOOL PRICES

MR PHILIP A. WRIGHT ON THE OUTLOOK

The annual general meeting of Patons & Baldwins, Limited, will be held on August 26th at Darlington.

The following is the statement by the chairman, Mr Philip A. Wright, which has been circulated to shareholders with the report and accounts for the year ended May 3, 1952:—

GROUP ACCOUNTS

I reported to you in my statement which accompanied the accounts for the year to April 28, 1951, that a subsidiary company, Patons & Baldwins (Australia), Limited, had been incorporated in Australia for the purpose of taking over the company's business in the Commonwealth and that small subsidiaries had also been formed in France and the Union of South Africa. The statement of accounts circulated to stockholders this year therefore comprises a consolidated profit and loss account (showing the trading results of the company and of the newly formed subsidiary companies as well as the results of Stitchcraft, Limited, a wholly owned subsidiary of your company which has been in existence for a number of years), the balance sheet of Patons & Baldwins, Limited, and a consolidated balance sheet showing the affairs of the group as a whole. In the consolidated statements the interest of outside stockholders in Patons & Baldwins (Australia), Limited, arising from the public issue of preference and ordinary stock in that company, has been shown separately.

THE TRADING LOSS FOR THE YEAR

At the conclusion of my statement last year in attempting to venture an opinion as to the prospects of the company for 1951/52 I stated that the continued rise in the price of raw wool had brought consumer resistance to a head. I further stated that the heavy and continuous fall in wool values which had occurred since March, 1951, coupled with consumer resistance, were likely to make the present year a very difficult one. Events have fully justified the forecast I made. 64's Tops have fallen during the year under review from 290d. to 133d. per lb. and severe consumer resistance has brought the wool textile industry to an unprecedented low level of production. While your company has not suffered as severely as some in this respect, it will be seen from the consolidated profit and loss account that the impact of these changes on the trading results of the year ended May 3, 1952, has been considerable and the group deficit incurred after crediting a surplus on sale of property of £184,457, a profit on exchange of £69,472 and such relief as will be afforded from repayments of British and Dominion taxation is £482,660.

Your company, whilst being a large spinner of yarns for hosiery and other manufacturing purposes, is principally engaged in the production of yarns for hand knitting. The company's raw material is directly purchased in the primary wool markets of the world, processed from the raw state to finished yarn in the company's factories and sold principally on non contract terms. To give efficient service this entails substantial stocks both of raw wool and finished yarns

and it follows, therefore, that when the market value of raw wool collapses in the manner indicated during the past financial year your company is particularly vulnerable. The diminishing spot market in wool in London, the scheme of marketing English wools sponsored by the Government which compels the company to buy its requirements in large lots at a limited number of sales rather than as and when required from merchants, and so far as Australian wools are concerned, the shipping delays in bringing our supplies to this country have all caused the company to carry heavier stocks at certain times of the year and have added to the market risks. During the period of steady and continuous fall in wool values the United Kingdom selling prices of the company's hand knitting yarns were controlled by the Central Prices Regulation Committee upon a basis designed to control prices in an inflationary market and which in a falling raw material market did not permit the recovery of more than a small portion of the cost of materials purchased at higher prices. In these circumstances it is not surprising that the company's results as shown in the attached accounts show such a major reversal from those of the previous year.

THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

The deficit on trading brought into Section I of the consolidated profit and loss account, after valuing all stocks of wool tops and yarns on the basis of the market values of raw wool on May 3, 1952, is £293,492 compared with a surplus for the previous year of £3,834,696. I emphasised last year that this substantial figure could not be looked upon as a normal trading profit as it included moneys recovered from the sale in a rising market of cheaply bought stocks—in 1951-52, as I have already explained, the converse has been the case, and the company has suffered as a result of the sale in a falling market of comparatively dearly bought stocks.

After crediting the non-recurring items of £184,457 surplus arising from the sale of the remaining portions of the company's factory at Melton Mowbray and the major part of Clark Bridge Mills, Halifax, the £69,472 profit on exchange arising as a result of the movement during the year of the Canadian dollar and the consequent revaluation in terms of sterling of the net floating assets of the company's Canadian branch and making such other charges as are shown in Section I of the profit and loss account the deficit carried to Section II is £634,794 compared with a corresponding surplus last year of £3,289,658.

In Section II of the profit and loss account are set out the credits and charge occasioned by British and Dominion taxation. The trading loss of the period will result in due course in repayments of British and Dominion income tax amounting to £252,396. In addition, we have ascertained during the year, for reasons unconnected with the trading loss, that provisions made in earlier years for Dominion and Foreign taxation amounting to £25,112 are no longer required. These sums go therefore in re-

duction of the loss brought in at the head of this section of the profit and loss account. Section II also contains a charge of £97,597 to cover the net British taxation due to profits tax on the payment of the fixed dividends on the company's 6½ per cent and 4 per cent preference stocks, the interim dividend on the ordinary stock of 4 per cent and the final ordinary dividend of 6 per cent which the directors will recommend for your approval at the company's annual general meeting. This charge, anomalous as it may seem in a year in which the company has not earned a profit, arises as a result of the forfeiture of non-distribution relief for profits tax purposes received in earlier years when the past profits out of which the dividend distributions are paid were earned and put to reserve. Since the company is legally bound to pay its preference dividends at the agreed fixed rate the whole of the charge for distributed profits tax falls upon the ordinary stockholder, who in receiving a modest return on his investment out of profits foregone in the past has to bear this onerous sum.

CONTINGENCIES RESERVE

After the debits and credits for taxation the net deficit attributable to Patons & Baldwins, Limited, is £482,660. This figure is struck after including the profits of all subsidiary companies less the proportion of the profits of Patons & Baldwins (Australia), Limited, belonging to the £A750,000 5 per cent preference stock and £A500,000 ordinary stock held principally by Australian investors. The share of the Australian company's profits attributable to these interests is £27,777. Profits, less in the case of one subsidiary a loss, amounting to £4,722 (net) have been retained in the profit and loss accounts of subsidiary companies.

Over the years 1948-1951 the company has built up a contingencies reserve which stood in the 1951 balance sheet at £2,800,000 after deducting the book value of the company's assets in Shanghai. This contingencies reserve was built up out of profits principally for the contingency of a fall in wool value just such as occurred during the past trading year. The directors propose therefore to bring back to profit and loss account a sum of £700,000 from contingencies reserve. This sum of £700,000 is considerably less than the sum of £804,648 which was appropriated to contingencies last year, when I said that in recommending such a large appropriation the directors had in mind the downward trend of wool values and the consequences that must ensue should that trend continue.

DIVIDEND TEN PER CENT

After bringing back the £700,000 mentioned and including £294,313 left in the profit and loss account after deducting from last year's carry forward of £459,120 the preference dividends and the interim ordinary dividend, all of which have already been paid totalling £164,807, the directors have for disposal a credit balance of £511,653. Out of this sum the directors recommend for your approval the payment of a final ordinary dividend of 6 per cent, making a total of 10 per cent for the year, which will involve, less

income tax, £83,123, leaving the carry forward at £428,530. The uncertain outlook has influenced the directors in deciding to recommend a final ordinary dividend of only 6 per cent. The need to conserve the resources of the company is obvious, particularly in view of the substantial amounts required for taxation liabilities early next year. These heavy liabilities are a further example of the drain on industry generally of the present penal taxation which, if persisted in, must inevitably not only restrict expansion but make it difficult or even impossible to maintain existing levels of production.

I consider that in a year which has seen such a major reversal of conditions in the textile industry generally, it is not unsatisfactory that your company has been able to cover its trading deficit, pay the fixed dividends on its preference capital, 10 per cent on its ordinary capital together with the profits tax which this involves by drawing on its contingencies reserve to the extent of £700,000 that is considerably less than its 1951 appropriation of £804,648 and reducing the carry forward on profit and loss account by £30,590.

THE CONSOLIDATED BALANCE SHEET OF THE COMPANY AND ITS SUBSIDIARIES

It will be observed that the balance sheet of the company and that of the group as a whole have this year been presented in columnar form which I think is an improvement.

Taking the group as a whole net assets after deducting the interest of outside shareholders have fallen from £14,850,272 to £14,080,059—a decrease of £770,213. The net value of fixed assets shows an increase from £8,092,157 to £8,532,444. This increase is principally covered by final payments in respect of constructional work at the company's factory at Darlington and the installation there of further machinery. There have been sales during the year of the remaining portions of the company's factory at Melton Mowbray and the major part of the Halifax properties.

Total current assets at £12,885,677 show a decrease compared with last year of £3,394,984. Taking the categories of assets in this group individually the value of stocks has fallen by £3,485,652, sundry debtors and bills receivable by £256,546 and bank balances and cash have increased by £347,214. Looking at the group as a whole the overall weight of raw wool and top stocks is approximately the same as at the end of the 1950-51 year. In the United Kingdom stocks of wool and tops show a substantial increase in weight held. As mentioned previously, the company has valued its stocks at May 3, 1952, including wool, tops, yarns in process and finished yarns on the basis of wool values ruling on the balance sheet date.

Total current liabilities have fallen from £5,342,546 to £3,322,776 principally due to a decrease of £1,516,084 in borrowings from the bank and on acceptance credits. If the reserve for future taxation of £1,180,000 shown in the 1951 figures is taken into account the fall in the liabilities of the group as a whole is correspondingly greater.

EXPORTS

In the export markets as in the United Kingdom consumer resistance to high prices caused the volume of business done by the company in overseas markets to contract in 1951/52 compared with the previous year. In recent months the urgent necessity to bring international indebtedness under control has resulted in further severe restrictions in imports with the resultant counter restrictions of one form or another by the countries affected. While these restrictions may be a vital necessity at the present time it is

difficult to see in them any long-term solution of the immediate trade problems confronting the world. Surely the only sound solution is, as soon as practicable, to free the currencies from control and allow the balance of trade between countries to find its own level.

SHANGHAI

The note to the balance sheet fully sets out the treatment afforded in the accounts to the trading results of the company's former branch in Shanghai, China, and to the assets and liabilities of Patons and Baldwins (Far East) Limited, which, during the year, took over the former branch. You will have seen the statements in the Press concerning the withdrawal of British business interests from China. Your subsidiary company, Patons and Baldwins (Far East) Limited, has associated itself with the other major British interests in China in approaching the Central People's Government with this in view.

PERSONNEL

The board are very relieved that your company has been able to get through this very difficult year with little or no short time working and are hopeful that the same conditions can be maintained during the coming year. I greatly regret that the results of the year's trading do not justify, this year, the payment of a bonus to employees and I hope before long it will be possible for them again to share in the prosperity of the company. We are grateful to all of them for their efforts

and for their loyalty to the company's interests and would again specially mention those few gallant men who have upheld our interests in Shanghai under the most trying conditions.

THE FUTURE

It is customary in a chairman's statement to venture an opinion as to the prospect for the future. I find upon looking back that I, and my predecessor in office, Mr Alexander Forrester-Paton, whilst being reasonably optimistic as to the company's capacity to manufacture and sell a product of high repute have been guarded as to our prospect for the future because we have felt over recent years that the steadily increasing level of wool prices could, in the end, only lead to difficulties for us as a company. Whilst in the circumstances it is no consolation to be proved right by events, I think we can be considered fortunate to have come through the past twelve months no worse than has proved to be the case. Though wool values have recovered somewhat since the date of the balance sheet their future course is still very much in doubt but it is clear that the past year has seen the major portion of the recession which so obviously had to be faced when one considered the peak prices to which wool had risen by March, 1951.

The coming year is likely to be again a difficult one but I am hopeful that it will also see the commencement of a recovery in the wool textile trade, but whatever there is in store I am confident of the company's ability to meet the future.

RHODESIAN CORPORATION

REVIEW OF PROGRESS AND PROSPECTS

The twenty-sixth annual general meeting of Rhodesian Corporation, Ltd., was held on July 22nd at the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.

Mr L. C. Walker, FSAA, chairman of the company, presided.

The Chairman said: You have had the accounts of the corporation for the fourteen months ended September 30, 1951, in your hands for the past six weeks, and with your permission I am going to ask you to take them as read, but before moving their adoption I feel it is my duty to bring you up to date with the corporation's activities, as it is over nine months since the close of these accounts.

The first matter I wish to bring to your attention is the fact that we have arrived at the position whereby the corporation has been enabled to declare an interim dividend of 5 per cent in respect of the current year, which was paid on July 21st, thus fulfilling the endeavours aimed at by your directors.

INVESTMENTS

Your corporation holds a substantial interest in the Bulawayo Board of Executor and Trust Company, one of the oldest and most important trust companies in the country. Their business is being rapidly extended, with the result that steady and increasing dividends are being paid. Among other investments of your corporation we have large holdings in Falcon Mines, Rhodesian Brick and Pottery, Northern Rhodesian Copper shares, Wankie Colliery, the Chartered Company, and in the main all our investments are in companies with Rhodesian interests.

Falcon Mines has continued to make satisfactory profits, and the commissioning of the Dalny Mine main reduction works during the June quarter, as forecast by the chairman of that company, will enable increased profits to

be earned. The capital expenditure programme at the Dalny Mine has now been largely completed.

RHODESIAN BRICK AND POTTERIES COMPANY, LIMITED

Good progress is being made with the erection of the Salisbury plant, and it is anticipated that the plant will be completed and in production by the end of the year. The plant is of the very latest design.

The Bulawayo works are making steady monthly profits with an increasing demand.

TOBACCO

A further factor enabling us to look ahead in respect of our profits for the current year is the excellent returns we have obtained from our tobacco crop (only half of which so far has been realised) at prices well up to our expectations and yielding in the aggregate a good profit.

I must warn you, however, that while we have every intention of extending our tobacco acreage, the situation arising from the present labour shortage must not be lost sight of.

Our Trelawney Estate, on which we concentrate most of our tobacco cultivation, has been greatly improved by the building of a dam, which has solved the problem of irrigation.

ESTATES

I would like to draw your attention to the Southern Rhodesia Government's scheme for the development of a satellite town known as Norton, in the area adjacent to the Hunyani Dam, and in close proximity to our Kent Estate of approximately 20,000 acres—which is only 20 miles from Salisbury. This should lead to the early development of this estate,

and your directors are hopeful that a portion of this estate may be required for industrial and residential development.

With regard to the agricultural and ranching side of the estate, improvements have been made in the production of maize and other commodities for feeding purposes, but unfortunately setbacks in the way of cattle diseases continue which affect the production of the best type of our ranching herd.

Regarding our other estates which adjoin the Salisbury and Bulawayo townships, consisting of approximately 16,000 acres, restrictive legislation in force at present prevents any development. However, in the interests of the country, we are prepared to lay out these estates as residential areas as soon as permissible.

Mining

As shareholders are aware, the Redwing mine is the only mining venture which the corporation has retained, and development is concentrated on sinking the shaft, which has now reached a depth of 775 ft. As soon as the work of sinking to the 8th level is completed development on the various levels on a larger scale will proceed.

Finance

At the present time our actual cash resources, after payment of the dividend, remain at upwards of £66,000; our quoted investments have a market value of £494,200, and our unquoted assets, some of which yield good dividends, are, in the opinion of your directors, fully worth the book valuation. In addition, we have fully secured loans, also balances due in respect of land sales, and our current assets are valued at approximately £750,000.

As a safeguard against depreciation of investments, we have created an investment depreciation reserve of £60,000.

In conclusion, I would like to express the appreciation of the directors to the staff, and in particular to the secretary, in London, for the estimable services they have rendered, also to the staff in Bulawayo and Johannesburg.

The report and accounts were adopted.

THE TRUSTEES CORPORATION, LIMITED

A SUCCESSFUL YEAR

The sixty-fourth annual general meeting of The Trustees Corporation, Limited, was held on July 23rd at Winchester House, E.C.2. Mr L. A. Stride, the chairman, in the course of his speech said:—

Once again we are able to present to you accounts which are satisfactory.

Gross revenue from interest and dividends at £380,429 shows an increase of £46,607 over last year. From Winchester House, in spite of increased running costs we report a profit of £29,320. The total revenue for the year amounts to £418,262, compared with £368,173, an increase of £50,089.

Our net revenue amounts to £247,877. We now recommend a final dividend of 11 per cent with a bonus of 2 per cent, both less income tax, on the ordinary stock (making a total of 20 per cent for the year).

Balance Sheet: The total of our revenue reserves is now over £898,000, compared with our issued ordinary capital of £875,000.

In my personal opinion the present standard of living cannot be maintained much longer. If, however, the people of this country will only spend less individually, refrain from demanding 500 or 600 million pounds increase in wages and salaries for a

year, then we shall find the paper £ buying more and more instead of less and less. In that event we shall be able to regain and probably improve upon our recent standard of living. For the current year I expect the revenue to remain buoyant, although it will probably not reach the peak achieved during the past year.

The report was adopted.

LONSDALE INVESTMENT TRUST

ANOTHER SUCCESSFUL YEAR

MRT. L. McC. LONSDALE'S STATEMENT

The fifth annual general meeting of Lonsdale Investment Trust Limited was held on July 23rd at 22 Old Broad Street, London, E.C.

The following is the statement by the chairman, Mr T. L. McC. Lonsdale, which had been circulated to stockholders with the report and accounts for the year ended February 29, 1952:—

The group has had another satisfactory year. There was a further improvement in the Trust's gross revenue from £176,263 in the previous year to £197,100. Dividends from general investments increased by £20,645; dividends from subsidiary companies remained unchanged, including 7½ per cent from Robert Benson, Lonsdale and Co. Limited, but there was an increase of £42,198 in the revenue reserves carried forward in that company and its subsidiaries. After charging profits tax and income tax, which were larger by £13,026, the net profit of the Trust increased by £6,723. After paying the preference dividend and the proposed dividend of 10 per cent on the ordinary stock, the carry forward is increased by £20,322. The total taxed revenue reserves of the group have therefore increased by £62,520 to £285,233 during the year.

The rise in the book figure for investments quoted in Great Britain is mainly due to the inclusion under this heading of the Trust's holding in certain companies previously unquoted for which a quotation was obtained during the year. The fall in values on the London Stock Exchange is reflected in the reduction in the market value of quoted investments.

The profits of Robert Benson, Lonsdale and Co. Limited, were well maintained although the last six months of the company's year coincided with the waiting period between the election and the Budget, a material change in the financial climate and a marked recession in the textile industry. The current year has been satisfactory to date and several projects for new capital issues are under consideration. I need hardly emphasise, however, the difficulty of making predictions regarding future results.

EROSION OF CAPITAL

I must stress again what I have said in each of the last two years—for it is not only of the utmost importance for an issuing house, but of vital concern to the national well-being—that inflation and the incidence of high rates of taxation, based on profits which are arrived at before taking into consideration replacement values of stock and plant, are forcing companies to seek fresh capital not only for developing their businesses, but also for maintaining them at the present level.

This erosion of capital is aggravated by the imposition of the Excess Profits Levy as a further tier of taxation on companies, in addition to income tax, distributed and undistributed profits, which cannot but deter

progressive businesses and greatly complicate the already difficult work of an issuing house.

INDUSTRY'S PROBLEM

If British industry is to re-equip itself and develop, as it must, for the nation to support its present population in the standard of life which we wish to maintain, there must be real savings by companies and by individuals. The problem is twofold; firstly, to create an atmosphere conducive to savings by companies and individuals alike; secondly, to give to the potential investor an inducement to make his funds available for the development of industry. The first requires a reduction in taxation; the second a feeling of confidence that Government taxation policy will not be operated in a manner deliberately to destroy the rewards appropriate to the investment made. Industry has inherent hazards of its own; potential investors must be encouraged to take those risks and not, as at present, be discouraged by the special selection of industry as a victim for differentially higher taxation with a variety of taxes whose rates are unpredictable from year to year.

If such an attitude prevails it is difficult to see how industry will get the capital it requires. I earnestly hope that the Royal Commission for Taxation will use the weight of its impartial authority to show how dangerous the present tendencies are.

The report and accounts were adopted.

HENRY HOPE & SONS, LIMITED

SATISFACTORY TRADING

The fifty-fourth annual general meeting of Henry Hope & Sons, Limited, was held on July 23rd at Halford Works, Smethwick, Mr H. Donald Hope, chairman of the company, presiding.

The following is an extract from the chairman's statement for the year to March 29, 1952:—

You will observe that the total net profit after taxation, including dividends from subsidiaries, is £186,393 against a total of £232,129 for the previous year.

Wages and prices continued to rise throughout the financial year, and we have been compelled to increase our selling prices to keep pace with this inflationary spiral. Unfortunately, the Government department which controls the selling price of much of our output has been erratic and sometimes dilatory in dealing with our claims for legitimate price increases. The low profit on our home trading is again largely due to the Government's insistence on pegging prices at too low a level.

Taxation.—Last year British and foreign taxation took just over half our gross profit. This year it has risen to two-thirds, and we have reached the position both in this country and the United States, where companies—like individual surtax payers—have no encouragement to increase profits or turnover.

Hope's Heating and Engineering Limited.—This subsidiary has brought its share to the trading results and it is noteworthy that the success of this division is largely due to the efficiency of their oil burners and coal stokers as well as to their dust and fume removal and ventilating plant.

Important Contracts.—While the reduction in profit is disappointing, the stockholders can take satisfaction in the remarkable strength of the business. Trading on the whole has been satisfactory and has included many notable contracts.

The report and accounts were adopted.

ROLLS-ROYCE, LIMITED

ANOTHER SUCCESSFUL YEAR

RECORD TRADING RESULTS

LORD HIVES ON LARGEST SINGLE DOLLAR ORDER

The forty-fifth annual general meeting of Rolls-Royce, Ltd., was held on July 22nd at the Midland Hotel, Derby, The Right Hon. Lord Hives, CH, MBE, LLW, DSc (the chairman), presiding.

The following is an extract from his circulated statement:—

I am very glad to be able to report another successful year's trading. The profits are a record for the company.

The chief source of additional revenue was the increased and more up-to-date production facilities provided by your company. Altogether over four million pounds of the company's money has been spent since the end of the war, with considerable commitments still outstanding. In the majority of cases the decision to order this new equipment was taken by your company quite irrespective of the present rearmament programme.

It is a complete justification of the policy which has been pursued by your company for a number of years of keeping its factories and plant up to date. This expenditure was only possible because profits had been retained in the business in past years.

Last year your directors felt justified in recommending that the dividend distribution should be restored to the 1938 level. This year we think it is reasonable that the stockholders see a modest increase. Your directors therefore recommend a final dividend of 10 per cent, making 15 per cent for the year.

We accept that the excess profits made on purely rearmament work may be subjected to special tax. We do submit, however, that it should not be overlooked that the present rearmament programme, which is planned to a terrifying extent throughout all the free nations of the world, can only be regarded as a gigantic stockpiling operation in any circumstances short of war. We all hope and pray that it will remain so.

Your company has a national responsibility in the defence programme, and we have an obligation to carry out the wishes of the Government, even to the extent of sacrifice of commercial enterprise. For future business we shall have to rely more than ever on the superior quality of Rolls-Royce engines.

The essential task at the moment is the re-equipment of the Royal Air Force, but in this it is to be sadly regretted that orders were not placed in time for various types of British aircraft, with the result that the Royal Air Force is being supplied with American equipment. This is not only a matter which concerns the pride of the British industry: it is only to be expected that our allies will adopt equipment similar to the Royal Air Force.

AERO DIVISION

On the military side, the Canberra fitted with the Rolls-Royce Avon engines is now being delivered in quantities to the Royal Air Force.

The production of Dart engines for the Vickers Viscount has now started. During the past year additional orders have been received by Vickers from overseas.

Delivery of Avon engines from Glasgow has now started. The plans for the manufacture of our engines by the Bristol Aeroplane Company, Limited, D. Napier and Sons,

Limited, and the Standard Motor Company, Limited, have gone ahead, and we continue to give them every assistance.

We welcome the scheme of "super priorities" which was announced only this year. It is of particular interest to us because most of the aircraft on the list use our engines.

We have this year obtained, against American competition, an order for a very considerable number of Nene engines for training aircraft to be built in Canada. This order probably represents the largest single dollar order ever secured by the British aircraft industry.

Our existing arrangements in Australia have continued to operate satisfactorily. Commonwealth Aircraft Corporation are in production on the Nene engine and are well under way towards producing Avon engines.

Merlin engines have continued to give a good account of themselves in civil operation, and we have built up experience which will be of great value to us as our commitments increase with the operation of the Dart/Viscount and the Avon/Comet. We fully realise the obligations to stand behind these engines and provide service and spares on a world-wide basis.

MOTOR CAR DIVISION

During the year our Rolls-Royce and Bentley cars continued to meet with approval from a growing body of owners, but import and other restrictions abroad have still further narrowed the markets to which we can export freely. At home it is unfortunate that controls and material shortages prevent us, on the production side, from achieving the output and efficiency which we desire.

It has unfortunately been necessary once again to increase our prices to cope with the considerable rise in cost of materials during the year, and also a further national wage award. The effect of these increases in manufacturing costs is, of course, greatly inflated by the 6½ per cent Purchase Tax which the motor car trade has to bear. It is vital that the Government should keep this tax under constant review, so that it can be adjusted at the proper time, and before irreparable damage is done to the industry.

Production and development of the "B" range of military and commercial petrol engines are proceeding actively, and the motor car division is also carrying out other development work in connection with the military side of the rearmament programme.

Manufacturing conditions at home and marketing conditions throughout the world have made the year a very perplexing one. We have endeavoured to tackle the many shortages at home as they have revealed themselves. We have had to adapt our policy at home and abroad to the market conditions, which are often complicated by political considerations.

It is as well to remember that the unique reputation which your company has built up and held for so many years, with widely varying products, is the result of the unequalled skill and experience of your executive officers; to the profound knowledge and enthusiasm of the staff, and eventually to the pride and loyalty of all the Rolls-Royce workers.

The report and accounts were adopted.

WILLIAM HANCOCK AND CO.

The sixty-fifth annual general meeting of William Hancock and Company, Limited, was held on July 24th in Cardiff, Colonel J. Gerald Gaskell, CB, TD, DL (chairman and managing director), presiding.

The following is an extract from his circulated statement:—

The profit on trading has increased from £253,379 to £314,000. The net profit of the company has increased this year from last year's figure of £71,977 to a figure of £79,774, which I think you can consider as being reasonably satisfactory.

Most departments—namely, brewing, bottling, wine and spirit and minerals—have helped to obtain this year's result, with the exception of the catering department, where the results are very disappointing compared with previous years.

The proposed rate of interest on the ordinary stock remains at 14 per cent for the year.

During the year we have had to meet many increased costs for materials that are required in our industry—casks, bottles and cases, etc.—but they have not been so severe as in the past, with the one exception of brewing materials—namely, malt and hops. I have no doubt that the new season's malt will show a considerable reduction for the reason that more barley is being grown this year than last.

There is one satisfactory feature of the year's working and that is that we have maintained our sales, in fact slightly increased them as far as our beer sales are concerned, and this in spite of the most intensive competition.

The report was adopted.

THOMAS BROWN & SONS, LIMITED

The fifty-fifth annual general meeting of Thomas Brown & Sons, Limited, was held on July 15th in London, Mr John M. Lawrence (the chairman) presiding.

The following is an extract from his circulated statement:—

Your company has had another successful year of trading. The net profit of the company and its subsidiaries amounted to £113,470, compared with £84,652.

Your directors propose that a final dividend of 2s. per stock unit and a bonus of 1s. per stock unit on the ordinary stock should be paid, making a total of 4s. per stock unit (or 20 per cent) for the year.

From June to December almost unprecedented drought conditions prevailed in Queensland. This affected very adversely the sugar, dairying and farming industries. Rain fell in January and February over a greater portion of Queensland and relieved the position, but it was not until late March that the heavy rains that are generally expected early in the year eventuated.

On March 7th this year the Australian Government made a most drastic reduction in the goods that can be imported in Australia. If the regulations be not modified, our imports during the current financial year will be considerably less than during the year under review, and this will have serious repercussions on our trade in imported goods.

It is impossible to forecast the future with any degree of accuracy. The activities of your company are, however, widely spread and soundly controlled under the present management.

The report was adopted.

JOHN THOMPSON LIMITED

(Steam Power Plant and General Engineers)

INCREASED OUTPUT

£33 MILLION WORK ON HAND

MR EDWARD W. THOMPSON'S REVIEW

The seventeenth ordinary general meeting of John Thompson Limited was held on July 23rd at Ettingsall, Wolverhampton.

In the temporary absence, through indisposition, of the chairman, Mr Edward W. Thompson, MA, the deputy-chairman, Mr J. H. N. Thompson, MC, MA, AMIMEchE, presided.

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

Our net profits after paying £600,007 for taxation and providing £203,491 for depreciation are £393,880; this compares with £402,400 for the year 1950 and £312,174 for the year 1949.

The gross trading profits of the group for the year 1951 at £1,251,991 show an increase of £50,786 over the corresponding figure for the year 1950 and an increase of £375,504 over that for the year 1949.

The output for the past year is more than two and a half times that for the year 1946, indicating the development and progress made by your company since the war.

The output for 1951 in money values again increased by £2 million from £9 million to £11 million as mentioned above; our gross trading profit before taxation, depreciation, etc., increased by only approximately £50,000, and due to higher taxation and depreciation the net profits were slightly lower.

The total taxation charged in the accounts this year at £600,007 is again an increase of £29,495 over the previous year. During the current year we have to contemplate paying the new Excess Profits Levy, which will almost certainly involve us in additional taxation. Your board are in entire agreement that excessive profits should not be made out of rearmament contracts. As far as we are concerned, however, we are only directly commencing our rearmament work during the present year 1952, and the greatly increased gross profit figures for 1951 and 1950 as compared with the previous years were not the result of direct rearmament work, but were due to the development and expansion of our normal business both for home and export in the years since the war, and were, as previously mentioned, a direct result of the capital expenditure incurred during that period.

The original proposal for the Excess Profits Levy standard was to base it on the average of the years 1947, 1948 and 1949, and was most unfair to our company, since in 1947 we had not recovered from the changeover to normal work after the war. Subsequent alterations to the proposed standard substituting the average of the years 1948 and 1949 will be less penalising to our company, but, undoubtedly, no standard period could be fair that does not include the year 1950—a year which, as stated and as far as we are concerned, does not include any direct rearmament work whatsoever.

DIVIDENDS AND CAPITAL

Your directors have again decided to recommend the repetition of the same total dividend in respect of the year 1951 as in the previous year, namely, a final dividend of 12½ per cent which with the interim

dividend of 10 per cent already paid will make a total of 22½ per cent for the year. The total amount paid out in dividends, therefore, will be exactly the same as in the previous year.

You are, of course, fully conversant with the recent increase in capital which it has been found essential to secure, and it is only necessary, therefore, to restate the position very briefly. The capital of the company was increased by £150,000, and new shares in the ratio of one new share unit for each four units already held were offered to existing ordinary shareholders at a price of 14s. 6d. per share. The amount realised by this issue was just under £500,000, and as explained in the various circular letters at the time, the issue was necessitated by the increase of £875,000 in the stock and work-in-progress as at the end of 1951 compared with the corresponding figures at the beginning of that year, and the obvious need to finance the increased, and increasing amount of work on hand.

Even with this new increase in capital the company's issued and paid-up capital is only £1,341,065 consisting of £481,116 preference capital and £859,949 ordinary capital, whereas the capital actually employed in the business is now almost £3,750,000. This large sum is a result of the conservative financial policy which your board has pursued during past years.

FUTURE PROSPECTS

We have experienced considerable difficulties in the early part of this year due to the shortage of steel and other materials, but in spite of this the average output of our subsidiary companies shows a reasonable increase as compared with the same period of 1951, and as far as the home companies at the end of March, 1952, were concerned showed a total increase of over 18 per cent. If this output can be maintained and material supplies do seem a little easier, there is no reason why the gross trading balance for 1952 should not be as equally satisfactory as last year.

The work in hand of our various companies has again increased, and is now approximately £33 million; again, to some extent, the result of long-term contracts.

The home trade of our companies is mainly devoted to essential requirements. Important contracts have been completed and others are on hand for power stations for the British Electricity Authority. Essential boiler plant is being supplied to various types of industry, and I am gratified to say that our Motor Pressings Company is maintaining its good service to the motor industry.

We are maintaining our efforts to increase our export trade, and direct and indirect exports of our companies during 1951 were approximately £3 million. Foreign competition, however, in exports even for our type of business, is increasingly severe, but our subsidiary companies in the Commonwealth and our agents throughout the world are meeting the challenge most successfully.

The report and accounts were adopted.

F. H. LLOYD AND COMPANY

FURTHER IMPROVEMENT

MR F. N. LLOYD'S STATEMENT

The sixty-fifth annual general meeting of F. H. Lloyd and Company, Limited, was held on July 18th at the registered office, James Bridge Steel Works, near Wednesbury, Mr F. N. Lloyd, chairman and managing director, presiding.

The secretary, Mr E. Allison, read the notice convening the meeting and the report of the auditors.

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

Ladies and Gentlemen,—I am glad to be able to report a further improvement in the accounts for the year ended March 31, 1952. There was an increase of 16 per cent in the tonnage of castings dispatched, and their value was further enhanced by an increased proportion of alloy heat treated work and also an increased proportion of castings sent out in the machined condition or as finished machinery.

There has also been an increase in earnings per employee of 16 per cent by comparison with the previous year. This has come about partly as an outcome of the national wage advances during the year, and partly due to increased piece-work earnings. Bearing in mind the very substantial amount of increased machinery put to work by the company during the year, it cannot be said that our employees, who have not increased in number, have not benefited in proportion to the increased amount of work that they have turned out.

FURTHER PLANT NEEDED

The additional equipment, without which the improved results now shown would not have been possible, was financed by the proceeds of the issue of capital that we made early in 1951. The need for still further re-equipment is as great as ever, and will undoubtedly fully tax the financial resources of the company in the future. The cost of new plant and equipment is increasing steadily, and there is also a tendency for delivery dates to become longer rather than shorter.

Both our subsidiary companies, Lloyds (Burton), Limited, and Parker Foundry (1929), Limited, have shown record productions and earnings during the year. Neither of these companies has since the date of their establishment made any contribution towards the earnings of the parent company, all profits earned having been retained in the subsidiary companies and devoted towards their development and improvement.

Since the beginning of 1952 there has been some slackening in the demand for castings for ordinary commercial purposes, and owing to the present difficulties of international trade, the future outlook for our ordinary business is somewhat uncertain. We are, however, kept fully employed as requirements of national defence have more than taken up any slack that has developed in other directions, and we do not anticipate much difficulty in maintaining a full order book during the current financial year.

NET PROFIT AND DIVIDENDS

The net profit, after providing for depreciation £82,055 and taxation £400,000, amounts to £316,036, as shown in the consolidated profit and loss account. To this is added £3,703, over-provision for taxation by subsidiary companies in the previous year.

During the year interim dividends were paid of 2½ per cent, less tax, on the 5 per cent cumulative preference shares and 5 per cent, less tax, on the ordinary shares. We are now recommending an increase in the plant replacement reserve of £168,000, making the total reserves £325,000, and an allocation of £81,000 to general revenue reserve, which then stands at £483,000. Our recommendation regarding the plant replacement reserve arises from the necessity to provide for the likely rising cost of the additions and improvements to plant mentioned earlier.

We also recommend the payment of final dividends on the share capital of 2½ per cent, less tax, on the cumulative preference shares and 12½ per cent, less tax, on the ordinary shares, which in total will absorb £42,788. The balance on the consolidated appropriations account to be carried forward to next year is increased to £65,851 compared with £57,456. In recommending that the ordinary dividend be increased by 2½ per cent over last year, your directors have done their best to meet a situation brought about by the company's improved trading, coupled with the Chancellor's appeal for restraint in dividend distribution.

Finally, I would like to join with my colleagues on the board in expressing our appreciation of the efforts of everyone connected with this company's activities. The will to work, coupled with that sense of responsibility so essential to progress has, throughout the year, been apparent in all that they have done.

The report and accounts were adopted; the proposed dividends were approved; retiring director, Mr E. S. Everitt, was re-elected, and Messrs Agar Bates Neal and Company were appointed auditors.

BRITISH BORNEO TIMBER COMPANY, LIMITED

A BONUS ISSUE

The thirty-second annual general meeting of this company was held on July 24th in London, Mr H. W. Horner, chairman, presiding.

The following is an extract from his circulated statement:—

From July 1st this company starts a new phase of its life. The proposals approved at the extraordinary general meeting of members held on March 22, 1951, have been carried into effect by formal agreement with the Colonial Office.

Permission has been granted for the company to capitalise £120,000 of the amount at credit of general reserve; this will be issued as a bonus to members, in the proportion of two new stock units for every three now held.

It is proposed to hold the meeting in September to give them effect.

We are proceeding as rapidly as practicable with the extensive programme of re-equipment, on which, and on labour saving mechanisation of logging operations and transport, the board have undertaken expenditure totalling £276,000.

The balance on working for the year, in the production of a rather smaller volume of timber, was nearly £50,000 better than for the previous year, the results for which were then helped by bringing in excess provisions of previous years of approximately £40,000. The board have transferred £40,000 to general reserve, and propose to repeat last year's dividend at 20 per cent.

The report was adopted.

THE A.P.V. COMPANY

CONSISTENT AND SATISFACTORY PROGRESS

The forty-second ordinary general meeting of The A.P.V. Company, Limited, was held on July 23rd in London.

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

The group trading profit for the year amounted to £719,030, of which £565,654 was earned by the company and £153,376 by the subsidiaries.

The results are evidence of consistent and satisfactory progress, but your directors have felt it desirable to resist the temptation to make a more generous distribution to shareholders, because of the continuing need to retain profits in the business for development purposes. The provision for group taxation amounted to £334,433.

During 1951 there was no relaxation of the strain put upon your factories by the great volume of turnover needed to cope with the demand for the company's products. Indeed, the reverse was the case and the strain was greatly increased, both by the additional turnover called for and by the difficulty of obtaining some raw materials. Orders on the company's books at January 1, 1952, exceeded those in hand on January 1, 1951, by nearly 10 per cent. Your company's efforts to assist in the drive for exports were maintained and even extended during the year. The export orders received by your company were higher than in 1950 and represented 42 per cent of all the orders received.

I mentioned last year the great demand of industry for what I called stainless steel secondary equipment. This demand reached totally unexpected levels during 1951 and rapid development of your company's productive capacity for such equipment was necessary. These developments have now been in great measure effected and we are in a position to meet almost all the reasonable demands put upon us.

FUTURE PROSPECTS

In considering the future when I addressed you last year, my chief anxiety was the prospect of severe and, in some cases, total restriction of the supply of raw materials essential to the manufacture of the company's chief products. I am glad to say that these restrictions have not taken the extreme form which all anticipated and that although there have been and are serious difficulties with some raw and some semi-manufactured materials required, on the whole it appears that, unless new restrictions are imposed, your company will not be prevented on this account from completing its manufacturing programme this year. What lies beyond this year no one can tell.

The first stage of the building of your new factory and foundry in Crawley, Sussex, is now nearing completion and limited production should begin there within a matter of weeks. With the completion of stage 1 now in sight, attention is being devoted to the initiation of stage 2 of the move to Crawley. The economies arising from this move should be considerable.

It will be clear to you from the brief summary I have given you that an immense burden has fallen upon the shoulders of all your employees from the directors downwards. If only the same willingness to work, the same enterprise and initiative can be maintained in the future, your company should emerge successfully from the difficulties and trials which undoubtedly face the engineering industry today.

The report was adopted.

NCHANGA CONSOLIDATED COPPER MINES LIMITED

RECORD RESULTS

The fifteenth annual general meeting of Nchanga Consolidated Copper Mines Limited will be held on August 14th, at Kitwe, Northern Rhodesia.

The following is an extract from the statement by the chairman, Sir Ernest Oppenheimer, circulated with the report and accounts:—

It is just over 18 months since the management and control of your company were removed to Northern Rhodesia. The course of events during that period has demonstrated that the decision to make this change was completely justified. The location of the head office enables policy determinations to be made locally in the light of first-hand knowledge and with the benefit of consultation with Government and other authorities. This is particularly desirable, in view of the increasingly complex political situation, since the views and policies of the copper mining companies on all major questions, particularly those concerned with European and African labour problems, must necessarily carry considerable weight in the territory. The results for the year to March 31st last show new records for production, sales and profits.

In my statement accompanying the 1951 report I said that it was the intention to provide finance for the capital expenditure programme, comprising mainly that on the third stage extensions, chiefly by raising capital and partly out of profits. Last year £700,000 was appropriated out of profits and in view of the continued prosperity the board has appropriated from this year's profits the sum of £2 million. The question of how the balance should be provided is receiving active consideration.

SUPPLY OF POWER

Of prime concern to this and the other copper mining companies in Northern Rhodesia is that of power supply. I mentioned to members last year that the Power Interconnection Scheme on the copperbelt—a local "Grid" system—was likely to be commissioned towards the end of 1951. Owing to delays in deliveries of essential equipment, commissioning has had to be postponed, but is now imminent. An integral part of the scheme is the installation of further steam power plant.

I would like to say something about copper prices. It is common knowledge that other base metals have reflected a downward trend since the beginning of 1952. However, copper has not only maintained its price during this period, but has recently advanced. The abrogation by Chile of the agreement with America to supply that country with electrolytic copper at 27.50 cents per pound, and the reduction in American domestic production caused by strikes have not only led to further releases of copper to industry from the American domestic stockpile, but have also resulted in the American authorities permitting consumers in that country to purchase foreign copper at any price. This has resulted in an increase in the American export price, which in turn has been reflected by an increase in the price paid to your company by the British Ministry of Materials.

Copies of the annual report and accounts may be obtained from the Head Office, Kitwe, Northern Rhodesia, or from the Transfer Offices at 44, Main Street, Johannesburg, and 11, Old Jewry, London, E.C.2.

E. K. COLE, LIMITED

CONTINUED EXPANSION

The annual general meeting of E. K. Cole, Limited, was held on July 24th, at Southend-on-Sea.

Mr E. K. Cole (chairman and managing director), who presided, in the course of his speech said:—

We have had another successful year. The trading profit amounts to £536,282 and the net profit, after providing for all expenses, including depreciation, but before deducting taxation, is £463,215, an increase of £38,163 over the previous 12 months.

The taxation liability in respect of the profits for the year under review has been provided for by the transfer of £304,000 to taxation reserve, leaving a net balance of £159,215, to which is added £50,000 provided for taxation in previous years not now required.

RADIO AND TELEVISION

We were able to take full advantage of the good trading conditions which prevailed in the industry during the year. The opening of the North of England and Scottish Television transmitters led to a further expansion of the television market and our receivers commanded gratifying support by the public. Our policy of producing television receivers with the largest possible screen consistent with moderate prices continued to be successful.

Last year I made reference to the onerous increase of 33½ per cent in the Purchase Tax rate on television and radio receivers since when the present Chancellor has imposed restrictions on hire purchase transactions which require not less than 33½ per cent of the price to be paid down and limit the maximum period during which the balance may be repaid to eighteen months. It will be appreciated that these two factors must have and are having a detrimental effect on the industry. It is realised, of course, that to improve present national economic conditions strong measures are necessary but, at the same time, it is acknowledged that to hold one's own in the export markets of the world it is essential to have a flourishing home market. Our volume of home television production has enabled us to quote competitive prices in Canada and South America with the result that we are already in production on one order for television receivers worth more than 1,500,000 dollars and await final confirmation of another amounting to over 650,000 dollars. We can only enlarge on this important new export outlet by low costs and competitive prices which in turn can only be maintained by a big volume of home production.

ELECTRONICS

The expansion of this division in the production of radar, communications and nucleonic equipment for Government services and commercial use continues and a satisfactory contribution toward the trading results of the company was made.

PLASTICS

In spite of difficult conditions towards the latter part of the year this division increased its turnover and operated profitably and this was due in no small measure to the success of efforts made to secure the utmost efficiency.

EXPORTS

Our turnover with overseas countries has again reached a new record. Our export department is to be commended on this result, and we shall endeavour to maintain and expand our overseas business.

The report was adopted and a total distribution of 25 per cent was approved.

WHITBREAD & COMPANY

COL. WHITBREAD'S STATEMENT

The annual general meeting of Whitbread Company, Limited, was held on July 18th, in London, Colonel W. H. Whitbread (chairman and managing director), presiding.

The following is an extract from his circulated statement:—

The profits of the parent company for the year, before providing for taxation, amounted to £1,572,097, which shows an increase of £282,459 over the previous year. The taxation charge, however, is £967,731, compared with £743,753 for the previous year; an increase of £223,978. The consolidated accounts give a similar picture. The profit for the year before providing for taxation is £1,780,536, which is an increase of £309,782. Again, the taxation charge is higher, at £1,123,272, compared with that of the previous year of £860,082, an increase of £263,190. You will observe that taxation dominates the whole of the results. After all the year's hard work the group net profit shows an increase of only £46,592, all the rest of the increased profit, amounting to £263,190, being taken by the Chancellor for distribution to the Welfare State.

Although taxable profit is four times as much as in 1938, the burden of taxation has increased by nearly six times during the same period.

DESTRUCTIVE TAXATION

Out of a group trading profit of £1,780,536, the taxation charge absorbs £1,123,272. Of this taxation figure, £522,244 is in respect of profits tax—this is £211,000 more than last year. Furthermore, after studying the effects of the recent budget, we believe that the tax on our profits for the current year will be at least as high as for the year under review. It is obvious that taxation at this rate makes it financially irresponsible to take what in earlier years would have been considered reasonable commercial risks in order to develop the business both at home and abroad. Indeed, the merchant adventurer has small encouragement as, owing to the present incidence of taxation, he has very little to gain from the success of his energy and enterprise but still bears the full responsibilities of failure and financial loss.

I am aware that circumstances are changing and that we must adjust our outlook to the conditions and opinions of the time, but the present method of the central Government of seizing by far the largest portion of the rewards of enterprise and distributing them among the unenterprising, surely must have gone too far and will defeat its own purpose.

Although there is little incentive to your directors to develop our export business, we will continue our efforts in order to help the country in the struggle to balance its external payments.

THE FUTURE

Your board look to the immediate future with confidence, subject to unpredictable changes in trading conditions and to adverse legislation. This is demonstrated by their recommendation of a final dividend of 17 per cent, making a total of 23 per cent for the full year. It should be noted that this distribution represents only 2.2 per cent of the gross revenue and 44 per cent of the total amount available for appropriation excluding the amount brought in from the previous year.

The report and accounts were adopted.

ELLAMS DUPLICATOR COMPANY, LIMITED

RECORD RESULTS

The annual general meeting of this company was held on July 24th in London, Mr Frederick Ellam (chairman of the company) presiding.

The following are extracts from his circulated statement:—

For the year ending December 31, 1951, the trading results have created a record, both as regards sales and profits achieved both by our home and overseas organisations. The various commodities produced and marketed by your company have been maintained at their usual high standard of quality and various new projects are developing satisfactorily.

Last year the rising costs of raw materials was causing anxiety, whereas recently the tendency is for the cost of some of the commodities we purchase to decrease, and having regard to the substantial stocks held at the end of 1951, your directors have deemed it advisable to pursue a conservative policy, and the general and the stock reserves have been increased by £25,000 each.

Among the difficulties that we have to contend with are the restrictions imposed on the import of our products into certain countries, notably Australia.

There have been in the past few months signs of a trade recession, but in view of present conditions your directors do not consider it advisable to recommend a further increase in the dividend, which, you will remember, was raised last year to 33½ per cent.

The report was adopted.

MILLARS' TIMBER AND TRADING COMPANY, LIMITED

INCREASED TURNOVER

The annual general meeting of this company was held on July 24th in London, Col. Clive E. Temperley, OBE, MC, BSc, presiding.

The following is an extract from the directors' circulated statement for 1951:—

The consolidated profit and loss account shows a trading profit of £563,279—an improvement of some 20 per cent over last year. This improvement resulted from a substantial increase in turnover, which, in turn, largely accounts for the marked expansion in the group's current assets and liabilities. Your directors recommend a dividend of 20 per cent on the ordinary shares.

Our production of Jarrah and Karri in Australia again increased.

In the United Kingdom, merchandising of general hardwoods and softwoods expanded considerably and reached record proportions both in volume and value and in the profits earned. In South Africa the operations of our subsidiary company are still limited by import restrictions, especially from countries with hard currency. Nevertheless, this subsidiary was able to show a satisfactory increase in turnover and profits.

Millars' Machinery Company achieved record figures in the volume and value of its products sold and earned satisfactory profits.

Taking our group as a whole on the facts as we know them at present, we should have another satisfactory year.

The report was adopted.

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One Shilling

LEADING ARTICLES

Two Best Men - - - - -	265
July Masquerade - - - - -	266
Egypt and the West - - - - -	268
A "New Pattern" of Defence - - - - -	269
The Reward of Greed - - - - -	270

NOTES OF THE WEEK - - - - - 271

Cautionary Tale from Persia; Closer Liaison in Korea; —But No Political Adviser; Recovery in Steel; Revolt on Labour's Right; How Many Bevanites?; Castles in the Backward Countries; The Schuman Pool; A Solution for the Saar?; Blow to French Rearmament; Chairman of the BBC; Stemming the Wage Flood; Federation Delayed; Moscow on Chicago; Red Cross and Red Star; Olympic Oddities; Rebuilding Hadrian's Wall; Spotlight on Prisons; Closed Shop Closed; New Towns' Problems.

LETTERS TO THE EDITOR - - - - - 280

BOOKS AND PUBLICATIONS - - - - - 281

AMERICAN SURVEY

General and Governor - - - - - 284
From Colorado to Cape Cod - - - - - 285
Steel Goes Back; Appeasing the South; Slump Inside the Boom; Freedom to Travel; Shorter Notes.

THE WORLD OVERSEAS

Argentina Without Evita - - - - - 289
The Folly of a King; The Japanese Constitution Under Fire; Belgian Army Disturbances; Germany Comes First in Yugoslav Trade; Pyrenean Petroleum.

THE BUSINESS WORLD

Steel and Free Enterprise - - - - - 296

BUSINESS NOTES - - - - - 298

Anti-Climax Again; Export Potential and Import Cuts; Coal Tributes—and Targets; Government Borrowing and the Banks; Automata in the Air; Integrating Backwards in Steel; Textile Convalescence; Car Prices Out of Covenant; Dearer Money in Australia and South Africa; South American Sterling; Iraq Petroleum Progress; "Imps" and Its Capital; Committees for Purchase Tax; New Style in New Issues; German Debts Near Agreement?; Cable and Wireless Costs Increase; Open Trade in Lead; New Season in Hudson's Bay; Shorter Notes.

COMPANY NOTES - - - - - 308

STATISTICAL SUMMARY - - - - - 309

COMPANY MEETINGS - - - - - 310

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Two Best Men

"ONCE MORE," the special correspondent of the Times cabled from Chicago on Sunday, "those who have confidence in the United States have the laugh on those who believe the worst of it." The American political system, so revered in its own country, has never lacked critics on this side of the Atlantic. Dedicated to the purpose of avoiding tyranny, it has too often seemed to produce only sectional irresponsibility. The free-for-all of an American election, designed to enable the people to choose whomsoever they will, has many times seemed only to put clowns, and worse than clowns, in high places. Of the system's day-to-day working these criticisms may well be justified. But on the great occasions, on the supreme issues, it has the habit of doing the right thing; and if it does the right thing only at the eleventh hour, after many prophecies of disaster, it does the right thing handsomely. Chicago (of all places) has within the month of July provided the stage for an impressive double demonstration of political sagacity. Europeans, viewing the clumsy chaos of the nominating conventions, meeting almost within the stockyards, and yet resulting in the nomination of two such admirable teams as General Eisenhower and Senator Nixon, Governor Stevenson and Senator Sparkman, will be moved once more to reflect that God moves in a mysterious way His wonders to perform.

There is indeed much to be grateful for. Many people, both within the United States and throughout the free world of which the United States is the keystone, had looked forward to the election of 1952 with foreboding. On the one side, there seemed to be the Democratic Party, wearied and soiled by twenty years of uninterrupted office, with hardly even the spirit left to defend its own admirable record in foreign policy. On the other side, there was the Republican Party, seemingly led by men who had spent twenty unrelieved years in the frustration and irresponsibility of opposition and were, in their own way, as exhausted by it as their opponents. With the country so aboundingly prosperous, their chances of an all-out attack on Democratic domestic policies were clearly not high; so they have for months been attacking American foreign policy with an irresponsibility and a carelessness of the consequences that cannot be explained except by the desperation of a generation-long exclusion from power. The friendly European observer hardly knew which to hope for: another four years of a Roosevelt-Truman Democrat, which would promise continuity of policy, but also continuity of the national divisions; or the election of a regular Republican, which would release many frustrations, but would bring to positions of influence and power many men who have committed themselves to pernicious nonsense.

Most European political systems, confronted with a position of spiritual stalemate like this, could do little about it; preferment in politics is a matter of climbing the ladder, and when there is a vacancy at the top, the choice is limited to two or three familiar—possibly far too familiar—figures. The great strength of the American system,

for all its turbulence, is that the long arm of the people's choice can go deep into the barrel and pull out the best men available—in the present case, a man who has never played a part in Federal politics, and a man who has never held elective office at all. Both the Presidential candidates are the very opposite of "party regulars." Governor Stevenson is, indeed, a professional politician, and his nomination was the work of the central mass of moderate professionals within the party convention. But he is uncommitted to any section; and if he is elected, his administration will not be machine-made. Paradoxically, it is possible to feel more sure of this in his case than in General Eisenhower's. For the General, as a politician, is still an unknown quantity, and a great deal depends on how much he would leave to his friends and on who, in the event, they would turn out to be (for there was motley in his pre-Convention entourage). But if Governor Stevenson is elected, there will be no doubt who is President.

The greatest gain of the last few weeks, as seen from this side of the water, is that European anxieties need no longer be engaged. There is more interest in Europe in this election than ever before and most Europeans who follow public affairs are forming their judgments and their preferences. But they can now keep them to themselves; for, although one or the other of the two candidates might make the better President—better for America and better for Europe—neither would be a misfortune. For the first time for many years, not one of the four candidates for the Presidency and the Vice-Presidency has roots in any of the States that front upon the Atlantic Ocean. The Presidential candidates are

Midwesterners (General Eisenhower's residence in New York is a technicality); and the Vice-Presidential candidates come from the other two coasts, the Gulf and the Pacific. And yet both parties have aligned themselves in support of an "Atlantic" policy.

The explanation is that "Atlantic," in this context, was only in its origin a geographical term; to say that an "Atlantic" policy has been confirmed is to say that the United States proposes to continue the alliance with those nations whose structure, whose ideals and whose purposes are most like its own—not all of which are to be found on either side of the Atlantic ocean. Under President Roosevelt, events formed that alliance. Under President Truman, it has been given permanent content. Whichever candidate wins in November, it will be continued. General Eisenhower has been its most effective executant. Governor Stevenson, in his acceptance speech, gave much the best description that has yet been heard of the qualities that will be needed for its final success—"sacrifice, patience, understanding and implacable purpose."

In either of these hands, the leadership of the free world is safe. Those of us who have no votes, but whose lives and liberties yet depend upon the policies of the United States, can settle back to watch the show with the comfortable knowledge that we shall be able to cheer the winner in all sincerity, whoever he may be. It will be a fine show; for the result is in real doubt and the rivals are well matched. General Eisenhower is a world figure of rare personal charm; Governor Stevenson an orator and an intellect of Wilsonian force. May the best man win.

July Masquerade

FOR some reason, the postwar governments of Britain always seem to be taken with the desire to make statements on economic policy—or rather, to make confessions of their lack of economic policy—in the closing days of July. The Socialists were very indignant with Mr Butler and Mr Churchill this week for saying so little, after so much had been so portentously promised; but the present Government was only faithfully following the precedents set for it by its opponents. The course of events seems every year to be about the same. The Government lays down the lines of its economic and financial policy for the year at Budget-time in the spring, with a full apparatus of estimates, surveys and white papers. The fiscal parts of the plan are embodied in a Finance Bill, which takes until some time in June to get through Parliament. The plan decided on in March is not on the statute book until three months later.

But by about the time the Chancellor of the Exchequer is relaxing after getting his Bill through, it begins to be apparent that the estimates were too optimistic; things are not going according to plan. The Treasury has shown a steady bias every spring: it always underestimates the inflationary forces at work in the economy, and it no less persistently exaggerates the unemployment to which a properly severe Budget might give rise. Accordingly, by early July, the alarm signals are going up. Inflation is appearing at home; and the balance of payments is not behaving as it was told to. (Nobody nowadays even tries to pretend that these two phenomena are independent of each other.) The word goes round Whitehall that some-

thing will have to be done. The parliamentary session is approaching its end, and, if only to protect the position of the Government against the autumn, a warning must be given. Inspired paragraphs begin to appear in the papers; an atmosphere of apprehension is built up and the country braces itself to hear the worst.

But then it turns out that there is really very little to be done. The time since the budget is too short for anybody to have thought out a whole new policy. Midsummer is almost as bad a time technically as it is temperamentally for making radical revisions of programmes—the ink is hardly dry on the commitments made in execution of the last programme, and since government departments will soon be beginning work on the estimates that they will submit in November, they can hardly be asked to produce a new set now. After all, disaster has not arrived; it is only pending. So the substance of the promised measures evaporates and has to be replaced by admonitory platitudes. There may perhaps be a cut or two in imports for the sake of appearance, or a ceremonial obeisance to doctrine, such as Mr Gaitskell's misconceived limitation of dividends a year ago. (Whether the "new pattern" of defence expenditure is more than a gesture, the vagueness of the references to it does not permit one to guess.) The net effect is that the country feels it has been led up the garden path. Ministers are always shocked and surprised when their solemn, but disembodied, warnings are met with hollow laughter.

What should they have done? The practical politician

will answer that if in fact they had nothing to announce, they should have made no announcement. But the position is truly disquieting, and something should indeed be done about it. The balance of payments is not righting itself as quickly as was expected. At home, bank deposits are ominously rising again; and anybody who wants to know why should look first at the Exchequer returns. In the first 17 weeks of the financial year, the figures "above the line" (that is, the current revenue and expenditure) show a deficit of £216 million, compared with a surplus at this time last year of £56 million. Moreover, the government's capital expenditure "below the line" is booming; the total deficit, above and below the line together, is £436 million, or three-and-a-half times as large as it was a year ago. Too much should not be read into financial returns at any particular moment; they can be distorted by accidents of timing. But there cannot be much doubt that the Treasury itself is beginning once again to lead the inflationary procession. The more it restricts other people's borrowings from the banks, the more it borrows from them, directly or indirectly, itself.

There is, therefore, plenty of ground for new steps in economic policy. But what should they be? Hitherto, with the important exception of its abandonment of cheap money, the Conservative Government has simply taken over the Cripps policy. Yet the Cripps policy, so valuable in its day, is now obviously very close to its terminus. Import cuts are no longer effective; and the country cannot stand any more of them.

Is there, then, a Tory alternative to the policy of restriction and austerity? At the beginning, when Mr Butler smashed the Bank Rate taboo, there seemed to be. Credit restriction has achieved a great deal in the past nine months and it should certainly not be nibbled away by the Government's own capital expenditures. But few even of its most passionate partisans ever believed that monetary policy could do the trick on its own. To make credit scarce and dear, and do nothing else, is simply another form of restriction. The object of monetary discipline should be to make it possible to pursue a policy of boldness and expansion elsewhere without starting an inflationary spiral. It does no more than provide a firm fulcrum on which other measures will have to do the levering.

What other measures? A Conservative government might refresh its memory of its own principles. It believes in a capitalist economy—that is, not necessarily an economy owned by rich men, but one whose progress is dependent on the steady investment of savings in productive capital equipment. Today, in Britain, both the total of savings, and the fraction of it that industry is allowed to use for productive purposes, are dangerously too small. A sincere Tory government would move to increase both, which it could best do by repealing its own and its predecessor's discriminatory taxation on the ploughing back of company profits, and by making all forms of non-productive capital expenditure take a back seat, even if that meant fewer houses, fewer government offices, and the housing of generators in prefabs instead of in brick cathedrals. Conservatives also believe in initiative and enterprise—Mr Butler twice said so on Tuesday: the increase of exports depends on "the energy, initiative and ingenuity of industry itself"; we

must strive "with that resolution, that skill and inventiveness in new design and production which we still have in our ranks . . . to preserve and fortify our proud position," and so on and so forth. Everybody says these things; they are so true as to have become truisms. But if any government were ever to act as if it believed them, the result might be electrifying.

This week's debate was evidently intended to serve as a warning by the Government to the country. In the event, the warning has been the other way round, as even their own back-benchers pointed out. The debate, in fact, maintained the form that has been shown from the first days of this Parliament. When the subject is foreign policy, or rearmament in its strategic aspects, the Government has never failed to wipe the floor with the Opposition. On economic matters (with the sole exception of Budget Day itself), ministers are lucky if they escape with their shirts intact. The reason for the contrast is obvious. In foreign affairs, the Conservatives have a policy that they understand and believe in. In economic affairs, they have no policy of their own, and the policy they adopted from the Socialists is worn out. But they need a policy; and they will have to get one very quickly if they are not to get from the country at large the derision to which they were treated this week by the Opposition.

The Hope of the Liberals

It is abundantly evident . . . that in the approaching struggle the Liberal party will need all its energy, all its wisdom, all its tactical skill, to ensure a decisive victory over Protection, and to reach a safe and quiet haven for Free Trade. . . . There is no margin for vagaries, blunders, or dissensions. A false move may postpone, if it does not endanger, the hope of the Liberals. An untimely or malicious motion may awaken discord among allies whose closest union is essential to secure their common triumph. The Ministerialists are a compact host who will manoeuvre under strict discipline and act as one man. . . . The Opposition, on the other hand, consists of four very imperfectly amalgamated sections, whose discrepancies are many, whose idiosyncrasies are obstinate and strongly marked, and whose notions of Parliamentary discipline have always been notoriously lax. Of these sections the Whig party is at once the most numerous, the most dense, the most experienced, and will form the nucleus round which the others must rally. Then comes the division of the Peelites, strong in individual talent, strong in popular esteem and confidence, and prepared to carry out unflinchingly the policy which originally made their bond of union, and which for the time can be the only true bond of the whole Liberal party. But their numbers are not formidable, and the sympathies of many of them are perplexingly divided. The extreme *gauche*, the Radicals, or as they are now termed, the Manchester School, are energetic, influential, and indefatigably active, but often inconsiderate in their proceedings. . . . Lastly comes the Irish Brigade, whose course is meteoric and incalculable—to be counted on for hostility to Lord Derby's Ministry, but scarcely with confidence for any other course of sustained action. On the side of the Ministers, therefore, is a well-trained and regular army, entrenched in the strongholds of office: on the side of the Liberal Opposition is a force, numerically larger, and individually far abler, but divided into several bands, marching under different leaders, regarding themselves as patriotic volunteers, enlisted on no certain terms, and bound by no military oath of fidelity or obedience.

The Economist

July 31, 1852

Egypt and the West

NOTHING succeeds like success, especially in the Orient. If General Neguib Mohammed meant what he said in his first proclamation, his feats this week have far exceeded his original intention. He set out merely to purge the higher ranks of the army and to reprove King Farouk for the royal whims which have lately produced government instability; but he had no intention of playing a permanent role in politics. Then the applause with which these first moves were greeted led him to make further demands: dismissal of the entourage of Levantine parasites whom it had recently been the King's fancy to push for high office, followed by reduction of the royal powers under the constitution. By Saturday evening last King Farouk had sailed away to exile—the maker of his own undoing by his unaccountable taste in friends, wayward, greedy and unlamented. There followed a scramble to shake the General's hand. Certain honest and independent men were already on his side, notably Abdel Gelil el Emary, the young and highly able financier who has become Finance Minister; also with him were a few of the less fanatical members of the general council of the Moslem Brotherhood—men who joined it chiefly for its "clean hands" doctrine. This group placed itself under the respected umbrella of Aly Maher, now prime minister. The army is not at present for or against any party; members of all, from the Liberals to the Moslem Brotherhood, are to be found in its ranks; it does not hate the Wafd, for the Wafd (being out of office) was not implicated in the Palestine arms scandals. No party leader was therefore likely to be backward in offering his congratulations; each has simply been told to trust Aly Maher. Nahas and Serag ed Din, the two principal Wafdists, both on holiday in Europe, tumbled into aeroplanes in order to proclaim that the General's movement was their movement, too. Neguib received the former, but not the latter; presumably he thus marked his view that the habit of amassing wealth at the taxpayer's cost must disappear from Egypt with the royal yacht.

These events give cause for wonder whether General Neguib can, as their sequel, retire into the background as he says he means to do. Once a keystone is removed it requires replacement, or else collapse ensues. Who is going to replace, both constitutionally and in politics, the important element hitherto represented by "the Palace"? Who is to have the last word in summoning a premier, dismissing parliament or declaring war? There are three candidates for the job. One is the army, working perhaps—on account of its lack of political experience—with such politicians as are ready to fall in with its wish for clean hands and stability. Another is the Regency Council of three which, under the constitution, King Farouk has named in a sealed envelope to be opened when parliament meets. The third is "the people," which, while the present parliament lives, means the Wafd, and which would probably continue to mean the Wafd were there a general election. The Regency Council will be impotent unless composed of the other two or allied with one of them. A period of manoeuvre for position by the army plus the "clean hands" group of independents on the one hand, and by the Wafd on the other, for control of the nation's affairs seems probable.

Struggle spells instability, and Egypt would probably be better off if one group or the other were to win an outright supremacy. Which would be the more to its advantage? Neither, of course, can drop the claim to Egypt's two "national aspirations"—sovereignty over the Sudan and evacuation of the Canal Zone. To do so would be to court assassination. But General Neguib has, by the very initiative of his coup, somewhat altered the emphasis which politicians seeking public favour have been wont to place upon these aspirations in contrast to aims at home. The brain of Egypt—and, for that matter, also of Persia—suffers from a disease that amounts to abnormal development of one part, with consequent arrested growth in another. Both nations have lately concentrated so exclusively upon developing anti-foreign emotions that they have stunted their capacity for dealing with ordinary domestic concerns. The prime virtue of General Neguib's coup is that it makes a start in righting this damaging unbalance; it has earned its public backing on the strength of its determination to provide a new deal at home. The prime weakness of the simultaneous coup that restored Dr Mossadegh to power in Persia is that it was still based on the negative and warped theme of foreign interference. In Egypt it may be that the mob is now to be controlled by men with a grasp of essentials. If so, there is more hope for Egypt than for Mossadegh's Persia.

If Aly Maher, General Neguib and the men around them are to fulfil that hope they will require to be vouchsafed two blessings. The first is the gift of time. Only the passage of months and years can restore to the Egyptian public its lost sense of proportion about the need for decency and efficiency at home. The second is public backing from the largish group of literate town-bred Egyptians—a growing bourgeoisie—that longs for stability and honest dealing in public affairs but has hitherto never dared to say so except behind closed doors. Probably the best way to bring this group to a flowering is by enabling it to acquiesce in a benevolent dictatorship. There are precedents for such a route to stability. One was in Kemal's Turkey. In Iraq, also, fear of a lapse into the chaos that is beggaring Persia has lately led to widespread acquiescence in a virtual dictatorship by that pillar of stability, General Nuri Pasha es Said.

Naturally, the western powers who take an interest in the defence of the Middle East view with alarm and despondency any prospect of instability inside Egypt. Therefore if the leaders of the army and the Wafd cannot agree, the western world, as well as Egypt, would be better off if one or other were to be supreme. As far as can be foreseen in these early days, only by attaining such supremacy could either group secure the leisure in which to adjust the many distorted impressions that have lately fuddled Egyptian minds. Only when a period of stability has led to adjustment of these misconceptions can the west treat with Egypt on the straightforward basis upon which it deals with, for instance, Turkey. For the present it must bide its time.

In the constitutional tangle with which Aly Maher is faced—with a king in a perambulator, without a regency Council and without a parliament other than a prorogued

which he sought to dissolve in March and of which the Wafd is master—the supremacy of either of the two main groups now on the stage is unlikely to be attained without a contest. That contest is for Egyptian participants only; these will, no doubt, as is their wont, try to sound the British and American embassies for backing, but it would be inappropriate if either were to show preferences. Any such gesture would court misinterpretation. There is warning of this fact in the recent benevolent but clumsy and imprudent attempts at

A "New Pattern" of Defence

IT is not at all easy to discover from the Prime Minister's speech in the House of Commons on Wednesday exactly what is happening to the defence programme. One can sympathise with Mr Churchill's unwillingness to be drawn into precise figures at this stage, or to give away information which could be useful to hostile powers. But the British public has been asked to sacrifice so much for rearmament and has, on the whole, responded to the demands that successive governments have made upon it with such loyalty and confidence, that it deserves something better by way of an explanation than vague generalised phrases.

The only thing that is reasonably clear is that the level of expenditure—especially that part that bears upon the engineering industry—is to be reduced. What is obscure is why this is being done. Mr Churchill offered two sets of explanations. On the one hand, he maintained that it was being done under the pressure of economic necessity:

There can be no assurance of lasting military strength without a firm economic foundation, and no defence programme can stand without the economic resources to carry it through. The defence programme must be kept within the limits of our economic strength. . . . This diversion of resources from defence to the export drive is just as necessary for our military strength as for our daily life; not to make it would mean a plunge into bankruptcy.

But he also said that it was due to technical changes in weapons and war, the strides made in atomic weapons by the Americans, the development of new aircraft "which profoundly affect the tactics of air warfare and air defence," and the progress made in this country in guided missiles and rockets. These improvements he said will have enabled many practical economies and reductions to be made in the original programme, with a positive increase in war power. . . . Even if we had not been called upon at this time to make new efforts to stimulate exports and reduce the investment programme and social expenditure at home, it would have been necessary to review the whole position [of the defence programme].

These two explanations are not necessarily inconsistent with each other. But are quite distinct; and it matters a great deal which is the one that has chiefly influenced the Government to cut the programme.

From the strictly economic point of view, of course, any reduction in defence expenditure is doubly and trebly welcome. There is no doubt at all that the present level of expenditure on arms is doing great damage to the national economy. Mr Bevan has been quite right about that, as was always acknowledged in these columns. But the justification for armaments is not an economic one at all. Arms are not something of which a nation wants to have as much as it can afford, like health services or houses or pensions or education. They are something of which, on economic grounds, a nation

mediation over the royal title to the Sudan by the American Ambassador, Mr Jefferson Caffery, which have—instead of fulfilling their purpose—left with Egyptians the false impression that a wedge can be driven between British and American policy. The western powers must refrain from taking a hand in the game or their own ends will be defeated. But they are entitled to think that unconstitutional acts carried out with honest intentions are better than chaos and corruption promulgated in the name of the constitution.

should have as little as possible. The argument for rearmament has not been that it can be afforded, but that it is necessary for safety, and it is his total failure to deal with this (except by a little wishful thinking about the Kremlin's intentions) that has disqualified Mr Bevan's arguments from serious consideration. It is true, of course, that economic factors cannot be entirely excluded; there is a limit somewhere. But if it is true that a defence programme will be useless without a firm economic foundation, it is at least equally true that a strong economy is not worth having unless it can be defended. And if the nation's back is breaking, why does it have to be assumed that a necessary degree of defence is the last straw? The great majority of the British public have accepted the argument that the existing programme is the minimum that is required as the British contribution to the prevention of another war. Both successive governments have said this, and have been believed. It follows that any cuts in this programme that are made for purely economic reasons would be the falsest of false economies, since they would increase the danger of war, than which nothing could be more disastrous to the British welfare state or to its possibility of paying its way in the world. If it is still true that cuts in the defence programme increase the risk of war, then they do not avert national bankruptcy, they make it inevitable, and true economies must be sought elsewhere.

There are many people in this country who in response to this logic have put a painful curb on their natural desires and have not lent themselves to agitation for reduced taxation or increased social expenditure because they accepted their share of responsibility for the decision to seek safety in strength. Those of them who are in public life have exposed themselves to unpopularity. The Government owes a great deal to this willingness of public opinion to be convinced, against its desires and interests, by a logical argument, and if, in the present amendment of the programme, there is any element of sacrificing safety to political expediency, that would amount to a betrayal of those who have stood firm against temptation.

It is, therefore, essential that the strategic argument for a revision of defence plans should be fully expounded. If it is convincing, if it really is true that Britain can play as effective a part as before in preventing the outbreak of war, and in defending itself if attacked, at a lower real cost, then there will be no doubters and no dissentients. But it is far too late in the day for any surrender to Bevanism to be permissible, however attractive the economic relaxations that it would permit or the political rewards that would be reaped by those who propose it.

The Reward of Greed

A Ballad for Bank Holiday

(By a Correspondent)

One Robert Ignatius Algernon Park
Began his career as the junior clerk.
He added up figures and got them all right,
And thirty years later they made him a knight.

Sir Robert Ignatius Algernon Park
Went into the City and soon made his mark.
He floated new firms and new ventures galore,
And factories sprouted where never before.
He kept to three courses; he never grew sleek.
He paid forty thousand in wages a week.
He kept off tobacco; he kept off the beer;
And twenty years later they made him a peer.

Now clothed in the ermine his turnover grew
Till at length he was worth quite a million or two,
When he said, "It's high time I was looking around.
"For an heir to this lot when I'm under the ground."

He hadn't a son and he hadn't a daughter,
And his half-sister Joan was—no better than she oughter.
He hadn't a nephew, he hadn't a brother;
He hadn't a niece, and he hadn't a mother.
He hadn't a wife, and he hadn't a father,
And he swore by the beard of the Prophet that rather
Than let Mr Butler make such a fine killing
He'd die a poor man without leaving a shilling.
For he thought, "Till I'm gone neither Butler nor Joan
"Can stop me from blowing what still is my own."

He'd been bothered of late by a pain in the tum
Which had caused him to feel most unusually glum.
And he felt so distressed after eating a bun
That he hastened to Harley Street, W.1,
Where lived that select if expensive magician,
Sir Bluster Below, London's leading physician,



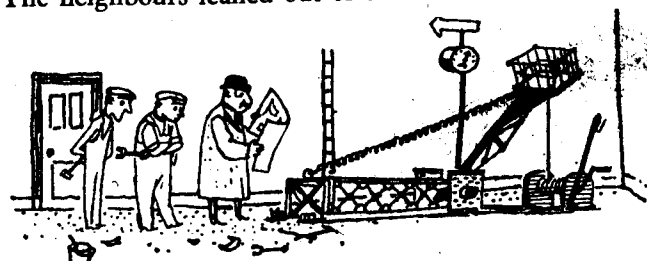
Who prodded and pummelled and slapped him and said:
"Say 'R' if you can, and then stand on your head."
Then he looked at our hero, he looked at him sadly:
"You've got *stomachicus intoxicica* badly.
"For 99 guineas I'll tell you the worst;
"You'll die at 6.30 on April the 1st."

"Go summon my broker, my man of affairs.
"Bid them sell all my stocks, bid them sell all my shares.
"Go fetch Mr Hammer, my stout auctioneer;
"Fetch bankers, accountants; go fetch them all here.

"Go sell all my pictures, go sell all my suits;
"Go sell all my guns and my syndicate shoots;
"Go sell all my rods and my stretch on the Test;
"Go sell my debentures, go sell them at best.
"Go call in my mortgages, call in my bills;
"Go sell all my farms and go sell all my mills;

"My horses, my cattle, my sheep and my goats,
"And turn the whole lot into ten shilling notes!"

With a fortnight to go, and not feeling so grand,
He took a small flat overlooking the Strand,
Where he caused to be built an elaborate chute,
With gadgets and pressure releases to boot.
A really Heath Robinson sort of affair;
The neighbours leaned out of their windows to stare.



There were pulleys and ropes and a very strong spring,
And it took half a dozen to manage the thing.
And he wrote to the Chancellor, "Come and have tea
"Upon April the first; there'll be something to see
"Which you just mustn't miss; it's a real proper do.
"And bring the chief Lords of the Treasury, too."

When his last day had dawned he was steadfast but pale,
And he saw with delight it was blowing a gale.
He swallowed two packets of Pinkerton's Pills;
He went through his papers; he settled his bills.
And being a man who left nothing to chance,
He ordered his coffin—and paid in advance.

He rang up his lawyer to come in alone
(He looked like a dog who'd been robbed of its bone).
"Just fill up your pockets from out of those sacks:
"If it's less than your fees, it's at least free of tax!"
He gave a last briefing and drill to his squad,
Who had long thought him mad, or at least very odd.
At five he sat down with his mystified guests.
He fed them on vodka and ptarmigan breasts.

Then at 5.45 when he'd finished his tea
He pushed back his chair and said, "Listen to me:
"Though I've worked like a slave—as you'll give me my
due—

"For some 60 odd years, it's been mostly for you!
"For I reckon you've had while you've lived on the
backs
"Of the firms I have floated ten million in tax.
"On top of all that there's a thousand and ten
"(I'm still talking in millions) from taxing my men.
"Then add on to that all the millions untold
"From the duties you've netted from things I have sold."



"And another thing, too—though it's hardly my rôle—
"I have saved you a nice little fortune in dole.
"And what is the cream of a very bad joke,
"You've had all this oof without doing a stroke!
"You've taken the ha'pence, but none of the kicks.
"From each pound of my own you get nineteen and six!
"Are you really assuming that after you've bled
"Me alive for so long you can rob me when dead?
"Well, you may get away with this ramp as a rule,
"But to-day it is my turn to say—'April Fool'!"

Then he cried to his men: "Man the chute; load 'em in!
"Fire! Yoicks! Tallyho!" and "Let battle begin!"
Then a crack from the chute and a yell from its crew,
And the first 50,000 went into the blue.
And a blonde leaving work cried with rapturous squeals:
"Ere Elsie, 'ere Madge! If it ain't raining Beales!"

And over the City was heard a great fluttering,
And then came a puzzled incredulous muttering.
Then screaming and shouts, then a general roar,
Like the tide coming in on a rock-broken shore.

And from bearded old men to the smallest of mites
They grabbed and they pushed and they started free
fights,

(That is, all except some of the real 'clever dicks'
Who said, "We're too old to be caught by such tricks").
And two or three skulls were soon cracking like eggs,
And a hundred or so broke their arms and their legs
In trying to climb where these lovely brown leaves
Had fallen on roof tops and gutters and eaves.

NOTES OF THE WEEK

Cautionary Tale from Persia

In a famous English cautionary tale, the boy who slipped his hand and ran away from nurse met "something worse" and was eaten by a lion. In Persia this week there have occurred the first signs that nationalists in high places realise that they have escaped from one foreign menace merely to run into the jaws of another—Soviet Russia. Dr Mossadegh's director of the national police has broadcast a warning that Communists are "using the guise of nationalism" to "carry out their sinister purpose, which is to sell the country to the foreigner." General Sheibani was referring merely to the obvious Communist participation in the riots which carried Dr Mossadegh back to power; he probably did not know that the Tass Agency, broadcasting in Russian and English but not in Persian, was simultaneously making publicity for reducing the Shah's powers. Within a week Dr Mossadegh had pressed for and secured the departure from Teheran of the Shah's mother, his twin sister and his chief supporter in the army. The Shah now retains little beyond the actual peacock throne on which he sits.

Hitherto, when any caller has suggested to Dr Mossadegh that his policy helps the Russians he has replied, with the chuckle that his friends think cunning and his enemies find senile, that he knows this but can be relied upon to cope with the Russians in due course. The Economist has hitherto been loth to refer to any connection between his policy and that of the Soviet Union because nearly all his fears of the past fifteen months have been inspired by purely Persian motives; that they have helped Soviet policy has been incidental. Now, he is willy nilly so much the tool of that policy that a link that is being coupled up from the Russian end demands emphasis.

Meantime, he is going through the motions of normal

And the traffic all came to a stop willy-nilly
From the top of the Strand right along Piccadilly.

And every three minutes to keep up the fun
Six hot sweating workmen reloaded their gun.
And the Chancellor gasped and he said "What the
deuce!"

And the Chancellor's face went a horrible puce,
And the head of the whole Metropolitan police
Shouted, "This is a scandalous breach of the peace!"
And waving a warrant and drawing his sword
He ran up the steps to the flat of m'lord.



But he got there a moment too late in the day,
As the foreman reported, "Bombs gone! Notes away!"
M'lord looked at his watch; it was 6.29.
And he chuckled, "Sir Bluster is cutting it fine."
Then he looked at his guests and he saw their long faces,
And he laughed such a lot that he broke his new braces.
And he laughed and he laughed and he laughed till he
cried.
Then he cried and he laughed and he laughed—till he
died.

government. He has got the Majlis to approve a new programme of reforms for which there is no money to pay. He has spoken with the British Ambassador of arbitration and, within a day or two, withdrawn the suggestion. He has spoken with the American Ambassador of letting the World Bank run the oil industry so long as it refrains from employing Britons. To pin hope on these suggestions is useless, for he will make offers only on his own terms. No reliance can be placed upon a man who fumbles while his country slips further and further towards bankruptcy and disturbance. The one cold comfort to be drawn from the plight of Mossadegh's Persia is that it furnishes a cautionary tale, which is coming to be regarded as an object lesson by at least one sensible neighbour.

Closer Liaison in Korea

General Van Fleet's statement that a truce in Korea is less likely than at any previous time is surprising. It is difficult not to suspect that this is what the Communists want the United Nations commanders to think. If there is eventually to be a truce, this is the moment when both sides are being put to the last test of will. The Communists are trying to wring further concessions on the one remaining issue of the prisoners of war, and the allies are trying to show the Communists that, although they gave way at crucial deadlocks in the past, their last word has now been said. Until the Communists understand this, there is not likely to be a truce. The apparent hopes of a fortnight ago look like being dashed, but the allies have no alternative to maintaining their previous attitude at Panmunjom, and in the field to stick to their guns.

To help in the conduct of purely military operations, the UN Supreme Commander, General Mark Clark, now has

a British officer. The new post of Deputy Chief of Staff has been filled this week by Major General S. N. Shoosmith, who has had experience as head of the British Joint Services' Mission in Washington. His appointment in no way alters the chain of responsibility in Korea. As Lord Alexander emphasised in Parliament, General Shoosmith will in all respects be an ordinary member of General Clark's staff and responsible solely to him. No other relationship would be possible, and there is no doubt that a senior British officer at headquarters should be able to help his commander by bringing a special point of view to bear on the common problems of the headquarters. It is fitting that this appointment should be made on the anniversary of the formation of what General Van Fleet called in an order of the day "the great and gallant" British Commonwealth Division.

—But No Political Adviser

The problem of political consultation between Americans and British in Korea remains unsolved. There are several reasons why it is more difficult than the improvement of military consultation. While supreme command has been properly and willingly entrusted to the Americans because they bear the brunt of the campaign, basic differences between Americans and British on policy towards China prevent a similar approach to political questions. General Mark Clark feels strongly that Washington is the place for political consultation, and certainly any political adviser on the staff of such a general's general would be in a difficult position. If a British official attempted to play such a role there would have to be an American adviser as well; but now that the MacArthur autocracy is regarded by all concerned as a thing of the past, Washington is content to handle political matters with the Supreme Commander direct. Lastly, if there is a case for a British adviser, why should the claims of other nations engaged in the fighting be ignored?

These are strong reasons for doing nothing; but there is also a strong case for doing something. Since the Japanese peace treaty came into force in April the British position has got worse. Until then, the senior British representative in Tokio was accredited to the Supreme Commander, though Sir Alvary Gascoigne in practice saw little of General MacArthur. Now he is accredited to the Japanese Emperor and has nothing to do with Korea. Secondly, the deep and potentially serious misunderstanding that arose over the Yalu bombing must not be forgotten. If there is to be no truce and the war goes on, there is a risk of its being resumed on a wider and politically more dangerous scale. The demand for political advice on the spot might become stronger and more urgent.

These are some of the problems of fighting a war ten thousand miles from the nerve centre in Washington. As seen from still further away in Britain, there is a strong case for effective and official relationship between the British Ambassador in Tokio, Sir Esler Denning, and General Mark Clark. The American Ambassador to Japan, Mr Robert Murphy, is consulted by General Clark; why should his British colleague not also be consulted?

Recovery in Steel

The economic debate has wiped out the slight recovery in the Government's prestige as a result of the White Paper on the denationalisation of steel. This was not produced thus hurriedly at the end of the session solely to allow time for constructive criticism before the Bill was introduced. It was also designed to soothe Conservative impatience at the Government's failure to carry out its election pledges. It has succeeded in that purpose very well—or had done so until Mr Butler's speech revived the dissatisfaction on the back benches. The Conservatives are pleased at the way

the White Paper has been received, and pleased to see some progress at last towards one of the milestones of their legislative programme. But if the Steel Bill is to be introduced at the beginning of the autumn session and got on to the statute book by Easter, it is hard to see how this can be done without postponing the Transport Bill—unless the guillotine is freely used when both Bills are in committee.

Another cause for Conservative pleasure is the dilemma in which the White Paper has placed the Opposition. The Labour party's reaction is complicated by the attitude of the TUC and of the steelworkers' leaders. The White Paper was discussed with the TUC, which said that it wished to reserve its position. But it must give the unions some satisfaction that under the Government's scheme their representatives would sit on the supervisory board, and so would recover a say in policy at the highest level that they have not had since the wartime Iron and Steel Board was replaced by the nationalised corporation. It was a clever touch to make the proposed holding company separate from the supervisory board, so that trade union members will not have to preside over the disposal of the shares.

The White Paper, moreover, robs the Opposition's plan to renationalise the industry of any sense at all by providing for adequate public control; indeed, the area of public control would be extended, for the board would be responsible for the whole industry and not merely for the nationalised part of it. It is similar to the scheme that some Labour ministers themselves were understood to have favoured in 1948, until they were forced to bow to left-wing opinion; and it would probably give a Labour Government as much power as it would need. Mr Lincoln Evans, the steel workers' leader, is known to think that it is the control rather than the ownership of industry that matters, and he would probably prefer to make the White Paper workable rather than to have another upheaval. On the other hand, it is difficult for the Labour party to go back on Mr Strauss's declaration, in the debate on the Address, that it would renationalise the industry when it next came to power. The Opposition, therefore, when it breaks its silence, will probably feel obliged to utter its greatest piece of folly once again—and, again, without really believing in it.

Revolt on Labour's Right

This week has plunged the Labour party in as much discomfiture as the economic debate has put the Conservatives. It has had to face a new type of revolt—from its right wing. On Thursday and Friday the House of Commons was asked to approve the contractual agreements with the German Federal Republic. The party leaders had drafted an amendment to the Government's motion in terms wide enough and vague enough to cover up the differences between the Bevanites and the rest of the party. This was no mean feat of draftsmanship, for the Government's motion linked the present policy with the Washington declaration on German rearmament signed by Mr Morrison, as Foreign Secretary, in September of last year. The essence of the amendment was to accept "the principle, subject to proper safeguards and conditions, of a German armed contribution to an international system of collective security," but to insist that its application at this time was "inopportune."

But the amendment proved too much for some on the right-centre of the party, who were shocked at this retreat, for reasons of parliamentary expediency, from the policy initiated by the party when in office last year. Ten members voted against the amendment when it was put to the meeting and two or three members threatened either to abstain or even to vote for the Government in support of the principle of German rearmament. Embarrassing as this further airing of differences is, it is preferable to victory of the other faction and the outright repudiation of the very policies that Labour helped to shape.

How Many Bevanites?

The stand taken by the right wing of the Labour party this week on the subject of German rearmament obtains added interest in the light of the results of the Gallup Poll on the popularity of the left wing, as personified by Mr Bevan, with the rank and file of Labour voters. The dwindling support for him and his policies contrasts sharply with the mass of Bevanite and near-Bevanite resolutions on the agenda of the Morecambe conference.

The contrast is at first sight surprising and paradoxical. It is really, however, only one more instance of a general rule of political life; that all political parties tend to generate, by their own internal processes, more militancy than the general public will accept. In the cosy atmosphere of mutual encouragement, mutual admiration and mutual sympathy for grievance, the more extreme path always has an attraction which more moderate proposals lack. To the great mass of voters, however, it is generally moderation which exerts the most reliable appeal; and the nemesis of the militant group is apt to be its propensity to mistake the enthusiasm of its own members, and the attractive power which it finds itself exerting on sympathisers in its immediate vicinity, for the public support in that full sense required for electoral victory. Wise political leaders know this well, restrain themselves and their lieutenants, and get called trimmers (or, at best, "good committee men") for their pains. The unwise and the conceited—these two classes are apt to coincide—do not.

Castles in the Backward Countries

One conclusion to be drawn from the Gallup Poll is that support for Mr Bevan is strongest among members of trade unions. It is natural that his demand for cuts in defence expenditure should find favour with those whose first concern is to maintain living standards; and there must be many who share his point of view without wanting him as leader.

Those who are not Communist usually rationalise their opposition to rearmament by saying that there is a more effective way to fight Communism. This is to raise the standard of life of the backward peoples, so that they are no longer a prey to any doctrine that seems to promise them a better life. It was the argument used in the Bevanite manifesto "One Way Only"; and it has played a part in changing Labour thinking from the view that the white man's burden was nothing but the swag to a quite unrealistic notion of his responsibilities towards the rest of the world. Recently a group of Labour MPs, under the chairmanship of Mr Harold Wilson, advocated overseas investment on a colossal scale; and now the executive of the Labour party has issued for presentation to the Morecambe conference a policy statement* on similar lines—except that the demand for investment overseas is not coupled with a demand for a reduction of rearmament. That makes it less pernicious than "One Way Only," but even less realistic.

The problem that is stated in the pamphlet is all too real and all too familiar. No one will dispute that the advanced countries ought to invest in the agriculture and industry of undeveloped countries if the further growth of want and misery is to be prevented. The pamphlet estimates that, merely to hold living standards where they are, the present rate of world investment in undeveloped countries should be multiplied sevenfold. The Labour party executive does not say what Britain's contribution should be to the international agency it would set up to administer the funds. Still less does it say how the money would be found.

There is no hint in this pamphlet that before a country can export capital on a large scale it must have a large surplus in its external payments. There is only a hint that, as resources are limited, more can be devoted to develop-

* "Towards World Plenty." The Labour Party.

ment abroad only by curtailing consumption at home. Would those who have opposed every step towards solvency that threatens living standards accept the much larger sacrifices that would be needed for heavy investment overseas? That is the question that should be put to the conference.

The Schuman Pool

After their formal ratification of the Schuman Plan treaty last week, the Foreign Ministers of the six member nations have agreed that both the Court and the High Authority will begin operations on August 10th. The temporary headquarters of both institutions will be at Luxembourg, while the Schuman Assembly will hold its first meeting in Strasbourg.

The one immediate consequence of the pool's existence is the abolition of most of the Allied controls over West German coal and steel except for supervision of the break-up of the Ruhr trusts. The Allied Governments had agreed to remove these unilateral controls once the Schuman pool was functioning and the High Authority had assumed the wide powers assigned to it as the international body for directing the coal and steel industries of all six members. Accordingly, the Allied High Commission has announced the "progressive liquidation" of the International Ruhr Authority and the end of theoretical restrictions on West German steel capacity. In practice the most important gain for the Germans is the elimination of the Ruhr Authority's power to fix the quantity of German coal exports.

The appointees to the High Authority have now been named with the exception of the representative from Belgium. When he is chosen the eight members will select a ninth man to represent European labour on the High Authority. The most likely candidate for this job is the Belgian trade union leader, M. Finet.

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A Solution for the Saar?

The big surprise for M. Schuman's colleagues at the Paris meeting of Ministers last week was his proposal that Saarbrücken be made the permanent site of the pool as part of a plan to "Europeanise" the Saar. The French appear to have in mind an autonomous Saar placed under the new political authority which has yet to be created. Some have suggested that an apt analogy is the District of Columbia in the United States. M. Schuman strongly feels that real co-operation and amity between France and Germany depend on a solution of the problem that will satisfy both peoples, and it is for this reason that he immediately brought the question to the forefront. In French eyes he has made a generous and handsome gesture. Outright political annexation of the Saar could have been regarded by the French as no more than reasonable compensation for the damage done to their economy by a third German invasion and four years of extortionate occupation which finally turned France into a battlefield.

The Germans, however, including Dr Adenauer, naturally look on the proposal with suspicion. They regard it as a betrayal of the new European spirit. They point out that France shows every sign of holding on to its leases of the Saar's steel and coal plants, and has as yet given no firm undertaking to permit the re-emergence of German political parties in the Saar and the holding of free elections. If the French are in earnest about their ideals, it is asked, why do they not internationalise a piece of French territory as well?

Disinterested third parties note that the Saarlanders, if they run true to form, would in free elections simply vote for the side which at the moment promises them greater prosperity. Thus immediately after the defeat of Germany in 1945, Saarland passports were much sought after. Now that the West Germans are making such a rapid economic recovery, a majority in the Saar might opt for a pro-German government. This, of course, would put the Bonn Government in a strong position to urge that the French leases be handed back and that the territory return to Germany.

The truth is that sentimental nationalist considerations are not uppermost in the minds of the Saar populace. Crudely stated the basic issue is, therefore, who shall own the Saar's resources—the industrialists of the Ruhr or the industrialists of Lorraine? M. Schuman hopes that European federation will push ahead so quickly that power politics of this kind will be irrelevant in the near future. He will urge this view on Dr Hallstein, West German Secretary for Foreign Affairs, when the two men resume negotiations over the Saar.

Blow to French Rearmament

The French Government has received a shock on learning that its request for greater financial help from the United States has been turned down. Statements by American delegates to the Lisbon Conference last February were ambiguous about the prospect for more aid and apparently left the French unjustifiably optimistic. As a result, modifications of the French rearmament programme which might have been made at Lisbon with a minimum of bad feeling may now have to be made in an atmosphere of maximum resentment.

The French asked for two kinds of aid: additional assistance in order to balance next year's ordinary budget; and a much larger sum spread over the next three years, both to balance the arms budget and to enable France to build up a large and permanent export industry in arms. Altogether, the amount requested is over \$600 million. The French have realised that there are really two kinds of American offshore purchases: those made under foreign aid grants through the Mutual Security Agency, and those made by the US Services from their own appropriations for the supply of American troops. It is on this latter, and more dependable, stream of dollars that the French have their eye.

American officials give three reasons for rejecting French demands. They say that Congressional cuts have reduced the foreign aid funds available; that the United States is opposed to making foreign aid commitments for more than a year ahead; and that technicians from US Services have little use for some of France's military equipment.

The French are most unwilling to take the easy way out and cut their rearmament programme, for they are anxious not to fall behind Western Germany in military potential over the next few years. The motive is the same as that which lies behind their desire to hold on to the steel of the Saar. This sentiment may strike observers as conflicting directly with avowed French ideals for the coal-steel pool and the European Defence Community; but France is convinced that a true European community can be based only on parity of power between itself and Germany.

Chairman of the BBC

The announcement that Sir Alexander Cadogan is to succeed Lord Simon of Wythenshawe as chairman of the BBC has been given a mixed reception and questions have been asked in the House of Commons concerning his qualifications for the post and the criteria used by the Prime Minister in making the selection. No one questions Sir Alexander Cadogan's long experience as a diplomat. As Permanent Under-Secretary at the Foreign Office and in many missions abroad, he gained the widest possible experience in representing and interpreting the policies of the successive governments he served. The question arises simply because, at this juncture, it is difficult to see how a chairman with the training and—inevitably—the outlook of a civil servant can be expected to deal comfortably with the kind of difficulties the BBC is certain to meet in the next five years.

It will be a time of intense pressure on the Government from the outside interests which seek to break the BBC's monopoly. That pressure will certainly be passed on. Yet a cardinal principle of the BBC as an autonomous public institution must be to resist government pressure and preserve its own independence with jealous concern. In the two most effective periods of the BBC, this independence was guarded by remarkable Director-Generals, Lord Reith and Sir William Haley. Yet Sir Alexander Cadogan joins the Board when there is no Director-General at all. The desirability seems therefore all the more apparent of appointing a chairman able to resist the Government's wishes, when it is necessary to resist them, not one trained to accept and interpret them.

Stemming the Wage Flood

Among the platitudes of Tuesday's debate was the Chancellor's plea that wage increases should be linked to productivity. His own plan for realising that hope had already been turned down by the unions. Last week the union members on the National Joint Advisory Council finally rejected Mr Butler's proposal for a committee, representing both sides of industry and the government, to consider how to relate wage increases to productivity. The unions are strongly opposed to allowing the government any say in determining wages, the more so since the Minister of Labour referred back the increases recommended by the wages councils in the distributive trades. What will probably prove to be no more than a formal gesture of respect for the Chancellor's appeal was seen as a dangerous departure in Tory policy. The deputation from the TUC which met the Prime Minister last week had much to say about government interference in collective bargaining, but their fears were allayed by the Minister of Labour's protestations on Thursday.

The General Council of the TUC has not yet returned any answer to the appeal for wage restraint that the Chancellor made in May, but it has now considered a report on the subject from the Economic Committee—a document which, if accepted, will be presented to the Trade Union Congress at Margate in September. The council's reputation for responsibility demands that it should not publicly sanction general increases of wages in accordance with the cost of living index, and it will no doubt repeat its principles about wage increases for lower paid workers and a share for the workers in the proceeds of higher productivity. In practice it is the better paid workers, like miners and engineering workers, who have made the largest claims and the resolutions to be submitted at the Congress leave their attitude to wage restraint in no doubt. The Association of Engineering and Shipbuilding Draughtsmen, for example, will ask "Congress to declare its support for the effort of the unions to defend the living standards of members by the submission of wage claims" and to reject "any policy of so-called restraint." The National Union of Tailors and Garment Workers adds the persuasive point that wage restraint should be resisted to the utmost "until adequate price controls and food subsidies have been restored."

The chances of obtaining the co-operation of the unions in restraining wages were never very good, and they are certainly not improved by the Government's failure to impose "very serious measures" on other sections of the community. With the cost of living three points higher in June, the dam built up by the recent rejections of wage claims cannot last for long.

Federation Delayed

Two important statements were made by Mr Lyttelton in last week's debate on Central African federation. The first was that the next and final conference, which was to have been held in October, has been postponed until January, partly because of what Mr Lyttelton called the logistical difficulties of moving Ministers in the autumn, and partly because of the need to study the reports of the three technical commissions, which will not be ready before the end of September. Mr Lyttelton's second statement was that another debate would be held in the House of Commons before the British Government took an irrevocable step towards federation. He did not, as Mr Clement Davies assumed, give an unqualified assurance that the government would not impose

federation if the Africans persisted in their opposition to it.

On this opposition he made the interesting comment that he had evidence that it was weakening, that the Africans were showing more willingness to discuss the scheme than they had previously, largely because the district commissioners had now been instructed to explain it to them. The government is evidently pinning its hopes on persuading the Africans to agree to the scheme; it would thus avoid the dilemma of either forcing it on them—and running the risk of losing the goodwill of Africans everywhere—or dropping the scheme—and perhaps seeing Southern Rhodesia with its two million Africans become a fifth province of the Union.

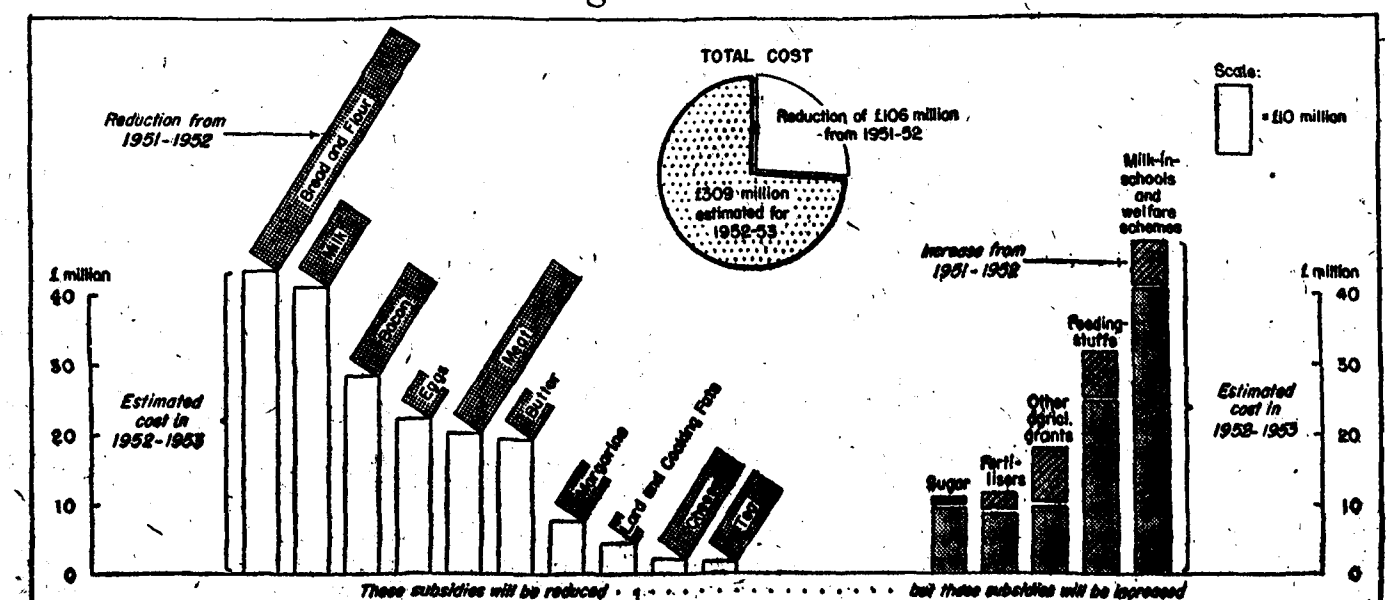
The spokesmen of the Labour party in the debate showed themselves as well aware of this dilemma as the government. Their main criticism of the new proposals for the federal constitution was directed, ironically enough, to the safeguards that will prevent it from being amended against the wishes of the territorial governments or the African Affairs Board. These safeguards provide that an amendment of the constitution must be passed by a two-thirds majority of the federal assembly and must then be reserved for the assent of the Secretary of State and be subject to a parliamentary resolution if objections are raised to it. But, it is pointed out, they also freeze the constitution and will prevent Africans from having any more seats in the federal assembly than they are allotted at the start. Designed to protect Africans, the safeguards will, it is argued, block their further advance. Here is another dilemma, which Mr Lyttelton admitted. But he was probably justified in claiming that if the political progress of the Africans in the northern territories reaches a point where they can insist on better representation in the federal assembly, it will be hard for the European majority in the assembly to deny it for long.

Moscow on Chicago

"A plague on both your houses" has been the unwritten comment of the Soviet press on the conventions in the United States. There is no official view on the candidates and the American presidential battle is considered by *Pravda* and *Izvestia* as less important than the opening of the Volga-Don Canal. But to be non-committal on important issues is characteristic of the Moscow press at the moment.

Since Russians are told that Wall Street magnates direct both parties and hold the threads of what is known as "bi-partisan policy," they might be expected to feel no serious

The Saving on the Food Subsidies



concern about the outcome of the campaign. Yet beneath the apparent indifference it is possible to detect preferences, or rather degrees of dislike. For some time Senator Taft was the least disliked. He received no praise, but the former stalwart of isolationism was believed to have a chance of defeating the Russians' bogey-man, ex-General Eisenhower. So long as he seemed to have some chance, the Russians seemed to favour a Republican victory, but once the verdict had gone to Mr Eisenhower there was a barely perceptible change of attitude. The Democratic convention was spared no abuse: the direction of financial magnates, the similarity in aims of foreign policy, the "purchase of delegates," all came in for notice; but the Republicans got the palm for bribery. Mr Stevenson is being described as a self-confessed partisan of cold war and "total diplomacy"; but Mr Eisenhower is credited with the solid backing of the "financial sharks" and "millionnaires."

Whatever the result of the campaign, the nominations have clearly deprived the Soviet rulers of any faint hope they may have had that a change of President would bring a relaxation in American foreign policy. Indeed, they fear that it will be pursued with even greater vigour if Mr Eisenhower wins. It is only for propaganda purposes that they speak of the importance of the Progressive Party's convention and of the vital struggle of American "progressive forces."

Red Cross and Red Star

Firing on the Red Cross has long been an abomination to civilised peoples and a pastime for the uncivilised. The Communists have now frankly joined the ranks of the latter, but as mud-slingers rather than sharpshooters. Their motives are all too easily perceived. For years Communist policy towards the Red Cross has been akin to their policy towards other international humanitarian bodies; they have taken advantage of its services when it suited them, cold-shouldered it when it did not, and rigidly forbidden it to carry its activities across their frontiers. In the last war Japan and Russia were the only major combatants that refused the Red Cross access to prisoner of war camps. The Chinese and Korean Communists have likewise obstructed all efforts by the Red Cross to reach their prison camps, but they have accepted, and made propaganda use of, its list of prisoners in United Nations hands.

The transition from this indifferent attitude to the present campaign of abuse was abrupt. As soon as it was suggested that the Red Cross should investigate their "germ warfare" charges, the Communists discovered that it was, in the words of the Moscow *New Times*, "composed of accomplices of the imperialist aggressors." To substantiate this proved difficult. Although the organisation was condemned in April, not until late July could the Communist press assemble the damning evidence. This proved to consist of the suggestion that the Red Cross's inability to penetrate Nazi concentration camps was due to its "interest in covering up for war criminals" rather than to any obstacle placed in its way by the Nazis. (No similar explanation was given for its failure to reach Soviet camps.) And this week the *Daily Worker* has subjected every member of the International Committee of the Red Cross to the closest scrutiny without finding anything worse than that two of the sixteen had once been termed by Goebbels "personalities of European standing and international reputation."

The Communists have shown a certain ingenuity in focusing their abuse on the International Committee. The direct descendant of the original committee formed by Henri Dunant in 1863, from which the whole world movement sprang, has always consisted of Swiss citizens, and is thus easily decried as "the so-called international committee." The fact that their traditional neutrality has always made the Swiss ideal people to deal with belligerents can be ignored, as can the fact that all the national Red Cross Societies, including

the Russian, have until now found the committee a very convenient instrument. But, far from being "not answerable to any truly international body," the committee is governed by the decisions of the periodic International Conferences of the Red Cross, at whose current session in Toronto the Chinese and Korean Communists and the Russians are fully represented, the last by a general. It is a little difficult to square their presence at Toronto with their simultaneous attacks on the very heart of the Red Cross, except on the assumption that they have come to try to disrupt one of the few entirely non-political bodies left in the world.

Olympic Oddities

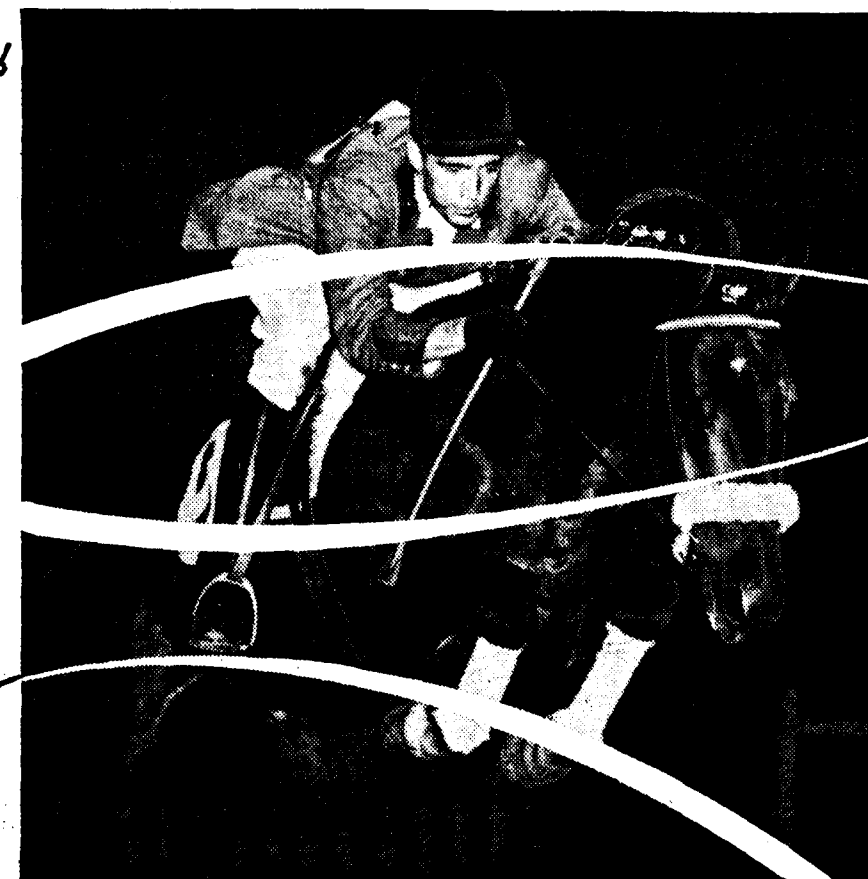
The Olympic Games seem to have passed without any serious breach of the spirit of international harmony. True, Moscow radio this week quoted charges by the leader of the Soviet team that the judges had been unfair to Russian, Polish and Czech athletes, and alleged that at the 1948 Games the Americans had "carried out various dark machinations in order to win." But a little muttering was to be expected after such incidents as the well-meant American offer of ammunition to a Russian marksman whose Soviet-made rounds failed to explode, and the Russian footballers' defeat by the Yugoslavs, who had been written off in advance by the Communist radio as "humble and servile." It was a pity that the Communists had to isolate their athletes in a separate camp as well as prevent their own nationals from coming to watch the Games; but at least this was better than the original Soviet plan that their team should fly back to Leningrad every night.

No doubt efforts were made to convince individual western athletes of the iniquities of their governments' policies; but after local press publicity had been given to the way in which members of the Argentine team were tricked into signing the Communist "peace petition," under the impression that they were merely giving autographs to admirers this technique seemed to lose its effectiveness. The Finnish Communists may have hoped much from the non-political youths whom they attracted to their low-price youth camp, yet there is little evidence that they carried their propagandist activities in this direction far; and it was quickly established that the German girl in angelic robes who burst so dramatically into the opening ceremonies was acting on her own initiative rather than for Moscow's "peace" campaign. But this incident illustrated a sad characteristic of the contemporary world. To such an extent has Communist propaganda debased the word "peace," that today the most apparently innocent activity under that banner has to be examined to see if it is not just another cynical manoeuvre. Only when "peace committees" in Communist China, Eastern Germany and elsewhere cease to act as military recruiting agencies and propagandists for war production will the word regain its reverend meaning.

Rebuilding Hadrian's Wall

Lord Catto's committee had to decide whether it was possible to determine Scotland's contribution to the fiscal and foreign trade totals of the United Kingdom. Briefly, it finds that while the fiscal totals can be divided (as indeed they were on several occasions before the war) foreign trade is impossible to disentangle without rebuilding Hadrian's Wall. The Government has accepted this report, and appointed a Royal Commission to review "the economic, financial, administrative and other considerations" involved in Scottish government.

For those who take only a cursory interest in Scottish affairs, it may be illuminating to contrast briefly the views taken of these events by Scottish Nationalists and by more



The hind-legs propel him up. The fore-legs are tucked in, clear of the bar. The rider leans forward, shifting his weight over the neck. His thighs grip the saddle. His toe is light in the stirrup. The reins are firm in the grasp of a master. It all adds up to a faultless round.

WELL GATHERED

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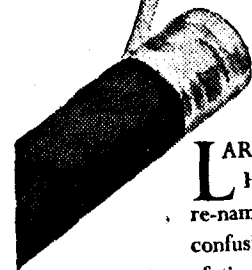
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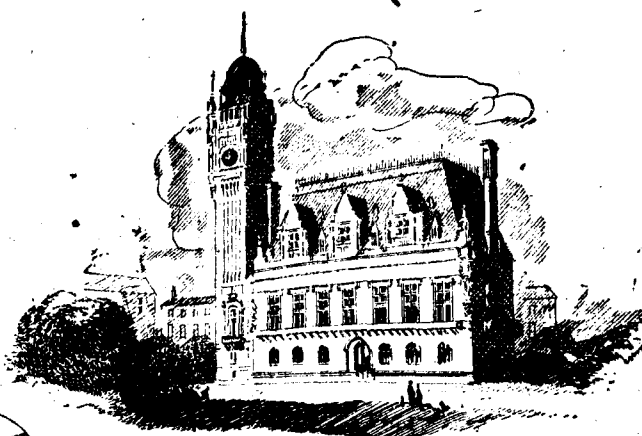


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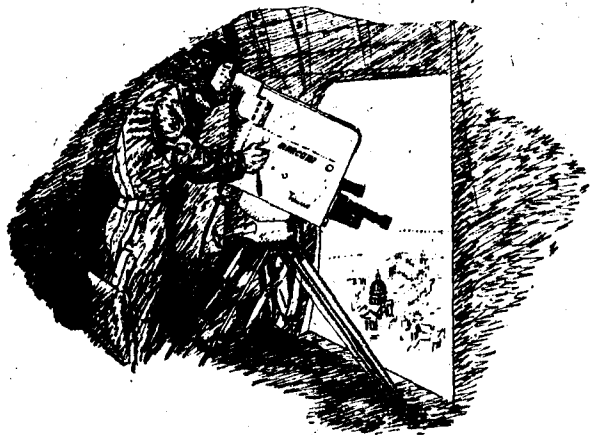
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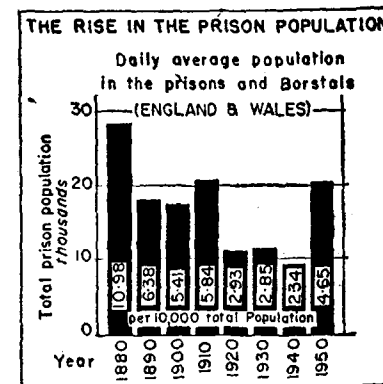
moderate opinion. The Nationalists feel that Lord Catto's committee was appointed by the Labour Government as a time-wasting expedient, since the figures of Scottish overseas trade are irrelevant to the issue of home rule, whereas its share of government revenue and expenditure could usefully have been reported on long ago. The Royal Commission meets with their approval even less, since they see in its terms of reference yet another red herring to draw attention from the central issue of political independence. The Conservatives, they say, promised a Royal Commission on "the whole question"; and the practical issues involved in various degrees of legislative devolution do in fact need to be impartially examined before the subject can usefully be discussed in Parliament.

The answer to all this is that home rule agitation turns upon the question whether Scotland is the milk-cow or the poor relation, and if the figures to answer the question could have been obtained, discontent might have been allayed. In default of this, a broad investigation into the possibilities of administrative devolution is now being offered. It should satisfy those with legitimate misgivings about Whitehall domination, while reserving the issue of legislative devolution to be examined on a purely political level.

Spotlight on Prisons

For years official and private reports have emphasised the evils resulting from the growing prison population combined with the shortage of prison staff, and now the Select Committee on Estimates has added its warning (HMSO, 9s.), declaring that some of the evidence it heard was alarming. In 1950 the daily average population of prisons and borstals in England and Wales was nearly back to the level of 1910. In 1951 it continued to rise steeply, and in February of this year it exceeded 23,000. In terms of physical overcrowding this means that 4,500 male prisoners were sleeping three together in cells designed for one person. In Wandsworth prison alone more than 500 prisoners were sleeping three in a cell.

Those who assert that prison life today is too soft and no deterrent to crime should reflect on these figures. They should also ponder the fact that because of the shortage of staff prisoners have to be locked in their cells from 5.30 p.m.



to 7 a.m. Brutality has certainly been taken out of prison life; but in these conditions it can hardly fail to be brutalising. At the same time it is becoming more demoralising. Before the war the prison staffs worked a three-shift system, which enabled the prisoners to have a working day of 7-8 hours. Owing to the shortage of staff during and after the war an average working week of no more than 22 hours could be provided. In recent years better recruitment enabled a full working week to be provided at various specialised prisons; but in 1951 the Government imposed a standstill on the further increase of prison staffs, and a general reintroduction of a proper working week has had to be postponed. At Parkhurst, where long prison sentences of up to 14 years are served, the working week averages less than 18 hours.

The Select Committee agrees with the Prison Commissioners that in fact a financial saving could be achieved if enough additional staff could be recruited to enable all prisoners to spend a 40-hour working week. This, how-

ever, assumes that government departments will co-operate in providing work for prison labour. The Select Committee points out that at present this co-operation is singularly lacking. New prisons and the relief of overcrowding may have to wait for a change in economic conditions; but there is no excuse for allowing prisoners to spend most of their days in idleness simply because of departmental inertia.

Closed Shop Closed

The board of arbitration on the closed shop dispute did not have to decide whether Durham County Council could insist that its employees should be members of a trade union or professional organisation. The council had already, in earlier tussles with its professional employees, agreed on the principle of voluntary membership of such organisations. What the board had to decide was whether it was in conflict with that principle to demand that applications for extended sick leave should be made through a trade union or professional organisation, or whether, as the council claimed, it could make such regulations at its discretion, not being obliged to grant any extended sick leave at all. The board's decision was that the regulation was in conflict with the principle of voluntary membership of trade unions and professional organisations and should, therefore, be withdrawn.

The victory is shared by the professional organisations of doctors, dentists, midwives, nurses, teachers and engineers, who had joined to form an emergency committee. It was a disinterested victory, for they are, of course, in favour of the membership of professional organisations. It is also final—unless the council thinks of a subtle new way of closing the shop.

New Towns' Problems

Lord Beveridge, who is chairman of a development corporation of one of the new towns, has written a little book* drawing attention to their economic difficulties. These spring primarily, in his view, from the low productivity and high costs of the building industry, which not only slow up the production of houses but prevent new social opportunities from being realised.

At Newton Aycliffe we hoped to make a smokeless town with district heating, but we found the cost so high that we could not make it a compulsory addition to the rent of every person in the town. We wanted to build a good theatre but the cost was frightening. We thought of a first-rate hotel, but we find ourselves reduced to a public house with no rooms for anything but drinking.

Similar complaints have been voiced from the corporations of other new towns. Rents in new towns have also to be considerably higher than for local authority housing, because there is no general rate fund available to help pay for the houses, roads, open spaces, and other services provided by the development corporation. Moreover, a corporation, although it receives the full statutory housing subsidy, has no stock of old houses available to help equalise rents while, unlike a local authority, it is bound by the Rent Restriction Acts not to raise rents.

Nevertheless, Lord Beveridge notes that the corporations have no difficulty in letting their houses and have not experienced any considerable protests against the rents. Here is suggestive evidence that it is council houses which are subsidised too much, not new town houses that are subsidised too little—though it is true that the new town residents are at present drawn mainly from the better-paid, skilled workers. New towns would in fact benefit from the overdue reform of rent legislation, as well as from the rise in building productivity on which Lord Beveridge pins his faith. Meanwhile, they deserve fairer and more imaginative treatment by the government and local authorities.

* New Towns and the Case for Them. By Lord Beveridge. University of London Press. 2s.

Letters to the Editor

Tools for the Land

Sir,—The article in your issue of July 12th contains several points which call for comment. First, you refer to British tractor production of 137,144 last year and remark that it has been possible for manufacturers to put down production lines capable of turning out 200 to 300 tractors a week. This is evidently a slip of the pen. In the case of the Ferguson tractor the Standard Motor Co., Ltd.'s production line has for some time been turning out 300 a day.

Secondly, you say that of the 137,144 tractors produced last year 112,577 were sold abroad. The first of these figures relates to three- or four-wheeled agricultural tractors and the second to all tractors, including horticultural tractors of ten horsepower or less and track layers. Production last year in Britain of three- or four-wheeled agricultural tractors was 137,475, of which 107,945 were exported. Production of all types was 181,070, of which 112,577 were sold overseas. So the British farmers last year received 29,530 agricultural wheeled tractors.

Thirdly, you write that "Ferguson designed a method of coupling implements directly on to the tractor, with a hydraulic system to lift the tools out of the ground." This is by no means the most important feature of the Ferguson System, which, above all, enables the work done by the implement to give to the tractor the necessary adhesion and traction without massive weight and expensive power. The next most important features of the system are the automatic control of the implement's working depth and the safety of operation.

Fourthly, you refer to the Ferguson-Ford lawsuit as having "dragged on wearily until last summer, by which time the principles of the disputed patents were in general use." In fact, the lawsuit was settled in April this year by Ford paying Ferguson £3,300,000 and agreeing to discontinue making the tractor incorporating the patents concerned by the end of this year. No other tractor has incorporated these patents.

Fifthly, you observe that farmers "are not over-anxious to pay an additional £90 for a tractor's hydraulic system." In the case of the Ferguson, which represents by far the greatest number of tractors with hydraulic system, this is a standard fitting and the price of the tractor is considerably below that of any other medium-powered tractor with or without hydraulic system. Of the 137,000 three- or four-wheeled agricultural tractors produced in Britain last year 74,000 (Fergusons) had the hydraulic system, and, of the remainder, the big majority were Fordson, David Browns and Nuffields, most of them probably sold with hydraulic systems.

Finally, you remark that the farm machinery industry does not respond easily to changes and warn it that unless it puts new ideas into practice, a second Harry Ferguson will. Why a second Harry Ferguson? I can assure you that the original is "aggravating" enough not to share your doubts as to the response of farmers to innovations and, indeed, has every possible reason not to do so.—Yours faithfully,

NÖEL NEWSOME

Harry Ferguson, Ltd., Coventry

Sir,—The article in your issue of July 12th has fallen into the not uncommon error of assuming that progress in tractor and farm machinery development stemmed mainly from the efforts of one man. The tractor was far from being an "iron horse" when Harry Ferguson first introduced his principles; most of the spade-work in modern tractor design was completed some 25-odd years ago. By that time, hydraulic control of mounted implements was incorporated in models already in quantity production; the row-crop tractor had revolutionised farming methods; and equipment driven from the tractor power take-off was being used in increasing numbers. Subsequent development was in the reduction of transmission losses, the increase in engine speeds, and greater ease of attachment.

In 1918, International Harvester Company demonstrated at Savanna, Illinois, a full line of farm implements mounted on and operated through the power take-off shaft of a self-contained row-crop cultivator-tractor. On this "super power unit" was developed a variety of mounted implements of three-fifths of the weight of similar horse drawn machines. This scheme was abandoned because it was decided that the farmer would not invest in the new equipment and discard his perfectly good horse-drawn equipment. For this reason, the row-crop tractor went on ahead by itself, provision being made to use horse-drawn equipment with it. The change to power take-off driven machines was gradual and, in the meantime, a variety of implements tailored to the tractor were developed.

It still appears that a farmer can be best served by a tractor which not only operates its own specially "tailored" equipment but can also be applied to getting the best work out of other makes of farm machinery and implements already in use on farms. Although some self-propelled machines have been successful, it is more than likely that, in the future, we can look to the larger and more expensive machines being built to fit on to the tractor, as is already being done with cotton-pickers, corn-pickers and beet-harvesters fitted to Farmall tractors. This method would have the

effect of reducing the threat of over-capitalisation to which you referred.—Yours faithfully,

H. E. NORRIS

International Harvester Company,
London, E.C.1

When the Russians Bring Gifts

Sir,—The warning implicit in your article is timely. You will have to keep on sounding it at regular intervals. There is, however, one sentence which requires revision. You write that the purpose of western rearmament "is to negotiate on equal terms a fair settlement of the problems created by the last war." Does not this imply that the Soviet Union will abandon communism? or, as your next sentence suggests, does *The Economist* believe that "peaceful co-existence" is possible between democratic states and a state controlled by persons devoted to a creed whose plainly stated object is the destruction of what we understand by democracy?

I agree with your diagnosis that there may be reasons for supposing that the long-term policy of the Soviet Union is to destroy us by "peaceful" aggression—meaning everything short of full-scale military operations—but if we are to be honest with ourselves must we not admit that peaceful co-existence between communism and democracy is a contradiction in terms? Genuine peace will only come about when the basic principles of the free way of life are universally accepted—or at any rate accepted by all states strong enough to menace the security of others. The most we can hope for with communists is to create an armistice, and in the time thus gained work in a variety of ways to make the world safe for democracy by making democracy universal. How this can and shall be done might be a suitable subject for a sequel to your warning, "When the Russians bring gifts."—Yours faithfully,

STEPHEN KING-HALL

London, S.W.1

Malan versus Parliament

Sir,—Your note aptly describes the proceedings of the Judicial Committee of the new High Court of Parliament as "a tragic farce." It is going too far, however, to say that it is "clear" that the establishment of this Court by ordinary legislative procedure was invalid. The arguments against the validity of the High Court of Parliament Act are, to put the matter conservatively, less compelling than those which prevailed in the case of the Separate Representation of Voters Act. Dr Malan may well have succeeded in doing indirectly what he could not lawfully have done directly. A decision by the Appeal Court, in the forthcoming litigation, that the High Court of Parliament Act did not fall within the ambit of the

entrenched sections would cause little surprise among constitutional lawyers. Such a decision would not, of course, in any way strengthen the moral foundations of the Government's case.—Yours faithfully,

S. A. DE SMITH

University of London

An Alternative Vote

Sir,—For the past thirty years Parliaments, and consequently governments, have controlled our destinies through members elected by minorities (sometimes by little over one-third of the votes cast in their constituencies) and by parliamentary majorities which have only once or twice reflected party majorities of the electorate. I am disinclined to accept all the debatable arguments advanced in your timely article, but it may interest your readers to know that at one of the customary meetings of the Liberal parliamentary party, during the session of 1924, when the Liberal party was 159 strong, I distinctly recollect Mr Lloyd George and Mr Asquith (as they then were) informing their colleagues that though, in the earlier days of their political careers, they had neither of them been impressed by proportional representation theories, they had for some time past both become convinced, since adult suffrage had come to pass, that P.R. or the alternative vote had become an absolute necessity for the maintenance of democratic government.—Yours faithfully,

E. A. LESSING

London, S.W.1

National Parks in Dispute

Sir,—The Hobhouse Committee laid particular stress on the critical nature of the limits of the size and number of national parks they recommended for establishment. If, as you suggest in your issue of July 19th, only two or three national parks were established (and in fact there are already six designated) it would concentrate holiday traffic in them and seriously threaten their peace and beauty. Considering the nature of the country affected, which is often mountainous and invariably agricultural, there will not be any serious economic difficulties arising by applying the principle that amenity and access considerations in these areas should be paramount.

You make the point that the country covered by national parks is severed from local planning authorities. The provisions of the National Parks Act, Section 8, make it perfectly clear that nothing of the sort happens. The local planning authorities retain control of the national park administration whether it be by joint board, planning committee or sub-committee. Two-thirds of the members of the local planning authorities previously administering the areas have seats on the new national park bodies, and in practice it has worked out that the clerks and planning officers have continued their previous functions if somewhat differently distributed.—Yours faithfully,

GERALD HAYTHORNTHWAIT

Sheffield.

Books and Publications

Chronicling the Cold War

Survey of International Affairs, 1947-48. By Peter Calvocoressi. Oxford University Press for the Royal Institute of International Affairs. 581 pages. 45s.

Documents on International Affairs, 1947-48. Edited by Margaret Carlyle. Oxford University Press for the Royal Institute of International Affairs. 877 pages. 70s.

Halfway through this latest volume of the Chatham House Annual Survey, Mr Calvocoressi remarks with a sigh of resignation,

The historian might at this point succumb to the temptation to pass quickly over the ephemeral and repetitive disputes which occupied the whole time and attention of the four Foreign Ministers during the next seven weeks, but the chronicler may not take such a stride.

It is first and foremost as a chronicler that the author of the survey must regard himself, and it is by undertaking such publications as the survey and its companion volume of documents that Chatham House is laying the solid foundations on which alone the serious study of contemporary history can be based. Both the present volumes admirably fulfil this purpose and compare favourably with the best of the prewar series. The confusion of conferences, the constant exchange of notes and protests, the names half-remembered and the dates half-forgotten, all the contents of the bulging packets of news-cuttings stored in St. James's Square are here reduced to order, provided with footnotes and arranged in sequence with a patient and resourceful scholarship. This is the indispensable groundwork upon which the more speculative art of divination is dependent.

But Mr Calvocoressi obviously possesses the gifts of the historian as well as the patient virtues of the chronicler.

The more general portions of the survey, which provide the framework for the detailed narrative, exhibit judgment and penetration, while the most pedestrian footnote is often enlivened by an unexpected turn of phrase. The reader who pursues his history to the end will have a far clearer picture of these critical years than he can ever have possessed at the time.

The period covered in these two volumes is bounded at one end by President Truman's announcement of American support for Greece and Turkey, followed by General Marshall's famous offer to Europe, and at the other by the Berlin blockade and the early stages in the creation of a West German government at Bonn. Its theme is the Cold War, Act I, Scenes I and II.

The recounting of this unhappy history leaves certain sharp impressions on the mind of the reader. The first is the extent to which even at this early stage the conflict between the western powers and the Communist bloc was worldwide in character. The course of events in China and South East Asia is traced immediately after those in Eastern Europe and Germany, with the result that the underlying unity of the Cold War is sharply illuminated. The second effect is to make one realise that it is American power alone, and the willingness to use it, which has blocked the Communists' path to success, both in

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Europe and in Asia. For those inclined to gird at American shortcomings, this volume of the Annual Survey should be recommended reading.

It would be even more profitably read by those who fondly believe that if only the representatives of the western powers and the Russians—or Chinese—were to sit down round a conference table, a great many of our troubles would disappear. The history of 1947 and 1948 lends no colour to such a belief. The inner course of Russian policy, as Mr Calvocoressi is the first to admit, is often difficult to follow, but the distrust, bad faith and casuistry which characterise its outward expression are repeated so monotonously in these years that they should impress even the most credulous. The two volumes are indeed a monument to the futility of the western powers' good intentions and the unrelenting hostility of the Communists. Mr Calvocoressi offers no indictment; he is content to stick to the facts—but the facts in this case are eloquent enough to need no commentary.

The Right to be Apathetic

The Government of British Trade Unions. By Joseph Goldstein. Allen and Unwin. 300 pages. 25s.

The well-deserved attention which this book has received has been concentrated on the facts it discloses. These facts—of apathy, oligarchy, election-rigging, and breakdown of communications in Britain's largest union—have not been challenged; nor has it been claimed that, whatever the special disabilities of that monstrous conglomeration the Transport and General Workers' Union, it is in these respects unique. It is trade unionism in its day of supremacy which is described, criticised, and by implication damned. Only, Dr Goldstein does not see the implication. The world, to him, is in transition from capitalism to social democracy; social democracy will supersede the profit motive by an undefined "socialist motive" (expressed in terms suggesting a starry-eyed trust in government by exhortation); choice of job, hours of work, rates of pay, must be determined by democratic political process; and the all-inclusive trade union, sizzling from top to bottom with conscious public spirit, is the obvious instrument both for developing the necessary social skills and for harnessing them to the needs of the planned economy.

On this hypothesis it is indeed urgently necessary to find out why monster unions do not in fact fizzle with public spirit and to apply remedies; to make active participation the done thing; to overcome the majority's apathetic preference for less dreary activities. On any other, a different solution may seem better. Dr Goldstein makes many sensible suggestions about the breaking down of obstacles to participation and the improvement of communication; but he refuses to face the basic fact that the average man simply is not a sufficiently political animal for his purposes. Even the least political will indeed unite in solidarity and self-sacrifice for a sufficiently urgent and valued cause; but no

such cause is available today. Full employment and the welfare state between them have left to trade unionism only a fragment, essential indeed but tiny, of its original function; to expect the spirit of Tolpuddle in the year 1952 is like expecting in a prosperous modern city the spirit of a band of pioneers beset by savages and starvation.

This may be regrettable; but most people have a strictly limited appetite for ardour, endurance, and long dull meetings in damp ugly rooms. A permanent atmosphere of conscientious communal fervour is no more natural than a permanent flow of adrenalin at the rate appropriate to life-and-death struggle. The price of liberty is eternal vigilance; but the penalty of insomnia is neurosis and collapse. The more comprehensive the role of government, whether based on Westminster or Transport House, the more universal its impact on individual life, the greater the need of vigilance, the more exacting its burden, and the more widespread the ordinary man's refusal, in the name of self-preservation, to stand his share of guard duty.

No doubt much could be done, in the light of Dr Goldstein's study, to revivify the trade union dinosaurs. But from the propositions that oligarchy is an evil and a danger, and democracy a strain and a bore, it may eventually be deduced that less complex and powerful organisations would at once offer fewer opportunities to oligarchs and impose less strain on the limited stock of public spirit.

The Great Achievement

The Root of Europe. Edited by Michael Huxley. The Geographical Magazine. 112 pages. 15s.

This book would have been improved by the omission of the editor's preface. In this Mr Huxley, starting from the ideas of Mackinder, seeks to show that "the so-called 'Western' and 'Eastern' Groups" in present day politics "are co-heirs of one testator," namely Greek culture. But though he ranges widely in a highly coloured style it is difficult to see how this kind of John Gilpin's ride through the world and the centuries in five pages can be regarded as proving any thesis, let alone one so difficult to reduce to concrete terms. Fortunately, however, as Mr Huxley states at the beginning, the individual essays in the book "were written independently, not so as to lead to any common conclusion."

If therefore the various contributions are taken as a series of separate studies of certain aspects of Greek civilisation at work in different countries at different times, then the collection is both interesting and attractive. One essay, that by Dr Sutherland on "Greece in Rome," is, indeed, brilliant. Not only is it a perfect example of balanced compression, but individual sections start whole trains of thought—that, for example, on Roman religion, or the remark that "Rome was born rather to the connoisseurship of a fully developed art than to any creative elaboration of her own." Dr Tarn, Professor Dvornik and Steven Runciman also succeed in presenting in judicious and readable form

much unfamiliar material on Greek influences in the East and in Eastern Europe. Only the essay on the Renaissance, which resurrects some long buried fallacies, falls below the generally high standard of the whole.

The publishers and authors are also to be congratulated on the relevance and standard of production of the illustrations. Even the most familiar, such as the San Vitale mosaics, gain by being closely linked with the text; whilst the lovely detail from the Sopochani deserves notice by all interested in the history of western art.

Attention must, however, be drawn to one astonishing omission. Six years ago the greatest living English Byzantine scholar posed the question: "has any other part of the Greek achievement exercised a greater influence upon European history than [the] late flowering of the Greek intellect in the Christian Creeds?" The reader of this book would search in vain, not only for an answer to this, but even for an indication that the question existed at all.

Irish Agriculture

Irish Agriculture in Transition. By Joseph Johnston. Hodges, Figgis and Company, Dublin and Basil Blackwell. 185 pages. 15s.

Professor Johnston has written a number of interesting essays about the endemic problems of Irish agriculture. Two main questions engage his attention, one being the system of land tenure. He shows how Irish farming, rescued from the evils of a profligate and absentee landlordism, has in recent years been weakened by the policy of land subdivision pursued for social and religious reasons which (though the author's language is more mild) make economic nonsense. He is critical of the Land Commission's powers to acquire, at the taxpayer's expense, what large farms remain and parcel them out into small unrelated holdings, a procedure more apt to create "a kind of agricultural slum and in no sense a rural community." His solution for rural poverty and overpopulation lies in a great extension of the system of co-operative farming first developed by Sir Horace Plunkett, which should be based where possible on the old landed estates.

The second main question is how to improve Anglo-Irish trading relations, on which the prosperity of Irish agriculture still largely turns despite the legacy of political conflict. In fact, Irish and British agriculture are mutually complementary, and the development of Irish food production is very much in the interests of both parties; but the highly preferential treatment of British agriculture acts as a magnet to Irish labour while leaving the agricultural possibilities of Eire unrealised.

Professor Johnston skillfully traces the strange effects of Ministry of Food policy on the Irish fat cattle trade, and has some useful suggestions for the development of a mutually advantageous trading policy.

Unofficial Ambassador

The Road to Safety: A Study in Anglo-American Relations. By Sir Arthur Willert, Derek Verschoyle. 184 pages. 15s.

In preparing this book, Sir Arthur Willert has drawn most usefully upon his own recollections of Washington and New York during the first world war, upon the as yet unpublished papers of Sir William Wiseman, and upon much of the published material dealing with Anglo-American diplomatic affairs between 1913 and 1919. His book should certainly achieve its primary purpose: in his own words to "give to Sir William Wiseman, a young British officer who played upon the American political front a role not less precocious though much less advertised than that of T. E. Lawrence upon the Eastern fighting front, the niche which he deserves in diplomatic history." Sir Arthur largely proves his point that Sir William Wiseman, quite apart from the intelligence work which was his primary responsibility at that time—and to which Sir Arthur gives little attention—became "the key man in the British organisation in the United States, virtually supplanting one Ambassador and invaluable supplementing another."

It is a fascinating story how, when relations between President Wilson and the then British Ambassador, Sir Cecil Spring Rice, were not as intimate as was necessary for winning the full co-operation of the United States, a young and hitherto unknown Intelligence Officer should have won the complete confidence of the President, and of his intimate adviser and aide, Colonel House, and been used by them more than they used the Ambassador for liaison with the British Government.

Whilst concentrating upon the unusual and important role played at that time by Sir William Wiseman, Sir Arthur Willert also throws some new light upon the Balfour, Northcliffe and Reading missions. He also, in his references to the establishment of a small British information office in America under the late Sir Geoffrey Butler, shows how unfounded were the allegations spread abroad by anti-British elements in the United States that a vast, unscrupulous network of British propagandists hoodwinked America into entering the war.

Apart from its value to diplomatic historians, Sir Arthur Willert's book should interest all students of contemporary Commonwealth-American relations. It should serve to remind all who are concerned with British representation in America that personalities matter much more than rank, and that with each new President it is vital to know who is the House or Hopkins of the moment, and to have as Ambassador, or at the Ambassador's right hand, someone able to establish a relationship of full and intimate confidence with those on whom the President relies privately as well as with those (who may not be the same) by whom he is advised formally.

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AMERICAN SURVEY

General and Governor

Chicago, Illinois

AS General Eisenhower followed the Democratic Convention, he must have felt a pang of jealousy for the man who will be his opponent in November. Mr Adlai Stevenson's path to the Democratic nomination was so exactly the path the General had expected to follow and had been promised that he would be able to follow to the Republican nomination. But, instead of sitting quietly at Shape and waiting to be summoned to office as the symbol of the unity of the Republican party and of the country, he found that he had to come back to the United States, make more and more campaign speeches and, finally, involve himself in the old political business of meeting droves of delegates and trying to woo them by being all things to all men. And, at the end of it all, he emerged from the convention the candidate, not of the country, not even of what Mr Stevenson called "both Republican parties," but only of one wing of the minority party.

The Governor of Illinois, on the other hand, emerged triumphant from his long period of reluctance. Right up to the end he never wavered from the position that he had taken months ago—that he would do nothing to get the nomination, but that he could not refuse it if it came his way. And, at the end, he won without lifting a finger on his own behalf, without making a deal with anyone and with the last-ditch supporters of the two main candidates still holding out, despite the rather ludicrous efforts of Senator Kefauver to jump on a bandwagon which no longer had any room for him. Governor Stevenson will be able to start his campaign without having had to give any hostages to embittered opponents and, if he wins, he will be able to form his administration without any unfortunate commitments.

That two "reluctant" men should have behaved so differently can only be explained in one way. Mr Stevenson genuinely did not want to be President, while General Eisenhower most certainly did. American political reporters have learned to be cynical and few of them ever doubted the General's ambitions, though they agreed that he had no desire to work for the nomination. There is nothing extraordinary in that. But it was extraordinary that, except for those whose political attitudes made it necessary to pretend that the Governor was inherently dishonest, nobody believed that he was playing a devious game or that he meant anything but what he said. Many newspapers—the *Chicago Sun-Times* in particular, and probably the *New York Times* as well—who were "prematurely pro-Eisenhower" must, as they contemplate the respective merits of the Eisenhower-Nixon and Stevenson-Sparkman teams, be wishing that they had thought a little longer before they rushed into print.

It is so long since the Democrats had to pick a candidate rather than confirm the automatic renomination of an incumbent President that many people remembered with apprehension how expert they have proved in the past at rubbing their linen in the mud and then washing it in public. Mr Stevenson himself must have had some excruciating moments as he watched the proceedings on Thursday and

into the early hours of Friday morning. The party which was preparing to thrust an unwanted task upon him seemed to be industriously engaged in making that task as hard as possible. But in the end, and thanks to the good sense of the large middle group in the convention, all came out well. The hotheaded young men on the left got a lesson and the bitter old southern bosses on the right got a warning. Neither won; it was the party itself that came out victorious.

The importance of the party's victory over its own enthusiasts only became fully apparent after the result was certain. The speeches of the two defeated Senators, Mr Kefauver and Mr Russell, when the third ballot had brought Mr Stevenson within 2½ votes of a majority, gave a much more genuine impression of real unity than anything Senator Taft said during the rather forced reconciliation scene when General Eisenhower walked across the road to the Blackstone Hotel to see him. And on Saturday morning care was taken that seconding speeches for Senator Sparkman were made by men from every part of the country. The Democratic party has, in the view of most people, come out of this convention, after teetering for two days on the edge of an abyss, more united than it has been for twenty years. And fears that General Eisenhower can win many southern states have now been dismissed. It seems unlikely at the moment that he can win any, except Texas, which hardly belongs to the South any more. It is becoming increasingly Republican and this year regards the question of whether oil under the sea belongs to the federal or to the state governments concerned as a more important issue than Negro rights. Mr Stevenson's view that it belongs to the nation is unacceptable to Texas; General Eisenhower supports the states.

The Republicans, on the other hand, are perhaps even less united than they were after other narrow victories of their left, or conservative, wing over their right, or counter-revolutionary, one. The *Chicago Tribune* is set apart from other Republican newspapers by its extreme views, so the fact that it has received thousands of letters from Republicans who maintain they would rather stay at home than vote for General Eisenhower probably does not have much significance. But the *Chicago Daily News*, which has been a consistent supporter of the General, printed a letter which began:

Let me emphasise that we have a deep, sincere feeling of almost reverence for Senator Taft, uninfluenced by propaganda of any kind. It is deep within us. We don't know just when we acquired it—no doubt over a long period of time—but it has deepened and deepened until now it is a definite, powerful, subconscious influence which is a part of us.

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

However pathetic this statement may seem to those in Washington who have watched the devious workings of the Senator's conscience, it represents the emotions of many people and those emotions are not likely to be appeased by appeals to unity or exhortations to ensure a Republican victory in November.

Those who had hoped for something more inspiring from General Eisenhower, once he was nominated, than immediate meetings with Senator McCarthy and ex-Senator Brooks of Illinois, a notorious isolationist, were heartened by his decision to appoint Governor Adams of New Hampshire, one of the best of the Republican Governors, as his "Chief of Staff" for the campaign. The Democrats' choice of Mr Stevenson has ensured that the General's campaign will be hard. It will not be easy to persuade the electorate that Mr Stevenson, a more conservative candidate than either Mr Roosevelt or Mr Truman, is going to plunge the country into socialism at a moment when his party is ripe for a little conservatism in the true sense of the word. And, even had the General any personal inclination, which he presumably has not, to outflank the Governor on the left, he would not be allowed to do so by those members of the reactionary wing of the Republican party who have joined his bodyguard.

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The party as a whole, regardless of its choice of candidate, seems to be in a counter-revolutionary, rather than a conservative, mood. There was a whole section of the Republican platform, and one of which little notice was taken at the time, though Mr Truman mentioned it when he introduced Mr Stevenson, devoted to a defence of the achievements of the Eightieth Congress, the only one since the Roosevelt revolution in which the Republicans had a majority. As it was largely by attacking this Congress that Mr Truman won in 1948, it might have been more tactful to let sleeping dogs lie and not awaken memories of its established reputation—regardless of whether this is justified or not—by such an enthusiastic endorsement. And for the edification of those who do not bother to read platforms, Representative Martin, with the whole country watching on television, referred to that Congress as the greatest in modern history when he introduced the General to the convention. Mr Martin went even further and, as the prospective Speaker of the House of Representatives after a Republican victory, promised to undo the New Deal. The diehards seem determined to keep the party clean—and unsullied by success.

The Democrats, who had arrived in Chicago full of confidence after discovering that the unbeatable General had an Achilles' tongue, left in a mood of exaltation. They had heard Mr Stevenson's speech of welcome and his acceptance speech—it was instructive to watch the face of Governor Dever, a typical machine politician, as he realised what a campaign asset, even in his own terms, he had helped to nominate—and they had no fears that the inarticulate General would be able to stand up to such a literate and acute speaker. The Alsop brothers even thought it tactful to warn the Democrats against the dangers of overconfidence, to remind them of "the great popular strength and potent personality" of General Eisenhower and to tell them not to "count on him to spend the entire election campaign with his foot in his mouth talking through his toes." But, until the General has proved that he can stand up against a man who is probably the best orator of his generation, the Democrats will remain confident.

From Colorado to Cape Cod

[FROM A CORRESPONDENT ON HOLIDAY]

GENERAL EISENHOWER'S choice of Colorado as a holiday retreat, between the successful end of his campaign for the nomination and the beginning of his campaign for election, strikes a deep chord in many Americans. Colorado is part of the authentic West, home of the tall mountain and the deep lake, the grizzly bear and the bighorn sheep, the silver mine and Pike's Peak. As a place for a holiday it represents one of the three great summer dreams: if they could choose, most Americans would either go West, go abroad or go to New England.

That the Republican candidate, General Eisenhower, should choose to go West is an overdue swing away from the attention which political holiday-makers have lavished on the east coast for more than two decades. Even Mr Herbert Hoover, Californian by education, had his summer camp in Virginia, Franklin Roosevelt was an eastern seaboard man who preferred to spend his holidays on the north-east coast. President Truman turned his back on his native Middle West to idle on the southern tip of Florida. Not since the exuberant days of Theodore Roosevelt has a candidate chosen to fry pancakes in Colorado, and done it with reasonable skill. The Colorado tourist industry already owes the General a solid silver token of appreciation.

Since Theodore Roosevelt's day the West has been subdivided and civilised, but many of the features which delighted him are still there. To be sure the bighorns are protected from greedy hunters, the buffalo are mostly in national parks, and certain bits of famous scenery have succumbed to the economic pressure of tourist cabins and neon signs. But solitude is still to be found and mountains that rise thousands of feet above the surrounding plain have heavy snows and sudden rock slides to overwhelm man's worst tourist whimsies.

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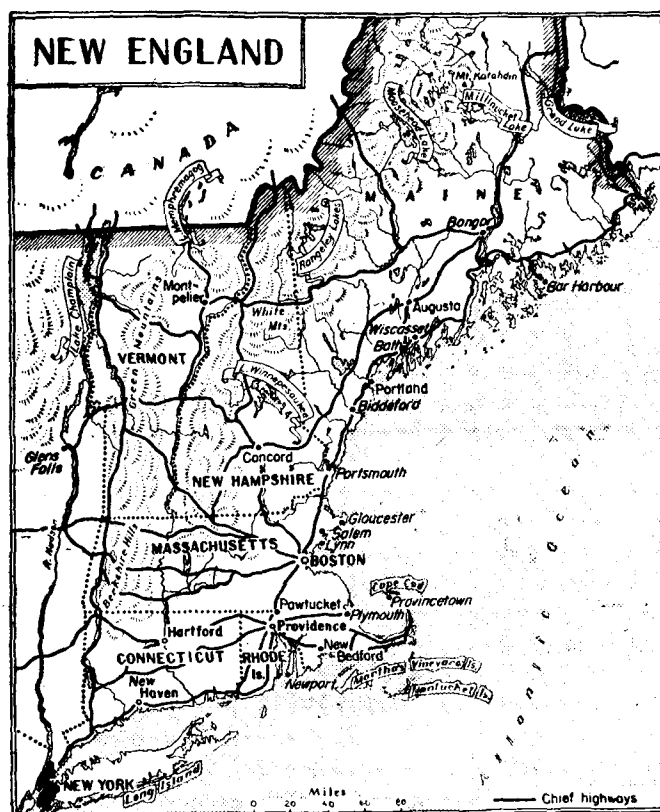
The one constant in the American holiday pattern is the desire to go somewhere, whether it is east or west. The tourists may marvel over immensities, or coo over charm and quaintness: the important thing is that they leave home and there is profit to be made from them both coming and going. The paid vacation is now a national institution, a mass movement; out of 44 million wage and salary earners studied in 1950, some 37 million received holidays with pay. These holidays vary from a week to a month, or more in the academic world, and most of the 37 million take their places somewhere in the cross-country tourist tide.

As a rule they go in the family car, the easiest way and usually the cheapest. People are now beginning to complain that the high-speed toll roads, such as the New Jersey and Pennsylvania turnpikes, have raised the cost of motor travel until it is almost cheaper to go by train, but the word "almost" still governs, and the complaint does not apply if the car is filled with children, dogs, clothes and camping equipment. So strong is this urge to travel that it has become a highway game to check the licence plates on passing cars against a list of the forty-eight states that issue them. In New England the best hunting grounds are the long motor speedway reaching out of New York almost to the Massachusetts border, and the smaller roads along Cape Cod.

Worship of Cape Cod is a cult far removed from love of Colorado. Geographically the cape is a flat spit of sand shaped like a fish-hook curving into the Atlantic off the south-

east corner of Massachusetts. Hallowed by history as the spot where the first English settlers touched land in 1620, it has more sand, more sun, more beaches, more cranberries, more blueberry scrub, more antique shops and more exclamatory tourists than any other section of its size in the United States. In the summer it is entirely given over to the tourist industry, and it serves people on all economic levels from the old families whose forefathers built big houses there to the new ones who seek lodging with a Portuguese fisherman. In the winter the tourists vanish, the roads clear, the antique dealers move their stock to Florida, and the residual natives who in earlier days lived mostly on fish and root vegetables now turn to unemployment relief as their best cash crop.

This two-cycle economy is not unknown in other tourist regions, but like everything else on Cape Cod it is more sharply defined there. It is not that the natives feel any less independent and self-respecting because they accept government aid in the dull season. The Cape Coddier is a man to whom cash has always come the hard way. He



must make his year's profits in four months of summer, and of those only July and August give him peak loads. Competition is stiff, and tourists unpredictable. If the government gives help, it also takes taxes.

New England was publicly reproved last year by the Council of Economic Advisers because it was not more enterprising about asking for government funds from Washington for various public projects. New Englanders still stubbornly insist on managing their own affairs, but this does not mean that they are always successful at it. Their tourist industry is for the most part made up of thousands of independent establishments. There are famous hotels along the shore and in the mountains, but a far greater number of cars stop at the thousands of houses where a spare room is set aside in June as a source of summer money. The tourist business brings New England some \$800 million a year, but the risks are great and the business mortality high. In the words of the Economic Advisers: "It requires

more than a small amount of capital and an advanced age to run a vacation business successfully."

Yet New England keeps at it. Recently it has added to its attractions by restoring historic towns which have fallen apart with time. This move, which owes its vigour to the work which the Rockefellers did in reclaiming and refurbishing Williamsburg, the early capital of Virginia, has recently been extended to Salem, Massachusetts, famous for witch-burning and as a sailing port. Not only have the fine old eighteenth-century houses of Salem been opened to the public on visiting days, but Pioneer Village, said to be an exact reproduction of the Salem of 1630, has now grown into the landscape, so that it seems an authentic reminder of a hard past. Houses are of rough wood, roofs covered with rush matting, floors of dirt covered with rushes, and there is not a bathroom to be found. The late President Coolidge thought, when the place was first opened in 1930, that visiting it would "reduce complaint and increase contentment," but there is no evidence that he was right.

Reporters who penetrated to General Eisenhower's Colorado retreat found log fires blazing on the hearth at a time when New Yorkers were living through the worst heat wave in eighty years—and even a cool summer in New York would be hot in most other places. Yet there are still people who choose to come to the metropolis for their holidays. But residents who can afford it move out at least as far as the coasts of Long Island and Connecticut for the summer, and come in to work every day. On city streets a decent care for the dress conventions still rules in spite of the heat, but it relaxes towards the suburbs. The wives and daughters who bring the family car to meet the commuters' trains at the shore towns look newly risen from the sands, with long bare legs sprouting from shorts concealed by one of father's old shirts, now an established seaside fashion; they put the tired business man into holiday mood every evening.

American Notes

Steel Goes Back

The longest steel strike in American history has at last been brought to an end, after nearly 20 million tons of steel had been lost. Precisely what Mr Truman had in mind when he told the trade union and the industry that they must settle their differences within twenty-four hours "or else" is uncertain. But the damage done to the defence programme during the last weeks of the strike clearly afforded good grounds for invoking the seizure powers in the Selective Service Act. The Secretary of Defence, listing the casualties, could point to the closing of the Army's largest shell plant, the drop in the production of certain types of ammunition to a rate below that at which they were being used up in Korea, and the crippling of aircraft production. What Mr Lovett found particularly heartbreaking was that the defence programme had been tripped up just as it was getting into its stride. In all, he estimated that more than 20 per cent of the military equipment scheduled to be delivered this year has been lost.

The US Steel Corporation expected to be operating at 80 per cent of normal production by the end of the week, but despite the co-operation of the union, some damage to the furnaces has been unavoidable, and it may be a month before the industry is back to the over-capacity rate at which it was operating in May just before the shut-down. The pipe-lines will take longer to fill. The types of steel needed for the defence programme will remain tight until sometime next year.

None of the three participants—the government, the in-

dustry, or the union—can take any pride is such a result. Mr Truman's only consolation must be that he avoided using the Taft-Hartley Act. The union may be pleased with its cash victory; it has won an increase of about 21 cents an hour (including the value of certain non-monetary concessions), compared with 26.5 cents recommended by the Wage Board last spring. But it has lost about \$350 million in wages. The companies congratulate themselves on having fought off "compulsory unionism" and having won for their employees a new "escape clause" from the union shop. But in its main outlines the agreement is very much like the one the union made with the Bethlehem Steel Corporation, on which the other big five turned thumbs down a month ago. And a price increase close to the \$5.20 a ton now granted could have been had long ago—even though the economic stabilisers are still not reconciled to it; they know how hard it will be to keep it from spreading to other industries. Of the \$5.20, \$2.84 is justified as covering cost increases up to July last year, 70 cents is for a rise in freight rates, and the rest is to help the companies meet the present wage rise. It thus remains a mystery why the final settlement was so long delayed. Part of the answer lies in the industry's embittered labour relations, and Mr Murray, the union chief, and Mr Fairless, the president of US Steel, plan a tour of the corporation's plants, in an unprecedented double billing, for a public burying of the hatchet. This may mean that both realise that another such stoppage might involve a serious curtailment in the freedom both of the industry and of its workers.

Appeasing the South

It was the votes of the Utah delegates that technically gave Governor Stevenson the Democratic presidential nomination, but it was the withdrawal of Mr Averell Harriman, the liberals' candidate, that swung the convention decisively in the Governor's direction. Mr Harriman's supporters hoped that they might be rewarded, for saving the party from what threatened to become a deadlock, by the selection of a progressive Vice-Presidential candidate. At first sight that is what Senator Sparkman of Alabama seems to be, for he has supported Mr Truman on almost every issue, both at home and abroad. But he has the inevitable southern flaw in his record: he is unable to accept any interference from federal authorities in what he regards as a matter entirely for state governments, the guaranteeing of civil and employment rights for Negroes. Mr Sparkman's nomination was the final knot that seems to have tied the South back into the Democratic party, for this election, at least.

The repair work was begun when the convention decided to allow all state delegations to vote, even those from Virginia, South Carolina and Louisiana which had been unable to swallow the loyalty pledge. The repairs were continued by the acceptance of a compromise on civil rights, without argument—not that the chairman, Mr Rayburn, was prepared to allow any argument at that stage of the convention. This civil rights section was the only controversial plank in the long Democratic statement of policy, consisting otherwise of praise for the party's accomplishments and promises to do even better next time. On civil rights, however, it was impossible to be self-satisfied, and the liberals had hoped for an even more militant guarantee of federal action than that which drove the Dixiecrats to secede in 1948, and for an undertaking to change the Senate's rule of unlimited debate which permits Southerners to talk civil rights legislation to death. Both the guarantee and the undertaking were included in the final version, but in modified form; the guarantee was no longer precise enough to be unacceptable to the South, in its present conciliatory mood, and there was little danger in the undertaking, for any attempt to change the Senate rules can always be talked out in its turn.

In appeasing the South, however, the Democrats have risked alienating two important groups of supporters in the North, the trade unions and the Negroes; the latter have been particularly offended by Mr Sparkman's nomination. The Negro vote is important, not because of its size, but because much of it is now concentrated in key northern states, where it might decide the result if the election were close. In so far as Negroes vote as a group, they have been voting steadily for the Democrats in recent years, won from their traditional Republican allegiance by the Administration's social welfare measures as much as by its civil rights' promises. But the watering-down of those promises in the latest Democratic platform, and the failure to keep the promises made in 1948, give the Republicans an opportunity of recapturing Negro votes this year. Unfortunately for them, it is an opportunity which they have made it difficult for themselves to take. In the elusive hope of seducing at least a few southern states, the Republican platform builders produced a civil rights plank much weaker than the Democratic one—and it is not certain that General Eisenhower will be willing to strengthen it.

* * *

Slump Inside the Boom

President Truman's theme in his Mid-year Economic Report was one which Democratic campaigners will be whistling all the autumn: that despite the burdens of the defence programme, Americans have never been so well off; that inflation may be unfortunate, but deflation would be worse. Production, sales and employment have been running at a high level for a year, yet, during the last six months, the cost of living has remained steady. But as the chart shows, this economic stability, at a time when government spending for security has been rising, has been purchased at the cost



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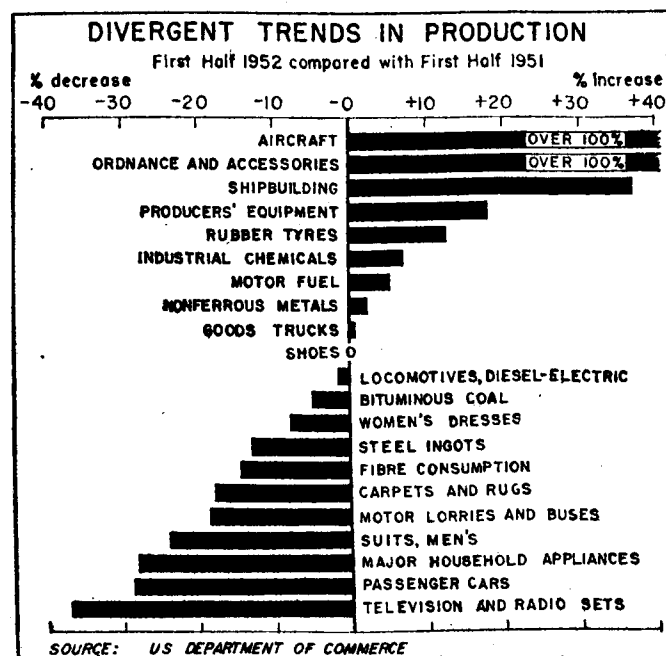
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of substantial declines in the production of consumer goods. (The decline in steel simply reflects the strike.) The gross national product for the first half of this year, in 1951 prices, and at an annual rate, was 3 per cent larger than in the first half of last year; industrial production was down by 3 per cent, partly because of strikes. Disposable personal income, on an annual basis, was put at \$11 billion higher, but only \$7 billion of this was spent. What made room for the defence programme, without overweighting the economy toward inflation, was the continued high rate of saving and the shrinking of private inventories.

This slump inside the boom has given rise to fears, most vigorously expressed by the Congress of Industrial Organisations, that a recession is just around the corner. By June, however, the pendulum had begun to swing back. The sales of most consumers' durable goods are looking up. Retail trade is about 1 per cent higher than it was a year ago. The rate at which inventory accumulation has been falling has slowed down. The relaxation of credit controls has helped those who are beginning to think that now is the time to buy, though they are still in a minority. The Council of Economic Advisers, taking into account the probable level of government and private investment expenditures, as well as the possibility that consumers may spend slightly more and save slightly less of their incomes, concludes there are no grounds for expecting any general recession in the next twelve months.



What is more likely is continued stability or a return of mild inflationary pressures. The fact that the consumers' price index has just edged up to a new high fortifies this estimate, while the piling up of demand caused by the steel strike suggests that, even if a recession cannot be avoided, it has been pushed further off, perhaps to the middle of next year.

What is more controversial is the Council's belief that a recession can be avoided when defence spending drops off in two or three years, through the existence of "built-in stabilisers" such as social security benefits, and through intelligent private and governmental action. The Council believes that a recession after the war, which was so widely expected, was avoided, not so much because of the accumulation of war-deferred demand, but because of a vast expansion of the internal market, due to more even distribution of high incomes, a higher standard of living, the introduction of new products, and the rapid rise in the population. All these should continue to give business confidence to expand. Less optimistic economists feel this analysis underestimates the role played seven years ago by deferred demand and exaggerates the rate at which the economy can go on expanding.

Freedom to Travel

The State Department is being prodded by the courts into keeping its promise to revise its passport procedures. A special three-man Federal Court, convened to decide on the constitutionality of the law giving the Secretary of State power to grant passports under regulations prescribed by the President, ruled that the law itself was constitutional, but that the way it had been applied in the particular case under consideration was not. The Department had arbitrarily revoked the passport of Miss Anne Bauer, a naturalised American working as a journalist in France, on the usual vague grounds that her activities were contrary to the best interests of the United States. No details were given and Miss Bauer had no opportunity of stating her case. The judges declared that she had been deprived of her right to travel, a personal freedom on which her livelihood also depended, without due process of law. They held that

like other curtailments of personal liberties for the public good, the regulation of passports must be administered, not arbitrarily and capriciously, but fairly, applying the law equally to all citizens without discrimination, and with due process adapted to the exigencies of the situation.

Unless this decision is reversed—it can be appealed directly to the Supreme Court—the State Department will probably have to be prepared to hold a hearing every time it withdraws, or even denies an application for, a passport. It has not waited for this before granting a passport, on his second application, to Dr Linus Pauling, the internationally known and respected chemist from the California Institute of Technology; he was refused a passport to enable him to visit Britain earlier this year, apparently, although no reason was given in this case either, on unsubstantiated suspicions that he had Communist connections. But even now Dr Pauling is free to travel only to France and Britain and he has had to sign an affidavit that he has never been a Communist. This is a safeguard necessitated by the McCarran Act, which forbids the issue of passports to members of "Communist-action organisations."

The unfortunate results of this prohibition have just been illustrated by the refusal of a passport to the New York *Daily Worker* sports editor, who wanted to attend the Olympic Games but could naturally not sign such an affidavit. The Communists have thus been made a free gift of an unnecessary martyr, although it is unlikely that world opinion will be so widely and adversely affected by this refusal as it was by the way Dr Pauling was treated.

Shorter Notes

Nations exporting to the United States, particularly Switzerland, found comfort in President Truman's refusal last week to restrict imports of garlic in spite of a Tariff Commission recommendation that he do so. Not only Swiss watch makers, but also that part of the American industry which depends on Swiss watch movements, are hopeful that the same reasoning the President followed in the garlic case—that restrictions would benefit only a few American producers and would hurt United States relations abroad—will lead to a similar rejection by the President of the Commission's recommendation for what the Swiss have called a "tariff curtain" on imports of watches.

The Federal District Court in New York has rejected an appeal for a new trial for Mr Alger Hiss, the State Department official now serving a five year sentence for perjury for denying that he gave department documents to Mr Whittaker Chambers, a confessed Communist spy. The appeal was based in part on alleged forgery by typewriter; Mr Hiss's counsel said it could be proved that the key exhibit in the trial, an old Woodstock typewriter once owned by Mr Hiss, could have been duplicated by Mr Chambers.

THE WORLD OVERSEAS

Argentina Without Evita

THE early and tragic death of Señora Eva Perón has provoked widespread and unquestionably sincere mourning throughout Argentina. The hundreds of thousands who flocked to pay a last tribute to her testified to the remarkable way in which the young radio actress who in 1945 became the then Colonel Perón's second wife had genuinely captured the imagination of vast numbers of Argentinians. The immediate consequence of her death will be an access of sympathy for the President, and a temporary stilling of criticism of his policies. But when all the monuments have been erected and all the eulogies pronounced, it will be surprising if the Peronista regime does not rapidly realise what a grave political blow the death of "Evita" has dealt it.

Many political figures have proved after their death to be both more potent, and less embarrassing to their colleagues, than they were in life. To some extent this applies to Señora Perón, whose arbitrary manner often disturbed the solidarity of the Peronista movement, and whose posthumous influence will undoubtedly be invoked with fair success in support of its future actions. But nothing can now replace the almost hypnotic effect which her personality exercised on the Argentine masses, and particularly on organised labour. Her intervention had staved off several strikes in recent years; her displeasure had been enough to oust more than one secretary-general of the CGT, the centralised trade union organisation; and she had increasingly won the reputation of being the workers' intermediary with the President.

In this respect, her disappearance from the political scene could hardly have come at a more unfortunate moment. After last year's abortive military revolt, General Perón came to lean more heavily than ever on the support of organised labour; but the subsequent rapid deterioration of the economic position has provoked unusual disquiet among both the leaders and the rank and file of the trade unions. The harsh facts of Argentina's economic plight are at last being brought home to the urban proletariat, from whom they had long been hidden by successive wage increases, "strength through joy" festivities, and lavish doles from Señora Perón's unaudited funds. Today the very bread reflects them. Its colour and quality are now so bad that General Perón himself was forced to argue recently that at least it was equally unpleasant for rich and poor alike. Yet this, until last year, was one of the great wheat-exporting countries.

No Relief in Sight

No early break in the economic clouds seems likely. Prices of food and other essentials are still rising. Almost every industry is passing through a difficult period, partly due to the restriction of credit, and partly to consumer resistance to high price levels. The textile and footwear industries have been particularly hard hit by a drop in sales. Although the droughts of the past two years were finally broken by heavy rains this spring (autumn in Argentina), the earliest of these rains probably reduced the harvest of maize, which is now of vital interest to Argentina in view of the lack of other export crops; indeed, it is now proposed to barter maize in exchange for imports of wheat. If present trends continue, things are likely to get still worse before the arrival of the new crops at the end of the year.

Meanwhile the President has found it easier to reshuffle his government than to reorientate his policies. General Perón took advantage of his inauguration for a second presidential

term in June to replace his Ministers of Agriculture and Livestock, Finance, Industry and Commerce, Public Works, and the Treasury, and to convert the Ministry of Economy into a Ministry of Foreign Trade. After the spendthrift years in which nobody thought of economising, there has been some ironic comment in Buenos Aires at the decision to abandon the very word in favour of "foreign trade" at a time when the latter has nearly vanished. But there has also been created a new Ministry of Economic Affairs, headed by Dr Gómez Morales, the former Finance Minister, who is expected to co-ordinate the other economic departments and to become the President's chief economic adviser, somewhat in the manner of Dr Miranda. It looks as if his guiding hand will be badly needed in coming months. Most of the new ministers are young and little known. Dr Antonio Cafiero, the new Foreign Trade Minister, is only 30, and his lack of experience was revealed in his very first statements to the press. Dr Miguel Revestido has taken over the Ministry of Finance at the age of 34, after managing one of the now State-owned railways. The Treasury goes to Dr Pedro Bonanni, whose career has been in the post office savings bank, but who may well prove more capable than his predecessor, Dr Cereijo, who distinguished himself shortly before his removal by announcing that the prevailing trend in Argentina was "one of prosperity." Señor Rafael Amundarain, the new Minister of Industry and Commerce, is 41 and a former departmental head in the Ministry of Transport.

Ready to Go into Reverse

The composition of the new cabinet, together with General Perón's earlier announcement that 1952 was to be a year of transition and consolidation between five-year plans, suggests that the President has been shaken badly enough to lose his confidence in the economic policy he has pursued so recklessly in the past. The new ministers look suspiciously like a docile team well suited to carry out a reversal of the policies with which their predecessors had been associated.

A certain amount of back-peddalling is already visible. The President has again announced higher prices for grain crops, and the general manager of IAPI, the official Trade Promotion Institute, through which the farmer has long been deprived of most of the value of his crops, has resigned. General Perón has also assured farmers that prices will again be raised if their costs increase during the year, and that the CGT will help them to obtain extra labour at harvest time; but it remains to be seen if the urban worker will relish being mobilised for farm work. And the President's promise to mechanise agriculture depends on his success in finding exports with which to pay for urgently needed machinery and fuel.

To revive exports is, indeed, the crux of the government's problem. In the first quarter of 1952 Argentina had an unfavourable trading balance of 1,947 million pesos, more than twice the 1951 rate. But exports mean primarily meat and grain, and this in turn means more meatless days and dingy bread for the masses, while the simultaneous suspension of imports will tighten their belts even further. "Evita" might have got them through to the end of the year without serious trouble. Whether her husband, who may now drift away from the trade union section of the Peronista movement and nearer to the army officers who hated his wife, can perform the same miracle will largely depend on his ability to invoke her memory.

The Folly of a King

[FROM A SPECIAL CORRESPONDENT]

KING Farouk the First of Egypt sailed from his country on July 26th unwept by a people who had greeted his kingship fifteen years earlier with ecstatic reverence and had remained through many disillusioning years innately royalist in sentiment. He returned from his studies in England on his father's death in 1936 and entered into his constitutional powers on July 29, 1937. He was then a handsome, gracious youth of seventeen and when in the following year he married the equally beautiful daughter of Youssef Zulficar Pasha, their subjects were extraordinarily happy. He was only 32 when he abdicated, but his physical beauty was gone; he looked a fat and lumbering man in his late forties as he made his way up the ladder to board his yacht.

The Egyptian people feel they have seen only a mirage of promise and beauty in the reign of Farouk. The newspapers recall the early impressions of the reign as "a dream which the people caressed through the years until it faded and decayed." The people "kissed the air the young king breathed." But now, this young man "who never learnt from experience," "was ungrateful to the nation . . . unjust to the people . . . broke every law of morals . . . trespassed the limits of dignified deportment . . . transformed a constitutional monarchy into an unjust autocracy . . . exploited his country . . . humiliated his nation, in fact has not missed a single chance of humiliating and dishonouring his country." He was "absorbed in his vices," among which must be included "an excessive cupidity for material things."

Intrigues of Court Favourites

How did it happen that a man of acknowledged intelligence was so prodigal of a people's affection that such verdicts should be pronounced upon him? Although historical analysis may eventually elaborate in detail the causes of his failure, it will be difficult for it to avoid the broad conclusion that, like Stavrogin, he was a man who could understand but not believe; that he preferred the evil to the good. It is true that, coming in youth to the throne, he had no experience whereby to judge people or events, but it seems clear that he quickly learnt to prefer that advice which indulged his weaknesses and which taught him more and more to see the throne as given by God to his service. At the outset of his reign there were hints that he was conscious of the opportunity which his kingship gave him, but increasing physical and moral flabbiness left him no stamina for the effort. To this was added towards the end an increasing cynicism as the threat to his throne developed, so that, instead of making the effort to save it and his people, he relied on the intrigues of court favourites. Never was this more obvious than in the last few months when he waged within the army itself a struggle to replace Lewa Mohammed Neguib, a man against whom there is no breath of scandal and who served with distinction in the Palestine war, by a favoured officer, Lewa Hussein Sirry Amer, suspected of a part in the arms scandal and even of complicity in the murder of another officer. Again, as the result of an intrigue, he compelled the resignation of Hilaly Pasha's honest administration to replace it by one in which Kerim Tabet Pasha, a man deeply suspect to the country, had the post of Minister of State.

It is difficult to hold bad advisers more responsible than the King himself. He chose them, raised them from humble positions, honoured them and at the same time drove from his side those honest statesmen who saw the dangers of his course and tried to save him. In October, 1950, a petition from anti-Wafdist leaders begged him to leave aside the advice of his favourites, some of whom, it plainly said, were suspected of corruption in the Palestine arms scandal; but the signatories were rewarded with increased enmity from the King. In the end King Farouk was isolated from almost all but his favourites. Only Hafez Afifi Pasha, animated by a

sense of duty, kept himself, with difficulty and against many affronts, Chief of the Royal Cabinet. Even in that position he could not deflect the King from the final fatal steps which led Lewa Mohammed Neguib and the army to drive the King from his throne.

As the King's reputation declined, the people's awareness of corruption in high places increased. It was the common gossip in streets and coffee houses and even in clubs which the King himself frequented. The result was to develop in Egypt a broadly based movement of reform which, from extreme left to extreme right, had this in common with all honest men, that it desired the country cleansed of social injustice and corruption. The extreme movements include many of Egypt's best elements who have been driven to extremes by the apparent hopelessness of attempting to correct the evils of the country. (Indeed, assassination in the Middle East is in itself frequently the outburst of people whose minds have been exasperated to madness and this has often given rise to public tolerance of the crime.) The trend towards nihilism was strengthened by the sense of hopelessness among people who, at the outset, were intent only for national betterment, so that it became almost impossible to decide what was good and bad in movements which were often in themselves dangerous. The army had the strength to break through and, because it felt itself dishonoured in Palestine by the very corruption of which the people complained, it became the instrument of what is intended to be a benevolent revolution. Had the army not done so in disciplined fashion it seems highly probable that other forces would ultimately have done so more explosively.

There is much yet to do in Egypt, but at least one thing has been done which could only with difficulty be undone: the hidden forces which from the King's footstool did so much to pervert government in Egypt have been destroyed. It remains to be seen where the unleashed passion for virtue will lead a country for so long inured to social sin.

The Japanese Constitution Under Fire

[FROM OUR CORRESPONDENT IN TOKIO]

IN 1946 it was the fashion for intelligent Japanese, when asked what they thought of the new Japanese Constitution, to reply politely, "I'm afraid I don't know: I can't read English." That has always been the fatal defect of the MacArthurian Constitution—in general, a sound and, at times, eloquent declaration of human rights and freedom. It was blatantly a product of alien influence, imposed in a time of surrender and military occupation by a victor on a beaten foe. It had no Japanese sanctions. That it would be altered and reshaped when the alien influence was withdrawn was certain. Already, only three months after the peace treaty, organised and growing pressure is discernible for important revisions of the Constitution.

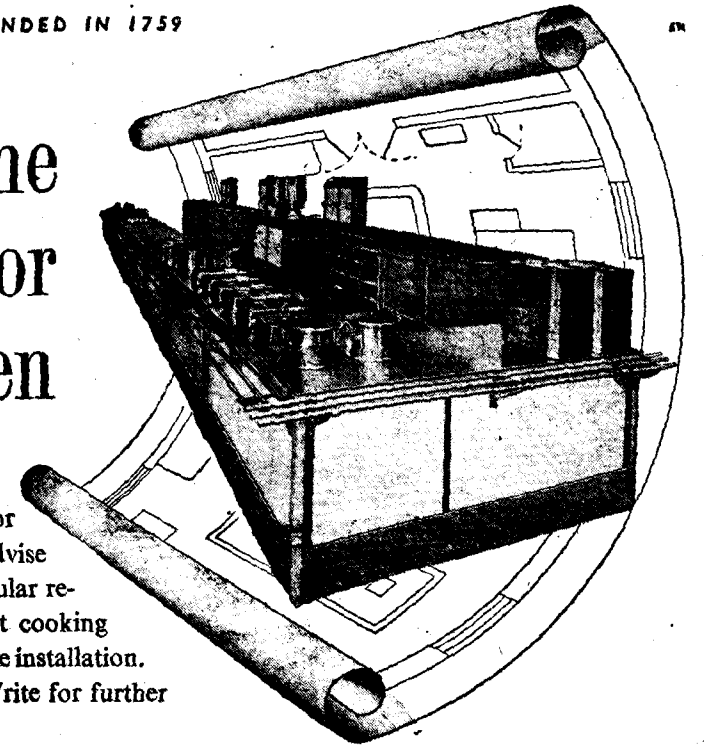
No one should be surprised that the Emperor's status has been one of the first issues to be raised. The technical point is blandly made that, while Article I describes him as "the symbol of the State . . . deriving his position from the will of the people with whom resides sovereign power," Article 7 invests him with powers and responsibilities which are far superior to the orthodox functions of a symbol. The proposal in influential quarters is that this undemocratic paradox should be corrected and that the Constitution should vest sovereignty jointly in the Emperor and in his people.

Actually, the powers granted in Article 7 are essentially nominal, and the real purpose of the revision is to begin the restoration of the Emperor to a status comparable with prewar days. This does not necessarily imply the return of the divine halo which the militarists found so useful. But it does mean the constitutional reconstruction of the old

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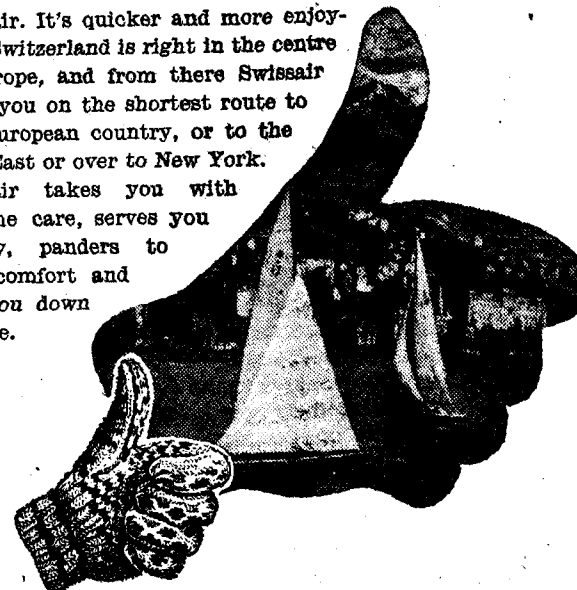
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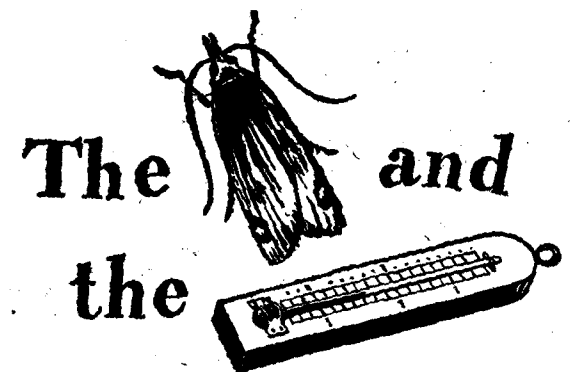
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Tenno system, in which the Emperor, venerated as the mystical father of his people, will shake off presumptuous western fetters and eventually resume the Japanese attributes of full sovereignty.

The overwhelming mass of the Japanese people can be expected to support this revision of the Constitution, if the issue is intelligently presented. Because of his role during the Occupation, the Emperor is closer than ever before to the hearts of his people, who feel that he has devotedly suffered humiliation on their behalf. A most interesting, although unpublicised, passage in the debate in the Diet on the controversial Anti-Subversive Activities Bill was the assertion of the Director of the Special Investigation Branch of the Attorney-General's Office (Mr Mitsusada Yoshikawa) that, under the Bill, which is now law, advocacy of the abolition of the Emperor system would constitute sedition.

The article over which most open dispute has already occurred is the celebrated war-renunciation provision that MacArthur reputedly wrote himself:

Art. 9.—Aspiring sincerely to an international place based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

In order to accomplish the aim of the preceding paragraph, land, sea and air forces, as well as other war potential, will never be maintained. The right of belligerency of the State will not be recognised.

MacArthur boldly disavowed this pious affirmation before he was recalled, calling on Japan to rearm and, in fact, ordering the actual resumption of rearmament with the establishment of the so-called National Police Reserve, which is now being expanded to 110,000 men, equipped with howitzers, bazookas and aircraft and stiffened with a cadre of tough former officers of the Imperial Japanese Army.

To sidestep the hazard of attempting to alter this article of the Constitution, Prime Minister Yoshida has sturdily adhered to the fantasy that the National Police Reserve is only a local police force, presumably proposing to use howitzers as an experiment in rigorous traffic control, and that its establishment was in no sense a violation of the letter or spirit of Article 9. He is supported by numerous legal authorities like Dr Soichi Sasaki who argues that the article does not proscribe "possession of war potential as a means of self-defence." The issue has now been carried to the High Court by the legal minds of the sundered Socialist Party. Mr Yoshida, it is generally agreed, has been politically wise in so far as delaying a showdown on this question, especially when it could be submitted that he was acting under United States pressure.

"Excessively Democratic"

Proposals for the revision of the articles relating to the government's right to dissolve parliament, membership of the House of Councillors and election of prefectural governors are all directed towards a return to prewar Japanese practice. There are many conservative critics of the new method of electing members of the Upper House and prefectural governors. They say it is "excessively democratic," and want to return to the old method of selecting, which they say is "more in harmony with the Japanese tradition." In addition, other groups wish to insert in the two articles guaranteeing freedom of speech and assembly and the right of labour to organise, some such "safeguard" as the proviso "insofar as public welfare is not thereby subverted or threatened."

That there would be substantial opposition to these last proposals is certain. There was surprisingly wide and laudably liberal opposition to Mr Yoshida's Anti-Subversive Bill and only the excesses of the Reds themselves ensured its eventual passage in less modified form. But revisions of the Constitution are clearly inevitable and—like so many developments in independent Japan—nearer than anyone had anticipated.

Belgian Army Disturbances

[BY A CORRESPONDENT]

ONE night last week troops in different parts of Belgium who had just completed 18 months' service, demonstrated noisily and with varying degrees of violence against the two-year term of conscription. About 10 p.m. on July 25th, several hundred troops of the 12th Engineer Regiment, stationed at Namur, assembled noisily in the parade ground of their barracks. They tried to make for the streets by the main entrance, and when turned back by the Military Police, scrambled over the walls into the street. After smashing the windows of the quartermaster's stores and the Military Police motor pool, they marched off in regular formations to the barracks of another regiment. The Military Police tried to stop them but were overwhelmed. Then the gendarmerie moved in, charging the troops with truncheons and firing bursts of sub-machine-gun fire in the air by way of intimidation. Amidst scenes of great confusion they made some sixty arrests there and then. When the rest of the column reached the Marie Henriette barracks, some three dozen soldiers forced their way in, roused the inmates and freed a private who had been locked up for indiscipline. Once again, however, the gendarmerie caught up with the mutineers, and after more arrests had been made, order was eventually restored.

Similar incidents took place in other parts of the country, in particular in several Brussels barracks. It is plain that the morale of some units is disturbed and tempers frayed. There is a clause in the new conscription law which "allows the authorities to release National Servicemen after 18 months if no immediate danger threatens the peace." Successive statements by ministers had led most National Servicemen to believe that this "early release" clause was going to be applied in their own cases. There was naturally, therefore, much resentment and disappointment when, about ten days ago, the Foreign Minister let it be known that this clause would not in fact be invoked.

2-Years Service Unpopular

The two-year period of military service has always been very unpopular in Belgium ever since it was decreed in 1950. The Socialists argued at length, both in Parliament and in the press, against the measure. They said it was unnecessary and the "outcome of a moment of government panic." They pointed out that until Greece and Turkey came into Nato, Britain was the only other member country with as long a period of military service. It has been further argued that because Britain had adopted a two-year period, it did not necessarily follow that it was right for Belgium to do the same. In Britain, it was said, exemption and prolonged deferments cut down the conscripts to only 62 per cent of the male population of service age, whereas in Belgium the comparable figure is 76 per cent. It would therefore, it is argued, be possible for Belgium to shorten the period of service and still maintain a manpower effort comparable to the British.

The Government has, without doubt, been worried about the situation. It has repeatedly stated that Belgium would not maintain the two-year period if the other countries of the EDC did not take similar action. The hints dropped by various ministers that, as an intermediate measure, the Government might use the "early release" clause of the conscription law, undoubtedly had a serious foundation. The Cabinet did contemplate this possibility, especially after Mr Shinwell, last June, deplored the Atlantic partners' refusal to follow the lead of Britain and Belgium, and hinted that if they maintained their present course, Britain might have to cut down its own period of service. But after the Belgian Cabinet found that the British Government had no intention of taking up Mr Shinwell's suggestion it decided—for the time being—to stick to the two-year period.

Germany Comes First in Yugoslav Trade

ONE result of Stalin's quarrel with Marshal Tito has been that, in the first half of this year, the Federal German Republic became Yugoslavia's biggest trade partner, ousting the United States as exporter and Britain as importer. According to statements made to the *Frankfurter Rundschau* by their trade counsellor in Germany, the Yugoslavs expect to double their foreign trade this year, compared with 1951, and imports from Germany will probably amount to a third of the total.

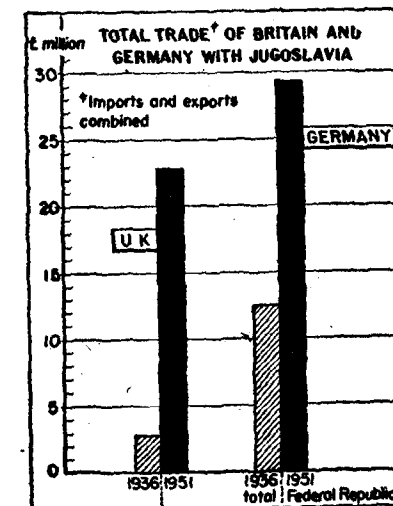
For political reasons the Germans were encouraged to grant a credit to Yugoslavia in 1950. Now, on their own account, they are taking a gamble on its future as a valuable supplier of grain and metals, and as a market for machinery. The Germans have found that Yugoslavia has not been able to meet its delivery obligations, and is unlikely to repay DM407 million at the due date in 1952. This fact has been accepted, in view of the Yugoslavs' progress with their production and exports. The unused balance of the credit has been enlarged in the latest trade and payments agreement, and it will be used to import machinery. The Yugoslavs hope to make additional purchases in the Ruhr with part of the credits extended to them by the International Bank and Britain. Altogether they want \$44 million of German engineering products during the period of the current agreement.

German-Yugoslav trade is still small—only \$60 million each way in the current trade year—and it is not being established on identically the prewar pattern. The days are gone when the Yugoslavs had an embarrassing quantity of surplus wheat and Germany provided the only market for it.

They are, indeed, now Germany's largest supplier of maize, and hope to rebuild their exports of pigs; but both sides attach a new importance to the development of Yugoslavia's mines and metal industries, which British and other western firms are helping to build up. Under the new agreement, Germany will deliver rolled steel and 200,000 tons of coke, as well as some consumer goods. The Germans were swayed in their decision to extend further credit by Belgrade's estimates of increased output. Iron ore production, for example, is estimated to rise to 2½ million tons in 1953 and 1954.

The Germans will help to adjust Yugoslavia's deficit by giving an extra allowance to their tourists visiting that country, but this will, of course, make little difference. The main development is expected to be an increase in the Yugoslav exports as well as imports. Belgrade's representative in Germany has pointed out that, in the course of whittling away state monopolies, foreign trade licensing has been completely abandoned as from July 1st. Moreover, exporters can keep 35

per cent of their foreign exchange proceeds to dispose of as they will. Even the German champions of liberalisation have not yet gone as far as this.



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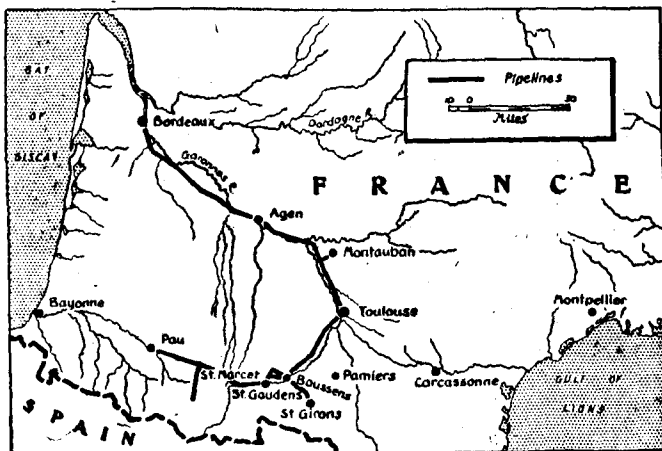
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Pyrenean Petroleum

[FROM OUR PARIS CORRESPONDENT]

As its industry expands France needs more and more industrial fuel. Since the war great strides have been made in electrification, and the output of coal, which was disastrously low after the liberation, has been raised to a reasonable if not a spectacular level. Hydroelectric power, developed with the aid of Marshall plan credits, has hitherto contributed most to industrial expansion. Now there is also a chance that France may eventually be able to produce on its own soil a fair proportion of its petroleum requirements. Such is the significance of recent achievements in the Pyrenean region.

With Great Britain, Holland and the United States, France owns a large proportion of Middle Eastern oil. Since 1920 the *Compagnie Française des Pétroles* has held one-quarter of the shares of the Iraq Petroleum Company, which supplies 20 per cent of French imports of crude oil. At the same time France has developed an extensive refining industry on its own territory. Its refineries were ruined during the last war and have since been reconstructed with a throughput of 22 million tons per annum. They have come in very useful, both to France and Great Britain, since Abadan closed down.



Even before the war it was realised that, in order to increase the security of the national supplies, prospecting must be carried out in France itself and wherever possible in the African territories, both colonies and protectorates. To this end the *Centre de Recherches de Pétrole du Midi* was formed in 1937. This organisation had its first lucky strike just before the war when a large bed of gas was discovered at Saint Marcet, south-east of Pau. During the war the French were careful to go slow with prospecting lest the Germans, who were growing increasingly short of oil as they retreated westwards, should benefit from further finds. (The chairman of the *Régie Autonome des Pétroles*, M. Pierre Angot, was deported on account of his go-slow policy and died in captivity.) After the war funds were provided under the Monnet plan and prospecting was resumed in the Pyrenean region.

Pipeline to Bordeaux

The field at Saint Marcet, administered by a state-aided company, has gone from strength to strength, producing 285 million cubic metres of gas in 1951. Reserves are estimated at 5 billion cubic metres (about a billion has already been extracted) and the wells, with a potential flow of 1 million metres per day, are as productive as those in the United States. This natural gas contains various condensable elements which are recovered at the nearby factory at Bousens, the most modern of its kind in Europe. In 1951 14,800 tons of petrol were produced there, about 7,700 tons of butane and nearly 4,000 tons of propane. Gas treated in this way becomes almost pure methane with a very high heating-

power. A system of pipelines carries it to Pau, Toulouse and Bordeaux where it is put to domestic or industrial use either as fuel for heating or as petrol or as a raw material to make ammonia and fertilisers. It is calculated that the bed of natural gas at Saint Marcet produces as much heat as a coal-basin producing six or seven hundred thousand tons per year.

In 1949 another company, the *Société Nationale des Pétroles d'Aquitaine*, struck oil at Lacq, a few miles from Pau. This bed now produces 300,000 tons of oil per year at a depth of 650 metres; 15 wells, all of them flowing, are at present being exploited. The bed at Lacq is of the water-drive type and should take ten years to exhaust. The oil is taken away by trainloads from an immediately adjacent station and refined either at Pauillac near Bordeaux or La Mède near Marseilles.

It is known that a much deeper bed exists at Lacq. Last year gas was struck, after drilling to a depth of 3,550 metres. Owing, however, to the great pressure, the large flow and the poisonous character of the gas, the company decided that the well must be abandoned. In order to "kill" the flow Mr. Myron Kinley, an expert known as the "flying fireman," had to be summoned from Texas. He arrived within 48 hours and spent the next two months leading the company's efforts to seal off the well. He finally succeeded, thereby much endearing himself to the inhabitants of Béarn. Further attempts are now being made to drill into the deep-lying bed.

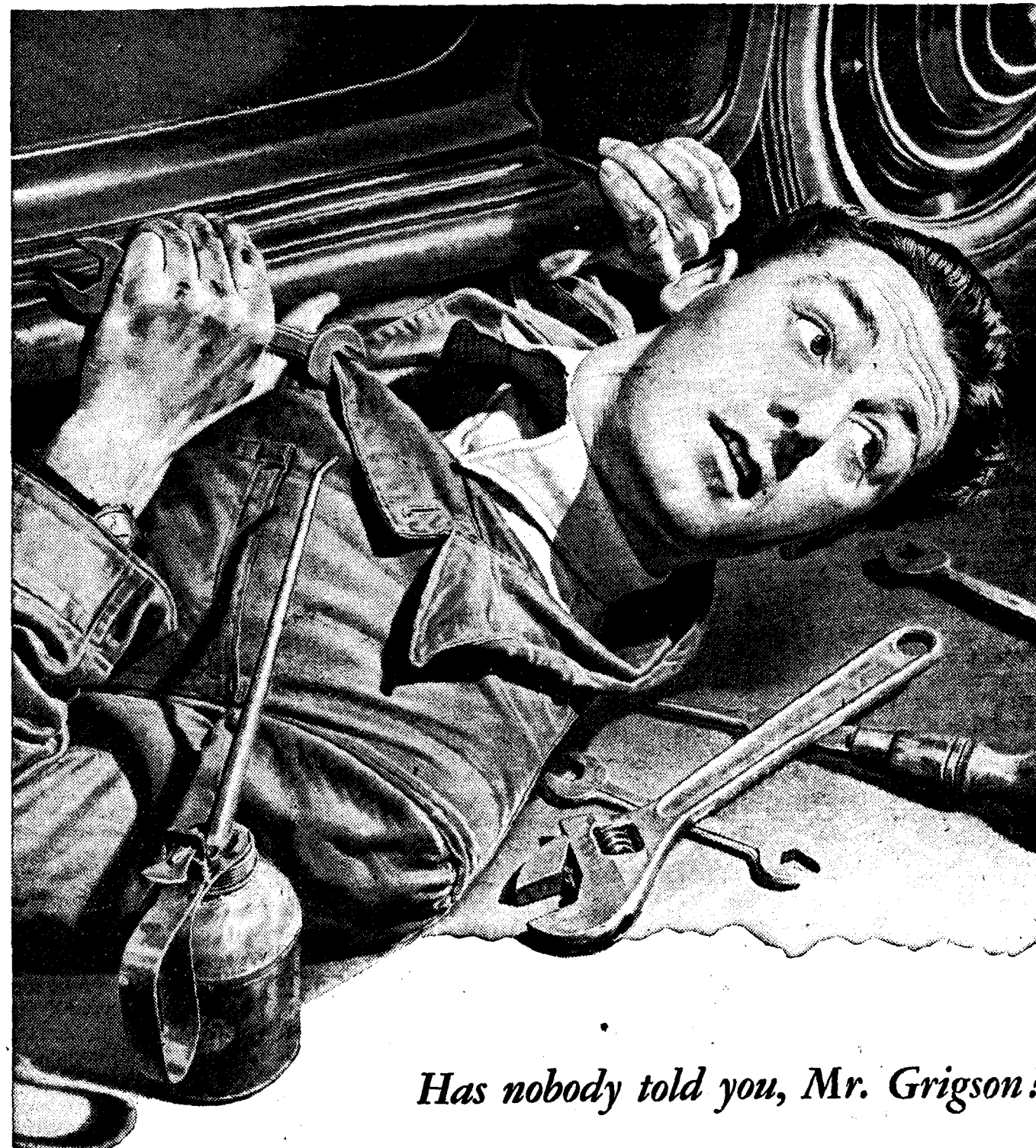
Bigger Funds Needed

What proportion of French metropolitan consumption is provided from this Pyrenean region and from other metropolitan and North African sources? France itself uses about 12 million tons of refined oil per year. Excluding gas, current production in France now amounts to 375,000 tons per annum, from Lacq and from Pechelbronn, in Alsace, an old source now in decline which has produced three million tons during the last two centuries. In addition, French North Africa (Algeria and Morocco) produces 180,000 tons, which bring the French-produced total to 550,000 or about 4 per cent of the metropolitan consumption. France exports some 5 million tons of refined oil to its African dependencies and to foreign countries of which 1,500,000 go to North Africa. North African refineries are now being built to ensure that all the local crude oil may be consumed on the spot.

In France and the French Union prospecting is largely financed from the budget (French mining legislation gives absolutely no encouragement to landowners, who have no proprietary rights over what may lie beneath the surface of their holdings). Funds are also provided by the prosperous companies already extracting such as the RAP and the SNPA. The authority co-ordinating investment is the *Bureau de Recherches de Pétrole* which has been working since 1945 on the basis of two five-year plans and spending 100 billion francs voted by Parliament. This is too small a sum for really extensive prospecting. In order to encourage private capital special tax-exemptions based on American and Canadian practice may be offered to investors. Foreign capital has already been admitted by the French government. In 1950 the Shell and Gulf Oil groups, controlling two North African companies, were given permission to prospect in Tunisia, and a year later an affiliate of Standard Oil acquired the same right in the Bordeaux region. All further development in fact depends on the supply of capital. Meanwhile Pyrenean production continues discreetly, and with scarcely a blemish to the magnificent landscape.

*

Correction.—The publisher of "Deutschland Am Rande Zweier Welten," by Dr W. W. Schuetz, mentioned in *The Economist* of last week, is the Deutsche Verlags-Anstalt, Stuttgart, and not the Europa-Verlag.



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THE BUSINESS WORLD

Steel and Free Enterprise

ON its technical merits, as well as the intrinsic importance of its subject, the measure to restore steel to supervised private ownership that the Government has outlined this week deserves priority over the Transport Bill. In contrast to that Bill, the White Paper on the iron and steel industry propounds a reasoned, even an astute, Parliamentary exercise, to be followed by a financial operation that is at any rate plausible. It offers a reasonable chance of returning a considerable shareholding in the steelmaking industry to private investors; and the degree of public supervision that it would permit—though not guarantee—might well make it difficult for a subsequent Labour Government to find any but the most doctrinaire excuse for another wholesale reversal. It is, moreover, tactfully constructed to appeal to the trades unions, whose co-operation would be required. Whether it promises truly competitive private enterprise in the steel industry is distinctly doubtful. But there is no evidence that the Government ever intended it to do so. The Conservative commitment was “to provide for the reorganisation of the iron and steel industry under free enterprise with an adequate measure of public supervision.” That much, this measure may well do; amended, it might do more.

Selling the steel companies back, under this scheme, will be a job for the Treasury, which will have an entirely free hand. The forthcoming Bill will abolish the Iron and Steel Corporation; its ownership of the nationalised companies will pass to a holding and realisation agency appointed by the Treasury, whose duty will be “to secure the return of these companies to private ownership and meanwhile to ensure their efficient direction.” Since the White Paper can hardly admit the possibility of anything less than successful outright sales, the other possibility of leasing plants to operating companies is not mentioned. Perhaps there is a chance that it might slip into the Bill. Little is said about methods of sale, though use of the ordinary market channels is presumably envisaged; most of the provisions listed under “Transfer of Ownership” are designed to remove any considerations that might hamper the agency—or its master, the Treasury—in arranging resale. Regroupings of companies or capital reorganisations will be permitted; Iron and Steel stock will become part of the National Debt and lose its distinguishing name, thus freeing the agency from preoccupation with the £240 million that the last Government paid for the industry; that stock, and most other gilt-edged stock, will be accepted in payment for steel securities—at their then current market values. The prices to be asked will have regard to

... all relevant factors at the time of sale ... the important changes which have taken place since nationalisation in the physical assets, capital structure, reserves and trading prospects of many of the iron and steel companies, together with other considerations such as the monetary and market conditions prevailing at the time.

The terms and timing of sales by the agency must be

approved by the Treasury; priority will be given where practicable to applications from former shareholders.

The Government recognises that sales may take some years to complete. Meanwhile, the agency will act as the most passive of shareholders. All that it receives from sales and dividends will be paid to the Treasury, which will in turn provide for the agency's outgoings. These may include finance for the development of the companies it still owns. To be dependent upon the Treasury for the money to carry out capital investment running into millions a year does not sound an enviable position for any board of directors, but if the development schemes are approved by the proposed Iron and Steel Board, it is to be presumed that the necessary finance would not be withheld.

Some sections of the steel industry profess to be entirely sanguine about these plans for resale. They are even thinking in terms of a rough timetable. If the Bill is introduced late this year, it may become law by March, though the concentration of Budget business would mean that any delay could put it back to June. That is the case for priority over transport—even a month to spare would make the timetable safer. But if the Bill becomes law by Easter, unscrambling could and should begin forthwith. Out of the £240 million book value of the nationalised companies, perhaps £60 million is represented by ex-subsidiary companies that it is hoped their former owners—notably Vickers and Guest, Keen and Nettlefolds—would buy back straight away. It is argued that the equity capital of most of the major steel companies—perhaps 30 per cent of the remaining £180 million—could be sold back in six to nine months for some £50 or £60 million. This would leave some £100 million or more, mainly in the form of preference and debenture capital—with the Treasury's realisation agency. The earnings prospects of the industry, it is pointed out, are better than in 1948, as Mr Hardie argued before his departure in February, and as the forthcoming report of the nationalised corporation will presumably demonstrate.

Such forecasts, it must be emphasised, are entirely unofficial. They may also be too optimistic. The Treasury and its agency are given complete freedom about what they may sell and when they sell it; but that may not necessarily hasten the process. There is no timetable, so this will not be a forced sale, though the Treasury will naturally be under political pressure to sell. As for prospective buyers, it is by no means certain that the original interests in the major subsidiary companies will be bought again. The two companies principally concerned have recently sounded lukewarm on the question—though it would obviously be in their interests to take this line until the actual sales came to be negotiated.

For the private and institutional investor in the City, many questions remain unanswered. It will not be easy to get a clear picture of all the separate companies offered for sale until the Iron and Steel Corporation's report and accounts appear in a few weeks' time; under the ægis of the Corporation, several important steel companies have carried out considerable reorganisations of their capital, and have thus radically altered the balance between their equity capital and prior charge obligations. Their individual operating results will also be awaited with interest. Some steelmaking units will obviously be easier to sell than others and the rate of return upon the book value paid in compensation may vary considerably. Perhaps the greatest question mark in the process of denationalisation concerns the latest and largest plant, built by the Steel Company of Wales at Margam. Constructed at postwar capital costs, and completed only since denationalisation, this has no proved earnings record, and it provides in any case a sad reminder that the last time the public was asked to participate in a major new steel project the response was dismal. The City is also aware that the industry it is being asked to purchase has already committed itself to further development at the rate of £60 million a year for the next five years or more, which implies large further instalments of new money and continued low rates of dividend as profits are ploughed back.

One question that remains unanswerable and must bulk large is Mr Strauss's threat to renationalise at no more than the original compensation terms. The Government is confident that another Labour Government would never carry out that threat; the investor must form his own opinion. Among other points of doubt, there is one that the Government might have answered, but has not. What is an investor buying when he buys a given steel share? The system of levies and subsidies within the industry, operated to adjust the advantages of making steel from various combinations of raw materials, makes it hard for a prospective investor to judge the earnings records of particular companies with any confidence for the future. The White Paper provides for that system to continue.

The Iron and Steel Board that the Government proposes to set up to supervise the industry will possess powers far exceeding those of any similar body in a privately-owned British industry—though it need not wield all these powers directly. Its scope will be wider than the Labour Government gave to Mr Hardie's Corporation for the Board will have power to supervise the whole of the steelmaking industry, plus the steel-founding and ironfounding industries (of which only limited parts were nationalised). The Board will draw its members from employers, labour, and consumers, but it will have an independent chairman and other independent members. It will have two main responsibilities: development and prices. It will have to consider and approve the major development plans submitted by steel companies, and may restrain companies from development of which it disapproves. It will have power—in normal times—to fix maximum prices for sales in Britain by producers in the industries it supervises. Its permissive powers, however, are much wider. It will review raw material supplies, control their distribution in times of shortage, and may—at its discretion—take steps itself to import raw materials, iron and steel. It

may sell imported materials below cost and may impose levies on the industry to meet losses incurred in so doing. It will “arrange for” the periodical publication of statistics relating to the industry; it will be consulted regarding any changes in import duties on iron and steel.

The Minister of Supply will appoint this board; his formal powers of control over its main operations, as set out in the White Paper, are not extensive, but may be strong in practice. The powers of allocation and price control under emergency powers and Defence Regulations now being exercised in respect of steel will remain with the Minister, though the Government may delegate them to the board. Enforcement is therefore a Ministerial responsibility; the development and price controls exercised by the board in normal times will be secured only by contractual obligations, enforceable by civil proceedings, between the iron and steel producers and the board. The Ministry, not the board, will exercise the much-discussed “positive power” of setting up or operating iron and steel works that no company feels able to undertake. That, so far as it goes, is the right formula; but the point has never seemed to possess any major importance. The Minister must approve any sales of imported materials below cost by the board, and will consider representations by companies about any levies it may impose. Finally, the board will make an annual report to the Minister, who will lay it before Parliament.

Is this the *status quo ante* Hardie in steel? In practice, it appears that the Government intends that it should be. The obvious question that this array of powers and responsibilities poses is that of the relations between the new Board and the British Iron and Steel Federation, which until now, with some show of co-operation from the nationalised central body, has operated all the functions which the White Paper would entrust to the

SCOPE OF THE PROPOSED IRON AND STEEL BOARD

Process to be supervised by Board	Total 1951 output in UK (tons)	Per cent of total output produced by nationalized companies
Iron ore	14,647,000	97.4
Pig iron, etc.	10,000,000	94.7
Ingot steel	15,155,000	98.2
Iron castings	3,753,000	23.0
Steel castings	270,000	19.3
Rolled products	11,386,000	91.5
Forgings (excluding drop forgings and smiths' hand forgings)	388,000	73.8
Hot finished tubes and pipes	1,174,000	70.2
Bright steel bars	384,000	10.7
Tinplate, terneplate and blackplate ..	757,000	87.8

board. The board's schedule of duties, powers and responsibilities, indeed, reads like an amalgam of the general duties laid on the corporation by the 1949 Act with the main functions of the federation. It seems that the Government intends that these functions should continue to be exercised, in the main, by the federation. Moreover, whatever the powers upon which it could call, a committee of twelve people representing diverse interests may not necessarily behave as a strong independent body; much will depend upon the chairman. Nevertheless, the provisions of the White Paper give the board power to take over every significant function of the

federation; from the time that the Bill becomes law, the federation will exist and work only on sufferance of the board and of the Minister. The Government's intention may be to return the industry to its pre-1951 condition; but this measure would place in the hands of a Labour Minister of Supply power to control the industry effectively and almost entirely without worrying about renationalisation. Even in private ownership, the industry could overnight be converted into a state-managed cartel from which constituent companies would not have power to resign, as they have from the federation.

The only hint on policy for the board that emerges from this White Paper is not reassuring. If the present voluntary system of spreading costs and earnings across the industry operated by the federation should prove unsatisfactory, the board will have power to take it over and enforce it upon all the companies within its orbit. This official blessing for the most questionable practice of the industry since the war largely precludes the full benefits of competition. Indeed, the White Paper would thus enable the board to manipulate costs in a way that in other privately-owned industries might well attract the attention of the Monopoly Commission. It would appear that the Government shares with the postwar Labour Governments the conception that the steel industry is in some way a natural monopoly. The 1949 Act was Labour's way of dealing with such a monopoly; this

White Paper agrees on the nature of the animal, but suggests a Conservative way to supervise it. There is a good deal that can be said for such an argument, and it is consciously accepted in certain sections of the industry; but the question has not recently been publicly examined, let alone demonstrated. The next few years in steel will be years of major change. How much of the industry can be genuinely sold back to the private and institutional investor? Must some rump of high-cost plant always remain in state hands? Where will the money be found for the industry's costly plans of continued development? Can some *modus vivendi* be found between privately-owned re-rollers and ironfounders, ex-nationalised steel makers (perhaps still part-owned by the state), a residue of nationalised companies, and conceivably some uneconomic plants owned by the Ministry of Supply? All these questions have to be answered.

But one thing is clear. The Government should adopt the principle, and instruct the board, that prices of materials and products should in general reflect economic costs. The prospective investor is entitled to know the effects of the levy and subsidy arrangements upon the profitability of the companies in which he is invited to take an interest. Such admissions of principle and frankness would immensely improve the Bill, and the Government's standing as a proponent of free enterprise. In the long run, they would improve the competitive strength of the British steel industry.

Business Notes

Anticlimax Again

With the unhappy air of a man setting off a very small squib before an audience that had been primed to expect really big bangs, Mr Butler announced this week that there is to be no major change in the policy laid down in his budget. Indeed, if the forecasts that he made in the debate are fulfilled, the Commonwealth countries that convene in London on November 25th—to discuss a wide range of subjects “including imperial preference”—will find themselves already bumped back on a course not very different from that adumbrated by their Finance Ministers last January. “Provided no new adverse factors arise,” the Chancellor still believes that the United Kingdom's deficit with the non-sterling world in the second half of 1952 should be approximately covered by receipts of American aid (which are expected to amount to £115 million); in addition, Britain will presumably continue to run at least some small surplus with the overseas sterling area. The hope that the overseas sterling area would be able to offset this expected deficit with Britain by a surplus in its accounts with the non-sterling world has apparently been abandoned, but—despite the recent fall in the prices of rubber, jute and other commodities—Mr Butler believes that these accounts will be “just about in balance” in the current half-year. Unless this conjectural balance with all non-sterling countries masks a prospective deficit with those countries that have to be paid in dollars, the implication seems to be that the government expects little net movement in the gold reserve during the next six months. Unfortunately, the Chancellor had to announce that the sterling area's deficit with one area that does now demand payment in dollars—Western Europe—widened considerably in July. He dismissed this, however, as a manifestation of a familiar seasonal tendency (the one that causes so many sterling area crises to come to a head in September). By the end of the year, the Chancellor hopes, the sterling area should be in balance with EPU.

If Britain is to fulfil its share in this programme it will have to cut its deficit with the non-sterling world by at least £160 million—from £275 million (according to the Chancellor's provisional estimate) in the first half of 1952 to £115 million in the second. Part of this improvement may be sought at the expense of a narrowing of Britain's customary surplus with the sterling area, which—as far as can be gathered from Mr Butler's very garbled comments on this point—was well over £125 million in the first half of this year. The rest is intended to be covered partly at the expense of the defence programme, partly by running down stocks of imported food and raw materials to (but not below) their end-1951 levels, and partly by an increase in production.

Export Potential and Import Cuts

On the respective contributions anticipated from these three sources, Mr Butler was surprisingly uninformative. He announced that the new pattern of the defence programme will make it “possible to limit the demands made by defence on the engineering industries in the near future,” and that “a certain amount more foreign exchange” should be earned in the second half of this year as a result of the arrangements now being made for selling British defence equipment abroad; it should be emphasised, however, that neither the £25 million of orders already placed in this country under the United States off-shore procurement programme nor the £10 million of extra armament sales recently negotiated with other non-sterling countries will necessarily be completed and paid for in 1952—and nor, of course, will the “substantial” other United States purchases still under discussion. Mr Butler also declared that the level of British imports, which fell—at an annual rate and on a c.i.f. basis—from £4,250 million in the third quarter of 1951 to £3,700 million in the second quarter of 1952, “will continue to fall

even more sharply in the next few months;” indeed figures provided by the President of the Board of Trade in a later speech suggest that the annual rate in the second half of the year should be somewhere between £3,200 and £3,400 million. As a result, imports of unrationed foodstuffs (apart from wheat and flour) will be about 25 per cent less in the second half of 1952 than they were in the second half of 1951, imports of dollar tobacco about 56 per cent less, imports of paper and pulp more than 50 per cent less, and imports of manufactured goods (other than machinery and defence supplies) about 40 per cent less. The Chancellor did not make it clear how far these substantial cuts are the direct consequence of the decisions announced last November, January and March, or how far they are due to a new tightening of the screw; since the previous announcements related the level of cuts to a notional and never very precisely defined import programme, however, the distinction is not important. The Board of Trade has now turned its hand to the task of cutting down the notional import programme for 1953.

The main danger that springs from these decisions, of course, is that the damming-up of the flow of imports by this crude weapon of physical controls will impede production by creating shortages of particular materials and components, and will cause consumers' purchasing power to be diverted towards goods that ought to be exported. On this, Mr Butler had few crumbs of comfort to offer. He agreed that industrial output in the first two months of the present financial year was slightly lower than in the same period of 1951-52, but he ascribed this chiefly to the shortage of steel (which he expects to be very significantly eased in the second half of this year). He also looked for an increase in production of coal and chemicals, and announced that the housing programme is to remain sacrosanct (but with new economies in the use of imported materials). For the rest, export industries (and particularly dollar earners) will continue to receive a preferential allocation of raw materials; some of those that successfully claim to belong to this very vague category will be elevated in the queue above those in the equally vague category of rearmament industries. The facilities provided under the Export Credit Guarantees Act are to be widened and exchange control over credit terms will be modified, presumably in order to extend longer credit to exporters of capital goods. Provided that costs are kept in check by “moderation” in wage demands, these measures may make an increase in exports financially possible; since no new steps have been taken to check pre-emption by the home market, however, it does not follow that the possible will be achieved.

Coal Tributes—and Targets?

Mr Butler's hope that this year Britain may export twice as much coal as it did last year is in its way a return to the days when politicians set coal targets and asked the industry to hit them. In fact, to export about 15½ million tons by the end of this year would put some strain on the Coal Board. It would mean exporting almost another eight million tons of good quality coal in the remaining five months of the year: up to mid-July, about six million tons had gone overseas, and the balance will be made up in low-grade coals and slurries, of which 1½ million is scheduled for export during 1952. Will the Coal Board be able to dig this coal, and sell it?

A month ago Lord Leathers, in an OEEC report, put British coal output this year at 225.8 million tons; this week he seemed hopeful that it might reach 226 million tons. Even the Coal Board, which is at present blushing somewhat uneasily beneath the politicians' bouquets and wondering whether the National Union of Mineworkers may hurl a brickbat, is cautiously talking in the same terms. If inland consumption does not surpass last year's—so far it is nearly 2 million tons lower, so that this would give room for a

reasonable recovery in industrial consumption—that would again take 208 million tons. Stocks at the end of last year were 15½ million tons, and on the NCB's “safety” estimates they should be 1½ million tons higher at the end of 1952. Bunkering normally takes about 3½ million tons. Therefore, the industry can probably export all the coal it produces in excess of about 213 million tons—probably 13 million tons, plus the lowgrade fuels which are outside the statistical picture.

If the coal can be produced, it can probably be sold. But the three changes already made this year in the coal export programme naturally do not make sales any easier. Some of Britain's possible customers have already made arrangements to buy all their coal for 1952; and the estimates of consumption in Western Europe this year now seem less likely to be realised.

* * *

Government Borrowing and the Banks

In the first sixteen days of July net deposits at the London clearing banks rose again, by over £27 million. Once again the whole reason for the rise lay in voracious demands for bank finance by the Government. The clearing banks' holdings of Treasury bills rose by just under £77 million; after allowing for small falls in cash and call loans, net Government borrowing from the banking system appears to have risen by just under £67 million. Meanwhile the banks' advances fell by another £38 million and their commercial bill holdings by over £2 million, while their investment portfolios were little changed. It is true that an increase in Government borrowing and a fall in bank advances are customary features of the clearing banks' statement for July; in the first eighteen days of July, 1951, for example, bank holdings of cash and money market assets (including commercial bills) rose by over £79 million and advances fell by over £34 million—a pattern not very different from that shown this year. But this does not alter the alarming fact that heavy short-term borrowing by the Government has now swollen the ratio between the banks' liquid assets and their deposits to 35.9 per cent, compared with 32.0 per cent last November and 31.6 per cent just after the end of the 1951-52 financial year.

If the banks are to remain under persistent and positive pressure to restrict their advances, it is imperative that this liquidity ratio should not continue to expand. There is some reason to hope that the scale of net Government borrowing from the banking system should now run down from its peak—thanks partly to the fact that the “departments” will no longer be switching out of floating debt to meet successive calls on their subscription to the now completed BEA loan, and partly to the recent decision to increase the attractiveness to investors of both defence bonds and tax reserve certificates. On the other hand, provided Mr Butler's hopes are fulfilled, the Government should receive less finance from the sterling counterpart of the external deficit in the fourth quarter of this year than it did in the first two, while the shortest-dated of the serial funding stocks (which matures in November) is now rapidly becoming a liquid asset in bank portfolios. In these circumstances, there seem to be two factors on which the future course of the banks' liquidity ratios—and with them the effectiveness of credit restraint—will largely depend. The first factor will be the Government's ability to keep in check the rate of Exchequer deficit—and particularly the scale of lending to local authorities. The second factor will be the Government's willingness, if the Exchequer's cash deficit continues, to borrow on long term from the market instead of on short term from the banks.

* * *

Automata in the Air

The guarded statement about guided missile development made by the Minister of Supply last weekend gives a

partial answer to critics of the security silence that has been imposed on the development of these weapons. This silence, in contrast to widespread publicity in the United States, had created an impression that British rocket research was not yielding very positive results. This was certainly not justified. Yet, despite the Minister's confident forecasts, the replacement of the piloted interceptor fighter by the guided rocket here or in any other country seems likely to take longer than was hoped. The delta-wing G.A.5, for example, represents a stage somewhere between the two methods; the aircraft flies with a pilot but electronic mechanisms relieve him of much of the responsibility for sighting and aiming at his target. At the heights and speeds of modern bombers and fighters, this is in any case a feat almost beyond human ability. But only recently have electronics developed to a point where scientists are within "measurable distance" of taking over all the functions of the human pilot and it is still possible that a further intermediate stage of piloted rocket-powered interceptor fighter will be needed before they do so.

Neither the rocket motor nor the aerodynamics of rocket design present exceptional difficulties. The major problem is to design guiding mechanisms that cannot be easily diverted from their target by interference devices carried by the enemy aircraft. The most satisfactory method of doing this is to make the missile guide itself independently of any control from the ground. This, Mr Sandys implied, has now been done for some but not all of the missiles under development.

By talking about the creation of a new industry with a nucleus of 100 companies the Minister gave only limited acknowledgment of the work carried out by the much smaller number of companies involved in the development of these and other forms of rockets. Much of the work is being done by the big aircraft and engine manufacturers, few of whom feel strong enough to remain aloof from the developments of weapons that will almost certainly restrict the market for piloted military aircraft. The electronics industry which already holds the key to the efficiency of modern aircraft, will in future assume a large degree of responsibility for the performance of these new weapons. Progress in this industry will also decide the scale on which they can be produced. The rocket casing and motor are simpler to build than the modern jet fighter or its engine, but the production and assembly of the electronic heart of the missile will be difficult to mechanise. At one time it seemed that rocket development might create a new chemical fuel industry, but the difficulty of producing such chemical fuels in the quantities needed means that the oil companies, whose military market for high octane aviation spirit has been replaced by one for wide-cut distillates, will probably also provide petroleum-based rocket fuels.

Integrating Backwards in Steel

In 1939 John Summers and Son installed a new American-type continuous strip mill at its works at Shotton, Cheshire. Its plans to modernise and increase its steel melting capacity to feed the mill were held up by the war; but since 1945 it has developed one stage further backward. In a fortnight's time its new melting shop, with eight 150-ton openhearth furnaces installed, will begin pouring steel; the shop will have a full capacity of 15,000 tons a week, half as much again as the two obsolete melting shops it will replace. In October, two batteries of 44 coke ovens each will begin to make coke and supply coke-oven gas to help to heat the openhearth furnaces. In December a new blast furnace—with a hearth diameter of 27 ft, the largest outside the United States—will be blown in. Its full output of 8,000 tons of pig iron a week will provide about half of the steelmaking materials for the melting shop. From a "pure steel" works, drawing its pig iron from the Shelton iron works at Stoke-on-Trent, therefore, Shotton will have developed backwards into an integrated steel plant. Foundations already exist

for a second blast furnace; when this, two further coke-oven batteries and possibly two extra openhearth furnaces are completed in some years' time, the total plant will have a capacity of more than a million ingot tons of steel, in the finished form of sheet and strip, a year.

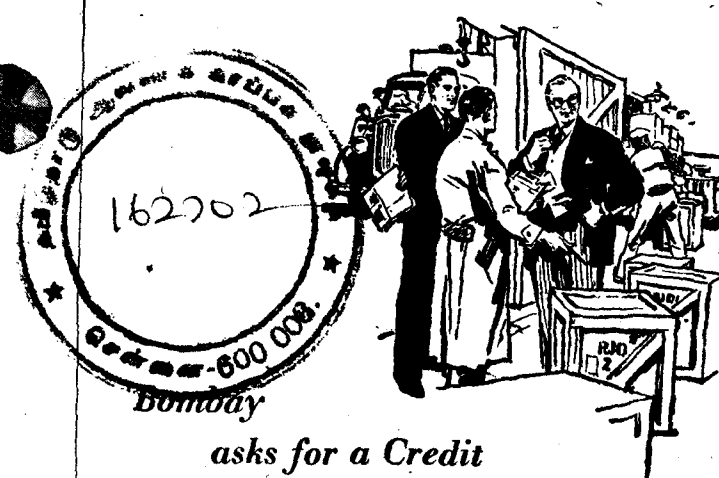
Even in 1937, when Summers first decided to lay down the strip mill, Shotton seemed to the Import Duties Advisory Committee only "so planned, as to location and production, as to involve the minimum possible disturbance to employment"; and in 1946 the British Iron and Steel Federation recognised that it was "not situated in so favourable a position for the assembly of the raw materials, coking coal and ore, as some of the other coastal plants." The imported ore that will form part of the blast furnaces burden will have to be hauled about 14 miles from navigable water at Birkenhead. If steel plans could be made upon a clean new slate, it is fairly certain that the Shotton mill would not be where it is; or that this exact location would not be chosen for an integrated steel works—though the spaciousness of the site, which has allowed a magnificent layout, and the advantages of largely fresh water supply from the Dee, would come into the other side of the balance.

Steel planning, in British reality, is not like that. Moreover, Shotton now demonstrates bluntly the financial vulnerability of new projects upon suitable, if not perfect, sites. The original 1939 strip mill cost £5 million. By the time the current development is completed, it will have cost another £17 million. The additional coke, iron and steel furnace capacity will cost another £5 million on top of that. For £27 million, that is, Summers will have an integrated steelworks producing rather more than a million ingot tons of steel. The industry's only major new plant since the war, the Steel Company of Wales's works at Margam, will turn out about 1½ million tons of similar rolled steel products a year when its extensions are completed; but it will have cost probably £80 million or more. Given such capital charges, its costs can hardly be comparable. Shotton and Margam provide distinct examples of "patching" and practically new development in British steel since the war; as it now stands, the argument for patching is not easy to overthrow.

Textile Convalescence

The promised review of rayon prospects which the chairman of Courtaulds gave on Wednesday to the company's annual general meeting gave shareholders some slight encouragement. Sir John Hanbury-Williams said some weeks ago that without a rapid improvement in sales, the dividend might not be maintained; in his statement this week he made it clear that what the industry now faced was not rapid recovery but a period of protracted convalescence. He explained that in the second quarter of the year, demand for rayon yarn and cloth "reached the lowest level for many years." Rayon plants cannot be operated so flexibly as cotton mills, and are difficult to adapt to short time working. By the middle of May, stocks had been built up to a level that made it necessary to close down the greater part of the company's plants for four weeks. The result of this was shown in the disturbingly low level of production in June, when output of staple fibre dropped to only 2.4 million lb compared with 15.6 million lb in January, and filament output was 9.3 million lb against 18.5 million lb in January. Total rayon yarn output (including nearly a million pounds of nylon) was less than 12 million pounds, one-third of the figure at which the plants were running last winter. During June, however, sales showed a "small increase which has enabled us to effect a slight reduction in our finished stocks." Sir John added that there has been a "modest rise" in export orders, so that some of the closed plants have started production again, but on a "very reduced scale."

The outlook for textiles may not be so deeply grey as Sir



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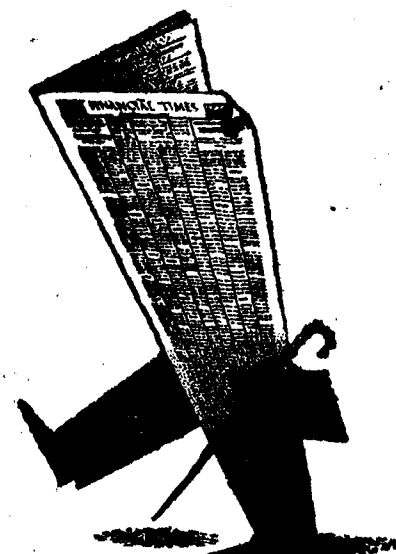
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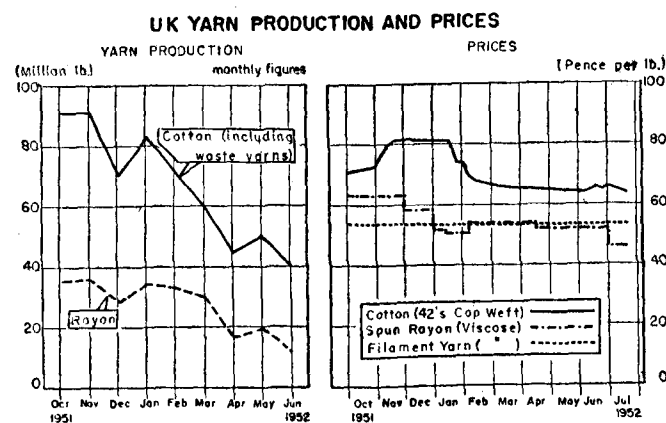
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John's choice of words might suggest. The great embarrassment of the rayon producers is, of course, the high level of stocks. In Lancashire production was cut back at an earlier date, and the weight of stocks carried was made less oppressive by being scattered down the production chain. The subdued revival that has been taking place in Lancashire in the past weeks is not visible in the accompanying chart because the holiday season is just getting under way. The extra week's holiday, granted for the first time this year, is likely to have an even more drastic effect on yarn output in the coming months than short-time working early in the



year. The recent fall in output can be attributed to the first of the Oldham holiday weeks, and a further sharper fall can be expected when the second week in Oldham coincides with the first of the Bolton holiday weeks. Stocks that have not been sold at recent cut prices may be disposed of during the long holidays. Many traders believe that seasonal trading came back with the buyers' market so Lancashire should be in a reasonably healthy position to face the winter buying season. A further reason for hope lies in the cotton industry's price policy. Yarn prices have been reduced quite sharply, while the rayon producers' prices have remained unchanged, and spun staple prices have hesitated between the two opposing policies. Stable prices have their virtues, but it is difficult not to feel that better discretion in this instance is being shown by the cotton industry.

Car Prices Out of Covenant

The secondhand car market has not taken kindly to the partial lifting of the covenant against resale. Prices have been slipping for several months; they have now reached a level where no two-year-old car just out of covenant is likely to fetch much more than the current list price for the same model new, though that will still leave owners of some models with opportunities of profit. Cars delivered in 1950, before the purchase tax was raised from 33½ per cent to 66½ per cent, are coming out of covenant. The owner of a covenant-free Austin A.40 would have paid £541 for it in 1950. Today's list price is £717, and by the time the car reaches the customer, it will probably cost him close to £750—which is the listed secondhand price for a 1950 A.40. Similar margins between first cost and current secondhand values exist for other small 1950 cars such as the Ford Prefect, Morris Minor and Hillman. But certain other 1950 medium-priced cars are changing hands at £200 or more below the listed secondhand price, and this itself is not always as close to the current list price for new models as in the case of, say, the A.40. Secondhand prices might be even lower but for the absence of any secondhand Ford Consuls or re-designed Vauxhalls. If the two-year covenant persists, there will be no secondhand Consuls or Zephyrs before 1953, and few Vauxhalls before 1954, and so long as the manufacturers cling to the covenant, new anomalies will occur with the appearance of each new model.

The dealers themselves would have liked to see all cars above a certain price removed from the covenant. The difficulty about fixing an exemption level at, say, £1,200, was the considerable premium still commanded by Jaguars and Rover saloons, cars selling new at between £1,400 and £1,700. The industry, which has not shown itself particularly sensitive to public opinion on the covenant, has compromised by allowing each maker to withdraw individual cars from the scheme whenever he feels satisfied that they are no longer "objects of speculation." Some of the cars still under covenant are patently not objects of speculation—a fact suggesting that the list does not provide dealers and their customers with a logical guide about the chances of withdrawing any particular make of car from covenant. No doubt some manufacturers are reluctant to attract attention to sales difficulties by withdrawing cars from the scheme, but there are already signs that keeping such cars under covenant creates fresh troubles for dealers. Some who have new models in their showrooms cannot sell them because customers are not prepared to sign a covenant and face the prospect of large losses when the time comes to trade in the car. If the industry does not have second thoughts about the present half-in half-out covenant, the market itself is likely to kill the scheme through general disregard. The time has surely come for the industry to let the market take its course.

Dearer Money in Australia and South Africa

Interest rates have been raised this week in both Australia and South Africa. The Australian authorities, in accordance with traditional political misunderstandings about the significance of "bankers' profits" in that country, have long hamstrung their sporadic attempts at enforcing a disinflationary policy by keeping down the rate that may be charged on bank advances. The maximum rate on the commercial banks' overdrafts was lowered by statutory order to 4½ per cent at the beginning of 1947; this order has now at last been revoked, in return for an understanding that the maximum rate will not be raised above 5 per cent. Simultaneously the various forms of savings deposit and fixed deposit rates have been raised by ¼ or ½ per cent, and the Treasury bill discount rate has gone up by ¼ per cent to 1 per cent.

The South African authorities have never hampered themselves with as many inhibitions about the use of monetary policy as have their Australian counterparts. Mr Havenga announced this week that the Union Government was in full accord with the Reserve Bank's recent decision to loosen the peg on long-term Government bonds to allow a redemption yield of 4½ per cent. Rates for six months' Treasury bills are also being raised, from 1½ to 1¾ per cent, and those for twelve months' Treasury bills from 1¾ to 2 per cent. In his review of the general economic situation in the Union at the annual meeting of the Reserve Bank this week, the Governor, Dr de Kock, felt able to strike a relatively cheerful note. Although he emphasised that this was a time for consolidation rather than further expansion, and declared that the Union could not expect any appreciable inflow of capital for some time, he believed that South Africa's phenomenal industrial development in recent years had put it into a better position to meet any recession that might now set in in world trade. Last year the Union's external current account deteriorated from approximate balance to a deficit of £109 million, but the net capital inflow of £71 million was much the same as in 1950.

South American Sterling

After a long delay commercial negotiations have begun between Argentina and the British Government representatives in Buenos Aires. Progress is expected to be rather more rapid than in previous discussions between the two

THE RUGBY PORTLAND CEMENT COMPANY LIMITED

A Circular Letter was despatched on Tuesday, 29th July, to the Ordinary Shareholders of the Company announcing that the Directors have decided to issue forthwith £1,000,000 4½ per cent. Unsecured Loan Stock 1957/62 and, towards the end of 1953, 1,000,000 Ordinary Shares of 5s. each.

This Loan Stock will be offered to Ordinary Shareholders at par on the basis of £1 of Loan Stock for every two Ordinary Shares held at the close of business on 25th July, 1952, rights to less than £1 of Loan Stock being disregarded: and each £1 of this Loan Stock will carry an option to subscribe between 1st November, 1953 and 15th December, 1953, for one new Ordinary Share of 5s. at 10s. 6d. Option Certificates will be issued and will be transferable independently of the Loan Stock. Application is being made to the Council of The Stock Exchange, London, for permission to deal in and for a quotation for the Loan Stock and the Option Certificates.

The new Ordinary Shares to be issued pursuant to the Option Certificates will rank for dividend as from 1st January, 1954, and in all other respects *pari passu* with the existing Ordinary Shares.

The consent of H.M. Treasury has been given to the proposed issues.

A Letter of Rights, together with a Form of Application for Additional Loan Stock, will be posted to Ordinary Shareholders in the course of the next few days.

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'50 HUMBER 14 Hawk Sal.....	1095	'50 SUN/TALBOT 90 Coupe.....	1075
'51 HUMBER 27 S/Snipe Sal.....	1395	'50 TRIUMPH Mayflower Sal.....	895
'48 JAGUAR 2½ Sal.....	845	'50 TRIUMPH 2000 Renown.....	1075
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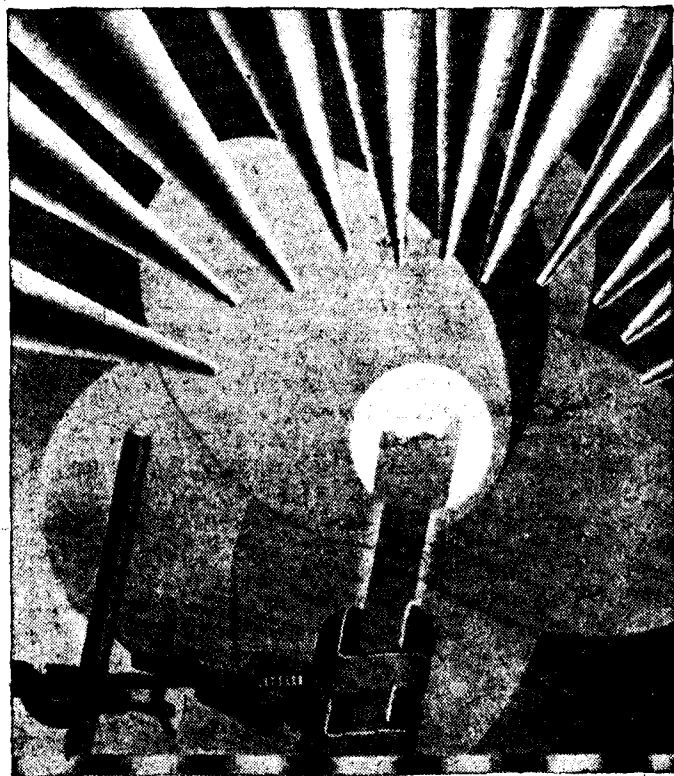
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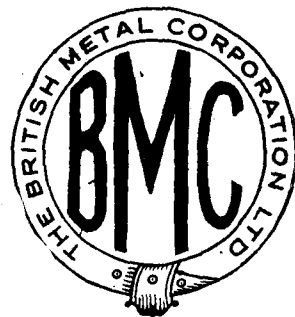
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countries. The last shipment of meat at the price agreed in the 1951 negotiations has already been made, and any further shipments will be made at a provisional price which will be adjusted later to whatever new price is agreed. This, incidentally, is also to be the basis on which Uruguay will continue its meat shipments to Britain. Whatever terms are agreed with Argentina will, if precedent is followed, automatically apply to the British meat contract with Uruguay. The negotiations with Argentina should be stimulated and hastened by the chronic shortage of sterling from which Argentina is now suffering. The various guaranteed sterling accounts which Argentina set up as a result of previous financial arrangements with Great Britain are virtually empty. The current account has of late had to be replenished by special sales of sterling to Argentina against dollars. Argentina has need of many essential materials including oil from the sterling area. The desire for sterling should, therefore, provide a good lubricant to the negotiations on the meat contract. On this particular issue Argentina has made its usual opening gambit by suggesting that it will be content with nothing less than the world price for meat. Fortunately for the British tactical position in these discussions, there are at present abundant supplies of meat in Britain.

A shortage of sterling is also seriously affecting Brazil. The Brazilian number one account has been deprived of one of its main sources of sterling as a result of considerable reductions in British purchases of Brazilian cotton and of the fall in the price of this commodity. Not only is the number one account virtually exhausted, but substantial arrears of remittances to Britain and the rest of the sterling area have accumulated. There is a balance left in the blocked account, but this is earmarked for capital transactions, including the repatriation of Bahia South Western, San Paulo and Northern Utilities. The amount in this account will be barely sufficient to meet the claims that will ultimately be made upon it.

Iraq Petroleum Progress

In 1949, oil production in Iraq barely reached 4 million tons; by 1955, it is expected that output will be no less than 30 million tons. Last year's production from the Kirkuk field was 8 million tons. To double output in two years and quadruple it in the following three years gives the proper impression of the scale and speed of development that is being undertaken by the Iraq Petroleum group. So, equally, does the record of capital expenditure—£21½ million spent last year for further construction of the 30-inch pipeline from the Kirkuk oilfield to Banias on the Syrian coast; £18 million and six years of work to develop the Zubair field, from which oil is now flowing through the 12-inch pipeline to Fao, soon to be paralleled by a 24-inch pipeline, at a cost of nearly £1 million; £14½ million spent on the Mosul concession, where plans are well advanced for the linking of new production with the existing pipelines from Kirkuk.

Last year, which brought its disastrous losses in Persia for Anglo-Iranian, was marked by the conclusion of a new relationship between the IPC and its associates and the Government of Iraq. The companies have together undertaken to produce not less than 30 million tons a year—the Iraq and Mosul companies producing not less than 22 million tons from 1954 and Basrah not less than 8 million tons from the end of 1955. In this vastly increased output, the Iraq government will enjoy a 50-50 participation; in a foreword to an impressively produced report on an impressive year, Mr H. S. Gibson, managing director of the IPC companies, records that on the basis of present prices and costs, the Iraq government's revenues from oil should rise from £15 million in 1951 to £59 million in 1955. By Iraq law, the government is pledged to devote 70 per cent of their oil revenues to capital schemes "to enrich the productivity of the soil and enrich the lives of the people."

These are wise lines of development for both partners to the agreement. Yet the production of crude oil and its transport to the seaboard is only the first part of the achievement of the IPC group and the companies participating in it. The latter increased their refinery capacity in Europe last year by 24 million tons, and had 11 million tons of additional capacity under construction. They also increased their tanker fleets last year by 483,000 tons and had a further 2,100,000 tons under construction or on order.

"Imps" and its Capital

The capitalisation of £22,537,830 from Imperial Tobacco's reserves rectifies a long standing anomaly. With each increase in duty and with every rise in costs, especially in the cost of leaf tobacco, the disparity between the company's issued capital of £50,420,986 and the real capital employed in the business has grown wider. The greater part of the company's reserves, which totalled £44,917,746 (excluding future tax reserves) at the end of last October, have therefore been permanently locked away in financing its ever-growing commitments in working capital. As they believe that there is "no likelihood of any appreciable permanent reduction in the working capital needed by the company," the directors have therefore decided that the time is ripe for broadening the base of the company's financial structure. They have carefully refrained, however, from capitalising any part of the reserves that were built up in the past from fortuitous profits; the leaf replacement reserves have been left intact and, while £5.4 million has been capitalised from a contingencies reserve, the £9.5 million left in this reserve more than covers the net amount of the exceptional profit that arose from the increase in tobacco duty in 1947.

To provide a margin over and above the requirements of this free issue the authorised capital of the company is to be raised to £85 million. The directors, rather ambiguously, declare that they consider this margin desirable "so that an issue of shares for cash could be made if and when conditions in their view warrant such a course—which is not the case at present." This statement should not, of course, be taken to mean that the only obstacles to making an immediate cash issue are the "conditions" now ruling in the stock markets. In view of the cut in imports of dollar tobacco, the company seems likely to run down its stocks considerably this year, and its need for new finance is presumably less likely to be pressing.

Committees for Purchase Tax

The terms of reference of the two new committees on purchase tax, published last week, are sufficiently comprehensive to give the committees a fair chance of finding a solution to the twin problems of rebate and "uplift." These two aspects of purchase tax administration have been a bone of contention between traders and the Customs and Excise for several years. The first committee, under the chairmanship of Sir Maurice Hutton, will deal with the problems of traders' losses which arise when the rate of purchase tax is reduced. In a buyers' market, each reduction means that the retailer has to stand the loss caused by writing down the price of stocks on which he has paid tax at the old, higher rate, to the price of new stock bearing the lower rate of tax. The committee is to consider how far there is a case, "in principle" for paying compensation to these retailers when the rates of purchase tax "or other duties of Customs and Excise" are altered and if so, how this could be done. The inclusion of all Customs duties within the committee's terms of reference was not fore-shadowed at the time when the proposal was first made to set up these committees. But now that tax is collected from such a wide range of consumer goods, and at such heavy rates, there is much to be said for finding a means of ending the

pre-budget gamble that such traders have to face each year. If it does not, the interruption in wholesale orders created this year by textile and clothing retailers' efforts to clear stocks before the Budget is likely to be repeated annually in many trades.

The second committee, under the chairmanship of Mr Frederick Grant, QC, is faced with the highly technical dispute over "uplift." By law, purchase tax is assessed on the wholesale price of the article. The committee is, in the first place, to examine whether this is the right method of assessment. The dispute over "uplift" arises in the innumerable special cases where manufacturers sell direct to retailers and not through a wholesaler. The Customs and Excise have always insisted on adding a theoretical wholesale mark-up to the price asked of the retailer in order to arrive at the correct amount of tax to be paid. Thus, if the wholesale price of an article is 107s., a manufacturer selling to a retailer at 100s. must add a notional 7s. to his price to calculate the amount of tax to be paid. Manufacturers have consistently argued that their price to the retailer in fact includes a proportion of wholesaling expenses, and that "uplift" is therefore unnecessary. The clothing manufacturers recently reached an agreement on this question with the Customs, where "uplift" is wholly or partially waived if the sale complies with certain conditions. Hosiery manufacturers have now joined this scheme and it is probable that piece goods manufacturers will do the same. Unless the committee recommends a change in the point at which the tax is assessed, it would appear that some of its work has already been done.

New Style in New Issues

A Bank rate of 4 per cent has put a premium on ingenuity in the new issue market. Rugby Portland Cement has now followed the fashion set by Distillers and Triplex Safety Glass, but with its own ingenious trimmings. It is making a "rights" issue of £1 million 4½ per cent unsecured loan stock, 1957-62, complete with an option to subscribe to an issue of £1 million ordinary shares next year at a price that is less than half the current market price of the company's existing equities. Ordinary shareholders are to be offered the right to take up the new loan stock at par, in the ratio of £1 loan stock for every two 5s. ordinary shares held. Each £1 of new loan stock will carry with it the option to subscribe for one new 5s. ordinary share, at 10s. 6d. each, at the end of 1953. Once the loan stock is allotted the option certificates will be given a separate quotation in the market; dealings in such option certificates are familiar enough in the mining market, but they have not been seen in the industrial share market for many years.

Without the alternatives of taking up the option on the ordinary shares at 10s. 6d. (which compares with a current market price of 22s. 3d.), or of selling these options on the open market, a straightforward offer of a 4½ per cent unsecured loan stock would have been doomed to certain failure; the option certificates should now ensure that dealings in the loan stock *cum* option begin at a premium. By a piece of arithmetic almost as ingenious as the issue itself, the chairman, Mr Halford Reddish, was able to show this week that, under the present regime of profits tax and EPL, borrowing on such a loan stock will not have an adverse effect upon the amount of profits available for equity distribution; in fact, it will actually increase them—so long as the average amount of borrowed money in any one chargeable period exceeds that outstanding during the standard EPL years. In comparison with the novel details of the offer the purpose of the issue is almost mundane. The new money is required to pay off a short-term loan of £500,000, arranged last year to finance plant extensions at home, and to finance the building of new cement plants in Trinidad and Western Australia.

German Debts Near Agreement?

The international conference on German prewar debts has this week been moving rapidly towards a successful conclusion. A plenary session of the conference is due to take place at the end of this week. It will probably set its seal on agreement on all points except a remaining difference on the dollar clause in Young Bonds which may have to be smoothed out between the American and other bondholders after the London conference has closed. Subject to this gap, the agreement by the four sub-committees should be completed by the end of this week and details should be published in the very near future. The trustees and paying agents of Potash Bonds have this week announced that with the approval of the international bondholders committee, they have withdrawn proposals which were submitted to the tripartite commission on German debts, with the agreement of the potash producers. After discussions with the producers it has been decided to await the outcome of the conference on German external debts before considering whether further proposals can be formulated for approval of the bondholders' committee and the bondholders.

Cable and Wireless Costs Increase

The nationalised Cable and Wireless operating company will benefit indirectly, but perhaps only in a modest degree, from the increases in overseas telegraph rates between Britain and the Dominions announced by the GPO this week. But unless it conducts successful negotiations for higher charges with its most important customers, the Crown Colonies, it may be unable to report a net profit next year. In the year to March 31st last, the inflation of costs throughout the world had already cut so deeply into receipts that the earned surplus fell from £2,232,743 to £1,481,649 and the net balance after tax from £833,340 to £464,660. This balance was insufficient to cover the £630,000 needed to meet the customary dividend of 6 per cent (which, since nationalisation, has been payable to the Treasury). Rather than draw on the carry forward, the directors have therefore decided "in view of the company's general financial position and the present trends of revenue and expenditure" to cut the dividend to 2½ per cent; this will absorb £393,750, and leave £70,910 to be added to the carry forward.

Last year the company's total receipts rose very slightly, from £10,203,653 to £10,229,914 (with telephone and message receipts virtually unchanged); meanwhile working expenses, including higher wage and salary payments, rose from £4,457,961 to £5,247,444, and total expenses (including provisions for depreciation and renewals that make some allowance—except on cables—for present-day replacement costs) from £8,531,615 to £9,404,838. Total telegraph traffic increased by six million words to 492 million words last year, but the calls handled by the radio telephone circuits declined from 3,000,000 to 2,750,000 paid minutes, in spite of the opening of new services. This decline was largely due to the general trade recession in Hongkong, especially with the mainland of China.

Open Trade in Lead

This week's decision to restore an open market for lead is welcome. It is hoped that private dealing in lead can begin on October 1st, broadly on the same lines as for dealing in tin. The market will be free to deal in lead whether it comes from non-dollar or dollar sources (subject to exchange control to prevent currency evasion) and full arbitrage facilities will be afforded with the New York market. In taking this step, the authorities accept the risk of losing some dollars but since the United States is now a net importer of lead—at the rate of about 200,000 tons a year—the risk is hardly great. And

some initial loss of dollars, if it occurred, might be regarded as a minor matter compared with the larger benefits, both direct and indirect, that should follow the re-establishment of London as an international lead market. Moreover, if there is any dollar loss, it is likely to be offset by gains in EPU currencies, and these are at present equivalent to gold.

Almost all the lead used in this country is imported, and Australia is the largest source of supply. In the twelve months since June, 1951, United Kingdom imports of lead amounted to 210,000 tons, of which 116,000 tons came from Australia and 28,000 tons from Canada. During this period unusually large imports totalling 54,000 tons came from Mexico and Peru under contracts made by the Ministry of Materials last year, but shipments from these sources have now ceased. Smaller quantities are also being imported from Belgium, Germany and various other countries. Since last autumn lead consumption in this country has declined rapidly; monthly consumption of lead is running no higher than 6,000 tons of virgin metal compared with 13,500 tons a month in 1951. Stocks have increased sharply; by the end of May they had reached over 120,000 tons compared with a mere 27,000 tons a year ago. This increase has occurred despite the sale to the United States of 53,000 tons from government-owned stocks earlier this year. It is reported that further sales have taken place recently but details have not been given.

Lead has never been as short as zinc and copper. Although for a time last year it seemed that a serious shortage might be developing, lead was never allocated by the International Materials Conference. The rapid improvement in supplies makes nonsense of Mr Bevan's assertion that there is an international shortage of lead. As supplies have increased so prices have fallen and the continual changes in official prices in this country and the United States during the last few months have made the need for a world market price plain beyond dispute. The British price which was around £175 a ton at the beginning of this year is now down to about £131 a ton, delivered consumers' works, and is about £3 a ton above the current American level of 16 cents a lb., spot New York. The world price that will emerge when the London Metal Exchange reopens may be near the American level, but lead is now being offered on continental markets for as little as £115-£120 a ton.

New Season in Hudson's Bay

This year's shipping season on the once dangerous Hudson Bay route opened on July 23rd, three days earlier than in 1951 and thirteen days earlier than in 1949. The marine insurance market has agreed that minimum additional premiums for voyages to Port Churchill between July 23rd and October 10th will be reduced to 7s. 6d. per cent for vessels carrying a gyro compass, compared with 10s. per cent in 1950 (when the rates were last altered) and with 40s. per cent twenty years ago; for ships not carrying a gyro compass additional premiums remain at 40s. per cent, compared with 50s. per cent twenty years ago. These concessions by insurers follow upon the eleventh report by the Commonwealth Shipping Committee on Hudson Bay insurance rates, which reveals that there were no major casualties on the route last year. Most of the vessels going to Port Churchill, of course, now carry all the modern aids to navigation—including radar, which is very valuable in ice-infested waters even though it is only of limited service in finding leads out of pack ice. In addition, important additional aids in the Strait and Bay have recently been provided by the Canadian Government. Two new charts have been published and RCAF airplanes flying over the area report the positions of ice fields and ice packs; these reports are relayed through land-based radio stations and by the patrol ice-breaking vessel N.B. McLean, which is equipped with towing gear, a searchlight and salvage plant. Another armed ice breaker is now building for the Canadian Navy.

Last year 7½ million bushels of wheat were shipped to Europe from Port Churchill in 21 vessels and the Commonwealth Shipping Committee argues that up to 5 more vessels carrying an additional 2½ million bushels could comfortably have been handled. Hitherto vessels have been forced to clear Port Churchill by October 10th, but the Committee points out that in only one year in the last quarter century has ice come down the Churchill River as early as this; in any event the river freezes first, and freezing-up thereafter extends gradually to the Bay and then to the Strait, so that vessels can normally safely remain at Port Churchill for several days after the first appearance of up-river ice in the harbour. The insurance market has partly conceded this point, and will allow vessels to remain at Port Churchill until October 15th this year, subject to the payment of additional premiums at 25 per cent above the scale for the normal season ending on October 10th.

Shorter Notes

The administrators of Rumanian, Hungarian and Bulgarian property in the United Kingdom will shortly be directed to distribute these assets to British creditors of these ex-enemy countries. It is expected that about £7 million will be available for creditors of Rumania, £600,000 for creditors of Hungary and £110,000 for creditors of Bulgaria. This news led to a rise in East European bonds in the Stock Exchange this week, with Rumanian bonds showing particular strength.

The Standard Motor Company has set up, with its Australian distributor a new company, Standard Motor Products, Ltd., which will start the assembly and "progressive manufacture" of the company's cars and also of the Ferguson tractor in Australia. Several leading British manufacturers already have assembly plants in Australia, as they have in the other major export markets. By starting production proper, as distinct from putting together knocked-down cars imported from Britain, Standard may get some of the advantages that General Motors is already reaping from its Australian factories; that is, of producing a car that may be in principle a foreign design but which has been tailored locally to fit Australian conditions.

Princes Investments, Ltd., has withdrawn its intended offer of 6s. for each 5s. ordinary stock unit of Grosvenor House (Park Lane), Ltd., following a recommendation by the directors of the latter company to its shareholders that the offer should be rejected. In a circular to shareholders in Grosvenor House the directors pointed out that a recent valuation of the company's properties would support a value of 12s. each for the 5s. ordinary stock units of the company on a going concern basis; this compares with the market price just before the announcement of the offer by Princes Investments of 3s. 6d.

The Economist—BY AIR

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

Company Notes

General Electric.—Demand—and therefore ultimately investment—in the electrical industry appears to be flowing in the right direction, towards capital goods and away from consumer goods. In a report accompanying the full accounts of GEC for the year to March 31st, the chairman, Sir Harry Railing, reveals that orders for consumer goods began to fall towards the end of the financial year, and have continued to do so both at home and abroad throughout the spring and early summer. This decline, however, has been more than offset by the increased demand for capital goods, and Sir Harry is therefore able to report fresh records in production, sales, exports and outstanding orders on GEC's books. The expansion in turnover was achieved in spite of shortages of materials and labour early in the financial year, and it has been reflected in the increase in group trading profits from £7,424,716 to £8,617,275. A further increase in taxation, from £3,640,848 to £4,455,066, has whittled down the advance in net profits to a mere £113,075, but the net balance of £2,091,114 still comfortably covers the interim dividend of 7½ per cent (paid on the ordinary capital of £4,198,372) and the final dividend of 15 per

Consolidated earnings:—

	1951	1952
Trading profit	7,424,716	8,617,275
Total income	7,979,793	9,276,889
Depreciation	1,038,724	1,092,896
Taxation	3,640,848	4,455,066
Net profit	1,978,039	2,091,114
Ordinary dividends	495,353	628,224
General reserve	298,262	45,000
Stock depreciation reserve	481,372	838,672
Plant replacement reserve	750,000	500,000
Added to group carry forward	173,516	309,311

Cons. balance sheet analysis:—
Fixed assets, less depreciation ... 10,234,710 11,656,735
Net current assets ... 25,300,427 31,377,416
Stocks ... 25,247,010 33,541,257
Cash ... 4,676,590 5,256,095
Reserves ... 19,043,820 25,129,741
Ordinary capital ... 4,198,372 5,877,720
£1 ordinary stock at 79s. 6d. yields £5 13s. per cent.
* Interim dividend of 7½ per cent on £4,198,372 capital and a final dividend of 15 per cent on £5,877,720 capital.

cent (paid on the capital of £5,877,720 as increased by the "rights" issue in the spring).

This successful "rights" issue provided the base for further expansion. A good deal of the new money was quickly absorbed in financing increased investment in stocks and work in progress; the increase in the book value of stocks from £25,247,010 to £33,541,257 was the natural outcome of a higher volume of production and of the rises in material costs and labour rates. In recognition of the growth in the group's business and stature, the directors have decided to capitalise £5,887,720 from the share premium account in order to issue a 100 per cent scrip bonus to equity shareholders. On present prospects dividend disbursements in the coming year certainly seem more likely to go up than go down.

Patons and Baldwins.—The statement made by Mr P. A. Wright, the chairman of Patons and Baldwins, adds the greys and half tones to the sombre picture revealed by the company's preliminary statement, which was discussed in these columns on July 5th. After revaluing all stocks of wool tops and yarns at market prices on May 3rd, the group's deficit on trading amounted to £293,492, compared with a surplus of £3,334,696 in 1950-51, a year in which profits were swollen by heavy inventory gains. Mr Wright does not explicitly disclose the extent of stock losses in the latest year, but his statement confirms the impression that these losses were far heavier than the withdrawal of only £700,000 from the contingencies reserve might at first suggest. He reveals that the overall weight of raw

wool and top stocks held by the group on May 3rd was approximately the same as at the end of the previous financial year, although the consolidated balance sheet shows a fall in the value of stocks from £13,396,641 to £9,910,989. In the parent company's balance sheet the value of stocks has fallen even more sharply, from £13,391,677 to £7,887,151, although the weight of stocks held in Britain has actually risen.

The fall in stock values has been accompanied by a decline in bank overdrafts and acceptance credits, from £2,361,207 to £845,123, and by a rise in cash balances from £200,250 to £547,464. These changes and the payment of a 10 per cent ordinary dividend for the year are the only welcome features of the accounts themselves, but the chairman's statement does throw a more

Cons. balance sheet analysis:—

	1951	1952
Fixed assets, less depreciation	8,092,157	8,532,444
Net current assets	10,938,115	9,562,901
Stocks	13,396,641	9,910,989
Cash	200,250	547,464
Bank overdrafts and acceptance credits	2,361,207	845,123
Reserves	7,851,996	7,081,783
Ordinary capital	2,638,829	2,638,829
£1 ordinary stock at 49s. 6d. yields £4 2s. per cent.		

encouraging light on future prospects. Mr Wright hopes that the coming year will "see the commencement of a recovery in the wool trade." Lower prices have not, as yet, brought any marked resurgence in sales, but if the current recovery in wool prices is maintained the industry should be relieved of its biggest headache—the threat of further stock losses. Mr Wright gives due weight to this factor in pointing out that "the past year has seen the major portion of the recession which so obviously had to be faced when one considered the peak prices to which wool prices had risen by March, 1951."

John Brown.—As accounting records were damaged by fire at the Coventry works of Wickman, Ltd., last March, the accounts of the Wickman group of companies have been omitted from the consolidated accounts of John Brown. Following the necessary adjustments in the accounts, the preliminary statement for the year to March 31st last shows that the group's profits before tax have advanced from just over £1,464,000 to nearly £1,720,000. There has obviously been no slackening in demand for the group's products, and this increase in gross profits suggests that the group, though possibly handicapped by shortages of steel, has been able to increase its output by the utilisation of additional capacity. Unfortunately for shareholders taxation, at £1,132,612 (against £874,814), has eaten so deeply into gross earnings that the consolidated net profit has actually fallen slightly from £589,583 to £587,361. It is not surprising, therefore, that the directors have been content, in effect—once allowance is made for last year's 100 per cent scrip bonus—to maintain the tax free ordinary dividend for the year at 7½ per cent. As in the previous year, this dividend absorbs £323,083, and the balance carried forward by the group has been increased from £1,253,827 to £1,361,027. At the current price of 42s. 3d. the £1 ordinary stock units offer a gross yield of 6½ per cent—a yield that suggests that investors are not expecting much more than the maintenance of a tax free rate of 7½ per cent in the current year. With its widespread interests in the shipbuilding and engineering industries, the group should certainly not suffer from any lack of orders this year, although there may be a temporary check to production if capacity has to be switched from rearmament to exports.

SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to July 30		British Funds and Guaranteed Stocks	Price, July 25, 1952	Price, July 30, 1952	Gross Yield, July 30, 1952
High	Low				
100 1/2	99	W. Bds. 2 1/2% '51-53	99 1/2	99 1/2	4 1/2
100 1/2	99 1/2	W. Bds. 2 1/2% '52-54	98 1/2	98 1/2	3 7/8
99 1/2	96 1/2	Exch. 2 1/2% 1955	97 1/2	97 1/2	3 9/8
100 1/2	99	S. Fundg. 1 1/2% '52	99 1/2	99 1/2	3 0/7
100 1/2	97 1/2	S. Fundg. 1 1/2% '53	99	99	2 10/9
99 1/2	96	S. Fundg. 1 1/2% '54	97	97	3 2/3
99 1/2	95 1/2	W. Bds. 2 1/2% '54-56	96 1/2	97	3 5/11
100 1/2	96 1/2	Fundg. 2 1/2% '52-57	97 1/2	97 1/2	3 8/21
100 1/2	97 1/2	N. Def. 3% '54-58	97 1/2	97 1/2	3 8/21
100 1/2	96 1/2	W. Loan 3% '55-59	98	98	3 9/11
92	87	Savings 3% '55-65	88 1/2	88 1/2	4 2/9
94	88 1/2	Fundg. 2 1/2% '56-61	89 1/2	89 1/2	4 0/21
87 1/2	81 1/2	Fundg. 3% '58-69	84 1/2	84 1/2	4 7/11
85	82	Fundg. 3% '66-68	85 1/2	84 1/2	4 6/7
99 1/2	94 1/2	Fundg. 4% '60-90	97 1/2	97 1/2	4 4/01
87 1/2	80 1/2	Savings 3% '60-70	82 1/2	82 1/2	4 7/9
85 1/2	79 1/2	Savings 2 1/2% '64-67	81 1/2	81 1/2	4 4 1/11
101 1/2	98 1/2	Victory 4% '20-76	100 1/2	99 1/2	4 0/8
84	78 1/2	Savings 3% '65-75	80 1/2	80 1/2	4 7/01
90 1/2	81 1/2	Consols 4% (aft '57)	82 1/2	82 1/2	4 17/31
84 1/2	73 1/2	Conv. 3 1/2% (aft '61)	74 1/2	74 1/2	4 15/31
60 1/2	53 1/2	Treas. 2 1/2% (aft '75)	55 1/2	55 1/2	4 11/81
71 1/2	62 1/2	Treas. 3% (aft '66)	65 1/2	65 1/2	4 13/81
89 1/2	83	Treas. 3 1/2% '77-80	84 1/2	85 1/2	4 9/61
78	73 1/2	Redemp. 3% '86-96	75 1/2	75 1/2	4 5/61
81	72 1/2	W. Loan 3 1/2% aft '52	73 1/2	73 1/2	4 15/71
61 1/2	55 1/2	Consols 2 1/2%	56 1/2	56 1/2	4 8/71
85 1/2	78 1/2	Br. Elec. 3% '68-73	81 1/2	81 1/2	4 8/81
84 1/2	77 1/2	Br. Elec. 3% '74-77	80 1/2	80 1/2	4 7/41
99 1/2	97 1/2	Br. Elec. 4 1/2% '74-79	99	99 1/2	4 7/01
90 1/2	84 1/2	Br. Elec. 3 1/2% '76-79	86 1/2	86 1/2	4 7/101
78 1/2	72 1/2	Br. Tpt. 3% '78-88	74 1/2	74 1/2	4 8/101
85 1/2	78 1/2	Br. Tpt. 3% '88-93	81 1/2	81 1/2	4 8/81
77 1/2	72 1/2	Br. Gas 3% '69-98	74 1/2	74 1/2	4 7/61
93 1/2	87 1/2	Br. Gas 3 1/2% '69-71	89	89 1/2	4 8 1/11
89 1/2	83 1/2	Br. Iron & Steel 3 1/2% '79-81	84 1/2	85 1/2	4 8/51

(a) To earliest date. (f) Flat yield. (h) To latest date. (g) Assumed average-life 15 years approx. * Ex dividend.

Price, Year 1952 Jan. 1 to July 30	Ordinary Stocks	Price, July 25, 1952	Price, July 30, 1952	Yield, July 30, 1952
High	Low			
8½	5½	Anglo-Am. 10/-	6½	5 1/2
6½	5½	Anglo-Iran 1/-	5½	5 2/2
84/9	66/-	Assoc. Elec. 1/-	69/6	5 15/1
104/9	90/-	Assoc. P. Cem. 1/-	97/6	5 12/10
129/3	110/-	Bass 1/-	121/3	7 1/9
23/-	17/-	Boots 5/-	19/-	5 5/3
26/-	19/10	Brad. Dyers 1/-	22/9	9 15/8
30/-	18/3	Br. Celanese 10/-	21/9	6 14/8
29/7½	25/10½	Br. Motor Cp. 5/-	28/4½	...
85/9	45/9	Br. Oxygen 1/-	74/-	46/9
74½	45½	Can. Pac. \$25/-	66½	45½
52/9	39/9	Cats 1/-	41/10½	5 13/4
46/-	30/7½	Courtauld 1/-	34/9	6 11/5
39/-	29/9	Cunard 1/-	32/6	9 4/7
20/6	16/4½	Distillers 4/-	17/6	5 4/4
61/3	42/9	Dunlop 1/-	46/3	7 11/4
51/4½	42/9	Ford 1/-	49/-	6 2/5
92/3	71/6	Gen. Elect. 1/-	78/6	5 13/2
54/-	45/6	Guest Keen 1/-	51/-	5 15/5
62/7½	27/6	Guinness 10/-	61/3	5 8/5
36/10½	31/6	Hawker Sid. 1/-	35/-	5 14/3
47/4½	38/7½	Imp. Chem. 1/-	43/9	5 19/6
95/-	78/5½	Imp. Tobacco 1/-	82/6	7 15/2
88½	75½	Int. Nick. n.p.	85	5 8/0
71/3	53/1½	J.Burg Con. 1/-	55/-	6 7/3
43/1½	30/6	Lancs. Cotton 1/-	36/7½	8 4/5
60/6	52/3	Lon. Brick 1/-	60/-	5 16/8
89/6	34/-	Marks & Sp. A 5/-	39/9	5 0/0
28/9	21/6	Monsanto 5/-	25/-	4 7/10
54/-	42/-	P. & O. Def. 1/-	46/6	7 0/8
39/3	31/-	P. Johnson 10/-	35/6	7 0/10
38	31½	Prudential 'A' 1/-	33½	5 13/6
26½	18½	Rhokana 1/-	21½	9 6/0
60/7½	44/3	Rolls-Royce 1/-	58/-	5 1/8
98/1½	76/10½	"Shell" Stk. 1/-	80/-	5 14/6
115/-	49/3	Tube Invest. 1/-	51/3	4 17/7
89/9	77/9	T. & Newall 1/-	82/6	4 17/0
49/6	38/9	Unilever 1/-	45/-	5 16/9
46/3	20/3	Union Castle 1/-	20/6	8 1/11
41/9	36/6	Union Disc. 1/-	38/-	5 8/1
37/6	25/10½	Utd. Molass. 10/-	30/-	8 12/0
59/10½	31/-	U. S. Betong 1/-	37/6	26 13/4
47/7½	40/-	Vickers 1/-	41/6	6 18/4
44/1½	38/6	Woolworth 5/-	40/6	5 6/11

(d) Yield basis 134%. (e) Yield basis 164%. (f) Yield basis 22.9 gross. (g) Yield basis 16%. (h) Yield basis 12½%. (i) Yield basis 61%. (m) Yield basis 19.8%. (n) Yield basis 40%. * Ex div.

EXCHEQUER RETURNS

For the week ended July 26, 1952, total ordinary revenue was £60,645,000, against ordinary expenditure of £44,812,000 and issues to sinking funds £260,000. Thus, including sinking fund allocations of £8,817,000 the deficit accrued since April 1, 1952, was £216,346,000 compared with a surplus of £55,862,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	April 1, 1951 to July 26, 1952	April 1, 1952 to July 26, 1952	Week ended July 26, 1952	Week ended July 26, 1952
REVENUE	£'000	£'000	£'000	£'000	£'000
ORD. REVENUE	180,422	288,148	340,058	23,048	14,722
Income Tax	123,000	27,700	24,800	900	800
Sur-tax	175,000	68,600	50,500	3,200	4,000
Estate, etc., Duties	57,500	21,500	16,650	1,300	1,000
Stamps	452,000	85,000	100,400	7,000	8,400
Profits Tax & E.P.T.	5,000	...	...	...	...
Excess Profits Levy	...	...	...	...	...
Special Contribution	2,000	1,255	630	80	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,875	492,203	533,038	35,498	28,922
Customs	104,350	314,144	327,495	12,287	17,063
Excise	772,000	228,813	202,287	33,713	13,930
Total Customs and Excise	1,815,500	542,957	529,782	46,000	30,993
Motor Duties	64,150	8,833	7,847	862	...
Surplus from Trade	12,000	57,500	...	700	...
P.O. (Net Receipts)	15,000	3,400	2,700	700	...
Broadcast Licences	26,000	6,765	5,785	...	644
Sundry Loans	110,000	26,184	31,247	318	186
Miscell. (incl. Surplus War Stores)	466,137	113,854	111,040	84,078	60,645
Total Ord. Rev.	209,235	56,700	59,200	3,800	3,800
SELF-BALANCING	4,900	1,675	1,972	77	15
Post Office	...	...	...	...	...
Income Tax on E.P.T. Refunds	...	...	...	...	...
Total	487,551	119,691	117,152	87,955	64,460

	Ord. Expenditure	Int. & Man. of Nat. Debt	Payments to N. Ireland	Other Cons. Funds	Total
Int. & Man. of Nat. Debt	575,000	126,758	152,056	2,654	3,828
Payments to N. Ireland	40,000	11,150	11,683	1,507	1,560
Other Cons. Funds	10,000	3,957	4,079	...	14
Total	625,000	141,865	167,818	4,161	5,402
Supply Services	360,562	936,897	115,011	54,541	39,410
Total Ord. Expend.	423,056	1,078,762	131,799	58,702	44,812
Sinking Funds	...	3,918	8,817	...	260
Total (excl. Self-Bal. Expend.)	423,056	1,082,680	132,676	58,702	45,072
SELF-BALANCING	209,235	56,700	59,200	3,800	3,800
Post Office	...	...	...	...	...
Income Tax on E.P.T. Refunds	4,900	1,675	1,972	77	15
Total	444,469	1,141,055	138,791	62,579	48,887

After decreasing Exchequer balances by £287,215 to £2,751,393 the other operations for the week increased the National Debt by £6,423,795 to £25,978 million.

COMPANY MEETINGS

THE BRITISH PLASTER BOARD LIMITED

CONTINUED STRONG DEMAND FOR GYPSUM PLASTERS

• TURNOVER CONSIDERABLY INCREASED

LORD BELPER ON INJURIOUS EFFECT OF EXISTING TAXATION LEVEL

The thirty-fifth annual general meeting of The British Plaster Board Limited was held on July 24th at 20, St. James's Square, London, S.W.1, The Rt. Hon. Lord Belper, PC, DL, JP (the chairman), presiding.

The following is the chairman's statement, which had been circulated with the report and accounts for the year ended March 31, 1952:—

It is with deep regret that I record the death on September 7, 1951, of Mr C. Macfarlane Cullen. Mr Cullen had given distinguished service to our subsidiary, D. Anderson and Son, Limited, over a period of 40 years, latterly as chairman and joint managing director. He was appointed to the board of The British Plaster Board Limited, on February 6, 1947, and his counsel was much sought after throughout our company. His passing is a real loss.

Mr F. W. Anthony, who has attained the age of 70, is retiring from the board of The British Plaster Board Limited. We are fortunate, however, in that he has agreed to remain in an advisory capacity on the boards of a few of our subsidiary companies, including The Gotham Company, Limited, which he joined some 49 years ago, becoming chairman of that company in 1939. The amalgamation of The Gotham Company, Limited, and The British Plaster Board Limited, in 1935 was one of the first of the series by which this group was formed, and it was then that Mr Anthony joined the board of the parent company. His long and highly efficient service to the company has been a material factor in the success achieved, and his colleagues join with me in wishing him a prolonged and happy period of retirement from his executive duties.

CONSOLIDATED BALANCE-SHEET

As foreshadowed in my statement a year ago, after expert advice the company's fixed assets have been revalued, and they are now shown at figures which are more realistic in terms of the postwar value of the pound sterling. I should, however, emphasise that your directors have been conscious of the possibilities of a fall over the next few years in the cost of plant and buildings, and that, while the object has been to arrive at a reasonable value of the unexpired life of the fixed assets based on the possible replacement cost, a conservative view has been taken. Nevertheless, you will observe from a study of the consolidated balance-sheet that the surplus arising from this revaluation is the very substantial amount of £4,220,612, shown under capital reserves. The fixed assets now stand at £6,298,163.

The value of shares in associated companies has been increased by £75,794, which is mainly accounted for by the investment in Placoplatre, a plaster board manufacturing company in France.

The marked increase in stocks and debtors is in line with the common experience of industry today, and emphasises the toll taken of cash resources in a period of rapid inflation. This increase is offset to some extent by the greater amounts due to trade creditors.

Contracts for future capital expenditure, noted at the foot of the balance-sheet, show a substantial increase at £621,750. This largely reflects the putting in hand of the project for the supply of anhydrite for the manufacture of sulphuric acid, which I mentioned a year ago. We have now entered into a contract with the United Sulphuric Acid Corporation, Limited, for quantities of approximately 250,000 tons per annum, which will be mined in the North of England where the necessary reserves have been proved. Your company's organisation is well equipped to undertake to supply this indigenous material to any other such nationally important projects which may materialise. The country's economic position points to the necessity of using its indigenous materials wherever possible, especially, perhaps, when it effects a saving of hard currency.

We are now deep-mining upwards of one and a half million tons per annum of gypsum and anhydrite and our current and potential capacity is such that we can readily arrange to meet all demands likely to be made upon us.

It is interesting to record, at this point, that during the last three years our own deep boring plants have covered wide areas in the proving of appreciably greater reserves of both gypsum and anhydrite.

As you will have observed from the balance-sheet, the market value of our investments is lower than cost, less reserve as at March 31, 1951. This is due to the severe fall which has occurred in Government securities and an appropriation of £50,000 has been made out of this year's profits to investment reserve to cover this reduction in value. Fortunately, these particular securities are redeemable at par in 1964-67.

TURNOVER

Turnover again increased considerably—by nearly one-third over the previous year—in spite of difficulties for the first eight months in securing adequate supplies of paper for the manufacture of plaster board and felt, and shortages of metals which continued throughout the year and prevented higher outputs of hot brass stampings and drop steel forgings by our Birmingham and Stourbridge companies.

The availability of adequate supplies of paper in the latter part of the financial year unfortunately coincided with the effects of the recession experienced by some sections of the building material industries, and sales of plaster board were somewhat restricted towards the end of the period through falling demand. Reduced demand for this particular product still continues, and there are now less orders for roofing felt. There are, however, signs that the absorption of unusually large stocks built up by merchants and builders will bring increased orders before very long.

I am glad to state that demand for plasters and other gypsum products continues to be strong and sales in the group as a whole are satisfactory.

PROFITS

The method of writing off depreciation has been amended by reassessing the unexpired life of the assets. It is significant of the need for a change in the attitude of the taxation authorities to this subject that, ignoring initial allowances—which, in any case, are now withdrawn—the Revenue are, in effect, only prepared to take into account rather less than 12s. in every £1 deemed necessary by your directors to be set aside as depreciation for the year under review.

Consolidated trading profits at £1,259,077 show an increase of £204,470, or nearly one-fifth more than last year, and this can, I think, be taken as a satisfactory result of the increased sales if due allowance is made for the heavy increase in costs beyond our control. Taxation has absorbed the majority of this increase in profit, so that the amount of £418,883 left over is only £42,157 more than the previous year's figure.

I know that you are conscious of the injurious effect of existing levels of taxation and the consequent withdrawal from industry of cash required to maintain adequate working capital, quite apart from the necessity of making provision for replacement of fixed assets from time to time.

Unless the peak of taxation has been reached and a gradual fall is to take place from now on, it is difficult to envisage how industry generally will be able to provide sufficient funds out of profits to take care of the replacement of fixed assets, and failure to do so is bound seriously to jeopardise efficiency in the future.

PRICES

You will be pleased to know that since my statement to you last year, there has been a satisfactory settlement over the control of the prices of our gypsum products. The previous Government had referred the whole matter to the Palmer Committee, whose interim and final reports were both favourable to our case. After due consideration by the Minister of Works, the three Statutory Orders controlling the prices of gypsum products were rescinded on December 27, 1951, and a new voluntary control agreement was entered into with the Ministry. In March of this year the Minister freed the gypsum industry from control altogether, in common with other building material industries, including the bitumen felt manufacturers.

ASSOCIATED COMPANIES ABROAD

Our associate companies in South Africa and Eire have both made good progress and increased profits have been earned, while in France our new associate company, Placoplatre, is also showing improved results, with its products already becoming a factor in the French building trade.

Your directors have thought for some time that the British Plaster Board Limited should interest itself in the manufacture and sale of some of its products in the Rhodesias. Recently, therefore, it was decided to take a substantial interest—relative to the size of the small-scale plants required—in Southern Rhodesia, in association with one of our sup-

pliers of paper in the United Kingdom and others.

PERSONNEL RELATIONS

The satisfactory results of the past year could not have been achieved without the sustained efforts of all our employees, no matter of what degree. It is fitting that I should record this acknowledgment of their vital contribution to the year's results. Both they and the company have again benefited by the friendly relations with the trade unions which have continued over many years.

DIVIDEND

The directors have decided to recommend a final dividend of 10 per cent, making, with the interim dividend, a total of 17½ per cent for the year. This compares with the total of 16½ per cent paid for the previous year, and provides a small increase for the stockholders.

The report and accounts were adopted and the final dividend of 10 per cent, making 17½ per cent for the year, was approved.

The retiring directors, Mr T. S. Durham, Mr R. G. Forsyth, Mr H. Leigh Newton and Mr J. H. Sheppard, were re-elected, and the remuneration of the auditors, Messrs Bretherton Hurst and Company, having been fixed, the proceedings terminated.

GRAYSON, ROLLO & CLOVER DOCKS LIMITED

A PROFITABLE YEAR

SIR DENYS GRAYSON ON TRADING CONDITIONS

The thirty-first annual general meeting of Grayson, Rollo & Clover Docks Limited, was held at Clover Docks, Birkenhead, on July 24th, the chairman, Sir Denys Grayson, Bt., presiding.

The secretary read the notice convening the meeting.

The following is the chairman's statement circulated with the report and accounts for the year ended March 31, 1952:—

In commenting on the affairs of the company since our last meeting, I must first of all record with great regret the death, on October 27, 1951, of my father, Sir Henry M. Grayson, Bt., KBE. His long association and his work with the company as chairman is well known, and I am sure you will agree that the standing and prosperity of the company which has been attained under his leadership is a fitting memorial to him.

You will observe from the accounts for the year ended March 31, 1952, that again the company has had a profitable year, and your directors consider that the results are quite satisfactory.

THE DIVIDEND

When we met last year, I made reference to the provision of a special dividend reserve account as, following the statement made by the then Chancellor of the Exchequer, the dividend on the ordinary shares was restricted to 10 per cent. It had been the intention of the board to recommend an ordinary dividend for last year of 15 per cent and from the directors' report now before you, it will be seen that this intention was implemented on December 11, 1951, when a special dividend of 5 per cent was paid. Between the date of our thirtieth annual general meeting and the payment of this special dividend the issued capital of the company

had been increased by the issue of 382,564 ordinary shares as a bonus, and the special dividend was paid on the full amount of the ordinary shares as existing at the date of payment of this dividend.

Shareholders will no doubt be interested to know that from each pound of the profit the Government will take in taxation 47.7 per cent. Reserves, replacements and developments, about 43.3 per cent, and the shareholders, preference and ordinary combined, 9 per cent.

APPROPRIATIONS

With regard to the appropriations from our trading profit, your directors recommend that £50,000 be transferred to the general reserve. It will be remembered that last year, the sum of £100,000 was transferred to this reserve, but £50,000 had been brought from taxation reserve being a provision no longer required, and the general reserve now stands at the total of £352,885. The expenses of the bonus issue made in October last year have been written off, and £70,000 is again recommended to be placed to the replacements and development account.

Arrangements to provide pensions for the executive and general staffs have now been made with an insurance company, and you will see that a small balance of £3,907 remains from the amount previously set aside. The directors have deemed it advisable to increase the balance of this account to £5,000 as a reserve for future contingencies.

The valuation of the property, plant and machinery of the Company has been completed, and a note of the figure arrived at by our valuers, viz., £1,590,584, appears on the balance sheet. You will appreciate that this valuation is made on a going concern basis at a time when the industry is well employed.

Investments this year show an increase of £12,100, and this is due to the company taking up further shares in British Wheeler Process Limited. That company has added a further vessel to the fleet of tank cleaning craft and, I am happy to say, continues to progress and extend its activities.

THE OUTLOOK

Trading conditions in our industry always make it difficult to attempt to foretell future prospects. At present we have a very good volume of work in hand and in prospect including a considerable amount of Admiralty and Merchant shipping work. The present year has commenced favourably as we have been well employed with drydockings and special surveys as well as the usual voyage repairs entrusted to us by our ship-owning friends. Whilst timber supplies have improved, the steel and general metal position causes considerable concern, and it is understood that the expected increased steel allocation for period III of the current year will not be made, and in fact the tonnage available will be less than the allocation figures.

Our new 20-ton travelling crane will not be available for some months, as production has been slowed down by the shortage of steel, but the ground work is proceeding so that the installation of the crane will be made without any avoidable delay.

In concluding this report, I am glad to say that during the year under review, the company has been free of any major labour troubles, although the supply of skilled labour is still below the demand in the industry.

I am sure that it will be your desire that on your behalf I should express our appreciation of, and grateful thanks to, all our employees for their good work and loyal support.

The report and accounts were unanimously adopted.

TRUST HOUSES

EFFECTS OF TAXATION ON HOTEL INDUSTRY

The forty-ninth annual general meeting of Trust Houses, Limited, was held on July 25th, in London.

Captain A. R. S. Nutting, OBE, MC, the chairman, who presided, in the course of his speech, said:—

Our trading profit shows a small increase from £389,583 to £410,569. Taxation, which I need hardly remind you is far too high and far more than industry can reasonably be asked to bear, takes £269,402 and we are left after all our hard work with a net profit for the year of £122,486.

It may interest you to know that our turnover last year was the highest in the history of the company and I have had taken out a break-up of £1 of takings. Cost of food, liquor, and tobacco represented 51 per cent, wages and salaries at head office and houses 21.7 per cent, overhead expenses 13.7 per cent, repairs and renewals 7.1 per cent, direct taxation 4.8 per cent, dividends 1.7 per cent. This break-up shows the proportion of our turnover paid out in direct taxation. If I were to extract the sum of indirect taxation, including the purchase tax which we have to pay on our furniture and equipment and the large sum of excise duty in respect of which we are tax-collectors for the Government, the percentage figure would be not 4.8 per cent but 28 per cent. In other words out of every £100 we take just over £28 goes to the Government in direct and indirect taxation. We were fortunate in having good results during our standard years, we therefore do not anticipate that the company will be liable for EPL in the immediate future.

Captain K. C. McCallum, MC, managing director, seconding the resolution, said:—

This industry is now our best earner of United States dollars, as is clearly indicated in the last report of the British Travel and Holidays Association. The Government spends large sums of money in efforts to expand the tourist industry.

GOVERNMENT'S CONFLICTING POLICIES

Unfortunately there is a lack of suitable accommodation in the country. Before the war there was a steady development and improvement of hotels and inns which prudent proprietors paid for by ploughing back part of their profits. Such improvements, although they are within the four walls of the premises and not extensions, are treated by the revenue authorities as capital expenditure and attract income and undistributed profits tax at the rate of 10s. in the £. Before the war there was no profits tax and income tax was at a comparatively low level and was not a very great deterrent to progress. But today the position is totally different and the cost of modernisation and development out of revenue has become prohibitive.

The Government is paying out with one hand to attract tourists and with the other is giving little encouragement to provide for or retain them when they arrive. It is obvious that only half this policy is right.

Governments of Continental countries do everything in their power to assist the hotel industry to earn foreign currency. We should do likewise and I strongly advocate that existing country hotels and inns should be given every assistance and encouragement. This could be best done by:—

1. Permitting the cost of improvements within existing buildings to be treated as a revenue charge.

2. Remitting purchase tax on furnishings and equipment.

The report and accounts were adopted.

THE STANDARD BANK OF SOUTH AFRICA

CONTINUED BUSINESS ACTIVITY

MR JOHN NICHOLSON HOGG'S STATEMENT

The one hundred and thirty-ninth ordinary meeting (being the annual general meeting for the year 1952) of The Standard Bank of South Africa, Limited, was held on July 30th, in London, Mr John Nicholson Hogg, presiding.

The following is an extract from his circulated statement:—

I feel that I should draw your attention to certain proposed changes in the capital structure of the company. Resolutions will be laid before you at the annual general meeting which, if passed, will increase the authorised capital of the company by £5 million and will also make changes in the nominal amount of the present shares and in the liabilities attaching thereto.

In comparing the balance-sheet now before you with that of last year, you will note that the principal movement is in the figure for advances which at £114 million is almost £30 million higher than a year ago. The items "bills of exchange purchased" and "customers' bills for collection" have also increased, by £1 million and £2 million, respectively. These increases resulted from a relaxation in 1951 of the restrictions on imports into the Union of South Africa, which led merchants and traders to build up their stocks. We have been at pains to try to ensure that these increased facilities were used for genuine trading transactions and not for speculative or long-term capital purposes. It is perhaps worthy of note that even before the end of our financial year there was a modest falling off in our advance figures, and since March this tendency has been maintained.

The other movements in our assets, partly due, of course, to the increase in advances, have been a reduction of £17 million in our investments, and of £8 million and £10 million in our cash items and bills discounted respectively.

On the liabilities side the one movement of importance is a small drop in the total of current deposit and other accounts. This is £4½ million less than the previous year.

PROFIT AND LOSS ACCOUNT

You will note from the profit and loss account that after providing for taxation and after making a transfer to the credit of reserve for contingencies, out of which reserve provision has been made for diminution in the value of assets, the profit amounted to £911,999, that is to say, £102,775 more than last year. Adding in the balance brought forward, there is a total of £1,082,872 with which we have to deal. Out of this an interim dividend of 7s. per share was paid on January 27, 1951. From the balance remaining, £990,997, there has been allocated £200,000 to bank premises, leaving £790,997 to be appropriated. It is recommended that £400,000, the same as last year, be transferred to the officers' pension fund and that a final dividend of 9s. per share, together with a bonus of 4s. per share be paid, leaving £220,372 to be carried forward to next year's accounts. Together with the interim dividend, this final dividend and bonus will amount to 20s. per share, thus repeating the distribution made for 1950-51.

With the balance sheet of the bank there are also presented the accounts of our wholly-owned subsidiary the Standard Bank Finance and Development Corporation, Ltd. From these it will be seen that after deduction of

taxation a net profit of £11,454 remains. There was brought forward from last year a sum of £15,751, and this, together with the profit for the current year, amounting in all to £27,204, is carried forward to the next accounts. The corporation continues, we believe, to serve a useful purpose, and the results disclosed are, I think, satisfactory.

SOUTH AFRICA

In the Union of South Africa the year 1951 saw continued business activity and industrial expansion. The principal changes in the economic conditions in the country during the year arose from the adverse balance of external payments, which followed a relaxation of controls, and the inflationary pressures which made themselves felt with increasing force. In terms of values, there was a very substantial increase in imports during the year. Exports were higher by a smaller figure and the visible trade deficit was much larger than in 1950. Although the flow of investment funds from overseas continued at about the same rate as in 1950, the present difficulties of other countries may well result in a lessening of the flow of capital funds to the Union. The decline in the price of wool will have an important effect on external earnings during the current year.

Internal trading during 1951 was stimulated by the increase in the volume and range of stocks, both imported and home produced, and by high earnings in farming, mining and the secondary industries.

Conditions of prosperity existed in the farming industry last year following good weather and favourable prices for farm products, particularly for wool. Widespread droughts occurred, however, in the summer of 1951-52 and the current maize harvest is likely to be the smallest for many years. Even with reserve stores from the two previous good harvests it is estimated that supplies of maize will be insufficient to meet normal consumption.

SOUTHERN AND NORTHERN RHODESIA

Retail trade in Southern Rhodesia during the past year was well sustained and turnover generally was much above 1950. The steady expansion of trade naturally followed the increase in the population of the Colony.

While trading conditions were buoyant generally in Northern Rhodesia they were particularly active in the mining areas where demand was sustained at a high level by the increased earnings of the mine workers and the larger numbers employed.

Although trading activity in South-West Africa was maintained during 1951 there is appearing a caution in demand attributed to the high cost of imported goods.

The East African Territories have passed through another year during which business activity has been maintained at a high level, but as the year drew to a close it became evident that prices of many of the natural products, so important to the economy of this part of Africa, were inclined to fall. As was natural the market in piece-goods reacted unfavourably and some merchants in the larger centres became overstocked.

The report and accounts were adopted. Resolutions altering the articles of association and increasing the capital of the company to £15 million by the creation of 5 million new shares of £1 each were approved.

G. R. A. TRUST

MR F. S. GENTLE ON TAXATION

Mr F. S. Gentle, chairman and managing director, presiding at the twenty-fourth annual meeting, said that the group's trading profit had risen from £213,000 to £268,000, in a year when trading conditions had not been easy.

An ordinary dividend of 12½ per cent was recommended against 10 per cent last year. Current assets exceeded current liabilities by £590,000; a strong liquid position.

Average attendances had fallen about 4 per cent, but compared with the general reduction in the balance of money available for entertainment, after meeting the ever-rising cost of essentials, this said a great deal for the continued popularity of greyhound racing.

As from March 30, 1952, the Government had reduced the rate of Entertainments Duty on racing to bring all sports into line. Part of the benefit had been passed on to patrons by reducing admission prices.

Last year G.R.A. tracks produced direct taxes for the Exchequer totalling £2 million, whilst all they could distribute to ordinary stockholders was £26,000. The discriminatory 10 per cent pool betting duty had reduced G.R.A. income by hundreds of thousands of pounds a year.

He thought it too much to expect the abolition of the pool betting duty, but it should be reduced and all forms of betting should be equally subject to taxation.

In the meantime they would have their difficulties, particularly if the spending power of the public continued to grow less, but he thought they could face the future with confidence.

The report was adopted.

EX-LANDS NIGERIA

The fortieth annual general meeting of Ex-Lands Nigeria, Limited, was held on July 29th in London.

Major General W. W. Richards, CB, CBE, MC, chairman of the company, presided.

The following is an extract from the statement of the chairman, which was circulated with the report and accounts:—

The operations carried out during the year to December 31, 1951, gave gratifying results, and we are able to maintain the dividend distribution at a shilling per unit of stock.

The output for the year was 610 tons of tin, assaying approximately 74 per cent metal. This is 102 tons less than the previous year. The decrease was almost entirely due to the gradual falling off of the tin content of the ground worked.

Revenue from tin produced £426,626, this is almost £70,000 less than the amount received for the previous year's production.

Costs showed an increase of approximately £47 per ton. The tax liability has been estimated at £96,000, leaving a profit for the year of £59,527.

With regard to current operations, the output for the first five months of the year totalled 250 tons of tin, which is 13 tons less than the corresponding period of last year.

We are at present in negotiation for the purchase of additional tin and columbite-bearing areas, and if the negotiations are successful it is probable that we will seek Treasury permission to make a new issue of capital, which will be offered to members for subscription.

The report and accounts were adopted.

BROADCAST RELAY SERVICE

GROWING POPULARITY OF REDIFFUSION FACILITIES

RAPID OVERSEAS DEVELOPMENT

MR J. S. WILLS ON PROPOSED CAPITAL ISSUE

The twenty-fourth annual general meeting of Broadcast Relay Service Limited was held on July 25th in London.

Mr J. S. Wills, chairman and managing director, presided and in the course of his speech said:

With regard to our operations at home, I am pleased to record that once again we showed an increase in the number of our Rediffusion subscribers.

FIFTEEN-YEAR LICENCE

On many previous occasions, reference has been made to the Post Office licence under which we operate. The present Government has received the approval of the House of Commons to a proposal to grant a 15-year licence to relay operators.

In our manufacturing sphere, the output of electronic equipment by our subsidiary, Redifon Limited, has once again increased, largely as a result of greater exports, which currently represent more than one-half of that company's total output. We have also carried out a considerable amount of work for national rearmament purposes, so that only about one-quarter of the output of Redifon Limited is now available for normal commercial home requirements. In recent weeks we have been successful in obtaining in Canada, by tender, an order for the manufacture of several flight simulators for the Royal Canadian Air Force. The value of this contract is nearly \$3 million.

RAPID OVERSEAS GROWTH

In overseas areas the growth of our Rediffusion and broadcasting business has again been extremely rapid. All our subsidiaries operating abroad have substantially increased the number of their subscribers during the year.

In the island of Malta, GC, the Rediffusion service now serves over 28,000 subscribers. Our company in Trinidad operates Rediffusion services in the main urban areas and also broadcasting stations giving complete coverage throughout the whole territory. In Hongkong, although the Rediffusion service started as recently as March, 1949, more than 50,000 loudspeakers are now connected to the service. In Singapore, 23,500 subscribers are connected to the Rediffusion service in the island. In Kuala Lumpur, in the Malayan Federation, the number of subscribers has passed the 10,000 mark. In Barbados the company operates a Rediffusion service with 5,600 subscribers.

In Ceylon a start was made in August, 1951, to provide a Rediffusion service in the city of Colombo and already there are 6,500 subscribers to this service. In Jamaica, until recently, we operated a radio station alone but we have now also opened a Rediffusion service. In Bermuda and British Guiana radio stations only are operated. In Montreal, the Rediffusion service started just over 18 months ago and is showing promising signs of progress with 4,500 subscribers.

The provision of television programmes by wire, of a quality much higher than can be obtained by any other means, has been undertaken experimentally in Montreal for over a year and this service will be ready for operation in September, 1952, when the Canadian Broadcasting Corporation's television station is opened in Montreal. Nearer home, we have some 2,000 subscribers

to our rediffusion service in Jersey. We have also carried out important television experimental work in Jersey and it is hoped very shortly to introduce a wired television service there.

In all, overseas, more than 80,000 hours of programmes are originated each year in our own studios.

I told you last year of our decision to introduce a wired television service in Margate. We have been progressing with this development. We have also proceeded to erect, during the year, television networks in other areas, such as Eccles, Birkenhead and Nottingham, and we are proposing to introduce similar networks in Holloway (North London) and in Kingston-upon-Hull.

HOME AND OVERSEAS OUTLOOK

Turning now to the future: At home, in certain towns, we provide only a two-programme service and one of our primary objects, when the new licence is granted, must be to replace those wires or supply the additional wiring so as to provide more programmes in those towns. Our second purpose, at home, must be to erect a wired television system in our existing towns as soon as we are satisfied that our system is appropriate to the needs of television for several years ahead, particularly in relation to the possibility of alternative television programmes. As to our manufacturing activities, in view of the importance of our export and Government contracts and the expected further increase in the demands from these sources, it will be necessary to extend our factory accommodation and to increase our output yet again.

In overseas areas, our opportunities are immense. Developments in Montreal are now getting well under way. We are examining the prospects of operating a similar service in other towns in Canada, but this will depend on the results achieved in Montreal.

We are expanding our area of operations in Jamaica and Ceylon. In Malaya, we are on the point of extending our rediffusion service to Penang. Shareholders will appreciate that a considerable and sustained task is continuously being undertaken by the Overseas Company in investigating prospects and negotiating for licences in many countries, and that there is necessarily a time lag between the cost of this effort and the financial reward.

All the current operations overseas were based on earlier negotiations, and I am glad to be able to report now that, as a result of more recent endeavours, we have secured the necessary agreements to start operations in Nigeria and in Orlando, the largest native township in South Africa. We are also planning developments in Tanganyika and, subject to the grant of the requisite licences, in Portugal.

PROPOSED NEW ISSUE

You will be aware of the policy of the Government to restrict credit and new permanent capital to essential purposes and, in particular, to ensure the highest priority for exports and for the defence programme. It will be clear, from this policy, which of the several items in the programme I have detailed, take priority, and your directors propose to proceed with those developments with the maximum speed possible. With this

in view, therefore, application has been made to the capital issues committee for the issue of new capital amounting to some £2½ million in Debenture Stock and Ordinary shares which will be utilised for such developments and for repayment of the related bank borrowings.

I will not give details of our proposals, as their implementation must depend upon the sanction of the Treasury, and they are, therefore, still subject to variation. I will say, however, that so far, at least, as it consists of an issue of Ordinary shares, it is intended that such issue shall be made to Ordinary Stockholders of Broadcast Relay Service, Limited, and that the terms of issue shall be attractive to Ordinary Stockholders.

The report and accounts were adopted, and the proposed Ordinary Stock dividend was approved.

BANK LEUMI LE-ISRAEL BM

MR S. HOOFIEN ON MONETARY INFLATION

The first annual general meeting of the Bank Leumi le-Israel BM was held at the offices of the Bank in Tel-Aviv on Thursday, July 10, 1952.

Mr S. Hoofien, the chairman, referred in his introductory remarks to the taking over of the business of The Anglo-Palestine Bank, Ltd., by the bank on May 1, 1951. The profits of The Anglo-Palestine Bank, Ltd., during the first four months of the year have been incorporated in the bank's profit and loss account, the figures of which can, therefore, be compared with last year's figures of the bank's predecessor. The balance of net profit in the amount of I£374,975 compares with a balance of I£316,538 in last year's accounts of The Anglo-Palestine Bank, Ltd. Out of this balance an amount of I£120,000 has been appropriated to the payment of a dividend of 10 per cent, subject to tax to stockholders, out of which 5 per cent was distributed as an interim dividend in October, 1951. An amount of I£250,000 has been allocated to the contingencies reserve. In respect of the payment of the final dividend of 5 per cent, a difficulty had arisen in that in February of the present year the rate of exchange of sterling for the purpose, *inter alia*, of the payment of dividends was altered from I£1 per 1 pound sterling to I£2.80. In order to make up for the difference in proceeds a special distribution of I£0.0675 per stock unit of I£1, free of Israel income tax, is being proposed which, if the deduction of 25 per cent for Israel income tax is taken into account, brings up the dividend for non-resident stockholders to an actual 10 per cent. Deposits stand at I£92,552,035 (1950: 80,213,768) and loans at I£49,886,371 (1950: 34,465,670).

It is probable that the issue department will be taken over on January 1, 1953, by the Bank of Israel, which it is the government's intention to set up.

GENERAL ECONOMIC SITUATION

Mr Hoofien then dwelt on the general economic situation and showed that, contrary to a generally held opinion, the monetary inflation is practically at an end. During the last six months (end-October, 1951, to end-April, 1952) the net circulation (net bank notes plus net sight deposits) has risen by not more than 4 per cent. The rise in prices, caused partly by the February change in the exchange rates and partly by the government's wage policy, has, however, continued. The government has taken a courageous and

wise step by drastically cutting its import programme, but will have to revise its wage policy, which causes a continued expansion of buying power, if it wishes to bring about a satisfactory return to normal conditions.

The accounts were unanimously approved and the proposed dividend and special distribution were likewise approved.

MENDARIS (SUMATRA) RUBBER AND PRODUCE ESTATES, LIMITED

CONDITIONS IN INDONESIA

SIR ERIC MILLER'S SPEECH

The forty-first annual general meeting of Mendaris (Sumatra) Rubber and Produce Estates, Limited, was held on July 30th in London.

Sir Eric Miller, the chairman, who presided, in the course of his speech, said: In my address last year I explained that the crop for the first seven months of 1951 was nearly 100,000 lb lower than that for the corresponding period of 1950, due to go-slow tactics, full-scale strikes and perhaps the most insidious of all, the stealing of latex. Fortunately conditions improved from August onwards and although stealing still continued the final crop of 1,585,266 lb exceeded the 1950 harvest by 235,000 lb.

THE ACCOUNTS

Turning now to the accounts, it is noticeable that although the balance from trading account increased by £8,500 over the previous year, the balance left, after taxation, to carry to the appropriation account is only £1,000 more than in 1950. This is due to heavier UK taxation. We have had to pay or provide for Indonesian export duties and through their exchange certificate system, a levy amounting to 33½ per cent of the proceeds of all export sales which, with taxation on profits in the East and at home, makes an overall total of £150,000, leaving us with only £30,597 for appropriation. We have written down our holding in Indonesian Government Loan by £2,269. On the other hand we have been able to bring back £20,250 which represents a provision made in the 1948 accounts and which is no longer required. We are left with a balance of £67,495 and out of this a dividend will be considered by the directors immediately the equivalent of the Rupiah profit for 1951 has been received in sterling.

If conditions in Indonesia had been sufficiently encouraging we should in the ordinary course of prudent management have been replanting some part of our older areas each year with modern high-yielding material, but, as things are, that is out of the question. Whether the Government there will have the wisdom and the capacity to re-establish the economy of the East Coast of Sumatra on a foundation secure enough to justify the investment of further capital by estate enterprises in long-term cultures, such as rubber, remains yet to be proved.

NEED FOR EXPERIENCED PLANTERS

Having played a considerable part in the past half century in developing there what were some of the finest plantations in the East and having shown tenacity in our efforts to re-establish them despite grave and continuing handicaps, we have so far refrained from concluding that their future prospects are irrevocably bleak and discouraging. Time is running out, however, all too fast. Our older planters are nearing the age when they are entitled to look for peaceful and well-earned retirement at home. We are having the greatest difficulty in getting entry permits

for younger men who are willing to seek a planter's career in Sumatra.

Indonesia for the Indonesians may be a good political slogan for internal consumption, but it is short-sighted in the extreme to apply it where expert talent of the right kind is not available on the spot. Managerial responsibility is only attained by long and conscientious apprenticeship, and the Indonesian Government should welcome with open arms men of talent from overseas who are willing to come in to help run the agricultural and industrial concerns and by their example and precept help to educate Indonesians for gradually increasing responsibility.

CURRENT YEAR'S IMPROVED CROP

The current year's crop shows a noticeable improvement at 1,064,822 lb for the first six months to June 30th, compared with 599,651 lb harvested during the same period last year, which included the strike period. The price of rubber is, however, much lower and it is as well that we are participating in group forward contracts for ordinary rubber and for sole crepe, although the precise allocations will not be known until the date of shipment.

Whereas the long-term outlook for natural rubber appears reasonably encouraging, it is impossible for me to predict the way in which many conflicting factors are going to affect the market in the near future. One thing is clear, however, that there is not too much No. 1 rubber available, whether smoked sheet or crepe, and those grades can only be obtained from properly equipped estates. We make a certain amount of sole crepe, but unfortunately the factory labourers, in their present mood, are unwilling to give the close attention to detail which is necessary in the preparation of this high-grade product.

The report was adopted.

LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES HANDICAP OF PRESENT RENT ACTS

The annual general meeting of the London County Freehold and Leasehold Properties, Limited, was held on July 28th, in London.

Mr Thomas J. Cullen (chairman and managing director), who presided, in the course of his speech, said:—

After providing for all property and management outgoings, the revenue balance was £767,358, against £720,855 last year.

It is important to realise that the net income from investments made since 1939 far more than covers the increased dividend of 1.2 pence per 10s. unit.

The income from those investments has been growing each year, but has hitherto been required to replace the income lost by reason of war-damaged properties and then by the de-requisitioning of properties and the unavoidable delay in reconditioning or reconstructing them.

We are still sorely handicapped by the Rent Acts in their present form.

Property owners are not asking for any disproportionate increase in rent. All they ask at the moment is that the amount available for repairs, maintenance and management should be increased sufficiently to enable them to meet the increased costs over 1939 prices.

It is astounding to me to learn from statements in Parliament and in the Press that the Government do not propose to amend the Rent Acts this year and possibly not even next year. What justification is there for this attitude?

The report was adopted and the total dividend of 1s. per 10s. unit of ordinary stock was approved.

HICK, HARGREAVES AND COMPANY, LIMITED

RESULTS AGAIN SATISFACTORY

MR W. D'ARCY MADDEN'S SPEECH

The sixty-first annual ordinary general meeting of Hick, Hargreaves and Company, Limited, was held on July 30th, at Bolton.

Mr W. D'Arcy Madden, chairman and managing director, who presided, said:—

The accounts, which you have before you, again show satisfactory results for the past year and the strong financial position of the company.

The profit earned before taxation is £305,796, a moderate increase of seven per cent over the previous year. Of this profit, tax requirements are £162,007, or fifty-three per cent of the profits earned, and the final net profit, after taxation, is £143,789, against £140,051 for the previous year.

After the appropriation in this year's accounts, the revenue reserve, together with the balance carried forward, exceeds £500,000, against the share capital of £288,000 and the excess of current assets over current liabilities is £875,975.

DIVIDEND 20 PER CENT

The final dividend recommended by your directors is fifteen per cent, making twenty per cent for the year, and this, I think you will agree, is fully justified by the year's results and the financial position of the company.

The sum of £15,000 has been set aside for a bonus to our staff and workpeople, and also £5,000 to a new pension supplementary reserve which is being formed in order that pensions which may be found inadequate owing to the higher cost of living, can be augmented. We shall hope to increase this fund in the future as may be found desirable.

The works have continued in full production throughout the year and they are fully occupied with a heavy order book, the larger proportion of which consists of work of the highest priority for the British Electricity Authority and the Ministry of Supply.

OVERSEAS VISITS

At the beginning of the year I paid a short visit to the Union of South Africa with the object of visiting our agents and discussing with them, and other business concerns, the possibility of improving our South African trade. I am satisfied that valuable contacts were made during this visit, and I am pleased to say that we have recently secured an important order from the City Council of Johannesburg, for condensing plants for their new "Kelvin" power station.

Mr Davies will be visiting Canada this autumn, on behalf of the company, as your directors have very much in mind the importance of extending our business overseas.

The extensions to the works to which I referred last year have now been authorised, the principal contracts have been placed and work will shortly commence.

The relations between the management and the employees of the company continued to be very satisfactory, and I want once more to thank our staff and workpeople for their work and co-operation, which has contributed so much to the success of our undertaking.

The report and accounts were adopted.

TAYLOR WOODROW

INCLEMENT WEATHER AFFECTS RESULTS

The annual general meeting of Taylor Woodrow Limited, was held on July 25th in London, Mr Francis Taylor (chairman and managing director) presiding.

The following is an extract from his circulated review:—

The annual statement for the year ending December 31, 1951, shows a diminution in our trading profit, which has been brought about by various causes, but in the main by exceptionally bad weather experienced in 1950-51 when record rainfalls were recorded, coupled with the devaluation of the pound sterling and a spiral of rising cost which particularly affected many items not covered by the rise and fall clauses in our contracts.

TRADING OUTCOME

It is gratifying to note that the disappointing result was not brought about by any marked recession in trade. This year the credit on profit and loss account before taxation, depreciation, etc., is £291,805, compared with £375,629 in 1950. The profit and loss account includes the results of all subsidiary companies. It does not, however, include any profits from associated companies. I am pleased to report that these associated companies, in which your company has important interests, have earned substantial profits.

During the year our construction company secured several important new contracts, and these are proceeding satisfactorily. Our reputation in the building and civil engineering world continues to grow.

The company's ballast pits have operated to capacity during the year, and in spite of intensified competition have maintained their position in this field of our activities.

The joinery manufacturing business continued to expand as compared with the previous three years; actual turnover for 1951 was approximately 50 per cent greater than for 1950, but this was to some extent due to higher timber and wages costs.

The range of products has been very wide indeed, embracing various requirements for the building and civil engineering activities of the group and in addition a greater variety of woodwork was successfully supplied to customers under strictly competitive terms. Some setback has been experienced in connection with our activities in plastic materials entirely due to the greatly increased cost of raw materials.

Our house building company is engaged upon contracts for Housing Associations and so soon as the supply of materials permits we shall lose no opportunity in engaging upon estate development.

After reviewing the widespread overseas activities, the statement continues: Notwithstanding the difficult conditions governing international trade, our export company was able to maintain and increase its sale of Arcon structures. An important contract for the Government of Pakistan is nearing completion, whilst among the many orders secured from different parts of the world, may be mentioned a substantial dollar contract for the United States Defence Forces, and numerous buildings for the Fremantle Harbour Trust. We continue to obtain substantial inquiries for our Arcon structures, but with contraction in international credit, and the barrier on imports maintained by a number of countries, we, in common with other exporters, may have to face a diminution of trade.

The report was adopted and authority given to the directors' proposals for increased borrowing powers.

THOMAS DE LA RUE AND COMPANY, LIMITED

CONTINUED PROGRESS

MR B. C. WESTALL'S SPEECH

The fifty-fifth annual general meeting of Thomas de la Rue and Company, Limited, was held on July 30th in London.

Mr Bernard Clement Westall, CBE (chairman and joint managing director), who presided, in the course of his speech said:—

The net profit for the year, before providing for taxation, was £659,281. This compares with a profit of £600,113 for the year ended March 31, 1951, for the profit of £623,103 included a provision of £22,990 no longer required. Under the heading of Appropriations you will note that we have to provide, approximately, £14,000 less for taxation than was required for the previous year. This is due to the fact that although home taxation is up by some £47,000, we do not have to allow for £61,578 Foreign and Dominion tax, as was the case last year.

Turning to the balance sheet, the bank loan, as you will see, had increased from £520,000 to £845,000, and since the close of the year there has been a further increase. This continuing inroad on working capital has been brought about by the considerable expansion that has taken place over the past few years, necessitating capital outlay on manufacturing capacity, the carrying of larger stocks and work in progress and the financing of a larger volume of trade. It is clear that additional permanent working capital is required and the board are giving serious consideration to the amount of such additional capital required and to the form this should take. Stockholders will be informed of the board's decision in due course.

SECTIONAL ACTIVITIES

Last year I stated that, in my opinion, the major part of the profits would derive from the industrial division. This forecast has proved accurate, for more than half the profits are attributable to this source.

The plastics section showed a substantial increase in turnover. "Formica," our well-known laminated material, made a marked advance, particularly in the export field. The gas section has also shown a marked improvement, the sales of our cookers being limited only by our capacity.

The stationery section trading profit has been used this year to write down the value of certain stocks and materials, a course which the board considered prudent to take in the light of current trading trends.

During the past year satisfactory profits were made by the security division.

As far as the current year is concerned, trading conditions at home and abroad are much too fluid for me to give any prophecy. There has been a falling off of demand, both abroad and at home, since the end of the financial year, but since we issued that report there are some signs of an improvement in sales, both in the export and the home market. In the home market we have arranged for a campaign to increase the use of "Formica" into the home.

With the knowledge that the quality of our products is first-rate, that our prices are right, and with the support of an enthusiastic staff, I am confident of the long-term future of our company.

The report and accounts were adopted and a final dividend of 15 per cent, less tax, making 35 per cent, less tax, for the year, was approved.

TRUMAN, HANBURY, BUXTON AND COMPANY, LIMITED

SALES WELL MAINTAINED

The sixty-fourth annual ordinary general meeting of this company was held on July 31st in London.

Mr G. Dent (chairman), in the course of his speech, said:—

We have had a satisfactory year's trading.

Our barrelage went up by 3.2 per cent, which compares with an increase reported for the country of 1.05 per cent. This increase is rather remarkable in view of the fact that beer prices went up by 1d. per pint as from May, 1951.

There has been a great increase in the sale of bottled beers, especially in Trubrown Ale, while our Burton-brewed Ben Truman continues to meet an ever-increasing demand.

The sale of draught beers, especially in our London houses, has been well maintained, and they undoubtedly benefit very much from being able to offer the public a real Burton brewed draught bitter, the palate of which is unmistakable. In spite of the general swing to bottled beers our sales of this bitter continued to rise.

The cost of materials has risen very steeply. Last year's harvest was one of the worst in living memory, and sound barley was very scarce. As a result, prices rocketed, and the average cost per quarter of malt made last season was 65s. higher than in the previous year.

The average price of last year's hop crop, as fixed by the Hops Marketing Board, was £5 2s. 6d. higher than for the previous year's crop.

The report was adopted.

FORSTER'S GLASS

REASONS FOR FALL IN TRADING PROFIT

The thirty-third annual general meeting of this company was held on July 30th in London, Col. Charles E. Ponsonby, TD, DL, the chairman, presiding.

The following is an extract from his circulated statement:—

The profit for the year amounted to £63,826, before charging taxation but after charging £37,962 for depreciation (as against £33,459 last year). After deducting the net charge for taxation and the net amount of preference dividend paid, the profit is £21,227. Out of this the directors recommended a dividend on the ordinary shares of 10 per cent (less income tax), which will absorb £9,023, leaving £12,204 to be added to the undistributed profits, making that figure £61,640.

The fall in trading profit is disappointing. Nationalised industries such as coal, gas, electricity and transport continue to increase their charges, and the frequency with which advances in these and other charges, have been notified throughout the year, coupled with advances in labour costs, has reduced the margin of profit considerably, there having been no compensating adjustment in our selling prices. The increase in costs has been accompanied by a sharp fall in demand beginning last November. It would be difficult to define the exact nature of this decline, but it is definite. At the moment the falling off in demand appears to have steadied, but as long as it persists earnings are bound to be seriously affected.

The report was adopted.

ALLIED IRONFOUNDERS LIMITED

YEAR OF GOOD PROGRESS

MR JAMES SHAW ON COMPANY'S ENHANCED REPUTATION

The twenty-third annual general meeting of Allied Ironfounders Limited, was held on July 24th, in London, Mr James Shaw (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The trading profit of the group, as shown by the consolidated profit and loss account, amounted to £2,077,989 (last year £1,926,276). Taxation takes £1,078,618 (last year £1,018,003), and the balance of £722,759 (last year £842,700) is available for reserves and dividends.

The consolidated balance sheet shows clearly the strong financial position of the group. Against current liabilities of £1,642,227 and income tax of £769,293 due on January 1, 1953, we have current assets of £5,936,775. Fixed assets stand at £2,204,317. Our buildings and plant are in excellent condition, but to provide for the extra cost of replacement we have brought our replacement reserve up to the considerable figure of £1,250,000. Our total reserves exceed £3 million. I hope you will agree with me that this is a most satisfactory state of affairs to report to you.

REVIEW OF THE YEAR

These results, which surpass all previous years in volume of turnover and profit, are evidence that the resources of your company have been efficiently employed. Progress was restricted to some extent by limitations in supplies of essential materials and shortage of labour, but these adverse factors were countered by improved methods, new processes in production and good labour relations throughout the period. A record of service and quality, supported by extensive national advertising, has established many of our products as household names, thus enhancing the reputation of your company at home and abroad.

The statement reviews the company's trade in rainwater and soil goods, baths, cooking and heating appliances, heavy cooking equipment and agricultural products. Exports for the year constituted a record for the company.

OUTLOOK

The foregoing review deals with the period ending March 31st last. Since then there has been a decline in the demand for certain of our goods, primarily those sold in the replacement trade. Along with other industries we are now experiencing the change of climate from a sellers' to a buyers' market.

In the export field, however, we are faced with more adverse conditions. With the violent change in the economic policy of the Australian Government, unhappily forced upon them, we must suffer a serious loss of trade to that great Commonwealth country. Restrictions have also been imposed upon our exports to New Zealand. We aim at re-

gaining our trade and expanding our activities in these two countries.

In South Africa we own a substantial share in the largest foundry of its kind in the Union.

At no time in its history has your company had at its command such strength of finance, physical assets and qualified personnel. The efficient employment of these resources is the responsibility of your board of directors, but one which is not easily discharged in these days when industry is groping its way between the conflicting policies of free enterprise and state ownership. Your directors are looking confidently to the future, knowing that we have the capacity and the will to make your company prosper.

The report and accounts were adopted and a final dividend of 10 per cent, making 17½ per cent for the year, was approved.

ASSOCIATED BRITISH PICTURE CORPORATION

VALUE OF THE "EADY" FUND

The twenty-fifth annual general meeting of Associated British Picture Corporation, Ltd., was held on July 31st in London, Sir Philip Warter (the chairman) presiding.

The following is an extract from his circulated statement:—

The trading profits of the group are £2,340,775.

The net profit of the group is £529,341 as against £663,609, and there remains a balance of £506,084, being the net profit of the corporation for the year, which compares with £624,393 last year.

With the balance brought forward of £176,558 the total amount available is £682,642, and after meeting the fixed preferential dividends, the total distribution of 20 per cent on the ordinary stock and transferring £100,000 to general reserve, the balance to be carried forward amounts to £191,517.

The total box-office receipts of the group amounted to £19,960,394—an increase of £1,059,280 over the previous year. Out of this total £7,941,415 was paid in the form of entertainments duty and Eady levy, which together absorb approximately 40 per cent of the amount paid by the public at the box-office. Thus the result of the provisions of last year's Finance Act, coupled with the Eady levy, has been that while gross takings increased by £1,059,000, entertainments duty and levy also increased by no less than £932,000.

Despite all the efforts that have been made during the year to impress upon the Treasury the need for some amelioration in the rate of entertainments duty, we have not as yet been successful in obtaining any worthwhile concessions. It is, in my opinion, absolutely essential that the industry should receive substantial relief from the burden of entertainments duty if it is to continue with any measure of success.

PRODUCTION

The net result on the production side of the business, due partly to the operation of

the Eady Fund, shows an improvement, but, in my opinion, unless this fund is put on a more permanent basis the outlook for British film production is not encouraging.

The sum collected through our cinemas and paid over to the Eady Fund is greatly in excess of any benefits we have received or can hope to receive on the films which we have produced ourselves. In fact, out of 20 British first feature films played over the circuit last year 14 were produced and financed by sources entirely independent of the corporation, as were similarly all the British second features played.

Nevertheless, we realise the value of the Eady Fund to independent film producers and, through them, to the industry as a whole. Consequently I believe it would be in the best interests of all concerned if the Eady Fund were put on a permanent and statutory basis.

The attendances in the current year to date have been adversely affected by the exceptionally fine weather and other causes, and having regard to the continual rise in operating costs, mainly wages, the results in the first quarter of the current financial year do not compare favourably with the corresponding period of last year. It is, of course, too early to form any reliable estimate as to the probable outcome of the year's trading.

The report was adopted.

OHLSSON'S CAPE BREWERIES

TRADE WELL MAINTAINED

The sixty-third annual general meeting of Ohlsson's Cape Breweries, Limited, was held on July 30th, in London, Mr Geoffrey Dent, the chairman, presiding.

In the course of his speech the chairman said:—

I am pleased to say that our trade generally has been well maintained and has shown a satisfactory increase, especially in Natal and in the Transvaal. An improved trading profit has resulted from all branches, with the exception of Rhodesia. Here severe new competition and a cut in beer prices had an adverse effect on our sales and profits. Prices have now been restored to a more economic level and increasing sales so far this year are encouraging.

Profit margins on sales for 1951-52 have dropped by 30 per cent, as compared with 1938-39, and it is only by increased turnover that profits have been maintained.

The profit on trading and rentals of the company and its subsidiaries for the year amounted to £582,683. The balance of net profits of the Holding Company amounted to £200,832, which, with the balance brought forward, gave an available balance of £323,403. After various allocations it was proposed to pay a final dividend of 17½ per cent on the ordinary shares, less income tax, making a total distribution of 22½ per cent for the year, leaving £125,113 to be carried forward.

With regard to the future, I can only say that so far sales have been well maintained.

The report was adopted.

The Economist

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One Shilling



After One Session

THE Parliament elected last October has all but finished its first session. By the time that the holidays and the party conferences are over, Mr Churchill's Government will be a year old. It would be pleasant to think that before then the leaders of both parties will have reflected dispassionately on the lessons of the session. There have been important achievements. It is no small thing that economic disaster has been staved off. British foreign policy has been made coherent and firm again, and has been expounded in Parliament with wisdom and skill. But neither side can feel on balance any satisfaction with what it has done; and neither, if it were dispassionate, would have any difficulty in identifying the things that have done it discredit. Foreign affairs apart, the Government has been, to an unexpected degree, indecisive in policy and at times incompetent in Parliamentary tactics, in debate and in administration. The Opposition has shown a degree of political immorality that, if not altogether unexpected, certainly comes near to being unprecedented.

There are things to be said in defence of the politicians. They are not yet used to the close division of power shown at the last two elections. The resulting tension and uncertainty are obviously bad for both Government and Opposition. To believe that the unhappiness of the session had no deeper cause than this would be comforting, but it is unrealistic. The Government has never had any difficulty in mustering its supporters for the division lobbies and, on all appearances, is as little likely to fall by defeat in Parliament as any of its predecessors with more impressive majorities. It is despite their Parliamentary voting that the Tories have little faith in themselves and have failed in this session to dispose of any major item of their legislative programme. Four measures were promised in the King's Speech—to denationalise road haulage and steel, to strengthen the Monopolies Commission, and to embody the surviving emergency regulations in an Act requiring annual renewal. None of these has even begun its Parliamentary career. The volume of its legislation is, of course, no measure of a Government's worth, but the fact remains that the Conservatives chose to embark on four major measures and after nine months have got nowhere with them. If it does nothing else, that failure certainly saps their self-confidence.

There are more important symptoms of the Government's weakness. The first is purely political. One would have expected that through last winter and spring, at least, Ministers could escape blame for rising prices and similar discontents; responsibility could fairly be pinned on their predecessors. Yet this the Government has entirely failed to do—as it showed in its ill-judged intervention over transport fares. The breakdown is in the simpler arts of political persuasion, and its consequence is a sense of growing unpopularity that has helped to make most Ministers less rather than more confident as they have become accustomed to their offices.

This, however, is only the superficial cause. If Ministers have let themselves be condemned for not doing the impossible—for failing

LEADING ARTICLES	
After One Session - - - -	317
Debtors and Creditors - - -	319
New Patterns in the Pacific -	321
The Uneasy Triangle - - - -	322
NOTES OF THE WEEK - - - 324	
Mossadegh versus Tudeh; Appeasement Without End?; Cabinet Confidences; Slim Line in Statutes; Soviet Germany Takes Shape; One Wise Man?; The Party and the Spy; Measuring Subsidies; Grievance at Merthyr Tydfil; London's Poor Scholars; Japan and East-West Trade; American Rights in Morocco; More Crime; No Room; Grimmer Fairy Tales.	
LETTERS TO THE EDITOR - - -	333
BOOKS AND PUBLICATIONS - -	334
AMERICAN SURVEY	
Republican Hurdles - - - -	337
Prices After the Strike; Disaster by Drought; Atoms and Atmospherics; Copper Almost Unlimited; Beginner's Luck; Shorter Notes.	
THE 'WORLD OVERSEAS	
What is Happening to Nato? -	343
Canada's Attitude to the Commonwealth Conference; Imbroglio in Tunisia; A Congress of Nostalgics; Japanese Communist Anniversary; The Quakers Take Stock; A Federal Belgium?	
THE BUSINESS WORLD	
The Reserves: Balance or Snatch?	353
Reinsurance at Work - - - -	355
BUSINESS NOTES - - - - - 357	
Higher Stock Exchange Commissions; Effects on the House; Bank Holiday New Issues; Tin Loses a Prop; Wholesalers Count Their Pennies; Cut in Tobacco Imports; Pottery Free of Control; Re-exports to EPU Countries; New Zealand Import Cuts; Report from Threadneedle Street; David and Goliath Airborne; Helicopters on Show; Steel Planning and Coke; New Methods for Blast Furnaces; Principle in Price Fixing; Revised Production Index; Shorter Notes.	
COMPANY NOTES - - - - -	368
STATISTICAL SUMMARY - - -	369
COMPANY MEETINGS - - - - -	370

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to reduce prices or provide more meat—that is largely because they have not, either before or since the election, offered the public any more realistic standards of judgment. They have emphasised, of course, how difficult the country's problems are; they have not made anyone feel that the problems are now being tackled in a new and more imaginative spirit. The one distinctive Tory measure that has reached the stage of a published Bill—for transport—is the one on which the Government has made the poorest showing. In most other matters, Ministers have been content to make it their strongest argument that Labour did much the same. There could be no plainer confession of weakness. For the end result of Labour policy was, on the Tories' own argument, to leave this country insolvent and insecure.

The tighter credit policy is new, it is true, and is doing much good, but their unsureness whether they were tackling inflation or deflation has hopelessly confused Ministers' presentation of the case. They can claim, in immediate economic affairs, to have saved the country from imminent disaster, but that has been done—with American aid—before, and it does not lead to any conviction that the economy is being put permanently on a sounder footing. If Tory navigation has helped the ship to ride out one storm—and even that is not yet certain—it does not look in any better shape to face the next. The Government has had to ask the public to accept some sacrifices but has not shown them to be the necessary and sufficient price of solvency and security in the longer run. The fact that the sacrifices are small therefore does not make them any less irritating.

*

If the Government had had to face a united and competent Opposition all this would already have been disastrous, at least for its morale. In fact, it has had to cope with nothing worse than an Opposition trying to conceal its own differences by rowdiness. The arrogant and empty clamour from the Labour benches in this session must be deeply distasteful to those—Mr Attlee, no doubt, and Mr Morrison—who understand and value Parliamentary government. No more excusable are the techniques of pure obstruction, of wasting time over some measures, like the Army Act, that are not really controversial. In themselves, perhaps, these things should not be taken too seriously. They may be dismissed as the mob inanities that frustrated backbenchers, cooped up in Parliament by the Whips, will always drift into if they are not held in check by firm leadership. That may be an excuse for many members, but the danger for the future lies precisely in the effective collapse of Mr Attlee's leadership. No doubt the Labour party is sound enough in the limbs; the question is what is happening to the nerve-centres.

Her Majesty's Opposition may normally be taken to have two purposes. One is to improve, by its criticism, the current conduct of the country's affairs; and the other is to get as much party advantage as possible out of doing so. It is difficult to see that the Labour party's conduct, especially in the past few weeks, has much relation to either purpose. It is solely concerned with the struggle for power inside the party. That is why, for example, the solemn procedure of the vote of censure is misused in order to register what are, in fact, quite small differences with the Government. The censure as such pleases the militants, while the moderates console themselves by the relative mildness of its phrasing. The

general formula is devastatingly simple. It is to find the lowest common factor: if Labour members cannot agree on any new ideas, they can keep in step by forgetting, in practice, the ideas some of them had when they were in office. They can oppose by setting aside all the requirements for solvency and security that Sir Stafford Cripps and Mr Bevin used to preach about.

The change was made easiest, and was made first, in economic policy. As early as the first economic debate of 1952, Mr Attlee was arguing that inflation does not matter; to check inflation by cuts in the social services "is, surely, utterly fantastic." The world is, surely, flat, for who can see round it from Westminster? It has long been plain that the Labour party could have a realistic financial policy only if its leaders ignored the wishes of most of their followers. But that, it now appears, was too charitable an interpretation. Labour will in truth accept a realistic policy only if its leaders are so awed by having a crisis on their hands that they will surrender policy-making to one man who has kept his head. And the leaders, like the backbenchers, will forget as soon as they can. This is the only basis for most Labour criticism of Mr Butler's policy.

In foreign affairs and defence the retreat from realism had to be slower: the policy of the Conservative Government was so plainly a continuation, in all essentials, of its predecessor's. But the retreat is now complete. Whatever the original rights and wrongs of German rearmament, the effective choice now plainly lies between pushing ahead with it and abandoning it. Yet, in order to avoid splitting itself (much) in the division lobbies, the Labour party was willing last week to oppose by quibbling about timing—and to go on to register, on this narrow ground, a vote against the Government that will necessarily be interpreted abroad as opposition to the principle of German rearmament. Bipartisanship in foreign policy has been ended not because the leaders of the Labour party have changed their minds but because they no longer dare to stand up for what they think.

There was never any doubt that in opposition Labour policy would move some way to the Left. Criticism is not of the movement but of the incoherent and irresponsible form that it is being allowed to take. The reason why it takes that form is not, though it often appears so, that the party has suddenly lost all common sense. The reason is that its leaders, feeling insecure, have chosen not to exercise leadership but just to hang on. Yet while that is the major cause, the Government certainly must bear some responsibility for the behaviour of its opponents. It provides the Socialists with every reason for believing that they can win the next election on the Tories' mistakes; they can probably gain votes without being sensible and moderate themselves, and Mr Morrison's strongest argument within the party is correspondingly weakened. On the other side of the account, Labour's irresponsibility and unrealism increase the Government's difficulties in both economic and foreign policy. And the Government's weakness in turn further encourages Labour's reckless arrogance.

This is the vicious spiral that has begun to turn after one session of Conservative government. If it is allowed to go unchecked the outlook for British politics and the British people is deeply and unnecessarily disturbing. To stop the spiral before it is too late is equally the interest of the majority of moderate men among the leaders of both parties. Is it really too much to ask that both sides should think afresh what they can do to stop it?

Debtors and Creditors

THERE is probably a greater chance now than at any time since the conference at Bretton Woods that the baffling problems of international trade, payments and investment within the free world will be considered and dealt with jointly by the whole western world. For one thing, the risk has faded that an isolationist might be the next President of the United States. For another, eight years of paying lip service to the Bretton Woods ideals and pursuing an almost exactly contrary policy have convinced most people that the principles themselves had better be re-examined. Never before has there been so much talk on both sides of the Atlantic of the need for a common system of economics and for long-term plans of economic co-operation to underpin the political and strategic unity of the Atlantic community. Never before has it been said with quite so much emphasis that, in this new system, creditors and debtors alike have their contribution to make and that the new arrangement will entail duties on both sides.

Unhappily, the creditors tend to speak more of the duties of the debtors and the debtors to stress the responsibilities of the creditors. Yet it is only creditors who can take action on the credit side; and if the debtors are to make the efforts necessary to right their position, they will have to do so willingly. The remaining months of 1952 are likely to be a period of preparation and discussion; action must in any case await the election of a new President and a new Congress. It is fortunate that, to serve as an agenda for discussion, an objective document should exist, prepared by an international panel of experts, which brings much light—and no heat—to a study of the behaviour of nations whose balances of payments are out of equilibrium.

The working party which has presented its conclusions upon the "internal financial situation" of member countries to the Council of the Organisation for European Economic Co-operation studied only four case histories—of two creditors, the United States and Belgium, and of two debtors, Britain and France. But the points it emphasises and the conclusions it draws apply over a much wider field. The starting point is the state of affairs in 1951. Admittedly it was an abnormal year; the violent upheaval in world prices after the start of the Korean war was still in progress and the programmes of large-scale rearmament in the West were just beginning. Nevertheless, all the member states of OEEC, the countries of the sterling area and of North America were

exposed in varying measure to these general upheavals and the fact remains that in some the response was to hold a balance in their economies, in others it was a plunge into renewed inflation, and thence into trouble with the balance of payments. When all differing factors are allowed for, it is at least likely that the deficit nations had some policy in common and that the creditors achieved success by some of the same means.

*

The report of the OEEC working party leaves very little doubt about what this common factor was—it was credit policy. It is, indeed, a striking fact that every country whose position improved between 1950 and 1951, or remained on the credit side, practised some degree of credit restraint, while all those whose position deteriorated did not. This cannot be merely coincidence. To say that this was the common factor does not, of course, in any way exclude other elements of the problem. It cannot, for instance, be denied that Britain suffered cruelly in 1951 from the sharp unfavourable movement of the terms of trade. But Belgium and Germany are also countries that import raw materials and sell manufactures, and they were not driven into deficit. It is true also that a given degree of internal inflation affects different countries differently. To judge by the figures of price rises alone, there was no more internal inflation in Britain in 1951 than in the United States, and though there were some moves towards credit restriction in America, they were not very drastic. But the answer is that a given degree of inflation can hurt a country in Britain's position much more than one in America's—just as the consumption of whipped cream and fried potatoes can do much more to the weight of some people than others. Only creditors can afford cheap money.

Perhaps the clearest object lesson is given by Germany. The Germans in 1951 had some advantages that have nothing to do with credit policy. They are prepared to work very hard and, either by good luck or good management, they contrived to build up their stocks of raw materials at the right moment—not at the wrong moment, as the British Government did. Nevertheless, the main reason for the contrast between Germany's deficit in 1950 and surplus in 1951 lies, beyond much doubt, in the conservative financial policy that was followed, on the advice of an OEEC mission. Financial

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policy alone can, perhaps, achieve very little; but without it other methods designed to right the balance of payments can achieve nothing.

The evidence is far too strong to make it any longer possible to deny the close link between an internal financial policy which averts inflation by adjusting the flow of demand to the flow of supply and a nation's ability to secure balance in its international payments. If the evidence from the creditors were not already strong, the evidence from the debtors would be overwhelming. In Britain, during the crucial year of 1951, inflation was, it is true, no worse than in earlier years. But the degree of suppressed inflation made it impossible to counteract the general adverse conditions of the year and such particular disasters as the loss of revenue from Abadan. Control over the extension of credit was too lax, the "degree of flaccidity" in the credit system too pronounced for financial policy to play its part in checking internal demand and making sufficient resources available for export. The result was sensational. A creditor by some £244 millions in 1950, Britain fell into debt to the extent of £521 million in the following year and even today after rigorous cuts in the import programme and some relaxation in armament, balance has not yet been restored.

It is in France that inflation had the most devastating consequences as a result of the unfavourable conditions of 1951. The rise in prices there was higher than in any other OEEC country save Austria and Iceland and the increase in the cost of living was 50 per cent higher than in the United States. The deficit in the balance of payments reached a figure—at £377 millions—four times higher than in 1950 and almost level with the phenomenal deficit of 1947. Admittedly, the internal inflation was accelerated by the traditional French distrust of a devaluing franc and the tendency of real savings to vanish into stockings at home and into bank accounts abroad. It is also true that wages were considerably increased in that period. But the distrust could not have had so devastating an effect if demand and consumption had not been sustained all the time by the ease with which private interests and the government could resort to inflationary borrowing.

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The decisive character of lax financial policy in France's case is, moreover, confirmed from the experience of another state—Australia—in which such special features as French psychology were entirely absent. The Australians are by tradition a people that neither distrust their currency nor hoard their savings. Yet in 1950 and 1951, as the general inflationary pressures gathered strength, accentuated by high earnings from wool and from the automatic linking of wage increases to the rise in the cost of living, uncontrolled credit expansion, both in basic capital expenditure and in a mass of inessential industrial activity, stoked the inflationary fires, blew up internal demand and produced by the end of 1951 a soaring deficit in the balance of payments. The resemblance between the deterioration in the two economies is further underlined by both governments grasping at the same remedy—a flat 50 per cent cut in their import programmes.

It is at this point that the connection between internal financial stability and the duty of the debtor in international trade becomes obvious enough. Internal inflation leads to unbalance in international payments,

for demand rising without a corresponding rise in internal supply goes hungrily out to eat up the supplies of other people, or the supplies that ought to be sold to other people. Checked in its early manifestations by adequate restraints on credit, it will not run a nation catastrophically into debt. Left to itself, it runs up deficits so alarming that only panic action with a hatchet can stave off bankruptcy—hence the scale of the French and Australian cuts.

Yet such sudden curtailments of trade are disastrous to steady international commerce. A year ago, the liberalisation of trade in Europe gave grounds for hope that a more rational and efficient division of labour might one day emerge. Virtually all members of OEEC, with the exception of Turkey and three countries—Greece, Austria and Iceland—which are recognised to be in special difficulties, had freed 70 per cent and more of their private intra-European trade from licensing (Germany has liberalised 82 per cent, Belgium 88 per cent, Italy 99 per cent). But now Britain's degree of liberalisation has fallen below 46 per cent and that of France to zero. To secure the 50 per cent cut in French purchases, all imports are now subject again to licensing. Quite apart from the disruption which such wholesale cuts impose, the policy itself can only lead at last to a general reduction in trade.

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There can, in the light of 1951's experience, be very little doubt about the first two items on the list of commandments for countries running into deficit in their international accounts. The first is to take corrective action promptly, before the deficit has reached crisis proportions. The second is that corrective action, whatever else it may consist of, should include action to remove any excess of domestic credit that may exist.

It is, of course, perfectly true that the debtors alone cannot guarantee an expanding world economy. World trade cannot grow if the creditor nations do not accept the need for expansion and prefer to make hard money and balanced books their only aim. The criticism can perhaps be levelled with some justice at Belgium, a persistent creditor since the war. It is also true that the maintenance of high tariffs and relatively low foreign lending in the United States is incompatible with the role of the greatest creditor nation.

Yet the debtors would perhaps be well advised at this stage to concentrate upon their own responsibilities. The United States has after all maintained so far a consistently high and expanding level of employment and for some time to come, as the OEEC experts point out, armament production alone is likely to ensure a continuance of steady activity. The debtors must therefore ask themselves what degree of world expansion they demand as a condition for their own solvency. May it not be that, spoilt by so much free giving from other nations, solvency has ceased to seem to them either a necessary or even a moral choice?

So long as national shortcomings in work or competitiveness or efficiency are tolerated and even encouraged by inflation and import cutting, the first contribution to the restoration of national solvency cannot come from the creditors. It must come from the deficit nations themselves. The debtors' duties may be only half the story, but, in the conditions of 1952, they make up the first chapters of the book.

New Patterns in the Pacific

THIS week an historic meeting has been taking place at Honolulu in the middle of the Pacific. Mr Acheson, the American Secretary of State, flew there to meet the Ministers for External Affairs of Australia and New Zealand, Mr Casey and Mr Webb, for the first session of the Pacific Defence Council. It is natural to see in this conference the beginnings of what might eventually become a defence organisation for the Pacific which would bear comparison with the North Atlantic Treaty Organisation. If that hope were to be fulfilled, the free world would indeed have reason to feel prepared for the worst that the two great Communist powers, Russia and China, could throw against it.

For the moment, however, this hope is still a long way from realisation, and it can do little good to exaggerate

either the scope or degree of preparedness and organisation that the Pacific Defence Council so far represents. Its official name is the ANZUS Council—for Australia, New Zealand and the United States—and a feature of its present session is that the Council has been deliberately limited to the ministers and officials of three of the sovereign, English-speaking powers in the Pacific; there is not even an observer present from the United Kingdom. These limits are a source of strength as well as of weakness: of strength because the unity of purpose and determination of the three powers cannot be questioned; of weakness because any defence organisation which is to operate effectively in the western Pacific must sooner or later include, not only the United Kingdom, but perhaps France and certainly Asian members too.

The prime task of the present session was to agree upon the machinery of the Council. It is true that Mr Casey spoke in his opening address of an exchange of views on "situations in the Pacific affecting the security of all." The three statesmen, backed by their experts, could hardly come together without discussing the general problems with which their new organisation is designed to deal. But the origins and purpose of the Council demand that the session should not end without taking administrative decisions which are bound to have required most of the time available for discussion. Establishment of the Pacific Defence Council was agreed upon by the United States as a method of implementing the guarantee of security which it gave, to the Australians and New Zealanders last year, in return for

their acceptance of the Japanese peace treaty. The aim therefore must be to set up permanent committees which can keep a constant watch on all developments in the Pacific—strategic, political, military and economic—that may affect the new alliance. It is announced that one committee will deal primarily with the military aspect: it will be established somewhere in the Pacific itself, perhaps at Honolulu. The other, or others, should clearly be based in Washington.

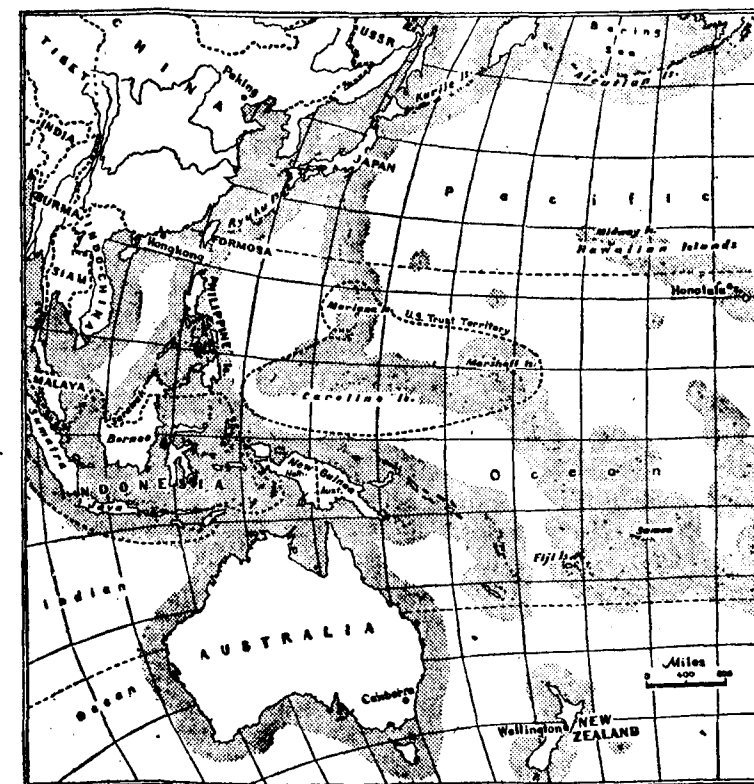
Although the mainspring of the Pacific Defence Council lies in Australian fears of a revival of aggressive Japanese militarism, this does not fully explain the reasons for its present limited membership. Nor does it quite account for the fact that the Council represents the nucleus of a Pacific defence structure which is more

likely to have to oppose Communist than Japanese aggression. During the period in which negotiations took place last year three factors gave the Pacific Defence Council its present size and form. There was, first, a need for haste in drawing up the American guarantee to Australia and New Zealand, if the Japanese peace treaty was not to be delayed any longer than it had been already. This prevented the inclusion of the United Kingdom in the treaty, since to bring it in would have raised complex issues in regard to British Pacific territories such as Malaya and Hong-

kong, and these would have taken a good deal of time and negotiation to solve. Secondly, it was perfectly clear that an American guarantee in no way weakened Britain's recognised obligation to come to the assistance of Australia and New Zealand in time of war. If these members of the Commonwealth were attacked, the rest of the Commonwealth would be in the battle anyway. An American guarantee merely transformed the chances of fighting effectively in the Pacific from the outset.

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Now that the first practical steps have been taken to set up the Pacific Defence Council, the next should be to hammer out answers to the problems for which there was too little time last year. It may be that the Americans, who face an increasing risk of formal commitments to defend far too many distant territories, cannot in an election year be expected to bind themselves over Malaya or Hongkong. But in time it should not be impossible to devise a formula which would recognise



the two undeniable facts: that Britain is committed to fighting if Australia and New Zealand are attacked, and that the United States could not in fact be indifferent to an attack upon Hongkong or an invasion of Malaya.

The third factor which has limited the present size of the Council is simply the difficulty of making a cap to fit such a wide variety of heads as are to be found in the western Pacific. From the American point of view, it might have been best to try to combine in a single agreement all those territories to the defence of which the United States is already formally bound. They are Japan, the Formosa of Chiang Kai-shek, and the Philippines, as well as the two Commonwealth nations. But there are many obvious reasons why that was impossible at this stage, among them the fact that Australian public opinion would not accept it. To the Australians, the rise of a new Japan inspires a fear similar to that which the French feel about Germany. Moreover, neither the Japanese nor the Chinese Nationalists are in a position to undertake the reciprocal commitments towards the United States which have been written into the treaties with Australia and New Zealand.

Although the conditions and problems in the Pacific and South East Asia are quite different from those which existed in Europe between the end of the war and the signing of the North Atlantic Treaty in 1949, it is reasonable to compare the stages by which defence arrangements have developed, since the ultimate object is the same. In Europe, the first step was the Treaty of Dunkirk in 1947, by which Britain and France aimed to protect themselves against Germany. As the menace of Russia grew, this alignment was extended the next year into the Brussels Treaty, which included the Benelux powers. Then, with American and Canadian support, the defence structure under the North Atlantic Treaty became wider in scope, stronger and far more elaborate. Today, the Pacific Defence Council represents, perhaps, a streamlined version of the Dunkirk Treaty period—

The Uneasy Triangle

IN one respect, and one only, the Conservative Government has by its own actions altered the economic climate. In spite of the widely expressed fears of a slump, it has been faced, like its predecessors, with an urgent need to prevent personal incomes from outrunning real national production. Labour relied chiefly on cutting inflated incomes down to size by taxation; Conservative policy, reviving the monetary weapon, is rather to prevent them from rising in the first place. This shift of emphasis is for many reasons a good thing. But it sharpens an incompatibility which in one way or another has bedevilled Britain's economic affairs ever since the war: the three-cornered incompatibility between a stable price level, full employment, and the free collective bargaining by which the size of so many incomes is determined.

Theoretically, at least, one can have any two of these desirable things. Neither theoretically nor in practice is it possible to have all three. A community can have stability of prices and full employment if it can bring itself to do without free collective bargaining. A really effective control of wages would require an all-powerful central authority not only holding down aggregate wage increases to whatever sum was genuinely justified by real

streamlined because with America already an ally and with the experience gained in Europe, the stage is already set for an expansion of the Council into a general Pacific Pact when the moment is ripe. The fact, however, that almost none of the Asian states is yet both willing and able to join must mean that the moment is some way off. Even though the Atlantic experience is a guide, the special problems of the Far East are likely to make Pacific integration slower than that of the West.

The immediate issue before the Pacific Defence Council is, therefore, consolidation rather than expansion. In practice this means ensuring that the alliance of Australia, New Zealand and the United States in the Pacific becomes as strong as possible as quickly as possible. That is largely a task of liaison with the main defence organisation of the western world, Nato. It is a question of seeing that Australia and New Zealand receive a proper share of the arms of the free world, and that they themselves use their own resources to the maximum economic and military effect.

When Mr Menzies, the Australian Prime Minister, was in Washington and London earlier in the summer, he asked if Australia might join Nato. Although his request was rightly enough refused, on the grounds that it would make Nato unwieldy and destroy its original concept, the problem of the Australians and New Zealanders is real. They feel not only that they run the risk of being a long way down in the arms queue but also that they stand committed to the consequences of policies in which they have little say. If the Pacific Defence Council can help to bridge this gap between the two ends of the free world by working, in close contact with the Standing Group of Nato in Washington, it will fully justify the time and effort which have been put into its construction this week at Honolulu.

national productivity but also sorting out relative wages according to some sound objective standard. If the two sides of industry were willing to accept such an iron control, employment could be kept as near to 100 per cent as the sheer physical immobility of labour would allow, without any pressure on prices resulting. This is the way in which efficient dictatorships solve the problem.

Alternatively, full employment can be combined with free collective bargaining, but only by paying the penalty of an incessant upward spiral of costs and prices. Full employment means high bargaining power for the workers, high bargaining power means wage increases which, in greater or less degree, outrun the growth of productivity; these high wages not only raise costs but, by swelling demand, pull up prices and generate high profits; high prices and profits whet employers' eagerness to obtain more labour; and so *da capo*. The disadvantages of this state of affairs are obvious; but if the community is willing to pay this price, then full employment and free collective bargaining could at least theoretically coexist.

Or, as a third possibility, an economy can have stability of the value of money and free collective bargaining if it is willing to sacrifice full employment. The central

monetary authority, with its control over purchasing power and credit, can make it hopelessly unprofitable for employers in general to meet demands for higher wages. Since there is no answer to the argument that you cannot get blood from a stone, a sufficiently tough monetary policy makes it safe to leave wage bargains to settle themselves; but when wages are thus settled, the workers whom it does not pay to employ, to supply a market where there is not much money about, will simply remain out of work.

Full employment, stability of prices, or the free wage bargain—some concession, some abasement of the ideally desirable, must be made on at least one of the three. But on which one? And to what extent? The more uncompromisingly public opinion insists on keeping all three unimpaired, the sharper in fact is their mutual opposition. Something must give way in any case; if the sacrifice is not made deliberately it happens by default. What has been seen in Great Britain over the last six years is an adamant insistence on full employment; freedom of collective bargaining tempered only by the (at times considerable) moderation of the trade union leaders; and prices which have never stopped rising. Of the three desirable things, the British community has had a full dose of one, a fairly large dose of the second, and very little of the third. This has not been a deliberate choice; stability of values has been, as it were, the neglected residuary victim. It may be, nevertheless, that even if the choice had been fully conscious and deliberate, it would have gone the same way. So passionate is the devotion of the present generation to full employment, so strong is the position of the trade unions and their attachment to free collective bargaining, that the British people might, with open eyes, abandon the stability of their money rather than endanger the other two. One cannot be sure; the rising cost of living is not to be underrated as a bogey. But a deliberate policy of securing full employment and freedom of collective bargaining at the cost of permanently rising prices is perhaps sufficiently plausible to serve as a hypothesis. Let us, therefore, assume that it is what the British people would desire, and enquire whether it is a practicable choice.

It is less so, probably, in this country than in any other in the world. If the United States chose to put itself on an express price escalator, it could do so, not indeed with impunity but with far less immediate prospects of disaster. Even in the United States, there would be some immediate penalty price to be paid. A lot of injustice and waste will be tolerated when the alternative is the collapse of a boom, but will they be tolerated indefinitely? The whole beauty of inflation as a stimulus to activity and a guarantee of full employment is that it widens the margin between business costs and business returns. It does this only because costs are relatively fixed; and costs are fixed precisely because some people and some types of income are not on the escalator. So long as enough suckers are available to accept fixed returns in funny money, it will be possible to postpone the final turn of inflation—the savers' strike, the flight from the currency into any and every alternative asset, the collapse of investment and of employment itself, and a general chaos fatal to free society. But the more unmistakably the climate of inflation is established, the more it is taken for granted, the faster and more inevitably the essential supply of suckers will run out.

Even in the most favourable circumstances, therefore, the ideal of an accepted and permanent inflation, sufficient to guarantee full employment in the face of the steadily rising wage levels that free collective bargaining, even if used with restraint, will infallibly bring about, is an illusion. The trick may work for a time, but it is unlikely to work for very long. This is true for a closed or nearly self-sufficient economy; it is doubly true for Great Britain. Britain's ability to maintain full employment, let alone the national standard of living, depends on Britain's capacity to offer foreign buyers good value for money. That capacity certainly cannot be combined with a permanent and accelerating inflation. Long before reaching the stage of collapse from its own internal contradictions, a full employment policy which destroys all stability of monetary values is bound, in a country situated as is Great Britain, to destroy itself. It has already come perilously near to doing so.

Still, one must not speak in absolute terms. Stability of values, it has been argued, cannot be jettisoned for the sake of full employment and free collective bargaining; but one need not identify stability with an absolutely fixed and sacrosanct price level. Few economists believe that a rigid ceiling on prices is either necessary or even a particularly good thing for economic health. Indeed, the general consensus of economic opinion is that a slowly rising price level is more conducive to "stability" in every sense that matters. In the absence of deliberate policy (or of the special pressures of war and cold war) well-developed free economies do tend to pull over to one side—the side of over-thriftiness, of falling prices and deflation. The simplest and most effective means of counteracting that tendency is to lower the effective rate of interest a point or two by permitting, or encouraging, prices to rise.

But to do good, and to avoid doing grave harm, the rise of prices needs to be slow and gradual. A rough and ready test would be to say that the rise should not be so fast that an individual suffers acute injustice or disappointment during his lifetime; the savings that a man makes in his prime should retain at least most of their value in his old age. This means an average rate of rise in prices of something like 1 per cent, or at the most 1½ per cent, a year. Anything beyond this will sooner or later prove to be intolerable and disastrous.

A rate of fall in the value of money as slow as this, however, is something quite different in character from the upward rush of prices in recent years. It could hardly be achieved with employment as overfull and with the unions' bargaining power as freely exploited as they have both been since the end of the war. If, from the side of stability of values, the concession can be made that it need not mean absolute rigidity, are there perhaps similar concessions that can be made from the other two corners of this uneasy triangle? And are the concessions that it is reasonable, within the bounds of practical politics, to ask for sufficient to enable a satisfactory compromise policy to emerge? If it is not possible to combine overfull employment, completely free bargaining and absolute stability of values, is it nevertheless possible to mix together sufficient of each to make the compound acceptable and workable? These are the questions that subsequent articles will attempt to discuss.

(To be continued).

NOTES OF THE WEEK

Mossadegh versus Tudeh

Inside Persia, the events of Bloody Monday, July 28th—the day of rioting that ousted Qavam es Saltaneh and restored Dr Mossadegh to power—have considerably altered the scene. Their principal effect has been to alter the importance of the roles played by the chief actors in the drama. All but two of these have been shorn of their former significance; the two players whose importance is enhanced are Dr Mossadegh himself and his fanatical right-wing accomplice, Mullah Kashani. July 28th has shown the Shah to be undependable and the prisoner of the national front. It has taken the stuffing out of all other politicians. It has left the army leaderless and a prey to differences within the officer corps which Dr Mossadegh is fomenting in order to ensure his own supremacy. In short, two ageing fanatics, possessed of power founded almost entirely on mass emotion and both of them in delicate health, are the nation's only remaining bulwark against anarchy.

The other factor in the situation is the Tudeh party, which gained in strength by its share in the riots. Yet its demeanour since they ended suggests that it still lacks leadership. It has plenty of support, and possesses considerable powers of destruction, but it is not ready to assume a constructive role. It is therefore content to let elderly muddlers assume dictatorial powers and take full responsibility for allowing the national economy to sink from bad to worse. Hence its acquiescence in the arrangement whereby Mullah Kashani summoned it to action on July 27th ("We accept sincerely any groups which co-operate in the campaign") yet three days later returned it to a back seat. ("Those who agitate against the will of the nation and the law will be punished.")

From these facts one firm conclusion can be drawn: the combination founded on Dr Mossadegh and Mullah Kashani will retain its capacity for keeping order so long as it can go on paying the army and the police. Now that it has been voted full dictatorial powers it can probably do this for weeks, if not months, to come. It intends to reduce the cover for the currency, which is ample. The notes for the purpose are printed and only await distribution. For a time, they can be made to serve for meeting the payments in question.

Appeasement Without End?

The western powers, therefore, have a few weeks of grace in which to reflect upon what they want to happen in Persia and whether, by any means, they can help to shape events to their taste. All possible eventualities are disagreeable. One is that the Mossadegh-Kashani front should drift on with a dubious economic programme, and so complete the ruin of Persia's economy; only Tudeh would be pleased. Another is that death or some less natural agency should remove two elderly leaders; but no desirable replacement for them is any longer discernible. A third is that the front should keep its head above water by continuing to pay the security forces and the oil workers. This they may manage to do for a matter of weeks or months by using the new notes, but ultimately payment will be possible only if Mossadegh is helped with outright money gifts, or if he sells crude oil.

The policy-makers of London and Washington therefore face a distasteful choice; even if they keep Mossadegh afloat with gifts or with purchases of his oil, they must recognise that he never heeds advice and is unlikely to be strong or efficient enough to reorganise Persia's shaky economy and administration. They will become victims of everlasting blackmail, which may not even succeed in its purpose of arresting the rise of Tudeh, and that will afford a disastrous example

to the other oil-rich states of the Middle East. If on the other hand they sit by while Dr Mossadegh drifts towards bankruptcy, they concede Tudeh and its Russian sponsors a victory by default. Washington is known to favour the former alternative. But, as seen from London, Washington's policy for the whole Middle East seems to be nothing but appeasement without end—and without alternative if the appeasement of Dr Mossadegh should in the end fail to stop the Tudeh advance towards power.

For London to yield to Washington and to buy some of the oil from Mossadegh would involve swallowing a great deal of pride. That is not in itself an objection; so much pride has been swallowed already that some more could be got down, however much disgust the long-suffering British public might feel. It is the inability to see how such a policy conceivably leads to a satisfactory result that causes resistance. If, then, London is to yield to Washington's view of the best way of warding off the immediate danger of a Communist government in Persia, it must only be in return for specific commitments from Washington for the future. There must be no abandonment of the legal rights of the Anglo-Iranian Company; if any oil is bought, some of the price must be for compensation. And, most particularly, there must be agreement between London and Washington on what they will jointly do if, after all, the experiment fails and a Communist government comes to power in Teheran.

Cabinet Confidences

Mr Attlee and Mr Bevan were engaged last week in a dispute concerned ostensibly with the doctrine of collective responsibility in the cabinet. In fact, its constitutional significance was slight; but it may be important in the struggle for power within the Labour party. The upshot is to suggest how difficult it would be for Mr Attlee, if he were again Prime Minister, to work with Mr Bevan as a colleague.

The sequence of events was this. On Wednesday, in the economic debate, Mr Bevan declared that in January, 1951, he insisted on putting into the last Government's statement of the defence programme cautionary words emphasising that its fulfilment depended on adequate supplies of materials, components and machine tools. On Thursday Mr Attlee explained that he did not feel free to comment on Mr Bevan's statement because, "no doubt through inadvertence," it broke the "well-established rule inhibiting members of a government from revealing what passes in cabinet or in confidential discussions"; without this rule, "confidence between colleagues is impossible." On Friday, Mr Bevan denied in effect that he had spoken inadvertently and claimed that if collective responsibility broke down—because a member of the cabinet resigned—the ex-minister was entitled to draw on confidential discussions in order to explain why he resigned.

On the constitutional issue, two things seem to be plain. First, Mr Bevan's defence has the *post facto* air of an excuse. When he resigned he explained his action fully enough without making any such categorical declaration about his discussions with his colleagues; he cannot plead the necessity for self-justification fifteen months later. In any event, the precedents plainly do not give a resigning minister an automatic right to disclose the relevant cabinet discussions; he needs the permission of the Sovereign through the Prime Minister.

On the other hand, Mr Attlee applied the doctrine of collective responsibility too widely; he seemed to think that the discussions of a cabinet must remain as secret as they

are while it is in office. In fact, of course, most ex-ministers do eventually give their versions of history in some form or other. Nothing will stop old men from reminiscing and indeed history would be a poor thing if they were stopped. The question is at what point reminiscence becomes legitimate. Collective responsibility would mean nothing if ministers were free to talk about a cabinet the moment it went out of office. There is no rigid constitutional rule; there is, surely, a practical working test. An ex-minister ought not to say things that will make it harder for his colleagues to work together—whether it be with him or not—when they are next in office. And Mr Attlee is certainly entitled to consider that Mr Bevan has transgressed this rule.

Slim Line in Statutes

The session of Parliament that virtually ended last week—there will be only a fortnight or so for tidying up odds and ends in the autumn—must surely be the first for many years in which the most important item of legislation was provided by a private member. Mr Harold Lever's Defamation Bill has earned that distinction. Some last-minute amendments proposed by the Lords remain to be dealt with, but the Bill is sure to find its place on the Statute Book. It will make several important improvements in the law relating to libel and slander, but it is nevertheless a minor measure; its prominence measures the meagreness of the Government's own legislation in this first session. The main Bills promised in the speech from the Throne last November have not been produced, and nothing else of importance took their place. Most of the fifty or more measures reaching the Statute Book are simply the legislative reflection of administrative action, such as the Agriculture (Ploughing Grants) Act, the Family Allowances and National Insurance Act, and the Home Guard Act. The rest of the Government measures—apart, of course, from the Finance Act—are very small beer.

On the other hand, private members have steered a number of useful Acts through Parliament. The changes in the law embodied in the Acts on affiliation orders, corneal grafting, the disposal of uncollected goods, cremation, the care of young children, and hypnotism—all these are useful. They indicate, too, that back benchers have at last found some other source for legislative projects than the Royal Society for the Prevention of Cruelty to Animals. Laws about animal welfare are a good thing, but they have taken up more than their share of Parliamentary time since the war.

The slimness of the session's legislation means that the great Parliamentary question about Mr Churchill's Government will remain unanswered for a year after its formation. Has the Government a sufficient majority to push through controversial legislation? The issue has not been put to the test. The reason why the denationalisation Bills have not reached the Statute Book is not that the Opposition blocked them but that the Government made no real effort to bring them forward. No doubt the Opposition will try in the autumn to do all the blocking it can, but there is no reason why—with clear-headedness and resolution—the Conservatives should not carry through any of the measures they included in their election programme. If, however, they allow the Opposition to retain the Parliamentary initiative that Labour seized and held throughout this session, then indeed the Tories are lost.

Soviet Germany Takes Shape

Events of the last few days in Soviet Germany remove any doubts about Communist intentions there. Indeed, opponents of German rearmament have now no excuse for not recognising that the familiar arguments about prospects of agreement with the Russians are out of date. Soviet aims

remain the same but the sights have been raised; the tactics, too, have been changed because previous methods were unsuccessful. The aim is still to secure a peace treaty which would get the American forces out of Germany and an all-German Government into power that would be, in the Communist sense of the word, democratic. But priority now goes to setting up a strong, armed Soviet state east of the Elbe. The Pieck Republic is being sealed off from the West and transformed into a model people's democracy.

In this new centralised state obedient *Land* parliaments have voted themselves out of existence and set about forming local councils, directly subordinate to a central government that has been reorganised on the Soviet model. Compulsory labour service for young people has been introduced in order to provide pre-military training and free labour. Terrorism is the order of the day. Long sentences have been given to men accused of giving information to the League of Free Jurists—or merely of asking the League's advice. While an international conference of free lawyers was being held in the free end of Berlin, the broken voices of the convicted men were being broadcast from the enslaved sectors. Nothing could illustrate better how West Berlin is an island in a world of tyranny.

The more the Russians try to seal off their zone, the more intolerable to them the existence of this island becomes. Thousands of refugees are passing over to it, among them young men fleeing from conscription. Last week General Chuikov accused the Western powers in a note of breaking the agreement that ended the blockade of Berlin. This might be the prelude to a new attempt to starve the city out; but it may also be intended to warn the Americans not to stop strategic materials passing from Western Germany to the Soviet area. Russian determination to keep this trade going is shared by many Western Germans, and a new interzonal trade agreement has just been signed which calls for a fair

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exchange of steel products from the Ruhr against Soviet German coal supplies to West Berlin. Illegal trade has lately been greatly reduced and it would not be surprising if General Chuikov has been instructed to see to it that the Americans do not restrict the legal exchanges as well. That, at least, is the most optimistic interpretation that can be put on his note.

One Wise Man?

So persistent is Mr Churchill's reputation in matters of strategy that few questions have been asked about the assumptions underlying his speech last week on the revision of the British defence programme. Two at least suggest themselves, in view of the fact that the Atlantic allies are supposed to be carrying out a programme for the defence of Western Europe which was agreed at Lisbon in February. This programme is established in detail for 1952, in rough draft for 1953 and in outline for 1954; and it was known that its execution was falling behind schedule even before the delays in American arms deliveries and the relaxation of British and French efforts were officially admitted.

First it may be asked whether Mr Churchill's view that the danger of world war in the immediate future has receded is shared by the American, British and French chiefs of staff in the Standing Group which directs the strategy of Nato. If it is not, then there is an important conflict in intelligence and appreciation which Nato exists to resolve; and if word gets round that Mr Churchill favours a view which permits a relaxation of effort during the two or three years ahead, then all the weaker brethren of the Atlantic alliance will follow him rather than Nato, with risky consequences to Europe's readiness. Is one man wiser now than were the three wise men earlier this year?

Secondly, it may be asked whether it was necessary for the Prime Minister to be quite so disparaging in his references to Nato. He seemed to imply that in December the Atlantic Council of Foreign Ministers would be presented with the *fait accompli* of a new British programme. This must affect, among other things, the British contribution to Europe's air defences; and it is difficult to understand why the measures proposed cannot be discussed with Nato now. Everything is now laid on (as an article on page 343 points out) in the headquarters directed by Lord Ismay for continuous political and economic consultation on defence matters from which Britain has as much to gain in burden-sharing as any other member. It would be deplorable if Britain were to repeat in the Atlantic partnership the errors of behaviour that have done so much harm in the European company.

The Party and the Spy

The two Notes which the Swedish Foreign Minister handed to the Soviet ambassador in Stockholm on Tuesday both deserve attention. The first dealt with the recent Russian attacks on unarmed Swedish aircraft. It recalled with regret that the Soviet government had refused to help clear up the mystery which at first surrounded the disappearance of a Dakota passenger plane in June, and had later rejected the idea that the case should come before the International Court. The Note reserved for Sweden the right to raise the matter again at a suitable opportunity, and this is interpreted as implying an appeal to the United Nations Assembly this autumn. If Hr Uden means what he says, his country may therefore play at the next Assembly a very different role from the one it assumed at the last.

This change of atmosphere is partly accounted for by the subject of the other Note, which frankly requested that Soviet diplomats in Sweden should cease to act as spies. The Swedish government pointed out that several of these diplomats and a *Tass* correspondent had been identified, in the

Stockholm spy trial which ended last week, as having given both instructions and payment to Fritjof Enbom and his associates. In ten years of activity the Enbom ring obtained for the Russians a mass of highly important information about land defences in northern Sweden. Moreover, it organised and trained groups of Communists in the defence zones for both espionage and sabotage work in the event of a Russian invasion. But the unique feature of the case was the extent to which the Swedish Communist Party was directly involved. Six of the seven accused belonged to the party or its youth organisations; three worked for Communist newspapers, and the group held meetings in those newspapers' offices; and a Communist member of the Riksdag was identified as having promised to find an operator for a secret transmitter, and having advised Hugo Gjersvold, one of the leaders of the ring, to deny everything if questioned. No Communist party in the West has ever been so deeply compromised by a public revelation. The Swedes can be expected to show their response to these revelations in the approaching elections; but of more interest will be the reaction of those Communists in other western countries who have hitherto thought that party membership could be combined with patriotism.

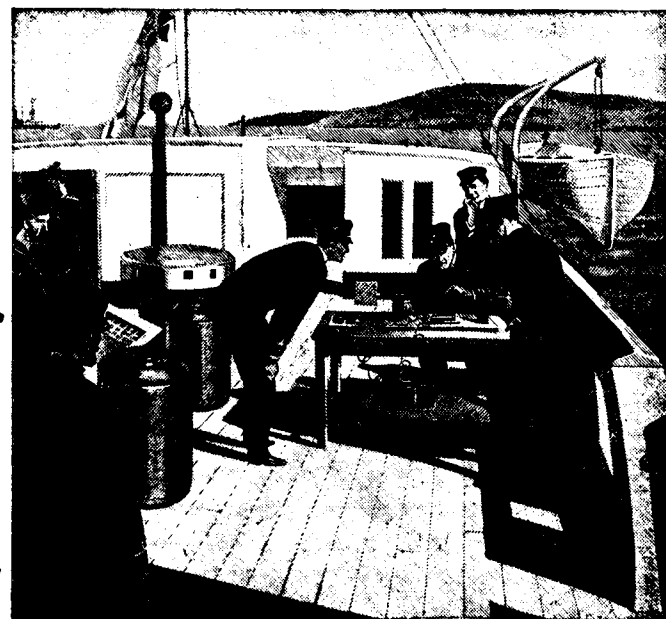
Measuring Subsistence

It has long been apparent that the main purpose of the Beveridge plan for social security has not been achieved. Poverty has been greatly diminished by the absence of unemployment. But the minimum income provided by the national insurance scheme for people who cannot work or who have retired has fallen well below the amount necessary to prevent poverty, even with the increases which recently came into force.

This does not mean that these people are necessarily living in poverty. Through the Assistance Board they—and others in similar circumstances without insurance benefits—can have their income brought up to what the board considers an amount adequate to provide subsistence. But this raises the question whether the board's standard of subsistence is acceptable. If it allows for no more than the purchase of bare necessities—food, shelter, clothing and fuel—there are far more people living in poverty than are officially deemed to be. On the other hand, if more than bare necessities are included in the subsistence standard, where should the line be drawn? The purpose of PEP's latest broadsheet* is to show how widely varying poverty standards can be and to suggest ways of compiling one that could be used for fixing the level of social security payments.

Unfortunately, as the broadsheet points out, there is no prospect of the Ministry of Labour's new inquiry into family budgets being completed in time for the first quinquennial review of the national insurance scheme. There is all the more reason, therefore, for adopting PEP's suggestion of smaller inquiries into the actual spending of special groups such as the aged, people living on national assistance and so on. The results would not, of course, be a conclusive measure of the cost of genuine "subsistence." People do not spend their money as the experts and planners would like them to. They may prefer, even when living on the poverty standard, to spend more on entertainment and tobacco and less on food. Must they then, since their consumption of food is less than the amount deemed essential for health, be considered as living below the poverty margin? At present, the Assistance Board's practice seems to be to exclude unessential but conventionally accepted items of expenditure like tobacco from its subsistence standard. On the other hand, its "disregarding" of assisted people's other resources when assessing their means is generous enough for most of them to have some margin for extras. If, therefore,

* Poverty Ten Years After Beveridge. PEP, 16 Queen Anne's Gate, SW1.



EARLY IN THE 1890's, Commander Henry Bradwardine Jackson — knowing nothing of the work of Marconi — first conceived the idea that torpedo boats might announce their approach to a capital ship by the use of wireless waves. In 1895, in the torpedo-school ship 'Defiance' at Devonport, he began secret experiments on Admiralty Instructions. Before the end of the year he had succeeded in transmitting, from one end of the ship, signals of sufficient intensity to ring an electric bell in the receiving circuit at the other. After meeting Marconi, who first visited England the following summer, he went rapidly ahead with the evolution of naval wireless telegraphy, making vital contributions to the development of world communications. The tempo of modern life has certainly quickened since 1895, when Albert E. Reed first developed the production of super-calendered newsprint. In the reclaimed straw paper mill he had acquired the previous year, his first machines produced but six cwt. of paper an hour. Compare with this the six tons an hour reeled off the modern high-speed machines in the great Aylesford mills of the Reed Paper Group — their continually-expanding production including newsprint, kraft and tissue papers. For to-day the Reed Paper Group with its great resources and technical experience is one of the largest paper-making organisations in the world.

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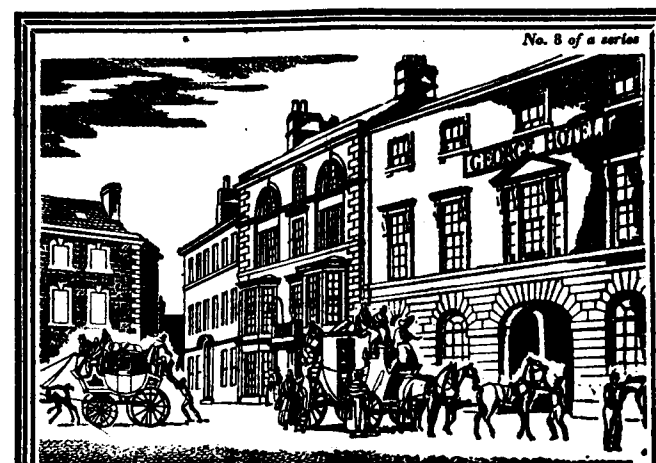
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a decision is taken—and there is no reason for assuming that it ought to be—to widen and raise the subsistence standard, the corollary would appear to be a stricter means test. Is this what most assisted people would prefer?

Grievance at Merthyr Tydfil

Merthyr Tydfil's unofficial coal strike, now a fortnight old, is a comparatively small affair in itself, involving 1,600 men and a daily loss of about 1,000 tons of coal. It is, however, of some importance as an example of a new type of strike; its cause is quite unconnected with the strikers' contract of employment. The issue is an increase, now suspended during negotiations, in the Merthyr Tydfil Corporation's concessionary bus fares—fares which had been frozen in 1942 and which, in spite of a Coal Board subsidy, were imposing a loss of £50,000 a year. Why the miners of Merthyr Tydfil, any more than anyone else, should be entitled to permanent insulation from the effect of rising costs (to which their own higher wages have contributed) is a question which no spokesman has tried to answer.

Such answer as could be given would probably have to be couched in terms of the miner's peculiar psychology and unique imperviousness to uncongenial fact and argument—a matter sympathetically discussed in the latest of the Acton Society's research pamphlets, "The Worker's Point of View."* Industrial relations within the coal industry and relations between the mining community and the outside world appear to be alike bedevilled, beyond what anyone had previously supposed, by suspicion and resentment and by a kind of selective credulity that they encourage. "When the miner receives information he fits it into the pattern of his existing prejudices." (So, indeed, do most people; but most people are lucky enough to have escaped circumstances as conducive as the miner's to a pattern so cast iron and so irrational.)

Fear of unemployment, hatred of authority, and a gnawing conviction of being undervalued are the three main ingredients of that pattern. The first may be quite irrelevant to the Merthyr Tydfil dispute, the second hardly less so; but the third one may reasonably suspect to be actively concerned. A privilege hitherto enjoyed by miners is being whittled away; which equals a discrimination against miners, which equals further evidence that miners are regarded as inferior. Thus a deep-rooted emotional conviction reinforces the mere economic calculus, justifying resort to that one traditional expression of resentment The Strike—though it is quite irrelevant to the concrete grievance concerned. All this is, of course, no reason for yielding to an unreasonable demand pressed by indefensible means; but it underlines the importance of finding some means of penetrating the psychological barriers behind which suspicion and resentment still destructively ferment.

London's Poor Scholars

The education committee of the London County Council has decided that it cannot afford to pay the larger grants to university students recommended by the Minister of Education in June. Most education authorities appear to be accepting the recommendations, although at the cost of giving rather fewer awards. The LCC's policy, however, is to set no limit to the number of its awards, but to give them to all who can reach the required standard. In the circumstances, the education committee finds it impossible to reconcile the increases proposed by the Minister with her earlier demand that education estimates as a whole should be reduced. Its revised estimates did not provide for increased grants of this size. The committee therefore recommends for the coming academic year a scale of increases that would cost in the

aggregate only £30,450, compared with £98,850 if it adopted the scale recommended by the Minister. It means, for example, that the LCC's maximum grants to students at Oxford and Cambridge will be worth some £20 less than state scholarships.

The scales recommended by the Minister were already too low to meet the increase in the cost of living that has taken place since 1949. The LCC's still smaller awards would therefore mean hardship for many, were it not for the practice of giving additional grants where home circumstances make them necessary, and special grants from a hardship fund of £5,000 a year established in 1950. For those authorities which make no such provision it is certainly better to reduce the number of scholars rather than to keep all in penury.

In the patchwork of the British educational system the amount of assistance that a student gets is often a matter of geography; but local authority awards are on the average worth less than state scholarships in money, and certainly in prestige. They always involve some financial assistance, but do not necessarily carry the honorarium of £30 which is paid to state scholars whatever their parents' income. In view of some misunderstanding arising from an article in *The Economist* of December 22, 1951, it should be made clear, however, that neither for state nor for county scholars is there any automatic payment of fees.

Japan and East-West Trade

Fitting Japan into the western trading community may prove to be an even more lengthy and disturbing process than were the negotiations for the Peace Treaty itself. In American eyes at least, it is urgently necessary to keep effective controls over Japanese strategic exports to the Communist sphere, especially to China. Talks on this subject have just been concluded at a conference in Washington between representatives from the United States, Britain, France, Canada and Japan. The communique they have issued is unrevealing, presumably because the Americans are highly sensitive about these export controls. But there are reports that the other participants won reluctant American agreement to include Japan in the Paris committee, an informal group that co-ordinates western policy for strategic exports to the Soviet sphere. Hitherto it has dealt only with east-west trade in Europe.

American officials are said to favour bringing Japan into a new Far East control group which would concentrate on trade in that area and would tighten the embargo against strategic goods for Communist China, whose troops are fighting the United Nations in Korea. Although the UN Assembly over a year ago passed a resolution banning strategic exports to China, goods of military importance are still getting there through loopholes.

Washington apparently fears that to include Japan in the European group would encourage deals inimical to its east-west trade policy. If the Japanese move to increase trade with China, they may be cheered on both by Europeans—for example, the Germans, who are half-hearted about their own export bans—and by countries like Britain which would welcome means of relieving Japanese pressure on their own markets in South East Asia.

If tensions of this kind are to be avoided, surely it is time for the free world to accept certain facts and to put east-west trade into perspective. Both Germany and Japan have almost restored their prewar productive capacity; they cannot be restrained from pursuing the markets and sources of supply they need to live, let alone to prosper. The Russian sphere—even if all western strategic controls were lifted—could not provide more than a fraction of the solution. There are strong indications that Soviet development is committed to industrial autarky. So far from providing the industrialised countries with supplies of raw materials, the

Russian sphere is turning into a competitive buyer. The food surpluses of the area show signs of declining. Instead of offering the industrialised nations a stable, long-term market for their manufactured goods, the Soviet intention is to import, as a transitional measure only, sufficient capital equipment to achieve industrial self-sufficiency. It would be premature to say that the same is true of China; but if Mao Tse-tung follows Stalinist orthodoxy China, too, will be anxious to pursue a similar policy.

In the short run, the policy of strategic export controls undoubtedly entails some sacrifice of markets and non-dollar supplies. But, in the long run, east-west trade will not answer the problem that faces the free world. If it is to keep Japan and Germany in its camp, some other trading outlet must be found for them. The only visible hope is to make them partners in efforts to develop the backward areas of the free world and to encourage the production of food and raw materials.

American Rights in Morocco

Last month, the judges of the International Court at The Hague heard the United States defend against French attack the extra-territorial rights in French Morocco granted in 1836 by the Sultan to President Jackson. In particular, these rights give Americans in Morocco the right to be tried before their own consular courts and forbid the application of any French Moroccan legislation to Americans without the prior consent of the United States Government. They were confirmed by the Treaty of Algeiras of 1906 and, although the other powers have renounced their capitulatory rights in Morocco, the Americans have never done so. Legally, therefore, the American case is not a bad one, but the United States can hardly be proud of its role as the last of the old capitulatory powers.

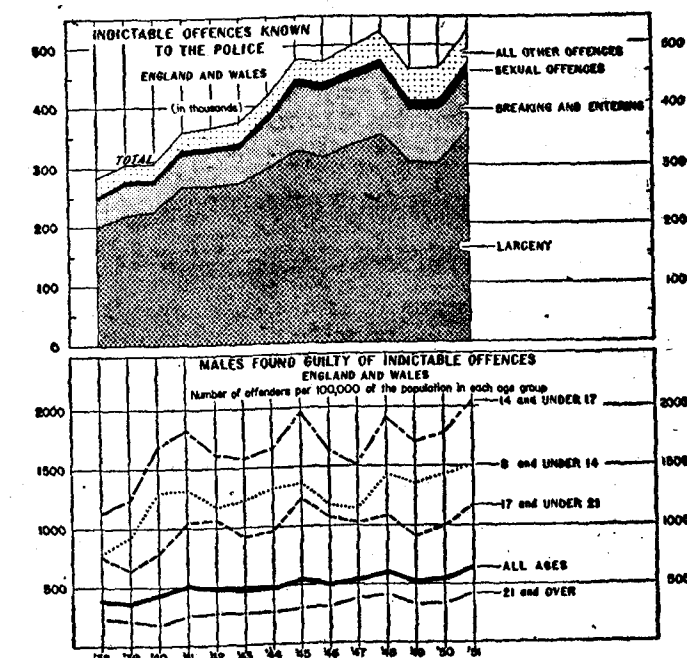
The present dispute arose out of the activities of some 37 Americans who stayed behind in Morocco when they were demobilised after the war, and took advantage of their special privileges as American citizens to conduct highly profitable export businesses. The French Government eventually decided that their activities, which included evasion of currency controls through transactions on the Tangier free market, were a threat to the economic and financial stability of the protectorate. After protracted negotiations the State Department in December, 1949, while carefully reserving American treaty rights, agreed that as part of a temporary compromise measure, Americans in Morocco should be subject to dollar import controls. The thirty-seven Americans did not take this lying down. Their efforts, and those of powerful friends in the lobbies of Congress, led to an amendment to a 1950 Appropriations Act which has since lapsed, which withheld American aid from any country with dependent territories in which American treaty rights were being violated. It was to prevent the application of this amendment that the French laid the dispute before The Hague Court in October, 1950.

Even if the Court does arrive at a satisfactory settlement, the consequences of washing publicly this piece of dirty linen will be unfortunate. Both parties are closely interested in the stability of Morocco (the United States has five big bomber bases there), and both, no doubt, had made good resolutions to stick to legal arguments; but they could not keep them. The American counsel declared that the real issue was whether the territory should be integrated in the French economy or allowed to develop freely; and the French counsel accused the United States of trying to impose its own "quasi protectorate." Both statements must have delighted the Moroccan Nationalists—and the Russians. This dispute between friends should have been settled out of court long ago.

More Crime

Hopes that the wartime increase in crime had spent itself by 1948 have not been fulfilled. The number of indictable offences known to the police dropped sharply in 1949, and the lower level was maintained in 1950. But the criminal statistics for England and Wales for 1951 (Cmd. 8616) show that this decline was only temporary. Last year, as can be seen in the accompanying chart, the total jumped up again to 524,506, nearly 2,000 higher than the 1948 total.

For the last three years the proportion of indictable offences "cleared up" has been 47 per cent, compared with 50 per cent in 1938. This is not the same thing as the number of convictions. In 1951, the number of persons found guilty at all courts of indictable offences was 132,817, of whom 117,004 were males. The chart also shows the number of male offenders in the different age groups. The methods of disposing of these offenders are of some interest. In every age group, the proportion of offenders put on probation was smaller than it was before the war. There was



consequently a much greater use of fines; but one would like to know whether the amount of the fines imposed reflected the fall in the value of money since 1938—a fine that does not hurt is of little use. More people were also sent to prison by the higher courts in 1951 compared with 1938. Of particular interest here is the proportion of youths aged 17-21 sentenced to imprisonment. The Criminal Justice Act of 1948 provides that offenders under 21 should not be sent to prison unless the court considers that no other way of dealing with them is appropriate. But the proportion of youths so sentenced by the higher courts last year was 13 per cent compared with 7 per cent in 1938.

The published criminal statistics provide only a general outline of the amount and nature of crime. Supplementary statistics, distributing the offences and offenders by police districts, are available for research workers; and, for the first time, last year's supplementary statistics include material of use in the study of recidivism.

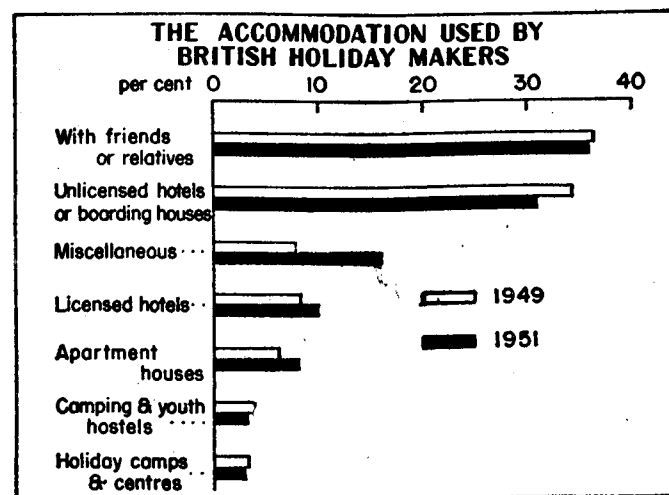
No Room

In the past fortnight the holiday traffic has reached its height, and the queues and discomforts of last weekend should commend to many people the proposal that the Government recently turned down; the August bank holiday should be moved to the last Monday in the month, so that the weekend traffic does not coincide with the peak

* "The Worker's Point of View." No. 11. Acton Society Trust, 32 pages. 2 shillings.

period for annual holidays. As it is, the congestion threatens to get worse. In spite of the textile slump more people than ever seem to be going away for their holidays this year. During the past twelve months over 4 million workers have been granted a second week's holiday with pay, which most of them will take in July and August; and now that the allowance for foreign travel is reduced, people who would otherwise have spent all their holidays abroad are spending part of them at British resorts. The last half of July and the first half of August, moreover, is the period when the influx of foreign tourists reaches its maximum; for them the problem of finding accommodation is becoming acute.

The mass of British holiday makers do not, it is true, compete with the foreign visitor for hotel accommodation. He does not want to visit seaside resorts, nor does he stay at boarding houses and holiday camps. It is, in any case, not this type of accommodation that is most scarce. But the shortage of hotels suitable for the well-to-do visitor—especially in London and Edinburgh—is so acute that it now threatens to stop the great postwar expansion of the tourist trade. The British Travel and Holidays Association had estimated that some 750,000 foreign tourists would visit



Source: Annual Report of the British Travel and Holidays Association.

Britain this year, compared with nearly 700,000 last year; they were expected to spend, if fares paid to British companies are included, some £125 million compared with £100 million last year. These forecasts may prove to have been modest. There has been some decline in the traffic from Europe, but a big increase in the number of tourists from the United States. June brought 26,500 of them—nearly half as many again as in June of Festival year. But this rate of increase can hardly be continued. Already many foreign visitors are being turned away.

The shortage of first-class hotels is not the only reason for this. Another is that British hoteliers, with a few exceptions, remain uninterested in foreign guests, and are often unwilling even to answer letters from abroad. It is all too evident that in Coronation year many opportunities of earning foreign currency are to be thrown away.

Grimmer Fairy Tales

The German Communists have recently turned their attention to fairy tales—not, that is to say, to the modern Canterbury tales about germ warfare or the monstrous crimes of Gomulka and Slansky, but the old-fashioned sort about fairy godmothers and magic rings. There are worthy people everywhere who disapprove of offering this imaginative dream-world to children born into an age of science and reason. It might hastily be assumed that Communists would be among those who would like to preserve young minds from the influence of the fairy tale. It is, therefore, for fairy-tale addicts as pleasant as it is surprising to find Herr Oskar Hoffmann of the Office of Literature and Publishing in East

Germany declaring the idea held by some teachers that fairy tales are outmoded to be “a wrong and harmful conception hostile to culture.” But it must not be thought that the little peace fighters and totalitarian tiny tots growing up inside the Pieck Enclosure are to be allowed to learn fairy tales as they were taught to their parents. The *Kinderbuchverlag*, with the skilled assistance of Professor Hans Siebert, has published a new edition of Grimm's Fairy Tales, “not in the old form, but with critical editing and selection.”

Children, of course, must be edified as well as entertained, and what may pass unrebuked in a bourgeois society cannot be permitted in a country that is building socialism. The good Professor Siebert is determined to protect them. The little ones may be led into a Right-nationalist deviation by a kindergarten game; they may contract cosmopolitanism from a nursery rhyme; Titoism may lurk in a top. But children can learn from fairy tale heroes and heroines, according to the Professor, to “respect the value of human labour, overcome difficulties, be courageous, and fight and make sacrifices for a good cause.”

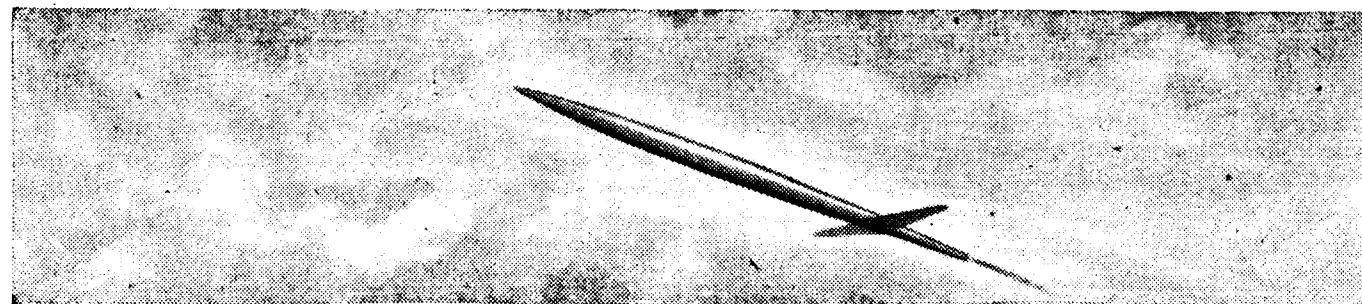
Unfortunately many of the old tales are far from suitable for this purpose. There is often a deplorable attitude towards the virtues of hard work. Not only do fairy tale characters wander about in the most anti-social way without party directives or official permits; they succeed by luck, magic, supernatural assistance, cunning or by almost any means but working at a job. To correct this tendency, Professor Siebert makes a fairy tale in which a family gets its food with the aid of a magic table end with their returning to their trades and “working better than ever before.” No doubt Cinderella, too, will now have to go back to her kitchen and “fulfil her norm.”

Penalising Smokers?

Amongst some of our correspondents, and perhaps generally, there prevails an opinion, that because a habit is unpleasant or injurious, like smoking tobacco, that it is proper to subject it to taxation. Of course, they believe that the tax will prevent the formation of the unpleasant habit. Tobacco, however, is enormously taxed here and in almost every European country, and the tax certainly does not impede, if it do not promote, the habit. Everybody now almost is a smoker. The cigar meets you on the steam-ship and in the public streets; fumes of tobacco are puffed into your face as you walk and as you ride. You encounter it in parlours and gardens, in shops and in libraries, in coffee-houses, and public carriages. There is scarcely a place sacred from its invasion. We know no more offensive habit for those who, like ourselves, are not smokers than the present almost universal practice of smoking, which has certainly not been checked by the exorbitant duties imposed on tobacco. A correspondent who advocates the high duties admits that the prohibition to do a thing induces the desire to do it. If of itself it have certain soothing charms, like smoking tobacco or inhaling the fumes of opium, the prohibition is, in fact, a declaration by the highest authority that the recreation is very delightful, since it is necessary to counteract it by high duties; and thus the *quasi* prohibition, we know from the history of opium-eaters in China as well as tobacco-smokers in all Europe, really stimulates the habit it is intended to repress. It is by no means the only example to be found in history of hasty, passionate legislators failing, even more than other men, to accomplish their designs. . . . It is very unwise . . . to bring taxation, without which the State cannot exist, into disrepute by using it to punish some of our fellow-creatures for what we do not approve of, and thus making it a portion of the penal code.

The Economist

August 7, 1852



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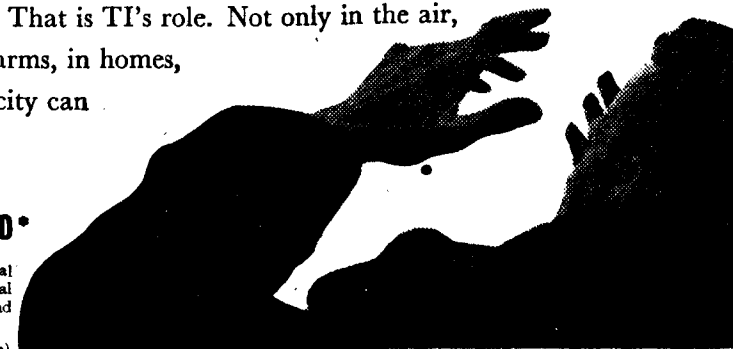
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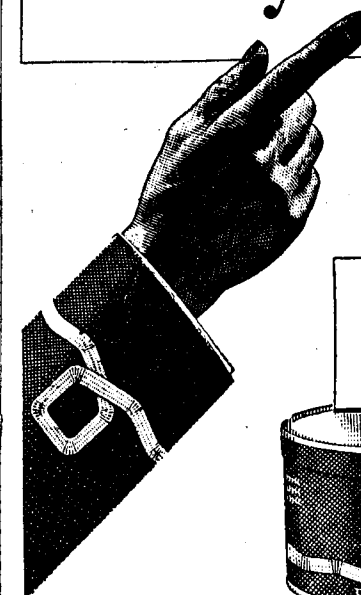


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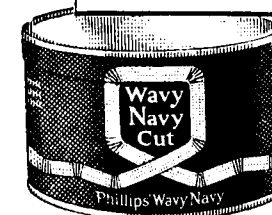
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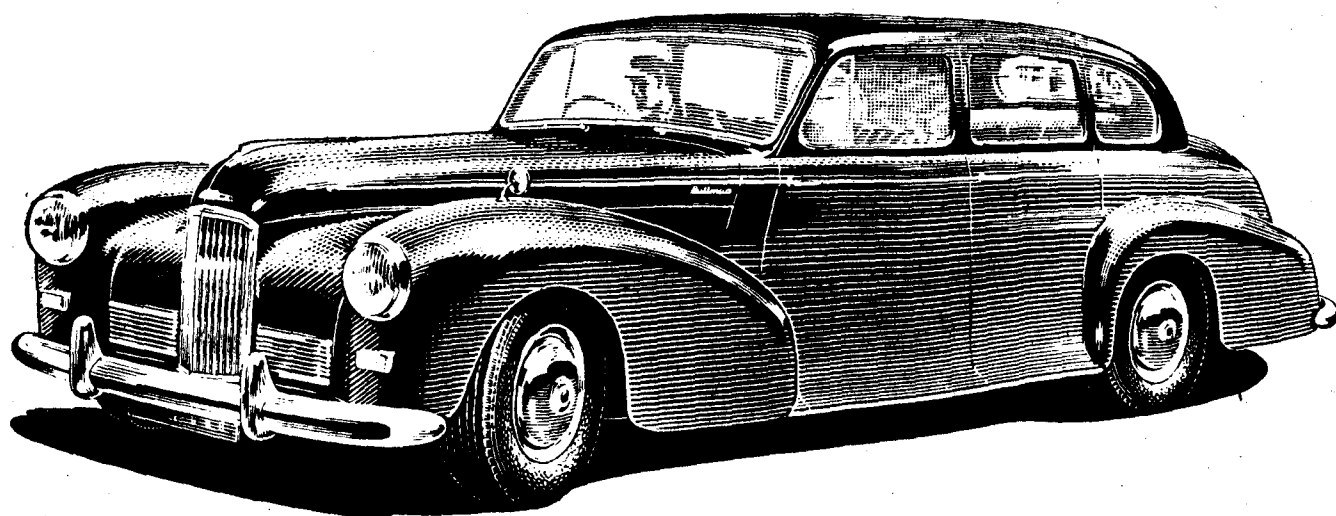
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Letters to the Editor

When Russians Bring Gifts

Sir,—The article in your issue of July 26th contained this sentence: "A drop in tension, less spent on rearmament, more trade with the East—these are all things to be welcomed." Such words invite a few reflections.

Most thinking people have now a fairly good impression of the reliability and the morality of the men in the Kremlin. They know how the Communist fifth column works in friendly countries while the official representatives of the Soviet Union pay lip service to the "peaceful co-existence" of the East and the West. With this in mind, is it wise of the West to hope for "a drop in tension" which can hardly be more than apparent? And is it really advisable for the Western powers to restrict rearmament in the belief that these quite amoral people in the Kremlin have suddenly changed character?

It is a fact that there is opposition to the regime within the Soviet Union. Broadcasts from the West are a contribution to this opposition; a ban on all trade with the East would be far more efficient. Admittedly, the West itself would suffer by such a restriction, but absence of trade and the lack of certain commodities may well accelerate the stagnation of the Soviet economy which, being socialist, is bureaucratic and inefficient anyway. Disintegration from within is the likely end of the Soviet Union, and the sooner this totalitarian regime disappears, the better for the peace and the prosperity of the world. Let us therefore hope that the tyrants in the Kremlin will get no further commercial support from the West. The West should look farther ahead than to its immediate advantage.—Yours faithfully,
M. MADSEN

Bergen, Norway

Jews Behind the Curtain

Sir,—An article in your issue of June 21st fails to give a single fact in support of the statement that "Jews once more find themselves a discredited and even threatened minority."

Where is there discrimination? Perhaps among the 20 per cent of Stalin prize winners, who are Jews? Is there discrimination, for example, in the editorial board of the Diplomatic Dictionary published by the Soviet Foreign Office? Out of the eleven members of the editorial board four are Jews and nearly half the contributors are Jews. One needs only to look through the file of the recent issues of the *Voprosi Ekonomiki*, the leading Soviet economic journal to see the high number of Jewish contributors. The same applies to Soviet literature, to *Voprosi Istori*, *Pravda* and *Izvestia*. Criticism of the Israeli Government has nothing whatsoever to do with criticism of Jews. The Soviet Government and Communist Party have always

maintained a critical attitude to the Zionist movement and particularly to its Right-Wing leadership. Whether certain Jews wish to emigrate from Russia to Israel no one knows, except your correspondent.

With regard to Yiddish publications in Russia the facts are plain. As a result of the war the former compact Jewish communities in the Western parts of the Soviet Union have largely disappeared; many Jews have migrated into the interior of the Soviet Union and the more they become integrated in the economic life of the country the less they had recourse to Yiddish as a language. A similar process is taking place in Britain and America, and last year the only Yiddish daily paper in Britain, the *Jewish Times*, ceased publication for lack of support.

It seems that, at the moment, in the campaign of the West against the Soviet Union anything is justified even if the statements made are founded on fiction or plain nonsense.—Yours faithfully,
CHIMEN ABRAMSKY

London, N.6

Federation Moves On

Sir,—The logic of the argument of your correspondent, Mr Bell, in your issue of July 19th—that ultimately "members of both races will be found performing all the various economic functions proper to a modern society"—will not be questioned by men of good will. He is wrong, however, to suggest that those who advocate federation and racial partnership are opposed to the objective of equal opportunity between Africans and Europeans. This objective is implicit in the term "partnership" as defined by the Prime Minister of Southern Rhodesia and by the Governor of Northern Rhodesia as well as other Central African leaders. Certainly the test must be skill and mental capacity and not race or colour, and Mr Bell will no doubt agree that the benefit derived from any partnership must bear some relation to the contribution put into it.

In the recent debate in the Northern Rhodesia Legislative Council on the draft federal scheme Mr Welensky reaffirmed his belief in Cecil Rhodes's dictum of equal rights for civilised people, and declared that the aim of his country must be "to produce a system . . . which will permit both races to live and contribute to the development of this country. That system has to recognise the aspirations of both races."

Far from restricting opportunities for Africans increased immigration of Europeans should provide even greater scope for them, for it is a vital necessity for the continued development of British Central Africa.—Yours faithfully,
J. P. McDONAGH

London, S.W.19

Sir,—The boggy of Colonial Office control is one of great moment to all thinking Rhodesians. The White Paper

carefully leaves the identity of the Secretary of State open. You state that this means: "the Secretary of State for Commonwealth Relations acting in consultation with the Secretary of State for the Colonies." Sir Godfrey Huggins tells us that it is the Secretary of State for Commonwealth Relations. If so, why avoid the issue in the White Paper? Thus is the present air of secrecy and suspicion perpetuated. Unless the matter is cleared up by an official announcement at an early date it will become increasingly difficult to organise European opinion in favour of closer association, and the proposals may well be defeated when the referendum is held.

One other matter. Many are perturbed at the almost universal opposition to the proposals among Africans. Instead of trying to steamroller federation through in spite of this, it is surely far better to meet it, and intimate forthwith that it is Government policy, in both Rhodesias, to implement the findings of the Dalglish Commission and permit Africans to advance in industry. At this stage only a few could take advantage of such a gesture. It is all very well to pay lip-service to educational as opposed to colour standards. Nevertheless it is sheer hypocrisy to aver such an attitude, and ignore the Dalglish Commission's findings.—Yours faithfully,
J. G. PAIN

Bulawayo

Transport Travesty

Sir,—The most controversial measure introduced in this session of Parliament has undoubtedly been that dealing with the denationalisation of road transport. You regard the Bill as "virtually devoid of principles." Yet unless the unions concerned resort to "industrial action," it appears unlikely that the Government will be disposed to think again. Surely the country's biggest industry deserves further exploration of alternative measures which would pay due regard to the economic issues and also appeal to moderate opinion in both parties.

Serious consideration should be given to the possibility of separating the function of ownership of vehicles, etc., from that of their operation. The Road Haulage Executive or an entirely new organisation could under such a system retain the ownership of depots and vehicles which would be leased on a time basis to private operators. At the same time, existing depots could perform the function of freight exchanges or clearing houses for road transport, thus obtaining as many return loads as possible.

This system would combine the advantages of a large- and small-scale organisation. The raising of new capital and the standardisation of plant are best left in the hands of a large organisation whereas the comparatively small operator is better able to cater for the individual needs of road transport users.—Yours faithfully,
S. A. SUMMERFIELD

London, S.W.7

Books and Publications

Left and Right of Nationalisation

Problems of Nationalised Industry. Edited by William A. Robson. *Allen and Unwin.* 390 pages. 25s.

The Economic Aspects of Nationalisation in Great Britain. By A. M. de Neuman. *Students' Bookshops.* 52 pages. 8s. 6d.

Taken together, these two books are a valuable survey of the postwar experiments in nationalisation. Alone, neither could be widely recommended. Mr Neuman writes for specialists, and the more general book is too uncritical to be read alone. It will disappoint those who know its foundation—the deservedly successful issue of *The Political Quarterly*, for April-June, 1950, which was devoted to a series of essays on nationalised industry. Another two years is a long time in the experience of postwar nationalisation, and the original essays had enough suggestive points for one to hope that by now they might have been developed into a searching survey of that experience. In fact, the book is rather a useful, if casual, peregrination round well-worn paths of discussion—and most of the paths are followed two or three times in the course of the 390 pages.

This repetitiveness is the inevitable consequence of Professor Robson's method. In calling himself an editor he is too modest. He reprints six of the original essays and adds six more, mostly short, from contributors; the most interesting—by Professor Gilbert Walker and Mr Condie—is on compensation. The other five new essays deal with organisation, joint consultation, the consumers' interest, public relations and scientific research. Longer chapters by Mr Robson provide the beginning and end for this part of the book; one is an introductory essay on the public corporation and the other compares nationalisation in Britain and France. The second part of the book, occupying over a quarter of its length, consists entirely of Mr Robson's "general conclusions."

In his preface Mr Robson asserts disarmingly that "it will be conceded by intelligent and fair-minded readers that there is no tendency in this book to complacency or to regard nationalisation as in itself a great achievement." Tendency, perhaps, there is not; absolute determination there certainly is. Twice Mr Robson asserts that the public corporation is "destined" to be as important in the next fifty years as the joint-stock company was in the past hundred years. But this, with its implication that nationalisation will soon extend to other industries, is a relatively modest statement of faith. Mr Robson asserts not only that the "outlook" for Britain's nationalised industries is generally favourable but that it is "infinitely" more favourable than it would have been if private ownership had continued.

These rhetorical generalisations do not inhibit Mr Robson from a frank and sober discussion, mostly on familiar lines, of the more detailed problems and

difficulties of nationalisation. But his underlying conviction that nationalisation must succeed does deter him from analysing deeply the major difficulties. For example, he much underrates the fundamental difference between the pre-war corporations—based on a general willingness to keep the BBC and the Central Electricity Board out of politics and therefore almost free from ministerial control—and the postwar giants whose affairs cannot be kept out of politics. Mr Robson believes that the new corporations can attain a "correct" balance between freedom in day-to-day management and Government control over matters of major policy, but this belief is not based on any solution to the problems of public accountability that most people find so baffling.

Mr Neuman, by contrast, is refreshingly penetrating. He provides a precise account, partly in tabular form, of the economic features of the various corporations. If his main conclusions are fairly obvious, their implications have certainly been too rarely appreciated. The nationalisers were quite certain what kind of legal change they wanted to make but unsure of the institutional framework that their purpose required. The institutions are therefore largely the creation of the Civil Service and, Mr Neuman suggests, this explains both their centralisation and the pricing policies that the corporations have pursued. In his view the issue of centralisation versus decentralisation is less important than the distinction between the competitive and cartel patterns of economic behaviour. In theory, a public corporation might choose either; in practice, cartel behaviour—designed to balance total revenue and total costs, with little regard to particular demands and particular costs—has been almost universal. Mr Neuman does not offer solutions, but he penetrates to important problems that Mr Robson in his optimism ignores. In particular, he asks what are the likely effects on productivity if decisions in so much of the economy are weighted by the non-economic criteria that the public corporations are tempted to use.

Bludgeoned Hero

Bolívar. By Salvador de Madariaga. *Hollis and Carter.* 711 pages. 45s.

For over a century the glory of Latin America's greatest historical figure has been, in Señor de Madariaga's words, "defended with a heroism worthy of Bolívar himself." To break through these defences is the declared aim of this new biography, and there is little doubt that some of the gaping holes that

it leaves will never be plugged again. The mass of contemporary material cited in these pages provides incontestable evidence of the tortuousness, the sporadic cruelty and the unflagging ambition which marked the Liberator's life. The heroic equestrian figure that rises from so many pedestals in a dozen American countries will never again be so immaculate. And yet, while Señor de Madariaga succeeds in robbing Bolívar of his purity, it cannot be said that he has unhorsed him.

Indeed, if this had been the author's intention, he would have done well to adopt a different approach. Where Lytton Strachey exploded his victims' reputations with a deft pink from a rapier, Señor de Madariaga chooses a bludgeon; and even after he has beaten Bolívar about the head with seven hundred large pages of documentation and polemic, the man remains both alive and great. So lovingly does the book dwell upon his indecisions and manoeuvres, his mistakes and defeats, that even the most uncritical reader is forced to ask before long how on earth such a man as this could have led ragged armies over and along the Andes for thousands of miles and torn five countries from the grasp of Spain.

No doubt all the sources cited are as reliable as Señor de Madariaga claims; but it is possible to suspect that, in his anxiety to strip away the veils of mythology that have long shrouded the Liberator's true personality, he has allowed a disproportion to creep in. Certainly his treatment of such an event as Bolívar's arrest of Miranda smacks more of the prosecuting counsel than of the judge. This attitude is scarcely surprising, for the present volume is explicitly presented as the completion of the series of weighty historical works in which Señor Madariaga has striven to correct posterity's judgment on Spain's record in the Americas. It is therefore no more than consistent in its emphasis on the benefits, and its somewhat cursory references to the crimes, of the Spanish conquest and domination.

Intelligent Man's Guide

Introduction to Economic History, 1750-1950. By G. D. H. Cole. *Macmillan.* 233 pages. 10s.

To compress into 190 pages of text, even with the aid of some statistical and graphical appendices, the course of the world's economic development over the last two hundred years is a job which few people would attempt and in which fewer would succeed. "Success" in any case is relative; there must be omissions, oversimplifications, an uncomfortable choice between the carefully balanced but colourless phrase and the more vivid language in which bias is betrayed. Within these inevitable limitations, Professor Cole's success is brilliant. He has always been in a class by himself as a populariser; he has the essential gift of

knowing when to generalise and when to particularise, he is sure-footed among the pitfalls which gape for those treating technical matters in the vernacular, and he knows what sort of audience he is writing for. This "Introduction to Economic History" is even better than readers of his many similar works would expect; for it is almost entirely unblemished by those sudden spiteful asides, those loaded phrases, those implied imputations of motive, which betray the partisan rather than the teacher.

Mr Cole tells his story in terms of certain broad classes of change: population growth, the extent of the division of labour, urbanisation, the relation between techniques and the size and organisation of commercial and productive units, the uneven development of different countries and the effects of this unevenness on their relations. The familiar story of Britain's industrial, commercial and agrarian revolutions is thus set in its world perspective in a way never accomplished before—at all events in any work likely to attract the non-specialist reader; while at the same time a vivid light is cast on the antecedents of the modern American and Russian economies and on the essential nature of today's explosive triangular relationship between the advanced capitalist countries, the Soviet constellation, and the backward peoples.

One can pick holes, inevitably, on matters of emphasis and judgment. Mr Cole cannot quite keep his ineradicable dislike of America out of his picture, nor would anyone guess from his pages the nature of the "sacrifices" made by the Russian people in "their" attempt to telescope several centuries of economic development into a few decades; and not all economists would find his views on tariffs—particularly the American tariff—acceptable. But he has been sufficiently scrupulous, in his warning of the different interpretations to be placed on the facts, for readers to feel the necessity of using their own judgment. His book is a real contribution to popular understanding not only of the present-day world but of the nature of historical development.

Philosopher-Historian

Benedetto Croce. By Cecil Sprigge. *Bowes and Bowes.* 62 pages. 6s.

The philosophical approach to history is characteristic of the twentieth century, in which the systems of Spengler, Ortega y Gasset and Toynbee have provided a framework for imitators and a target for dissidents. Signor Croce, whose influence on Italian thought has been all-pervasive, predicates that philosophy is history, that there can be no scientific or metaphysical cause of events, and that all history is contemporary in the sense that its presentation depends on the intuitive capacity and bias of the historian. These ideas have not been generally acceptable to the empiricism of British philosophers and historians, who, with few exceptions, have preferred the

view that there is always a hard core of facts which is not susceptible to intuitive treatment and from which definite conclusions may be drawn.

Croce's concept of history includes art and economics. For him, economic action is man's typical vital operation, irrespective of morality; and art or language is the operation of the theorising spirit, irrespective of reality. He did not regard this comprehensive and interconnected pattern as a static body of doctrine, and he therefore created the literary review *La Critica* in which, from 1903 to 1943, his ideas were discussed in open debate—in later years, with a conscious desire to shape the minds of a new governing class in Italy after the disastrous interlude of Fascism. It is a misfortune that the evolving thought of this anti-mystical, anti-utopian humanist has not been available to a wider British public, because he expounded it in images that we can readily appreciate, and we ought not to be ignorant of the teaching of one who believes that:

A truly intelligent Liberal can never be converted to the authoritarian or reactionary, nor to the communistic, ideal, because he already contains these ideals within himself, within those limits where alone they are acceptable.

It is therefore most appropriate that Bowes and Bowes have included in their series of "Studies in Modern European Literature and Thought" an essay on Benedetto Croce by an authority on Italian politics and culture who follows the philosopher's own method by conveying the spirit rather than the formula of his thought. This little book is a stimulating introduction, which whets the appetite for the announced English translation of selections chosen by Croce himself from his entire works. Perhaps Mr Sprigge gives rather too great a proportion of his limited space to Croce's philosophy and too little attention to the power and range of his criticism. The former is so integrated into the body of his whole work as to defy extraction, and did not influence his contemporaries, who chose to follow D'Annunzio and Mussolini in action; but Croce's methods of criticism have had a most significant effect, not only on the Italian, but also on the whole Western approach to literature and art in the last fifty years. Nevertheless, the author of this essay gives us, in sixty-two succinct pages, an intriguing glimpse into an outstanding and adventurously flexible mind.

The Middle Ages in Old Age

England in the Late Middle Ages. By A. R. Myers. *The Pelican History of England.* Vol. IV. *Penguin Books.* 363 pages. 3s.

The study of the history of the fourteenth and fifteenth centuries in this country has been bedevilled by an attitude of mind summed up in the two catchphrases most frequently used in writing of this period, "bastard feudalism" and "the waning of the

middle ages": that this period can only be seen in terms of a falling away from the high ideals of earlier medieval society. Moreover, Huizinga's famous work has popularised the idea that the special features of late medieval society were the hectic, unhealthy iridescences of an organism in decay.

One of the chief virtues of Mr Myers's book is that, without minimising the chaos of many aspects of later medieval England, he brings out clearly the real achievements of the period, in economic life, in literature, in art and in the art of living. In addition, his limits are well chosen; by carrying the story down to the Reformation he plays his part in the current undermining of that *pons asinorum* of text-book history "1485."

It is therefore a pity that he subdivides his book into three chronological periods and considers political, economic, religious and cultural matters

The Theory of Economic Policy

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LIONEL ROBBINS

This work is based on a series of lectures given at Manchester on the Simon Foundation. Although bearing indirectly on modern controversies, the book is essentially historical and expository. 15s.

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G. D. H. COLE

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"To those who want to learn the reasons for the 'sterling area,' its problems, its structure and its policy, I can recommend this book. . . . Mr. Conan's conclusions are as original as they are soundly substantiated by independent research."—*Investors' Review.* 16s.

MACMILLAN

in watertight compartments within each period. Not only this, the individual sections are of unequal merit. Those on economic matters are perhaps the best; the political sections the worst. These defects, together with a pedestrian style, produce the impression of a text-book rather than a work for the general reader.

This is not necessarily a condemnation; there is room for a good text-book on this period. Unfortunately, Mr Myers's book does not fill that gap. There are too many minor inaccuracies of detail, too many half-truths, too many vague phrases. The impression is also given that questions are now closed, and there is little indication of the very large amount of research now in progress on this period (a fault reflected in the uncritical bibliography). A sense of new inquiry, new thinking and new discoveries of fact is the first essential of a good text-book.

It must also be said that this book suffers from comparison with the volumes surrounding it in the same series. The attractive mosaic of evidence from all sources patiently composed by Miss Whitelock in "The Beginnings of English Society"; the brilliant picture by Lady Stenton of "English Society in the Early Middle Ages," in which each impressionistic stroke from contemporary sources finally comes together to form a balanced whole; the vigorous synthesis by Professor Bindoff of recent research on "Tudor England"—all these in their different ways are models of what "history for the general reader" can be. Each is a stimulus to further reading and each provides a sure guide to such reading. True, each of these authors had a firmer foundation of previous work to build on than did Mr Myers; even so, their work has a quality which his lacks.

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Shorter Notices

What's Ahead for American Business?

By Sumner H. Slichter. Little, Brown and
Company. Boston. 216 pages. \$2.75.

Professor Sumner Slichter is an erudite optimist. Despite the fact that the lectures that are reprinted here were originally delivered only just after the Korean outbreak, this makes his book still a joy to read. He believes that the rapidity of technological progress, the prospects for an increase in the proportion of Americans of working age who will want to join the active labour force, and a hotchpotch of factors that should encourage ever greater output per man-hour, all mean that the prospects for the rapid growth of American production are excellent.

He also believes that large individual holdings of liquid assets, the abnormally small total of outstanding personal debts, the trend towards increased Government spending and bigger budget deficits, and the continued importance of the replacement demand for capital goods indicate that "the effective demand for goods should grow at least as rapidly as the capacity of the economy to produce goods."

Finally, he believes that "it would not be surprising to find that foreign countries could undersell domestic producers in nearly 15 per cent of the commodities produced" in the United States; although he does not believe that American imports will increase rapidly, his calculation suggests that they could eventually increase to between two and three times their present proportion of national income.

The world of the future that Professor Slichter envisages would therefore be a very pleasant place to live in. There are many economists who will have counter-acting doubts—who believe, for example, that the high level of American industrial investment since the war has been motivated by exceptionally high consumption. But it is precisely these economists who should be most heartened—if not wholly convinced—by the mass of argument that Professor Slichter mobilises on the sunny side of the ledger.

Applied Statistics. Vol. I. Nos. 1 and 2. A Journal of the Royal Statistical Society. Edited by L. H. C. Tippett, Oliver and Boyd. 80 and 68 pages respectively. Single number; 10s., annually, 25s.

This new journal, which is to be published three times a year, is intended for the practising statistician and the scientist or executive who wants to know how to handle the information provided for him. By obtaining contributions from experts describing how statistics are used in their particular field, the editor has apparently set no limit to the subjects which may be covered. Some articles deal with general development, others with technical aspects. But throughout the emphasis is put on the practical uses of statistics and not on the theory behind the technique.

The danger in embracing such a wide scope and in attempting to avoid an intricate treatment is that the papers may skim the surface too lightly. But the first issues of the journal promise well. Contributions range over such widely different subjects as industrial quality control, the chemical analysis of pyrethrum, retail prices and sales and some ingenious suggestions in the less accepted field of social statistics. If the standard is maintained in future issues, readers may well obtain some useful ideas from this journal. The presentation of the material is excellent.

Census 195 of Scotland. Volume I.—Part I. City of Edinburgh. HMSO. 47 pages. 7s. 6d.

Volume II.—Population of Towns and Larger Villages (Excluding Burghs) and of Urban and Rural Areas. HMSO. 26 pages. 4s.

These two publications are the first of a series which will make up the final detailed report on the census of Scotland. (Previous publications have given the preliminary general figures and those based on a one per cent sample.) The report on Edinburgh gives particulars of the population in various parts of the city and their housing conditions; similar reports will follow in the next two years on Glasgow, Aberdeen and Dundee and on each of the Scottish counties.

The second volume includes the first estimates since 1901 of the populations of towns and villages that are not burghs but have a population of a thousand or more. Over the whole of Scotland, the census figures show that the proportion of people living in rural areas decreased from 25.7 per cent of the total population in 1901 to 17.1 per cent in 1951.

Annual Review of United Nations Affairs, 1950. Edited by Clyde Egleton and Richard N. Swift. New York University Press. (London: Geoffrey Cumberlege.) 265 pages. 36s.

Reliable and up-to-date books on the United Nations are so few and far between in this country that it is disappointing to have to record the appearance of yet another apparently promising work which fails to live up to expectations. This account of the proceedings of the second New York University Institute for Annual Review of the United Nations contains a good deal of useful information about the work of the organisation and its agencies, and in particular about such poorly documented subjects as recent developments in the handling of international disputes, public information activities and American policy in the United Nations. But although the survey purports to cover 1950, it in fact contains no mention of events later than June of that year, and is consequently of little more than academic interest today. It seems a pity that even American authorities on the United Nations, who are particularly well placed to obtain the latest information on the subject at first hand, cannot do better than this.

The New Issue Market and the Finance of Industry. By R. F. Henderson. Bowes and Bowes. 172 pages. 25s.

It is all too rarely that academic economists come down to the City of London, and their analyses are not always unblemished when they do. In his short book, Dr Henderson corrects some of the errors made by earlier visitors, presents some careful (though not very up to date) statistics on new issues and their cost, and sprinkles his exercise with a sturdy liberal philosophy. Some of his judgments—and especially his concern about the so-called "Macmillan Gap"—may seem rather more suited to the conditions of the 1930s than of the 1950s; the problems created for all types of private investment by postwar taxation and inadequate depreciation allowances have made the "gap" in the provision of risk capital for small enterprises look like a gap in the middle of empty air. This is not therefore the full analysis of the postwar British capital market that is so badly needed, so much as a modest and useful pathfinder along that road.

AMERICAN SURVEY

Republican Hurdles

Washington, D.C.

THE forecast is that the coming presidential campaign will be fought on a high level, since both candidates are men of character and intelligence. It is also believed that, in the courtly phrase of Senator Lodge of Massachusetts, "it's a horse race." The Senator means that he expects a hard contest and a close finish; and since he is one of the most important members of General Eisenhower's brains trust, his prognostication reflects an unusual candour and modesty. But this, at least in the present preliminary stage, is the Spirit of '52.

Of the two sides the Republicans have contrived up to now to sound the more diffident. This is so attractive a contrast to the disastrous over-confidence exhibited by the party in 1948 that it would probably be justified on that ground alone. But there are other and better reasons for the wise decision, hinted at by Senator Lodge before the Republican strategy conference at Denver, that General Eisenhower should be encouraged to "run scared."

This cannot be what he expected before he left the peace and security of Shape to enter the political paddock. The story is that General Eisenhower was promised that, once he had beaten Senator Taft out of the nomination, the rest would be plain sailing, so high was his prestige and so anxious were the American voters for a change of government. Then it seemed quite possible that Mr Truman might run again and no serious thought was given to the possibility that the General's opponent might be Governor Stevenson of Illinois.

General Eisenhower has won the nomination, but almost nothing else has gone according to the schedule sketched out in Paris. Instead of coming home and allowing the "clear call to duty" to develop to such a point that he would merely have to express his willingness to serve, General Eisenhower had to work and fight up to the last day but one of the Republican convention. Instead of being matched against a politically debilitated Mr Truman or a substitute desperately trying to hold the Fair Deal fort, he is up against a man who was in truth drafted without any effort on his part and who has now acquired a stature undreamt of in the earlier Republican philosophy.

Governor Stevenson is the first reason why General Eisenhower will have to fight an all-out campaign. The second reason arises from the unforeseen strains which have been placed upon his own party; the third from the unforeseen easing of the strains within the Democratic party. All this has been superimposed, since General Eisenhower's return to the United States at the beginning of June, upon the recognised obstacles to the election of a Republican President—such as the fact that the Democrats are the

majority party, the fact that they can be presumed this year to have a reserve of over a million votes that went to Mr Henry Wallace and his Progressives four years ago, and the fact that the electorate after twenty years of Democratic rule is enjoying unprecedented prosperity.

Even before the convention cheers which greeted General Eisenhower's nomination had subsided it had become crystal clear to his strategists that a reconstruction crew must be swiftly put to work with double pay for overtime to cement over the jagged crack that had developed in the Republican party. Last week Mr Arthur Summerfield, the new Republican National Chairman from Michigan, was going earnestly about this task. Senator Taft, he said, was "one of the greatest Republicans this country has ever seen, certainly one of the ablest statesmen of modern times." Senator Bricker of Ohio, who laboured mightily to prevent General Eisenhower's nomination, was "that good soldier of our party, that wise, outstanding statesman." And Senator Dirksen of Illinois, who at the convention hurled accusations and taunts at Governor Dewey of New York (without whose help General Eisenhower might not have succeeded), was among those invited to the Denver conference.

There are early evidences, however, that it takes more than one to compose a fight as well as make one. And although the General needs to enlist Senators Taft, Bricker, Dirksen, and the rest of the old guard professionals in the Eisenhower crusade, what of the amateurs who have put their heart and soul into the Eisenhower movement? What sort of say are they to be given in planning and fighting the campaign?

The question was raised very bluntly last weekend by the co-chairman of the National Citizens for Eisenhower movement, which organised 2,900 Eisenhower clubs all over the country, enrolled 250,000 active workers and raised \$1,500,000 in campaign contributions. After three days of dogged negotiations a "peace pact" was signed at Denver last Monday allowing the volunteers to enjoy a separate existence, but making them subject to the supervision of a professional, Mr Wesley Roberts, the party's director of organisation, who will see that their activities are "co-ordinated" with those of the National Committee. This is, no doubt, a reasonable compromise, but it is clear that most of the independent workers for the General feel considerably less enthusiasm for the Republican old guard than Mr Summerfield has shown and will not take kindly to a campaign programme which exalts the Taft-Bricker-Dirksen company over them.

Still less joy over any such programme will be shown by the liberals in the Republican party, some of whom had begun well before the convention to find General Eisenhower too conservative for their liking. The dissatisfaction of this fairly small, but by no means negligible, wing of the party was apparent the other day when Senator Morse of Oregon observed on a radio programme that the Republican platform "takes us back to the days of McKinley." The whole thing will have to be rewritten, Senator Morse said, for "they cannot stand on that platform and win. . . . It was

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

written when the reactionary Republicans were in control of the convention."

Senator Morse has a point, but prickly points, publicly displayed, are not likely to be popular in Denver just now. Senator Morse, in a mood of ruthless realism, went on to suggest that General Eisenhower, for a start, had better make it clear that the "very poor compromise" effected by Mr John Foster Dulles in the foreign policy section of the platform does not include a pledge to carry out "a preventive war in Asia." It was Senator Morse's belief that a great many people would interpret the foreign policy plank as "making some gesture" toward such a war.

The Republican vice-presidential candidate, the youthful Senator Nixon, paused on the way to Denver to rough out his notion of what the campaign should stress. He indicated that the line should be (1) that it is time for a change and (2) that no change can be expected if Governor Stevenson and Senator Sparkman should be elected, since they are "the captive candidates" of President Truman and the labour and Democratic machine bosses. Beyond that, Senator Nixon promised to exploit to the utmost the Alger Hiss case—to which he himself largely owes his swift rise to national prominence, as he pressed the case in its early stages in the Un-American Activities Committee.

Whether the reminder that the Truman and Roosevelt Administrations unknowingly harboured in the State Department a man now convicted of perjury, on the basis of his denials that he was a Communist and a traitor, is still capable of arousing the electorate to loathe all Democrats remains to be seen. Indeed, there is much, not altogether surprisingly, that remains unclear. But there are some basic truths which suggest that Senator Lodge was not being over-modest when he visualised a close unpredictable race. One of them was underlined last weekend by the Gallup Poll. Noting that the Congressional preference poll (meaning the state-by-state replies to the question "Would you rather see the Republicans or the Democrats win the elections for Congress?") has been through the years an excellent guide to political sentiment, it reported that the proportion of voters who are now declaring a preference for Republicans is only 1 per cent more—51 per cent instead of 50 per cent—than it was in August, 1948, three months before the Republicans lost both their bid for the Presidency and their control of Congress. That is, the Republicans have only a fraction more strength than they had in 1948 as a margin against voters changing their minds as the campaign progresses.

American Notes

Prices After the Strike

Stabilisation officials have the gloomiest forebodings about the price rise granted to the steel companies over their heads. With their authority over prices weakened by Congress and their funds cut, they feel they can offer relatively little resistance to a new wave of inflationary pressures; a number are considering resigning, or have already done so. The cost of the steel settlement—between \$5 and \$6 a ton—may not be quite as high as the conveniently round \$100 a family at which the Price Stabiliser puts it, but higher steel prices will make it hard to resist the demand of steel-using industries for relief. The price of automobiles, for example, is expected to go up substantially next year. Users of aluminium will find themselves in the same boat. The industry has just been granted a 5.5 per cent price increase, half it asked, after it had averted a strike by granting its

workers concessions very similar to those won by the steel workers. The petroleum companies are next in the queue of basic industries.

The decline in wholesale prices has not been felt by consumers. Since June, when living costs reached an all-time high, there have been further increases in food prices, and more are on the way as a result of the drought and the refusal of Congress to allow fruit and vegetable prices to be controlled. The price of cotton has leapt forward. Consumers are spending more freely after their long abstinence and borrowing more, now that credit controls have been relaxed.

Among the trade unions pressing their claims in the wake of the steel settlement are the electrical, copper, shipbuilding, meatpacking and rubber workers—and the miners. Two or three months' supply of coal above ground would argue a weak bargaining position, but Mr Lewis has two aces up his sleeve. He approached the northern operators first, among whom are the steel companies, with their "captive" mines, in the hope that the steel industry will not tolerate a second interruption of steel production; as it is, civilian industries may be starved for several months to allow defence producers to catch up. And by timing his strike notice for September he seems to be gambling that in the midst of an election campaign no one will want to treat the miners roughly.

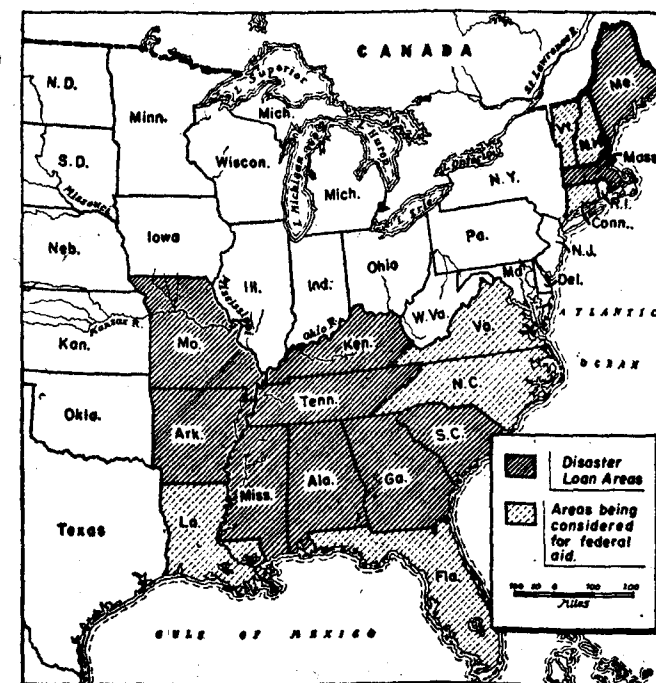
Even if it comes to a strike, the Wage Stabilisation Board will have no hand in the settlement. The old board was killed off by Congress for its over-generous steel recommendations, though otherwise its record was a successful one. The new board, which took office this week, has no authority in labour disputes, but merely the power to lay down wage policy and allow or disallow specific agreements, and this only in conjunction with the price authorities. The trade unions, who are disillusioned with stabilisation, and attached great importance to the old board's right to intervene in disputes, threatened at one time to boycott the new body, but they have thought better of it. As members, they can hope to speed a new regulation permitting "productivity" wage rises. This is almost the only score under which new wage increases can be justified, and strikes averted. Most of the big trade unions have exhausted the bulk of their claim to wage rises on account of past increases in the cost of living.

Disaster by Drought

At this time last summer Kansas and Missouri were digging themselves out of the mud and devastation left by the rampaging river floods. This year the south-east, which can usually count on moisture-laden winds from the Gulf, has been parched by dry winds from Texas and New Mexico and scorched by the heat which has afflicted the whole country. In the north-east, normally temperate New England is also affected. Maine potatoes and blueberries, Massachusetts tomatoes and apples, and Connecticut tobacco are wilting. In the south, hay and livestock, tobacco, peanuts and maize have been hard hit. It has been exceptionally dry further west, too, in Texas, Colorado, and Montana. The food packers, who have been bemoaning the lack of tinplate to save the fruit and vegetable harvest, may have to start worrying about what is to go in their tins now the end of the steel strike means they are likely to get them.

As the map shows, the federal government by the end of last week has designated eight states and parts of Arkansas and Missouri as "disaster areas" and was studying the situation in seven others. Farmers in disaster areas are eligible for federal loans, when they cannot get credit from other sources, to tide them over until their next crops are in. Some \$40 million has already been dispensed; it is an ironic touch that available funds are being supplemented by transferring \$30 million from the Missouri flood relief fund.

One of the main aims in the south is to save its livestock. This is a new industry and one of which much is expected in increasing southern prosperity. Loans will help to relieve the farmer of the necessity of liquidating his herds by making it possible for him to buy hay in unaffected areas—the Great Lakes states, for example, which, so far from suffering from drought, have had so much rainfall that Lake Superior has been dangerously high. The railways are being asked to set low rates for the shipping of hay and feed into the stricken states.



In the drought areas it rained late last week; in Connecticut nature relented just as professional rain-makers had been brought in. But so far it has not rained enough to save many crops. In the south livestock and crop losses are already put at over \$500 million, and the possibility that farmers will reach the near-record goals set for them this year by the Department of Agriculture is now very remote.

Atoms and Atmospheric

Senator Brien McMahon, who has just died at a sadly early age, had made an outstanding reputation in Washington by his able handling of a vital job which he created for himself. After the war he had a large part in transferring the control of the atomic energy programme from military to civilian authority, helping to secure the establishment not only of the Atomic Energy Commission but also of the Joint Congressional Committee on Atomic Energy. This acts as a liaison between the highly secret work of the commission and the Congress which must finance this work without any means of judging whether the country is getting its money's worth. Mr McMahon's sympathetic but critical and close interest in the affairs of the commission did much to convince Congress that its atomic dollars were being well spent. His absence—he was already in hospital—was felt in the closing days of the last session, when an attempt to cut atomic funds for the coming fiscal year almost succeeded.

The \$3 billion the commission wanted was, however, rescued at the last minute and since then contracts have been let for expansion at both the existing atomic energy installations in Tennessee and Washington State, and those still being built in Kentucky and South Carolina. Over \$1 billion of this appropriation was for a huge plant not yet begun in the Ohio Valley. This expansion has been made possible, as the latest semi-annual report of the commission emphasises,

by increased supplies both of fissionable material, as the result of working existing facilities to capacity, and of unprocessed uranium, from Australia, Canada, South Africa and from domestic mines on the Colorado Plateau. The commission had recently been criticised for neglecting the development of these and other possible supplies of uranium at home in favour of foreign sources which might cease to be available in time of war. A plant for the recovery of uranium from phosphoric acid, one of the new domestic sources suggested, is now being built in Illinois.

The sense of urgency, which has pushed the cost of the atomic energy programme up from \$1.6 billion in the last fiscal year to \$4.1 billion in the current one, presumably arises from the belief that the Soviet output of atomic weapons is climbing rapidly. Oddly enough, however, people seem more inclined to credit a new American secret weapon, rather than a Soviet one, with responsibility for the latest invasion of flying saucers. This is being taken with unusual seriousness, since the "objects" appeared over the national capital and on radar screens, and were chased by jet aircraft, at a time when journalists had little else except the heat to occupy their space. The heat and the saucers are in fact connected in the official explanation given at a reassuring Air Force press conference. Those saucers that are not weather balloons or other tangible objects are said to be mirages caused by differing densities in the atmosphere. But the Air Force takes these mirages seriously enough to have ordered special equipment capable of tracing them back to their source of reflection.

Copper Almost Unlimited

The Reconstruction Finance Corporation has just arranged the largest loan made under the present defence programme, for the expansion of copper and molybdenum

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output, a purpose for which other loans had already been granted. The Magma Copper Company and its subsidiary, the San Manuel Copper Corporation, are being lent \$94 million, and a further \$20 million or so will have to be found privately, to open up an underground mine and provide milling, smelting and transport facilities in Arizona. The government will guarantee to buy the output, which will eventually amount to 140 million pounds of copper and 6 million pounds of molybdenum a year, increases of 8 per cent and 16 per cent respectively over last year's domestic production of these two metals. There are estimated to be at least 500 million tons of low-grade copper ore in this new field, the largest in the country, and the project will turn the little Magma Company into a leading producer.

The new mine will, however, take about five years to develop fully and for that reason its importance as a defence project lies rather in the strategic reserves it will provide for the future, than in the contribution it will make towards relieving the present shortage of copper. Indeed, the end of that shortage, critical a few months ago, is already in sight, partly as a result of the curtailment of industrial production caused by the steel strike, but mainly as a result of improved world supplies and of the price differential that now allows American consumers to buy copper abroad. The price ceiling on domestic copper remains 24½ cents a pound, but 80 per cent of the difference between that price and the cost of foreign copper, at around 35 cents a pound, may be passed on to buyers of copper products.

In July copper quotas under the Controlled Materials Plan were divided into domestic and foreign shares, which made it possible to increase the total for the month by about 30,000 tons. Foreign copper made up 40 per cent of each allotment, but some consumers have apparently failed to take up their high-cost foreign quota. Most of them are, however, buying all the copper they are entitled to for the moment, since there is a danger that last year's disastrous copper strike may be repeated. The copper companies' contracts with the Mine, Mill and Smelter Workers' Union have expired, or are expiring, and negotiations on new wage rates and other benefits have been dragging on unsatisfactorily. Once a settlement is reached, however, many American consumers may stop buying foreign copper until prices drop.

* * *

Beginner's Luck

The American woman who cannot mend a fuse and the man who cannot deal with a leaky tap are fast being replaced by a generation which is addicted to "How to" books and pamphlets: how to assemble a boat, make an unfinished attic livable, or decorate a house. Partly it is the old American fondness for tinkering and doing things with the hands. But for many, it is economic necessity which drives white-collar people even into building their own houses. Labour is scarcer and more expensive than ever, and a \$75 a week book-keeper cannot afford the services of a \$150 a week carpenter or plumber.

Not many are ambitious enough to tackle a whole house, though there are cases of families building one at night and at week-ends for half what it would cost otherwise, and the old custom of "barn-raising," at which neighbours and friends volunteered their services, is coming back into fashion. But nearly two-thirds of all the wallpaper is now put up by amateur hands, and even more of the paint and distemper goes on without benefit of a professional painter. Shrewd businessmen, recognising a big new market, have made it easier for people to do such jobs themselves. They have put on sale to amateurs a "roller-coater," which applies paint more easily and less messily than a brush, and new paints—the resin emulsion and latex emulsion paints—which need no undercoat on most surfaces and are easy to apply. Wallpaper comes trimmed, and is put on with a slow-drying

paste which makes tearing it off and starting again an easy matter. Plywood, the amateur carpenter's delight, now comes in "Handy Panels" of convenient size; floor coverings, such as asphalt, cork, and linoleums, are sold in easily handled tiles rather than bulky lots. The Sears Roebuck Company sells a kit for linoleum laying at less than a dollar. In quite another world, permanent waving moved into the home after the war. Hair tinting seems likely to follow it.

For many of the heavy new jobs, particularly in the garden and workshop which more suburban living makes possible, there are power tools: motor mowers, an all-duty tractor which can be hitched up to snow ploughs, mowers, harrows, or seeders, and woodworking tools such as lathes, drills, and power saws, most of them adapted to home use. With the electrification of the countryside, and more leisure, such workshop tools, once the playthings of rich men's weekends, are coming into middle class homes.

Shorter Notes

Acting in the spirit of the new Puerto Rican constitution on the day before the official establishment of the island as the first overseas commonwealth of the United States, President Truman commuted to life imprisonment the death sentence on Mr Oscar Collazo. The Puerto Rican Nationalist was one of two (the other was shot by guards) who killed a White House guard in an attempt to assassinate the President on November 1, 1950. The case was under direct US jurisdiction but changing the sentence to conform to Puerto Rican law has pleased the Puerto Ricans and deprived the Nationalists of a martyr.

*

"King" size cigarettes (85 millimetres long compared to 70 millimetres for the standard size) have been winning an increasing share of the smoking market in the last few years. While most tobacco firms make longer cigarettes, they are sold, at the same price as standard ones, under separate brand names. Now Chesterfields, the third most popular cigarette in America, are to be available in two sizes with the same brand name, the king-size package selling at one cent more than the regular size. The firm has thus stolen a march on this highly competitive market with little additional advertising expense and with a substantial increase in revenue. One of the most telling arguments in favour of the longer cigarette has been that it is healthier, since the extra length is supposed to act as a filter.

*

Air cooling units, already in heavy demand for office and home use, have moved into a new field with the announcement by the General Motors Corporation that 1953 Cadillac and Oldsmobile cars will have them as optional equipment. Mounted in the rear of the trunk compartment and using non-toxic freon gas, the units can keep automobiles cool even in desert temperatures as high as 110 degrees.

*

Railway tickets are the latest commodity to be made available in vending machines, so the traveller, in addition to shining his shoes, stamping his letters, getting hot coffee (with or without cream and/or sugar) and buying a trip insurance policy from automatic devices, can avoid a queue at the ticket window. The Grand Central Station in New York has installed a number of these machines that can issue 650 different tickets to 160 separate destinations over several lines. For every trip the machines are geared to issue a one-way coach, parlour car or sleeping car ticket, a return ticket in these categories, and return tickets at the reduced rates given to children and members of the armed services.

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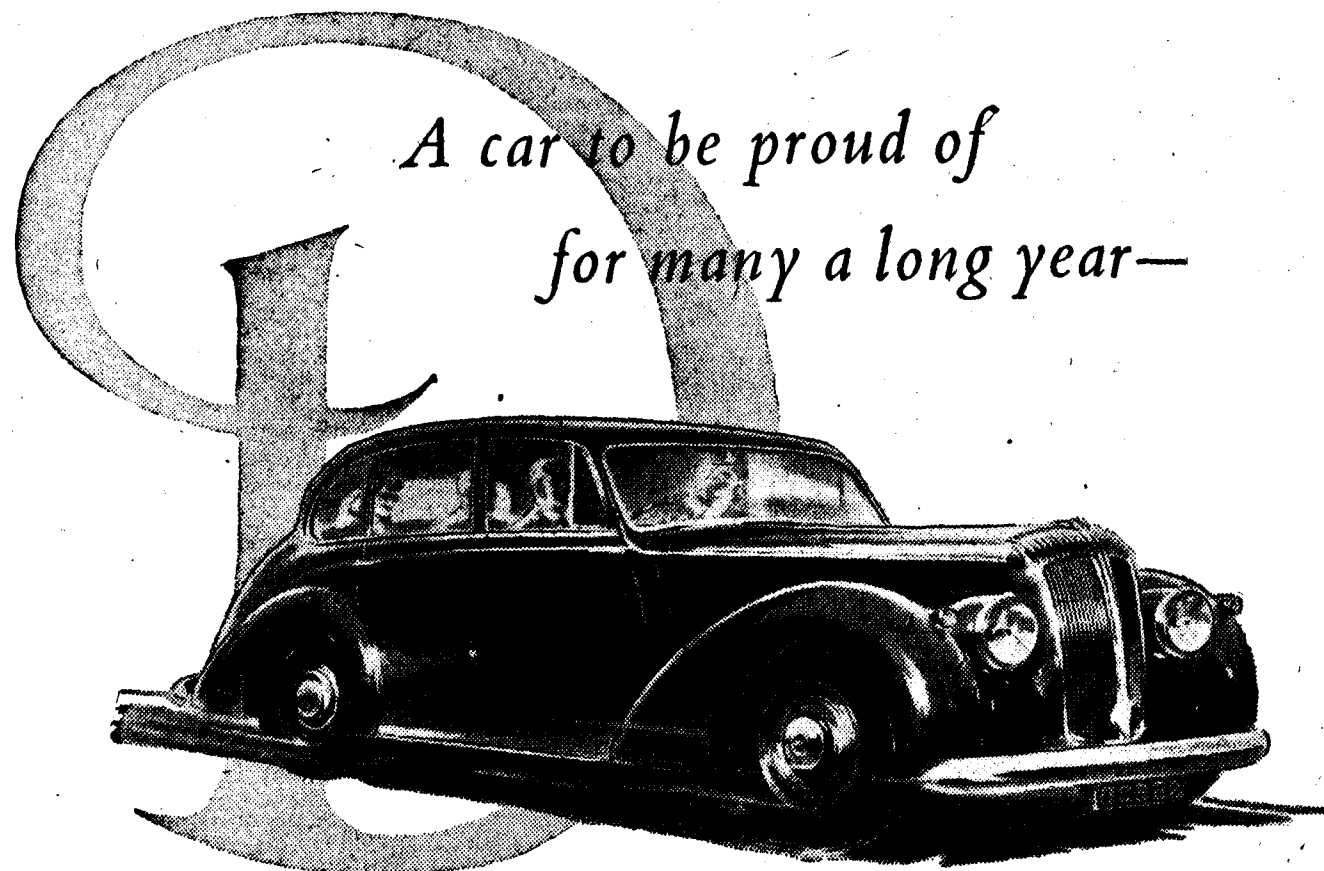
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THE WORLD OVERSEAS

What is Happening to Nato?

(By a Special Correspondent)

IT is only six months since the Atlantic Council met at Lisbon, yet already its chief member governments seem to be moving away from the programmes that were adopted there on the basis of expert economic advice. Mr Churchill says that he will let the Council know the result of his fresh thinking about the British defence effort by the end of the year. M. Pinay has been despatching his thoughts on French arms production to Washington by special envoy, although Nato's headquarters are in his own capital. Belgium is under pressure to reduce its two-year term of military service. Soon the layman will have to ask whether Nato is really functioning as a source and co-ordinator of international decisions.

Superficially, much the same situation—the assertion of national independence, and the scramble to make bilateral deals with the American benefactor—existed before the Ottawa meeting of the Atlantic Council last autumn. Then the ministers of the Nato countries were shocked into realising that their organisation had made little progress towards setting up Western Europe's collective defences, and that they could blame nobody but themselves. They had given Nato a great many functions but no powers. They realised that something, short of a complete surrender of national sovereignty, had to be done to define its functions and to increase its powers. The result was the appointment of the Three Wise Men—Mr Harriman, Sir Edwin Plowden and M. Monnet—who took two important steps forward. Because they had been appointed in a mood of emergency, they managed to lead the way to an agreement on a joint programme of defence production and expenditure for the coming year. Because they represented no more than a temporary expedient, they were able to get the consent of the Nato governments to arrangements for an annual repetition of their work.

Men Around Lord Ismay

But now their programme for this year is withering away. And what has happened to their proposals for future international planning in Nato? Listening to Mr Churchill and M. Pinay, one gains the impressions that this, too, has been lost. Yet this is to do less than justice to the recent activities of Lord Ismay and the permanent Nato staff in the Palais Chaillot. What was needed, according to the Three Wise Men, was "staff action on a continuing basis in the direction of current reconciliation of screened military programmes" (as drawn up by the international staff at General Ridgway's headquarters) "and politico-economic capabilities" (as expounded by national representatives to the civilian headquarters of the Council). The Council agreed that this task should be carried out, first, by improving the "means of obtaining prompt co-ordination of governmental decisions," and secondly, with a "strengthened and unified international machinery to lay the basis for such decisions and to follow up."

To meet the second requirement, Lord Ismay has been recruiting a "staff secretariat" to work with, for and alongside the technical staffs of the fourteen national delegations. In these men and in Lord Ismay himself Nato hoped to acquire a distinct and positive personality. It was to be, for the first time, something more than the sum of its members; it

was to have a place where a Nato view, in contrast to the lowest common denominator of fourteen national views, could be developed.

The staff secretariat operates in three sections: one, headed by an American, being concerned with production, including the placing of offshore purchases; one, under a Frenchman, with economics; and one, headed by an Italian, with so-called "politics," a slightly misleading term for the wider concerns of Nato in time of peace. The last is still in embryo. In dealing with production and economics, the secretariat works in the first place with a technical committee of national officials. It has both to suggest a basis of agreement on technical problems between these national representatives, and to expound their disagreements and possible bases for agreement to the Permanent Representatives of the fourteen governments, presided over by Lord Ismay. The attempt is thus being made to reduce fourteen viewpoints to one, or to as few as possible, before the fourteen governments have their final say.

Cable-Bound Officials

To meet the other requirement, the "prompt co-ordination of governmental decisions," the Atlantic Council decided at Lisbon to replace its moribund Deputies with the Permanent Representatives. It was clearly intended that the Representatives, unlike the Deputies, should wherever possible take final decisions themselves; in other cases they should be the agents through whom the Nato view and the national views should be reconciled; only in the last resort would they simply be defenders of their respective governments' positions. The fourteen Foreign Ministers would act as their chairman in rotation, and the Secretary General as deputy chairman. Thus the gulf between the Representatives and the governments on the one hand, and the Representatives and the Nato entity on the other, was to be as small as possible.

This is the way it was all intended to work. Yet, in spite of the staff secretariat, which includes some excellent as well as some indifferent personalities, and in spite of the presence and perseverance of Lord Ismay as Secretary General, it is as yet scarcely working at all. The prime offenders are, as always, the governments themselves who refuse to give their representatives any of the powers of a delegate. So long as fourteen experts meet only to expound the contents of their latest cables from home, the secretariat will labour in vain to propound a Nato solution. So long as the Permanent Representatives meet in turn only to defend their prepared redoubts, Lord Ismay will get no agreement on any issues except those too small or too obvious to be controversial. And this is what is happening at the moment. Even the budget, which was to pay the Secretary General and the secretariat he was instructed to recruit, was agreed only after bitter struggle.

In these circumstances the new machine can work little better than the old. The Permanent Representatives can be no more effective than the former Deputies; and they are for the most part, the same people. Even if the Representatives were allowed or were capable of a change of heart, they would still need a more intelligent direction from their respective capitals.

Canada's Attitude to the Commonwealth Conference

[FROM OUR OTTAWA CORRESPONDENT]

THE details of the Canadian approach to the November Conference of Commonwealth Prime Ministers are not yet formulated, and cannot be until the senior officials of the Commonwealth countries meet in September for their preparatory talks. But the broad lines of Canada's attitude are almost predetermined by this government's economic philosophy and by the line it has always taken with the sterling countries of the Commonwealth.

Politically and psychologically Canada's position is not easy. One report from London says the British are "weary of being lectured for their profligacy." Another urges Canada to abandon its "posture of Olympian detachment from Commonwealth affairs." Canadians can understand these rather irritated expressions of British opinion: they can even sympathise with them. But it is another thing to stop the lectures and abandon the supposed detachment. At a certain level of policy the accusation of detachment is entirely true, but it is the detachment of helplessness not of disinterest.

In the early postwar years Canadians grew accustomed to a constant anxiety about what exports would be slashed next. Through recurrent crises of negotiation and argument Canada saw them cut one by one. Apples, bacon, cheese, canned salmon, jam pulps, tobacco, some kinds of timber—all these have been through the process. Now nothing significant is left in the agricultural field except wheat and flour. But the anticipated tragedy has not ensued. Producers of many commodities would be delighted to recover the British market, but somehow or other they have averted ruin without it. Now they have almost ceased to believe that Britain will ever again buy their products. The dreaded "loss of the British market" has happened, and catastrophe has not followed.

Crises Taken Calmly

Canadian exports to Britain this year have been running at high levels, but they are concentrated in three lines. The only significant volume is in wheat and flour, metals (aluminium, copper, lead, zinc, etc.), and in timber and its products. The first two of them, which have composed over two-thirds of the total exports, may be reasonably proof against further cuts, because they are the raw materials essential to feed the people and supply the export industries as well as for defence. The timber is certainly vulnerable. The last contract of the British Timber Control is being carried out, but it ends in the autumn. New contracts have always been doubtful and are now doubly so. Canadian hopes are turned to a revival of house-building in the United States. But with this one exception Canada feels it has probably been hurt just about as much as it can be.

This is one reason why the recurrent sterling crises are apt to be taken more calmly than they once were. But there is a more important one. It is the considered conviction in government circles that no outside aid for sterling can begin to have any long-term effect until the policies of the sterling countries are drastically changed. The much-heralded announcements of Mr Butler and Mr Churchill at the end of July resounded here as dully as a cracked dinner-gong. It seemed here to be the same old dose of restrictions, with no suggestion, not even as much as there was in the March budget, of any new approach to a constructive solution. In government circles there is growing up a weary feeling of treading an inescapable treadmill.

In many ways—most of them small in themselves—more assistance could be given to British sales in the Canadian

market. The federal government and all the provincial governments could use various devices to promote British exports in the Canadian business world. There is admittedly less chance of influencing business than there was in earlier years when Canada had import controls to conserve its own stocks of US dollars. But more could undoubtedly be done if the enthusiasm could be revived. Enthusiasm, however, is not characteristic of a donkey in a treadmill.

Escape from the Treadmill

The only escape from the treadmill, as it seems here, is along the lines of the now too familiar Canadian "lecture against profligacy." This, of course, is a misinterpretation of the text of the Canadian lecture. It is very little more than an assertion of the general principles which seemed to be agreed at last January's conference of Commonwealth Finance Ministers. The very encouragement which Canada derived from that meeting enhances the disappointment that is felt now. If those principles have been forgotten by everyone else (as the latest Butler announcements and the British pressure on Mr Menzies to abandon his import cuts seems to suggest), they have not been forgotten here. Nor is it forgotten here that in his March budget Mr Butler made at least a start on the necessary steps to restrict credit, reduce consumer demand and restore incentive. Now we are back to the old restrictive nostrums. The Canadian Government is left with its lecture in its pocket, but it is becoming rather self-conscious about delivering it.

This largely accounts for the feeling of helpless detachment in Canadian Government circles, and it goes some way towards frustrating the urgent sense of concern about the sterling deficits. To supply artificial aids from outside seems here to be encouraging the sterling governments to postpone the action which they will ultimately have to take if the sterling area's purchases are ever to be balanced by the sterling area's earnings. If Britain, with the support of the others, made a serious start on a fundamental cure, then the attitude here would very quickly change. But so long as the British Government offers nothing but the old restrictive policies, most Canadians lack much spirit for the effort to help. This Government has never liked the policy of restriction. It likes it less and less the more often it is repeated. This seems bound to be the main burden of Canada's contribution to the Prime Minister's Conference.

Imbroglia in Tunisia

It is high summer in Tunisia and no one spends more time inside Tunis town than he can help. The temperature does not lend itself to hustle. It is unsuited, therefore, to the pace at which the Pinay government is trying to get the Bey to put his signature to the reforms whereby it proposes to fulfil its promise of internal autonomy. In Tunisian circles, by contrast, siestas and long hot evenings are moments for devising the cross-ruffs, finesses and like tactics at which Tunisian politicians excel. The events of the last few weeks suggest that each of several Tunisian groups intends, for reasons that are not always identical, to postpone any action until October—the month in which friends abroad will be able to improve Tunisian bargaining power by bringing pressure to bear on France at the United Nations Assembly.

The early history of the reforms was told in *The Economist* of April 19th. They were to be hammered into shape by a mixed commission of Tunisians and Frenchmen. But this commission, deplored by extremists on both sides, and opposed even by the Tunisian moderates so long as several Tunisian cabinet ministers were under French arrest, was in the end still-born. To make up for its failure to materialise, the Pinay government slightly redrafted the reform proposals,

giving them a shape that ought to have been more welcome to Tunisians, since it was much less welcome to their adversaries, the local French settlers and officials. It also released from detention all the more moderate of the nationalists whom it had clapped into concentration camps during the troubles of last spring.

The latest version of the proposed reforms is, in summary, as follows. In legislative matters the Bey is to remain supreme; a parliamentary regime is not envisaged until the Tunisians have had some practice in local government. The Bey will for the present simply be advised by two Councils—one wholly Tunisian, and nominated by himself, handling legislative matters, the other handling financial matters, and partly composed of Frenchmen. Executive power is, as at present, to be in the hands of a cabinet that is to be part French, part Tunisian, but its seven Tunisian members are to be autonomous; of the six ministries still run by Frenchmen, four are to be furnished with Tunisian assistant ministers; as is justifiable under the Protectorate treaty of 1883, defence and foreign affairs are to remain in French hands. In administrative matters, the French Resident-General is to abandon his right of countersigning decrees (*droit d'agrément*) but is to be able to question their legality before an administrative tribunal of jurists, part French, part Tunisian. Local government is to be promoted, with French representation on elected municipalities in the towns. Lastly, access to government service is to be open to Tunisians only, subject to the right of present holders of jobs to retain them till retirement, to the temporary appointment of Frenchmen when no trained Tunisian is available, and to the earmarking of some 150 to 200 jobs out of 20,000 for Frenchmen.

Debonair Procrastinators

These propositions do not go the whole way towards the 7-point programme formulated by Habib Bourguiba, the leader of the Tunisian Néo-Destour party, in 1950. Bourguiba then demanded sovereignty for the Tunisian people (as opposed to the Bey) and the establishment of an independent government capable of negotiating a treaty with France on an equal footing. No French government could go so far as this while the French settler is in this part of North Africa and continues to enjoy the support in Paris of an important element in any French government of the centre, the Radical party. Yet the current French proposals are a very considerable advance on the present state of affairs. To the conservative, aristocratic Tunisian who fears the left wing of his own people, they might seem less alarming than the impetuous and radical propositions that emerge from the ranks of the Tunisian trade unionists. Yet he does not support them. He is evading judgment upon them firstly because he is a nationalist and must be worthy of the label, and, secondly, because unless he runs with the crowd he may not keep his place in its front rank. All his very considerable talent for postponing the day of judgment is therefore being deployed.

The elderly, peace-loving Bey and his equally elderly, debonair prime minister, M. Baccouche, both belong to this sheltered class. Both therefore have been exercising their talent for procrastination. It will be remembered that the French Parliament discussed the reforms at the end of June, and, because both Gaullists and Socialists voted against them, failed to give them the endorsement that might have helped the French Foreign Office to get them adopted. They survived only because no party had an acceptable alternative to offer. During July, M. Baccouche and his cabinet of notables nevertheless discussed and amended them, item by item, and forwarded the amendments to Paris. To amend a proposition is to admit that it has some worth; French hopes rose.

But in the last days of July a telegram from the Bey to the President of the French Republic dissipated these hopes overnight. M. Baccouche, it said, had exceeded his func-

tions; the Bey, being sovereign, was alone entitled to pronounce such judgments. (This is correct: the French themselves have always insisted and still insist that the Bey alone is sovereign; the argument has at times proved convenient for use against the Néo-Destour, but it is inconvenient when turned against Paris.) Behind this telegram was, it seems, a violent protest by the Néo-Destour against the way in which M. Baccouche was suiting Paris's book. The Bey's son, Chadly—a jovial, ambitious Destourien and nationalist—intimated as much in an interview with an American news agency in which he attacked the reforms as retrograde. He put his finger on the core of the trouble when he added that French residents could not expect representation in Tunisian political institutions when they were not Tunisian citizens. M. Baccouche added his nail to the coffin by issuing a statement that he and his cabinet ministers had considered points of drafting only, having no powers to handle points of principle or substance.

The Bey Plays Another Card

This week the Bey has played a further card. He has announced that he is consulting a selection of Tunisian opinion—lay and clerical, political and professional—before formulating his sovereign view. The representative figures that he has chosen to consult range from wealthy conservative moderates, through the middle-of-the-road Jewish community to Néo-Destouriens and trade unionists. Both the last are outspoken opponents of the French plan. The body so chosen, forty strong, has been named "The Councillors of the Crown" and the fact that it has been consulted causes the Bey to be locally acclaimed as a good democrat. This move is embarrassing Paris, which has hastily despatched a fresh emissary to Tunis with a message for the Bey. The French can hardly upbraid him for consulting public opinion; yet they are being manoeuvred out of the role of progressive protector, forever making generous but abortive offers, into that of a governess who has failed to keep pace with her pupil. At the same time, the move may bring to the Bey personally some distasteful repercussions at home: it reveals the strength of uncompromising nationalism in Tunisia and the extent to which deference must be paid to it by the conservative ruling class to which the French have hitherto looked to apply a convenient brake. It is likely that impetuous trade unionists will want to travel faster than staid old aristocrats care to travel. Neither Bey nor French government has much room for manoeuvre, but, of the two, the latter has the less.

A Congress of Nostalgics

[FROM OUR ROME CORRESPONDENT]

AT the annual national congress of the Italian Social Movement (MSI) in the castellated Apennine hill town of l'Aquila one could test the justice of the descriptions which are showered from various directions upon this numerically up-and-coming party, which is hampered but also stiffened and glamourised by the recent "Scelba" law against the resuscitation of Fascist doctrine and practice. For the first time since its electoral successes (Minister Scelba banned the intended Congress of 1951) the "Missino" leadership could be viewed in the mass.

Relative well-wishers or potential allies in electoral contests have got into the habit of describing the MSI as one wing of "the national forces," the other wing being the Monarchist party. But the young and vocal part of the l'Aquila Congress reacted with noisy hostility to any suggestion that the "Missino"—Monarchist electoral understanding should be perpetuated; it is plain that the present leadership cannot yet safely aim at a merely "nationalist" aspect for the party,

such as might win the full sympathy of the Monarchists and some others. The fiercest opponents of all truck with monarchy and Monarchists were the faction of "Missini" known as *Milanisti*, who are the inheritors of the memory of Mussolini's Republic of the North under German occupation. But more broadly, the anti-monarchist, which is also the resolutely anti-Atlantic and anti-capitalist side of the party, commanded about a third of the Congress votes, and almost all the young speakers were on this side.

Relics From the Past

"Reclaimed scrap" was a relatively polite description of the Congress used by a Communist journalist. It certainly exhibited numerous key men of the old Fascist hierarchy, that plethoric organisation which fell asunder in 1943 and was partly pulled together to groan on for a couple of years before finally ending in the bloody and hopeless collapse in the spring of 1945. Thus one saw at l'Aquila the Mussolinian Social Republic's one-time Deputy Chief of Naval Staff, as well as its Ambassador to Hitler, and the last Fascist editors of the *Corriere della Sera* and the *Stampa*. Many of these former dignitaries are relics from a dim past and now are painfully at a loose end; and yet they are separated by no very evident abyss of ideas, character, or temperament from others whom better luck or superior foresight has enabled to regain a niche in the existing Italian political world.

Another description made use of by adversaries to describe the "Missino" leaders is "cynical adventurers." One sees most clearly what they mean. But this is patently inapplicable to some of the leading figures of the Congress, like Professor Roberti (one of the five "Missino" parliamentarians) whose intently followed arguments on social economics smacked of the earlier G. D. H. Cole. The Congress followed him, and it followed an elderly General who soberly analysed Italy's real potentialities in the present-day balance of military power, more attentively than it followed the several impassioned (though owing to the Scelba law, tongue-tied) exponents of Fascist mystical imperialism. The Congress consisted in the main of an upper class of former Fascist leaders who are tired of Fascist doctrine and behaviour, yet obliged to base their fortunes on a rank and file which would like Fascism raw and juicy. Naturally there are some spell-binders ready to profit by this appetite. The accomplished Giorgio Almirante, who considers himself the founder of the party, is biding his time.

Stuffed Shirts on the Platform

Whither are the "Missini" heading? Remembering the history of the original Fascists, who began as a group of eccentric nationalist landowners with their bailiffs and game-keepers, and of the conservative business classes, one may guess at a possible tendency for the MSI, if it should greatly expand its voting total above the present approximate two millions (the figures are statistically controversial). It might become a straight right-wing party challenging by its "secular" character the all-too-clerical right-wing Christian Democrats, and by its colour and rhetoric the all-too-professional Centre parties which have their roots in the Resistance. Regionally, an evolution into a straight right-wing party would mean that the southern elements of the party, who are akin to the Monarchists, had taken it wholly in hand, disarming the fanatical "Milanists." The youthful elements at l'Aquila watched such an evolution happening under their eyes, and the air was thick with mutterings of "treason" and whispered appeals for ex-General Graziani to be brought in to make short shrift of the stuffed shirts on the Congress platform. To prevent the scandal of a breach at the Congress, considerable verbal concessions have been made to the "Milanists" in the final resolution, but control remains with the stuffed (and none too black) shirts.

Japanese Communist Anniversary

THE Cominform Journal has published a declaration by Kyuichi Tokuda, General Secretary of the Japanese Communist Party, to mark the thirtieth anniversary of the party's foundation. The statement is of interest as revealing the current line on which agreement has been reached in the Japanese party after what are admitted to have been serious internal conflicts, and its relation to the Communist lines now being put over in other countries; it is also instructive to compare it with the exposition of Italian Communist policy by Togliatti published in the same issue (July 4, 1952).

According to Tokuda, the Japanese Communist party, which came into existence in 1922 after a congress of Far Eastern revolutionaries held in Moscow, had for its original programme simply the overthrow of the monarchy and the establishment of a democratic republic. In 1927, however, the programme was extended to include expropriation of landlords, a seven-hour day and a worker-peasant government:

Having smashed the liquidator group of economists headed by Jamakawa and the leftist group of Fukumoto which, with their petty-bourgeois abstract theories sought to isolate the Party from the masses, the Communist Party of Japan became the genuine vanguard of the working class.

There follows a somewhat mysterious account of the Pacific war and its aftermath. It is stated that up to 1945 the party was subjected to brutal persecution and that its membership never exceeded 1,000; nevertheless, the effectiveness of its preparatory work was proved by the subsequent "extremely rapid growth of the Communist Party which now has a membership of several hundred thousand and enjoys the support of the broad masses." This expansion followed the defeat of Japanese imperialism (by whom is not stated), the repeal of the repressive "fascist" laws (by whom is not stated) and the release from prison (by whom is not stated) of "many Japanese comrades headed by the leadership of the Communist party." It is impossible not to admire the dexterity with which Tokuda avoids any mention of the fact that it was the Americans who established political liberty in Japan, ordered the release of the imprisoned Communist leaders (all of any consequence were in 1945 either in prison or in exile) and allowed the party to build itself up without interference. We are merely told that "receiving for the first time the opportunity of legal existence, the Communist party immediately developed its activity."

Heretical Deviations

Later, after General MacArthur's ban on the Communist-promoted general strike in February, 1947 (when we first hear of "US imperialists" in Japan), the Communists sought to widen the basis of their appeal:

The aim was not to confine the activity of the Party to the working class alone, but to extend it to the peasantry, students, intelligentsia, small and medium manufacturers and traders, and in this way create a broad national-democratic front. The Party also sought to extend its activity among the youth and women.

The Party, however, suffered from heretical deviations of a most reprehensible kind. There were "opportunists" who "underestimated the reactionary essence of the American occupation regime and claimed that there was a possibility for the victory of the revolution by peaceful means through Parliament." Hardly less dangerous were those who held that the task of the Party was "struggle only against the US occupation troops, saying nothing about the struggle against the Yoshida Government." These heresies were overcome, but there still remained a "lack of

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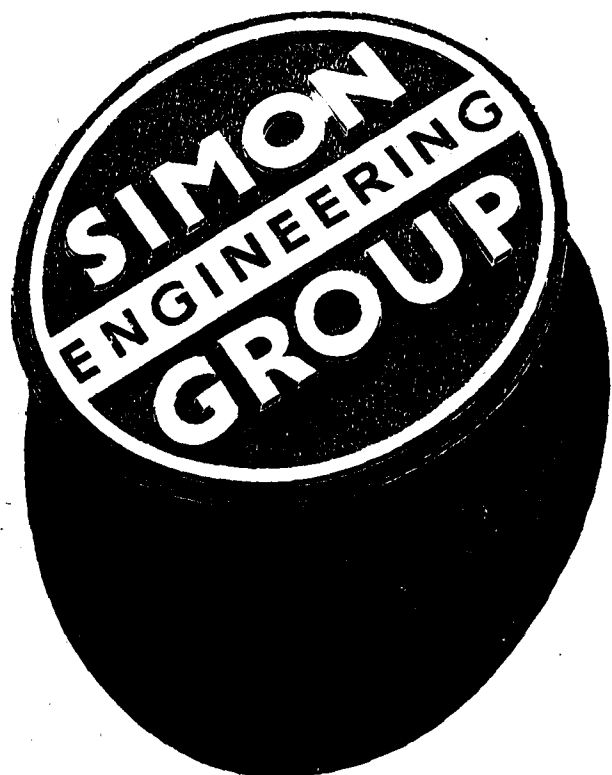
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clarity," for which in retrospect Tokuda is humbly apologetic. There was a dispute whether postwar Japan should be reckoned as still an imperialist, or as now a colonial, country, and the Japanese party left this issue in suspense until the recent formulation of the so-called "new programme." As Tokuda writes:

the leadership of the Party failed to give a clear definition to the character of the revolution as a revolution in a colonial, dependent country, a revolution the principles of which were explicitly elaborated by Comrade Stalin. . . . We worked pretty hard on this question, but failed all the same to achieve complete clarity. The significance of the new programme is that it eliminated this vagueness and defined the character of the oncoming revolution in Japan as a revolution in a dependent country, that is, a national-liberation democratic revolution. The new programme of the Communist party is gradually becoming the programme of the entire people.

It is clear that there was a strong objection within the Japanese Communist party itself to declaring that Japan had become a colonial country. Japanese national pride clung obstinately to the belief that Japan was still imperialist. It is, of course, wicked to be imperialist, but also rather grand, whereas to be a colonial country after being an imperialist one is merely humiliating. The classification, moreover, links industrialised Japan with backward and undeveloped countries with which the Japanese are not anxious to be ranked. But Moscow requires this classification in order that Japan may be assigned a national war of liberation against "the U.S. imperialists" to be carried on with nationalist slogans. The line also involves a wooing of the Japanese bourgeoisie with the bait of trade with Communist China and a campaign of protest against restrictions on exports of strategic materials to Soviet bloc countries. It is noted with special satisfaction that "three representatives of Japanese capitalist circles" who recently attended the Moscow Economic Conference are now representing Japan on the preparatory committee of the peace conference to be held in Peking in September.

Tokuda concludes with a doxology which is interesting because of the discreet apportioning of veneration between Stalin and Mao Tse-tung.

Reviewing the activity of the Japanese Communist Party during these thirty years we are particularly aware of the need to arm our Party with the theory of Marxism-Leninism and unswervingly to follow the guiding ideas of Joseph Vissarionovich Stalin, the great leader and teacher of all working people and standard-bearer of peace. The ideas of Mao Tse-tung who applied Marxism-Leninism to the Chinese revolution and blazed a new pathway for China must also be our constant guide.

This formula leaves no doubt of the pre-eminence of Stalin as the prima donna of the world revolution, the leader and teacher of all working people everywhere. The achievement of Mao by contrast has been a local application of the Marxist-Leninist doctrine; nevertheless it is conceded that Japan can learn from this example as well as from the Russian.

The Quakers Take Stock

[BY A CORRESPONDENT]

THE Quakers have been sitting in judgment on themselves at Oxford. The conference marked the tercentenary of George Fox's vision on Pendle Hill and was attended by nine hundred representatives from yearly meetings in all parts of the non-Communist world (representatives from East Germany were hoped for till the last minute but failed to arrive). Half those present were Americans and they came to confess their guilt in participating in the privileges of the richest nation on earth. They were eager to learn from the under-privileged what penances they should perform.

The official theme of the conference was "What is the Vocation of Friends in the Modern World?" It might equally well have been, "What has happened to the Christian dynamic?" or even "Why are there no more visions?" Three hundred years ago the Quakers were taking the initiative in rousing the social conscience; they were thundering and making people quake. Now the initiative is in the hands of others, in the hands moreover of a materialist creed which yet seems to satisfy a spiritual as well as a material demand. The Quakers have been asking themselves how this could have happened to them and what should be done; and at Oxford they have had the benefit of advice from Friends who work in the borderlands between East and West. The attitude of Quakers towards the Communists is an ambivalent one. As pacifists they want to come to an understanding with them, even if unilateral disarmament is a prior condition; as philanthropists and social revolutionaries they want to be able to look on them as workers in the same field; but as seekers after primitive Christianity they must try to seize the initiative for their own faith.

The conference did much of its work in discussion groups that reported to the main meeting. Rather to the disappointment of some of the Friends, who wanted to emphasise the practical nature of Quaker work, the majority of representatives decided to concentrate on questions of faith. Not all were prepared to go the whole way with Professor Trueblood (of Earlham College, Indiana), who wanted them to be like the early Quakers, "strange people who alarmed their neighbours." But there is still strong reaction against the idea of proselytising; German, Norwegian and Swedish Friends, for example, called for a sound basis of quiet service before the use of "great words," or even the mention of Christianity. To this degree have Christian vocabulary and practice become suspect in Europe.

Two Approaches to Communism

This division between those who want to work in private and those who prefer dramatic strokes when the occasion offers also appeared in the discussion on East-West relations. Some think the best that can be done to reduce world tensions is to cultivate personal relations with different groups, including Communists; others want the Society to intervene at a higher level in international politics. The difference is between influence on individuals and pressure on governments; in either case Marx and Lenin must be carefully read, even at the risk (and the Americans made it clear that for them it was a serious risk) of being misunderstood, so that the Communist point of view should be thoroughly grasped.

The Quakers are refreshingly unafraid of the word Peace. But they have nothing very new to say about it. They are, of course, in favour of disarmament, either by agreement or unilaterally—the Finnish representative cited his country as an example to the world of a nation with a very small army living without fear on the boundaries of a great power. If only the tensions in the world were between, say, the original participants in the last war and between the former imperialist powers and their ex-colonies, the Quaker approach would stand a good chance of success in the present temper of the world. But the Quakers themselves realise that the conflict with Communism is rather different. What they have to suggest includes Indian mediation in Korea, the diversion of resources from rearmament in favour of economic aid for backward areas, and the development of a Christian dynamic as an alternative to Communism. But there is some strange thinking here. There seems to be an idea that if it is explained to the Communists that Christianity is really a revolutionary force that aims at overthrowing existing social forms and bringing equality to the under-privileged, then the Communists will be easier to get on with. The lack of a dynamic creed that seems applicable to the lives of the coolie or the peasant is certainly a handi-

cap in fighting the cold war; but the presence of one would intensify the struggle, which is presumably not what the Quakers want. When followers of two dynamic creeds meet they do not form a discussion group.

While the Friends have not yet contributed anything very original towards breaking the international deadlock, two main lessons have emerged from the discussions in Oxford that should be taken to heart. The first is that Christian (or, for that matter, democratic) countries need to set their own houses in order if their message is to carry any weight. To take one example, the Quakers, and particularly the Americans, are very much concerned about race relations. One of the discussion groups was devoted to that subject. There were representatives from the Deep South to put the case for gradualism, but there was very strong support for the view that white Friends should force the issue by refusing to allow negroes to be segregated from them. One embarrassment is that there are still a few Quakers' schools in America that practise discrimination. But the Quakers have already done more by personal example than perhaps any other group towards amending the perpetual insult that is offered to all coloured races by any and every assertion of white supremacy.

The second thing the Quakers have to teach is how to give graciously. Everyone nowadays supports the Colombo Plan, Point Four and so on, and some people talk as if the pouring of foreign capital and foreign technicians into under-developed areas will automatically immunise them to Red fever. But the Quaker emphasis is on the personal qualities and approach of the person on the spot who is giving aid, and this emphasis is surely right.

A Federal Belgium?

[BY A CORRESPONDENT]

Two Belgian MPs have begun an attempt to change the constitutional structure of their country. A similar attempt was made in 1947 but failed to "receive parliamentary consideration" because constitutional revisions in Belgium cannot take place during a regency. This time, M. Joseph Merlot (a Minister of State and President of the National Walloon Congress), and M. François Van Belle (a Deputy Speaker of the House) are not offering a fully elaborated plan in the draft proposal which they recently laid before the Lower House of Parliament. They simply state that the findings of an independent commission of inquiry—the *Centre Harmel*—which was set up to investigate the grievances of both the Walloon and Flemish communities, make it clear that the present political framework of the country is conducive to political and economic domination of the Walloons by the Flemings. They therefore suggest that three territorial units—Wallonia, Flanders, including Antwerp and Luxembourg and the Brussels area—should federate under a central Federal Parliament and Government.

The differences between the Flemish and Walloon communities are indeed real. Their ethical difference is evident enough; their demographic evolution is even more striking, for while Flanders is fertile Wallonia is probably the least prolific among the countries of Europe. Religious and philosophical outlooks also vary as do the political and social views of the two communities.

The Walloon provinces are economically and technically neglected because a majority of Flemish MPs not unnaturally vote a bigger slice of credits for their own region. In eighteen years, between 1920 and 1938, 1,700 million francs were spent on waterways development in Flanders as against only 314 million in Wallonia. The new tendency is obvious in the development of roads, aerodromes, railways and also in private capital investments in industry. Capital indeed has a tendency to move away from industrial Wallonia towards those regions where manpower is abundant and

cheap. The unbalance in demographic evolution together with the variance in religious views has also led to the Catholic Flemish majority voting massive subsidies for their own schools against the volcanic but helpless protests of free-thinking Walloons.

If the "proposal" of MM. Merlot and Van Belle is declared "receivable" by a simple majority vote in each Chamber, Parliament must then be dissolved and a new one elected within forty days; after that, each Chamber must sit on its own as a "Constituent Assembly" under the Head of the State and discuss and vote the points submitted for constitutional reform. To become law these reforms must gather two thirds of the voting strength in each House.

In theory, the debate must take place on the "points submitted for revision." In practice, however, the debate can range far and wide and all sorts of suggestions can be made and solutions offered. Among them it is very likely that the well-known "Plan for a Belgian Federation" elaborated during the war by a group of socialist lawyers would be brought forward.

"Community States"

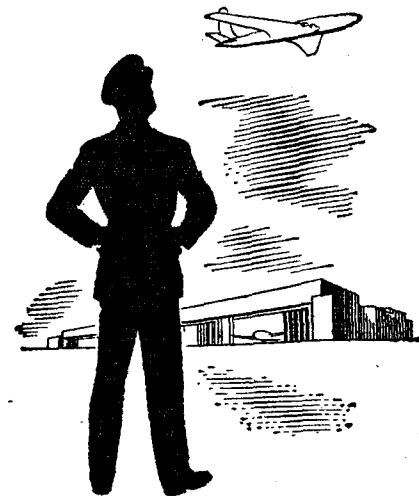
This plan is based on the principle that "in Belgium the citizen has the right to be represented in the parliament of its 'community state' and that each 'community state' has the right to be represented in the Federal Parliament." The aim, of course, is to protect local interests and to render the Federal Parliament and administration as "unbiased as is humanly possible." Each of the three constituent states would have its own parliament—the Lower House would be the legislative body while the State Senate would act only in a consultative capacity. Each state would also have its own government headed by a Governor General appointed by the Federal Government.

The Federal Parliament would also have two Houses: the National Council made up of members drawn from the States' Lower Houses; and the States Council with members "appointed" by the States' Lower Houses. The Lower House would be representative of the nation's citizens and its membership would therefore be proportionate to the numerical importance of each state: 45 members for each of Wallonia and Flanders and 15 for Brussels. The latter would be representative of the states and responsible for keeping a "healthy balance" between their interests; it would thus contain an equal number—fifteen—of representatives of each state.

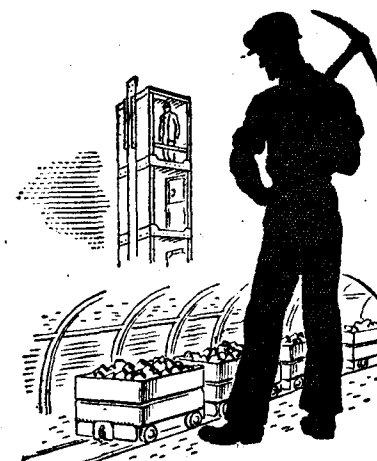
The plan defines clearly the powers to be assumed by the Federal and State Governments. The former would be responsible for "international relations, Federal finances, the armed forces, the national currency, colonial administration, transport and communications, commercial and penal law (and some aspects of civil law), questions of nationality, emigration and immigration." The latter would deal with education "at all degrees"; social and industrial legislation (thus leaving the door open of course to nationalisation in a socialist Wallonia), economic legislation, agriculture, public works, popular education, health, religious matters and police.

It can fairly be said—and has been said—that the system outlined in this plan, which preserves the monarchy as head of the state, could be a source of satisfaction to all concerned. It would receive the support of the Socialist Party (despite the known opposition of some of its Brussels and Flemish leaders—among them, M. Spaak) and of all the Walloon federations of the Liberal Party. (What the Flemish liberals would do is an open question. They are known to be reluctant to support a system which would "drown them in the sea of a Social Christian Flanders.") But MM. Merlot's and Van Belle's proposal is unlikely to come to anything, because the majority party, the Social Christians, are certain to oppose it. For one thing, they are determined to avoid elections at all cost; and for another, they see in the proposal a first step towards the complete secession of Flanders and Wallonia.

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THE BUSINESS WORLD

The Reserves: Balance or Snatch?

IT was reported from Helsinki that the best of the British weight-lifters, after establishing a new record at snatching and doing better than most of his predecessors at pressing, failed altogether with his three attempts at the jerk. His was a cautionary tale that will strike a sympathetic echo in Whitehall. There may now be some grounds for believing that Mr Butler's monetary and fiscal policy has sufficed to snatch Britain from the depths of the crisis in which it was engulfed when the present Government took office; and the sorry inadequacies of last week's debate should not obscure the fact that the degree of disinflationary pressure stemming from that policy—although insufficient in a world of mounting foreign competition—is greater than any previous postwar government might have dared to allow. But there is as yet no sign at all that the latest balance of payments crisis, any more than the two postwar crises that preceded it, will be followed by the convulsive jerk that is needed to get the country out of the rut that will lead—inexorably and incontinently—to another crisis when American buying next turns down.

It is against this background that the first of the Treasury's new monthly statements about the level of the gold reserves must be judged. The jerk has been delayed—at best until after the Commonwealth conference in November, at worst until after the next crisis (or perhaps the next but one). All that last week's figures illustrate is the progress of the snatch. In this very limited perspective, they are reasonably heartening. They show that the sterling area's gold and dollar reserves rose again in July, for the third month in succession. During the month \$23 million of gold was lost to Europe and \$7 million to other non-sterling countries, but these losses were more than offset by receipts of \$61 million of American aid. In consequence the reserves increased from \$1,685 million to \$1,716 million, which is \$16 million above their level just before the budget.

The implication of these figures is that the recovery which set in after the budget, and which was heavily fortified by non-recurring receipts in the spring and early summer, has since been maintained, though not notably strengthened. As the accompanying table shows, the main improvement has been in the sterling area's dollar deficit outside EPU—that is to say in its net dollar payments to non-European countries, after taking credit for receipts of newly mined sterling area gold. Gold losses in this sector amounted to \$224 million in January and to \$172 million in February; in March they fell abruptly to \$21 million and—despite a temporary increase to \$41 million in June—they have since remained within manageable proportions. Throughout the last five months these accounts have undoubtedly derived some support from the decline in outstanding foreign credits, following the Bank of England's door-slammings directive in March, and from exceptional sales of raw materials to the American stockpile. The expiry of most of the credits concerned and the completion of the tin agreement may

combine with seasonal factors to restrict any further improvement in this sector in the next few weeks, but there is no real reason to fear that they will turn the tide of recovery back to full ebb.

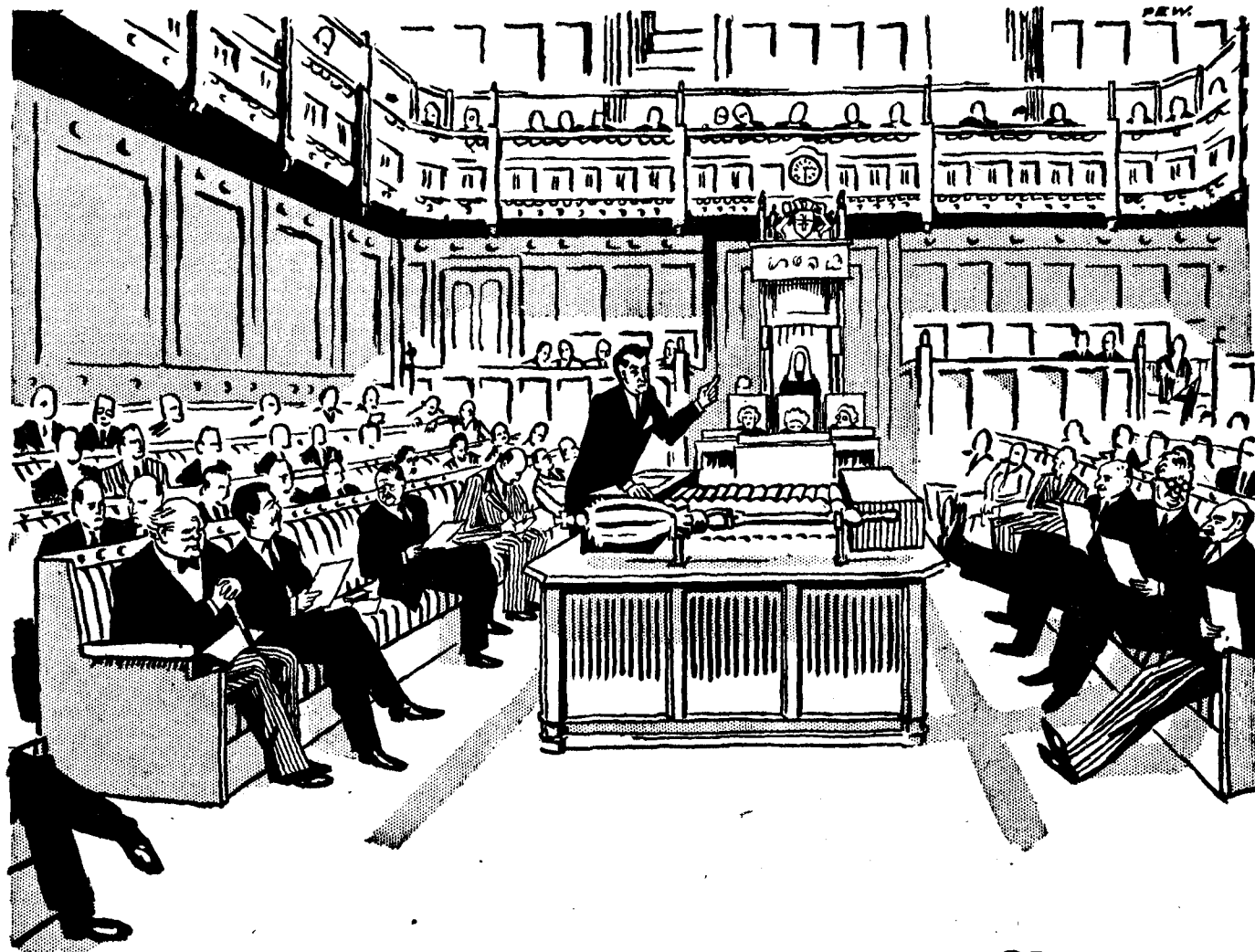
In EPU the prospect is less satisfactory. After touching \$94 million in February, the sterling area's monthly gold loss to Europe remained obstinately stable at between \$45 and \$51 million a month from March to June. It fell to \$23 million in July, thanks wholly to advance receipts of \$25 million on the Anglo-Belgian arms contract, but the payment to be made in the middle of August will rise to \$99 million. The transfers made to EPU in the middle of each month, it may be repeated, are determined by the sterling area's deficit with Europe in the month preceding. The sharp rise in this deficit to \$99 million in July was due partly to a bonus payment to Denmark under the Anglo-Danish bacon agreement, partly to annual capital transfers to Holland after the completion of the financial years of the Shell and Unilever groups, and partly to adverse but customary

MONTHLY GOLD MOVEMENTS IN 1952.
(\$ million)

	Gold deficit with:			American Aid	Change in Reserves	Reserves at end of period
	EPU	Other Countries	Total			
January ..	-75	-224	-299	..	-299	2,036
February ..	-94	-172	-266	..	-266	1,770
March	-50	-21	-71	+ 1	-70	1,700
April	-51	-12	-63	+ 25	-38	1,662
May	-45	-20	-65	+ 81	+ 16	1,678
June	-47	-41	-88	+ 95	+ 7	1,685
July	-23	-7	-30	+ 61	+ 31	1,716
August ...	-99	..	..	..	..	..

seasonal influences. It will be seen from Chart I that the sterling area's balance of payments with Europe always tends to be unfavourable in July; in each year except 1951 it has tended to recover thereafter—at any rate from August onwards. The Government is confident that this autumnal recovery will occur again this year; together with the latest import cuts, this may suffice to bring the accounts back to balance by the time of the December or January settlement.

The third factor that has staunched the gold drain in the past three months, in conjunction with the improvement in the EPU accounts and in net dollar payments to other countries, has been the increased flow of American aid. Receipts of Mutual Security dollars were negligible in the first three months of 1952; they then rose swiftly to a peak of \$95 million in June and are likely to come in throughout the next six months at an average rate of rather over \$50 million a month. Britain still has about \$75 million of the congressional appropriation for 1951-52 on which to draw, together with \$100 million already allotted to it from the appropriation for 1952-53; if the



£30 million saved on floors

In response to a question as to the saving in softwood imports as a result of the Government regulations requiring solid ground floors, THE RIGHT HONOURABLE DAVID ECCLES replied:

"Approximately 300,000 standards of softwood, the current value of which would be nearly £30 million, have been saved since the use of softwood suspension floors was stopped in 1946."

In response to a question to the Parliamentary Secretary to the Ministry of Works as to what relative figures the Building Research Station has of heat loss as between solid floors in dwelling houses and traditional wood suspension floors, Mr. Molson replied:

"The generally accepted value of the coefficient of heat transmittance through solid floors on the ground is of the order of .15 to .20; that through suspended timber floors is of the order of .35 to .40. This means that heat passes more readily through a suspended timber floor than it does through an 11 inch unventilated cavity brick wall, while it passes less easily through a solid floor on the ground than it does through such a wall."

Solid floors with thermo-plastic tile coverings save imports, save fuel and save money. Information regarding the various types of thermo-plastic tile and their advantages in house building and industry is available on request.

rough estimates made by a spokesman of the United States Administration before a congressional committee some weeks ago are a guide to Washington's present intentions, Britain may expect another allotment of about \$270 million from this 1952-53 appropriation later in the fiscal year, together with the last \$9 million bespoken under the Katz-Gaitskell agreement of 1950 (under which ECA agreed to compensate Britain for the use in EPU of accumulated European sterling balances). In the year to June, 1953, as a whole, therefore, Britain may receive about \$515 million of American aid (excluding American purchases of military equipment, but including the \$24 million of Mutual Security aid and \$37 million of Katz-Gaitskell money received in July). The Chancellor apparently expects to draw about \$320 million of this projected \$515 million before the end of 1952.

If all these forecasts are fulfilled, the gold reserve should either be maintained or, more probably, continue to rise slightly in the next five months (despite a possible temporary setback in the current month itself). On present prospects, however, any such recovery in the reserve will be achieved only by dependence on American aid and on extensive import cuts by Britain and the Dominions. The dominant question before this country is whether this cut-back in imports will reduce supplies far below the level of domestic demand. If it does, the consequent increase of inflationary pressure is likely to

impede any sensible re-alignment of the country's effort and drag off into the home market resources that should be devoted to an expansion of exports; in other words, success at the snatch may only be achieved at the expense of failure in Britain's third attempt at the jerk.

Unfortunately, the available evidence on this prospect is very slight, and it was presented in a confusing way by Government spokesmen in last week's debate. Mr Butler's statement made it clear that the Treasury hopes to cut Britain's deficit with the non-sterling world from £275 million in the first half of 1952 to about £115 million in the second half. Figures presented later in the debate by the President of the Board of Trade suggested that imports may fall between the two half-years by nearly £50 million a month on a c.i.f. basis—or, say, rather over £40 million a month on a truer balance of payments reckoning. Most of these cuts will presumably fall on non-sterling imports. Compared with the present rate of non-sterling imports (about £200 million a month) this is a very heavy cut indeed, and it does not suggest that the authorities expect any notable increase in non-sterling exports in the second half of the year—despite the signs of an upturn in American and Canadian demand and the prospect for increased sales of arms to America, Canada and Europe.

Exports to the sterling area, on the other hand, will almost certainly be much smaller in the second

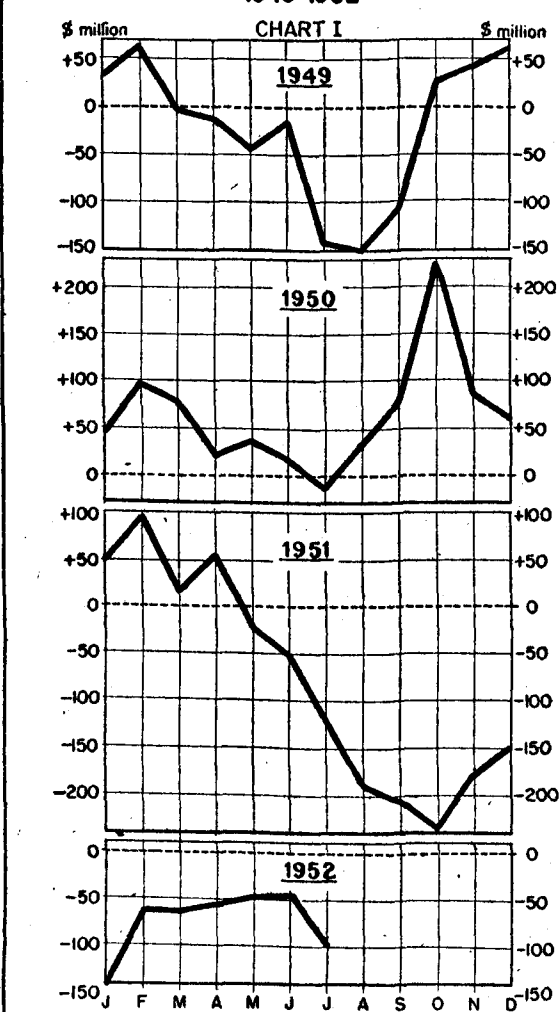
half of the year than in the first. In part, this may be an inevitable consequence of sterling area import cuts; but the Government seems to have extracted a dubious virtue from harsh necessity by writing in the expected decline in exports (and the consequent expected increase in available supplies for the home market) as an integral part of its disinflationary policy. Mr Butler's statement last week did not make it clear how much relief he expected from this reduction of unrequited exports to the sterling area in the current half-year; indeed, he managed to create needless obscurity about the size of those unrequited exports in the half-year just past. If his phrase "excluding American aid" means "excluding the imports paid for by American aid" then Britain's surplus with the sterling area in the first half of 1952 was "substantially" more than £125 million; if it means "excluding aid receipts from total receipts" then that surplus was substantially more than £200 million. It is now believed that the latter reading is in fact correct; and that Britain's surplus with the sterling area in the past half-year apparently soared well above the previous record surplus of £171 million in the second half of 1951. Since Mr Butler declared that he hopes that Britain will be "at least in balance" with the world as a whole in the second half of 1952 (compared with a deficit now estimated at under £75 million in the first half-year), the implication is that while the deficit with the non-sterling world is falling by anything up to £160 million in the current six months, the surplus with the sterling area may fall by up to £100 million.

A final question mark hangs over the trend of invisible receipts. Mr Butler's statement last week that Britain's overall deficit in the first half of 1952 is now estimated at under £75 million compares with earlier unofficial estimates of a deficit of over £100 million. This suggests either that the value of imports recorded in the trade

returns have included a much bigger proportion of shipping and insurance charges payable to British interests than is usual, or else that invisible receipts in the past six months have been considerably more than half of the £270 million odd that the Economic Survey had forecast for 1952 as a whole. It is known that a larger share of world trade has recently been carried in British bottoms; but official comments have suggested that other invisible receipts have not been substantially above estimate, although they have probably been well up to it. It is possible, however, that the Government always expected to run a bigger invisible surplus in the first than in the second half of 1952. This would be in accordance with the trend shown in 1951, when the invisible surplus was £135 million greater in the first half of the year than in the second; in the second half of 1950 (a peak period of post-Korean boom) the invisible surplus was £46 million greater than in the previous six months, but that was before Britain was obliged to pay out £40 million each December as interest on the American loan, and before Persian oil was lost.

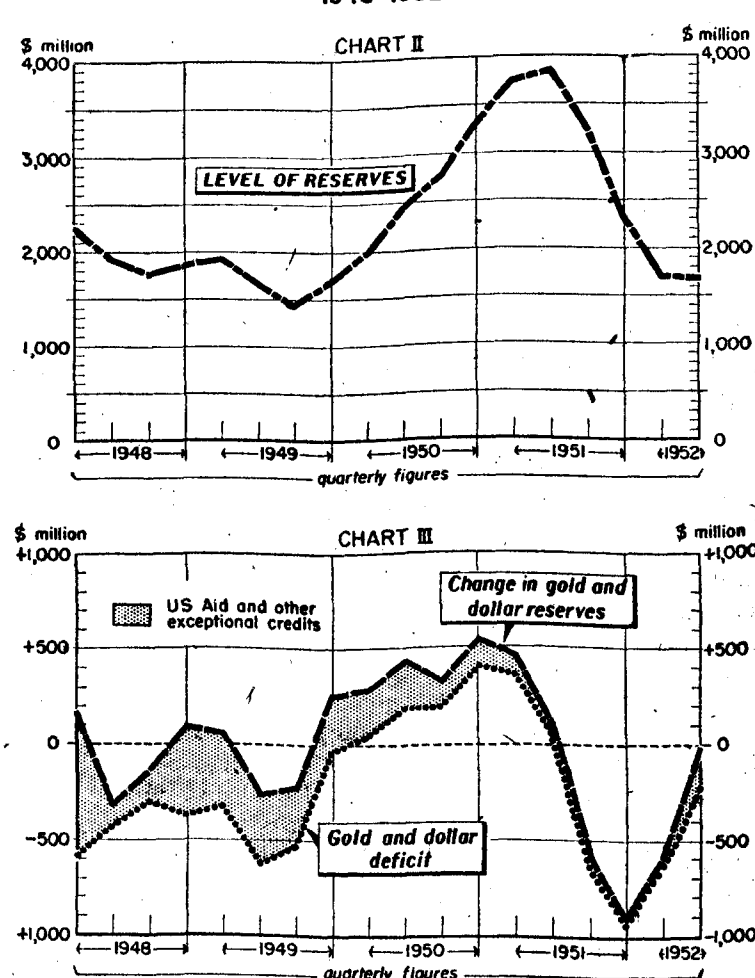
These figures provide grounds for hope that Britain is now holding tolerably well to the course charted at budget time, and that it may ride without great difficulty over the current and customary seasonal squall. Indeed, since there are signs that invisible earnings (especially in the oil accounts) are now gradually improving, the short-term objectives set out in the Economic Survey for 1952 as a whole might conceivably be surpassed. But only the short-sighted will suppose that the present series of desperate expedients—postponement of essential imports, releases to the home market of frustrated exports, and extravagant drafts on the limited supply of American aid—can provide anything more than a temporary passage over the hump. And short-sightedness is dangerous for a nation on a trapdoor.

THE STERLING AREA'S DEFICIT WITH EUROPE
1949-1952



Figures for 1949 and 1950 exclude payments with Switzerland.

THE GOLD RESERVES
1948-1952



Reinsurance at Work

INSURERS are themselves the biggest insurers of all. By means of reinsurance they may lay off a part—often a large part—of a risk in any branch of their business, national or international. Reinsurance is as old as insurance itself; without the world-wide facilities for spreading large risks the services offered by all insurers would be severely curtailed. The United Kingdom has since the war attained a lead in reinsurance to match its dominating position in direct insurance.

Reinsurance is not a device for passing on hazardous risks to others and obliging a client at the reinsurer's expense. The real purpose of reinsurance is to stabilise the experience of each office as much as possible, avoiding unduly favourable results in some years and extremely unfavourable ones in others. The successful conduct of the business of insurance depends upon a limit being set to the amount at risk under any one insurance and the spread of the business upon the books of the insurer. This transfer of business between insurers by reinsurance cannot be measured. Insurance accounting in this country is modelled on the forms laid down in the Assurance Companies Acts, 1909-46; these provide that, for all classes of insurance, revenue account items are to

be entered net of reinsurance receipts and payments. No information about the volume of reinsurance business in relation to aggregate premiums received from or claims paid to the public is provided by any of the leading offices. One of the smaller companies, however, shows in its accounts that about 25 per cent of its gross fire and accident premium income was paid out to reinsurers. Perhaps in fire insurance, where reinsurance is most highly developed, reinsurance premiums paid may be of the order of one-half the gross premiums received from the public, but the proportion will vary for individual offices according to the composition of their business. In marine insurance, reinsurance occupies an important place, for an underwriter, whether at risk on the hull of a ship or not, is often offered insurances on different parts of its cargo by their respective owners that in the aggregate would involve him in an amount at risk greater than he is prepared to run.

Two methods of reinsurance, known as facultative and treaty reinsurance respectively, are in common use. (A third method, which involves the pooling by a number of insurers of the whole of a given type of risk, or of the surplus over a certain limit, is employed where the

hazard of the business is particularly great.) In the early days of the business, facultative reinsurance was the only method. Full details of each risk of which it is desired to reinsure part are submitted by the direct insurer to each prospective reinsurer. A reinsurer may accept as much of the business offered as he chooses (but only on the terms offered), or may decline the business altogether. Reinsurance business always tends to be less profitable as a class than direct insurance, because the smaller insurances that are wholly retained by the direct insurer are generally the most profitable. Reinsurers, therefore, like to retain as much control as possible over the business coming to them, and from the underwriter's point of view the facultative method is attractive to them. But in practice facultative reinsurance is cumbersome and expensive. Considerable delay is involved in submitting particulars of a large insurance to a succession of prospective reinsurers; meanwhile the client of the direct insurer cannot be granted cover until the whole of the reinsurance has been arranged. The facultative method has, therefore, been very largely displaced (except in life assurance) by treaty reinsurance.

Reinsurance by treaty is now by far the most highly developed method. It takes several forms—some of them ingenious adaptations of the basic types—under each of which the direct office is bound to give out and the reinsurer to accept all business falling within the treaty. Thus the system is automatic; cover can be given at once to the insured; and administrative costs are low. The reinsurer, however, has no power of selection over the business ceded to him; indeed he may not know the risks for which he is liable. That this system operates satisfactorily, as it does, testifies to the good faith between insurers themselves; in spite of the conscientious observance of the utmost good faith by direct insurers, however, reinsurers pay considerable attention to the experience and quality of management of those offices with which they conclude treaties. It is important to the direct office that its treaties should in the long run yield a profit to those who accept them; otherwise, reinsurers will sooner or later exercise their option to terminate the contract. As the price of stabilising his results, the direct reinsurer must be prepared to forgo part of the profits that would otherwise have accrued to himself; he must pay enough to the reinsurer to give the latter a modest profit in the long run. It is usual, on the other hand, for reinsurers to rebate a percentage of the profits under treaties to the ceding offices.

The most common form of treaty is the "surplus treaty," under which that part of any risk that exceeds the maximum amount that the direct insurer deems it prudent to retain at his own risk is reinsured. A treaty is arranged for a given number of "lines," each "line" being the amount retained by the direct insurer. For example, under a ten-line treaty a direct insurer prepared to retain £5,000 of an insurance at his own risk could immediately accept £55,000, of which £50,000 would be automatically reinsured under the treaty; if the retention were £500 no more than £5,500 could be accepted without making further reinsurance arrangements. The other important form of treaty is the "excess of loss" treaty. This type relieves the direct insurer of any loss under a given claim in excess of a fixed maximum amount. There may be an upper limit to the reinsurer's liability; the risk that a claim may cost more than this

amount must then either be reinsured under another treaty or carried at the risk of the direct insurer. This type of treaty eliminates the considerable volume of work that is entailed in apportioning premiums under surplus treaties in thousands of individual cases and in similarly apportioning and recovering losses from several different reinsurers. Excess of loss treaties are in accordance with the true function of reinsurance, which is to cut off the peaks and the troughs that would otherwise appear in the loss curve; with the increasing pressure to cut down costs of management they are likely to continue to gain in popularity over surplus treaties.

Since reinsurance is concerned with the widest possible distribution of risk by the reinsurer the business is international in scale—though some countries which have prohibited the placing of reinsurances abroad, or set up state reinsurance offices, most unwisely try to limit it. In most of the free reinsurance markets, British companies play a large part. For example, out of net premiums of \$125.9 million paid during 1949 by United States insurance companies for reinsurances ceded to foreign insurance companies, \$113.8 million, or just over 90 per cent, was paid to United Kingdom insurers. The next largest share, \$7.3 million, went to Switzerland. The lion's share of the reinsurance business passing in the opposite direction was also taken by the United Kingdom; British insurers paid \$7.8 million in premiums for reinsurances assumed by United States insurance companies out of a total of \$14.1 million paid to them by all foreign insurers.

During the war the sharp contraction in overseas reinsurance facilities made necessary the absorption on the home market of a much greater proportion of reinsurance business than had previously been thought wise. The results were much better than was anticipated and the wartime experience has therefore led to a permanent increase in the proportion of reinsurances; direct insurers now seek reinsurances on a scale they would never have contemplated before the war. There has also grown up a widespread demand for reciprocity by those giving out reinsurances; while on occasion reinsurers have themselves to reinsure—for example when they receive reinsurances of a given risk from various sources to an aggregate amount greater than it is prudent for them to retain at their own risk. As a result of the growth of reinsurance, the overseas income of the British insurance industry has undoubtedly been increased since the war; but as a corollary, a proportion of large losses, wherever they may occur, is virtually certain to fall on the British insurance market, and they may be especially large under excess of loss treaties. Whilst every effort is made to stabilise the experience of each insurer and reinsurer, insurers as a whole cannot protect themselves against catastrophes. One example of such a loss was the severe wind-storm that swept over the eastern United States in November, 1950, and involved British and American insurers (and their reinsurers in some other countries) in total losses estimated at some \$150 million. Again, the derisory profits of little more than half a million pounds secured by the leading offices last year from accident insurance out of a premium income of almost £200 million (compared with a profit of nearly £8 million in 1950 on a considerably smaller premium income was due to a worldwide upsurge in the cost of motor insurance claims.

Business Notes

Higher Stock Exchange Commissions

In recommending an increase in some, but by no means all, commissions on share transactions, and a reduction in the rebates allowed to agents participating in them, the Council of the Stock Exchange has followed the course most likely to ensure a willing acceptance of the changes it has proposed. The clearing banks, the most important agents in share dealings, were consulted on the proposed reduction in rebate rates before the council sent out its letter to stock exchange members this week; the banks were assured that since the reduced rate of rebates will apply to a higher scale of commissions, their total income should not be adversely affected. Stock exchange members will have up to August 30th to offer suggestions and criticisms on the rates proposed; as soon as practicable thereafter the new rates will be posted on the board at the House, but there will be a further lapse of time (probably until about mid-November) before they are finally confirmed.

As the present scale of commissions has remained practically unchanged for the last forty years while brokers' costs have been steadily increasing and turnover falling, customers of the "House" can hardly cavil at a reasonable adjustment, but the increases proposed have had to be pitched at a level that will not keep more investors out of the already under-populated market. For this reason the council has held out a special concession to the small investor by proposing that there should be no increase in charges on transactions of less than £100. At the other end of the scale, some, though not many, institutional investors may be protected by the recommendation that there should be no change in charges on transactions involving more than £50,000. A more important gesture to the institutions, however, is that no increase is proposed in the $\frac{1}{4}$ per cent commissions on transactions of over £10,000 in British Government and other gilt-edged stocks; below this limit commissions will be raised from $\frac{1}{4}$ to $\frac{1}{2}$ per cent. The £2,500 rule, under which the commission on any bargain above the £2,500 limit is reduced, will remain unchanged.

Subject to these blanket provisions, the council proposes a number of changes in the gradation of commission rates on shares of different market prices. Under these proposals, commissions on the lowest priced shares (up to the 2s. 6d. limit) will be reduced, while all shares of a price of over £10 will attract a flat commission of $\frac{1}{4}$ per cent in place of the present scale that ranges between 1s. 6d. on a share worth more than £10 to $\frac{1}{2}$ per cent on a share priced above £25. In the important middle range of 3s. 6d. to 50s. a series of new steps is proposed that will increase the cost of some transactions and leave others unchanged. Above this limit the rate of commission will be increased by about 25 per cent. In the case of registered stocks the proposed proportionate rate of increase is even higher since the present scale of commission ranging between $\frac{1}{4}$ and $\frac{1}{2}$ per cent will be replaced by a flat rate of $\frac{1}{4}$ per cent.

Effects on the House

Without a reduction in agents' rebates, the proposed increases in commission rates would not go far towards compensating stockbrokers for the steady increase in their expenses. The council proposes, however, that the rate of rebate to agents on the general register should be reduced from 25 to 20 per cent, and that allowed to agents on the Register of Banks from 33 $\frac{1}{3}$ to 25 per cent. At the same time, however, the trustee departments and companies of the banks would be moved from the general to the bank register; given the higher scale of commission on "packets" of gilt-edged stocks worth less than £10,000 the remuneration received by these departments should therefore increase.

There is no mention of the Public Trustee in the council's recommendations; presumably this body will remain on the general register and will receive a lower rate of rebate.

These proposals appear to be sufficiently carefully framed to avoid aggravation of the main problem before stockbrokers—the dearth of business in the "House." But they obviously do nothing to cure it. They are not likely to find a welcome among the issuing houses, who will feel that their work of creating stock exchange business deserved better recognition than a cut in rebates. Nor do they touch a fundamental issue of efficient security markets—the provision of adequate capital for jobbers. It is becoming increasingly clear that the council and the members of the stock exchange will have to make a more determined attempt to arouse and diffuse an interest in investment throughout Britain. If this is not forthcoming the increase in stockbrokers' commissions will do little to postpone the day when the number of stockbrokers will have to be reduced.

* * *

Bank Holiday New Issues

The time-honoured calm in the capital market over the August Bank Holiday was broken last week-end by the announcement of three new issues and by the news of the spectacular welcome given to the new Rugby Portland Cement debenture stock, in which dealings began on Tuesday at 22 premium. The most important of the new issues, the conversion loan issued by the City of Johannesburg, was pitched on terms that sought to make allowance both for the effects of dearer money and South African political malaise. In order to replace its 3 $\frac{1}{2}$ per cent inscribed stock maturing on September 1st, either by a direct exchange by the holders of the stock or by cash applications for any balance left unconverted, the City of Johannesburg had to offer £1 million of a 5 per cent redeemable stock, 1959-62, at 98. The yield to the latest redemption date was thus a few pence over 5 $\frac{1}{2}$ per cent. Hard on the heels of this issue came the details of an offer on behalf of the Nyasaland Government of a 4 $\frac{1}{2}$ per cent stock, 1971-78, at 98 $\frac{1}{2}$ per cent. The total amount of the new loan is £2,060,000, but £460,000 of this has already been placed; at the issue price of 98 $\frac{1}{2}$ the gross redemption yield to the latest date is 4.6 per cent. This longer dated trustee stock is obviously aimed at institutional investors.

A newcomer to the market is Technicolor, Ltd., the British subsidiary of the well-known American company whose trade name has now become part of the English language. This company, which has an issued equity capital of £780,450, is placing 310,000 of its 5s. ordinary shares in the market. As the total footage of film sold and profits earned by Technicolor, Ltd., have increased impressively in the last ten years, and as the company does not have to bear the direct financial risks associated with film production and distribution, the promise of an ordinary dividend of 17 $\frac{1}{2}$ per cent should be sufficient to allow dealings in the newly placed stock units to begin at around 11s.; at this price they would offer a yield of about 8 per cent. The attempt by Free State Geduld Mines to raise £5 million in new money in order to complete its shaft sinking and development programme may, however, receive a less cordial welcome from the market. The company hopes to raise £2,250,000 immediately by offering existing shareholders the right to take up one million 5s. reserve shares at 45s. each, in the ratio of one new share for every six held; it will then seek to raise the remaining £2,750,000 by October, 1953, through the grant of options to subscribers to the new shares to take up a further share at 55s. each. The 5s. equity shares in Free State Geduld were marked down 1s. 10 $\frac{1}{2}$ d. to 55s. on consideration of this offer.

Tin Loses a Prop

The tin market has been in a dismal mood this week; the spot price which stood at £961½ a ton at the end of July had slumped to £916 a ton by Wednesday. The reason for the gloom is that the British Government and the Reconstruction Finance Corporation (the official US buying agency) both appear to have withdrawn from the market. Last Friday the Secretary for Overseas Trade stated that purchases under the agreement with the United States were virtually complete. The agreement, which was made in January, provided that the British Government would sell 20,000 tons of tin this year to the United States at a fixed price of 118 cents a lb (£944 a ton). But these special American purchases are only part of the story. The RFC recently disclosed that its total purchases of tin this year amounted to 84,000 tons made up of 20,000 tons from the British Government, 19,000 tons from Indonesia, 8,000 tons from the Belgium Congo, 13,000 tons from Bolivian stocks and 24,000 tons from "other sources." It is generally believed that most of this 24,000 tons came from the Straits market under "shunting" operations, by which European merchants bought tin with cheap sterling and resold it for dollars. Although the result of these purchases with cheap sterling was a loss of dollars to the sterling area, they were an important factor supporting the market. Now they are likely to cease.

From the beginning of this month American importers have again been allowed to trade in tin; they may buy metal "at any price." The RFC retains the right to buy and sell tin at the American ceiling price of 121½ cents a lb (equivalent to 118 cents paid for Malayan tin). Thus, in effect 121½ cents a lb, after having been a floor price for the past six months, has now become a ceiling; American importers will be able to find customers for their metal only if they can offer it below this level. So far American traders are showing no inclination to buy even at much lower prices than this. Demand from the continent is also slack. It is not surprising, therefore, that the tin market should be feeling the loss of its floor so keenly.

Beyond the immediate future the prospects for tin are a little brighter. Commercial stocks in the United States are believed to be small and it seems unlikely that American traders will be able to remain out of the market for long. The use of tin is still controlled in the United States, but several restrictions have recently been lifted, and this may be the first stage towards restoring complete freedom to consumers.

Wholesalers Count Their Pennies

The wholesale textile trade has expressed its disappointment at the sharp fall in the value of sales in June. Its members do not yet appear to have adjusted their outlook to lower price levels; these inevitably result in their handling a smaller volume of money for a given turnover. A year ago, wholesalers were dealing in utility goods at the highest price levels ever reached, and they were in many cases working on fixed profit margins. This summer, they have been stocking cut-price textiles, many of them job lots for which manufacturers have been thankful to get almost any price, and ideas of fixed profit margins have gone overboard. The wholesale value of turnover of textiles in June was 32 per cent lower than in June last year, but the volume of trade cannot have shown a reduction of this order. In general, textile prices have not fallen by as much as 32 per cent, but the prices of many of the bargains sold this summer were cut by much more, and some factory stocks have been sold off at well below replacement cost. It does not necessarily follow that the full saving has been passed on to the consumer, but it has undoubtedly affected the value of the wholesale turnover.

The index of wholesale sales (1947 = 100) fell from 116 in May to 83 in June. In part this fall was seasonal, and not

specifically attributable to cuts in prices between May and June. When allowance has been made for the two influences, there was presumably a residue representing a real fall in business, and the centre of this secondary depression appears to be the sale of piece goods. Sales shared to only a small extent in the general textile revival that took place in the spring and early summer. In June they were still nearly 62 per cent lower than in June, 1951, when signs of a textile recession were already apparent. Stocks of piece goods have remained high; the index fell in June only 10 points to 250 compared with 283 in January. The fall in stocks of other goods has been much sharper; the index generally has dropped from 200 to 174, while stocks of men's and boys' cloths have dropped from as much as 312 to 272 in the same period. The figures may suggest that the fall in the prices of made-up clothing is at last leading to a reduction in the home dress-making that underwent a remarkable renaissance during and after the war.

Cut in Tobacco Imports

The authorities seem to have been somewhat coy about announcing the cut in this year's allocation of dollars for tobacco purchases. The cut in fact turns out to be no more than had been expected. Ten days ago, in reply to a question about the volume and value of imports from the dollar area this (calendar) year, the President of the Board of Trade said that they "are expected to amount to 103,500,000 lb—a reduction of 56 per cent on imports of 233,740,933 lb from these sources in 1951," and made no mention of value. He also did not refer to the fact that some 65 million lb of dollar tobacco had already arrived this year—31 million from Canada and 34 million lb from the United States. Presumably, therefore, imports for the rest of this year are not expected to exceed 38 million lb, compared with about 195 million lb in the second half of last year. Asked later in the week what cuts were to be made in the allocation of dollars for purchases of tobacco in 1952-53, Mr Thorneycroft stated that the allocation for purchases from the 1952 American and Canadian crops will be 23 per cent of the 1951 total. This appears to provide 33½ million US dollars and 4.9 million Canadian dollars. The dollar totals, being for a crop year, cannot be easily related to the calendar year import figures given above. At the current price of leaf tobacco, British manufacturers may obtain enough dollars to buy 80 to 90 million lb of American and Canadian tobacco. Sales from the current season's crop began in July, but as Britain's buying is concentrated on the autumn auctions, presumably only about half the purchases from the current crop will arrive before the end of 1952. This the Board of Trade has apparently assumed in arriving at a total weight of 103,500,000 lb for the calendar year.

Although the cut in the dollar allocation is severe, there will be no shortage of tobacco for British smokers this year. At the end of May, stocks of leaf were equivalent to about 2½ years' consumption. But tobacco requires about a year to mature and manufacturers are concerned that the sharp reduction in their buying now may lead to a shortage of matured leaf in eighteen months' time. To avoid this risk, British manufacturers have arranged to earmark supplies from this year's American crop that they do not at present have sufficient dollars to buy. They will have the option of concluding such purchases in 1953 from next year's allocation of dollars.

Consumption of tobacco in this country has been falling; in the first four months it amounted to 70 million lb compared with 75 million lb in the same period last year. Even so, it is doubtful whether imports will be sufficient to avoid some reduction in stocks this year. The Rhodesian crop, which is Britain's main source of non-dollar tobacco, is much smaller than was expected and it is doubtful whether Britain will get the 75 million lb of Rhodesian tobacco that had been

Announcement by

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In order that there should be no misunderstanding as to the scope and effect of the recent decision by the International Court of Justice in respect of the Persian oil dispute Anglo-Iranian Oil Company, Limited wishes to bring the following statement to the attention of all concerned:—

It has already been made clear that the decision of the International Court is not a decision on the merits of the case and that it does not in any way affect the Company's claim that the Persian Government has acted illegally towards the Company in Persia. The decision means simply that the International Court, which only has jurisdiction to the extent that individual states have either generally or in a particular case accepted the jurisdiction of the Court, has decided after considering the arguments advanced by both sides that it has no jurisdiction in this case.

The Company's title to crude oil and oil products derived or to be derived from the area of its operations in Persia is in no way affected by the decision. In attempting to deprive the Company of this title and appropriating to itself the Company's properties in Persia the Persian Government has acted in complete disregard of its solemn obligations to the Company and of the basic principle of the sanctity of contracts—a principle which is essential for the maintenance of the necessary confidence for the continued development of world trade.

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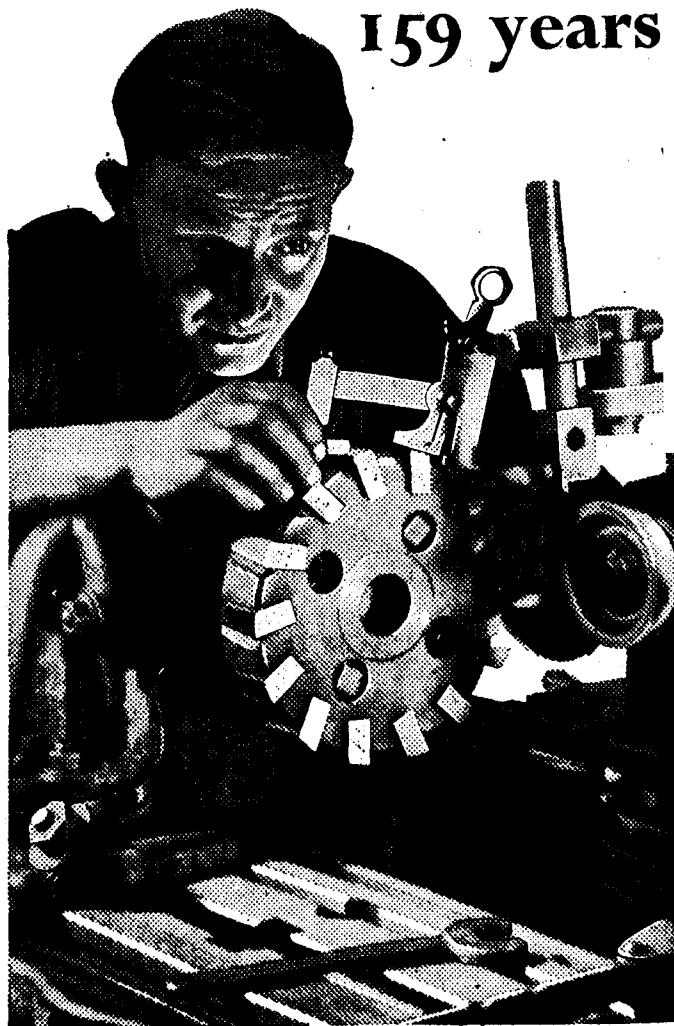
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sought this year. Imports from all sources may reach about 175-180 million lb but consumption is likely to total about 210 million lb for the year.

Pottery Free of Control

After a few weeks' experience of a home market quota system for decorated pottery, the Board of Trade has decided to remove all control from the industry. Licences had been granted for the sale of about £2.2 million worth of decorated "frustrated exports" and home quotas, varying from 12 to 20 per cent of individual companies' 1951 outputs, had been issued for roughly double this amount. These concessions were intended to ease the difficulties that the industry has encountered in the export markets, and in the Australian market particularly, but they could not meet the needs of individual companies that had been sending the greater part of their output to Australia and had specialised in catering for Australian taste in colour and decoration. Suggestions that some companies should be given bigger concessions than others have not been popular in the industry; yet the alternative to granting a big increase in some individual home quotas was to stand-off decorators at the affected potteries. The supply of decorators has been the limiting factor on pottery production since the war, and the industry fears that it would be hit at its most vulnerable point if decorators were lost to the local armament industries because of a temporary shortage of orders.

The Board of Trade seems fairly confident that freeing the home market will not lessen exports. The pottery industry has always been a big exporter, its capacity is far in excess of what the home market could ever absorb, and the slow rate at which even limited supplies of decorated ware have been selling recently suggests that manufacturers will not be tempted to divert more goods to the home market than the contraction in exports makes absolutely necessary. Exports during the first half of this year have been deceptively high, reaching £9.2 million compared with £7.6 million in the same period of 1951. The emerging picture is better shown by the sharp fall in shipments to Australia in June to £47,500 compared with £224,500 in June, 1951. Many companies had a considerable volume of orders outstanding, and as these are worked off, shipments are bound to fall. The opportunities now granted to the industry in the home market could well be used for experiment with new ideas to strengthen its power to meet competition from Japanese and the local North American potteries, its two most serious and its traditional competitors. Few will regret the end of the control, and with it the disappearance of the hideous crime, punishable by fines and imprisonment, of selling coloured cups and saucers at home.

Re-exports to EPU Countries

The Bank of England announced this week that it is prepared to consider applications by merchants resident in the United Kingdom, who wish to purchase certain raw materials from the dollar area for resale to European Payments Union countries. This new facility is intended to cover most raw materials except those that are still scarce enough to be subject to allocation by the International Materials Conference. The permissible sphere for such re-exports will include the overseas monetary areas of Belgium, France, Italy, the Netherlands and Portugal. This development should help the slowly reviving free commodity markets in Britain to recapture some of their former elbow room. Hitherto their transactions have been considerably curtailed by what is generally known in the City as the Bank of England's "league table"—that is, its list of non-sterling countries set out in

order of the hardness or desirability of their currencies. In general, the Bank of England has given permission for re-export trade to take place up, but not down, this list of countries. For example, it has for some time been permissible to import coffee from Brazil and sell it to Belgium, but not to import tobacco from the United States and re-export it to France.

This league table, which is never published, has changed considerably in recent times. The formation of the European Payments Union caused all members of the Union to be bracketed together, since all rank alike for the monthly compensation. More recently the exhaustion of the United Kingdom quota and the fact that any deficit with EPU must be paid wholly in gold has, temporarily at least, caused EPU currencies to be bracketed together with US and Canadian dollars. It is in the light of this situation that the relaxations announced by the Bank of England this week have to be read. As the Chancellor of the Exchequer ruefully admitted in a review of the balance of payments situation earlier this year, "alas, all currencies are now hard." If and when Britain reduces its cumulative deficit with EPU below the point of 100 per cent gold payments, the authorities will presumably examine these concessions again.

New Zealand Import Cuts

New Zealand's balance of payments is expected to show a substantial deficit this year. Drastic steps have now been taken to bring the account into balance in 1953. The New Zealand Reserve Bank announced this week that allocations of overseas exchange next year will not exceed 40 per cent of the total for 1950. Contracts for which import licences have already been allocated will be duly honoured, if the imports in question come from the sterling area. Licences for other imports will be issued only on the understanding that they carry no assurance that exchange will be provided. Allocations will be made only if the exchange is available. This decision on the part of the New Zealand authorities introduces a new and disturbing element into sterling area exchange control practice. Hitherto the basic rule has been that control is exercised through import licensing and that any import licence carries with it an automatic right to the exchange expenditure involved. It is to be hoped that the New Zealand precedent will find no imitators in the rest of the sterling area. There is no greater enemy of expanding trade or of amicable commercial relations than the arbitrary guillotine of exchange quotas which falls without warning and decapitates existing contracts and operations in course of shipment.

Report from Threadneedle Street

The report of the Bank of England for the year ended February 29, 1952, gives its usual purely factual review of financial events, and adds its customary mite of new information on the use of transferable sterling. In 1951, the Bank reports, there was a substantial increase in the amount of sterling transferred between countries outside the sterling area, both under the automatic facilities and under the administrative facilities available at the Bank of England. Excluding sterling moved into and out of American accounts, the sums transferred, in terms of £ million, were:

Year ended Dec. 31st	1948	1949	1950	1951
Automatic facilities	88	144	143	241
Administrative facilities....	152	125	155	222
	240	269	298	463

These figures are a remarkable token of the increasing use of sterling in international trade despite the shocks to confidence in the currency during 1951.

The report is accompanied by its now customary supplement on United Kingdom overseas investments. The latest figures cover the year 1950, and show that the nominal value of these overseas investments fell from £2,038 million to £2,020 million in that year. The distribution of this capital and the comparison with the years 1949 and 1938 are shown in the following table (all figures in £ million):

	Nominal Capital Value			Income		
	End 1938	End 1949	End 1950	1938	1949	1950
Govt. and municipal loans...	1,521	795	785	55.1	21.1	20.6
U.K. companies:—						
Share capital	817	590	587	48.6	55.0	72.8
Loan capital	367	106	106	11.4	3.1	2.7
Overseas companies:—						
Share capital	473	373	374	29.3	33.1	41.5
Loan capital	368	174	168	11.0	4.0	4.2
Commonwealth countries....	1,998	1,133	1,134	102.7	74.1	90.5
Foreign countries	1,422	775	751	35.2	26.5	32.1
Not classifiable by area....	126	131	134	17.5	15.7	19.3
TOTAL	3,545	2,038	2,020	155.4	116.4	141.8

It should be emphasised that the fact that these figures exclude direct (as distinct from portfolio) investments and show only nominal (as distinct from market) values makes them a somewhat misleading guide to the true change in British investments overseas. In his recent book on *The Sterling Area* (Macmillan, 192 pp. 16s.), Mr A. R. Conan estimated that the total value of British overseas investments in 1949-50 was probably about £4,200 million, compared with £4,500 million in 1938. Even in the portfolio investments themselves, as the table shows, the decline in interest and dividends received has been much less than the fall in nominal values since pre-war days might imply. The appreciable jump in the income between 1949 and 1950 was due to higher dividends on the equity capital held overseas and can in part be attributed to the rise in commodity prices and the consequent profits made in the course of 1950. The comparatively high proportion of commodity shares in total British portfolio investments tends to lend support to the British balance of payments just when it is most needed—namely when the terms of trade have turned against this country.

David and Goliath Airborne

The terms of reference of the reorganised Air Transport Advisory Council throw out a challenge to the independent air transport industry that the latter may well feel to be a little one-sided. First and second class services on existing routes are reserved for the two nationalised corporations; the Council's authority is to make recommendations to the Minister on proposals for any type of service on a new route and for the new "colonial coach" and some freight services on existing routes. It will hear such proposals from any applicant, nationalised or independent, that appears fit to operate the new services for which permission is sought. An interesting and unexpected innovation is that applications for new helicopter services will be considered regardless of whether a fixed-wing service is already operated on the same route.

Had there been a robust independent air transport industry clamouring for room for expansion as there is in the United States, here would be its opportunity. But the independent operators of this country in the main are not financially strong and they lack the resources to enable them to go pioneering into the colonial empire unless a new route offers the prospect of immediate profit. Air transport is not an industry characterised by quick returns, and this characteristic, rather than any lack of competitive opportunity, may be the explanation for any failure of competition to

materialise. On the other hand, the joint venture of two companies, Hunting and Airwork, in a colonial coach service to Nairobi shows that even with limited resources of money and aircraft, the independent operators are in some cases able to take immediate advantage of the government's new concessions. The cautious reaction of BOAC to the new Nairobi service suggests that these concessions are not quite as meaningless as the independent industry sometimes suggests. These colonial coach services are not, however, to be reserved to independent operators, and there may be some interesting developments if the corporation should develop the urge to start them too.

The principal grounds of complaint that the independents have against the terms of reference under which the Air Transport Advisory Council will work is that in all cases applications from the corporations are put on an equal footing with theirs, whether for new routes, or for cheaper services, for inclusive holiday tours, for freight or for helicopters. David has beaten Goliath before, but this did not make the contest any the less unequal, and the independent operators had hopes that certain routes and services would be reserved for them. The ATAC has been given no instructions on how to decide between an application from a corporation and from an independent for the same service. It will indeed be difficult for it to give a precise meaning to equal opportunity and fair competition.

Helicopters on Show

Trial helicopter landings made on the South Bank last week were intended to show whether the noise at the proposed helicopter landing site would contribute an intolerable addition to the cacophony of existing traffic in the district. But they marked a stage in the development of helicopter services, less dramatic, perhaps, than the operations in Korea where multi-seat helicopters have recently evacuated a complete battalion and its equipment from an untenable position, but nevertheless of real significance. The two examples, indeed, are typical of the differences in the British and American attitude towards helicopters; work in this country has proceeded almost exclusively on civil lines, while in the United States helicopter development has been almost wholly military.

Each approach must tend to give lop-sided stimulus to the work of companies engaged in developing and building helicopters for their home market. In the United States, the marines show particular enthusiasm over the potentialities of helicopters for moving troops and equipment on terrain that cannot be crossed by conventional transport. Big production orders have therefore been placed for multi-seat helicopters; 10-12 seat machines are being delivered and larger ones are under construction. These, however, are single-engined machines, and therefore are not suitable for inter-city civilian services where a minimum of two engines is needed to eliminate any risk of forced landings in built-up areas.

Whereas there has been little or no civil helicopter development in the United States, in this country British European Airways has already operated the world's first helicopter passenger service. The corporation is now waiting to see how the twin-engined 10-12 seat helicopter built by the Bristol Aeroplane Company will shape. This machine will almost certainly be too small for economic operation, but it should provide a useful intermediate machine with which to develop inter-city services until the 40-50 seat helicopters, for which BEA has issued specifications, have been developed. BEA itself, however, can hardly provide the helicopter industry with enough orders to sustain large-scale, and therefore low cost, production of such machines. Manufacturers will also need some assurance of a military market and this is unlikely to materialise so long as the attitude prevails of regarding the helicopter as a flying jeep, which must be as economic as a jeep before money can be spent on it.

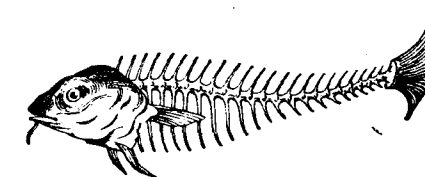
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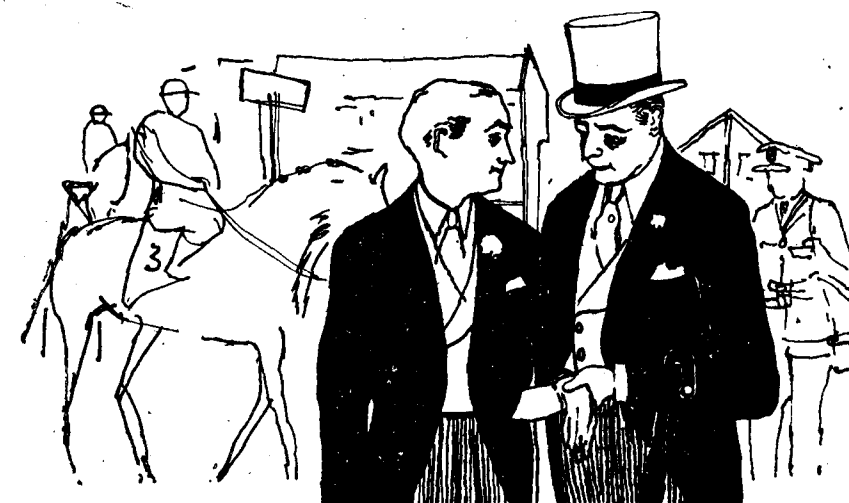
This however is still the quay-side price. It does not cover the additional expenses that must be incurred before the fillets reach the housewife's shopping basket. Labour, boxes (now 5 times their pre-war price) and ice must be paid for. Heavy transport charges raise the bill still further. Finally, the wholesaler and retailer are entitled to reasonable profit margins. Thus the price of 4½d. for whole fish at the ship becomes about 1½d. for fillets at the shop.

What prospects are there of cheaper fish in the future? The discovery of new fishing grounds; the invention of scientific instruments to locate the fish; the commissioning of new and faster trawlers; improved cold-storage facilities—all these will help in time, and the Fishing Industry is doing all it can to speed the day.

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In what papers?
Oh, all the usual ones.
How often do you go in the Daily Mirror?
I don't go in it at all. I dislike it intensely
So do quite a lot of people. But more than four million, four hundred thousand people like it very much. That's how many buy it every day. Quite a potential market, isn't it?
I suppose so
Now come on, be honest with yourself. Do you really believe that in these hard times you can afford to ignore

millions of possible customers because you don't like the newspaper they read?

I suppose not
That's better. And I might mention that space in the Daily Mirror, on a square inch per thousand basis, works out cheaper than that of any other national daily Really?
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Steel Planning and Coke

For some months, coke supplies have been a source of particular anxiety to the steel industry, and the plans for further expansion that the industry is now propounding suggest that this shortage may last for several years. The whole of the planned increase in steel output—from 16 million ingot tons a year to 20 million tons—is to be based upon pig iron. Eventually this means a pig iron output of about 15 million tons a year, compared with about 10½ million tons now; and that in its turn would need nearly 5 million tons more coke a year. In 1951 the iron and steel industries used about 10½ million tons of coke to make 9.7 million tons of iron; about two-thirds of this coke came from coal carbonised in the steel industry's own coke ovens, and the remainder from the National Coal Board, independent coke oven operators, and the Beckton gas works. Fuel efficiency in the blast furnace has been increasing, and the production of steelmaking iron, up to 1951, was rising faster than the consumption of coke used in making it. But since last year the need to use much more low-grade home ore has once again increased the average amount of coke consumed in making a ton of iron.

The steel industry has relied upon its own resources to provide almost all the extra coke it has needed since the war. Since 1948 production of coke in ovens owned by the steel industry has risen by about 20 per cent; it now almost equals production in other ovens, which has risen by no more than 2 per cent. To support its further expansion the industry is still planning to provide almost all the extra coking capacity itself; but this policy cannot insulate it from dependence upon outside suppliers. The Coal Board and other outside suppliers have recently stoutly maintained that they are fulfilling all undertakings for the supply of coke that they entered into with the steel industry, and they have suggested that the steel makers should take their case for more hard coke to the Ministry of Fuel and Power. But on the further question of the maintenance of coking capacity, they may be more vulnerable. In recent months, the Coal Board has been order-

	Coke deliveries to Blast Furnaces			Consumption in making Basic and Hematite Iron (used in Steelmaking)	
	From Iron and Steel Ovens	Other Ovens	Total	Total	Per ton of pig iron
	Thousand Tons			Cwts.	
1948	6,381	4,028	10,409	7,985	21.0
1949	6,568	3,709	10,277	7,895	20.5
1950	6,607	3,611	10,218	8,036	20.2
1951	7,117	3,589	10,706	8,346	20.8
1952*	7,832	3,752	11,584	9,076	21.0

* Annual rate based on first six months.
Source: British Iron and Steel Federation.

ing new coke ovens faster than for some years; but it is not yet clear that it has attained a sufficient rate of new building to keep its full capacity in being, still less to provide for any general expansion in the supply of smokeless fuels. Moreover, coke supplies depend finally upon supplies of coking coal; and the steel industry alone will need some 7 million tons of this coal a year to support an annual steel production of 20 million tons. Reserves of the best coals for this purpose are limited; and even after the recent adjustment of coal prices to take account of quality, some of the mines producing these coals are still operating at a loss. The steel industry and the Coal Board are now discussing together the expansion of output of coking coals. But the prospect remains that in the future British blast furnace operators will probably have to accept a proportion of coal of lower grades than in earlier years.

New Methods for Blast Furnaces

Most British iron and steel makers are only now needing to consider seriously the technical problems of smelting iron with fuels other than the best coking coals; abroad, such techniques are more familiar. The blending of strongly-coking with lower-grade coals to make coke is already accepted in Britain to some degree; it is significant that John Summers, a company that is now extending its steelworks at Shotton backwards into pig iron production, has incorporated most elaborate blending arrangements in its coal handling plant. But better methods of making coke from less promising coals, and of preparing the low-grade home ores, should enable Britain to maintain its iron production upon the orthodox lines of smelting with coke. For this reason Britain is collaborating rather less actively than other European steel-producing countries in research into the other forms of smelting associated with the "low-shaft furnace."

The very high efficiency of the normal blast furnace is attained largely by the use of a high stack that gives the rising gases time to yield heat and to take part in the chemical reactions of reducing the ore; but the great weight of materials inside this high stack demands ore and fuel that are hard, porous and mechanically strong. In low-shaft ovens the object is to make the gases do their work in so short a furnace that the weight of burden is reduced and much weaker fuels and ores can be used. The most familiar of these furnaces is the electric furnace, used for smelting iron and ferro-alloys in such areas as Scandinavia, where hydro-electric power is cheap. Blast furnaces with a low stack may offer a more practicable alternative to countries without sufficient coking coal or hydro-power. One such furnace is now being prepared at Liege in Belgium on behalf of OEEC, and should be operating by the end of this year. Its height, in relation to the diameter of its hearth, will be only half the normal. This blast furnace is designed for eventual operation with an oxygen-enriched blast; oxygen will be added to the air blast to increase the temperature of combustion and reduce the volume of gases needed to reduce the iron. Another method has already been tried at a works in Cologne; the ore, fuel and flux are powdered and pressed into briquettes before being charged into a low-shaft furnace, and this closeness of contact between the reacting materials obviates the need for a long journey down the furnace stack. Neither method has yet been proved commercially; but both offer the possibility of considerable advantages, not least in capital cost of the blast furnace. If the low-shaft blast furnace turns out to be an economic proposition, it would be far more widely applicable than the electric iron furnace and, in addition, it would provide considerably larger quantities of by-product gas.

* * *

Principle in Price Fixing

In its third report of the session 1951-52, published last week, the Committee of Public Accounts returns to a controversy with the Ministry of Supply and the Treasury that has vexed it on several occasions since the war. This concerns the prices paid by Government departments for iron and steel products. Since the war the Government has in fact paid the maximum controlled prices—fixed by the Minister of Supply—for its purchases. The Committee has the power to scrutinise the prices paid by Government departments for their purchases; and it contends that unless and until there is any real price competition in tenders, the Comptroller and Auditor General should have access to all the information upon which the contract prices—and therefore the maximum control prices—are based.

The Ministry has in fact not supplied the Comptroller and Auditor General with this information regarding prices paid for iron and steel products since 1946; and the Treasury still

supports it in refusing to do so. The Treasury argues that since the Minister of Supply, in fixing the prices, has the duty of ensuring that the consumer does not pay an exorbitant price for them, the Committee should accept prices so fixed as fair. Its view has always been that since purchases of steel by the Government form, in general, a small proportion of steel output, the Committee of Public Accounts should not look behind the prices that the departments pay, as these are the same as the prices paid by any consumer of steel. For the Committee to examine and perhaps criticise these prices, the Treasury holds, would be to give Government departments an unfair advantage in comparison with private consumers who have to pay the same price. The Committee's scrutiny, though carried out in relation to Government purchases, would in fact call in question the whole basis upon which maximum prices were fixed; and Parliament has made no provision for investigating methods of price control for the country as a whole.

The Committee remains unconvinced. If there is no effective competition on prices, it still believes it ought to be enabled to judge whether the prices paid are fair and reasonable; and it does not agree that the exercise of this normal function of price scrutiny should be unfair to other purchasers. Further consultations between the Comptroller and Auditor General and the Ministry have been promised; and the Ministry has furnished information showing the general basis of price fixing. This will, presumably, be published later; in its current report the Committee remarks only that at the end of 1951 the prices being paid appeared to yield a return on capital of the order of 6½ per cent.

* * *

Revised Production Index

The Central Statistical Office has not yet provided full details of the methods used in preparing the new index of industrial production that it produced, as a successor to the old "interim index," this week. In general, this is a revision of the old index, which weighted the importance of the industries concerned according to estimates based originally on the 1935 Census of Production, so that it will in future be weighted on the basis of the 1948 Census. In the new index the weight given to the building and contracting industries has been increased, and that given to public utilities considerably reduced, while mining and manufacturing have been slightly reduced in importance. Within manufacturing, which is now almost exactly three-quarters of the total, textiles and paper and printing have a larger share than before, while chemicals and the metals-engineering and vehicles group have a smaller weight. This metal-using group now accounts for rather more than a third of the full index; inside it, vehicles and engineering are weighted slightly lower than before. Apart from the reweighting, a larger number of production series have been incorporated to measure monthly changes in output, more reliable figures of price changes are now available to enable value series to be put into volume terms, and there have been certain other refinements.

So far, the monthly figures have been carried back only to 1950 and annual figures back to 1948, but annual figures for earlier postwar years will be published later. The new total index suggests a greater growth in production since 1948 than the old index implied. The component indices show more variation; the new index for engineering, shipbuilding and electrical goods rises more rapidly (largely as a result of additional production series), while the vehicle index rises less rapidly (owing to its diminished weight).

	Old Index	New Index
1948	100.0	100.0
1949	106.4	106.8
1950	113.5	116.2
1951	117.3	119.6
1952 (first quarter)	120.2	122.3

Monthly figures, issued on the new basis, put production in May at 118 compared with 111 for April and with 116 for

May, 1951. On information so far received, the index for June—in which Whitsun fell—seems likely to be 109-110, compared with 122 in June, 1951, when there was no holiday.

Shorter Notes

The news that France, like Britain, showed a deterioration in its EPU position in July—it had a deficit of about \$5 million compared with a surplus of \$22 million in June—has combined with the further rise in French wholesale prices to undermine confidence in the franc this week. On the Paris market the kilo of fine gold had risen in price from Frs. 506,000 to Frs. 524,000 by Wednesday evening; the price of the 20-franc gold piece had again reached the neighbourhood of Frs. 4,000 and would have gone beyond it but for the special intervention of the Bank of France.

*

Under a new Treasury order certain radio relay equipment and loudspeakers for use with radio sets will in future bear purchase tax at the same 66½ per cent rate as ordinary radio receivers. Removal of this anomaly is of little practical importance, since sound relay systems, which today serve about a million subscribers, have probably passed their stage of major expansion. Viewing equipment for the new and still experimental relay television systems, which offer the most promising field for development of the relay industry, is already liable to tax. The second provision in the order would appear to bring loudspeakers into the small group of radio components liable to purchase tax, which so far includes only valves and cathode ray tubes.

*

Lancashire spinners and cotton merchants have now received from the Ministry of Materials details of the procedure for importing cotton on private account after September 1st. These arrangements may be modified in the light of experience. No limits are placed on the import of cotton from the sterling area, but spinners will be allowed to import non-sterling cotton only to the limit of the entitlements. Merchants acting on behalf of foreign shippers may, however, import non-dollar cotton "on consignment." By this means they will be able to import such cotton freely and foreign currency will not be needed until the cotton is finally sold.

*

Since the Notification of Vacancies Order—which channels all workers changing their jobs through the employment exchanges—came into force at the end of February, the number of men and women placed by the exchanges has nearly doubled. Placings in "first preference" work—employment on defence and exports of particular importance—have more than doubled in number. These Ministry figures do not accurately measure the efficacy of the order, since many workers may have been entering these jobs on their own initiative before the order came into force; but they indicate that it is assisting in easing some of the labour difficulties of the switch to defence and export work in the engineering industries.

*

The Agricultural Mortgage Corporation has raised its interest rate for new loans from 5½ per cent to 6 per cent. The last increase in rates, from 4½ per cent to 5½ per cent, was made in February.

*

The Cable and Wireless operating company has this year cut its dividend to the Treasury from 4 to 2½ per cent; not from 6 to 2½ per cent as stated in these columns last week.



HOW MUCH STEEL

from
six
new
blast
furnaces?

ONE of the six new blast furnaces to be completed in this country in 1952 will be the largest in Europe. They will have been built by firms on the North-East Coast, in the Midlands, in South Wales, and near the North Welsh Border. When in full operation they will produce enough pig iron to increase Britain's annual output of steel by three-quarters of a million tons. These new blast furnaces are all part of the steel industry's first post-war development plan—the great £240,000,000 project begun in 1946, as part of which one of the world's largest steel works has been built.

"Don't forget me!" says JACK SCRAP
The steel industry still needs all the scrap which engineering firms and other steel users can send back. Search out every ton of scrap on your premises. Your local scrap merchant will help with dismantling and collection.

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富士銀行

Company Notes

William Cory.—The accounts of William Cory and the statement by its chairman were prepared in advance of Mr Butler's hopeful statement in the economic debate that Britain may export twice as much coal as it did last year. If these hopes are fulfilled, the trading outlook for the company may be brighter than the chairman suggests. It was because of "the less favourable trading outlook" that the directors were content merely to maintain the ordinary dividend at 22½ per cent for the year to March 31st last, despite an advance in group trading profits from £1,809,750 to £2,200,333. This advance in profits seems to have sprung directly from an increase in the volume of coal distributed by the company: more coal was distributed to British industry, and the company's export

	Years to Mar. 31, 1951	1952
Consolidated earnings:—		
Trading profit.....	1,809,750	2,200,333
Total income.....	2,146,539	2,557,768
Depreciation.....	215,539	340,910
Taxation.....	1,015,763	1,129,051
Net profit.....	836,562	972,426
Ordinary dividends.....	340,230	336,667
Ordinary dividends (per cent).....	22½	22½
Capital reserves.....	154,407	30,602
Revenue reserves.....	506,040	672,727
Added to group carry forward.....	Dr. 198,898	Dr. 103,701
Cons. Balance Sheet analysis:—		
Fixed assets, less depreciation.....	2,385,449	2,342,424
Net current assets.....	11,552,177	12,198,131
Stocks.....	535,929	625,428
Debtors.....	10,297,554	9,455,026
Cash.....	4,037,960	4,848,613
Reserves.....	10,338,234	11,209,809
Ordinary capital.....	2,850,094	2,850,094

£1 ordinary stock at 80s. x.d. yields £5 13s. per cent.

department, which was concerned in the shipment of coal from the United States to Britain and other European countries, also sold more. At home, however, the accumulation of coal stocks by industry and the present recession in trade have already reduced the volume of coal distributed by the company. This factor, together with the reduction in the quantity of oil supplied either as bunkers or cargo by the company following the seizure of Abadan, probably induced the chairman to make his guarded warnings about current prospects. In addition, smaller profits must be expected from the company's South African subsidiaries in the next few years, owing to transport difficulties between the ports and inland consumers. It seems improbable, however, that a catastrophic slump in the world-wide demand for coal will occur until the very late stages of any general trading recession, so that the maintenance of Cory's ordinary dividend should be well assured.

British Glues and Chemicals.—Unlike the spokesman of the heavy chemical industry, the chairman of British Glues and Chemicals, whose products must be regarded as consumers' rather than as capital goods, looks to the future with some anxiety, though not with undue pessimism. In the year to April 30th last the company's turnover increased by about a fifth, but most of this increase took place in the early months of the financial year. In the later months, and in the first months of the current financial year, demand receded, and selling prices tended to fall; working costs have remained high and profit margins have been reduced. Despite the increase in turnover, this return to more competitive conditions has led to a fall in group trading profits from £1,114,249 to £966,081. Net profits have also fallen, from £422,434 to £348,618, but an ordinary dividend of 15 per cent is being paid; when allowance is made for the share bonuses issued in 1950 and 1951 the distribution to equity shareholders is therefore in effect slightly increased.

Although demand was tapering away towards the end of the financial year, pro-

duction at the group's factories was substantially maintained. To some extent this has been reflected in the increase in the book value of stocks from £509,290 to £668,438.

	Years to April 30, 1951	1952
Consolidated earnings:—		
Trading profit.....	1,114,249	966,081
Total income.....	1,115,152	1,026,699
Depreciation.....	125,552	120,795
Taxation.....	470,000	473,000
Net profit.....	422,434	348,618
Ordinary dividends.....	35,718	43,312
Ordinary dividends (per cent).....	30	15
Retained by subsidiaries.....	55,916	36,810
Replacement reserve.....	80,000	80,000
General reserve.....	125,000	100,000
Added to carry forward.....	937	10,933
Cons. Balance Sheet analysis:—		
Fixed assets, less depreciation.....	1,015,420	1,072,641
Net current assets.....	995,944	1,142,913
Stocks.....	509,290	668,438
Cash.....	537,085	479,706
Reserves.....	957,225	877,414
Ordinary capital.....	225,000	550,000

4s. ordinary share at 10s. 3d. x.d. yields £5 17s. per cent.

In the current year the return to a buyers' market, in which consumers may be content to live upon stocks accumulated in the past and in which the company cannot expect to earn windfall profits on its own inventories, may lead to some reduction in the group's output. Shareholders must therefore be prepared for another fall in profits, particularly if the group's employees are successful in their claims for higher wages. But the outlook for British Glues and Chemicals and allied concerns certainly does not look as gloomy as that before the other important division of the light chemical industry, the manufacturers of plastics.

W. Barratt.—Along with other boot and shoe manufacturers and retailers, W. Barratt has taken a hard knock from the recent slump in sales. In the year to June 30th it had to reduce both its output and its retail prices, and its gross profits fell in consequence from £512,487 to £273,425. The full effect of the cut in retail prices has, however, not yet been felt in the company's retail branches and, in recognition of this, the directors have decided to transfer £100,000 from a contingencies reserve to a "price adjustment reserve." Some revaluation of the company's stocks must also have

	Years to June 30, 1951	1952
Earnings:—		
Trading profit.....	512,487	273,425
Total income.....	513,878	276,713
Depreciation.....	30,189	29,624
Taxation.....	263,039	129,250
Net profit.....	160,958	74,728
Ordinary dividends.....	36,250	35,700
Ordinary dividends (per cent).....	17	17
General reserve.....	10,000	10,000
Contingencies reserve.....	50,000	50,000
Added to carry forward.....	31,810	Dr. 12,156
Balance Sheet Analysis:—		
Fixed assets, less depreciation.....	786,309	799,411
Net current assets.....	812,578	754,850
Stocks.....	1,365,326	1,404,901
Cash.....	2,195	2,149
Reserves.....	532,387	579,511
Ordinary capital.....	400,000	400,000

£1 ordinary share at 41s. 3d. x.d. yields £8 5s. per cent.

taken place, at £1,404,901 (against £1,365,326) stocks are now entered "at cost or estimated realisable value, whichever is the lower." In these circumstances the decision to maintain the ordinary dividend at 17 per cent, despite a fall in net profits from £160,958 to £74,728, can only imply a greater degree of confidence in the future than the accounts themselves would suggest; the chairman does, in fact, point to a slight revival in trade towards the end of the financial year. Despite this revival, shareholders cannot reasonably expect anything more than the maintenance of the equity dividend this year, and before counting even on this they should take some account of the increase in the company's bank overdraft, from £135,449 to £208,640.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, July 30, 1952	Price, Aug. 6, 1952	Net Yield, Aug. 6, 1952	Gross Yield, Aug. 6, 1952
War Bonds 2½% '51-53	99½	99½	2 18 3	2 19 3
War Bonds 2½% '52-54	98½	98½	2 1 3	2 2 3
Excise 2½% '52-54	97½	97½	2 3 9	2 5 3
Ser. Funding 1½% '52	99½	99½	1 6 9	1 7 8
Ser. Funding 1½% '53	99	99	1 11 2	2 10 11
Ser. Funding 1½% '54	97	97	2 3 10	3 2 6
War Bonds 2½% '54-56	97	97½	2 0 0	3 4 0
Funding 2½% '52-57	97½	97½	1 18 10	3 6 2
Nat. Def. 3½% '54-58	97½	97½	1 19 6	3 8 8
War Loan 3½% '55-59	98	98½	1 18 7	3 8 11
Savings 3½% '55-65	88½	89½	2 10 8	4 1 0
Funding 2½% '56-61	89½	90½	2 11 11	3 18 2
Funding 3½% '59-69	84½	85½	2 14 8	4 6 11
Funding 3½% '66-68	84½	85½	2 14 0	4 5 3
Funding 4½% '60-90	97½	97½	2 11 1	4 11 5
Savings 3½% '60-70	82½	83½	2 15 3	4 6 10
Savings 2½% '64-67	81½	82½	2 15 10	4 3 1
Victory 4½% '20-76	99½	100½	2 1 8	3 19 6
Savings 3½% '65-75	80½	80½	2 14 3	4 6 9
Consols 4½% (aft. 1957)	82½	83	2 10 8	4 16 6
Consols 3½% (aft. 1961)	74½	75	2 9 0	4 14 0
Treas. 2½% (aft. 1975)	55½	56	2 7 3	4 10 9
Treas. 3½% (aft. 1966)	65½	66½	2 8 4	4 12 8
Treas. 3½% '77-80	85½	86½	2 11 5	4 8 7
Redemption 3½% '86-96	75½	76½	2 9 8	4 5 0
War Loan 3½% (aft. 1952)	73½	74½	2 9 5	4 14 6
Consols 2½% (aft. 1975)	56½	57½	2 5 10	4 7 6
Br. Elec. 3½% '68-73	81½	82½	2 13 11	4 6 10
Br. Elec. 3½% '74-77	81½	82½	2 12 10	4 6 2
Br. Elec. 4½% '74-79	99	99½	2 6 2	4 7 5
Br. Elec. 3½% '76-79	86½	87½	2 10 3	4 7 2
Br. Trans. 3½% '78-88	74½	75	2 13 5	4 8 3
Br. Trans. 3½% '88-73	81½	82½	2 14 2	4 8 1
Br. Gas 3½% '90-95	74½	74½	2 11 4	4 6 11
Br. Gas 3½% '69-71	89½	89½	2 11 11	4 7 5
Br. I. & S. 3½% '79-81	85½	85½	2 11 0	4 7 8

(e) To earliest date. (f) Flat yield. (i) To latest date. (s) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends	Ordinary Stocks	Price, July 30, 1952	Price, Aug. 6, 1952	Yield, Aug. 6, 1952
(a) (b) (c)				
20 a	Anglo-Am. 10/-	6½	6½	4 11 5
5 a	25 Anglo-Iran 1/-	5½	5½	5 1 7
7 a	12½ Assoc. Elec. 1/-	69½	69½	5 15 1
7 a	20 Assoc. P. Cem. 1/-	97½	97½	5 10 8
12½ c	10 a Boats 1/-	121½	121½	7 1 9
10 a	10 a Boats 5/-	19½	19½	6 5 3
8½ b	3 a Brad. Dyers 1/-	22½	24½	9 9 8
100 (i)	4 a Br. Calanese 10/-	21½	22½	6 11 10
	Br. Motor Cp. 5/-	28½	31½	10 10 1
8 a	12 b Br. Oxygen 1/-	46½	47½	5 11 8
3 b	3 a Can. Pac. 125/-	46½	46½	4 5 6
5 a	7½ Coats 1/-	41½	42½	5 16 7
15 c	6½ Courtaulds 1/-	34½	36½	6 4 2
7 a	2½ Cunard 1/-	32½	32½	9 4 7
12½ c	15 b Distillers 4/-	17½	17½	5 2 10
17½ c	17½ Dunlop 1/-	46½	46½	7 9 4
12½ c	15 b Ford 1/-	49½	49½	6 2 5
7 a	15 b Gen. Elect. 1/-	79½	83½	5 7 9
5 a	10 b Guest Keen 1/-	52½	51½	5 16 6
17 b	7 a Guinness 10/-	31½	31½	5 6 8
5½ b	4½ Hawker Sid. 1/-	35½	36½	5 9 7
3 a	10 b Imp. Tobacco 1/-	43½	44½	5 17 6
18½ c	13½ Imp. Tobacco 1/-	82½	80½	8 0 0
17½ c	12½ Int. Nick. n.p.	86½	88½	5 8 7
	17½ J. Burg. Con. 1/-	55½	52½	6 13 4
10 b	5 a Lancs. Cotton 1/-	36½	37½	7 19 0
7 a	10 b Lon. Brelk 1/-	60½	60½	5 16 8
15 a	65 b Marks & Sp. A 5/-	40½	41½	4 16 5
6½ a	15½ Mousont 5/-	25½	25½	4 7 10
8 a	10½ P. & O. Def. 1/-	45½	46½	6 17 8
7 a	17½ P. Johnson 10/-	35½	36½	6 18 11
18½ c	100 a Prudenti. A 1/-	33½	34	5 12 0
200 c	5 a Rhokana 1/-	21½	22½	8 17 9
15 a	10 b Rolls-Royce 1/-	59½	61½	4 18 4
12½ b	10 b "Shell" Stk. 1/-	80½	82½	5 11 0
12½ b	13½ Tube Invest. 1/-	51½	52½	4 15 3
15 b	5 a T. & Newall 1/-	82½	84½	4 14 10
5 a	8½ Unilever 1/-	46½	46½	5 15 2
10 c	12½ Union Castle 1/-	20½	20½	6 0 6
5 b	5 a Union Disc. 1/-	37½	38½	5 5 3
16½ a	7½ Utd. Molass. 10/-	30½	30½	6 9 10
50 c	50 c U. Sua Betong 1/-	37½	38½	26 4 7
10 b	2½ Vickers 1/-	42½	45½	6 11 1
27½ b	15 a Woolworth 5/-	39½	40½	5 5 7

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 1½%. (e) Yield basis 16½%. (f) Yield basis 22½% gross. (g) Yield basis 16%. (h) Yield basis 12½%. (i) Includes special int. 7%. (k) Yield basis 6½%. (m) Yield basis 19½%. (n) Yield basis 40%. * Ex div. † Price of tax.

EXCHEQUER RETURNS

For the week ended August 2, 1952, total ordinary revenue was £85,466,000, against ordinary expenditure of £71,148,000 and issues to sinking funds £125,000. Thus, including sinking fund allocations of £8,942,000 the deficit accrued since April 1, 1952, was £202,153,000 compared with a surplus of £72,862,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	April 1, 1951 to Aug. 4, 1951	April 1, 1952 to Aug. 2, 1952	Week ended Aug. 4, 1951	Week ended Aug. 2, 1952
	£'000				
REVENUE					
Ord. Revenue	180,422	308,032	355,415	19,884	15,357
Income Tax	123,000	28,600	25,900	900	1,100
Sur-tax	175,000	72,000	53,300	3,400	2,800
Estate, etc., Duties	57,500	22,900	17,550	1,400	900
Stamps	452,000	93,900	112,400	8,900	12,000
Profits Tax & EPT	5,000	...	...	...	...
Excess Profits Levy	2,000	1,315	700	60	70
Special Contribution	...	...	...	...	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,872	526,747	565,265	34,544	32,227
Customs	104,350	323,593	342,328	9,449	14,833
Excise	772,000	274,895	239,007	46,082	36,720
Total Customs and Excise	1,815,000	598,488	581,335	55,531	51,553
Motor Duties	64,150	10,810	8,610	1,977	763
Surplus from Trade	12,000	57,500	...	Dr. 700	...
P.O. (Net Receipts)	15,000	3,400	3,300	...	600
Broadcast Licences	26,000	6,765	5,786	...	323
Sundry Loans	110,000	...	...	...	...
Miscell. (incl. Surplus War Stores)	...	...	...	...	...
Total Ord. Rev.	466,137	1,230,098	1,195,866	91,556	85,466
SELF-BALANCING	...	...	...	...	...
Post Office	209,235	61,400	61,700	4,700	2,500
Income Tax on E.P.T. Refunds	4,900	1,743	2,059	68	87
Total	487,551	1,293,241	1,259,625	96,324	88,053

	Ord. Expenditure	Int. & Man. of Nat. Debt	Payments to N. Ireland	Other Cons. Funds	Total
Ord. Expenditure	575,000	144,516	170,239	17,759	18,183
Int. & Man. of Nat. Debt	40,000	12,431	11,714	1,281	31
Payments to N. Ireland	10,000	4,033	4,124	76	45
Other Cons. Funds	625,000	160,980	186,077	19,116	18,259
Supply Services	354,367	991,797	120,300	54,900	52,889
Total Ord. Expd.	417,936	1,152,777	1,389,077	74,016	71,148
Sinking Funds	...	4,458	8,942	540	125
Total (excl. Self-Bal. Expd.)	417,936	1,152,235	1,398,019	74,556	71,273
SELF-BALANCING	...	...	...	...	...
Post Office	209,235	61,400	61,700	4,700	2,500
Income Tax on E.P.T. Refunds	4,900	1,743	2,059	68	87
Total	439,350	1,220,378	1,461,778	79,324	73,860

After increasing Exchequer balances by £72,928 to £2,824,321 the other operations for the week decreased the National Debt by £3,166,557 to £25,975 million.

NET RECEIPTS (£ thousand)	110
Tithe Act, 1936, s. 26	9
Miscell. Fin. Provs. Act, 1950, s. 2(4) Northern Ireland	9
Exchequer	119

COLTHROP BOARD & PAPER MILLS

RECORD TONNAGE PRODUCED

MR FRANK W. J. SMITH'S STATEMENT

The thirty-fourth annual general meeting of Colthrop Board & Paper Mills, Limited, was held on July 31st at the registered office of the company, Thatcham, Berks., Mr Frank W. J. Smith (chairman and managing director) presiding.

The following is the chairman's statement which was circulated with the annual report and accounts for the year ended May 31, 1952:—

The net profit for the year just closed, before taxation, amounts to £466,921, which is second only to last year's results in the history of the company. In view of the difficult conditions prevailing during the latter part of the period, to which I shall refer later, the result will doubtless be considered satisfactory.

Unfortunately, more than two-thirds of the net profit is required for taxation, the amount being £316,864, including an estimated sum for the Excess Profits Levy for the five months from January 1st last. After adding the balance of the profit and loss account brought forward from last year amounting to £41,364, and after deducting the net cost of the interim dividend £24,563, there remains a disposable balance of £166,858.

DIVIDEND MAINTAINED ON INCREASED CAPITAL

The directors recommend the payment of a final dividend of 15 per cent, which with the interim dividend of 10 per cent paid in January last, makes 25 per cent for the year. The dividend for the entire year is payable on the capital as increased by the bonus issue of last autumn when one bonus share was issued for every two shares held. The net amount of the year's dividend will be £61,407, compared with £40,938 for last year, when the rate was 25 per cent on the lower capital. The directors also propose to transfer £80,000 to general reserve, increasing the general reserve to £180,000, and to carry forward the balance of £50,014 against £41,364 brought forward from last year.

During the first nine months of the year under review business was extremely active. This was followed by a sudden fall in the value of our chief raw materials, wood pulp and waste paper, with further falls later. You will, however, recollect that last year we set aside a reserve of £110,000 for possible future falls in the value of stocks. This sum has now been increased to £117,000, which will have the effect of minimising any further falls should they occur this year.

The fall in the value of raw materials was accompanied by a sudden recession in business throughout the country with a slackening in the demand for our products, and here I must emphasise that as, in the main, we are manufacturers of packing materials, we are largely dependent upon the volume of trade throughout the country. In spite of our difficulties during the year, the mills have produced a greater tonnage of board and paper than ever before.

STRONG FINANCIAL POSITION

At this time it is more than usually difficult to forecast the future. The demand for our products has not yet fully recovered, but the company is in a strong financial position, with ample reserves, and current assets amounting to £1,132,492, against current liabilities and provisions of £659,640. The assets figure includes £421,970 in cash and tax reserve certificates, against £283,133 last year.

Taking everything into consideration, we cannot expect the profit for the ensuing year to reach the high level of the last two years, but this depends, of course, upon the general trade of the country. Our standard for the Excess Profits Levy has not yet been definitely fixed, but the tax will, of course, be chargeable for a full year in our next accounts.

My thanks are due to my co-directors, to the staff and employees for the excellent results which have been achieved during the past year.

CHAIRMAN'S ADDITIONAL REMARKS

The chairman, addressing the meeting, said:—The statement which appears on the back of the report was drawn up about four weeks ago and I had hoped to be able to tell you that there has been a marked improvement in business in the meantime. There has been an improvement certainly, the volume of orders has increased, especially those orders that reach us through our associated companies, but customers are not taking delivery so rapidly as we would like. Doubtless this will improve as time goes on.

There is one point that I wish to emphasise—the terrible weight of taxation that industry is carrying. I said in the statement that more than two-thirds of the net profit is required for taxation. The actual figure this year is 67.86 per cent. In other words, of every £1 that we earn in trading, 13s. 7d. is taken away from us by taxation. Only 6s. 5d. is left for the expansion of the business, the purchase of new machinery and the payment of dividends. This is very serious, especially in an industry where machinery is so complex and expensive, and requires constant alteration to keep it up to date.

The statement covers, I believe, all the most important points regarding the present position, so I will now propose the resolution, after which I shall be very pleased to answer any questions you may wish to ask. I now propose:—

"That the report of the directors and the accounts of the company for the year ended May 31, 1952, be, and they are hereby, approved and adopted that a final dividend of 15 per cent, less income tax, be paid to shareholders registered at the date of this meeting; that £80,000 be transferred to general reserve; and that £50,014, the balance of the profit and loss account, be carried forward."

Mr J. R. Henry, OBE (joint assistant managing director) seconded the resolution, and it was carried unanimously.

The retiring director (Mr Harry F. Smith)

was re-elected, and the fee of the auditors (Messrs Deloitte, Plender, Griffiths & Co.) was duly fixed.

TRIBUTE TO DIRECTORS AND STAFF

Mr F. E. Armstrong, in proposing a cordial vote of thanks to the chairman, directors and staff, expressed the view that the balance sheet was a very satisfactory one considering the very anxious and difficult times that industry was going through. He was very pleased that the directors had, without weakening the financial structure of the company, seen fit to continue to pay the same dividend of 25 per cent on the larger capital. He pointed out that whereas shareholders were receiving £61,407 as the result of the year's working, no less a sum than £316,864 had to be provided for taxation, and said that what agitated him at the moment was how long industry was going to be subjected to such staggering taxation.

Mr Eric Davenport, in seconding the motion, said that although the industry was going through a difficult time, he was quite sure that the company would get more than its fair share of the business that was available.

The motion was carried unanimously, and the Chairman in a brief acknowledgment said that he had had all possible support from everybody in the organisation.

WALSALL CONDUITS LIMITED

TAXATION OFFSETS IMPROVED RESULTS

MR A. E. READ ON ESSENTIALS FOR SUCCESS

The sixteenth annual general meeting of Walsall Conduits Limited, was held on August 1st at the Grand Hotel, Birmingham, Mr Albert E. Read (the chairman) presiding.

The following is his statement which had been circulated with the report and accounts:

As indicated by the attached accounts the combined profit of the parent company and its subsidiaries for the year ended December 31, 1951, before providing for taxation, was £440,338, compared with £396,004 for the year 1950. The increase in profit has, however, been more than offset by the larger provision for taxation which, based on the legal liability to December 31, 1951, amounted to £230,904, as against £176,983 provided for in the 1950 accounts. The final net profit for the year 1951 is therefore £209,434, as compared with £219,021 for the preceding year.

The consolidated balance sheet discloses a further strengthening of the liquid position, the excess of current assets over current liabilities at December 31, 1951, being £905,727, as compared with £772,112 at the end of 1950.

SUPPLY PROBLEMS

In my statement last year I referred to difficulties which were being experienced in obtaining supplies of raw materials. This scarcity of materials continued during the period covered by the accounts and adversely affected the result of the year's trading. For the first time in 60 years a portion of the company's plant was, for a short period, closed down owing to lack of steel. I am, however, glad to be able to report that there has recently been a definite improvement in the steel supply position.

Two new service depots have been opened and stocked since December 31, 1950. In-

cluded with the accounts you will find a full list of the company's depots as at to-day's date. These form an important part of our sales organisation.

We have at the present time, I am pleased to say, a full order book for all our products, with the exception of ceramics in which branch cancellations of orders from Australia have had some effect on output.

While I feel that the shareholders have every reason to be satisfied with the result of the year's trading, as disclosed by the accounts, I would point out that generally speaking there is not today the same urgent demand for the supply of goods that there was during and since the conclusion of the war and that in common with all other manufacturing concerns we shall in the future have to meet increasing competition both from home and abroad.

TAXATION DRAIN ON INDUSTRY

The bogey of ever-increasing taxation continues to cast a shadow over industry in general and, with the addition of the new excess profits levy, industry is being drained of its life-blood, namely ready cash.

The essentials for success of any business consist of four things—production, salesmanship, finance and efficient administration. Each of these constituents is of vital importance to and must keep in step with the other three. The weak link in the chain today is finance, as owing to the drain on liquid resources due to the demands of taxation, it is becoming increasingly difficult to provide the necessary funds for an expanding and progressive business.

With 50 million people to sustain, a maximum effort will obviously have to be made by every section of the community if our present standard of life is to be maintained and however much we may dislike the thought, our very existence as a first-class nation may well necessitate the working of longer hours.

BOARD'S "PAY AS YOU GO" POLICY

The business of this company was built up the hard way upon the old-fashioned but still, in my view, sound principle of "pay as you go." We had to make and save each £ before we spent it. If we needed new factory space, plant or equipment we made sacrifices and saved until enough money had been put by to pay for it. This has been the policy of the company during the 50 odd years that I have been responsible for its conduct, and I believe it still to be the only safe foundation upon which the superstructure of a successful business can be built.

In conclusion the directors wish to join me in expressing their thanks and appreciation to the management, staff and all employees at the various factories and depots for their efforts during the year which have enabled such satisfactory results to be achieved.

The report and accounts were adopted.

At a subsequent extraordinary general meeting resolutions were passed increasing the capital of the company to £500,000 by the creation of 750,000 additional ordinary shares of 4s. each; paying up in full at par 250,000 ordinary shares of 4s. each to be issued in the proportion of one new ordinary share for every three held and amending the articles of association.

Referring to dividend policy the chairman said:—

"Whilst I cannot, of course, at this stage commit the board regarding the total dividends to be paid for the current year, I think it is right that I should intimate that the directors intend to maintain the interim dividend of 20 per cent on the ordinary capital as increased and payable at approximately the usual time.

BRITISH GLUES & CHEMICALS LIMITED

ANOTHER SUCCESSFUL YEAR

SIR ROGER DUNCALFE'S REVIEW

The directors' report and accounts for the year ended April 30, 1952, were issued to the stockholders on July 31st. The following are extracts from the review by the chairman, Sir Roger Duncalfe:—

A year ago, in concluding my review, I said that, whilst the immediate prospect was prosperous, the future remained obscure and I suggested that, throughout the world, prices for raw materials and commodities had been raised to levels which could not continue indefinitely. The event has justified my warning that there would be some reaction. During the year under review we produced and sold more, and prices showed some advance, consequently there was a considerable increase in turnover; these movements, however, were most noticeable in the earlier part of the year. In the later months, although production was substantially maintained, demand receded, prices showed a tendency to fall, and our profit margin was lower. Raw material prices only reacted slowly to the fall in product prices and working costs remained high. For these reasons our profit is less than a year ago.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Consolidated profit after all charges other than United Kingdom taxation is £821,618 (last year £892,434). Included in consolidated profit is £56,926 relating to previous years. After deduction of United Kingdom taxation, amounting to £473,000, the net profit is £348,618 (last year £422,434).

Profits amounting to £36,810 are retained in the accounts of subsidiary companies; £41,236 balance of profit is brought forward from the previous year. The amount available for appropriation is therefore £353,044 (last year £393,907).

Appropriations have been made as follows:—

- (a) £100,000 to General Reserve, making it £300,000;
- (b) £80,000 to Replacement Reserve, making it £240,000;
- (c) £50,000 to our Pension Schemes, representing substantial completion of our objective of making back service benefits the same as current service benefits.

DIVIDENDS

On the ordinary stock of £550,000 (as increased by last autumn's £325,000 bonus distribution) the directors have declared a second interim dividend of 10 per cent, making 15 per cent for the year, compared with the previous year's distribution of 30 per cent on £225,000 of ordinary stock. They do not propose any further payment.

TAXATION

Based on the actual results for the four months ended April 30, 1952, we are advised that no provision for excess profits levy is required in our 1951-2 accounts.

Substantially increased as it is by the allowance on profits retained in the business, our standard for excess profits levy is estimated at approximately £550,000 for our company year 1952-3.

I am greatly concerned at the danger which industry faces with taxation at its present punitive level, under a system which treats

as profit the inflationary rise in stock prices and also the sum by which inadequate wear and tear allowances on fixed assets fail to meet present replacement costs.

But now that profits are falling, where will industry turn to find the necessary finance to maintain its present productive assets, continue its expansion and keep its plant up to date?

PRODUCTION AND SALE

The total turnover of our Group exceeded last year's record by about 20 per cent, but sales towards the end of the year suffered some recession, which has continued to date. Our total exports increased by nearly 40 per cent.

Our works were well maintained throughout the year; our production reached a new record, which was handled smoothly by our factories; our technical department again contributed notably to progress by way of new process development, which was a marked feature of the year.

THE FUTURE

The start of our new year has been disappointing. The difficult conditions which affected the closing months of last year, and which I refer to in my opening paragraph, have continued. Whilst costs and prices are finding their new relationship there must inevitably be, for us as for industry generally, a difficult period of readjustment. I am confident, however, that timely recognition of the factors I have mentioned, coupled with appropriate action, will carry us through the recession in world trade, should it develop, and also enable us to take full advantage of better trade when it comes.

HENDERSON'S TRANSVAAL ESTATES

SIR JOSEPH BALL'S REVIEW

The fortieth annual general meeting of Henderson's Transvaal Estates, Limited, was held on July 30th, in London.

Sir Joseph Ball, KBE, chairman and managing director, in the course of his speech, said: Although the profit before taxation, at £99,274, is lower by some £4,000 only than the amount earned last year, taxation has nevertheless risen from £48,566 to £54,596 for the year under review. The net profit after taxation, at £44,678, was, however, sufficient to enable your directors to recommend the payment of a dividend of 15 per cent for the sixth successive year.

With regard to the company's South African coal interests through Tweefontein United Collieries, Limited, the accounts of that company for the year ended December 31, 1951, show that the profit on coal amounted to £129,099, being £42,703 down on that for the previous year. This substantial reduction in profit was due to a loss of revenue resulting largely from the complete embargo placed on exports just over a year ago. Plans are under active consideration for the exploration and establishment of further reserves of coal from the intact areas contiguous to the existing workings at Waterpan and Tweefontein.

White's South African Portland Cement Company enjoyed another very successful year.

Vryheid.—Prospecting is taking place on the company's asbestos properties in the Middelburg district, where fibre is already being produced on tribute.

The report was adopted.

KELVIN & HUGHES, LIMITED

MR RALPH GORDON-SMITH ON PROBLEM OF FINANCE

The annual general meeting of Kelvin & Hughes, Ltd., was held on August 6th in London.

Mr Ralph Gordon-Smith (the chairman), who presided, in the course of his speech said:—

The total capital and reserves for the group amount to £1,141,430, an increase of some £218,000 from £923,190. This increase, in addition to the increase in future tax requirements, represents provisions made in previous years no longer required, and the profit of the year £96,977, less the relatively small sum of £18,449 for shareholders. Although the £218,000 ploughed back into the business has wholly gone in net current assets, it has been insufficient to finance the increase of over £250,000 in stocks and £90,000 in debtors, which is a direct reflection of the substantial increase in output and sales.

Last year I referred to the problem of the additional funds required to finance the company's expansion and the effect of inflated prices. Your Board has decided that under present conditions the situation can best be met by means of bank loans, at least until such time as the future can be more accurately assessed.

EPL: A TAX ON PROGRESS

So far as the retention of profits is concerned, your directors have given recognition to the increase in working capital resulting from changes in the purchasing power of money by transferring to capital reserves £50,000 out of this year's profits and £200,000 out of past accumulations. Working capital is the life-blood of industry, so it is all the more regrettable that the enormous amount drained off by taxation has been still further increased by the excess profits levy, imposed by the most complex piece of tax legislation ever produced. This tax is a tax on progress, and is bound to hit hardest those progressive companies whose activities are most likely to help the country to rise above its present economic troubles, especially those with a large export trade like our own.

For a number of years the ordinary dividend has been stabilised at 7½ per cent, and your board feels it is time shareholders had a more reasonable return on their investment.

The year under review was an all-round record in the history of our group of companies. Output was up by nearly 50 per cent on the previous year's total and all our commercial divisions—marine, aviation, and industrial—contributed to this increase; over half of your company's commercial output was exported in the face of increasing foreign competition.

PRICES A VITAL FACTOR

As such a large proportion of our business is derived from overseas markets, it is essential to realise that price is once again rapidly becoming a vital factor in getting orders from other countries, and it was with the utmost reluctance that we were compelled to increase our prices during the year due to wage increases. Most nations are trying to become self-supporting, and we are now meeting competition from Germany; the Japanese are also showing signs of entering the instrument field. International trading has now reached the dangerous stage where higher prices will definitely mean less business, with serious consequences for the country.

The future outlook is so largely conditioned by circumstances beyond the company's control that it is quite impossible for me to make any accurate forecast of future results, but I think I have told you enough to show that the company is in a very healthy condition and progressing steadily.

The report was adopted.

AMALGAMATED DENTAL COMPANY, LIMITED

CAUSE FOR SOBER SATISFACTION

The forty-seventh annual general meeting of the Amalgamated Dental Company, Limited, was held on August 1st in London, Mr Aiken Watson, QC (the chairman), presiding.

The following is an extract from his circulated statement:—

The year under review has been one of considerable difficulty. The recession in home sales which followed the restrictions on free dental treatment imposed in May, 1951, was serious, and the full effect thereof is not reflected in the year under review.

In the field of overseas trading National self-sufficiency has entered the field of secondary industry. World-wide restriction of exchange has been followed in many cases by total exclusion of imports save within the narrowest limits.

These difficulties coupled with the general rise in the cost of labour and materials have all played their part in reducing the volume of your company's trade.

The end result for the year, if not a matter for congratulation, at least should bespeak sober satisfaction.

Until some of these adverse conditions are removed and a review of penal taxation takes effect, the outlook for the company negatives any immediate expansion of trade.

The company has recently put on the market a new acrylic filling material called "Sevriton." This material has received the highest professional endorsement.

In the field of anaesthesia, the products of your company's subsidiary, Medical and Industrial Equipment Limited, have earned high praise for their quality.

On the financial side your company is experiencing the difficulties of a capital structure designed to meet other conditions. Should occasion demand the board will have no hesitation in consulting the stockholders.

The report was adopted.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

The Economist Intelligence Unit

22 Ryder Street, St. James's,
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KEPONG (MALAY) RUBBER ESTATES, LIMITED

MR T. J. CUMMING ON THE OUTLOOK

The forty-seventh annual general meeting of this company was held on August 5th in London, Mr T. J. Cumming, the chairman, presiding.

The following is an extract from his circulated statement for 1951:—

The results of the year's working show a profit of £617,029 before providing for taxation, which is placed at £375,000. It is proposed to pay a final dividend of 10 per cent, less tax, making 30 per cent, less tax, for the year. While profits for the year exceeded those of the previous year by over £111,000, increased provision for taxation absorbs the greater part of the increase.

The crop at 10,051,500 lb was somewhat disappointing but in view of the conditions it is really a fine achievement to have harvested so much. The main production continued to be latex in various forms which passed through the bulking installation in Singapore and in this country at Hull, where increased accommodation made it easier to deal with deliveries. The average net price realised for rubber of all grades was 3s. 4.03d. per pound.

The outlook as regards market price is doubtful. The competition from a low-priced synthetic output will be hard to combat on present Malaya costs. Various statistics tend to show that the rubber likely to be produced in the not too distant future will be required to meet the world's demands, but in the meantime we must be prepared for reduced prices.

The report was adopted.

AMALGAMATED BANKET AREAS, LIMITED

The sixteenth annual general meeting of this company was held on August 6th, in London, Major General W. W. Richards, CB, CBE, MC, the chairman, presiding.

The following are extracts from his circulated statement:—

The directors' report and the statement of accounts cover the financial year ended on September 30, 1951. The net profit of £227,497 is the best ever attained by the company. It was necessary to charge this profit with the expenditure incurred in the maintenance and development of the Fanti and Tamsu mines, £113,106, and we recommend a dividend of 2½ per cent, less tax. This modest recommendation will mark the return of our company to the dividend list after an absence of 14 years.

For the third successive year a record tonnage of ore was mined and milled and, at 656,545 tons, showed an increase over the previous year of 118,855 tons, with a gold recovery of 93,749 ounces.

Development of the 20th level of the Abbotiakoon mine has, since the end of the year, met with some success. To date, on 20 "C" East Limb Drive North, the reef has been sampled over a length of 620 feet giving an average value of 5.7 dwts per ton over a width of 39.5 inches. This is a development result of major importance.

In the Fanti section, better values are being encountered in the latest development of No. 14 Drive South in the Fanti South shaft. The last 185 feet sampled have averaged 5.9 dwts per ton over a width of 42.2 inches. The total ore reserves are computed at 4,255,035 tons.

The report was adopted.

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LEADING ARTICLES

- Moderates' Rally - - - - 373
- Champions of European Unity - 374
- The Uneasy Triangle—II - - - 376
- Choosing the President - - - 378

NOTES OF THE WEEK - - - 380

Duumvir or Dictator?; The Schuman Pool Exists; Servants of Europe; Engineers Think Twice; Wages Councils Insist; Pistols at the Table; Ridgway Stakes His Claim; Test of Belgian Loyalty; Housing Regardless; Two Islands; Soldiers of Peking; Mr Rhee and the Ballot Box; Wisdom from Marshal Tito; Danckwerts in Practice; Rises for Clerks; Lessons of American Farming; Europe's Farmers.

BOOKS AND PUBLICATIONS - 389

LETTERS TO THE EDITOR - - 391

AMERICAN SURVEY

- Stevenson's Strategy - - - 393
- Washington's Best Foot Foremost; Sitting for the Senate; Senior Voters; Austerity in the Air?; Lifting the Housing Lid; Shorter Notes.

THE WORLD OVERSEAS

- "Defiance" in South Africa - 399
- Rivalry over the Saar; Sober Thought on Egypt's Finances; Australia's "Incentive" Budget; Red Cross Purposes.

THE BUSINESS WORLD

- Germany's Prewar Debts - - - 408

BUSINESS NOTES - - - - 410

Near to Balance?; The Sources of Improvement; That's Commodity Arbitrage—That Was!; Preparations for Mexico City; How Labour has Shifted; Germany Heads the EPU Creditors; Industrial Stocks and Safety; Steel Supplies Improving; Argument About the Film Levy; Shortage of American Cotton?; Spare Parts and Service; Outlook for Rubber; Metals in Confusion; More Meat at Higher Prices; Patent Trouble with Nylon; International Harvester Expands; New Money for Monsanto; Shorter Notes.

COMPANY NOTES - - - - 421

STATISTICAL SUMMARY - - 422

COMPANY MEETINGS - - - 423

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Moderates' Rally

IN the past fortnight the official leaders of the Labour party have begun their long-expected counter-attack on Mr Bevan. They had remained patiently on the defensive for fifteen months. Under the blows of Mr Bevan and his associates, they sometimes stood and fought; sometimes they dodged; sometimes they ran away. They never took the offensive. But now at last the party's leaders seem to have had enough of their humiliation. Whether that is a mark of strength or of desperation remains to be seen. But it certainly merits some congratulation. It also provides a faint chance that the whole mood of British politics will be changed.

The counter-attack is on two fronts. One is emotional; it is a renewed and outspoken appeal to party loyalty. The other is doctrinal; Labour has published this week a new statement of policy for home affairs. If its positive import is concealed in platitudes, it has the negative virtue of being firmly moderate; it is as far removed from the outlook of Mr Bevan as any official Labour declaration has ever been.

Immediately, however, the doctrine is less important than the emotional appeal. That has the great virtue of abandoning a pretence. Hitherto the Labour leaders, with their eyes on the electorate, have on the whole made light of the split behind them. That has benefited no one but Mr Bevan. In fact there now is a Bevan party: that is to say, a group of Labour MPs hold their own meetings, decide on a distinctive group policy, choose their speakers to express that policy in Parliamentary debates, and generally act as a party within a party. In what is obviously a co-ordinated series of speeches, various members of the last Government—Mr Stokes most prominently—have begun to say so. Merely by abandoning the past pretence, they have taken a powerful weapon into their hands. There is little doubt that if Mr Bevan's Parliamentary tactics were widely understood, they would deeply offend the loyalist instincts that count for so much in the Labour party. If his opponents can in time carry conviction in the charges they are now making against him, his popularity may dissolve almost overnight. That should be borne in mind even if, at the party's forthcoming annual conference, the popularity seems to be greater than ever.

But if Mr Bevan does prove to be a balloon, clearly the pricking of it will settle nothing. The important thing is not Mr. Bevan's personal fate; it is how far Labour policy will be influenced by the ideas which have for a time found expression through Mr Bevan—but which are certainly more abiding. Those ideas are hard to define; indeed, perhaps their main characteristic is a negative determination to be against the Tories. But in some way they involve more nationalisation, more squeezing of the rich and more controls, as well as less arms and a foreign policy nearer to neutralism. This vaguely Left-wing doctrine certainly does not provide a coherent policy, but still less does anything else that Labour has produced since 1948. It is weighty because the rest is a vacuum. In the long run, the moderates are

likely to re-establish their leadership only if they can fill the vacuum, if they can provide the Labour movement with a new, distinctive policy. What is moderate as Labour doctrine is not, of course, necessarily a good policy by other standards; it may be merely cautious, when the policies this country needs are extremely radical. But at least it would not sharply divide the nation as a Bevanite policy would; it might have more positive virtues.

The reason for pessimism is the patent inability of the Labour moderates to provide at present any clear and distinctive policy. But the reason for despair has been their insistence on pretending that they could. Just as much as the Left wing, they have been trying to act as if their ideas were fresh, as if they had a policy and knew where they were going. The second half of the counter-attack that the moderates have now begun is simply that this pretence, like the pretence of party unity, has been abandoned. One may assume that this is deliberate, if only because the new party document is called "Facing the Facts"; and the fact in it that is unmistakable is its own nakedness. It is an "interim" statement of policy, which apparently means that it is intended to explain why there is no policy.

There is one exception to this. The statement repeats fairly definitely the promise that Labour will abolish the health service charges imposed by Mr Gaitskell as well as by Mr Butler. Medicine, glasses and false teeth will be made free again—"at the earliest opportunity"; even here the conditional phrase could be important. Elsewhere the qualifications leave every issue entirely open. Will the next Labour government nationalise more industries? It will—"wherever the nation's overriding needs demand it." Even the nationalisation of 1945-50 is not, perhaps, so sacred after all; it will be restored in road transport and steel—"wherever the public interest requires." And so on. There should be more social services—if more resources can be found for them. Rearmament is necessary, but

we believe that there should be a periodic review of our rearmament programme with our allies, and that this review should take account of our economic circumstances and the international situation.

Certainly Mr Churchill would not disagree.

Champions of European Unity

IF the Schuman Plan finally proves to be—as its authors intend—the first step on the road to full European federation, the achievement will have been the work of a mere handful of men. Perhaps the great changes in history are usually accomplished in this way. The masses may have veto power, for there are certain things which cannot be done without their compliance; but constructive enterprise is the work of the few. Even so, the creators of European union are much less numerous than, say, the Founding Fathers in America and the Whig magnates of 1688. In the crucial area of parliamentary action, they are only three—and two of them are over seventy. Without the efforts of M. Schuman, Dr Adenauer and Signor de Gasperi, the Schuman Plan would have remained a planners' blueprint, and for the future the staying power of the three men and of the parties they represent is the key to any further federal advance.

One cannot be quite sure that the Labour leaders intended to make their lack of policy so plain. But if not, they have carried concealment by platitude to its final absurdity; they have failed so completely in pretending to have a policy that no one will think they were trying. The effect, at any rate, is as if they were deliberately asking this year's party conference not to have a policy. And probably that aim is at least half-conscious. Certainly there is a specific hope that policy discussions will go on "throughout the coming winter months."

The practical effect of this may, of course, be purely a postponement. If Labour comes away from this year's conference without a policy, the field is still open for Bevanism. The danger is real, but so also is the possibility that the Labour leaders have carried negation so far as to make something positive out of it. The platitudes are so wide that they can be accepted by almost anyone—except a Left-wing socialist. The one thing which is certainly implied is that Labour is not a party at present advocating rapid social change. This effect is studiously reinforced by the unusual emphasis, in a Labour pamphlet, given to the country's difficulties. Labour cannot promise overmuch: it thinks it might avoid disaster where the Tories certainly would not. And in the meantime it is politically sober and virtuous: "we do not blame the Government for things it cannot help, nor do we mislead the people with vain promises." In short, the orthodox Labour leaders are asking their party to keep an open mind and give them, for the present, a mandate for moderation.

One must assume that in all this Mr Attlee and Mr Morrison are recoiling in proper horror from the irresponsibility and immoderation with which Her Majesty's Opposition has conducted itself in the past six months. Whether any practical improvement follows no doubt depends on whether the party conference does give any clear mandate for moderation. That question is open. But at least the mandate is being asked for, and the new strategy is rather more promising than the old. By persuading the party to stop and think, the moderates may gain not, indeed, a victory, but a breathing-space. That will serve if the thinking follows—and if it can be tied to the faith and enthusiasm on which, rather than on moderation and caution, political parties feed.

With one or two exceptions, the parties of the Left are opposed to federation. The parties of the Extreme Right are either opposed or lukewarm. Only the Catholic parties of the Centre which these three men lead are committed unequivocally to the federal ideal. These Catholic parties, however, no longer exercise the commanding influence that was theirs some two or three years ago. The Christian Democrats in Germany and Italy and the Popular Republicans (MRP) in France were all strengthened inordinately by the special circumstances of the war. For a time after the Allied victory all movements of the Right were discredited, and in France, Italy and Germany, the Catholic parties represented the most conservative group to which votes could respectably be given. In the first years after liberation, therefore, they were powerful parties, their numbers swollen by many who were far from sharing their political philosophy.

This philosophy is distinct and moderate and probably, because of its religious bias, little understood in this country. Its Christian basis makes it an enemy to extreme nationalism and has undoubtedly strengthened its federal leanings. In economic affairs it is conservative, favouring private enterprise and fearing excessive state control; yet a strongly marked social philosophy makes it sympathetic to the claims of the trade unions to influence and status—as in Germany—to the need for social services—as in France—and not averse to some measure of radical change, such as the proposed land reform in Italy.

These parties cannot be called clerical, for in the main they represent the activities of Catholic laymen in the political field and not the direct influence of ecclesiastical authority. This distinction can be most clearly seen in Italy where Signor de Gasperi has attempted, throughout his seven years of office, to govern in conjunction with a coalition of other moderate parties, including the small right wing of the Socialists; while other Catholic leaders in his Cabinet have pressed for an outright Catholic majority, working in close co-operation with Dr Gedda's Catholic Action in the country at large—a movement which can be counted clerical. Signor de Gasperi has consistently resisted this pressure, even though at times the Vatican has appeared to favour it.

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The philosophy of the three Catholic parties is sufficient to explain why, as the war has receded and the Right recovered confidence, their influence and voting strength have been whittled away. Their sympathy with some at least of the ideals of the welfare state and their links with the workers have made them seem too radical for many of Europe's businessmen, peasants and small traders, whose votes have been transferred to other small parties of the Right, the Free Democrats in Germany and the Radicals and Independents in France. In Italy, Republicans, Liberals and Monarchists have to a more limited extent been beneficiaries of this revulsion.

But the most dangerous undermining of the Catholic parties has followed from the revival, not of economic conservatism, but of nationalism. They have suffered from the rise of authoritarian and semi-authoritarian parties of the Right. This process can be seen most clearly in France, since it is there that a general election has been held since the recovery of confidence on the extreme Right. General de Gaulle's Rally of the French People decimated the following of the moderate Catholic MRP by attracting to itself nationalists, ex-Pétainists, anti-communists of every kind and even some dictatorially-minded reformers, who had previously voted for the Popular Republicans. After brilliant successes in local elections in 1947, the General's rally polled nearly a third of the votes in last year's elections and became the largest party in the Assembly.

Conditions in France cannot, it is true, be absolutely equated with those in Italy and Germany. Long periods of dictatorship culminating in defeat in war have discredited authoritarian nationalism more fully than could the brief essay in Pétainism in France. General de Gaulle is, moreover, a hero of the war and associated with liberation and victory. Nevertheless, in both Italy and Germany, the extreme Right has made some progress in reorganising itself and the new parties seem bound, at next year's elections, to draw votes away from the Catholic parties. In Italy the *Movimento Sociale*

Italiano, or "Missini," draws its mass support from those who followed Fascism to its bitter end in Mussolini's Social Republic. In Germany, a number of nationalist parties of the Right receive their backing from ex-Nazis, ex-officers and the refugees.

In both countries, too, if votes given to this nationalist Right were seriously to undermine the Catholic Centre, no alternative constitutional coalition could be created rather further to the Left in order to continue the programme of European federation. In France alone are the Socialists ready for federalism; they have supported M. Schuman's foreign policy in Europe whether they were in or outside the government coalition—though often with hesitation and misgiving. In Italy and Germany, no such shift of alliances is possible. The large, well-organised German Social Democratic Party puts German unity before European federation and is, therefore, anti-federalist, in practice, if not in theory. The right-wing of the Italian Social Democrats is too small to serve as a counterweight to the fellow-travelling wing under Signor Nenni.

The elections of next year are thus likely to be a turning point in the development of European federalism. If the present leadership provided by the moderate Catholic parties is undermined, it seems very unlikely that any further advance towards European union will be secured. The chances of these parties appear, in turn, to depend upon two factors—upon the type of electoral system adopted for the elections and upon the internal cohesiveness of the Right. Both issues are still in doubt. The Christian Democrats in Germany would like to see further modifications in the German system of proportional representation in the direction of single member constituencies on the British model. This system, by eliminating splinter parties, concentrates votes on the major groups and would tend to leave the Christian Democrats in a commanding position. But Dr Adenauer depends in his coalition on the support of smaller parties which might not agree to electoral change.

In Italy, Signor de Gasperi is known to wish to fight the 1953 elections in a renewed coalition with the other small Centre parties—Right-wing Socialists, Liberals and Republicans—which worked with him for some time after 1948. Those who support this concept of a *Union Sacrée* of the constitutional groups also favour the idea of introducing a system of proportional representation whereby any party or *bloc* gaining 50 per cent of the votes would automatically receive two-thirds of the seats in parliament. Support for this change is, however, far from unanimous, even among Signor de Gasperi's followers, for it creates a dangerous precedent for future manipulations of the vote. Moreover, the Right-wing of the Christian Democrats is not enthusiastic for a policy which would link the party with elements of the anti-clerical Centre and Socialist Left. They hanker rather for a coalition of the Right stretching from Christian Democrats through Monarchists to the neo-fascist "Missini." In fact, the egregious Dr Gedda tried to create such a coalition before the recent municipal elections in Rome and nearly lost the Capitol to the Communists as a result.

His failure throws light on the problem of how cohesive any grouping of the Right may be expected to be. The reaction to the Gedda proposal showed how strong anti-fascist sentiment still remains and how compromised any groups can still become if they advertise open fascist leanings. Nor is the Right any longer

homogeneous in Europe today. Since the experience of dictatorial rule, it is divided between constitutional and unconstitutional elements. The recent split in the Gaullist Rally, in which a third of its parliamentary representation abandoned the tactics of pure opposition in order to support M. Pinay's coalition, illustrates the difficulty of holding together in one party traditional conservative right-wing politicians and industrialists together with radical authoritarians and often youthful reformers. In Germany, too, businessmen and conservative politicians learnt after 1933 that they could not ride the Nazi whirlwind which they had helped to raise, and the lesson is not forgotten. Something of the same difficulty also appeared in Italy at the recent Congress of the MSI. Its leadership is largely conservative and constitutional and would be prepared to make an electoral alliance with Monarchists and Christian Democrats to bring into being a right-wing government. Such an alliance, they hope, would secure the financial support of Italian industry. But so far they have found few backers, since the mass following they offer is largely made up

of ardent young neo-Fascists who are "socialists" in the Social Republic tradition and who regard parliamentary co-operation as playing with pitch. Similar sentiments smoulder in many brooding young Nazi breasts and often lead them to eschew voting altogether. It need not therefore yet be assumed that a strong Right will inevitably emerge from the next elections or that, even if it achieved electoral unity, it could hold together once the business of government began.

The chance that the Catholic parties of Europe may retain their influence in coalitions of the Centre is thus perhaps rather better than ever. So, too, is the possibility that the work of European federalism will go on. It may seem surprising that so great a change should be wrought by so small a force, yet it should be remembered that in the twentieth century most of Europe's mass movements have been movements of destruction and that the very modesty and precariousness of the federal forces may be their salvation at a time which is predominantly one of wariness, disillusion and lack of faith.

The Uneasy Triangle—II

The Limits of Free Bargaining

THE first article of this series sought to establish two points. First, it is impossible for any community to have very full employment and completely free collective bargaining and stable prices. Either one of the three will be completely sacrificed, or else all three will have to be modified. Secondly, though it is possible for a time to concentrate on full employment and free wage bargaining and let prices rise continuously—as Britain has done in recent years—such a policy will before long undermine the employment and the free bargaining at which it aims. But thirdly, though a degree of price stability must therefore be included among the objectives of economic policy, it need not be an absolute degree. From this corner of the triangle, in short, a contribution to the reconciling of all three can be made. It remains to enquire whether similar concessions can be made from the principles of absolute full employment and absolutely free wage bargaining, without going beyond what public opinion will tolerate. And when all three absolutes have been modified as far as possible, will they work in with each other? At the cost of only a gentle rise in prices, can a satisfactory degree of full employment be maintained, either by putting a tolerable measure of restraint on wage bargaining or by substituting for it some other method of fixing wages?

Experience has shown that mere "voluntary restraint," the effect of patriotic appeals to the civic sense of the organised workers, is not enough. It is certainly helpful, and the limited success which it achieved during the immediate postwar period is highly creditable to the trade union movement. But restraint by itself offers no reliable solution. For one thing, the more success it achieves in preventing an inflationary general rise in wages, the more thoroughly, at the same time, it disrupts that process of change in relative wage rates which is essential in inducing shifts of manpower from industry to industry. For another, it is always liable to incalculable breakdowns; a change of political atmosphere, an imported increase in the cost of living, the rise to power,

in a single key union, of a militant personality or two, is enough to wreck it. Perhaps most important of all, permanent and deliberate restraint would run flatly counter to the historic mission of the unions, which is precisely to increase wages and to use their bargaining power to the very best of their ability. Sooner or later, if union leadership fails to carry out what in the eyes of the rank and file is its proper job, the rank and file will rebel.

In the short run, this danger can be partially fended off—as it has been in this country—by a whole armoury of fiscal measures and physical controls designed to keep both profits and the cost of living below the levels which would otherwise result from the current balance of supply against effective demand. But the controlled economy is as inherently unstable as "restraint" itself. The distorting effect of controls on economic life, the paradoxical encouragement they offer on the one hand to the production of uncontrolled "non-essentials" and on the other to the wasteful use of essentials themselves (such as houseroom), the fossilising effect of quotas that are allocated, or of taxes that are imposed, according to the data of an increasingly remote and irrelevant "base year"—all these things are only too familiar. No one questions the possible usefulness of controls over a short period—they are the essential apparatus of the siege economy. In any but a frankly totalitarian state, however, it is no more justifiable to argue from the usefulness or success of controls over the short period of siege to their permanent practicability than to deduce from a swimmer's success in diving under a single obstacle that it would do him no harm to stay permanently submerged. As a means of dealing with the inconvenient implications of a state of things which everyone wants to maintain permanently—that is, full employment with stability of values—an apparatus of controls would be hopelessly inadequate even were both public discipline and administrative skill more remarkable than they have shown themselves to be.

One can, of course, step out boldly along the Road to

Serfdom towards the straightforward totalitarian solution, the *gleichschaltung* of the trade unions into a state economic mechanism which fixes wages along with prices, output, and everything else. That solution works, which is more than can be said for well-meaning half-measures. But for most people in this country, whether inside or outside the trade unions, the price is far too high. Plans have, however, been proposed by certain Left-wing intellectuals which would almost certainly arrive at much the same thing. They are attractive and ingenious plans. There is the system of "points rating" for jobs, whereby wages would be objectively determined according to skill, responsibility and net advantage, by a process of joint ascertainment. There is the simpler proposal that the total margin available, year by year, for wage increases over the whole economic field should be determined by official statisticians and distributed between different groups of workers, either by inter-union negotiation or by the TUC itself. The first of these plans has the grave disadvantage, no less in a planned than in a competitive economy, that it takes no account of shifts in demand for different kinds of labour and so, like "wage restraint" itself, fails to make provision for necessary changes. (The "points rating" of a flint knapper's job would on any objective standard be higher than that of a production-belt worker's in an aircraft factory.) The second plan suffers from the extreme and demonstrated fallibility of official forecasts.

Moreover, once the unions turn themselves into mere ascertaining bodies, mechanisms for registering "public interest," they will have abdicated from their historic role as thoroughly and as suicidally as by acquiescence in indefinite "restraint." Abdication would be all the more suicidal since the bargaining strength of even the unorganised individual worker is, in a strong sellers' market for labour, sufficient to drive up wages without trade union intervention; so that refusal by the trade unions to press for increases would soon leave the official rate as an inoperative and obsolete minimum, standing evidence to the rank and file of their union's impotence or actual opposition to their interests. The obvious result would be the spontaneous growth of a rebel union movement; and the official "objectively" determined wage scales would have to be either abandoned (leaving the situation just where it was before), or authoritatively enforced (which reaches the nakedly totalitarian solution by a different route). It is, in fact, hardly more possible for a free society to jettison collective bargaining than to jettison stability.

This does not mean, of course, that there should be untrammelled liberty to convert every piece of negotiation into a knock-down-and-drag-out fight. The unions' function is in no way impaired by the existence of consultative machinery; there is everything to be said for cooling-off periods, much to be said (in spite of the Webbs' strictures) for arbitration, and indeed for every device which prevents negotiation from breaking down into dispute. Improvements along these lines, however, could not supply the whole answer. They could reduce the wastes and hardships, both to participants and public, which result from overt industrial strife; but they would not achieve the major, all-important end of preventing the upward pressure of wages from jeopardising full employment and the necessary minimum of price stability. The contribution that is needed from the wage-bargain corner of the triangle must go further than this, while still not going so far as to endanger the basic freedom to bargain.

Perhaps the answer is to be found in the legal conditions under which that freedom is exercised. The development of law and of public opinion has entrenched the unions in a position of power and privilege which, were it enjoyed by any other type of bargaining agency, would be recognised at once for an anomalous blend of monopoly and anarchy. One has only to imagine a trade association of, say, biscuit manufacturers, able not merely to fix a minimum price and agree on certain trade practices, but to veto the entry of any new firms not connected with existing members or satisfying conditions laid down by themselves; to prevent, over the heads of Parliament and Government, the import of biscuits; to impose obsolete techniques on its members; to forbid them to use flour or shortening produced by non-cartellised millers or manufacturers; to use boycott or obstruction, without the victims being able to get redress at law; and to evade all the normal penalties of breach of contract and civil tort in general.

These peculiar privileges and immunities have not been achieved entirely without justification. In the climate of chronic underemployment and semi-feudal inferiority in which the unions grew up, they served as some counter-weight to the fearful bargaining weakness which that situation imposed; they were analogous to the arming of a hopelessly outclassed boxer with a knuckleduster to make up for his lack of weight and reach. Today, however, in a climate of full employment and increasing social equality, the weight and reach of the trade unions are greater than those of any possible opponent. Instead of imploring them to pull their punches, it would be much better to remove the knuckleduster. The monopoly power of the unions, in short, should be drastically reduced. If they remain fully free to bargain on wage rates, they should be disqualified from practising the various kinds of restriction into which their strength has betrayed them.

Such a conclusion, of course, invites denunciations of the most apoplectically self-righteous kind. It is the more important to emphasise that it is no more than a proposal that the unions should be put in a position of equality with other associations. The proposal does not include the break-up of any large existing unions into feeble "splinter" bodies; competition between rival unions within the same industry, indeed, is likely to be a competition in destructive militancy. Nor does it mean a foredoomed attempt to get back to the early Victorian ideal of a wholly competitive, atomised labour market. Even were trade unions economically superfluous, the support and status which they confer on their members is essential in human terms. Even in a general sellers' market for labour, the individual worker in all but the smallest sort of enterprise needs that support and status; the trade union system is an indispensable part of the social fabric. It is precisely because the trade unions are indispensable, precisely because they can only preserve themselves from disruption and supersession by the free exercise of their bargaining function, that there must be compromise on the powers which they bring to the bargaining table.

The attempt that is being made, although in a very gingerly way, to define and condemn restrictive monopoly practices on the side of industry ought, then, to be

extended to labour. These definitions will not be easy to devise nor, certainly, will the condemnations be easy for working-class opinion to accept. But Britain cannot afford another 1926, or another Trade Disputes Act like that of 1927. Reform must be, in the face of whatever difficulties, basically agreed; an agreed codification of permitted and forbidden practices, an agreed outlawry of those features most conducive to mutual blackmail. It should not be impossible to convince the unions that they will do better to protect the basic freedom of the wage

bargain at the cost of abandoning their restrictive powers than to have their functions wholly taken away from them. A genuine understanding of the alternatives should bring at least the necessary measure of consent. That understanding and consent are obviously a long way off. That is all the more reason why the subject should be seriously studied and publicly debated; for until they are achieved an undue strain will be imposed on the other two sides of the triangle, and either stability or full employment, or both, will be under constant threat.

Choosing the President:

A Guide to the Election

THE European observer who wants to understand an American presidential election must first put out of his mind any idea that any part of it resembles anything he knows at home. With the nominating conventions, which were held in Chicago last month, that is easy, for there is nothing like them anywhere else in the world. But once the party champions have been chosen, the temptation is to think that the President is elected by some form of nation-wide plebiscite. It is true that the American system usually achieves the same result as a plebiscite: that is to say, the men elected President and Vice-President are almost invariably the candidates who get a majority, or at least a plurality, of the votes. (In the American language, "majority" means more than half, "plurality" more than anyone else.)

But this result is, so to speak, accidental, not necessitated by the system, and to understand what will be happening in the United States between now and November 4th, the election day, it is essential to understand the system.

The fundamental point is that each of the 48 states votes in practice as a unit, *en bloc*. The next President and Vice-President will actually be elected, not by the 98 million persons of voting age, or even by the 52 million or so who are expected to go to the polls, but by 531 persons who, though they never meet face to face, are known as the Electoral College. By the Constitution, each state has a number of votes in the Electoral College equal to the number of members it has in both Houses of Congress together. Every state has two Senators, neither more nor less. The total membership of the House of Representatives is fixed at 435, but the total is redistributed among the states after each decennial census in proportion to population, with the proviso that each state must have at least one Representative. Therefore in the Electoral College even the smallest states have three votes, while New York has 45. What happens on November 4th is that the voters in their separate states choose their members of the Electoral College.

The intention of the Founding Fathers was that the Electoral College should consist of experienced and independent citizens who would exercise their own judgment, and even perhaps choose a President and a vice-president from different parties. Almost from the start, however, the Electoral College became a mere formality. Today, the voters in each state choose one or other of the party lists of Electors—each list having 45 names in New York, 32 in California and so on—and since the Electors can be relied upon to vote for their party's nominees (one of the Tennessee Electors did desert to the enemy in 1948, but that was very exceptional), the result of the whole election is known as soon as the Electors are chosen early in November.

In reality the Electors will not meet, each group in its own state capital, until December 15th and their votes will not be officially counted, before a joint session of Congress, until January 3rd. Only then, in the eyes of the law, will the Republican General Eisenhower or the Democratic Governor Stevenson be the President-elect who is to take office on January 20th.

The Constitution leaves it to each state to decide how its members of the

Electoral College shall be appointed. In fact, however, every one of the 48 states chooses its Electors by popular vote, the party whose list receives the highest number of votes (a plurality, not necessarily a majority) getting the whole of the state's vote in the Electoral College. This custom is one of the reasons why the minor parties, the Socialists, the Prohibitionists and so on, who put up presidential candidates regularly, never get a single vote in the Electoral College; though the special interests to which they appeal may be represented in every state, they form a majority, or even a plurality, in no single state.

The consequences of the custom of casting each state's electoral votes as a block was well illustrated by what happened in New York in 1948. Governor Dewey, the Republican candidate, received only some 46 per cent of the total

vote cast in the state, but he got every one of the 47 votes that New York then had in the Electoral College. Over the country as a whole, Mr Truman's majority over Mr Dewey was only a little more than 2 million out of a total popular vote of nearly 49 million, but he had 303 electoral votes to Mr Dewey's 189. The whole electoral vote of an important state may turn on how a comparatively small group votes—the Jews and Italians of New York, the Negroes of Chicago—and this is why so much attention is given to the prejudices and desires of these minorities, so long as they do not throw their influence away by forming parties of their own.

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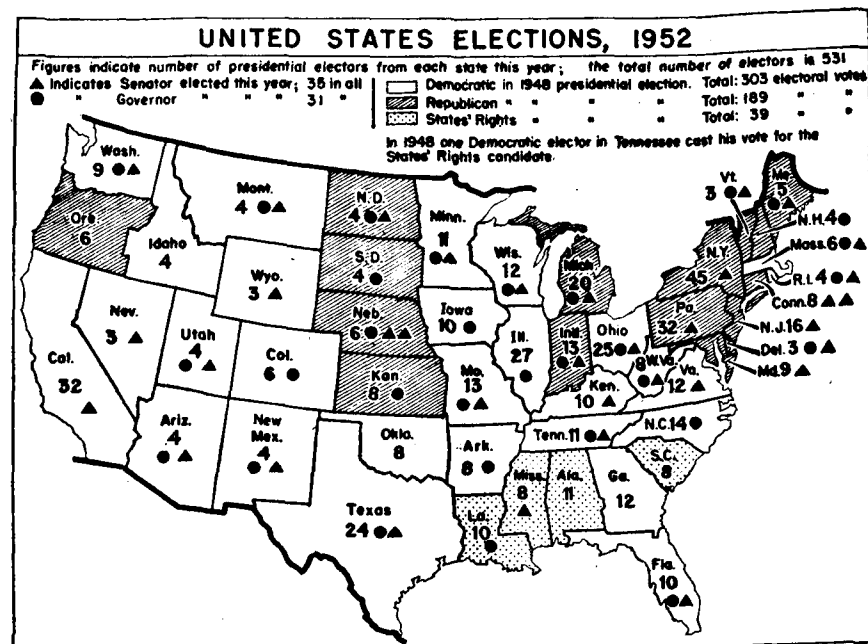
The Constitution leaves the regulation of voting procedures to the states. No two state electoral laws are identical, although every state allows voting at 21 years old. The southern states use a variety of methods to keep the number of voters very low and thus to keep the South solid for white supremacy—and for the Democratic party. Lack of interest where Democratic victories seem certain reduces still further the number going to the polls in the South. The effect of this can be seen by comparing voting in 1948 in Connecticut, a hotly contested northern state, and South Carolina, two states with very similar populations of about 2 million, and each with 8 votes in the electoral college. But each of the 8 electoral votes that Mr Dewey got from Connecticut represented 54,719 Republican voters, while each of South Carolina's 8 votes for the States' Rights candidate represented only 12,826 voters. Unless the Republicans can crack the "Solid South"—as General Eisenhower, born a Texan, has some hope of doing this year—the Democrats start with 128 votes, very nearly a quarter of the total, safely in hand. If they can add to these the barest majority of the popular vote in a few large northern states, they will win even if the Republicans sweep the board everywhere else. It is thus mathematically possible for Governor Stevenson to get fewer popular votes than General Eisenhower, and yet be elected.

American electoral calculations are therefore a matter of adding up blocks of states. In the panels below an attempt is made to show how each of the two parties is at present hoping to build up a majority. Each table starts with the states that the party in question is most sure of and works down to those

of which it is doubtful. The states in italics are those that appear on both lists. A total of 266 electoral votes is needed for election. The Democrats' calculation, it will be seen, is that the South will remain solid (or nearly so), that the normally Democratic states on the fringe of the South can be counted on, and that Illinois will vote for its present Governor. To this the Democrats hope to add the mainly urban states of the East. This is the traditional Democratic combination of the South and the big cities. The Republicans' hope is that they can hold the Dewey states of four years ago and that General Eisenhower will have just enough more appeal as a candidate, especially to "independent" voters, to win the states where the margin was very close. The Republicans hope to win back the farm states and even to invade Democratic territory in Texas, perhaps in Virginia and possibly in Massachusetts and Rhode Island, where the Catholic church is very strong and Mr Stevenson's divorce will tell against him.

The thing that emerges most clearly from these lists is the crucial importance of the four big states in the middle of both lists—New York, California, Ohio and Michigan. These four states are not only very large, but they are all very closely balanced in their party allegiance. It is in them that the election will probably be won or lost. The Republicans think they can carry California, where their vice-presidential candidate, Senator Nixon, is a proven vote-getter. The other three states have the feature in common that their big cities, with an important labour vote, are Democratic and the rest of the state is Republican. The Republicans hope to increase their vote outside the big cities and inside them to get back some of the Negro vote that Roosevelt won for the New Deal. They will use for all it is worth the fact that the Democrats have nominated a Southerner, Senator Sparkman, for Vice-President.

There is, however, one factor that could undermine all calculations. The total poll in an American election is always low by European standards. The highest figure in recent years was 59 per cent in 1940; it was as low as 52 per cent in 1948. Normally it is assumed that the marginal voter tends to vote for the Democrats, who therefore gain from a large poll. But this time the Republican candidate is a man whose fame exceeds that of any regular politician and who may be able to attract to the polls a million or two voters who would otherwise never vote. This is the Republicans' main hope.



THE EISENHOWER CALCULATION

	Electoral Votes	Cumulative Total
Solid Republican States		
Maine (5), Vermont (3), North Dakota (4), South Dakota (4), Nebraska (6), Kansas (8).....	30	...
States with Dewey Majority in 1948		
Pennsylvania (32), New Jersey (16), Connecticut (8), Maryland (9), Delaware (3), Indiana (13), New Hampshire (4), Oregon (6).....	91	121
Border-Line in 1948		
New York (45), California (32), Michigan (20), Ohio (25).....	122	243
Farm and Mountain States, Republican in Local Politics		
Wisconsin (12), Minnesota (11), Iowa (10), Colorado (6), Idaho (4), Utah (4).....	47	290
Captures from Democratic Territory		
Texas (24), Virginia (12), Massachusetts (16), Rhode Island (4)...	56	346

Note.—States in italics are those that appear in both lists.

THE STEVENSON CALCULATION

	Electoral Votes	Cumulative Total
The Solid South		
North Carolina (14), Georgia (12), Alabama (11), Tennessee (11), Louisiana (10), Florida (10), Arkansas (8), Mississippi (8), South Carolina (8), Texas (24), Virginia (12).....	128	...
Illinois	27	155
Border and Semi-Southern States		
Missouri (13), Kentucky (10), West Virginia (8), Oklahoma (8).....	39	194
Metropolitan States with Truman or Truman-plus-Wallace Majority in 1948		
New York (45), California (32), Michigan (20), Ohio (25), Massachusetts (16), Rhode Island (4)...	142	336
Other Large States with Truman Majority in 1948		
Wisconsin (12), Minnesota (11)....	23	359

NOTES OF THE WEEK

Duumvir or Dictator?

General Neguib is already finding it impossible to do as he had hoped in Egypt: to cut out of public life the two cancers of "The Palace" and "corruption," and then to retire to barracks and let politicians run the country. Both in political action and in the matter of keeping public order he has been forced to assume authority. On Tuesday he announced that a joint committee of army officers and civil servants would henceforth coordinate government policy. On Wednesday, following riots for higher wages and better conditions in one of Egypt's main textile towns, he ordered troops to the scene. He also issued a warning "to all sections of the population, and particularly employees," to remain orderly on pain of indictment for treason, in order to afford the government time to effect "reforms for the welfare of the whole people."

The general seems to be caught in a cross fire. On one side of him are his chosen civilian colleagues—experienced statesmen such as Aly Maher, who knows that, for purely practical reasons, changes cannot quickly be pushed through without harming efficiency and prosperity. On the other side is a group of officers junior to himself, but instrumental in pushing him into prominence, who have no practical experience of public administration and who want social change at once. The existence of these two groups explains a difference that has arisen between cabinet and army over tobacco duties. The first group knows that indirect taxation is a tried method of raising quickly the revenue which (as will be seen from an article on p. 403) is needed immediately; the latter contends with reason that any indirect tax penalises the poor man, and that higher direct taxation of the upper class is the only method that can be considered. A corresponding difference may well arise over land reform, which the army radicals want to bring about by immediately breaking up large estates; but to more experienced minds this involves the drawback of breaking up some of the best run and nationally most valuable units in Egypt. True to a type familiar in other countries, these young reformers want to pour some immediate bounty into the poor man's lap. But, also true to type, they ignore the fact that to take such action in a hurry means causing want and discomfort to all who do not at once share in the benefit. It produces fiscal upheaval and leads to social disturbances; for to throw a sop to a hungry man merely stimulates his appetite.

If, in the tug of war that impends inside the new co-ordination committee, his more impetuous army followers get their way, General Neguib is likely to have to repeat this week's use of troops to maintain order. If, on the other hand, the army members are to be outvoted, he may have to give the casting vote against them. For the new Regency Council, though it comes as near to neutrality as any trio of Egyptian personalities could do, does not appear to have the calibre of an effective umpire. However little the General may desire personal power, he seems likely to become less of a duumvir and more of a dictator.

The Schuman Pool Exists

The High Authority of the Schuman Plan now exists—and that is half the battle in getting the coal-steel pool to work. Nine members from six nations met for the inaugural ceremony in Luxemburg this week and M. Jean Monnet is its first president. The appointment is entirely fitting, for it was his mind that conceived the plan and his vigorous and practical idealism that were largely responsible for turning it into reality. The danger now is that too much will be expected of it too soon, for the Schuman Pool is many things

to many men. Internationalists like M. Schuman, Dr Adenauer and the first President cherish a political as well as an economic purpose. By creating a single market for coal and steel among members they hope to get greater efficiency and higher standards of living; but they also hope to wear away Franco-German antagonism by submerging the two peoples in a larger community.

Successful working must depend on Europe's industrialists, who will look at the plan from the standpoint of self-interest. The Ruhr steel producer sees the promise of a cartel larger and more successful than he dreamed of before the war. The French manufacturer hopes to get German coal supplies on the same terms as German industry. The High Authority's most important immediate task is to level barriers to coal and steel trade in the common market; this will mean dismantling tariffs and quotas and enforcing sternly the anti-cartel provisions of the Treaty. Both measures are likely to be fiercely resisted by the protectionist tradition of generations. The investment programme will also provide a severe test. Can the High Authority in fact channel new investment to those plants which the operation of the free market shows to be most economic? Or will the pressure to maintain the current balance of industrial power between members prove undefeatable?

The High Authority can execute the treaty only if its members act in a supra-national spirit in cases where they are granted the requisite powers. They will need at all levels the support of a body of opinion which puts co-operation above sectional interest and accepts competition and expansion as the means to higher living standards. M. Monnet reminded listeners at Luxemburg last Sunday that this is only the "beginning of the effort that Europe must accomplish in order finally to achieve unity, prosperity and peace." That is to say: other schemes of integration, like the Defence Community, must go ahead; and their prospects must not be wrecked by political differences like those (analysed on page 400) that have arisen over the Saar.

Servants of Europe

In this and other supra-national enterprises the quality of men and women attracted to their service will be decisive in the early stages. Do there exist sufficient competent officials with the devotion and independence of mind to support men like M. Monnet? And is there in member countries a body of opinion strong and vocal enough to sustain them? To the first question the answer is probably Yes; experience in the United Nations, the OEEC and other international bodies is producing the right people, and no one in this country should underestimate the extent to which educated Europeans are weary of nationalist views and incompetent governments. Many of those who will not dedicate themselves to the nation state will be attracted to permanent work for Europe.

To the second question the answer is more doubtful; and it is as well to be realistic about it. M. Monnet and his colleagues in the High Authority are in their own countries men of established reputation and fortune. If they fail in the international venture, that is not the end of their careers; but for younger people there is a real difficulty. A civil servant, professional man or technician who joins a body like the coal-steel pool and distinguishes himself by loyalty to its purposes will sometimes have deliberately to work against the special interests of his own country. Whether he is to suffer for it when he resumes his career in its national setting is a matter of some importance.

There is a clear case for paying such international civil servants outstandingly well and for asking governments which

are members of such organisations to guarantee re-employment of those whom they second to such service. Indeed, the necessity arises also outside Europe. The work of the United Nations in technical aid, the execution of the Colombo Plan, the spending of Point Four funds, all call for a new type of international official. He should be able to devote himself to service outside his own country and to governments other than his own with full confidence that his prospects and reputation will not be injured by his zeal. There is a question here well worth discussion. Is there already, or could there be, a professional association of such persons? Can the idealist be promised a career?

Engineers Think Twice

By contrast with many of the gloomy prophecies that used to be made, the Conservative Government has been brilliantly successful to survive for nine months without any disturbance of the industrial peace which Labour used to claim as one of its greatest achievements. This week the country has lived through the first serious threat to that peace. The Confederation of Shipbuilding and Engineering Unions has been holding its annual conference at Southsea. The Amalgamated Engineering Union, angered at the employers' flat refusal of its claim for an extra £2 a week for all its members, sought support from the other unions belonging to the confederation. It proposed that all should hold a ballot among their members. The choice would not be between industrial action and arbitration—they might then choose arbitration, as they did by an overwhelming majority in 1950; it would be between supporting the claim by strike action and supporting it by a ban on overtime and piecework. If a resolution proposing this ballot had been put to the conference, it would almost certainly have been passed, for the AEU would have

WAGE CLAIMS

The table below shows the wage claims which are outstanding and, as far as can be ascertained, the number of workers who would benefit if they were granted.

Type of Workers	Approx. numbers involved ('000)	Claim	Estimated Annual Cost (£ inn.)
Engineers	2,700	£2 a week	280
Shipbuilding workers	280	Substantial increase (probably £2 a week)	30
Miners	770	30/- a week	60
Busmen	300	Probably just over £1 a week for drivers and probably £1 a week for conductors	15
Shopworkers	2,100	Mainly 10/- a week for men, 7/6 a week for women	35
Railwaymen			
Conciliation and salaried staff	390	10% increase	20
Shopmen	130	Probably 10% increase	10
Wholesale clothing workers	200	6d. an hour	2
Tobacco workers	40	£1 a week	...
Building workers	1,250	Claims to be made after end-September	...

had the support of the Communist-led Electrical Trades Union and probably also of the boilermakers and foundrymen.

Fortunately, moderate opinion has for the moment prevailed. Members of the two big general unions are also affiliated to the confederation. They are relatively right-wing, and being less tightly organised than the craft unions, are also less ambitious. Many of them would think it foolish to act in support of such an extravagant claim. For the present, however, they do not have to make up their minds. An agreed resolution put to the conference proposed that further talks should be held with the employers. But the AEU's plan is shelved, not rejected. If no offer comes from the employers before the confederation's special conference on September 10th, it will no doubt be revived.

During the negotiations that took place in June and July the engineering employers made no counter-offer to the union's claim. They pointed out that the workers had been

granted an increase of 11s. a week and an extra week's annual holiday as recently as last November, and they urged the dangers of increasing costs just when the industry was facing increased competition from Germany and Japan. If it were granted, the engineering workers' claim would cost the industry some £280 million a year. It represents, as the accompanying table shows, over half the present pressure for higher wages. If all the claims now outstanding were granted they would cost some £450 million. If the actual gains were to represent even half this sum it would put an end to the Chancellor's hope of a fall in the prices of most things other than food—and it would greatly increase the difficulties of achieving solvency.

Wages Councils Insist

Of the twelve wages councils in the distributive trades that were asked to reconsider their recommendations for wage increases, four have now submitted unchanged proposals to the Minister of Labour. In each of these councils the employers had wished to recommend smaller increases, the unions, of course, wanted to return the original proposals to the Minister without alteration, and the casting vote of the independent members was given on the unions' side.

In theory the Minister could refer the proposals back to the councils a second time. His predecessor, Mr Isaacs, referred back a proposal twice, but for two different reasons. In the explosive atmosphere of today Sir Walter Monckton could hardly risk that course—even if he wanted to oppose these relatively moderate increases proposed for relatively badly paid workers. A few weeks may pass before he makes the orders, for he will await the verdict of the central co-ordinating committee for some of the wages councils, which meets on August 18th and 29th, and the necessary printing and distribution takes time. But probably the orders will be issued by the end of September. Sir Walter has made his point that wage claims should be considered in the light of the Chancellor's appeal for wage restraint. In principle he was right. To have confirmed these wage increases at the first asking would have encouraged everyone to ignore the appeal. On the other hand, it is hard to see that in practice the Minister's intervention has strengthened the cause of wage restraint; the councils' consideration of the appeal has appeared, at least, to be something of a formality.

Pistols at the Table

Many things will be remembered to Mr Acheson's credit when he retires from politics in the next few months. Among them is an aptitude for defining simply the foreign policy objectives of the Atlantic alliance. His famous "negotiation from situations of strength" still holds its field against feeble attempts to define what it is hoped to achieve one day with the Russians. At the Honolulu conference last week, the American Secretary of State presented his slogan in even simpler and more colloquial terms, which deserve to be recorded and remembered:

When those centres of strength are developed it is not our purpose to say to anybody: "Now we are strong, now you must do what we say." What we say is: "Now we are equal, now we'll sit down and talk sense. But we're not going to sit down with a pistol at our heads and nothing in our hand at all."

This ought to do very nicely, even for Labour party meetings addressed by Bevanites. That the main purpose of rearmament is to make possible negotiation with the Russians on equal terms is too often forgotten in British discussion; yet it is noticeable that the Soviet Government, as the West gets stronger, is showing more interest in maintaining things in Europe as they are than in negotiation. The time may be coming when those of the Left, in Europe as well

as Britain, who have been most eager for talks with Stalin will oppose a policy of negotiation on the grounds that he clearly does not want it. They must not be surprised to find one day that they are lined up with the Communists and Russians in defence of things as they are in Europe, arguing from the feeling that to advocate change, especially if one is an American, is to be aggressive.

Ridgway Stakes His Claim

General Ridgway has broken this week the wise silence he has maintained since he took over the supreme command in Europe from General Eisenhower. He has said firmly that the defence programmes agreed at Lisbon last February can be carried out this year by members of Nato. This needed saying, as it has become fashionable to suggest that the Lisbon conference was a mere exercise in wishful thinking. In fact it was not, as the progress made in air defence will one day show. Because European governments have still not taken the steps necessary to form adequate reserves of ground troops, it does not follow that Nato—if they tried—could not have 25 reserve divisions in some state of readiness by 1953.

The insistence of Supreme Headquarters on the need for reserves has increased lately. General Gruenther, the Supreme Commander's Chief of Staff, has asked for "a relatively small active force, backed by a very active vitalised reserve," ready to fight within a few days. Even the cold war demands, in his view, readiness behind as well as in the German front line. There is, perhaps, a growing realisation of the role played by the Soviet divisions in Eastern Germany. They stand there as an army in being, exerting power by their mere presence, and causing difficulties for the West by the fact that they could go into action without an extensive preliminary build-up. Supreme Headquarters used to believe that this build-up would be necessary and would give Western Europe warning of trouble to come. It seems to have changed its mind.

It remains true, so far as can be judged, that the Russians show no signs of wishing to involve themselves in world war by attacking Western Europe. But that is no reason for neglecting or delaying its defences. There are explosive situations in other parts of the world where Communist thrustings are felt; the fact that the western defences are not fully manned is constantly present in the minds of Americans, British and others who have to plan to meet them. It would perhaps be salutary if Mr Churchill and his colleagues explained to the public from time to time that the Soviet army in central Europe immobilises on the Continent the pick of the British army. Thereby it affects British strength and dispositions everywhere east of the Mediterranean. Nato's strategy may begin in Europe but it should not end there; otherwise the Russians could quite fairly claim that they, and not the West, are doing the "containing."

Test of Belgian Loyalty

Mutiny in the armed forces is always a serious matter, and political action in support of it can be even worse; but how bad depends on motives and circumstances. In the recent case of Belgium some sympathy must be felt with the national service men who demonstrated against their two-year term with the army. For they had both the general grievance, shared by the population, that Belgians alone of the six peoples in the European Defence Community are serving two years; and the particular grievance that various ministerial statements had led them to believe they would be released this month after 18 months' service.

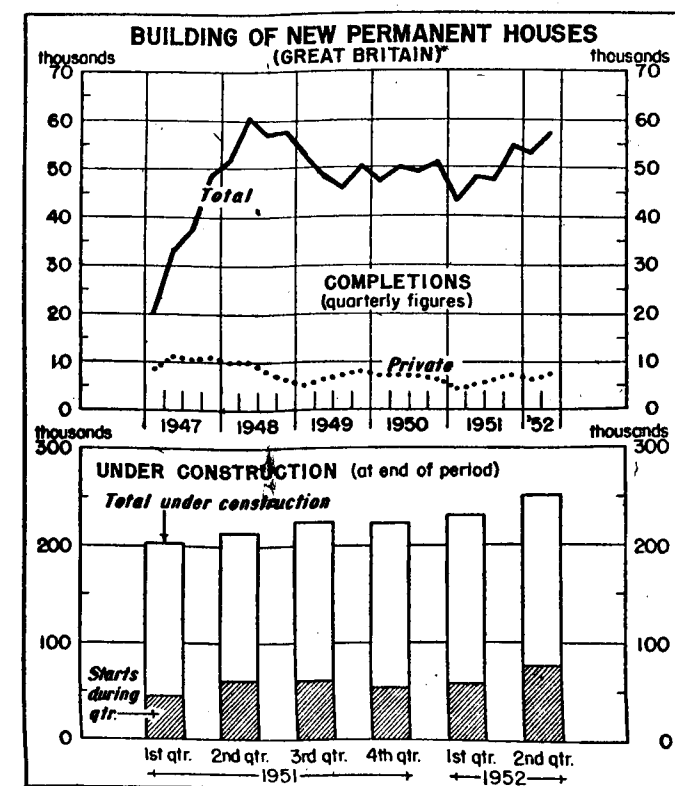
What is remarkable and creditable is the restraint that Belgium showed. It is true that the Socialist General Federa-

tion of Trade Unions supported the soldiers; a series of minor strikes throughout the country culminated last Saturday in a token 24-hour general strike. But it was not an unqualified success. The Christian Social and Liberal trade unions refused to take part, and some even of the Socialist trade unionists opposed a strike for political ends. Moreover, the Socialist trade union leaders have never suggested that Belgium should be disloyal to its military commitments; they have no quarrel with an 18-month period of service; and they constantly warn workers against Communist provocation.

It was not to be expected that representatives of the Defence Community—which does not yet exist—should agree at their meeting in Paris this week to solve Belgium's problem by raising their terms of service to its level. The French cannot make up their minds about it until next year, because of their disappointments over American aid; the Italians are unlikely to move ahead of the French; and in Germany the question is not even actual. M. Van Houtte therefore found the problem thrust back on his hands. Having indicated that his government would have to revise the period of service if its allies did not increase theirs, he found himself in a difficult position. The right and strong attitude would have been to explain that Belgian troops cannot hold their own with British comrades in Germany, either in quantity or quality, without two years' training. But M. Van Houtte's political position is not too firm and he has been forced to fall back on a compromise. The principle of a two-year term is to be maintained, but for the present conscripts will be released after 21 months. This means that by the end of the year Belgium will have about 20,000 fewer men than estimated; it will presumably have to revise its defence commitments to Nato accordingly.

Housing Regardless

As Minister of Housing Mr Macmillan is carrying all before him—even, one may assume, the Treasury. Committed to a very heavy housing programme at a time when economic circumstances make it thoroughly inopportune, he is certainly



executing it with great vigour. The target of 300,000 houses a year, so rashly set up by a Conservative party conference and later by election propaganda, will not, of course, be hit

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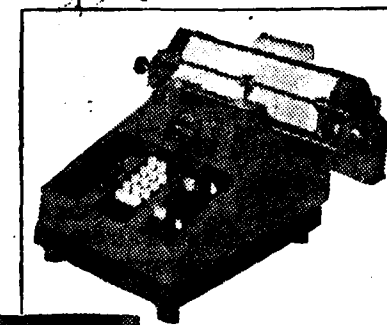
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this year or even next; but house-building has already been greatly speeded up.

In the first half of this year some 21 per cent more houses were completed than in the first half of 1951. Most of these houses were, it is true, started under the Labour Government, but it is satisfactory that they have been built rather less slowly. Of the brick houses completed, only 80 per cent took more than seven months to build, compared with 87 per cent in the first half of 1951. At the end of June the number of houses under construction was 18 per cent higher than in June, 1951. The number of houses started was 31 per cent higher; and of these, houses being built for sale have shown a higher proportionate increase than those which will be let. This is a slight shifting of the balance towards housing as it was before the war, and as Conservatives would wish to see it again, when most houses were built by private builders and local authorities concerned themselves mainly with slum clearance and the relief of overcrowding.

Higher productivity, no doubt, has something to do with the improvement. So, too, has a more economical use of materials. A higher proportion of houses—about 60 per cent—are being built with only 2 bedrooms, which gives a saving of about £120 per house. But the good results are mainly due to an increase in the number of men employed on housing. At 253,000 in June, this was 15,000 higher than in June last year. Tighter money has probably drawn men away from black market work, and the cuts in capital investment have diverted them from industrial building. It is not quite fair to say, as Mr Gaitskell has done, that the Tories are building more houses by building fewer factories; the cut in industrial building saved steel, which is hardly used in houses, as well as manpower. But this does not alter the main point that so large a housing programme conflicts sharply with the rest of economic policy.

Two Islands

Whatever the rights and wrongs of the dispute between the Maltese Prime Minister and the Secretary of State for the Colonies, it is unfortunate that it should have been allowed to occur. Doubtless Mr Lyttelton was anxious to make a statement on the British offer of financial aid before Parliament adjourned; but it is not clear why Dr Olivier's failure to sign on the dotted line by a certain time should have been castigated as a rejection of the offer when Mr Lyttelton knew, apparently, that he was prepared to accept it.

The offer itself seems generous. The British Government would give Malta £500,000 in the current financial year, and for four years beginning with 1953-54 would meet two-thirds of the cost of an emigration programme to be agreed with the Maltese Government, up to a maximum contribution of £200,000 a year. These sums would be additional to the £1½ million provided from the Colonial Development and Welfare Fund to meet half the cost of Malta's "social equipment" projects. Yet more aid would be considered if the Maltese Government has more difficulty in balancing its future budgets than is expected.

Mr Lyttelton pointed out that the offer is distinct from the £31 million granted to Malta for the repair of war damage and reconstruction. Unfortunately, here, too, there appears to be misunderstanding between Malta and Britain. The British people, at least in Maltese eyes, regard this grant as a sort of spontaneous thanksgiving fund for Maltese services in the war. The Maltese, on the other hand, regard it as their due under the laws of war and that "in respect of this settlement Malta fared much worse than most enemy countries."

The outcome of the unhappy affair is still uncertain. The Maltese deputation departed last weekend, leaving behind a letter apparently expressing willingness to accept the offer but without a signed declaration of acceptance. The next move is thus with the Secretary of State. He ought to be

more conciliatory than he appeared in the House. It ill becomes a large island to give even the appearance of bullying a small one, especially when the small one may again be called upon to give valuable strategic assistance in time of war.

Soldiers of Peking

"Conspicuous by their absence" is a horrible cliché, but it is useful to keep it in mind when reading official accounts of formal occasions in Moscow and Peking. When, for example, Soviet Navy Day was celebrated on August 10th there was a notable absence of references to American aggression and armaments. They were missing—unlike last year—both from the special leading articles and from the Order of the Day issued by the Soviet Navy Minister, Admiral Kuznetsov. During the air parade last month anti-American posters appeared on Moscow walls, provoking a protest from Mr Kennan, the American ambassador. Perhaps it had some effect.

In Peking the omission is of a different kind. The twenty-fifth anniversary of the People's Liberation Army was kept with great fervour, and the general political department of the People's Revolutionary Military Council issued one slogan for every hour of the day. The fact that seven of them were anti-American is less remarkable than the fact that none of them was pro-Stalin. One has come to expect at least "Salute Stalin, standard bearer of peace and father of all the workers of the world"—well up the list. In the Soviet Union itself, however, the correct tributes duly appeared from the pen of Chu Teh, Commander-in-chief of the Forces in a leading article for *Pravda* of August 1st. The Chinese Communists, he said, "applied in practice the revolutionary theory of Marx-Engels-Lenin-Stalin and of Bolshevik power" in developing their army. The Chinese should "exert all their strength to study Comrade Stalin's military teaching"—and so on. The compliments prescribed by Communist protocol were duly paid, but not in the hearing of the Chinese public.

It would be unwise to regard Chu Teh's article as merely complimentary. It provides interesting hints of the role that he sees his "highly modernised" troops playing. They will not merely defend Chinese territory; they have the "new historic mission of rebuffing imperialist aggression." In the future, when the armed forces "have been perfected," China will also have the "honourable task of jointly defending the cause of peace with the great bulwark of world peace, the Soviet Army." That might take the People's Liberation Army quite far afield.

Mr Rhee and the Ballot Box

The most interesting thing about the South Korean elections was not the casting of three-quarters of all votes for President Syngman Rhee, but the casting of one quarter against him. This evidence of opposition can, of course, be variously interpreted. Communists will claim that it shows that not even brutal repression could silence the voice of the people. General Mark Clark, who congratulated the victor in curiously fulsome words (are all democratic peoples really inspired by Mr Rhee's fight for freedom?), would presumably cite the opposition vote as evidence that true democracy exists in South Korea.

The truth would seem to differ from both claims. Pains were taken to make the ballot as fair as possible; votes from different electoral districts were mixed in order to protect any district voting against the President from victimisation. A small group of United Nations officials visited as many polling stations as they could. Little concrete evidence of illegal pressure on the voters has as yet come to light, and it is doubtful in any case whether such pressure would greatly affect the result. Both as President, and as a veteran national leader, Mr Rhee has a unique position in the imagination of the average Korean.

The same cannot be said of the successful candidate for the vice-presidency. Mr Ham Tai Yong is a virtually unknown judge, even older than the 77-year old President, and won a million more votes than the former prime minister, Mr Lee Bum Suk. Mr Lee is perhaps the second best known man in Korea and has a long patriotic record, but his obscure opponent defeated him purely on the strength of Mr Rhee's backing. If this is not enough to show the electoral advantage that the man in possession holds in a rural country like Korea, it is also to be noted that in the Pusan area, where people are relatively well informed and politically conscious, Mr Rhee got less than 40 per cent of the votes. It would seem, therefore, that the President's prestige and his control over local officials and police sufficed to win him overwhelming majorities among the simple villagers, but that the official machine did not operate so crushingly as to affect the urban vote. President Rhee cannot simply be classified as a dictator. But his ambitions and authoritarian ways have led him to use unnecessarily forceful methods.

Wisdom from Marshal Tito

The second instalment of the International Bank's loan to Yugoslavia is now under discussion in Belgrade. That the negotiations should succeed is of extreme importance to the Yugoslavs. Without substantial help they have little chance of reaching even the modified aims of their industrialisation plan now due to be completed by the end of this year. The Bank's first instalment of \$28 million, granted last October, is almost spent; and the western powers have declined to stretch their tripartite aid programme to include funds for capital investment.

It will not be easy to close the gap between what the Yugoslavs think they need and what the Bank's representatives think they ought to have. The latter feel that the Yugoslavs have jeopardised their case for aid both by failing to correct their foreign trade deficit and by grandiloquent—and in some cases unsuitable—industrialisation plans. Many western observers have felt there has been too much preoccupation with factories and too little with exporting food and raw materials. In the first half of this year, Yugoslavia's total imports were worth 52,500 million dinars, and exports 45,300 million, thus showing a deficit of 7,200 million. As, however, 18,400 million dinars worth of the imports were financed by the tripartite aid programme, Yugoslavia's foreign exchange reserves increased during this period by 11.2 million dinars. But foreign aid programmes will not go on indefinitely.

It is, therefore, encouraging to hear Marshal Tito, in a recent speech at Gline in Croatia, telling his audience some of these things. He indicated that next year agriculture, hitherto sadly neglected by the planners, will be in "the forefront of our problems" and that it is to receive a fairer share of the investment available. Although he stressed the importance of completing the "key projects" now under construction, he added that "we will not indulge in megalomaniac plans." Future planning will be based on "our country's possibilities." New factories will be built only if they are really essential and if 50 per cent of the raw materials they need can be provided inside the country. These are welcome signs that the Marshal's advisers are beginning to see the advantages of cutting one's coat according to the cloth available.

Danckwerts in Practice

The supplementary estimate implementing the Danckwerts award to general practitioners was voted in the House of Commons before the recess. But payment was always conditional upon the doctors agreeing to a new method of distributing the central pool, and the absence of debate on

the supplementary estimate does not mean that the working party's proposals (discussed in *The Economist* of June 14th) have lacked criticism. In the current issue of the *British Medical Journal*, Mr Marquand has given notice that the Opposition will seek an opportunity in the autumn of debating the proposals and putting forward "constructive criticisms." The declared opinion of the Parliamentary Labour party is that through the present Government's acceptance of the working party's report

a most valuable opportunity has been missed to better the general practitioner service to the public and to improve the standards of doctoring throughout the country. Moreover, the report fails adequately to improve the position of the young and poorer paid doctors having small lists of patients, and gives the greatest increase of payment to those who are already receiving higher rates of remuneration. Its proposals for the encouragement of group practice are grossly inadequate.

These criticisms obviously accord with general Labour sentiment. Success should not be rewarded, and individualism in enterprise should be discouraged. Between this view and the opposing view that there should be no restriction on earnings, the working party's proposals are a compromise which is apparently acceptable to most doctors. They should encourage partnerships, the nucleus of group practice—though it is far from certain that group practice is always and everywhere desirable. They provide for initial practice allowances to be paid to young doctors in under-doctored areas. They load the capitation fee by 10s. for patients on a doctor's list in excess of 500 and up to 1,500, and they abolish any payment for patients in excess of 3,500.

Presumably, the Labour party—and some doctors—would prefer to include the first 500 patients in the loading. But it can be assumed that doctors with very small lists—except the elderly for whom special provision is made—either do not depend on family doctoring in the health service for the bulk of their income or else are not successful. There must, surely, be some point at which it becomes financially unrewarding to be a bad doctor, and the point chosen by the working party seems reasonable.

Rises for Clerks

There have been sharp changes during the past two years in scales of office pay. The fifth biennial analysis of clerical salaries, undertaken by the Office Management Association,* shows that clerical salaries rose between March, 1950, and March, 1952, in much the same proportion as wage-rates; they about kept pace with the cost of living. Although these surveys in different years must not be compared with too much statistical precision, because of sampling differences, there is no reason to question this general result. Most offices have had to make at least one, and often two or even three, upward revisions to their salary scales in the last two years. Less foreseeable is the survey's indication that during the last two years the differentials in pay between men and women, and between the upper and lower grades, have at last stopped shrinking. Another change suggested by this survey is that the white collar is less attractive to boys leaving school than it was two years ago.

Salaries are recorded separately for different areas and industrial groups and for six grades of clerks, distinguished according to the skill and quality of work expected of them. In the lowest grade are the office boys and messengers; in the highest the supervisors, personal secretaries and cost accounting clerks who now earn on the average a little over £11 a week if they are men and £8 a week if they are women. Outside London, where salaries are naturally highest, there are no very marked regional differences in rates of pay.

* Clerical Salaries Analysis 1952. Office Management Association, 8, Hill Street, London, W.1. 68 pages. 25s.

Among industries, the highest salaries are recorded in metal manufacture and in the transport and chemical industries; in the distributive trades the pay is below average. Clerks in government offices, nationalised industries and banks are not included in the main survey, but their scales are summarised separately. Bank clerks are well at the top of the list. When he is twenty-five a male bank clerk gets nearly £2 a week more than a clerical officer in the civil service at the same age.

With the movement towards more standardised scales, it is perhaps surprising that the response to the last survey was less good than before—the number of clerks covered dropped from 73,000 to 56,000, although more offices were asked to take part. It would be a pity if this particular form-filling were found to be too irksome; the figures it provides—if not entirely comprehensive—fill a much-needed gap.

* * *

Lessons of American Farming

A study of American agriculture* by Mr A. N. Duckham, who was formerly the British agricultural attaché in Washington, contains some lessons for British farmers. The output per worker on farms in the north and west of the United States is much higher than in Britain, although the American average is dragged down by the large number of poor farms in the south. The American advantage lies in the field of farm management and labour economy. The key to greater efficiency has been the great advance in mechanisation in recent years. In the brief period since 1944, the number of grain combines and milking machines has more than doubled, while that of farm tractors has increased from 2,215,000 to 3,940,000.

A similar process has of course taken place in Britain. But the significant difference seems to be that American mechanisation is directed towards reducing labour costs (which are high) to a much greater extent than in Britain. Great attention has been paid to simplifying working routines and to improving working conditions, with the consequence that the regular farm worker is well paid and labour relations are good, apart from the treatment of migrant labour. Successful mechanisation is also aided by the close association between the motor-car and the farm-implement industries, and the good distributive and repair facilities which are thus available to the farmer.

The comparison is, however, by no means wholly unfavourable to British agriculture. In the United States, specialisation is pushed to the point where it is often inconsistent with good husbandry, whose requirements get much closer attention in Britain, to the ultimate benefit of the land. Many American methods of boosting output are quite unsuitable for use in a small island. Mr Duckham believes that the basic difference between the two countries lies in the attitudes of their agricultural populations. The American farmer and worker, spurred on by a successful pursuit of higher living standards and uninhibited by any sense of social inequality, display a degree of enterprise not matched in this country.

* * *

Europe's Farmers

Feather beds for farmers have been a feature of post-war Europe as well as of postwar Britain, even if they have lain somewhat less softly in the past year or two. Yet it has always been difficult to measure just how soft the feather beds were because of the lack of reliable data about farm incomes. A recent joint report by the Economic Commission for Europe and the Food and Agricultural Organisation† fills this gap to some extent. It attempts to show changes in

farm incomes from crops and livestock products in sixteen countries of Western Europe and in Czechoslovakia.

Two general points emerge. The first is that in the years just after the war prices for livestock products rose much more sharply than crop prices; but since 1950 the prewar relationship between prices in these two groups has begun to reappear. The second is that up to 1951 farm incomes from livestock products in almost every country rose much more sharply than the general level of wholesale prices when compared with prewar years. In at least half the countries farm incomes from crops also rose in the same period more sharply than wholesale prices. For both groups of agricultural products the period since 1951 has shown a smaller proportional rise than for wholesale prices. In short, it needed the commodity boom that occurred after the Korean war broke out to rectify the favoured position that European farmers enjoyed.

The results of this study, obtained by questionnaires submitted to various countries, must be treated with some reserve. It is difficult to obtain accurate information about the prices actually received by farmers, including subsidies and premiums; and there is also the technical problem of striking an average for a crop-year. Even comparisons between countries are suspect, because methods of compilation and definition vary from country to country. It is clear, none the less, that prices of crops (especially feed crops) have risen relatively more in those countries where livestock production is important. And it is precisely there—in Britain, Scandinavia and the Netherlands—that the farmer's lot has improved most since the war.

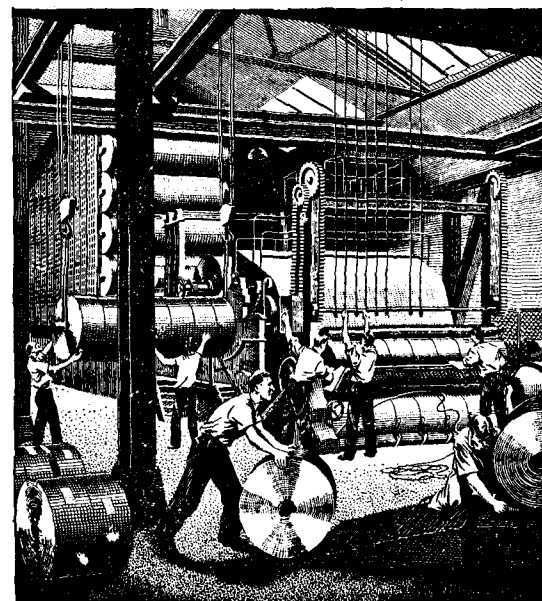
† Prices of Agricultural Products and Fertilisers in 1951-52—United Nations.

The State of Politics

Foreigners, the most intelligent, are apt to fall into strange errors respecting English politics. . . . The able and accomplished Editor of the *Debats* was in England during the late general election, and the conclusion at which he arrives is, "that the new English Parliament has neither principle, idea, nor doctrine: that the old mechanism of the constitution, government by parties, is broken up: that England can produce but negative majorities: that the Legislature is incapable, and Government of no use." We do not wonder that such impressions were produced on the mind of a stranger when he saw a Government holding power which was, and still is, admittedly in a minority, and when he saw an opposition forming a decided majority, but consisting of so many sections and with so little accord, that it is doubtful if by a little ingenuity the minority will not govern in spite of the majority. But the conclusions arrived at by the *Debats* are the reverse of the truth when the state of the English Parliament and English parties is looked at beneath the surface. . . . One of the great characteristic differences between the French and the English is, that the former have not the necessary patience to work out any system of government. . . . Representative government, no doubt, has its periods of difficulty like others. And it is only by patiently enduring them, trusting to the good sense of public opinion and a free Press, that all comes right in the long run, and that a country in the main makes great strides of progress from period to period. From some points of view, owing to the circumstances we have named, we look to be in a "fix"; but a little time and public opinion will soon unravel all our apparent incongruities and anomalies; and the more quickly and creditably, the less fastidiously public men adhere to their preconceived associations from personal considerations.

The Economist

August 14, 1852



a vital industry

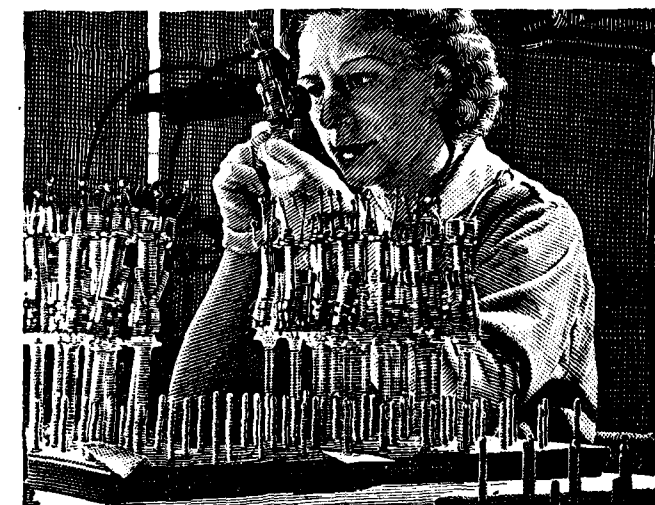
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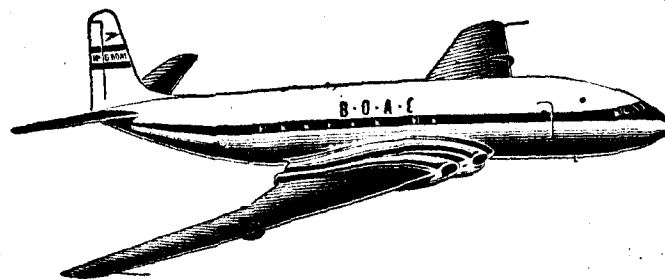
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Books and Publications

Royal History

King George V. His Life and Reign. By Harold Nicolson. Constable. 570 pages. 42s.

Uniformly good men are said to make dull heroes and an official biography of King George V might well have been an indispensable but ponderous compendium. It is therefore most fortunate that the task was entrusted to Mr Harold Nicolson, a master of all the arts and crafts of contemporary history and biography, a man, too, who has moved all his life in exalted circles and is not afraid to be amusing in the discharge of a task which would have kept humbler scribes continuously on their knees. His book is quite excellent. Not the least of its merits is its length, less than half as long as Sidney Lee's biography of Edward VII; yet no aspect of the subject is inadequately treated, for Mr Nicolson is a quick mover and, like a good card-player, knows what to discard. Equally admirable is the balance between "Life" and "Reign," biography and history, the man so simple and straightforward and the events so complex and multifarious. If ever we think we are getting submerged in the familiar history, we are brought back to biography with "The King viewed these developments with apprehension and wrote to his Prime Minister . . ." and there follows something that the best informed among us did not know and could not have known before.

The character of the King is well understood, though it has never before, perhaps, been delineated with such a combination of sympathy, candour and felicity. The peculiarity of the reign from the royal standpoint was the number of occasions which, in the course of a mere twenty-five years, raised problems of the nature, extent and limits of the royal prerogative in the political field. Bagehot said long ago that the reign of George III was "a sort of museum of the defects of a constitutional King." The reign of George V was a museum of exhibits of the opposite kind. On all of these exhibits Mr Nicolson throws fresh light, prefacing his account with an analytical survey of the subject which may come to be recognised as a classic text.

First there was the problem of the promise to create peers, if necessary, to ensure the passage of the Parliament Bill. Was Mr Asquith entitled to ask for such an undertaking before the election of December, 1910, or only after he had won it, and at what point was it proper that the undertaking should be made public? Then there was the demand of the Opposition that the King should in certain contingencies revive the royal veto at the expense of the Home Rule Bill. The contention seems, and perhaps was, absurd, but Unionists seriously argued that, by curtailing the powers of the House of Lords and refusing to implement their promise to reform that institution, the Liberal Government had brought the royal veto

back into the arena of practical politics. Then there was the problem of choosing a new Prime Minister—Curzon or Baldwin—created by the incapacitation of Mr Bonar Law, and the problem created by the break-up of the Labour government in 1931.

Needless to say the book abounds in memorable phrases:—Ramsay MacDonald "a blend of silk and tweed," for example. Minor matters such as ecclesiastical appointments are skilfully handled. As an illustration of the conscientiousness of all concerned in this particular line we are told of the number of persons of unimpeachable wisdom whose approval was secured before the vicar of St. Margaret's, Altrincham, was made a Dean. We are not told the name of this parson. The reader is left to guess it—an intelligence test.

China's Course

Revolution in China. By C. P. Fitzgerald. The Cresset Press. 290 pages. 21s.

Professor Fitzgerald has made a name for himself as a historian of China; his "China: A Short Cultural History" in the Cresset Historical Series is a standard work. With this background of knowledge of the remoter Chinese past he has undertaken the task of interpreting the very recent past and present of China—including events of which he was a close observer or even an eyewitness, for he was in Peking during the Kuomintang-Communist civil war and at the time of the Communist capture of the city.

The result of the combination of long-term perspective with overwhelming close-up fragmentary impression has not, however, been altogether satisfactory. There is wisdom and discernment in much that he has to say about the continuity in Chinese political attitudes from past times, and his account of his own direct observation of what happened in and around Peking is a valuable contribution to the record of those years. But Peking itself at the time was at the mercy of every kind of rumour and speculation about what was going on, and Mr Fitzgerald appears to have been unduly influenced in his judgment by the climate of opinion in the Chinese academic circles in which he moved—circles particularly prone to illusions about Communism, which in many cases have been discarded only when it is too late. The author came away from China with strong sympathies for the Chinese Communist cause and a tendency to explain away anything to its discredit; more recent events have apparently modified his outlook, but the new convictions have not entirely absorbed the old, so that there are curious inconsistencies and contradic-

tions between different parts of the book.

One of the crucial issues in any attempt to write a history of the Communist revolution in China is the assessment of the intention, extent and effect of the aid given by the Soviet Union to the Chinese Communists in Manchuria. Mr Fitzgerald's account of this aspect of the conflict is open to grave objection. He considers that Soviet policy in 1945 was not planned but improvised, and he argues that the fact that the Russians allowed the Kuomintang to take over certain Manchurian cities and looted Manchurian industry instead of handing it over intact to the Communists proves that they did not have at the time a policy of backing the Communists. He does not mention the collusive transfer of the Japanese arms stocks to the Communists or the Soviet blocking of landings, not only at Dairen, but also at Hulutao and Yingkow, which would have kept the Nationalists out of Manchuria altogether if they had not, nevertheless, succeeded in breaking through by the land route from Hopei.

Soviet policy was not so mysterious as Mr Fitzgerald makes it out to have been, if it is borne in mind that the Russians wished to make at least a show of observing the treaty with Chiang Kai-shek which they had just signed and were probably anxious also to provide for the contingency that the Chinese Communists would be defeated—after all, they could not know in advance that American policy would be what it turned out to be. The result of Soviet policy—and it is only reasonable to suppose that such also was its intention—was to give substantial, and perhaps decisive, aid to the Chinese Communists without committing the Soviet Union to any open intervention on their behalf.

In a final chapter Professor Fitzgerald foresees a "two-world era" in which the European-American and Russo-Chinese power blocs will contend for "marginal lands" without the prospect of decisive alterations to political system in their "base lands." This view of the future seems to have been shaped by the experience of the (so far) successfully localised Korean war, but the author assumes far too easily that similar conflicts in more important areas could likewise be kept within limits. It is unlikely that further violent advances of Communism in Asia can now occur without involving a major war, and it would certainly be foolish to suggest to the policy-makers in Moscow or Peking that they can raise the stakes without risk.

Defining Power

Power and Society. By H. D. Lasswell and A. Kaplan. Routledge and Kegan Paul. 295 pages. 23s.

Taking political science to be an empirical study in "the shaping and sharing of power," these two American authors attempt to provide a "con-

ceptual framework" for such an inquiry. Their essential task is to translate political abstractions such as "state" and "sovereignty" into observable relationships between individuals influencing and controlling each other. They are concerned to define suitable technical terms and to put forward propositions intended to facilitate research; they do not, however, set out to apply their apparatus to specific problems, nor to substantiate their propositions with supporting evidence. Ultimate judgments upon their proposals must, consequently, be deferred.

The authors begin by providing a terminology for describing the conduct of persons acting singly or in various groups. However, their basic concepts, "indulgence" and "deprivation," seem to be indistinguishable from the more familiar "utility" and "disutility" or even Bentham's "pleasure" and "pain." In the second, and perhaps most useful, part of the work, some sixty different types of power are distinguished according to the values on which power may be based (wealth, skill, respect, etc.) and according to the values over which it may be exercised. Finally, a distinction between formal power (authority) and effective power is elaborated, technical descriptions being supplied for the several groups exercising different forms of power and for the social structures within which they are employed.

If the virtue of a system of concepts lies in simplicity and clarity, this project hardly succeeds. Several terms are ambiguous; the definition of "power," for example, given in terms of participation in the making of decisions, is not supported by a satisfactory account of what "participation" means. Moreover, the authors' addiction to technical language makes their work difficult to use; there is some disproportion in an infant science so heavily shod. Nevertheless useful distinctions are made, and though the reader familiar with the work of Pareto, Tawney or Russell, for example, will be acquainted with many of them, the authors have done a service in supplementing them and in attempting to give them systematic expression.

Utopias and Eutopias

Welfare Economics in English Utopias.
By J. K. Fuz. Martinus Nijhoff. (The Hague.) 113 pages. 7 Guilders or 13s. 6d.

To an economist or a historian of economic thought Utopias are apt to provide no more than a byway for recreation or an occasional entertaining anticipation or parallel. Dr Fuz, selecting for study not even Utopias in general but that particular set of Utopias imagined in a single century, the seventeenth, may be thought to have narrowed his field beyond any possibility of fruitful cultivation; but in fact there emerges from his comparative research a surprisingly coherent body of thought, the more recognisably so from that very detachment from current events which the Utopian form provides. He distinguishes, very properly, between the

mere "Utopia of escape," which assumes away the existence of scarcity, and the "Utopia of realisation" which recognises it. Only the latter can conceivably interest an economist.

The seventeenth-century Utopians, from the near-Communist Winstanley to the arch-individualist Mandeville, recognised scarcity, but not as nineteenth-century thinkers did; in their preoccupation with unemployment and the development of unused resources they were far closer to our own day. There is, however, an enormous difference, not only to be ascribed to different degrees of knowledge; none of Dr Fuz's Utopias display what is almost the characteristic feature of current Utopianism, the conviction that the nations are impelled by a wind of history which, according to their wisdom or unwisdom, will drive them to rapid destruction or carry them on to whatever the propagandist regards as felicity. They do not proclaim "These things shall be." Today's Utopia is no longer, in Dr Fuz's words, the "creative leap into the future" of a few powerful imaginations; it is what ought to exist here and now if only we all had our rights, if only they, the others, were not such malignant fools.

Dr Fuz's evidently considerable labours have produced a pleasant and original book; but the English text ought to have been more thoroughly vetted and the proofs more rigorously read. An unusually agreeable piece of book production is marred by altogether too many misprints, misspellings, and understandable but irritating mishandlings of English idiom.

Twenty-One Years

Majority, 1931-1952. An Anthology of 21 Years of Publishing. Hamish Hamilton. 1,035 pages. 25s.

Mr Hamish Hamilton started publishing in 1931 and now he can look back upon twenty-one fruitful and (one must hope) profitable years. It cannot have been often that a young man, starting in the exacting trade of publisher at the bottom of a slump, has built himself so solid a reputation in so short a time.

"Majority" is a sample of his wares, and one of which he may justly be proud. It is, of course, a book to read in rather than to read, for the selections have been made (as Mr Hamilton hints in his preface) as much because they were of the right length as because they were the best things by these authors that have appeared under the same imprint. But it is a brave parade of names. Mr Hamilton has always specialised in books by journalists, especially foreign correspondents, and quite particularly Americans. They are here—John Gunther, Alan Moorehead, John Mason Brown, R. J. Cruikshank. There are also the representatives of that closely allied genus, the academics writing current history—D. W. Brogan, Sir Lewis Namier, A. J. P. Taylor. But it would be wrong to regard Mr Hamilton just as a "current affairs publisher"; he has Arthur Koestler, Harold Nicolson,

Angela Thirkell, James Thurber and Stephen Spender on his list. Even Bernard Shaw is there—in a Preface written for a re-issue of "Great Expectations." And there are many more who could not be squeezed into one cover.

On all this Mr Hamilton (who is the most human, the least parasitical, of publishers) deserves congratulation. The book, however, also most vividly reveals one thing that has happened to publishing in the past twenty-one years. It is very expensive.

Third Balkan War

The Origins of the War of 1914: Volume I. By Luigi Albertini. Translated and edited by Isabella M. Massey. Oxford University Press. 612 pages. 50s.

It has been estimated that the student of the origins of the first World War has at his disposal some 60,000 documents, but it has to be remembered that many important documents were not made public until a few years before the outbreak of the second World War. Among these was the collection of French documents published in the late thirties as a result of a campaign by French scholars who were indignant with the inadequacies of the French Yellow Book of 1914. The late Senator Albertini has written with the advantage of having seen many documents not seen by his precursors; his work was first published in Italian in 1942-3. He had the advantage of consultation, whether by correspondence or in conversation, with many of the leading personages involved, and was himself in a sense an actor as the editor of one of the world's most respected newspapers. The result is a work of first importance and its translation into English is greatly to be welcomed.

This first volume begins with the *Ausgleich* of 1867, which was one of the principal results of the defeat of Austria by Prussia in the preceding year. It carries the story down to the very eve of the Archduke's fatal visit to Bosnia. The emphasis throughout is on central European affairs, a useful corrective for the English student who is apt to concentrate on Anglo-German rivalry. The main theme of the volume is the creation at Berlin in 1878 of an order for eastern Europe and the overthrow of that order just thirty years later by Aehrenthal, when he annexed Bosnia-Herzegovina and renounced the Monarchy's rights in the Sanjak of Novibazar. The principal feature in the background is not the rise of the German Reich but the decline of the Ottoman Empire. In Austria-Hungary it was easy to suppose that the retreat of the Porte would be accompanied by a corresponding advance by the Austrians and the Hungarians, who had checked the Turks in the sixteenth century and contained them ever since. In fact, however, the Christian subject races of the Porte had other ideas, and the Habsburg Empire, deprived by the retreat of the Turks of its historic mission, became the principal casualty in a war which, though it developed into the first World War, started as the third Balkan War.

Mediterranean Strategy

The Struggle for the Mediterranean, 1939-45. By Raymond de Belot. Princeton University Press (London: Geoffrey Cumberlege.) 287 pages. 25s.

In this book Admiral Raymond de Belot succeeds in keeping a map of the whole Mediterranean constantly in front of the reader's eyes. Most war diaries and books on World War II are written from the point of view of one side or the other, but this French author has succeeded in presenting the events not only as viewed at the time by both sides, but also as seen in retrospect with the full knowledge of all the information made available since the war, particularly from the secret papers of the Axis powers.

The author does justice to both sides and a reader with an unbiased mind, be he British, French, German or Italian, will find that justice has been done to the achievements of his own nation, while at the same time there is sober appraisal of shortcomings or faulty strategy wherever they occur. A British reader, for example, will find praise for the Royal Navy and its ascendancy over an enemy superior in numbers on the sea and in the air. An Italian reader will find that justice is done to the courageous fighting of individual ships and individual men—in particular to the brave crews of the "human torpedoes" whose hazardous work achieved such brilliant success and such far-reaching results—and the fair-minded Italian reader will not dissent from the author's strictures on the Italian High Command and admirals in command at sea for their excessive caution and their preoccupation with the safety of their ships. British and French alike will appreciate the fairness and sympathy with which the author recounts the tragedy of Mers el Kebir.

The book is a valuable contribution to clear thinking on the strategic importance of the Mediterranean and the Middle East at the present time when these topics are of such public interest and the subject of Anglo-American controversy. Both the author and his skilled American translator, James A. Field, who has written an introduction to the book, share the British view, that control of the Mediterranean and the Middle East by the western powers would be vital to their success in war. They describe how Britain never wavered in its Mediterranean strategy in the recent war, and even ran great risks at home in order to maintain its hold upon the Middle East. The Axis powers, on the other hand, by faulty or hesitant strategy, failed to wrest the Mediterranean from Britain in spite of golden opportunities of doing so.

This is a most readable book containing intensely interesting descriptions of the main naval incidents such as Taranto, Matapan, the convoy actions, the struggles for Crete and Malta, and the landings in Sicily, Italy and Southern France. Each incident is seen in its true perspective against the background not only of the struggle for the Mediterranean but of the World War itself.

Letters to the Editor

Commonwealth Migration

Sir,—It is disappointing to find that the tendency for young people to migrate and to leave the elderly at home is still regarded as a serious obstacle to agreement on Commonwealth migration policy. If, as you suggest, an essential condition of migration were that "the Dominions must accept a cross-section of the British population" it would indeed be a formidable difficulty, since some degree of compulsion would be required to obtain the cross-section: and compulsion must surely be ruled out, at least at this stage.

But the condition postulated would only hold if the Dominions and ourselves were quite incapable of coming to an agreement on actuarial economics. Provided the receiving country and the home country can arrive at an agreed figure for the emigrant's "value," positive or negative, to the country he is leaving, it would be in the interests of both countries to make financial adjustments between themselves rather than to try to distort the natural pattern of migration. One method of assessing the emigrant's "value" would be to compare the current capital value of pension rights forgone with the current capital value of future insurance contributions lost to the country on the emigrant's departure. Under present conditions the latter would, on the average, exceed the former. The excess would indicate the size of the financial adjustment necessary. This might well take the form of a transfer of Government bonds (in normal circumstances, from the Dominions to the home country).

Such a scheme would enable the home government to regard the loss of young emigrants with no more concern than is now caused by the different population structures of Bath and Dagenham.

—Yours faithfully,
P. G. POWESLAND
Makerere College, Uganda

July Masquerade

Sir,—In your issue of August 2nd you write of housing generators in prefabs instead of brick cathedrals. It is interesting to compare present power station construction with the new oil refineries which are being built in this country. The essential parts of a power station are large enclosed furnaces containing pipes in which water is heated to convert it into steam, pipes to transport the water and steam and turbo-generators to transform the steam into electrical power; the processes all being operated automatically by instruments. The parts of an oil refinery are essentially the same, large enclosed furnaces containing pipes in which the oil is heated, pipes to transport it and, instead of generators, distillation vessels to break it up into its constituent parts; the processes all being operated automatically by instruments. Similar temperatures and pressures are used in both cases.

In the case of the power station, furnaces, piping, generators and the ancillaries are all housed, whereas the oil refining unit is not housed at all; the only buildings to be seen are small pump houses and an instrument panel room.

There is no doubt that a large part of a power station could be allowed to stand out in the open without any covering other than that which the units themselves provide and the resulting structures would be far less unsightly than many industrial plants. On the Continent and elsewhere where people are too realistically minded to attempt to build cathedrals to the greater glory of the electric motor (or industry for that matter) this is already being done to the greater saving of man-hours and materials.—Yours faithfully,

R. M. WYNNE-EDWARDS
London, W.1

Capital Transfers

Sir,—On page 353 of the issue of *The Economist* for August 9th, in referring to Britain's position in EPU, it is stated that the increase in July in the deficit is due partly to annual capital transfers to Holland after the completion of the financial years of the Shell and Unilever groups.

The financial year of the Unilever group ends at December 31st, and there are no annual capital transfers made to Holland; nor have there been any special transfers in the month of July or at any time during the current year. My board have asked me to bring this to your attention, as you appear to have been misinformed, and they feel that in a matter of this sort your readers should not be under any misapprehension.—Yours faithfully,

HUGH SAUNDERS,
Secretary, Unilever Limited
London, E.C.4

ILP Jubilee

Sir,—Since this is the Diamond Jubilee year of the Independent Labour Party, it is intended to stage an exhibition of documents, photographs, books, etc., showing the development and history of the party over the past sixty years. This exhibition will be first shown in Bradford, the birthplace of the party, and afterwards in Manchester and Glasgow.

We wish to make this exhibition as representative and informative as possible, and we would welcome the loan of any books, documents, letters, election addresses, handbills, etc., relating to the ILP at any period of its history. Those of your readers who are able to help may rest assured that great care will be taken of all material loaned, and this will be returned when the exhibition ends.

All material should be sent to me.—Yours faithfully,
G. W. STONE
ILP Office,
318, Regent's Park Road,
London, N.3

SWITZERLAND for ALL TASTES and ALL PURSES

The Swiss Franc is a "hard" currency. Its exchange value in "soft" money countries is very high. A Pound, for instance, only buys Swiss Francs 12.23, but 980 Francs in France and 1,740 Lire in Italy. Does this mean that holidays in Switzerland are dearer than elsewhere? Not at all. To begin with, **a hard currency tends to keep prices stable.** Furthermore, that they are in Switzerland not only stable but in every way competitive, is very clearly shown in a recent investigation made by the Swiss National Tourist Office.

Prices for transportation, accommodation and meals, as well as expenses incidental to travel, were examined on a uniform basis in 10 European countries. On the data obtained from altogether 10 countries (Switzerland and 9 others), 10 price categories were established, the first being the cheapest, the 10th the dearest. It was established that with regard to the cost of transportation—190 miles by rail—Switzerland belongs to the 6th category for 2nd class and the 5th for 3rd class travel. The price of 63 cts per litre of petrol (Fr. 2.86 per gallon) places Switzerland in a category considerably cheaper than that of four other European countries. At a medium class hotel in a large Swiss holiday resort, the price for dinner, bed and breakfast, including tips, is in the 4th category. In the case of an inclusive holiday arrangement for a minimum of 3 days, Switzerland is in the 5th category. Three-quarters of all hotels and inns in Switzerland belong to the middle and lower price categories. As to incidental expenses, 15 items were investigated and an average established for each country. As a result Switzerland was found to be in the very favourable 4th price category.

Adding to these reasonable prices the beauty and diversity of the scenery, the excellent service provided by the hotels, as well as the tourist organisations generally—features which are difficult to express in figures—the holiday maker will find that **Switzerland satisfies all tastes and purses.**

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AMERICAN SURVEY

Stevenson's Strategy

Washington, D.C.

THERE is more than a passing resemblance between what happened last month to Governor Adlai Stevenson, the recipient of the Democratic presidential nomination, and what has happened from time to time over the last few years to a handful of fortunate Americans who have won television and radio jackpots just by staying at home and tuning in to the right programmes. There they were, sitting in their shirt-sleeves in their living rooms, when the telephone bell rang and an exuberant voice said:

Do you happen, sir, to be watching your television set? You do? And are you by any chance enjoying the "Fortune's Favourite" programme? You are? Well, sir, can you give us the answer to this question: How many members were there of the original group of Blind Mice? How many, sir? Three? You're absolutely right, sir, and you have won the "Fortune's Favourite" cumulative prize of half a million dollars, together with thirty cases of Slosh, the Miracle Detergent!

The winner has reason enough to be gratified that, while those around him have been toiling to accumulate wealth, he has outdistanced them all without doing a hand's turn. But when the prize is delivered and the Slosh is stacked in his entrance hall he realises that he has acquired most of the anxieties which beset those who have become rich by more orthodox means. General Eisenhower had to work for the Republican nomination (although he did not work as long or as hard as did Senator Taft, who lost it), and when success crowned his pre-nomination campaign it was clear to all that the effort he had expended was nothing like the effort he would now need to expend. Mr Stevenson won the Democratic nomination without working for it; but from then on his comfortable shirt-sleeved evenings were over.

Both the candidates are moderates; and so each of them has as his first task the conciliation of the extremists within his party whose hopes and ambitions have been frustrated. General Eisenhower's most pressing job has been and still is to make peace with the Republican right wing without either surrendering his independence or appearing to have done so. Governor Stevenson's problem is to placate the Democratic left. He might also have had very serious trouble on the right, with the Southerners who have long exercised upon the Democratic party an influence wholly disproportionate to their numbers and abilities. But the evidence up to now is that the moderates who took control of the convention in order to nominate Governor Stevenson and Senator Sparkman of Alabama behaved with sufficient skill to make a new Dixiecrat rebellion look unpromising and unprofitable to the more realistic of the southern leaders.

There are still dissentients in some of the southern states. Governor Shivers of Texas is threatening to withhold his support unless Mr Stevenson embraces the doctrine that all off-shore oil is, and of right ought to be, the property of the states and not that of the federal government (a doctrine the Republican platform enunciated and the Democratic platform ignored). Mr Lumpkin, the ex-Governor of Mississippi, is leading a group of dissatisfied States-Righters down on the Delta. They say they like Ike; and the Associated Press reports that there are 54 southern newspapers—an unre-

cedented number—which have taken or are preparing to take the defiant step of recommending their readers to vote Republican. None of these phenomena, however, is as important as the vote of the Democrats in Georgia to go along with Governor Stevenson and the recommendation of Governor Byrnes to the Democrats of South Carolina that they should do the same. However, having told the state convention last week that he would vote for Mr Stevenson "if today were election day," but would not bind himself for the future, Mr Byrnes this week signed a petition designed to place General Eisenhower's name on the South Carolina ballot paper.

Where this embittered "on-again, off-again," leadership will get Governor Byrnes has yet to be shown. But the Republican strategy board in Denver is reported to have advised the General to scale down an earlier plan for a week-long campaign in the South, and to make instead a couple of speeches and then call it a day. If this report is true, the inference must be that the Republicans no longer entertain any substantial hope of picking up votes in the South and feel that the candidate's time will be better spent in the vital industrial states and the mid-western farm belt.

But, as Governor Stevenson's relations with the southern conservatives grow more cordial, those with the Negro voters strategically placed in big northern cities grow less so. Representative Adam Clayton Powell, the Negro Democratic Congressman from Harlem, made a fiery speech last week denouncing his party for its "ambiguous" civil rights plank and threatening a Negro boycott of the election unless the Democratic candidates take a more liberal stand. The threat may not mature. Nevertheless, there are liberals in important places, notably in New York, who will be affected by what is said or left unsaid by the candidates on the civil rights issue. The 580,000 New Yorkers who supported the local Liberal party last November could conceivably determine whether Governor Stevenson will win or lose all the state's 45 electoral votes.

★

These and other matters will have to be worked out by the Stevenson forces during the next few weeks. But they are all subsidiary to the main problem, which is the maintenance of the right (meaning the effective) relationship between the Governor, the prospective new leader of the Democratic party, and President Truman, the old but not yet superannuated leader. When, a month or two ago, Mr Truman was looking forward with relish to a 1948-style whistle-stop campaign in support of the new Democratic presidential candidate, he may well have assumed that the candidate would be unreservedly pleased and grateful. That it is not quite turning out this way is a reminder of the difficulties of political forecasting, even for a politician of Mr Truman's calibre.

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

There are two main reasons why the Governor cannot now indent for a Truman *tour de force*. One is that he will have to concentrate, during the relatively short time left, on making himself far better known to the average voter. It would be a bad mistake if Mr Truman were allowed to absorb too much of the available limelight. The other is the new Republican line, which alleges that the Governor is a "captive candidate" of the President and that his election would frustrate the widely felt desire for a real change in the government. This will have to be taken seriously.

By setting up his headquarters in Springfield, Illinois, by announcing his intention of being master in his own house, and by surrounding himself with lieutenants (Mr Stephen Mitchell, the Chicago lawyer and chief counsel to the committee investigating Mr Truman's Justice Department, now brought in to displace Mr Frank McKinney as chairman of the Democratic National Committee, Mr Wilson Wyatt and Representative Mike Monroney), none of whom bear any marks of identification as Truman Fair Dealers, Mr Stevenson has begun to establish his own independence. On the other hand, anything that looks like a feud or even a rift with Mr Truman will have to be avoided. Last Tuesday's meeting at the White House with the President and the Cabinet helped materially to dissipate that danger. Mr Truman, demonstrating once more that he is a veteran and a professional, had already announced that he regarded himself as "a private in the ranks." He is giving every sign of a readiness to co-operate with, and defer to the wishes of, Governor Stevenson.

The Democrats, in brief, appear to be acting with notably good sense and they appear to be notably well equipped to start the campaign. They sang a song at their convention about the prosperity twenty years of Democratic rule have brought to the farmers, factory workers and businessmen. "Don't Let 'em Take It Away!" the song was called, and it admonished the voters:

They'll promise you the sky,
They'll promise you the earth,
But what's a Republican promise worth?

Unlike the Republicans, the Democrats have a record to run on, and it is good enough, when all is taken into account, to be made into a campaign theme. They also have an attractive and accomplished candidate. On the basis of what has been said on both sides, even before the real public campaign has begun, it is difficult to doubt that Governor Stevenson will be capable of running oratorical rings around General Eisenhower. That does not guarantee him the victory, but the Republicans cannot believe that it is going to make their struggle any easier.

American Notes

Washington's Best Foot Foremost

However much Governor Stevenson may want to dissociate himself from Mr Truman's mistakes, he must stand on the Democrats' record, and Mr Truman is doing his best to put the Democrats' best foot foremost. The drought has given the Administration a chance to underline its sympathy for the farmer with ready cash; no delay is being tolerated in making disaster loans and, in one state at least, the order is, when in doubt, give the farmer the benefit of it. Maine, indeed, protests it is being offered loans it does not want. In addition, livestock farmers in Tennessee and Kentucky are being given direct federal aid to bring them cheap cattle feed.

The problem of how to deal with the rising cost of living, with political profit, if possible, is not so simple. The Presi-

dent has let it be known that he is watching prices with a view to taking the advice of the retiring Price Stabiliser, Mr Arnall, that he recall Congress and demand stronger control legislation, as he did in 1948. Then the refusal of a Republican Congress to act provided first-rate political ammunition. But this year even some Democrats are saying that prices are rising because the Administration has encouraged wage demands, not because of weaknesses in the law. The Administration itself is embarrassingly divided. Mr Brannan, the Secretary of Agriculture, pointing out that the South is not a major food-producing area, flatly contradicts Mr Arnall's prophecy that the drought will drive food prices up. Mr Putnam, the Economic Stabiliser, thinks Mr Arnall is too pessimistic in assuming the battle against rising prices was virtually lost when steel was given an increase of \$5.20 a ton. No one imagines that Congress, if it were recalled, would re-write an Act that is due to expire, in any case, next March, when a new Administration will be in power. Moreover, with this Congress (unlike that of 1948) nominally controlled by Democrats, it would not be easy, and would be only partly fair, to saddle the Republicans with responsibility for high prices. Governor Stevenson, whom Mr Truman has certainly consulted, may not consider this somewhat shop-soiled manoeuvre worth while.

Meanwhile, there is discreet tidying up of corners which Republicans feel merit a new broom. The Bureau of Internal Revenue is being reorganised after the tax scandals. The House group investigating the Department of Justice seems to be prudently folding its tents, but it has strongly urged Mr McGranery, the new Attorney-General, to restaff his department. This is all the easier because, unfortunately, few of the first-rate men in the department seem anxious to remain. Mr Perlman, the Solicitor-General, is an outstanding loss. But on the credit side is the departure of Mr Vanech, the Deputy Attorney-General, who had such difficulty in passing his bar examinations. Mr McGranery has also hired a private firm to survey the Office of Alien Property. This may have good results, and in the meantime it helps to frustrate the efforts of a Senate sub-committee to investigate charges of favouritism and excessive legal fees in the disposal of enemy property.

Sitting for the Senate

With the presidential nominations decided, the parties are now turning to the nomination of candidates for the House of Representatives, all of whose 435 members must be re-elected, and for the Senate. In addition to the 32 seats normally coming up there this year, there are another three seats vacant through death, in Kentucky, Nebraska and Connecticut. In the last-named there is as yet no sign of order in the chaos of candidates competing for the vacancy left by Senator McMahon's untimely death. Another important vacancy in the Senate has, however, already been filled for all practical purposes. Senator Connally, who is not standing again in Texas, will be succeeded by Mr Price Daniel, the State Attorney-General, for he was unopposed in the Democratic primary election for the Senatorial nomination and there is no likelihood of a Republican winning a Senatorial election in Texas.

Another state in which the Democratic nomination means automatic election is Tennessee, and here a Senator even more picturesque than Mr Connally, Mr McKellar, has just been ousted. The supposedly typical Southerner, beloved of cartoonists, with flowing hair and tie, frock coat and broad black hat, will soon have disappeared from Congress as he has from the world outside. In his 36 years in the Senate Mr McKellar was on the right side in some historic struggles, notably those on votes for women and on American participation in the United Nations. But he owed his reputation, or rather his notoriety, to his exploitation of the spoils system and to his brow-beating of witnesses before

Congressional committees, especially those representing the independent Tennessee Valley Authority, the only federal organisation in his state whose appointments he could not control. Mr McKellar relied on the support built up by long years of patronage to save his seat for him, and did little campaigning. This, and his age, 83, gave his opponents an opportunity of which Mr Albert Gore, a comparatively young Representative, took full advantage.

Mr McKellar's overwhelming defeat in the Tennessee Democratic primary was also a defeat for his friend, the state's political boss, Mr Crump, who had already been dealt a staggering blow four years ago when Mr Kefauver won the other Senatorial nomination for Tennessee. Another unlovely and shaky Democratic machine, in Missouri, also received a further blow in a Senatorial primary last week, and from the same source—an independent candidate who, like Mr Gore, went out and wooed the voters. This was Mr Stuart Symington, who showed the same energy in fighting his first political campaign in Mr Truman's home state as he had in fighting the President's battles in Washington, most recently as head of the Reconstruction Finance Corporation. But Mr Truman's loyalty to the organisation that gave him his start was greater than his loyalty to his colleague. Mr Symington's defeat of the machine candidate, by a large majority on a heavy poll, was a rebuff for the President but one that can do him little damage now. In Missouri the Democratic nomination does not mean election, and Mr Symington still has to knock out the incumbent Republican, Mr Kem, one of the least constructive members of the Senate.

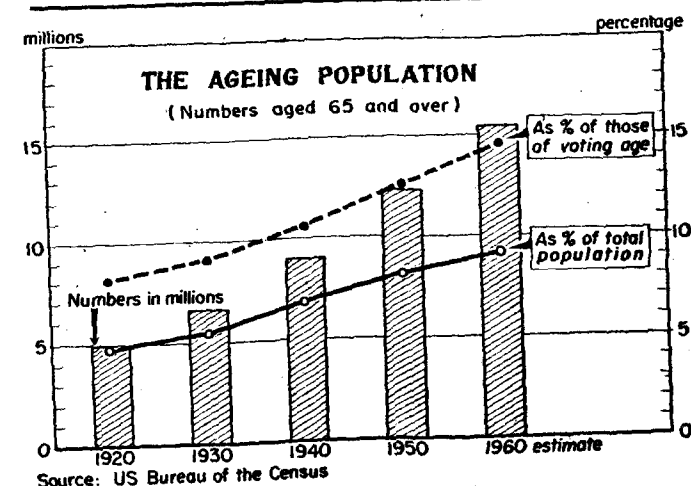
Senior Voters

General Eisenhower is learning the facts of political life fast. He has just spent the obligatory day at a Red Indian ceremonial, but of much greater consequence are America's "senior citizens," the euphemism for voters over 65 who now make up about 13 per cent of the electorate. General Eisenhower returned from his visit to California, a state whose climate brings it far more than its share of old people, with the news that he favoured legislation to lighten the burden of the high cost of living on the old folks, and that extension of the protection afforded to them was one of the reforms in the social security law which needed to be dealt with. With this statement the General was mending not only his own political fences—he will never be allowed to forget that he once said: "If all that Americans want is security, then they can go to prison"—but those of his party. For Republicans in the last Congress laid themselves open to the charge of being unkind to senior citizens by defeating, under pressure from the medical lobby, a Bill to raise benefits under the old age and survivors' insurance scheme.

Congress, however, came to its political senses in time to pass a similar Bill before it adjourned, without the clause relating to disabled persons which had offended the doctors, but with additional provisions, which will appeal to voters, for increased federal payments under the public assistance programme. It was to these rather than to insurance benefits that General Eisenhower was apparently referring when he advocated more aid for senior citizens. But if only public assistance goes up, the amount that an old person receives as a right, by virtue of past insurance payments, will fall below the amount that he might receive as a charity. There are wide variations under both schemes, but the average insurance benefit to a single pensioner is now \$42 a month and the average payment for a needy, blind or disabled person, or a dependent child, is \$45 a month.

About 5 million such persons now receive public assistance and the federal government's higher contribution, an addition of \$5 a month for each recipient of aid (except children, who get only \$3 more), will cost about

\$250 million a year; the total federal cost of the programme in 1951 was \$1.2 billion. Another 4.5 million widows and retired people over 65 will also, as a result of the new Bill, begin to receive increased payments under the insurance scheme in October, just in time for the election. The average rise will be about \$6 a month and these increases



will cost about \$300 million a year. The insurance fund is large enough to carry this increase, for many years at least, and also the additional demands that will be put upon it as the number of persons of pensionable age mounts—by about 30 per cent by 1960. The rising number of old people may, however, put a strain on the public assistance programme, which is financed through taxation, and General Eisenhower, if he is elected, may find it hard to reconcile his promise to the country's senior voters with his promise to reduce the national deficit.

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Austerity in the Air?

Civilians on the Aircraft Production Board, created just a year ago by Mr Charles Wilson to clear the obstacles out of the way of the aircraft programme, have just launched their first rocket. The deputy director, in a recent talk which has become public property, has strongly urged the Air Force and the Navy to get together and agree on a single aircraft for each job, to abandon production of other models, and concentrate all resources on a few outstanding types. In his view, this would speed up production and assure a higher proportion of modern aircraft in the 143-group force which it is hoped to have in existence by the middle of 1955. He even submitted a list of the models which he felt should be dropped, and of those whose production should be increased.

Military members of the board were taken aback by this civilian assault, and the aircraft industry does not conceal its alarm. The industry fears another period of contract cancellation and change similar to that which accompanied the stretching out of the defence programme last winter. It is an old complaint of civilian administrators that the military cannot make up their minds what they want and are unduly reluctant to freeze models so that mass production can get under way. The forces have until the middle of September to reply, but Mr Lovett, the Secretary of Defence, has already somewhat heatedly retorted that the moment has not yet arrived when it would be safe to abandon experimenting in the interests of economy or production. The Air Force likes to have some insurance in the shape of a second type in case the first is a disappointment.

The production board has no power to force the services to weed out their aircraft. But Congress is already very critical of the waste, duplication, and inefficiency which persist despite the nominal unification of the services. The new powers over procurement given to Mr Small, the chairman of the Munitions Board, are designed to appease the critics and head off demands for a "procurement czar" in the Department of Defence. However defiant the Air Force may feel, it knows it will have to practise more austerity if it is to reach its goal by 1955, and the likelihood is that some models will be eliminated, even though they may not be as many, or exactly the ones the APB favours.

Lifting the Housing Lid

It now seems certain that government controls over housing credit will follow those over consumer credit into the wastepaper basket on October 1st. This is what the Defence Production Act requires if the number of houses started in three consecutive months, on a seasonally adjusted basis, falls below an annual rate of 1,200,000 a year. The figure for June is 106,000 and when allowance is made for

the high summer rate of activity, it is below the very high rate fixed by Congress. The totals for July and August are expected to be lower. It does not, however, follow that any borrower can buy a house with a nominal 5 per cent deposit. Private lenders will continue to demand much more and so may the Federal Housing Administration.

Should the number of houses started soar up again to an annual rate of 1,200,000, controls can be reimposed. But this rate was exceeded only in the boom year of 1950 and most housing experts believe that the edge has now been taken off the postwar thirst for houses. In the past five and a half years nearly 6,000,000 non-farm homes have been started. What acute need remains is among the poor who cannot afford commercial rents. On this score, however, the House of Representatives, which was quite willing to vote another billion dollars or so for government purchase of mortgages, stood firm; it refused to finance the building of more than 5,000 public housing units this year. Not more than 10 per cent of these may go to any single state. New York, for example, which has plans for over 10,000 units it wants to build, will receive Federal aid for only 500.

Although the number of houses started in the first six months of this year is slightly below the first half of 1951, construction as a whole has never been greater, either in value or physical volume. This is due primarily to government contracts for military and atomic projects and to industrial expansion, and the Federal Reserve Board sees no reason, though housing officials disagree, why credit controls on commercial construction should not be swept away with those on home building. Except in critical defence areas, where accommodation is strained by an influx of defence workers, federal rent controls also will be lifted on September 30th from the homes in which more than 50 million people live. The Defence Production Act provided that it might be extended only if local communities so requested.

Shorter Notes

Fourteen Californian Communists, who took charge of the party in the United States after its leaders were sent to jail last year, have also now been found guilty, under the Smith Act like their predecessors, of conspiring to teach and advocate the overthrow of the government by force. They have all been given the maximum sentence of five years in jail and a fine of \$10,000, but are expected to appeal.

The first official estimate of this year's cotton crop puts it at 14,735,000 bales, compared with an output of 15,144,000 last year. The calculation does not make full allowance for the drought in the South, but it is unlikely that the Department of Agriculture has run any risk of overestimating the crop this year in view of the trouble it got into when it did so last year. Combined export and domestic demands are put at about 14 million bales and the carryover for last season, one of the smallest for many years, at 2.5 million bales.

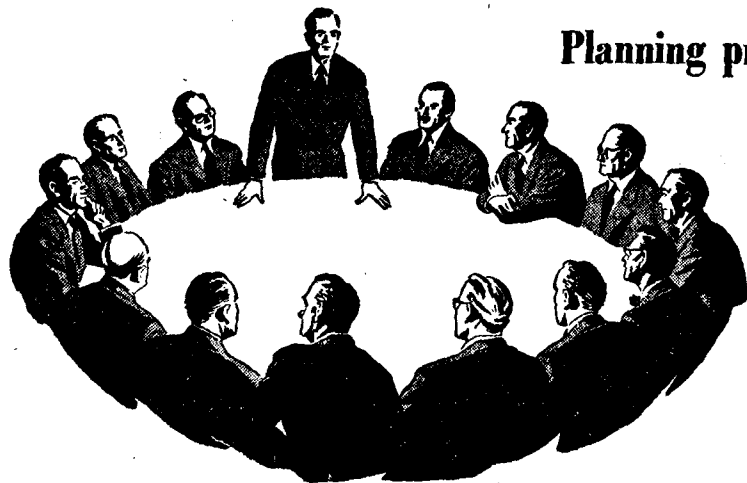
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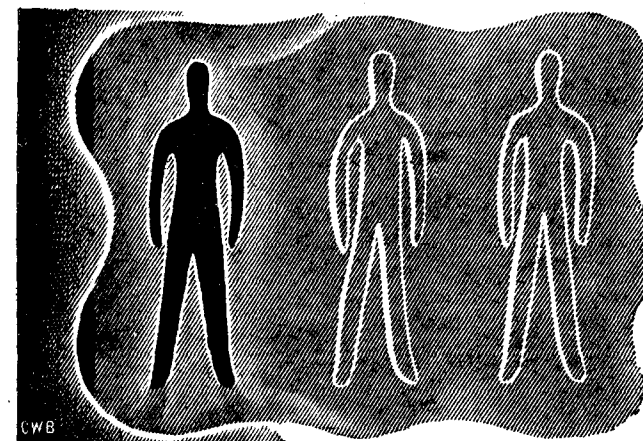
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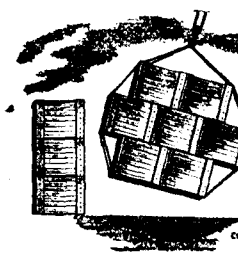
The Indian peasant crouching over his fire of dried cow dung; the Mexican peon shuffling along dusty tracks to his water hole; the Egyptian fellah trudging behind his water buffalo; the African tribesman squatting in his mud hut — these are typical of the living standards endured by 2 out of 3 of the world's population today. This is the measure of the task before the industrial west. With a world population increasing at a rate of over 20,000,000 a year, living standards in backward regions cannot be raised quickly without electrical power — power that can be applied to the machine. And until the living standards

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THE WORLD OVERSEAS

"Defiance" in South Africa

(From Our Johannesburg Correspondent)

BY August 8th, 1,968 persons had been arrested in South Africa for breaking *apartheid* laws since the defiance campaign began on June 26th. The resisters' technique has become almost stereotyped. A group of Africans, sometimes with an Indian leader or two, approach a railway station or post office (but post offices have fallen out of favour since a Port Elizabeth magistrate ruled that *apartheid* did not apply to post offices and therefore no laws were being broken there). They approach openly, and make for the entrance marked "For Europeans Only." The men (and sometimes women as well) wear on their arms the band of the African National Congress, which has three colours, green, black and gold (green for the country, black for the people, gold for the country's wealth). Waiting for them are several European policemen, usually armed with revolvers or, where a really big demonstration is expected, with rifles also. The "defiers" seek to pass through the "whites only" entrance. The police stop and formally caution them. The resisters announce their intention of proceeding. The police then arrest them. Another gambit is for groups of Africans to parade in orderly fashion through the streets after curfew hour—without passes. In their anxiety to be arrested they nearly always forewarn the authorities of their intentions.

The sequel is not always as quiet as the arrests have invariably been. At Port Elizabeth, and also at Grahamstown, police with batons charged a crowd of Africans, estimated in each instance at about 200, who had congregated outside the court where "defiers" were being tried. On both occasions, a number of people were injured. These police baton charges have recently become a regular feature of South African life. The police have come in for a great deal of criticism, even from persons who are not in sympathy with the "defiers." The Minister of Justice, Mr Charles Swart, has brushed these criticisms aside, and the Government resolutely refuses to hold any inquiry into police behaviour. Mr Swart declares that he is determined to stamp out violence. But unfortunately for this argument, the "defiers" have so far been impeccably non-violent: all the violence has come from the side of the police.

White Opinion Disgusted

These police charges have undoubtedly disgusted a section of white public opinion. This may be the intention of the organisers of the defiance campaign. They have concentrated cautiously on the coastal towns, like East London and Port Elizabeth, and the inland oases of scholastic peace like Grahamstown, where violent scenes are seldom witnessed. Although the campaign started in Johannesburg, the organisers have since left the stormy Witwatersrand severely alone. They may be saving it up for their (still undated) grand finale. But, even where there is no violence, people have become weary of the sight of large numbers of native men and women surrendering themselves to arrest and being herded into huge police vans. There is something offensive to decent instincts about the very passiveness of those arrested; a thing the wily organisers have probably also counted on for discrediting the Government and the police. And, of course, there is the guilty knowledge that the men and women being herded into the police vans have not committed much of an offence: it is only since the present Government came to power that *apartheid* has become a

law and breaking it a crime. Before that it was only "segregation," enforced by custom.

This aspect of the matter worries the Government too, but for a different reason. Mr Swart is plainly itching for the power to impose much heavier sentences on the "defiers" than their minor technical offences justify under the law as it stands. The sentence is a fine of £1, or sometimes £8 in cases of "trespass," with the alternative of a few days in prison. The "defiers," being pledged to "fill the jails," refuse to pay the fines. At first the courts ordered that, whether they elected to pay or not, whatever money they had on their persons should be seized and paid in as fines. Now the "defiers" are careful to carry no money.

The *Oosterlig*, a Nationalist newspaper published in Port Elizabeth, has its own interpretation of these events, and its own suggested remedy. "The great majority (of the resisters)," it declares angrily, "are without shelter. They find prison a pleasant abode. These people only understand the lash." If it were so, it would be a revealing commentary on the conditions of the majority of the Africans in such prosperous little towns as Port Elizabeth and East London (where in fact the squalid "locations" do harbour thousands of homeless families). But some at least of the "defiers" are comparatively well to do, educated people like Mrs Nompie Njongwe, the wife of one of the African National Congress leaders.

Mass Police Raids

Africans always crowd into court when resisters come up for sentence. When the resisters appear in the dock, the friends in court give them the African National Congress sign (clenched fist, thumb up) and call out the Congress slogan: "Africa!" The resisters return the sign and the cry. There is no doubt what their feelings are: they are virtuous, uplifted fighters in a virtuous cause. Smilingly, they tell the unhappy magistrate (who may have his own feelings about *apartheid*): "The *apartheid* laws insult human dignity"; or they ask pointedly: "How would you like your children to be made to carry passes?"

The patience of the police, never strong when dealing with non-Europeans, is wearing thin. Mass raids, rather clumsily deployed, have been carried out on the homes and offices of Congress leaders. The police said they were looking for documents containing evidence of "Communist conspiracy." Pressmen were warned off and threatened with arrest for "obstructing" the police. Dr James Moroka, president of the African National Congress, whose Bloemfontein home was raided, remained unperturbed. "They will find no such evidence," he declared. "We have no secrets." But the fact remains that the defiance campaign has a good deal of Communist as well as Gandhiist inspiration. Dr Moroka is largely a benevolent figurehead. The real leaders have ideas in advance of his somewhat naive recipe for a "fully democratic South Africa with equal rights for all." They are conscientiously whipping up a black nationalism as potent for mischief as Dr Malan's brand of white herrenvolkism. This is quite obvious to "moderate" non-Europeans. But the "moderates" now find that they have to go with the popular tide.

Suppression is the Government's simple remedy: how to apply it is proving more difficult. Fines have been

increased; but the resisters are in any case pledged not to pay fines. They want to "fill the jails." The rank-and-file have worked out a technique for not suffering unduly. One African said frankly to his employer: "Next week I'm on call for arrest. Can my cousin take my job until I come out again?" He added cheerfully: "Then I can get my job back and it will be his turn to go to prison." Many employers are reluctant to sack resisters: they are already half won over to sympathy with their cause. *Apartheid* in principle has a good deal of support among white South Africans, but not *apartheid* in the clumsy, pin-pricking way the Government is applying it.

The Government is now experimenting with flogging instead of trying to impose a fine. Resisters under the age of 21 are to be flogged. This treatment may well be extended if the campaign goes on. Staunch Nationalists are all in favour of it. But lashings are unlikely to deter the resisters. When they volunteer, they know that in any case they stand a fair chance of being knocked about by the police (usually explained away as "tripping on the stairs leading down to the cells" or "falling against the corner of a table in the charge office"). The flow of volunteers shows little sign of drying up.

The million or more Cape Coloureds have so far stood aloof from the defiance campaign. But they are thoroughly resentful of the Government's determination to deprive them of their cherished common roll voting privilege. At present they are still trying, through the courts, to arrest this legislation. If they finally fail it is quite likely that many will decide to join the resistance campaign.

Meanwhile, almost every day, somewhere in South Africa, another few scores of Africans march to a railway station, or parade without passes after curfew. The police vans arrive. The marchers are bundled inside and driven off. A few more white eye-witnesses feel the dangerous tremor of self-disgust. Crowds of Africans continue to pray and to sing their melancholy songs outside the courts and jails, or, exultantly, to greet the arrested with the thumbs-up sign and the shout of "Africa!" There is little doubt which section in South Africa feels that, if it has not yet got might on its side, it has right. The dispossessed have found a powerful totem: nationalism. It has turned out not to be Dr Malan's sole patent after all.

Rivalry over the Saar

OF all the questions that confront postwar Western Europe, few have generated more confusion and heat than that of the Saar's future. At the Moscow conference of 1946 Britain and the United States agreed that the territory should be politically detached from Germany and economically attached to France. The Saar Statute later gave constitutional form to this formula. The biggest of the steelworks were requisitioned by France in agreement with the Inter-Allied Reparations Agency, but their ownership is still in doubt. The coalmines were leased to France for fifty years. The territory was included in the French monetary sphere, and a French Commissioner has exercised political control which has been progressively loosened over the past few years.

From a strictly legal point of view indefinite postponement of a decision about the Saar's future can be justified. The Potsdam agreement left it to the signatories of a four-power treaty with Germany, and such a treaty seems as distant as ever. But the French Foreign Minister has recently suggested that France and Germany should themselves settle this dispute at once by agreeing to "Europeanise" the territory as the first step toward the federation of Western Europe. M. Schuman is said to feel that all projects for West European co-operation are in jeopardy until this irritant is removed. Moreover, some move was needed because the Bonn Govern-

ment will bring before the next meeting of the Council of Europe in September a motion about the lack of democratic freedom in the Saar, unless Germany receives some satisfaction from France in the meantime.

Closer examination of both the French and German views on this question will show why an amicable solution is proving so difficult. They can be ascertained only roughly, because the periodic negotiations between M. Schuman and Professor Hallstein, German Secretary for Foreign Affairs, have so far been conducted in secret.

The French Case

Saarbruecken.—The French propose that this might become the headquarters of the Schuman coal-steel pool. In offering to accept a German-speaking town as Europe's District of Columbia they consider they have made a generous gesture. The national inclination is to select a French town; but this proposal reflects, they say, their free acknowledgement that Germany is bound to play a dominant role in a West European community. Mindful of Germany's record, they feel that victims of German militarism are showing a generous willingness to abandon reasonable suspicions and give the nation its rightful place in the new partnership.

European Authority.—Although they have not said so officially, the French are believed to be ready to transfer what remains of their political jurisdiction over the Saar to the European political authority proposed by M. Schuman, or to an interim international commission. The French are not prepared to incorporate any portion of French territory in a Europeanised Saar.

Elections.—Their attitude towards the German demand for free elections in the Saar is affected by their desire that the territory shall be "Europeanised." They seem to accept elections with pro-German parties taking part fully and freely—for the first time since the war. But they want the elections to take place with everybody understanding clearly that the Saar is to be "Europeanised," and for that a prior Franco-German agreement to this effect is needed. It is ridiculous, they argue, to give power of veto in a great international problem to a group of small towns and villages. Self-determination in the Saar is Wilsonianism pushed to a crazy extreme; once admit the principle that decisions of the states that have set up the Schuman pool are subject to approval by small communities affected by them, and the work of the High Authority—or, indeed, of any future political authority—becomes impossible. The French strongly oppose a referendum, and they regard the present clamour in Germany for free elections as an effort to embarrass France and as a bargaining counter to get more concessions.

Ownership of Coal and Steel.—The French intend to keep their hold on the territory's coal and steel resources, for that is the chief guarantee that France enters the coal-steel pool having industrial "parity" with Western Germany.

Economic Union with France.—They show no inclination at present to give up the fiscal and customs union with the Saar. The Saar makes a valuable contribution to the French balance of payments. If the coal-steel pool works smoothly, customs barriers against coal will disappear automatically in five months, and those against steel in eight months. This would presumably leave manufactured goods and agricultural products subject to tariff and quota restrictions until the complete economic federation of Western Europe is achieved.

The German Case

"The Saar is German."—All Germans regard the territory as part of Germany. They have no more renounced their claims to it than to the eastern territories. To renounce either area would be an act that nationalists could exploit to bring down any freely elected government responsible for it. Disappointment at the failure to attain German unity has increased the sensitiveness of West Germans in this matter.

Schweppshire Post, 1952

'Post's' Peephole
on Schweppshire
in Shirtsleeves

Happy
Holidays
are
Here!

HOPS DESTROYED BY LIGHTNING

CROWD WASHED OUT

By Freak Storm
SEA SCOUTS MAROONED IN COVE

Crops are now past salvation in many parts of Schweppshire. The holiday sporting programme has been ruined and the roads were crowded yesterday with disappointed holiday-makers trooping back from flooded coastal resorts and bathing beaches where giant waves have wrecked bathing huts and spread an amazing melée of condemned slot machines, deck quoits, old second-hand bathing

towels and retired naval men five hundred yards inland.

Setting Lotion in Cream Buns

RESORTS WARNED

Many little ones were taken to hospital after the Orphans' Outing last Wednesday. Each had eaten only fifteen of these confections when the leader of the troop complained that she was unable to remove her Brownie sombrero.

GRISLY FIND

IN FESTIVAL
"WELL OF TRUTH"

Human Jawbone lodged in Wall.

Foul Play Suspected

Amateur detectives were wondering whether there was any connection between this incident and the finding of an unidentified gold tooth in a margarine tin in Schwepton Mallet Reservoir.

Bungalow Blaze

NEXT TO PETROL STORE

Dissatisfied bathing-machine attendants have put the charming little coves of East Schweppshire under a

QUADRUPLE CRASH

HOLIDAY CHARABANC BUCKLED

Boy Buried Head Down in Sand Castle—Will Survive

Four hours' artificial respiration were administered to Tony Rössl, recently cut out of wealthy uncle's will. Ailing Rössl had earlier been shaken when with thirteen other little ones he narrowly escaped cliff fall on Lido of Schweppington-Schwuper-Mare.

INSPECTOR STRAIGHTLEFT No. 483

MORRIS DANCING

round
Schweppherd's Bush

In Midsummer Months the Holland House (Acton) Society moves from leafy Lime Grove for the green oasis in whose greater spaciousness the difficult 5/4 and complex 10/66 rhythms are interestingly attempted (G. Schwart, F.R.Z.S. on right)

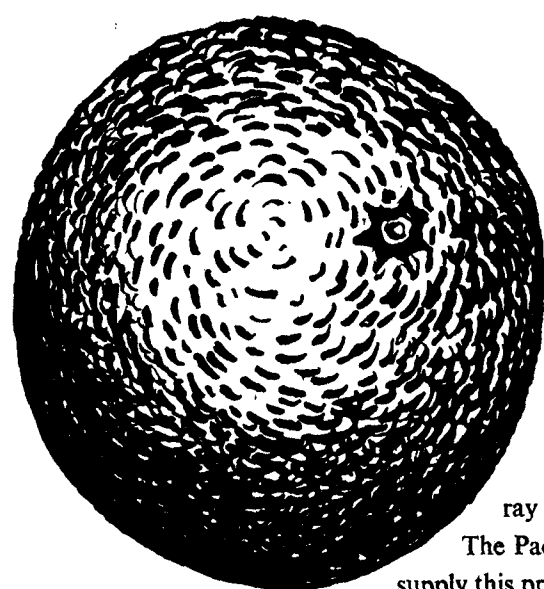
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Written by Stephen Potter. Drawn by Lewitt-Him



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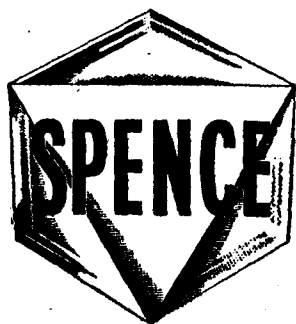


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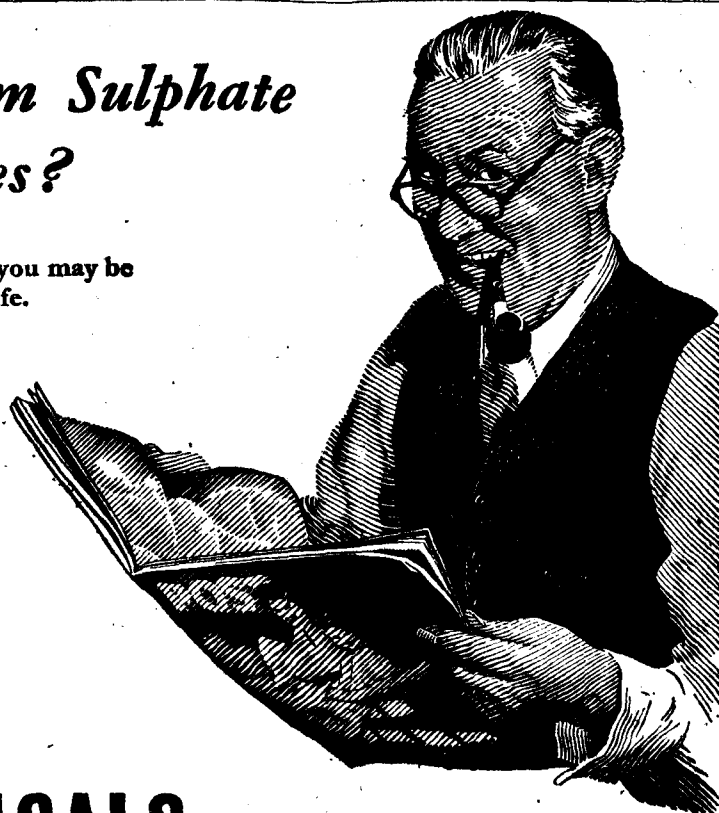
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Sober Thought on Egypt's Finances

"ONE of our first objectives," said Aly Maher last week, "is to stabilise our finances and economy on a solid basis, and," he added, "in sincere collaboration with the foreigner." Most Egyptian newspapers, however nationalist, gave prominence even to the final phrase. Sobriety is in the air. The time has come for it, for the deterioration of Egypt's internal financial position during the budget year that ended on June 30th was considerable. Some of it was caused by circumstances beyond local control; the fall in the world demand for textile fibres, for instance, has hit all countries that depend on cotton or wool for prosperity.

But it could have been foreseen that the high price level caused by world stockpiling in 1950 was not eternal; the greater part of Egypt's distress must be put down to bad management. The prime example of this is well known: it was the Wafd government's bid to save the pockets of a few speculating party members and supporters at the expense of the Egyptian treasury. By fixing minimum cotton prices at a level which it hoped would save its friends, it threw the Egyptian price level out of all relation to the world level, clogged Egyptian warehouses and imposed upon Egyptian governments in two successive years the necessity for buying an unwanted commodity in order to hold the market and prevent collapse at home. A second sample of heedless management was the disregard for the cost of pursuing Egypt's "national aspirations"; between October, 1951 and mid-1952 the Wafd's anti-British campaign entailed the expenditure of some £12 million in compensation to Egyptians whom it caused in one way or another to lose wages or property. The cash cost was not counted at the time, but needs to be weighed now.

Foreigners Scared Away

Any man who sets out to straighten Egypt's finances and economy must realise that he faces two vital tasks, the first of which is nearly insoluble. How is he to improve the lot of a population that has doubled in the last 15 years, and that is still rising at a rate that is causing the national income per head to drop and the acreage of land per family to fall year by year and decade by decade? Ordinary expenditure on improvement never stems the rising tide. In a country that is fast becoming aware of the unfairness of the distribution of local wealth, every financial measure taken to improve the state of the exchequer must now be weighed in the light of its social repercussions. The second task is to persuade peasants who are instinctive cotton-growers, but otherwise ignorant people, to produce more of commodities other than cotton, so as to enable them to stand up when need be to the buffets of inflation and of world trade. Cotton possibilities apart, local agricultural production is on the down-grade. The production of maize, the fellah's main food, was lower in the 1940s than in the 1920s; sugar production, which met the local demand till 1949, is now 30 per cent below it. Wheat yield figures tell the same story; last year Egypt imported nearly as much as it grew.

Industrial productivity at present holds little hope of restoring the balance because, congenitally, the Egyptian investor likes to sink his capital in ventures entirely within his personal control—land or houses—out of which he hopes to squeeze a 20-30 per cent dividend. Stocks and shares in other men's companies he deems to be neither promising nor safe. The foreigner, once the chief source of investment in industry, has spurned Egypt ever since the nationalistic company law of 1947 decreed that local companies must be primarily Egyptian as to management, staff and capital.

Looking immediately ahead in the light of these facts, Egypt's internal finances, though shaking, do not seem to be

This attitude has led, very understandably, to the suggestion from an official source in Bonn that the French should make a territorial sacrifice to the European ideal by Europeanising a portion of Lorraine.

Dr Schumacher's View.—The extreme nationalist case was vividly stated this week by the Social Democrat leader. The Bonn Government, he said, is not entitled to cede German territory such as the Saar either to France or to any European group. To do so would be to follow the example of the East German Communist régime, which has abandoned claims to territories beyond the Oder-Neisse line.

Demand for Free Elections.—Pro-German parties in the territory have hitherto been prevented from organising. Western Germany asks that freedom for all parties should be restored in time for them to organise and campaign before elections. This demand is heard in all quarters, ranging from die-hard nationalists to moderates like Dr Adenauer. Indeed, he asserts that the democracies should follow their own precepts, among which is the right to self-determination. "I must press," the Chancellor has said, "that the final decision must belong to the Saar. Only free elections can give any value to decisions about the Europeanisation of the Saar."

Economic Proposals.—If the German Government formulates its other demands, they are likely to include points made in proposals for Europeanisation put forward a few weeks ago by pro-German Social Democrats in the Saar. They suggest:

(i) that the customs union with France be abolished in favour of complete freedom for imports and exports between the Saar and other members of the Council of Europe.

(ii) that the French transfer the administration of the Saar mines to a European body and make them European property;

(iii) that a European currency be established within the framework of the European Payments Union which would become the currency for the Saar.

Inequality of Sacrifice.—The Germans maintain that the French seek from them an unequal sacrifice for the European ideal. Germany is asked to renounce the Saar permanently—in return for what? An act of political renunciation by the French—it is true—and the placing of the Saar under European authority; but their economic domination is to continue through the Saar's economic union with France and through French control of the territory's coal and steel, until the day when total federation erases all economic boundaries.

Horse-Trading instead of Gestures

The Germans entirely ignore the "intangibles," such as the French proposal to make Saarbrücken a West European capital. Such concessions might have satisfied them five years ago when they were still numb with defeat and the nationalist spirit lay dormant. (Guilt they have never felt.) Today most Germans are conscious only of their economic recovery, their mounting strength and prestige, and the fact that the Federal Republic has been promised treatment as an equal and free partner. They feel, therefore, that negotiations should be on a straight horse-trading basis. Moreover, they feel time is on their side; if Europeanisation can be put off a little longer, then the Saar will be drawn from the soft franc zone into the hard mark area.

The French are infuriated by German failure to recognise their concessions for what they are. They also suspect that the Germans are half-hearted about European unity, especially when it involves any sacrifice on their part. The Germans are equally resentful that the French have failed to acknowledge the sacrifice Germany is asked to make. In Dr Adenauer's words:

If we Germans accept the Europeanisation of the Saar with the reservation as to the Saar population's approval, we shall have made a sacrifice which should be recognised. This is the clash of interest and emotions that has to be overcome if the business of European unity is to go ahead. What solution is possible will be the subject of a further article.

beyond restoration to the comparatively superior level of two years ago. This, though it left a good deal to be desired from a sociological standpoint, at least spelt solvency. In 1950-51 revenue amounted to £191.8 million and expenditure to £190.2 million, the principal sources of the former being £93.2 million from customs and excise, and £24 million from direct taxation on land, property and income. Principal outgoings were £30 million on education, which has become a laudably heavy item now that it is free, and—as has become customary in the years since the Palestine war—just under £50 million on the armed forces. (Ten years earlier total budgetary expenditure was only £46 million.) But it should be noted that the 1951-52 budget surplus was, as were similar and rather larger “savings” in the ten previous years, made up of unspent allocations on works designed to improve the lot of the poor man. Such “savings” totalled £20.7 million in 1951-52 and £71 million over the five years beginning in July, 1946. They were pumped into a so-called Reserve Fund which has proved a boon to governments in need of money for ventures that do not appear in ordinary budgets. Thus the system of state budgeting which prevailed till last year was, though orthodox, inadequate if weighed by social standards.

Financial management in the year 1951-52 was wanting on both grounds. Cotton exports fell by 700,000 bales or to almost half their 1950-51 level and a main source of revenue—the cotton export tax—therefore fell away; the government that took over after the January riots was obliged to cancel duties, notably on kerosene and sugar, in order to enable the poor to compete with the cost of living; the swift changes of government led to uncertainty of tenure and loss of morale in the civil service, with the result that tax collection became defective. Arrears are said currently to amount to £18 million. For all these reasons revenue fell off. Simultaneously, expenditure rose; the government bought cotton on contract to the tune of £30 million; it spent £7 million on compensation to Canal Zone workers and £5 million on claims for damage in the Cairo riots; cost of living subsidies increased by £3 million to £19 million, of which £13 million was for wheat alone. The 1951-52 budget deficit, which the Maher government now has to meet, is said to be between £35 million and £40 million.

The balance remaining in the domestic Reserve Fund is unpublished, but it is certainly not sufficient to meet continued overspending on such a scale. The account must be balanced in 1952-53. To achieve this, Aly Maher and his finance minister, Abdel Gelil el Emary, will have to accustom an easily dissatisfied public to two distasteful facts. One is that increased expenditure on social services—which is now-days desired by all Egyptians—cannot be afforded unless there is both a rise in revenue caused by increased, and more efficient, taxation and by cuts in wasteful expenditure. The second is that unless large additional sources of revenue are disclosed expenditure on the army and on social services cannot rise simultaneously.

Looking farther ahead, once this first dose of fact is administered, there are other distasteful notions to implant. Egypt must swallow the fact that the great public works which are the only way to improve living standards—electrification of the Assuan dam; multi-national agreement on the use of the Great Lakes; perhaps, also, in a more remote future, the harnessing of solar energy—cannot happen without seeking great quantities of foreign help, which will not be forthcoming unless Egypt is correspondingly co-operative.

Correction.—In the article called “A Federal Belgium?” in *The Economist* last week, the statement that “the ethical difference” between the Walloon and Flemish communities is evident enough, should have referred to their “ethnic differences”; and the statement that the proposed territorial unit of Flanders would include “Antwerp and Luxembourg” should have read “Antwerp and Limbourg.”

Australia's “Incentive” Budget

[FROM OUR MELBOURNE CORRESPONDENT]

In his incentive Budget presented to the Commonwealth Parliament this month, the Federal Treasurer (Sir Arthur Fadden) framed the Government's proposals in the light of an economic situation which has undergone considerable deterioration in the last twelve months. The Treasurer, in conceding tax concessions of £49,550,000 for the current financial year, sought to give an “incentive to investors and businessmen and to the community at large.” But the Budget, despite its concessions, contained nothing designed to redistribute the nation's resources so as to expand export income; it is the fall in this which is the basic cause of the present financial stringency. In its simplest terms, Australia is suffering from the effect of a halving of the price of wool last season. In consequence, export income fell in a year from £A979 million to £A665.8 million, an ill-fortune aggravated by a tremendous increase in imports which in twelve months leapt from £A741.4 million to £A1,049.5 million. The financial year to June 30th last ended with a trade deficit of £A383.7 million; as a result Australia ran down its international reserves by nearly £A500 million.

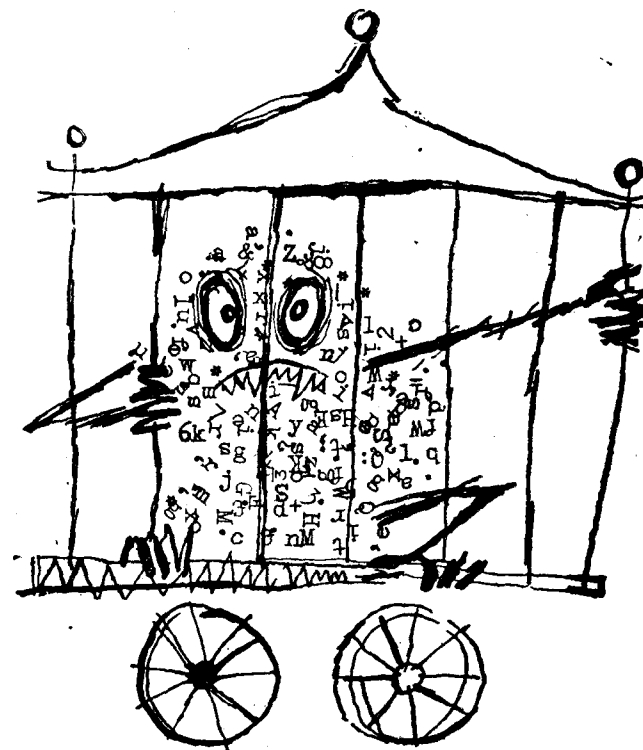
It was against this gloomy background that Sir Arthur Fadden had to devise a Budget to bring about some

COMMONWEALTH REVENUE AND EXPENDITURE

	1951-52 Estimate	1951-52 Actual	1952-53 Estimate
Revenue	£ 1,041,404,000	£ 1,002,395,000	£ 959,890,000
Expenditure	926,872,000	903,895,000	959,430,000
Surplus	114,532,000	98,500,000	460,000

revival of business confidence and with it a stimulation of public spending. Individual taxpayers will find welcome enough the abolition of the special 10 per cent levy imposed last year, but companies, which have been given only token tax concessions, cannot be blamed for not having shown wild enthusiasm about their share of the Budget incentives. Tax reductions are important in helping to prevent too sharp a contraction in business activity, but they are only partly the answer to Australia's problem. The country is now saddled with a high cost price structure built up during the years of buoyant prosperity. Against this, export income, the life force of the Australian economy, has declined alarmingly, and unfortunately shows little signs of immediate expansion. In the meantime, as Sir Arthur Fadden rightly points out, “cost inflation” continues merrily on its upward course, serving only to aggravate the conditions which the Budget is attempting to alleviate.

The Budget for 1952-53 was not framed to achieve anything more than a nominal surplus. Last year, the Commonwealth finished with a substantial surplus of £98.5 million, which was £16 million less than the original estimate of £114.5 million. The surplus for 1951-52 has been applied to finance States' public works in fulfilment of the Commonwealth's undertaking to make itself responsible for meeting the difference between the £225 million works programme and the funds raised on the public market. Now, the Commonwealth Government has resolutely put its foot down against budgeting for a surplus to finance the capital works of the States.



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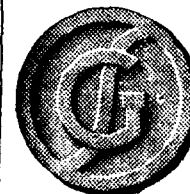
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Although the Treasurer indicated that the Federal Government does not in the current year intend to finance state works out of Commonwealth revenues, it is nevertheless still obliged to find about £130 million for the States' works requirements. This is because it gave an undertaking at the Loan Council to underwrite States' works to the extent of £180 million, and of this sum not more than £50 million can reasonably be expected to be obtained from the public loan market unless there is a miraculous change in investment sentiment in the next few months. The Commonwealth obviously does not anticipate a buoyant loan market in the current year for it has decided that "loan raisings for essential works of a truly developmental and productive kind should receive some special assistance from bank credit." In other words, the Commonwealth has completely changed its attitude on maintaining economic activity by the inflationary expedient of credit expansion.

No indication was given by Sir Arthur Fadden of the extent to which the Commonwealth intends to rely on Treasury bills for maintaining spending power through expenditure on public works, but not less than £100 million could well come from this source in the current year. The Australian economy has suffered such a tremendous loss of its generating force—income from the sale of its exports—in the last twelve months that it is clearly recognised by the Government that a little additional dose of inflation would be a far lesser evil than the development of a business depression with its inevitable consequence of unemployment.

It is indeed surprising that the deterioration in overseas trade in the last twelve months has not made a more serious impact. The Australian economy reacts most sensitively to fluctuations in its overseas reserves; but much of the deflationary effect of this fall has been cushioned by substantial releases of "excess deposits" of the trading banks, which the Commonwealth Bank held since 1939 as a means of controlling the credit base. Releases from this source since June, 1951, total £375.7 million.

This, then, is the general economic background to the 1952-53 budget. There seems little hope of effecting a substantial increase in exports, while at the same time "cost inflation" continues unabated. The continuing rise in the basic wage is, however, due to a deliberate Government policy of permitting rises in the prices of basic foodstuffs in an attempt to give a further incentive to producers. As long as this policy continues, further increases in the basic wage may be expected, making it harder for both primary and secondary industry to meet the difficulties brought about by falling incomes.

Red Cross Purposes

In two cities, Helsinki and Toronto, the Soviet Union has recently made a dramatic return to the community of nations. But the contrast between the two events has been both ironic and instructive. Stalinist "tactics" evidently required that friendship and moderation should be the order of the day at the Olympic Games, but that at the Red Cross conference a barrage of polemics must be put down to distract attention from the organisation's undeniable achievements and to mar its reputation for impartial service to humanity. Events have indeed justified the fear that the aim of the large Communist delegations sent to Toronto a fortnight ago was to use the International Conference of the Red Cross purely as a propaganda platform, and if possible to wreck the organisation.

Nothing can stop the Communists from withdrawing from the Red Cross even the tenuous recognition they now give it, and then denouncing it as a "western" organisation, if they choose to. Many conciliatory moves have been made at Toronto in order to avert an open split, but whether the split

is a final one must depend on the Communists themselves. Meanwhile, however, their propaganda seems to have overreached itself. Its hollowness was most clearly exposed in the case of their proposal on atomic weapons. Lieutenant-General Slavin, for the Soviet Union, had sponsored a resolution on the familiar theme of "prohibition" of such weapons by a convention. But when this resolution had been amended, on British initiative, to include a reminder of the more practical form of prohibition on which the UN Disarmament Commission is now working, the Communist bloc dropped it abruptly. The conference was then treated to the curious sight of the Soviet resolution being adopted by 48 votes to none, with all the Communist delegations abstaining.

On "germ warfare" the Communists fared no better. While other delegates, recognising that Peking and Moscow were too deeply committed in their campaign against the International Committee to retract, toned down a proposal for an inquiry into the "germ" charges and omitted any reference to the Committee, the Chinese Communists refused to make any corresponding concessions. Indeed, they extended their tabu on the Committee to cover any inquiry linked to the Red Cross. The upshot was that the conference rejected by 68 votes to 13 a Communist resolution which treated the alleged "atrocities" as an established fact, and voted 69 to 12 for an inquiry "on the basis of a common agreement." Even this mild suggestion was denounced by General Slavin as "political."

Prompter for the Poles

After quickly adopting South Korea's resolution calling on North Korea to admit the Red Cross to prisoner-of-war camps, the conference then went on to approve by 80 votes to none a Polish recommendation that all governments should ratify the 1925 Geneva protocol against germ warfare. This vote took even more wind out of the Communist sails, for they had hoped to manoeuvre the United States into opposing this resolution, and in the event the American delegate supported it. Moreover, the Communist machinery creaked too audibly. Belgium proposed an amendment asking that ratification should be without reservations—an awkward point for Russia, which had reserved full rights to use germ warfare if it thought it was being used by an opponent. Mr Pashkov of the Soviet delegation promptly went over to brief the Poles, who then withdrew their acceptance of the amendment. But at the final plenary session, presumably after a little self-criticism, the Poles switched back to accept the "without reservations" formula. However, Poland, made up for these missed catches by a superb piece of nonchalance. When, after floods of irrelevant invective from the Communist delegates, a Maltese representative referred to North Korea's refusal to allow Red Cross inspection of prison camps, the Polish government delegate at once denounced him for "injecting propaganda."

If the Communists' aim was to destroy faith in the Red Cross and its International Committee in some sections of the free world, they failed signally. When the revised statutes of the Committee were approved by 70 votes to 17 after prolonged denunciations of its conduct by spokesmen for the Soviet bloc, the conference was in effect passing a vote of confidence in the Committee, with only the Communists in opposition. The last resolution of all was a declaration of "faith in the Red Cross as a movement concerned solely with humanitarian activities which help to promote mutual understanding and goodwill between nations, whatever their political differences," and of determination not to allow political issues to undermine its work. This was carried by 65 votes to none, the Soviet bloc, abstaining even on this general issue, being as isolated as it had been throughout the conference. The net result of the whole Communist propaganda effort seems to have been, as on other occasions, to bring other nations together rather than to split them apart.

THE BUSINESS WORLD

Germany's Prewar Debts

AFTER more than two years of preparatory work and five months of almost continuous negotiations in London, the representatives of the several groups of creditors and debtors have issued an agreed report on the settlement of Germany's prewar external debts. The report sets out suggested terms of settlement that have been agreed between creditors and debtors and are now recommended for the approval of the governments concerned. An inter-governmental agreement will have to be drawn up to ratify these terms, but this further stage need not be regarded as more than a formality, despite the clamour of protest that has been aroused in certain circles in Germany. The twenty-three governments concerned—twenty-two creditors and one debtor—have been kept continuously in touch with the London negotiations and their consent may be taken as a matter of course.

The agreed terms promise a more satisfactory settlement than many observers of the London Conference had expected. Until quite recently, these discussions had been viewed with caution, and even scepticism, owing to the immense complexity of the problem, to the ominous start given to the discussions by Germany's first and derisory offer, and to the subsequent development of deep differences of views between various national groups of creditors—differences that gave German delegates a perfect opportunity of playing off one against the other. But at the final stage these difficulties were satisfactorily overcome. The complexity of the problem, arising from the split of German territory into two insulated parts, from the fact that no less than 22 creditor countries were represented and from the extraordinary variety of debts to be dealt with, remained to the end. If agreement could none the less be reached, it was due to a spirit of co-operation and conciliation that very few expected to find at a conference of this kind. The initial German offer, which cast such a gloom over the opening discussions, can in retrospect be seen as a hopeful "try-on," well in the tradition of international negotiations. As for the differences of views between groups of creditors, notably those between the American bondholders and the rest, they were finally smoothed over by mutual concessions that have a significance ranging well beyond these particular negotiations.

The details of the agreement, which are summarised in tabular form on page 409, do not lend themselves readily to general description: because of the wide variety and differing priority of the debts, there was never any possibility of a general or uniform settlement. The following generalisations can, however, be made:

(1) The proposed terms cling as closely as possible to those of the original contracts; they do not, in most cases, entail any reduction in the original principal amounts.

(2) Arrears of interest have been recalculated in most instances at about two-thirds of the contractual rates and on the basis of simple interest. These arrears are to be funded, usually into twenty-year bonds carrying interest at 3 per cent. Bonds representing the arrears up to the end of 1944 will be issued immediately. The remainder will not be issued

until the unification of Germany, and payment on this part of the funded bonds will not begin until then.

(3) The future interest rates on the debts have been reduced below those of the original contracts; for example, the rate on the Dawes Loan (British issue) is reduced from 7 per cent to 5 per cent and on Young Loan from 5½ per cent to 4½ per cent.

(4) Amortisation will begin after five years. The maturity dates have been extended, but provision has been made for an acceleration of the repayment where creditors are prepared to accept payment in blocked Deutsche marks for investment in Germany.

(5) Contracts with dollar or gold clauses are being redefined as though the value of currencies of issue of the loan had been defined in relation not to gold but to the United States dollar. The gold clauses become dollar clauses but the dollar clauses are being honoured to the full.

This last arrangement resolves some of the most intractable of all the difficulties encountered in the course of the negotiations.

The American bondholders had objected to any invocation of gold or exchange clauses on the ground that this would discriminate unfairly against them, arguing that each group of national bondholders should accept the risk of what happened to its own currency—despite the fact that the exchange clauses had been introduced into the original contract to provide some protection against precisely that risk. In the end agreement was reached by an understanding that gold clauses should disappear altogether but that exchange clauses should remain. For example, in the case of the Young Loan, it was decided that although the amounts due in respect of the various issues would be payable only in the currency of the country in which the issue was made, the basis for calculating this currency payment should be adjusted to the depreciation of the currency concerned against US dollars between the time at which the loan was issued and August 1, 1952. In consequence, on the sterling tranche of the Young Loan, on which the rate of interest in future will be 4½ per cent, the amount to be received on a £1,000 bond will be £45 × 4.866 ÷ 2.80, or £78 4s.

An adjustment of this kind will be applied to all bonds carrying dollar clauses. It will mean that all payments due to British bondholders will be scaled up by 74 per cent. The protection of the exchange clause will continue to apply. If the rates of exchange of any currencies in which German bonds (with a dollar or exchange clause) are expressed vary by more than 5 per cent, the amounts to be paid on them are to be calculated by reference to the currency that has depreciated least since August 1, 1952; the amounts thus computed will, of course, be paid in the currency of the country of issue. Thus, if in future there is depreciation in the value of sterling and of the dollar, but not of the Swiss franc, the interest on Young bonds expressed in sterling will be adjusted in accordance with the fall in sterling in relation to the Swiss franc.

These "concessions" to the non-dollar bondholders have been balanced in the settlement by granting American issues somewhat higher rates of interest in future than will be paid on non-American issues. Thus, on Dawes bonds the rate will be 5½ per cent on the American issue and 5 per cent on the others. For the Young loan the rates will be 5 per cent and 4½ per cent respectively. This "douceur" to the Americans can also be justified on the ground that before the war, when the service of Germany's partially defaulted external obligations was governed by bilateral arrangements, the American holders were getting a worse deal than the others—for example, they were receiving only 5 per cent on the Dawes loan as against 7 per cent paid to British holders.

It should be noted that the importance of these arrangements relating to gold and exchange clauses lies not only in the application to the German debts but in the fact that they provide a precedent that can hardly be ignored in the Japanese debt discussions that are now in train.

The burden that the arrangements will place on the German balance of payments is difficult to assess with any precision. Complete information has not yet been collected about the amount of the debts in question. Again, some of these external obligations are held in Germany, so that it is impossible to calculate precisely the extent to which the facility to pay in Deutsche marks will be used. Nor is it possible to estimate the effect of the exchange clauses. Broad orders of magnitude can, however, be indicated. The German external debt at the outbreak of war amounted to the equivalent of approximately £700 million at current rates of exchange. The arrears calculated at the contractual rates but at simple interest would represent roughly a further £200 million. The first German "single package" external debt offer made at the beginning of the London discussions would, after providing for the postwar debts to the three occupying western powers and for payments to Israel, have made available the equivalent of about £17 million annually for the service of these prewar external debts. The present arrangements involve an immediate annual service of about £35 million, but rising to between

£45 and £50 million when the sinking fund payments begin in five years' time.

Two comparisons may help to show this burden on the German balance of payments in perspective. The first is the fact that the British Government, on the United States postwar line of credit alone, is committed to an annual service of about £40 million, or more than Germany will now be called upon to pay on the whole of its prewar external debt. The second is that in so short a period as the fifteen months to June, 1952, Germany's position with the European Payments Union, i.e., its current balance of payments with Western Europe, improved by the equivalent of £225 million, or something like seven years' service on the prewar debt at the initial rate and about five years when full sinking fund payments are in operation. These criteria reduce to their proper dimensions the complaints that are already being heard in Germany that this settlement is altogether too onerous.

The advantages of a satisfactory and mutually acceptable prewar debt settlement with Germany are self-evident. It should once again open the door of the world capital market to German borrowers. By restoring German credit abroad it will strengthen domestic credit. This settlement, if ratified, will mark one more step in the return of Germany to the community of western nations. Allied with the election of Germany as a member of the International Monetary Fund and the International Bank, it will again forge the normal links of international credit and capital relations between Western Germany and the main lending countries in the world.

For the securities whose fate has now virtually been settled, most of the speculative fun is over. German bonds have given market operators an exciting and, on the whole, a very profitable run for their money. The flavour of excitement will soon depart from them and the task will be to find investors prepared to hold them for income rather than capital appreciation. These holders will demand a yield in keeping with the political risks involved and not least with Germany's unenviable record as a debtor between the wars. It is by its performance and not merely by the appending of signatures to an agreement that Germany will work its passage back to the community of wholly credit-worthy nations. The proof has yet to come.

THE RECOMMENDATIONS SUMMARISED

Summary of terms agreed by the four committees set up by the London Conference to deal with the main categories of German prewar external debts.

I—Debts of the Reich and of other public authorities

	Interest rate %	Arrears calculated at %	Maturity	Sinking fund %
1% Dawes Loan	5½ (American) 5 (others)	5	1969	3 (American) 2 (others)
5½% Young Loan	5 (American) 4½ (others)	4½	1980	1
6% Match Loan	4	4	1994	1½
Konversionskasse	Contractual rates	Two-thirds waived	Extended by 17 years	2
States and Municipalities	Three-quarters of contractual rates minimum 4% maximum 5½%	One-third waived	Extended by 20 years	1 rising to 2

II—Medium and Long-term German Debts resulting from private capital transactions

No reduction of principal. Two-thirds of outstanding interest calculated up to the end of 1952 to be funded and added to the principal. Future interest rate at three-quarters of the contractual rate. Maturity to be extended from ten to twenty-five years from beginning of 1953. Amortisation to commence at the beginning of 1958 at the rate of 1 per cent per annum for five years, and thereafter 2 per cent per annum.

III—"Standstill" indebtedness

No reduction of principal. Credits to be "recommercialised" so as to finance Western Germany's current trade with other countries without loss of foreign exchange to the Federal Republic. (This means, for example, that German banks that are "standstill" debtors of London banks or accepting houses on credits now in the form of "cash" advances will, as and when their domestic financing of Germany's imports from sterling sources

permits, send the relevant bills to London for account of their creditors. The proceeds of the bills when discounted will be applied to repay the cash advances, but the amount of the original credit line will be maintained by conversion into a commercial credit. Creditors who grant new credit lines to Germany, in addition to any amount recommended, to be entitled to repayment of existing indebtedness to the extent of 3 per cent of each three months' availing of the new lines of credit. Arrears of interest calculated at 4 per cent simple to be added to the principal or to be postponed. Current interest and acceptance commissions will be payable in the currencies of the debts. Payments received by creditors in respect of distribution of German property seized during the war, unless applied against other German debts, will be applied

Business Notes

Near to Balance?

The trend of Britain's overseas trade in July was reasonably well in line with the trend that Mr Butler has forecast for the second half of the year. Imports last month are provisionally estimated by the Board of Trade at £290 million, or £16 million less than the monthly average between April and June; figures given by Mr Thorneycroft in the economic debate suggest that the monthly average between now and December may be £20 million lower still. Exports also continued to decline in July, although less steeply than imports. They amounted to £208 million or £1 million less than the average for April to June; they were higher than the total for June itself, but this was because of the low number of working days in that month. Despite this general sagging, however, exports to the United States and Canada rose to £24½ million in July—to 15 per cent above the average for the second quarter of the year. In contrast to previous months, most of the improvement in July came from a sharp recovery in the Canadian market. Exports to Canada reached £13½ million—no less than 33 per cent higher than the average for the June quarter—while exports to the United States, at £12 million, were much the same as in June.

After allowing for a recovery in re-exports, to £12.9 million, the excess of imports (c.i.f.) over total exports (f.o.b.) was only £69 million in July, compared with a monthly average of £78.6 million in the first half of the year. This suggests that the total external account, after allowing for

TREND OF UNITED KINGDOM'S OVERSEAS TRADE

	£ Million—Monthly Averages or Calendar Months			
	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Excess of Imports over Total Exports
1950	217.4	180.9	7.1	29.3
1951, 1st half	309.4	206.7	10.6	92.0
2nd "	343.0	223.3	10.4	109.2
1952, 1st qtr.	328.1	239.5	18.3	70.4
2nd "	306.3	209.3	10.1	86.8
July*	290.0	207.9	12.9	69.1

invisible receipts and the freight and insurance element in the import figures, must now be getting very near to balance. That, at any rate, is the implication that emerges from Mr Butler's estimate that the overall deficit in the first half of this year was "substantially" under £75 million, and from reports that net invisible receipts (apart from certain exceptional payments made to Europe in July) have recently been tending to improve.

in reduction of standstill debts to the extent required by law or elected by the creditors.

IV—Commercial and miscellaneous debts

On amounts due in respect of goods, one-third to be paid as soon as individual agreements under the plan are concluded and the balance in ten equal annuities thereafter. On amounts due in respect of salaries, wages, etc., payment to be made in five equal annuities. On other debts under this heading payment to be made in ten equal annuities. Creditors may opt for payment in Deutsche marks. Two-thirds of the arrears of interest calculated at simple interest to be added to capital. No payment of interest until 1958, thereafter three-quarters of the contractual rate with a minimum of 4 per cent.

The Sources of Improvement

The Board of Trade also published this week a full analysis of the distribution of trade during the first half of this year, and thus made it possible to review Mr Butler's estimates of the overall balance in some detail. The Board's figures show that the excess of imports (c.i.f.) over exports (f.o.b.) in British trade with the non-sterling area fell from a monthly average of £95 million in 1951 to one of £75 million between January and June. Making the usual allowance of 12½ per cent for freight and insurance charges in recorded import values, these figures suggest that the "true" visible deficit with the non-sterling area may have been some £300 million in the first half of this year; since Mr Butler put the overall deficit with the non-

UNITED KINGDOM TRADE BY AREAS
(£ Million—Monthly Averages)

	Imports (c.i.f.)		Total Exports (f.o.b.)		Excess of Imports (c.i.f.) Over Total Exports (f.o.b.)	
	1st Qtr., 1952	2nd Qtr., 1952	1st Qtr., 1952	2nd Qtr., 1952	Year 1951	1st Half, 1952
Dollar area	69.9	70.4	29.7	29.8	35.9	40.4
OEEC and possessions (non-sterling)	84.0	71.6	59.8	54.4	28.2	20.7
Other non-sterling area	54.7	44.0	36.9	34.0	30.6	14.0
Total non-sterling area	208.6	186.0	126.4	118.2	94.7	75.1
Sterling area	119.5	119.9	131.4	101.3	5.9	3.3
TOTAL	328.1	305.9	257.8	219.5	100.6	78.4

sterling area at £275 million in this period, the implication is that net invisible receipts from the area amounted to about £25 million between January and June, compared with £11 million in the whole of 1951. The Board of Trade's figures for trade with the sterling area show an excess of British imports (c.i.f.) over exports (f.o.b.) of £3.3 million a month between January and June, compared with £6 million a month in 1951. On the usual method of reckoning, this would indicate a true visible surplus with the sterling area of about £70 million in the first half of 1952. Since Mr Butler's speech in the economic debate suggested that the total surplus with the sterling area in this period was over £200 million, the implication here is that the monthly rate of net invisible receipts from the sterling area was rather greater in the past half-year than in 1951 (when total net invisible receipts from this area amounted to £257 million). It is possible, however, that these estimates exaggerate the part that invisible receipts have played in Britain's recent recovery. It has been suggested that a greater proportion of Britain's reduced imports is now reaching this country in British ships—and that, despite the fall in freight rates,

an allowance of only 12½ per cent for freight and insurance charges in the recorded import bill gives a falsely gloomy impression of the visible balance.

The improvement in non-sterling trade this year has been mainly due to a decline in imports from OEEC countries, which means that the recent disappointing EPU figures may be largely the fault of the overseas sterling area. Thanks largely to successive doses of import restrictions, British imports of unrationed foods, textiles and certain raw materials have fallen sharply compared with last year. On the other hand, larger imports of metals and machinery, including machine tools, have been needed to feed the rearmament programme; these have come principally from the dollar area. Exports to the non-sterling area increased by 3 per cent in January to June compared with 1951; larger exports of metals and engineering products offset the fall in textile shipments to Europe. Re-exports to the United States were abnormally high because of heavy shipments of rubber and tin during the first quarter.

That's Commodity Arbitrage—That Was!

British merchants, after one week of frenzied scrambling for exchange licences to engage in arbitrage in dollar raw materials, have now had the door slammed in their faces—to be held fast, it seems, for a month at least. The Bank of England's announcement last week that, for the time being, it was prepared to authorise purchases of dollar materials for re-sale to EPU countries produced a flood of applications far surpassing its expectations—applications relating to grain, coffee, sugar, non-ferrous metals, silver and other commodities. The scheme had, in fact, a success so overwhelming as to embarrass the authorities—and, now, to exasperate the merchants. It was evident from the outset that the Bank's willingness to grant these facilities arose solely from the fact that, so long as Britain has to settle any EPU deficit wholly in gold (or secures full repayment of any EPU surplus in gold), every EPU currency is as hard as the dollar. Any outgo in dollars for commodity arbitrage that brought a return in EPU currencies therefore promised a net gain in hard currency to the extent of the merchandising profit—provided that the sales to the EPU area did not mount to the point at which Britain's current EPU surplus would be settled only partially in gold.

The Bank did not make it clear what it would do if and when this point was reached—because, last week, it required an improvement of no less than £158 million in Britain's EPU position to attain it. Yet by Thursday last, utterly confounding the official expectations, applications for exchange had well surpassed this sum—and so, even, had the Bank's authorisations. The authorities therefore had to think fast; they have not overtly withdrawn the scheme, but, for the time being, they are stamping merchants' applications with a reject mark that suggests a re-application in a month's time. Since not all the business that has been projected will necessarily materialise, the position may ease; but, in any case, it is far from certain that the facilities will be restored for all the commodities that have been in question this week. Grain, in particular, could involve a very large business, and the first dollar transactions in it were sufficient to swing the dollar quotation down by ½ c., to \$2.78½, not much above the lower dealing limit. In silver, where the scale could possibly have become still more embarrassing, no permits were issued. Gold was outside the scheme in any case.

One of the consequences of the facilities was to cause, in some commodity markets, a quick movement of prices sufficient to wipe out, or greatly to reduce, the scope for arbitrage profit. Another effect of the emergence of London as a temporary arbitrage bridge between the dollar world and the continent of Europe was to strengthen the rate for trans-

ferable sterling. The re-exports to the Continent must have that effect by mopping up European holdings of sterling. There is also keener competition from continental merchants who have hitherto had exclusive rights to this type of trade; their monopoly has now been threatened by British merchants, and in defending their business they have been bidding for transferable sterling. The rate this week has hardened to \$6.67, which reduces the discount on the official market rate to about 4½ per cent.

* * *

Preparations for Mexico City

Preparatory work is now in full swing for next month's annual meeting of Governors of the International Monetary Fund and International Bank in Mexico City. It was announced this week that the British delegation will be led by Sir Arthur Salter, and not, as was originally intended, by Mr Butler. There are said to be no items on the IMF agenda that will demand the Chancellor's presence in Mexico City, and certainly none that should drag him away from his urgent task of preparing the policy that will be presented to the Commonwealth Economic Conference in November. In view of this impending Commonwealth conference, all Ministers dealing with economic affairs have been asked to be available in London for consultation during the month of September. It remains to be seen whether this means that important decisions of policy are about to be taken, or whether the agenda for the Commonwealth conference is still a vast vacuum that has somehow to be filled.

One of the IMF's tasks in Mexico City will be to welcome two new members—Western Germany and Japan. This will raise interesting issues, not only for the general body of members but for the new recruits. Germany in particular has lately shown a *penchant* for old Schachtian devices in financing its trade with South American countries—devices complete with commodity barter agreements and special provisions for changing payments into accounts that can be used only for strictly bilateral trade. Germany will have to turn its back on much of this technique when it becomes a fully fledged member of the IMF.

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How Labour Has Shifted

How far have rearmament, the textile recession, and the special emphasis now placed upon engineering industries, altered the pattern of British employment since 1950? The Ministry of Labour's employment figures for June, published last week, make possible a broad survey of shifts between industrial groups during the period—though its detailed figures of unemployment, in particular, are as usual subject to special seasonal influences. The unemployment figure, for example, which showed a fall of 46,600 over the month ending July 14th, to 393,500 and the figure of textile unemployment, which fell by 41,500, both probably exaggerate the real improvement. Some unemployed textile workers do not register during the traditional holiday weeks of some towns in Lancashire and Yorkshire; and certainly these lower figures of textile unemployment did not imply any increase in the textile labour force, which fell by 20,000 in June, continuing its fairly steady decline of 106,000 since the beginning of the year.

This fall in textile employment has been the most marked change in civil employment during the two year period, in which an increase of about 370,000 in the total working population was very largely offset by an increase of 180,000 in the armed forces and one of 140,000 in the registered unemployed. The employed population, therefore, rose only by the residue of 50,000; in June, indeed, it was 170,000 smaller than a year before. During that year the textile industries reduced their labour force by almost

exactly 150,000 people (some 14 per cent), and the number engaged in the clothing industry dropped by about 70,000. In textiles the labour force is still declining, particularly in the rayon industry; in clothing, employment seems to have stabilised in about April this year and subsequent minor changes may be only seasonal. No other important industrial groups show a significant decline in employment over the two years, though in recent months the distributive trades have shown a slight decline and a fall has taken place in the number of central government employees (partly offset by an increase in local government).

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For the past two years, there has been a steady increase in employment in the industries most concerned with rearmament and now selected as the "spearhead" of exports; and over the last 19 months an increase, occasionally interrupted, in coal, the basic industry most in need of labour. The vehicle group's labour force, since June, 1950, has risen from 1,011,000 to 1,080,000; much of this increase has gone to swell the aircraft industry, and this year the rise in aircraft employment has offset actual declines in some months in the labour force of the motor industry. Aircraft employment, as measured by the Ministry of Labour figures, has now risen to 192,000 compared with about 150,000 late in 1950; a more realistic definition of the size of the industry's labour force might put it not far short of 250,000, with perhaps roughly 180,000 to 200,000 engaged on rearmament work. Employment in the other engineering industries rose between June, 1950, and February, 1952, by 133,000, but the group has since lost 27,000 workers; and indeed the main increases in the manpower of these industries took place before the Government selected them as export favourites. The shift of labour within the whole engineering group, on the whole, has perhaps been more satisfactory than was feared at the end of last year, particularly as other circumstances have conspired to delay the programme; though the recruitment of sufficient skilled men is very far from satisfactory. But the shifts toward successful exporters, within engineering, and towards the group as a whole since it was nominated for its "defence plus exports" role, are as yet not very considerable. If steel becomes more plentiful in the next six months, the capacity of these industries to attract labour for their dual tasks will be tested.

* * *

Germany Heads the EPU Creditors

The German Federal Republic was the largest creditor in the July compensation of the European Payments Union. The West German surplus amounted to \$57.7 million. This latest surplus carries Western Germany's cumulative surplus to \$368.8 million, for which it has received \$134.4 million in gold, the remaining \$234.4 million being the German credit balance with the Union. This puts Germany second in the order of cumulative creditors, the first being Belgium whose surplus, however, dropped sharply last month to \$8.7 million, from \$21 million in June. The Netherlands ranked as a substantial creditor in July, with a surplus of \$38.1 million. This surplus was in part due to capital transfers, which adversely affected the British position with EPU last month. The detailed British figures, as published in a Treasury statement this week, show that the July deficit amounted to £35,211,429, or \$98,592,000. No further use of existing resources took place during the month. Having exhausted the credit available under the agreement, Britain had to settle the whole of its deficit in gold, carrying the gold paid over by Britain to EPU to date to £207,733,214. The British overdraft with EPU at the end of July stood at £227,143,000.

Industrial Stocks and Safety

Will supplies of industrial raw materials be adequate to support the growth in production that ought to be possible during the remainder of this year? The "safe level" of stocks to which the Treasury has drawn attention this week offers hope that they will, if perhaps not quite so much encouragement as the Treasury draws from it. Certain of the records of stocks upon which the "Bulletin for Industry" has based its graphs are summarised in the accompanying table. Counted with prospects of current supplies, they should in most cases enable an increase in industrial output. But the Chancellor has already made it fairly clear that these stocks will have to be heavily drawn upon in coming months. Unless the improvement in the country's financial reserves by the end of the year is greater than now seems likely, it may be very difficult to replenish stocks of materials to Mr Butler's "reasonable and safe level" for production in 1953.

Set against current rates of consumption, and current supplies, the levels of stocks vary sharply between industries. The steel industry has less than two weeks' pig iron in hand compared with about a month's in June, 1950;

INDUSTRIAL RAW MATERIAL STOCKS (1950-1952)

Unit	Pig Iron	Ferrous Scrap	Virgin Copper	Refined Lead	Sulphur	Pyrites	Raw Wool	Soft Wood
	Thousand tons						mn. lb.	'000 stands.
1950 June	776	839	125.2	74.1	118.1	74.9	267	170.2
December ..	760	618	104.3	62.0	81.1	70.2	205	216.8
1951 June	357	329	117.7	26.0	92.9	106.3	165	272.2
December ..	380	257	119.3	74.0	99.4	214.9	141	723.6
1952 January	395	242	111.8	89.8	117.2	213.9	149	734.2
February	379	222	108.1	104.2	115.4	223.5	144	699.8
March	352	205	108.5	110.6	105.3	238.3	143	669.0
April	359	203	112.8	116.3	109.9	249.2	161	646.0
May	357	232	119.1	120.3	142	303.1		648.2

and little more than a week's scrap. Its ore supplies are higher than ever this year, and pig iron output is growing; on the other hand imports of scrap are down to no more than 500,000 tons a year now, and the drive for extra scrap in Britain has yet to produce impressive results. The metals industries have about three months' consumption of copper, five months' zinc, three months' tin, and more than a year's consumption of lead in stock. Sulphur stocks for acid would cover about five months' consumption at this year's rate, and with the fall in consumption of sulphur-bearing materials stocks of pyrites have mounted to well over a year's output. This high level of sulphur stocks, however, has accumulated partly through a combination of high imports and recession in the rayon and dyestuffs industries, and the Treasury still considers the need for economy in this material as great as ever. The wool industry has about five months' supplies in stock, but the Bulletin says "these stocks, apart from strategic reserves... appear to be little more than sufficient for the present low level of output" and suggests that any sharp recovery in demand might make raw wool supplies hard to obtain immediately. Stocks of building materials, apart from cement, are higher than a year ago; stocks of softwood and building bricks are large, but have fallen sharply this year as building output has risen.

* * *

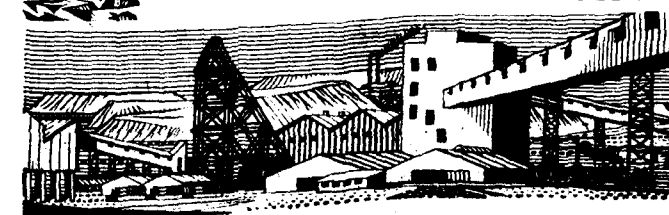
Steel Supplies Improving

Last month's steel output was not quite as high as some in the industry had hoped. But it was satisfactory enough to support their forecast—to which the Treasury has now lent official authority—that slightly more than 16 million tons of steel can be produced in Britain this year. For the first six months of the year, production was at the annual rate of



GOLD: It has now been generally accepted that the famous voyage of the Argonauts was in fact a marauding expedition directed against the unfortunate inhabitants of Colchis who extracted alluvial gold from the river sands by a process involving the use of sheepskins. Although gold was one of the earliest metals known to man, the amount produced by the whole of the ancient world would seem insignificant when compared with the present production of the Union of South Africa. Here the famous Witwatersrand goldfield alone has produced, in less than seventy years, nearly 470 million ounces of fine gold worth approximately £2,260,000,000. We can always provide full and up-to-date reports from our branches in the Union for business men who are interested in market conditions or commercial undertakings in the country. Enquiries are welcomed by our Intelligence Department at the address given below.

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only 16,046,000 tons; and output in this third quarter is, of course, affected by holidays. Steel production in July was at an annual rate of 14,236,000 tons, compared with rates of 16,252,000 tons a year in June and of 13,317,000 tons a year in July, 1951. The August output figure will probably not differ greatly from that for July. But the increase in production that will be necessary in the remaining three months to achieve 16 million tons will be backed by considerably greater blast furnace capacity than in the first half of this year. Pig iron production in July was at an annual rate of 10,482,000 tons, a million tons a year higher than this time last year. And the Treasury is now predicting what the steel industry has argued for some months—that the supplies of steel for the home market, swelled by much increased imports, should be greater in 1952 than in 1951.

It is this access of supplies, rather than any revision of the rearmament demands for steel, that has made possible the fairly general increase of 5 per cent in the total steel allocation to industry—which masks rather greater increases for some favoured sections of engineering heavily engaged in defence or export work, and little or nothing extra for less favoured consumers. This method of increasing allocations may partly account for the sharp discrepancy between various consumers' estimates of the seriousness of the steel shortage. In some industries, consumers seem inclined to accept the steel-makers' view that there is little real shortage, except in supplies of certain special shapes or of alloy steels. Other major consumers—notably the shipbuilding industry—continue to complain bitterly that the increases they are promised are as nothing beside what they need. Shipbuilding would appear to have sufficient direct and indirect export significance to justify generous treatment. Certain of the Government departments responsible for sharing out steel are now extending the practice of giving most of the extra steel to particular companies within industries if these companies can prove particular success in exporting. It is perhaps typical that this additional refinement of physical control should be brought into wider use just as the period of extreme shortage that might have made it partly effective may be passing away.

Argument about the Film Levy

The British Film Production Fund—more familiarly known in the cinema business as the Eady levy—entered upon its third year of operation last week with two pressing questions unanswered. How should it approach the growing number of cinema exhibitors who are refusing to pay this special contribution—a farthing or three-farthings from the admission prices paid for each seat—to British film producers? And should the arrangement, which as things now stand will end in August, 1954, be extended?

The number of recalcitrant exhibitors has not yet been divulged, but it is clear that as yet they constitute more of a problem in the internal politics of the trade than in the finances of the fund. They mainly represent small cinemas with comparatively cheap seats, and their refusal to pay is probably as yet depriving the fund of little revenue. In the 47 weeks that it was operating in 1950-51, with the levy at a farthing for every seat sold, the fund collected just under £1½ million, which it divided between the producers of some 450 long films and 550 short films, allotting at the same time £50,000 for the production of special films for children. In 1951-52, with the levy on seats costing more than a shilling increased to three-farthings, it was expected that some £3-3½ million a year would be collected as an additional contribution to British film production; and roughly this figure appears to have been realised. But refusal to pay this figure appears to have been spread quickly, and the Cinema Exhibitors' Association is uneasy. The levy is voluntary, neither statutory nor contractual, and it cannot be enforced upon exhibitors. But the obligation to pay it was accepted by the trade association in exchange for concessions in En-

tertainments Duty that cost the Treasury some money and enabled the industry to collect much more from the public. Some exhibitors in industrial areas would argue that those concessions did them no good. They were not in a position to raise seat prices, and in some cases reduced them; and since their patrons do not like the kind of film now generally made in Britain, they see no good reason to pay contributions from their box-office receipts, over and above film hire, on behalf of films they seldom show.

Some claim exemption on the ground that they are making a loss; and the exhibitors' association is putting forward to the producers' and renters' representatives who share with it control of the fund a suggested definition of an operating loss—which is not altogether easy to define in the cinema business—that might serve to check applications for such exemption. Certain small cinemas with very low weekly takings are already excused from paying the levy. But the main problem of refusals to pay still remains; and it will obviously complicate the reception of the proposals for extending the period of the levy that the producers—with support from the main cinema circuits, which have financial interests in film production—are now putting forward. Given circuit support, it may be that in the long run the levy will inevitably be given a longer life; but "how?" and "when?" are complicated tactical questions for the trade.

Shortage of American Cotton?

The official forecast of a smaller American cotton crop has not led to booming prices on the New York market. After an initial spurt before the week-end, prices have declined this week following reports that the damage caused by drought may not be so large as was originally believed. The Department of Agriculture's first estimate of the 1952-53 crop is only 14,735,000 bales compared with a target of some 16 million bales; and with last year's crop of 15,130,000 bales. The fact that the official estimate turns out to be so close to unofficial guesses based on planted acreage is surprising; evidently recent fears about the extent of drought damage in the South have been excessive. Although about 40 per cent of the South Carolina crop has been damaged and crops throughout the South are generally light, there are heavier yields in Texas, Arizona and California. Moreover rain since the beginning of August has improved the prospects in the stricken South-East.

There have recently been signs of improvement in American demand for cotton and it is now thought that consumption in the coming year may reach 9,500,000 bales compared with 9 million bales last year. On the other hand, American officials estimate that only 4,500,000 bales will be needed for export this year compared with 6 million bales last year. If these forecasts prove correct a crop of 14,735,000 bales would still leave some elbow room. But the eventual outturn seldom comes up to the original estimate—last year's crop, for example, was nearly 2 million bales smaller than the August estimate. And this year there is no large carry-over from which any deficit in the current year's stocks could be made good. The carryover of 2,600,000 bales at the end of July—although slightly above that of the previous year—was much smaller than the prewar carryover. With the prospect of a smaller crop, any world-wide recovery in cotton textiles could quickly lead to a shortage of American growths. Should such a shortage occur, the United States would no doubt consider the re-introduction of control of exports of raw cotton. American cotton prices are likely to be sensitive to any increase in demand or reduction in supplies during the coming season.

Spare Parts and Service

During the last few weeks, at an overseas oilfield owned by one of the major British oil groups, twenty motor trucks

of the same British make have been standing idle for lack of spare parts. Only by "cannibalising" thirteen of them, indeed, have some of the remaining vehicles in the field's fleet been kept in commission. Orders for the parts were placed in good time, in some cases as long ago as 1948; delivery was promised at different dates in late 1950 and 1951; the spares have still not arrived. These are not replacements for obsolescent vehicles that would need to be specially made; they are spares for postwar vehicles, some of them even to complete the original kit of spares ordered with the truck. The instance is not isolated; some while ago, at one of the same group's overseas refineries, forty vehicles were out of commission for the same reason. Nor is the trouble confined to vehicles. When American equipment in these same areas requires a part replaced, its manufacturers can usually fly the spare there straight away.

This oil group, in the past, has criticised delays in delivering complete British equipment. But its recent experience has driven it to complain that the delivery periods promised for spare parts are even longer than those for the equipment itself, and that the promises carry even less hope of being kept. Delivery of spare parts is seldom promised in less than four months from the date they are ordered, and often runs to a year or longer; and probably half of all the orders placed are not delivered by the date promised. It is current gossip in the oil industry that various American companies operating in Europe and the Middle East have refused to buy British plant that would otherwise have suited them simply because they believed that spare parts would not be available at short notice. The British companies, under official pressure to buy British and save dollars, in most cases do not opt to buy elsewhere; they have to wait, "cannibalise," or improvise the spare parts expensively in machine shops on the spot. Interruption of output for this reason is particularly irksome to an industry in which technical advance is so rapid that a refinery needs to recover its investment over a comparatively short period, and an industry accustomed to the most elaborate and solicitous service from an American equipment industry that grew up with oil.

It would be unfair to label this as a special weakness of an industry that has in any case really developed only since the war—the manufacture of petroleum equipment. For "petroleum equipment," as defined in the impressive totals of orders that have frequently been published, covers everything that oil companies buy, and the inadequacies in the supply of spare parts revealed by this British group therefore concern a fairly wide range of British engineering industries—and some of the best-known firms in them. A few of these are making exceptional efforts to catch up with spare part deliveries. Some others simply explain that all their parts—which include a considerable proportion of "bought-out" components—are going into new equipment; or even dismiss American after-sales service with the comment that "Americans load the prices of their spares to make service profitable; we don't." The large majority, according to this large-scale customer, admit the deficiency, and promise to correct it—but nothing happens. If this is a fair sample of the exporting behaviour of British engineering concerns, it suggests a short-sighted wish to sell the maximum amount of complete equipment overseas once and for all, compared with the American doctrine of selling productive capacity and keeping it producing. Is bad after-sales service a general weakness of the industry upon which most of the country's export hopes are being based?

Outlook for Rubber

The rubber market has been calm during the past two months and the London spot price has hovered almost idly

around 2s. 2d. a lb. Now that partial freedom has been restored to natural rubber in the United States there is little reason to expect any new drastic fall, while synthetic production will no doubt prevent any sharp rise. But the production and consumption statistics for the first half of this year are to some extent disquieting. World output of natural rubber totalled 847,500 tons, compared with 972,500 tons in the first half of 1951. World consumption, on the other hand, amounted to 737,500 tons against 805,000 tons a year ago. This declining trend during the past twelve months is perhaps of less significance than the balance between production and consumption in the first half of this year. Up to June, production exceeded consumption by 110,000 tons, but during the same period total commercial stocks fell by 97,500 tons; the comparison suggests that nearly 210,000 tons of natural rubber went into official stockpiles in the six months. Only 300,000 tons went into strategic reserves in the whole of 1951. Thus the rubber market has become much more dependent on official purchases than ever before, and yet the price this year has fallen from 3s. 6d. a lb at the beginning of January to 2s. 2d. The present high rate of stockpiling cannot continue for ever, though producers hope that it will be maintained until world consumption begins to recover.

Production and consumption of synthetic rubber are still increasing. Production in the first six months of this year amounted to 468,000 tons, compared with 421,000 tons in the first half of 1951, though this rate was slightly less than in the second half of last year. On the other hand, consumption reached 442,500 tons, nearly 50,000 tons more than twelve months ago and one of the highest half-yearly totals ever attained. Stocks at the end of June had increased by 30,000 tons to 172,500 tons, so that on balance no synthetic rubber appears to have gone into the various national stockpiles. These statistics have yet to show the effect of the lifting of restrictions in the United States on the use of natural rubber.

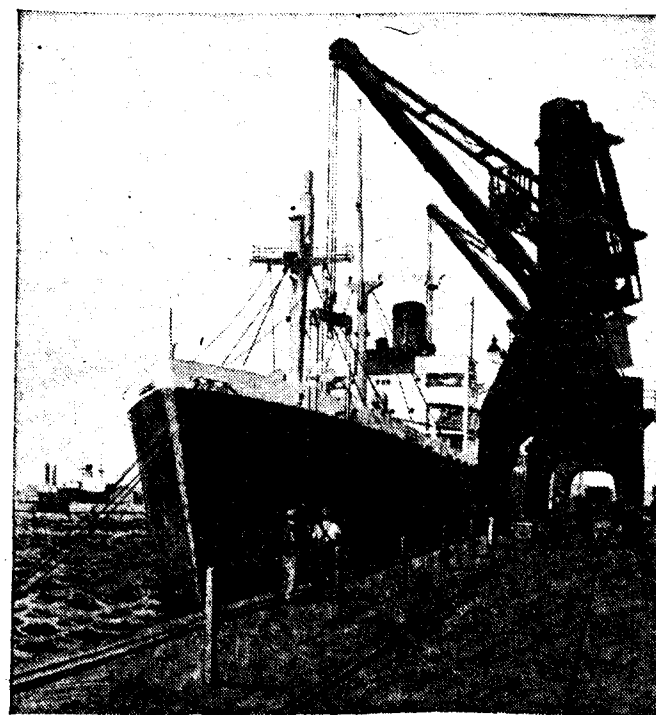
Metals in Confusion

The confusion that has recently affected copper prices is now spreading to other metals. A week ago American producers reduced their price for zinc from 15 cents a lb to 13½ cents a lb; this week they have increased it to 14 cents a lb. The Ministry of Materials has followed these American price changes step by step and is now charging £122 a ton for zinc compared with £130 a ton before the two adjustments.

Zinc supplies have improved steadily this year, and by the end of May the International Materials Conference was able to bring international allocation to an end. American consumption of some grades of zinc began to fall during the spring but for a time this movement was masked by continued strong demand from the galvanising trade. As soon as the American steel strike curtailed the demand for iron and steel for galvanising an immediate reduction occurred in zinc prices—the first fall since October, 1949. When the steel strike ended it was hoped that zinc prices would recover promptly. In the event, the weight of stocks accumulated during the strike proved too heavy and the announcement that smelter stocks had reached nearly 97,000 tons by the end of July sent prices tumbling to 13½ cents a lb. At this level smelter business apparently picked up so rapidly that within a few days the price recovered to 14 cents a lb—and there are signs that revival may go further. But this succession of sudden price changes has left zinc consumers in this country and in the United States bewildered and a wave of nervousness has spread to the American lead market.

Copper has remained immune from the slackening in demand that has affected lead and zinc during the last few months. But there are signs that American consumers may

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THE S.S. "Eumaeus" rammed the quay at Hongkong and stove in her bows. The hole was filled in with concrete and in this state she steamed back to Glasgow to be repaired in the Barclay Curle & Company shipyard. The first step in the repair was, obviously, to dislodge the concrete. It *could* be chipped out—all 4 tons of it—a few pounds at a time with road drills, crowbars and chisels. But at this point I.C.I. was asked to remove it with explosives. Though it is easy enough to break up concrete by this means, it was more difficult to find a way of blasting without at the same time damaging either the rest of the ship, the nearby ships in the yard, or the adjoining property. The technical service department of I.C.I.'s Nobel Division, drawing on 80 years' experience of explosives, knew the answer.

The concrete was removed safely, and the S.S. "Eumaeus" was back in service in a comparatively short time.



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Arthur Guinness Son and Company Limited

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The following letter has been addressed to the Stockholders accompanied by a Notice calling an Extraordinary General Meeting of the Company for the 4th September 1952:—

At the last Annual General Meeting I pointed out that the growing size and complexity of our business and the fact that we are operating throughout the world and brewing in three different countries made it desirable to introduce some administrative reorganisation, so as to secure the maximum devolution and flexibility and greater efficiency. I pointed out then that there were many problems involved, and it is only now that we have been able to find what we consider to be a satisfactory solution.

My great-great-grandfather acquired the brewery at St. James's Gate, Dublin, in 1759, and until 1936 it was our sole brewery. The present Company, when formed in 1886 had its registered office in London, but the executive control was efficiently and easily maintained in Dublin. The growth of the English market led to the building of our Park Royal Brewery which started operations in 1936. In 1943 we acquired an interest in brewing in U.S.A. which, though initially on a small scale, will, we hope, develop. In 1949 we reorganised and consolidated our export trade in a subsidiary Company called Guinness Exports Ltd., which has proved an unqualified success.

We have found that it is no longer possible efficiently to retain as one administrative unit the two great breweries with their trade departments and ancillaries, operating as they do in different countries and in circumstances different in every way. We propose therefore to form two wholly owned subsidiary Companies, to come into operation on 1st of October next, the one to be responsible for the Park Royal Brewery and the market in England, Wales, Scotland, the Channel Islands and the Isle of Man and the personnel and organisation involved, together with our hop farms; the other to be responsible for the Dublin Brewery and the markets in the Republic of Ireland and Northern Ireland and the personnel and organisation involved. The Dublin Company will undertake all brewing for export and will also under a long-term agreement with the Park Royal Company continue to supply stout as at present for the market in Great Britain.

The English Subsidiary Company will be called Arthur Guinness Son and Company (Park Royal) Limited and the Irish Subsidiary Company Arthur Guinness Son and Company (Dublin) Limited. These two Companies will be separate legal entities, but their shares will be wholly owned by the present Company. The only publicly owned shares will be those of the present Company, and the assets which are behind those shares will be unaffected, except that they will be subject to decentralised control which we are satisfied will operate more efficiently under the conditions that have developed. The present Company will retain the ultimate responsibility for the formulation and administration of policy inherent in its position as the sole shareholder; and will itself hold the American interests and Guinness Exports Ltd., and control any other interests we have, or may acquire.

Our decision, though it involves an internal reorganisation only, is a major matter which I have felt it desirable to put before the Stockholders. It is for this reason that I have decided, with apologies, to call you together again, so soon after the last Extraordinary Meeting. Although the Preference Stockholders are not entitled to vote at such Meeting I have addressed this letter to them also, and we would welcome any of them who would care to attend.

The proposals, though simple and usual in themselves, have not been without their difficulties, particularly from a taxation point of view. Every precaution has been taken to see that the reorganisation will not give rise to any additional liability for taxation and I would wish to pay tribute to the Authorities in both England and Ireland for their helpful and co-operative attitude. It is proposed in due course, unless in the Board's opinion circumstances make it undesirable, and subject to the necessary U.K. Treasury consent, to transfer the management and control of the Irish Subsidiary Company to that country.

Arrangements have been made for securing all existing pensions, as well as the pension rights and conditions of all staff and employees hitherto in the service of this Company who in future will be employed by the two new Subsidiaries.

It is difficult for any Board to foresee all the problems and difficulties of the future, but your Board, after full consideration of all the factors involved, is satisfied that this reorganisation is, and will be, wholly to the advantage of the Company and should lead to increased prosperity and strength.

Yours faithfully,

IVEAGH

Chairman.

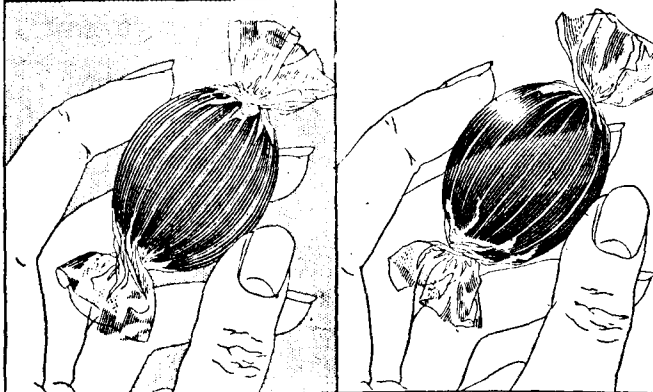
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12th August, 1952

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But boiled sweets did not always shine so bright. Once (long ago, it is true) the sugar confectioners were vexed by the crystallising of the sugar in their sweets, which dulled their surfaces and spoiled their translucency. The first attempt to cure the trouble was by adding cream of tartar and so 'inverting' enough of the sugar to prevent crystallisation. That did stop the crystallising to some extent, but invert sugar is hygroscopic—it absorbs atmospheric moisture, and makes the sweets that contain it damp and sticky.

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Later, glucose was used instead of cream of tartar, with complete success. The glucose, itself an energy-providing food, affords a colloidal medium in which sugar crystals cannot form, and keeps the wares in the sweet-shop windows permanently bright.

The provision of glucose for confectioners to use as a crystal-inhibiting medium is one example of the varied services that the Brown & Polson Group performs for many widely different industries, and is ready to perform wherever opportunity exists. Enquiries will be answered by responsible experts. They should be addressed to:

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The Industrial Division of

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not continue much longer to pay the current high prices for imported copper; last week the *Engineering and Mining Journal* export quotation—which is compiled from sales of foreign produced copper on the New York market—averaged only 34.808 cents a lb compared with 35.171 cents in the previous week. Copper is still rationed in the United States and consumers receive 60 per cent of their allocations in domestic metal at the ceiling price of 24½ cents a lb; the remaining 40 per cent must be taken in imported metal. Copper users are probably still taking up the whole of their allocations, partly because they fear a repetition of last year's strike in the copper mining industry and are therefore anxious to replenish stocks; and the demand for copper products is still firm. The British price for copper was reduced at the beginning of August by £2 to £287 a ton, following the conclusion of a new six weeks' contract with the Commonwealth producers.

* * *

More Meat at Higher Prices

Housewives will probably soon have to pay more for the Sunday joint. From this week the Ministry of Food is to pay 1s. 3d. a lb for Australian lamb—or 2d. a lb more than last season. Meat is supplied to this country by Australia and New Zealand under long-term agreements but the contract price is reviewed each year. Preliminary discussions about the new season's price for New Zealand meat have been in progress for some time and this week the New Zealand Minister of Agriculture arrived in this country for talks with the Minister of Food. Meanwhile, the annual tussle over Argentine meat supplies is taking place in Buenos Aires. Argentina is said to be demanding a price of nearly £200 a ton for its meat, to which Britain is unlikely to agree; but a larger quantity of Argentine meat in the next twelve months will probably not be obtainable without making some advance on the average of £129 a ton paid last year.

Shipments from Argentina have ceased since last year's quota was fulfilled two months ago but they may be resumed shortly on a temporary basis pending the conclusion of the present negotiations. Even without additional shipments from Argentina total supplies of meat this year are expected to be larger than they were last year. The chief factors in this improvement are an increase in home-killed meat from 978,000 tons last year to 1,080,000 tons and larger imports from New Zealand. The first consignment of New Zealand chilled beef since the war reached London this week. During the first half of the year 146,000 tons of New Zealand meat arrived in this country and shipments for the full year may amount to 360,000 tons compared with 270,000 tons last year. Imports from Argentina so far this year have been 106,000 tons or 16,000 tons more than the total for the whole of last year. On the other hand the Australian drought has reduced meat supplies from that Dominion to a minimum—only 20,000 tons are expected this year (of which 8,000 tons arrived in the first half year) compared with imports of 65,000 tons last year. Imports from Uruguay are also expected to be smaller than last year.

On the basis of these estimates (and without further shipments from Argentina) the Ministry of Food expects that the country's total meat supplies will amount to 1,600,000 tons against 1,435,000 tons last year. According to the official forecast this should permit an increase in consumption from 59.5 lb a head to 67.1 lb a head; total consumption will rise from 1,350,000 tons in 1951 to 1,500,000 tons this year. In the first half of this year only 700,000 tons of meat was consumed, but the ration has since been increased to absorb the seasonally large supplies of home-killed meat.

Patent Trouble with Nylon

British Nylon Spinners has been granted an interim injunction against Imperial Chemical Industries, to restrain ICI from parting with certain nylon patents used by BNS. This action is the outcome of an order from the American courts to ICI, ordering ICI to return to the American manufacturers, du Pont, the nylon patents that du Pont had first licensed and then assigned to the British company. The order arises from successful anti-trust proceedings against du Pont and ICI. Using du Pont patents, ICI produces nylon polymer in this country, which is then spun and marketed by British Nylon Spinners, a company in which ICI and Courtaulds have a joint interest. Under the original agreement with du Pont, ICI had exclusive rights to these patents in the British Empire, with the exception of Canada and Newfoundland where du Pont had made separate arrangements, and in the majority of the countries in the Middle East. Non-exclusive rights were granted for some European countries. British Nylon Spinners held a sub-licence from ICI covering the manufacture and sale of nylon yarn (not the polymer) in those same territories. Anti-trust hearings began in 1944 and in 1947 du Pont assigned the patent rights for these territories outright to ICI. That company then told British Nylon Spinners that a new agreement would have to be drawn up since the company was now a direct licensee of ICI. This formal agreement has not been completed, but the companies have acted in accordance with its intentions. Mr Justice Upjohn remarked on Wednesday that there is some doubt in any case whether "a court of foreign jurisdiction has power to impose on a company domiciled in this country an order which would compel it to break contracts entered into quite properly in this country."

* * *

International Harvester Expands

International Harvester's decision to double the company's productive capacity in this country is a step likely to have repercussions on British makers of farm machinery. Since the war, British producers have taken the opportunity offered by the dollar shortage to expand production of tractors and machinery several times over and to sell this equipment in non-dollar markets—including the home market—that had previously relied for a large proportion of their supplies on the three great North American producers, Massey-Harris, Allis-Chalmers and International Harvester. Each of these three manufacturers has since decided to meet its customers' lack of dollars by setting up factories in the sterling area. Restrictions on building and on capital investment held up progress with their British factories, but each now has a factory in full production in this country. Some of the equipment that is being produced in them, such as combines and pick-up balers, is not made on any scale by British manufacturers, but a good deal of the machinery range is directly competitive.

The International Harvester factory at Doncaster is already employing 2,000 people and turning out 4,500 to 5,000 tractors a year. It is now proposed to double the size of this factory, and extend its foundry capacity in proportion. This will make it possible to step up production of certain types of equipment, such as balers, and to widen the range—in particular by the introduction of a crawler tractor. About 80 per cent of the Doncaster factory's output is being shipped to the company's overseas dealers who have been cut off from supplies from the United States, and this high export ratio is likely to be maintained when the new plant comes into operation in approximately two years' time. To meet the cost of the new factory, the American parent company has recently subscribed the dollar equivalent of £1,000,000; earlier this year the company borrowed £1,000,000 in this country and it has also arranged in London for overdraft facilities of up to £1.5 million.

American companies have been the world's suppliers of farm machinery for so long that many farmers are strongly predisposed towards them, and it is an open question whether the British farm machinery industry will be able to retain its lion's share of the non-dollar markets when it has to sell in direct competition with British-built American designs. Much depends on the improvements that have been made in British designs in the intervening years, and on whether British companies have had sufficient time to build up a distributive system equal to that which, say, International Harvester already possessed before the company came to Britain. It is interesting to note that International Harvester has not committed its designs to direct mounting to the same extent as some British companies. Its machinery range is described as "general purpose," designed for any tractor, and not necessarily only International Harvester tractors. This policy is in line with that followed by some of the oldest and wisest of the British producers.

New Money for Monsanto

A new pattern in international finance was set last week when Monsanto Chemicals Ltd., the British company controlled by the American one of the same name, decided to by-pass the London market and look to Canada for finance. It is to raise £3,500,000 by placing a 5 per cent unsecured loan stock at par with three of the leading Canadian insurance companies. The first £1,500,000 of the stock was issued to these institutions last week end, and the balance of £2,000,000 will be available for issue up to the end of 1954, in stages and at the option of the company. As the stock is being placed privately, no stock exchange quotation will be sought. This placing carries distant echoes of the surge of unsecured loan issues made by leading British companies in 1949 and 1950, but the coupon rate and the redemption terms of the Monsanto stock show how effectively dearer money has changed the face of the capital market since then. The final redemption date of the stock is July 1st, 1982—an indication that the life companies, Canadian as well as British, are becoming more attracted to good long term yields as the long term liabilities in pensions business grow. Monsanto has the right to redeem all or any part of the stock after the end of 1953, but only on the payment of quite substantial premiums to the institutions. If the stock is redeemed before June 30th, 1957, the company will have to pay a premium of 10 per cent; thereafter, of course, the premiums become smaller and after June 30, 1980, the stock can be redeemed at par. An annual sinking fund for redemption will be started in 1963.

The specific developments that will be financed by this new money are not detailed in the circular sent out to shareholders in Monsanto. The chairman, Mr Edward A. O'Neal, is content to indicate that the Government, to whose policy in delaying the construction of new projects he made reference in his last annual report, has now given Monsanto the signal to go ahead with its expansion and development plans. Some of the money (particularly the £2,000,000 that is not to be raised immediately) may be intended to finance the second stage of the development of the Newport factory, while part of it may be needed to finance the company's latest ventures, still in their embryonic stage, in the production of Krilium and the synthetic fibre, Acrilan. If this is so, additional plants to produce the necessary raw materials will also have to be built.

Shorter Notes

Some misunderstanding has arisen about the steps taken in New Zealand (and discussed in a Business Note last week) to reduce allocations of overseas exchange for 1953 to 40 per cent of the 1950 total. These steps will affect imports both from sterling and non-sterling countries, but the specific

provision that licences for imports into New Zealand will be issued only on the understanding that they do not convey an automatic right to exchange, will not apply to imports from the sterling area. This preferential treatment does not excuse this rather novel type of import control in New Zealand, but it will reassure many exporters in Britain and other sterling countries, who may have seen in this development a serious deterrent to their future trade with New Zealand.

The cash issue by the Nyasaland Government of a 4½ per cent stock (1971-78) and the cash-cum-conversion issue by the City of Johannesburg of a 5 per cent stock (1959-62) were both over-subscribed. Dealings in the Johannesburg began on Tuesday around the issue price of 98 and then eased to ½ discount, but by Thursday's close the price had recovered to par. The Nyasaland loan opened on Wednesday at the issue price of 98½ and by the close had risen to ½ premium.

In the note "Revised Production Index" in these columns last week, the table showing production indices since 1948 was reversed. It should have read:

	Old Index	New Index
1948	100	100
1949	106.8	106.4
1950	116.2	113.5
1951	119.6	117.3
1952 (first quarter)	122.3	120.2

The new total production index therefore suggests that the growth in production since 1948 has been smaller, not greater, than the old index implied.

Prospecting licences covering the mineral deposits in the Sukulu region of Uganda have been granted to the Tororo Exploration Company, which has been formed jointly by the British Monsanto Chemicals, Rio Tinto Company, Frobisher, Ltd., and the Uganda Development Corporation. Among the minerals mentioned are pyrochlore, magnetite, apatite, francalite, baddleyite and zircon. The pyrochlore deposits of Nigeria have an appreciable uranium content, but it is not clear yet whether this is true of the Uganda deposits as well.

Arthur Guinness has announced a scheme of internal reorganisation that in effect will split its business into two. Two wholly owned subsidiaries are to be formed, one to be responsible for the Dublin brewery and the markets in Ireland as a whole, and the other for the Park Royal brewery and the market on this side of the Irish Channel. The Dublin company, whose management and control (subject to the consent of the Treasury) will in due course be transferred to Ireland, will undertake all brewing for export and will continue to supply stout for the market in this country.

The consolidated net earnings of International Nickel rose again in the second quarter of this year. They amounted to \$17,191,909, compared with \$16,346,318 in the preceding quarter and with \$14,653,656 in the corresponding quarter of 1951. As a result net earnings in the first half of 1952 were equivalent to \$2.23 a common stock, compared with \$1.94 a common stock in the first half of 1951.

Two motor companies, Rootes and Jowett, have announced price reductions for certain models. The Humber Snipe comes down from £1,045 (excluding tax) to £830, compared with £695 for the slightly smaller Humber Hawk, the price of which remains unchanged. The Jowett Javelin, which was £725, is down to £695, and the price of the larger Jowett Jupiter is also reduced in the same proportion.

Company Notes

Ruston and Hornsby.—The directors of Ruston and Hornsby have presented shareholders with news of another advance in trading profits (from £2,027,944 to £2,475,750), an increase in ordinary distribution (from 9 to 11 per cent), and accounts that are full of more than usually informative detail. A seven year review of the group's progress shows that the ratio between the net dividend and the book value of ordinary shares fell from 3.1 per cent in 1945-46 to 2.35 per cent in 1951-52. Yet in this period profits, before tax, have risen from £193,415 to £2,197,886, net working capital from £2,530,494 to £7,758,889, and the net book value of fixed assets from £857,368 to £2,519,296. Even when allowance is made for the steady increase in prices since the war, these figures represent a substantial growth in the group's business and stature. But as the chairman, Mr W. J. Ruston, makes clear in his review of the trading year to March 31st, these achievements have not been without their growing pains—in the shape of mounting taxation, relentless increases in costs and the associated problem of securing an adequate flow of raw materials.

Consolidated earnings :—

	Years to Mar. 31, 1951	1952
Trading profit	2,027,944	2,475,750
Total income	2,203,415	2,562,086
Depreciation	280,283	328,508
Taxation	1,040,407	1,299,585
Net profit	746,975	898,991
Ordinary dividends	193,725	236,775
Ordinary dividends (per cent)	95.797	161.604
Retained by subsidiaries	421,879	457,957
General reserve	22,943	29,621
Added to carry forward		

	2,202,108	2,519,296
Fixed assets, less depreciation	7,111,149	7,758,889
Net current assets	5,060,177	5,831,379
Stocks	1,250,591	1,145,783
Cash	4,712,552	5,972,010
Reserves	4,100,000	4,100,000
Ordinary capital		

£1 ordinary share at 37s. 9d. and yields 5s. 10s. per cent.

The increase in costs forced the company to raise its selling prices twice last year, steps that it took very reluctantly in view of growing German and Japanese competition in the world markets for oil engines and the locomotives. The difficulty of "obtaining the right materials and components, in the right quantities, at the right time" caused some of the group's factories to run under capacity; it has also resulted in a large and unbalanced stock and in a failure to deliver "a record number of engines, almost completed, but held up very often for the lack of one or more components." The basic difficulty of facing the company is the shortage of carbon and alloy steel. The Government has not granted the group sufficient authorisations to ensure full capacity working, and the company is finding it extremely difficult to persuade the steel makers to deliver the steel against the authorisations that have been allotted to it. The company has a record in the order book, and last year's growth in the number of employees, from 8,838 to 9,248, shows that it is not short of labour, so that much will depend on an increase in steel supplies. Even if this bottleneck is opened out shareholders should not bank on bigger dividend warrants this year. Taxation and outstanding capital commitments of about £1 million are likely to make a heavy call on both current earnings and liquid resources.

Furness Withy.—Although a substantial proportion of Furness Withy's earnings is derived from sources other than shipowning, the heart of the group's business remains the operation of liner and cargo steamship services on most of the regular trade routes of the world. It is almost certainly from shipping that the remarkable boom in profits in the year to April 30th stems. Group net profits, after tax and all other charges, rose

from £1,515,308 to £2,893,688, despite a staggering increase in the provision for British taxation from £723,494 to £3,164,994.

Equity stockholders are to receive their due share in this expansion in earnings. The ordinary dividend, which was raised from 8 to 9½ per cent in 1950-51, has been increased to 12½ per cent. This is an effective increase of 3½ per cent, for the special tax-free bonus of 2½ per cent paid in 1950-51 was distributed out of a surplus arising from the sale of investments and not out of the year's profits. The group's earnings will almost certainly fall this year, as there has been a sharp contraction in the volatile freight market; liner conference rates are, of course, more stable, but in this field, too, the growth in import restrictions is likely to reduce the demand for cargo-liner space. Nevertheless, the directors' decision to raise the ordinary dividend indicates a certain confidence in current trading prospects—although the decision to classify 2½ per cent of the dividend as a "cash bonus" may carry some implications the other way. At the current price of 31s. 6d. the £1 ordinary stock units yield just over 7.9 per cent.

Whitworth and Mitchell and Tootal Broadhurst Lee.—The slump in the textile trades has not as yet produced an odder contrast in trading results than that revealed by the preliminary statements issued by Whitworth and Mitchell and by Tootal Broadhurst Lee, whose financial years both ended on June 30th. After writing down stocks (by about £347,000) to their market value, Whitworth and Mitchell report a trading loss of £233,234, compared with a profit of £363,055 in 1950-51. Its net loss amounts to £270,354, compared with a net profit of £174,055 in 1950-51, and this has been met by writing back £52,000 from the company's general reserve and £165,000 from a stock reserve. This has enabled Whitworth and Mitchell to pay a dividend on the 6 per cent cumulative preference stock for the half-year to December 31st last and an interim ordinary dividend of 2½ per cent, but the preference dividend for the latter half of the financial year and the final ordinary dividend have been passed.

In very sharp contrast to this gloomy record, the directors of Tootal Broadhurst Lee have recommended an increase in the distribution on equity capital from 13½ to 15 per cent. This increase has been recommended despite a drop in net profits from £669,292 to £339,138, and an even more steep decline in profits before tax, from £1,980,000 to £574,000. In these circumstances the decision to increase equity payments can conservatively be described as surprising—especially as the company has deemed it necessary to make a provision of £125,000 (compared with £110,000 in 1950-51) against losses by subsidiaries.

The contrast between the "first degree burns" inflicted on Whitworth and Mitchell by the recession in the textile trades and the "second degree burns" suffered by Tootal needs some explanation. Tootal is, of course, a much bigger organisation than Whitworth and Mitchell, and therefore its internal finances are stronger. In the middle of last year Whitworth and Mitchell possessed in effect no liquid resources, having a bank overdraft of over £40,000 in contrast to its cash balance of just over £300, while the Tootal group had a cash balance of just over £1,800,000. Another reason that can be advanced is that Whitworth and Mitchell seem to have a bigger stake in the rayon trade than Tootal. The £1 ordinary stock units of Whitworth and Mitchell are currently quoted at 15s. 7½d., and the £1 ordinary shares in Tootal at 56s. 9d., to offer a yield of 5.3 per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Aug. 6, 1952	Price, Aug. 13, 1952	Net Yield, Aug. 13, 1952	Gross Yield, Aug. 13, 1952
War Bonds 2½% '51-53	99½	99½	2 5/8	2 5/8
War Bonds 2½% '52-54	98½	98½	2 1/8	2 1/8
Exchequer 2½% '1955	97½	97½	2 0/8	2 0/8
Ser. Funding 1½% '52	99½	99½	1 3/8	2 1/8
Ser. Funding 1½% '53	99	99	1 3/8	2 1/8
Ser. Funding 1½% '54	97	97	1 19/8	2 1/8
War Bonds 2½% '54-56	97½	97½	1 17/8	2 0/8
Funding 2½% '52-57	97½	97½	1 16/8	2 0/8
Nat. Def. 3½% '54-58	97½	98	1 19/8	2 3/8
War Loan 3½% '55-59	98½	98½	1 18/8	2 3/8
Savings 3½% '55-65	89½	89½	2 8/8	4 0/8
Funding 2½% '56-61	90½	91½	2 10/8	3 16/8
Funding 3½% '59-69	85½	85½	2 14/8	4 6/8
Funding 3½% '66-68	85½	85½	2 13/8	4 4/8
Funding 4½% '60-90	97½	97½	2 2 3/8	4 10/8
Savings 3½% '60-70	83½	83½	2 14 1/8	4 6/8
Savings 2½% '64-67	82½	82½	2 15/8	4 2 7/8
Victory 4½% '20-76	100½	100½	2 1 1/8	3 19/8
Savings 3½% '65-75	80½	80½	2 13/8	4 6/8
Consols 4½% (aft. 1957)	83	83½	2 10/8	4 16/8
Cons. 3½% (aft. 1961)	75½	75½	2 8/8	4 13/8
Treas. 2½% (aft. 1975)	56	56½	2 7/8	4 10/8
Treas. 3½% (aft. 1966)	65½	65½	2 8/8	4 12 7/8
Treasury 3½% '77-80	85½	86½	2 10 1/8	4 7 1/8
Redemption 3½% '86-96	76½	76½	2 9/8	4 4 1/8
War Loan 3½% aft. 1952	74½	75½	2 9 1/8	4 14 1/8
Consols 2½%	57½	57½	2 5/8	4 7 1/8
Br. Elec. 3½% '68-73	82½	82½	2 14/8	4 6 1/8
Br. Elec. 3½% '74-77	81½	81½	2 13/8	4 5 1/8
Br. Elec. 4½% '74-79	99	99½	2 6/8	4 7 1/8
Br. Elec. 3½% '76-79	87½	87½	2 10/8	4 7 1/8
Br. Trans. 3½% '78-88	75	75½	2 13/8	4 7 1/8
Br. Trans. 3½% '68-73	82½	82½	2 14/8	4 7 1/8
Br. Gas 3½% '90-95	74½	75½	2 10 1/8	4 6 1/8
Br. Gas 3½% '69-71	88½	88½	2 11/8	4 7 1/8
Br. I. & S. 3½% '79-81	85½	86½	2 10 7/8	4 7 1/8

(a) To earliest date. (f) Flat yield. (j) To latest date.
(s) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends	Ordinary Stocks	Price, Aug. 6, 1952	Price, Aug. 13, 1952	Yield, Aug. 13, 1952
(a) (b) (c)				(d) (e) (f)
20 a	40 Anglo-Am. 10/-	6½	6½	4 12 1/8
5 a	25 Anglo-Iran 1/-	5½	5½	5 1 1/8
14 a	12½ Assoc. Elec. 1/-	69/6	69/6	5 15 1/8
14 a	20 Assoc. P. Cem. 1/-	99/4	100/-	5 10 1/8
12 a	10 Bass 1/-	121/3	122/6	5 5 1/8
10 a	10 Boots 5/-	129/3	129/3	9 9 1/8
6 a	3 Brad. Dyers 10/-	24/3	24/3	6 7 1/8
100 (f)	4½ Br. Colanese 10/-	24/-	22/9	6 7 1/8
...	Br. Motor Cp. 5/-	31/10	31/3	...
8 a	12 Br. Oxygen 1/-	47/9	48/9	5 9 1/8
3 b	3 Can. Pac. 25/-	36½	36½	4 6 1/8
6 a	7½ Coats 1/-	42/9	43/6	5 14 1/8
5 a	6½ Courtaulds 1/-	36/3	36/-	6 5 1/8
15 c	2½ Curand 1/-	32/6	33/6	8 19 1/8
14 a	15 Distillers 4/-	17/6	18/-	5 0 1/8
17 a	17½ Dunlop 1/-	46/10	46/10	7 9 1/8
12 a	15 Ford 1/-	49/-	49/-	6 2 1/8
7 a	15 Gen. Elect. 1/-	83/6	83/6	5 7 1/8
5 a	10 Guest Keen 1/-	51/6	51/3	5 17 1/8
17 b	7 Guinness 10/-	31/6	32/-	5 6 1/8
5 a	4½ Hawker Sid. 1/-	36/6	36/6	5 9 1/8
3 a	10 Imp. Chem. 1/-	44/3	44/-	5 18 1/8
18 a	13½ Imp. Tobacco 1/-	80/-	81/3	7 17 1/8
5 a	8½ Int. Nick. n.p.	85½	85½	5 9 1/8
17 a	17½ J'burg Con. 1/-	52/6	51/10	6 14 1/8
10 b	5 Lancs. Cotton 1/-	37/9	37/9	7 29 1/8
14 a	10 Lon. Brick 1/-	60/-	60/-	5 16 1/8
15 a	65 Marks Sp. A 5/-	41/6	42/9	4 13 7/8
6 a	15½ Monsanto 5/-	25/7	25/7	4 7 1/8
8 a	10 P. & O. Def. 1/-	46/6	48/-	6 13 1/8
7 a	17½ P. Johnson 10/-	36/-	35/6	7 0 1/8
185 c	1100 Prudential 'A' 1/-	34	34	5 12 1/8
200 c	50 Rhokana 1/-	22½	22	9 1 1/8
5 a	10 Rolls Royce 1/-	61/-	62/6	4 16 1/8
15 a	120 Shell Stk. 1/-	82/6	83/9	5 9 5/8
12 a	13½ Tube Invest. 1/-	52/6	54/-	4 12 7/8
15 b	5 a T. Newall 1/-	84/4	86/3	4 12 1/8
5 a	8½ Unilever 1/-	46/10	46/10	5 15 1/8
10 c	12½ Union Castle 1/-	20/9	20/9	6 0 1/8
5 b	5 Union Dist. 1/-	38/-	38/-	5 2 1/8
16 a	16½ Wld. Molass. 10/-	30/6	30/6	6 9 10/8
50 c	50 U.S. Sta. Betong 1/-	38/1½	38/1½	26 4 7/8
10 b	4½ Vickers 1/-	45/-	44/6	5 12 1/8
27 a	15 Woolworth 5/-	40/3	41/-	5 3 1/8

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 13½%.
(e) Yield basis 16½%. (f) Yield basis 22 1/2% gross. (g) Yield basis 16%. (h) Yield basis 12½%. (i) Includes special int. 7%. (j) Yield basis 6½%. (m) Yield basis 19 1/8%.
(n) Yield basis 40%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended August 9, 1952, total ordinary revenue was £87,527,000, against ordinary expenditure of £68,279,000 and issues to sinking funds £1,020,000. Thus, including sinking fund allocations of £9,962,000 the deficit accrued since April 1, 1952, was £183,925,000 compared with a surplus of £86,263,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	April 1, 1951 to Aug. 11, 1951	April 1, 1952 to Aug. 9, 1952	Week ended Aug. 11, 1951	Week ended Aug. 9, 1952
REVENUE					
Receipts into the Exchequer (£ thousand)					
Ord. Revenue	180,422	323,632	374,032	15,600	18,617
Income Tax	123,000	29,600	26,700	1,000	800
Sur-tax	175,000	74,500	55,600	2,500	2,300
Estate, etc., Duties	57,500	23,900	18,450	1,000	900
Stamps	452,000	99,400	126,400	5,500	14,000
Profits Tax & EPT	5,000	...	...	...	...
Excess Profits Levy	2,000	1,345	700	30	...
Special Contribution	...	...	...	...	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,872	552,377	601,882	25,630	36,617
Customs	104,350	347,416	362,884	23,823	20,556
Excise	772,000	289,400	264,302	14,505	25,295
Total Customs and Excise	1,815,500	636,816	627,186	38,328	45,851
Motor Duties	64,150	11,203	10,805	393	2,195
Surpl's from Tradg.	12,000	57,500	...	...	...
PO (Net receipts)	...	3,500	...	3,500	...
Broadcast Licences	15,000	3,400	3,300	...	...
Sundry Loans	26,000	8,298	8,630	1,533	2,844
Miscell. (incl. Surplus War Stores)	110,000	26,685	31,590	297	20
Total Ord. Rev.	466,137	1,299,779	1,283,393	69,681	87,527
SELF-BALANCING					
Post Office	209,235	63,900	68,700	2,500	7,000
Income Tax on EPT Refunds	4,900	1,825	2,100	82	41
Total	487,551	1,365,504	1,354,193	72,263	94,568
EXPENDITURE					
Issues out of the Exchequer to meet payments (£ thousand)					
Ord. Expenditure	575,000	147,867	174,458	3,351	4,219
Int. & Man. of Nat. Debt	40,000	12,431	13,074	...	1,360
Payments to N. Ireland	10,000	4,033	4,124	...	...
Other Cons. Funds	625,000	164,331	191,656	3,351	5,579
Supply Services	355,437	104,597	126,570	52,800	62,700
Total Ord. Expd.	417,937	1,268,928	1,457,356	56,151	68,279
Sinking Funds	...	4,588	9,962	130	1,020
Total (incl. Self-Bal. Expd.)	417,937	1,213,516	1,467,318	56,281	69,299
SELF-BALANCING					
Post Office	209,235	63,900	68,700	2,500	7,000
Income Tax on EPT Refunds	4,900	1,825	2,100	82	41
Total	439,350	1,279,241	1,538,118	58,863	76,340

After increasing Exchequer balances by £110,475 to £2,934,796 the other operations for the week decreased the National Debt by £17,060,255 to £25,958 million.

NET RECEIPTS (£ thousand)	
Land Settlement (Facilities) Acts, 1919 and 1921	12
Cotton (Centralised Buying) Act, 1947, s. 21(3)	8,005
EPU (Financial Provisions) Act, 1950, s. 3	183
	8,200
NET ISSUES (£ thousand)	
PO & Telegraph (Money) Act, 1950	750
EPT Refunds	49
Local Authorities Loans Act, 1945, s. 3(1)	7,200
New Towns Acts, 1946 and 1952	750
Cinematograph Film Production (Special Loans) Acts, 1949 and 1950	200
Finance Acts, 1946 and 1947, Postwar Credits	309
	9,258

CHANGES IN DEBT (£ thousand)	
RECEIPTS	PAYMENTS
Nat. Savings Certs. 300	Treasury Bills 7,021
Ways and Means 2,000	2% Def. Bonds 630
Advances	3% Def. Bonds 1,449
	2% Ter. Annuities 1,629
	Tax Reserve Certs. 8,503
	Other Debt —
	Internal
2,300	19,360

FLOATING DEBT (£ million)	
Date	Treasury Bills
	Tender
	Tap
	Public Depts.
	Bk. of Eng-land
	Treas. Deposits by Banks
	Total Floating Debt
Aug. 11 1951	3220.0
May 17 1952	2650.0
" 24 1952	2690.0
" 31 1952	2710.0
June 7 1952	2750.0
" 14 1952	2790.0
" 21 1952	2830.0
" 30 1952	4336.6
July 5 1952	2910.0
" 12 1952	2940.0
" 19 1952	2970.0
" 26 1952	3000.0
Aug. 2 1952	3020.0
" 9 1952	3040.0

TREASURY BILLS	
Date of Tender	Amount (£ million)
	Offered
	Applied For
	Allotted
	Average Rate of Allotment s. d.
	Allotted at Min. Rate %
Aug. 10 1951	260.0
May 9 1952	230.0
" 16 1952	230.0
" 23 1952	220.0
" 30 1952	240.0
June 6 1952	240.0
" 13 1952	240.0
" 20 1952	250.0
" 27 1952	240.0
July 4 1952	240.0
" 11 1952	240.0
" 18 1952	230.0
" 25 1952	220.0
Aug. 1 1952	220.0
" 8 1952	230.0

On August 11 applications for 91 day bills to be paid from August 11 to August 16, 1952, were accepted dated Monday to Saturday as to about 68 per cent at 499 7/8. 9d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £220 million were offered on August 15th. For the week ended August 16th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)	
	Total 18 weeks ended Aug. 2, 1952
	Aug. 2, 1951
Savings Certificates:—	
Receipts	68,700
Repayments	52,400
Net Savings	16,300
Defence Bonds:—	
Receipts	16,089
Repayments	17,077
Net Savings	Dr 877
PO and Trustee Savings Banks:—	
Receipts	236,702
Repayments	304,707
Net Savings	Dr 68,005
Total Net Savings	Dr 52,692
Interest on certificates repaid	12,716
Interest accrued	43,576
Change in total invested	Dr 21,830

BANK OF ENGLAND RETURNS

AUGUST 13, 1952	
ISSUE DEPARTMENT	
Notes Issued:—	Govt. Debt ... 11,015,100
In Circulation 1493,123,778	Other Govt. Securities ... 1535,793,247
In Bank, Department ... 57,233,045	Other Sec. ... 679,190
	Coin (other than gold) ... 2,512,463
	Amt. of Fid. Issue ... 1,550,000,000
	Gold Coin and Bullion (at 248s. per oz. fine) ... 356,823
1550,356,823	1550,356,823
BANKING DEPARTMENT	
Capital	14,553,000
Res.	3,833,984
Public Depts.	12,925,281
Public Accts.	12,382,733
H.M. Treas. Special Acct.	542,548
Other Depts.	327,512,624
Bankers'	262,307,205
Other Accts.	65,005,419
358,824,889	358,824,889
* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.	
COMPARATIVE ANALYSIS (£ million)	
	1951
	Aug. 15
	July 30
	Aug. 6
	Aug. 13

Issue Dept.:	
Notes in circulation	1380.9
Notes in banking department	44.5
Government debt and securities	1420.8
Other securities	0.7
Gold and coin	3.9
Valued at s. per fine oz.	248/0
Banking Dept.:	
Deposits:—	
Public Accounts	17.6
Treasury Special Account	0.9
Bankers	295.0
Others	90.4
Total	403.9
Securities:—	
Government	327.4
Discounts, etc.	22.1
Other	28.0
Total	377.5
Banking dept. reserve	44.8
"Proportion"	11.0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,500 million to £1,550 million on July 22, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)	
	Aug. 7, 1951
	July 29, 1952
	Aug. 12, 1952
Cereals and meat	168.9
Other foods	182.0
Textiles	279.4
Minerals	339.7
Miscellaneous	196.7
Complete Index	222.6
1913=100	306.3

GOLD AND SILVER	
The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—	
1952	SILVER
	London per ounce
	New York per ounce
	Bombay per 100 tolas
	GOLD
	Bombay per tola
Aug. 7.	d. c.
" 8.	73.0 83.25
" 9.	73.0 83.25
" 10.	73.0 83.25
" 11.	73.0 83.25
" 12.	73.0 83.25
" 13.	73.0 83.25

ALBERT E. REED & COMPANY

PERIOD OF EXCEPTIONAL TRADING CONDITIONS

SIR RALPH REED ON WIDE RANGE OF ACTIVITIES

Sir Ralph Reed (Chairman), presiding at the forty-ninth annual general meeting of Albert E. Reed & Company, Limited, paper manufacturers and converters, held in London on August 12, 1952, said:

Ladies and gentlemen,—In moving the adoption of the report and accounts for the year ended March 31, 1952, which have been in your hands for the requisite period, I should like first of all to refer to certain changes which have occurred in your Board of Directors.

As you will have seen from the report, Lt. Col. W. H. Wild retired at the end of 1951 after 29 years on the board, and Mr. F. F. Edwards, who had given almost a working lifetime of service to the company, including 32 years as secretary, and had been a director since 1928, retired at March 31st. We look back with gratitude on our valued and harmonious association with these two gentlemen, and their services to the company for so many years.

Mr. E. S. Birk was appointed a director on January 1st and his wide business associations and legal knowledge will be very helpful to us, while Mr. T. E. G. Baker and Mr. C. V. Oliver, both of whom have reached high executive responsibility after many years' excellent service to the company, were appointed directors on March 4th. These three appointments will require your confirmation at this meeting.

GENERAL TRADING CONDITIONS

Before referring to the principal features of the accounts and balance-sheet, I think it may be helpful if I give some outline of the general state of affairs in the paper trade since I addressed you last November.

Until the beginning of January the demand for paper and paper products was maintained at a very high level and the extraordinarily high prices ruling for woodpulp and other raw materials inevitably resulted in extremely high prices for our products. The Government then decided to take joint action with certain Continental countries in an endeavour to bring down the artificially high prices of woodpulp. This decision was taken at a time when the American economy indicated at least equilibrium if not a surplus in the pulp and paper supply position, and this factor was probably the most important one in producing the remarkable change which took place in our industry in the early part of 1952.

PRICE MOVEMENTS

In February last the Government fixed ceiling prices for woodpulp imported from sources other than North America, for the second quarter at figures which varied between 25 per cent and 35 per cent below the average prices which were then ruling for chemical pulps and about 12 per cent in the case of mechanical pulp. These prices were accepted by our suppliers and, when they became effective, the market prices for paper were reduced accordingly.

The peak prices of pulp and paper which were reached in the latter part of 1951 compared with prewar prices in 1939 as follows:

Chemical pulps had risen to no less than fourteen to sixteen times, and mechanical

pulp to about eight times the prewar prices, while our selling prices for the many kinds of paper we produce rose in varying degrees, depending upon the nature of the raw material used, up to a maximum of nine to ten times the prewar 1939 prices.

In the case of newsprint, the selling price of which was still controlled until ten days ago, the highest price reached was about six and one-half times prewar. The price of this paper was not reduced during the second quarter of 1952 by anything like as much as that of those other kinds of paper which we make from chemical pulp. Among the reasons for this are, firstly, that newsprint is made mainly from mechanical pulp, the price of which, as I have said, had risen in much smaller proportion than the more expensive chemical pulp and had fallen to a much lesser extent this year, and, secondly, that newsprint production and prices have had the full benefit, by Paper Control direction, of the imports of Canadian sulphite pulp, the price of which did not rise nearly so much as that of the much larger European supplies used in the production of other papers and had not fallen to anything like the same extent.

Meanwhile, European pulp prices for the third quarter of this year have again been falling by very substantial amounts, and the selling prices of many of our products have been further reduced.

Having dealt at some length with the important matter of price movements, I must now add a word about the equally important matter of the demand for our products. A very serious falling off in demand has occurred in recent months and I think it is true to say the fall has been very much heavier than anyone could have foreseen at the beginning of 1952. This has been due to a heavy stock position in many directions, the lack of confidence among buyers owing to falling prices, certain restrictions imposed in export markets, and also to a general recession of activity in many other industries which use paper and paper products in various forms. All this has involved a very substantial reduction of output in our organisation and in the paper-making industry as a whole, and it is not surprising in all the circumstances that the Government recently took steps to release from control, as from August 2nd, the selling prices of newsprint and mechanical printings, these being the only two descriptions of paper which were still subject to price control up to that date.

PROFIT AND LOSS ACCOUNT

The trading profit for the year amounts to £6,307,000, out of which we have to find no less than £3,691,000 for taxation, leaving a balance of £2,616,000, out of which we have set aside a provision of £1,500,000 against the effects of the falls in values of woodpulp to which I have already referred.

Our trading results have recently been the subject of a considerable amount of publicity particularly in relation to the selling price of newsprint, and were even referred to in Parliament. In a debate in the House of Commons, as reported in *Hansard*, June 23rd, your company was referred to as being "confined almost exclusively to the manu-

facture of newsprint," thus implying that our profits for the year ended March 31, 1951, were almost entirely obtained from that source. This mis-statement perhaps arose from the fact that we are, as is well known, the second or third largest producer of newsprint in this country, but it is so very far from the truth that I think I should give you the facts.

During the past two years our production of newsprint, large as it is, has been not more than one-quarter of our total production of paper, and a much smaller proportion of our total paper sales values, quite apart from the very large additional turnover of converted products manufactured by subsidiary companies in our Group. For in addition to newsprint we make very substantial quantities of other kinds of printing paper, etc., while our production of wrapping papers has exceeded our output of newsprint and other printing papers combined and is, we believe, larger than that of any other producer in this country or, indeed, in Europe.

I informed you a year ago that newsprint represented only a small fraction of our paper-making profits. It represents a still smaller fraction in the year now under review. This means, of course, that our profits on our other products, the selling prices of which, unlike newsprint and mechanical printings, were not controlled, have been much larger than we should have been justified in making under more normal conditions. I must stress the point, however, that, firstly, this has been primarily due to the effects of the unprecedented rises in the prices of woodpulp, and therefore in the market prices of paper, which occurred in 1950 and 1951, and, secondly, if under such inflationary conditions we had been content with the same profit margin during the last two years on our other kinds of paper as has been allowed to us on newsprint under Paper Control Prices Orders, we could not have provided against the stock losses, running into millions of pounds, which have taken and are taking place, and we should now have been faced with a truly disastrous situation. This is true not only of your company, but also of the papermaking industry as a whole in proportionate degree. Much as we regret the unprecedented prices we have had to charge for our products, we feel that we have been fully justified in doing so.

NON-CONTRIBUTORY PENSION SCHEME

During the year we introduced a non-contributory superannuation scheme to provide pensions for all those employed in our group when reaching the age of 65 for men and 60 for women. This scheme, which operates under a trust created for the purpose and takes the place of the voluntary arrangements under which we have paid pensions to retired employees of long service for many years past, had an extremely good reception from all concerned and we believe will consolidate still further the excellent relationship which has always existed with our employees. In view of this important new commitment, we have deemed it appropriate to carry the sum of £1 million to pensions reserve.

ORDINARY DIVIDEND

In view of the results disclosed in our accounts we recommend the payment of a

final dividend of 13 per cent on the Ordinary shares, making 20 per cent for the year. We feel that this is all the more justified by reason of the restriction imposed upon us a year ago owing to the special circumstances which I then explained to you, as well as the restraint which we voluntarily exercised in several previous years.

BALANCE SHEET

Turning to the balance sheet, you will see that the additions to fixed assets during the year amounted to £727,000 in continuation of our policy of expansion and maintaining our plant in the highest degree of efficiency. You will observe that the current assets have increased by some £6 million during the year. The bulk of this figure is represented by the increase in stock values and debtors.

The current liabilities have increased to a much less degree and stand at £5,100,000, £2 million more than the figure shown last year, and you will observe that the difference between current assets and current liabilities amounts to £10 million, compared with £6 million last year.

TAXATION

The incidence of taxation on businesses like ours which have been subject to such extreme and unprecedented fluctuations of costs and prices is indeed a tremendous burden to bear. While the total amount of taxation will have to be paid in cash, the trading profit on which it is levied may, in fact, never be realised in cash to anything like the full extent. For this reason alone, apart from others which have been stressed in so many quarters, we feel strongly that some method should be found to relieve industry of the very heavy financial burden imposed by such an anomalous situation.

EMPIRE PAPER MILLS

You will probably have seen our recent announcement that we have agreed to purchase the whole of the share capital of Empire Paper Mills, Limited, from Associated Newspapers, Limited. We are very pleased to have had the opportunity of acquiring this important paper mill on the lower Thames, the various products of which fall quite naturally and logically into our general production scheme. The purchase was duly completed on August 1st and we are confident that the operation of this mill, in addition to our present Aylesford, Tovil, Bridge and London Paper Mills, will in the long run prove extremely beneficial to the group as a whole.

PRESENT PROSPECTS

You will not expect me to predict, in such times as these, what the current year has in store for us. We shall not, of course, repeat anything like the exceptional trading results of the past year, nor would anything like such a scale of profits be needed now that the back of the recent inflation has been broken. Falls in values of paper and raw materials have been adequately provided for in the accounts before you, and that being so I am able to inform you that we have earned satisfactory profits in the first three months.

We are, however, still facing the severe recession in trade to which I have referred. At present there are no indications of a general revival of demand, but we have confidence in a return to much better trading conditions in the not distant future, and when the paper market regains stability, which we do not expect to be long delayed, our products should again be in sufficient demand to give us a high level of production.

Meanwhile it can certainly be said that we have strongly fortified the company financially against this period of comparatively unfavourable conditions. Further, by continual progress in the direction of efficiency

and productivity, and a further widening of the range of our products, we are better equipped than ever before to meet the future, whatever it may bring.

TRIBUTE TO STAFF

I am glad to pay tribute once again to the zeal and efficiency with which our executives and staff, and all others employed in our organisation, have performed their allotted tasks and have thereby contributed so much to the success of our operations in the year under review.

The report and accounts were adopted.

CHARRINGTON, GARDNER, LOCKET AND COMPANY CONTINUED PROGRESS

The forty-ninth annual general meeting of Charrington, Gardner, Locket and Company, Limited, was held on August 12th in London, Sir John Charrington (the chairman) presiding.

The following is an extract from his circulated statement:

It is satisfactory once again to be able to report further progress in the affairs of the company.

All departments of the company contributed satisfactorily to the group profit of £284,019 which was an improvement of £32,997 on the preceding year.

It must be admitted that the conditions during the period under review were almost ideal for the economy of the coal distributor. The long drawn-out winter of 1950-51 had left cellars empty and industrial stocks low, so that the company's plant was kept fully employed during the following summer. The winter of 1951-52 was, fortunately, unusually mild, which helped us to get through the period of heavy demand without undue difficulty; but, in contrast to this time a year ago, stocks at consumers' premises are now much greater. Nevertheless, deliveries are being maintained at a good level.

SECTIONAL ACTIVITIES

Within the industrial fuel section of our business we have had a most satisfactory year. Our coastwise shipments surpassed any previous year's performance; railborne tonnages were well maintained, and deliveries to industry in our own transport showed a marked increase.

I alluded last year to sales by your company of liquid fuel. This section continues to expand satisfactorily. On the domestic side, your company works very closely with the Coal Utilisation Council, the chief aim of which is to raise the standards of sales and service in both the domestic appliance and coal trades.

In the industrial field we also play our full part in the activities of the Combustion Engineering Association which is already a most useful body to promote the efficient use of fuel in industry.

The importance of research to the future of the country is often emphasised, and I should like to take this opportunity of declaring the connection which this company has always had with the British Coal Utilisation Research Association at Leatherhead. Close contact with the various sections of the Association is maintained, from which we learn much of practical value in both the domestic and industrial fields.

In the lighterage department trade has been well maintained. We are continuing to build a number of steel barges for ourselves and other users at our Dartford barge yard.

While the ideal conditions of 1951-52 are

unlikely to be repeated, I can, nevertheless, state that the company is in a good state, and I see no reason to look for anything but a progressive future.

The report was adopted and a total dividend of 22 per cent, less tax, was approved.

THE BRITISH SHAREHOLDERS TRUST IMPROVED TRADING RESULTS

The thirtieth annual general meeting of The British Shareholders Trust, Limited, was held on August 14th in London.

Sir Bernhard Binder, FCA (the chairman), who presided, in the course of his speech, said: It is pleasing for me to be able to report to you improved results. Our gross revenue for the year amounted to £113,306 compared with £88,812, and, after deduction of all expenses (including £40,504 for taxation as against £28,035 last year), the net profit is £43,536, or £9,164 more than for the year to March 31, 1951.

The directors propose that a final dividend of 4½ per cent, together with a bonus of 2½ per cent, both less income tax, should be paid on the share capital, making a total distribution of 10 per cent, which is the same as last year.

Notwithstanding a substantial decline in security prices during the year, the valuation of our investments still shows an appreciation over their book value. The present Government's dearer money policy has, of course, had a substantial effect in lowering Stock Exchange values, but, at the same time, if we are to restore the value of our currency and stop inflation, a much firmer hand must be kept on the control of credit than has been the case in recent years.

BURDEN OF HIGH TAXATION

The vital difficulty facing us today is the high rate of taxation. In this connection I should like to point out that if one studies this country's Budgets over a period of years it will be seen that after the first four years of peace following the end of World War I, Government expenditure from 1922-23 ran steadily for many years at about one-third of the peak expenditure in 1917-18. Since World War II expenditure has been more than one-half of the high point reached in 1944-45, and the rearmament programme increased it in 1951-52 to more than two-thirds of the war peak. Put another way—if the precedent of budgetary policy after the First World War had been followed, the UK Budgets from 1947 until rearmament became vitally necessary should have been at least £1,000 million per annum less than they actually were. Everyone knows where a great deal of this expenditure went and that the aims and objects were, in the main, laudable, but perhaps it is not yet generally realised how much such expenditure contributed to inflationary tendencies in this country. The main cure must be increased production, and to secure this incentives must be provided. We hope that the present Commission on taxation will be able to find some method of alleviating and simplifying existing methods of taxing profits and income.

As time goes on the burden of Estate Duty is making the preservation of family businesses more and more difficult. To those who have this problem to face I would say that we have given this matter considerable study and that we would welcome the opportunity of helping and advising as to the best methods of financing these needs and at the same time preserving, as far as possible, the continuity of management and control which has contributed so much to the building up of free enterprise in this country.

As to the future if, as we all hope, the measures taken by the Government to curb inflation prove successful the need for further wage increases should be minimised and, as a further result thereof, it is devoutly to be wished that sterling will gradually resume its

former status among international currencies. If some of these measures have proved to be unpalatable it must be remembered that drastic action was and is needed and that the alternative of ever-increasing inflation would be disastrous.

The financial and economic difficulties with which this country is faced make it hard to see far ahead but the recent slight improvement in our balance of payments enables us to maintain hopes of further recovery. The report was adopted.

THE TUNNEL PORTLAND CEMENT COMPANY. LIMITED

A SUCCESSFUL YEAR

RECORD HOME AND OVERSEAS TURNOVER

MR N. M. JENSEN ON INEQUITY OF EXCESS PROFITS LEVY

The forty-first annual general meeting of The Tunnel Portland Cement Company, Limited, will be held on September 8th at 105 Piccadilly, London, W.1.

The following is the review by the chairman and managing director, Mr N. M. Jensen, which has been circulated with the report and accounts:

Lord Leathers resigned from our board in October, 1951, on his appointment as Secretary of State for the Co-ordination of Transport, Fuel and Power. This is not the first time that Lord Leathers has been called upon to serve his country because, as you know, he was Minister of War Transport from 1941 to 1945. His wide experience and wise counsel are greatly missed by his colleagues on our board, but I sincerely hope that when he has completed his important task we shall be able to have him back with us again.

ACCOUNTS

As you will see from the statement of accounts, your company has had a successful year. The profit on trading, before charging depreciation, has gone up from £1,252,764 to £1,713,714. The rise is mainly due to the large increase in our export trade and the higher profit obtained from this.

Income from investments, on the other hand, is down by £27,225. As you are aware, we have a substantial investment in an Egyptian company, Helwan Portland Cement Company, which has consistently given us a good return. At the last annual general meeting of that company, held in February, the same dividend as for previous years was declared, but unfortunately the Egyptian exchange control authorities have so far refused permission for the amount due to be remitted. We are given to understand that this is on account of the lack of sterling which may have been caused by the slump in the cotton market, but, in any case, we are hoping the difficulty is only a temporary one.

The National Portland Cement Company, of the USA, in which we are interested, has resumed the payment of dividend on its preferred stock which has provided a partial compensation for the lack of dividend from Egypt.

Taxation, including income-tax equalisation reserve, absorbs £961,655, although it only covers Excess Profits Levy on one-quarter of the profit—namely, the period from January 1 to March 31, 1952.

In previous years I have referred to the very difficult question of providing for replacement of property, plant and equipment. Two years ago we decided to place to general reserve various amounts set aside for replacement. Our board has again considered the matter and come to the conclusion that a strong case can be made out for having funds which are earmarked for a particular purpose separated from the general reserve.

Your directors also wish to underline that only after making reasonable provision for such replacement should the balance of profit be considered as being available for appropriation. A reserve for replacement of fixed assets has therefore been created to which has been transferred £800,000 from general reserve and, in addition, £200,000 is charged against the year's profits.

A transfer to general reserve of £500,000 has been made and the dividends already paid—namely, on the two classes of preference shares and the 2½ per cent interim dividend on the ordinary shares and stock, absorb a total of £64,098. The board recommends a payment of a final dividend of 12½ per cent, on the "A" ordinary shares and "B" ordinary stock, which will absorb £160,365, leaving £469,657 to be carried forward.

Net additions to property, plant and equipment amount to £579,944, which includes the balance of the cost of extending the Pitstone works and new plant installed at West Thurrock.

There are various changes in investments. We have taken over the balance of the shares of the company which produces the bulk of our paper sacks and this is now a 100 per cent subsidiary. The net reduction in trade investments is mainly due to the redemption of preferred stock of the National Portland Cement Company, to which I shall refer later, less a loan of £100,000 to Ribblesdale Cement, Limited. The proceeds of the redemption have been reinvested and are shown under other investments.

PRODUCTION AND DELIVERIES

Deliveries of cement, both in the home market and for export, have exceeded previous records in turnover and in tonnage, and I am pleased to say that the demand still continues to be heavy. I would like, however, to stress once more how much our present prosperity is derived from our export sales. Out of our profits before taxation, 26 per cent was obtained from sales in the home market, 52 per cent from export, 12 per cent from investments and 10 per cent from other activities. Present export prices will tend to be reduced the moment supplies are substantially in excess of demand, but your company is in the fortunate position of having possibly one of the lowest costs of production of any cement works in Europe and is, therefore, well equipped to meet competition when it comes.

Your Pitstone works has been extended with a new unit which has only recently come into full production. At the West Thurrock works we are replacing one of the older kilns with a new and more economical kiln, which we expect to have in operation by the end of the year. Unfortunately, the dismantling of the existing kiln has for a time slightly reduced our output from this works, but the new plant at Pitstone is making up for this more than twice over.

To help to meet the growing demand for cement in Scotland, we have decided to increase the capacity of the grinding plant at the Clydebank works, which is operated by our subsidiary, The Clyde Portland Cement Company, Limited.

OVERSEAS INTERESTS

Your company has an interest in Cement, Limited, of Eire, which has works situated at Drogheda and Limerick. These works are both being extended and, as a result, the capital has been increased. Your company has taken up its proportion of the new shares.

The works in Jamaica of the Caribbean Cement Company, Limited, in which we have a small interest, was completed and commenced operations in January of this year.

The National Portland Cement Company, of the USA, has had another successful year, but unfortunately the tax burden there is also very high. The company has been able to pay off some of the arrears of preference dividend, and it has also decided to redeem a further amount of its preferred stock. As a result, we have now available a total of about three-quarters of a million dollars which are temporarily invested in American securities and bonds.

Last year I said that we were examining the possibility of interesting ourselves in a new works in New Zealand and in Cyprus. The New Zealand venture has not yet materialised because we have deemed it advisable to insist upon a fair proportion of local capital. We have, in co-operation with local interests, exercised an option on the necessary land, and we hope that before long the present financial stringency will improve so that we can proceed with the scheme. Mr Cave and I have recently paid a visit to Cyprus, where we have decided to build a new cement works. A local company has been formed, and William Baird and Company, Limited, will be partners with us in this new undertaking, which, I am pleased to say, has the full support of the Cyprus Government.

BURDEN OF TAXATION: EXCESS PROFITS LEVY

Last year I referred to the heavy burden of taxation. In the year under review this burden has increased further for, roughly speaking, 57 per cent of your company's profits, after providing for normal depreciation, has had to be paid or reserved for taxation, as against 55 per cent in the previous year, 13 per cent is paid in respect of dividends to shareholders and 30 per cent is being retained in the business by way of transfer to reserve, after allowing for a reduction in the carry forward.

Even this is not the whole story for, as I have already indicated, normal depreciation

tion based on historical costs does not provide for replacement of plant and equipment at the inflated postwar prices. When we consider profits, after deducting the sum transferred to replacement reserve, as well as to normal depreciation, we find that some 65 per cent. has to be paid or reserved for taxation.

Furthermore, Excess Profits Levy is payable only in respect of one-quarter of the period covered by these accounts, and the burden of this tax will therefore be correspondingly heavier in respect of the full current accounting period.

Many people have rightly called attention in general terms to the inequity of the Excess Profits Levy and the way in which it discourages enterprise and deals particularly harshly with an expanding business such as ours. I feel I must mention a particular example of its effect upon your company.

Our new Padeswood works, in North Wales, was financed by an issue of capital in January, 1946. Owing to the postwar necessity of obtaining permission to raise new capital, we were unwilling to embark upon the building of the new works until we had secured the necessary capital. Furthermore, due to the many new regulations introduced, the difficulty of obtaining steel, shortage of labour, etc., the works was not completed until April, 1950. The delay increased the cost of the new works and, for a number of years, the capital raised was virtually unremunerative, since we were only able to obtain a modest rate of interest. It is only from 1950 onwards that we have begun to get some reward for our enterprise, which was planned as far back as 1945.

Now under the Finance Act, as it stands, your company will have no profit standard based on the capital invested in the Padeswood works, because this was raised before 1947 and there is virtually no standard based on profits because production only commenced after the end of 1949. So far as we can see, every £1 profit earned by the new Padeswood works will be subject to the maximum rate of Excess Profits Levy applicable to your company, and out of every £1 so earned by the Padeswood works some 16s. will have to be paid in tax.

We know we cannot escape the heavy taxation of these days, but, all the same, this is a poor reward for your company's enterprise in pressing on, under most difficult conditions, with a task of national importance, namely, the completion of the first new cement works in this country since before the war. We have made the strongest representations to the Government about this injustice, but so far without any success.

We are told that profits tax has for its object the discouragement of dividend payments, but why should incomes from abroad be subjected to this tax, and, what is perhaps worse, why should such income carry the burden of Excess Profits Levy, which was introduced on the grounds of taxing increased profits in connection with rearmament?

YOUR COMPANY'S RECORD

Your company has been in existence for just over 40 years, and I thought it might interest you to see in graphic form the development that has taken place during that period. The graphs which are attached to the report also illustrate clearly two of the points I have referred to—namely, the much higher return we have enjoyed in recent years from our export trade as compared with our home trade, and how serious a factor present-day taxation has become.

May I, once more, record our appreciation of the wholehearted co-operation of the management, staff and operatives in our various companies.

UNITED DOMINIONS TRUST LIMITED

RECORD TURNOVER AND PROFITS

MR J. GIBSON JARVIE ON NATIONAL CONDITIONS

The thirtieth annual general meeting of United Dominions Trust Limited was held on August 12th at Regis House, King William Street, London, E.C.

Mr J. Gibson Jarvie, the chairman, in the course of his speech, said:

Since we last met we have had a general election following which I think we were entitled to see some radical changes in government policy. So far as one can see, singularly little has been accomplished.

In spite of all the restriction with which we have had to contend, your company has contrived to produce another record year both in profits and in the volume of business handled. But what a year it could have been under free enterprise!

GOVERNMENT INTERFERENCE IN BUSINESS

I wonder how many people in this country actually realise how far we have gone towards becoming a totalitarian state. There are controls in every industry which place almost supreme power in the hands of government departments and, in certain cases, in the hands of the trade unions. I can think of no business in which those engaged in it may follow their own bent and act according to the training and traditions which built up the business. Even a manufacturer producing goods for export and rearmament has to wait many weary months for permission to extend his factory that was the position with our subsidiary, The Laystall Engineering Company, Limited. We had to wait five months for a licence to extend one of our factories and we only got it then because we forced the issue. We therefore lost five months' output: the nation lost five months' production! There are literally thousands of factories throughout the country with a similar or even worse experience. And that is only part of the price we are paying for bureaucracy! That is the position under governmental red-tape methods today. There are so many departments, and so many divisions within departments, which insist on being consulted. It is true to say—bitterly true—that because of governmental interference the manner in which business is being conducted in Britain today is wasteful in time, money, labour and patience. It might, perhaps, be nearer the mark to describe the present state of affairs as farcical and certainly inexcusable in view of the country's economic state.

COMPANY'S RIGHT TO EXPAND

I have seen it suggested in one or two newspapers that our future volume of business may be affected by the Government's restriction of credit. To me that seems unlikely. I cannot see any diminution of demand for our services, nor can I see any possibility that we will be unable at any time to serve our customers. Therefore, I can see no reason why your companies should not continue to grow. It is precisely because of my expectation of a continued steady growth in our various businesses that I want to establish the company's right to add to its capital. There is neither logic nor common sense in the Capital Issues Committee's refusal to allow us to make an issue. The Committee is a part of that bureaucratic body which rules over us today.

The active government of the country would appear to have been usurped by the bureaucrats and, so far as I can discover, the

nominal Government accept the position and are making no serious attempt to bring us back to that freedom for enterprise to which they pay lip service.

CHIEF CAUSE OF INFLATION

It cannot be a secret from anybody that the Government itself through the bureaucracy is the chief cause of inflation and by its controls is holding back and lessening our production. In these days, when we should be producing to capacity, not one single practical step has been taken toward that end. Indeed, the very reverse is the case: the controls which are holding up production are as rigid and as stupid as ever. If the Government would only free industry to handle its own affairs in its own way, without the questionable assistance of bureaucratic departments, there would be fewer bottlenecks, more goods and lower prices.

NEED FOR LEADERSHIP

I believe that the country is hungry for a lead; not the kind of lead which merely says that we must work harder and export more and that we are turning the corner. That is not leadership. The British people have an uncanny capacity for knowing the truth when it is spoken and they want it now. We know that there will have to be harder work—real work—and longer hours for the same pay. But it isn't enough to keep repeating that. New working arrangements will have to be devised and ordered. Social services may have to be cut: we must make up our minds to that. But better some uncomfortable things now than disaster later. If present conditions continue for any length of time, I shudder to think what may be the quality of the next generation, even if we survive. There is not a worth-while practical man or woman in the country who is not near despair through sheer frustration and disappointment with purely negative leadership. There was a time, too, when the people of this country could raise their voices on vital issues and compel the government to take notice. But even that day seems to have gone. Has this persistent frustration, this regimentation, made us so apathetic that we are incapable of speaking up for ourselves?

I regret that I should have found it necessary again to bring politics into my annual general meeting address but, as I have said, we live in strange and extraordinary times. Time was when British governments confined themselves to governing and when business was left to the men engaged in business. It was under these conditions that we became strong industrially, commercially and financially and, in consequence, a great power in the world. It was the people by their genius and their labour under free enterprise who created a prosperous Great Britain.

In conclusion Mr Jarvie said: Is there no group of men in the City who could give a lead by banding together to demand the freedom without which our situation is hopeless—a body of men strong enough to secure the scrapping of that gigantic machine which has grown up almost while we slept—a machine which is itself the greatest drag on our recovery, yet which rules us absolutely today? Can we not have done with theory and get down again to the bedrock of incontrovertible fact? Time will tell, but time is short.

The report was adopted.

W. H. SMITH & SON (HOLDINGS), LIMITED

SUBSTANTIALLY INCREASED SALES IN ALL SECTIONS

THE HON. DAVID J. SMITH'S REVIEW OF PROGRESS

The third annual general meeting of W. H. Smith & Son (Holdings), Limited, was held on August 8th, at the Holborn Restaurant, London, W.C.

The Hon. David John Smith, the chairman, presided and the following is his statement which was circulated with the report and accounts: I am again able to report a substantial increase in sales in all sections of the business of W. H. Smith & Son, Limited. This increase is mainly due to an all-round uplift in the prices of the goods we sell, particularly in the case of national daily newspapers, the prices of which were increased in May, 1951. The directors are satisfied, however, that there has been no diminution in the number of customers served either in the retail or wholesale side of the business.

EXPENSES

Expenses still continue to rise in all sections of the business. There have been further wage increases granted during the year and a large claim is outstanding on behalf of those members of the staff in London who are responsible for the packing and dispatch of newspapers, books and stationery. There have been further increases also in the charges made by the railway executive for the carriage of our merchandise. The tendency of the size of newspapers and periodicals to grow has meant a rise in carriage and cartage costs and this item is likely to cost more as a greater amount of newsprint becomes available to publishers.

DEVELOPMENTS

During the year new shops have been opened at Plymouth, Swansea and Southsea. These branches replace those which were wiped out by bombing during the war. In addition a new retail business was purchased in Bury, Lancashire.

BOOKSTALL CONTRACTS

I am happy to report that mutually satisfactory financial terms have been agreed with the railway executive for a renewal of our main-line bookstall contracts for a further period of 21 years.

Negotiations are still proceeding with the London Transport executive.

PROPERTIES

The directors continue to authorise alterations to the company's shops, bookstalls and wholesale houses and in doing so are endeavouring to bring them into line with modern requirements. I can again assure you that all the properties owned by W. H. Smith & Son, Limited, and Hambleden Estates, Limited, are being kept in a good state of repair.

OVERSEAS BUSINESS

The company's business in Cairo was, unfortunately, completely destroyed in the riots of January, 1952, though I am happy to say that no member of the staff received any injury. Your directors have decided that it would be unwise to reopen this business. A substantial claim has been lodged against the Egyptian Government.

Although your subsidiary company, W. H. Smith & Son (Canada) Limited, is still

operating at a loss, it is showing a healthy increase in sales. It is becoming well known not only in Toronto, but in other parts of Canada, and we retain our confidence in our prospects in that country.

I am glad to say that our export trade continues to expand. We are doing successful business with traders in most countries of the world, and we shall retain a considerable number of the customers who were previously served by our branch in Cairo.

We are also sending considerable supplies of newspapers, books and stationery to shops which have been opened in areas where British troops are stationed overseas. Two notable examples of this are in Germany and in the Canal Zone in Egypt.

ACCOUNTS

The profit shown in the consolidated profit and loss account of W. H. Smith & Son, Limited, and its subsidiaries, on pages 14 and 15, namely, £1,756,459, before charging taxation, shows an increase of £409,103. This is after charging the sum of £93,119, representing the amount required to fund the liability of W. H. Smith & Son, Limited, in respect of supplementary pensions paid to the present pensioners of the existing superannuation and pension funds. It is our intention to set aside in future accounts further sums which will be for the benefit of certain classes of prospective pensioners.

The increasing burden of taxation is reflected by an increase in the tax liability for the year of £366,055, the total being £1,185,622, against £819,567. It is to be noted that the figure of taxation for the year includes £28,500 for excess profits levy which is the estimated liability for the quarter beginning January 1, 1952.

After charging taxation the consolidated net profit for the year amounted to £570,837. We have been able to transfer £294,000 to reserves, an increase of £54,000 over the previous year, and to increase the carry-forward by £4,986.

The consolidated balance-sheet, on pages 12 and 13, shows that the total of the share capital and reserves, representing the funds employed in the businesses of W. H. Smith & Son, Limited, and its subsidiaries, amounted to £4,639,527 at March 29, 1952, an increase during the year of £402,096.

Fixed assets, comprising properties, plant, motor vehicles, fittings, fixtures, etc., have increased during the year by £67,488, after deducting depreciation charges and sales. The gross capital expenditure during the year under these headings amounted to £311,426. The surplus of current assets over current liabilities and provisions has increased during the year by £608,721, of which the stocks and debtors together accounted for £478,877. At the same time the additional amount which it has been necessary to set aside for future income tax requires £283,275.

DIRECTORS

The directors of W. H. Smith & Son, Limited, have elected Mr P. W. Bennett to join them, and your directors have done likewise. Mr Bennett is a chartered accountant by profession and a Canadian by birth. His election to your Board will come

before you today in accordance with the articles of association.

STAFF AND STAFF WELFARE

I must again thank the staff for their part in a successful year's trading. They have given yet further proof of their loyalty and hard work.

At the end of the financial year we inaugurated an insurance scheme designed to ensure some measure of security for dependents of members of the staff who might die while still serving the company, or during retirement up to the age of 75. The company bears the full cost of this insurance scheme, amounting to approximately £14,000 during the financial year ended March, 1952.

In addition, the directors decided that all men who have served 40 years and more, and women 35 years and more, on retirement at the age of 65 and 60 respectively shall receive a gold wrist watch. Both these measures have been well received by the staff.

I have already referred to the supplemental superannuation and pension funds under the heading of accounts.

FUTURE PROSPECTS

At the beginning of my statement I mentioned the inflationary character of the increase in sales during the past year. I cannot hold out any real prospect of a further large increase in sales during this year, especially as it is hoped that the rise in prices has now been halted. If this is so, some equilibrium in expenses must be sought, and this is particularly necessary in the case of wages, where any further rise will only accentuate the inflationary spiral.

The Board are constantly seeking means to expand and develop the company's business, and there is no sign of any falling off of the confidence which the public has in the services which the company provides.

The report and accounts were adopted.

The chairman announced that since the report was printed satisfactory financial terms had been agreed with the London Transport Executive for a renewal of the bookstall contract for a further 21 years.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

The Economist Intelligence Unit

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CHUBB & SON'S LOCK AND SAFE COMPANY, LIMITED

STEADY PROGRESS

MR. H. EMORY CHUBB'S REVIEW

The sixty-ninth annual general meeting of Chubb & Son's Lock and Safe Company, Limited, was held on August 13th at 40-42, Oxford Street, London, W., Mr. H. Emory Chubb, CBE, MIMechE, chairman and managing director, presiding.

The following is an extract from the chairman's review, which has been circulated to the shareholders with the report and accounts for the year ended March 31, 1952, and was taken as read:

Once more I am able to report steady progress in the affairs of your company. Last year in my review I referred to the effect of our expanding trade activities, which, this year, has been even more marked. In August last we issued further ordinary shares which, together with the premium on issue, amounted to some £59,000, and in October we received £50,000 from the private issue of Unsecured Notes. In spite of these additions our bank overdraft and sundry creditors have further increased.

Fixed assets have been most conservatively valued, depreciation, amounting to £32,630, having been written off during the year. The effects of this policy can be illustrated in the holding company's balance sheet, where fixed assets of £91,996 are valued, for fire insurance purposes, at £370,400.

In common with all expanding businesses our stock and work in progress has risen. As a provision against a possible fall in steel prices we have increased the stock depreciation reserve to £20,000.

THE AUSTRALIAN SUBSIDIARY

During the year it was thought wise to re-form the Australian subsidiary as a company registered in Australia, the detail of which was finalised by the Hon. G. C. H. Chubb, who visited Australia during last August and September. It remains a fully owned subsidiary, but whereas its issued capital was small, being supplemented by a large loan from the parent company, the capital has now been brought into line with the scale of operations. This has meant that in addition to converting the loan into shares, it has been necessary to capitalise reserves and the balance on the profit and loss account.

Further capital was also subscribed during the year to our South African company.

PROFIT AND ALLOCATIONS

The consolidated trading profit is £184,915, the net profit being £106,729. Taxation at £60,454 is again very large. After adding back revenue reserves no longer required, following the conversion of the Australian company, there is available £62,417. The directors recommend the transfers to reserve of £45,000, and the payment of dividends, at the same rate as last year which absorbs £16,065, leaving £1,352 to be added to the carry forward, which now becomes £17,222.

During the year under review we have been hampered by material shortages and rising prices, not all of which have been passed on to our customers.

In common with other manufacturing enterprises we are feeling the incidence of abnormal taxation, and are being compelled to restrict our programme of capital expenditure

and replacement of machinery. Our factory here is working to capacity and whilst we could sell more goods than we are able to turn out we shall not be in a position to produce all we would wish until further extensions to buildings and plant are made. This matter will be in the forefront of your directors' deliberations during the present year, and if it is decided that such expansion is wise the question of available capital will have to be further considered.

PROGRESS OF LOCK BUSINESS

Our lock business has made much progress, and I venture to think that our name as locksmiths, which was universally known fifty years ago, but which was less heard of between the two wars, has now recaptured its position of supremacy.

There are great potentialities for expansion at home of sales of our certified record protection equipment which, as you know, consists of filing and door cabinets built to resist fire. But it is impossible for us to take advantage of this so long as our intention is that our exports must be greater than the volume of our home trade, which has been achieved in the year under review.

REARMAMENT

To the rearmament programme we have given much attention and I am pleased to say that our efforts have been appreciated by those in authority. Work on certain projects has been successfully carried out and the foundation laid for a department which could be rapidly expanded should an emergency arise.

OUTLOOK

With regard to the future and without being unduly optimistic, I see no reason why the progress of the company should be curtailed unless any unforeseeable conditions fall upon us, and it is my hope that some alleviation of the penal burden of taxation may be felt in the years to come, and thus allow us to further renew our machinery, to increase our reserves, and eventually to be of greater benefit to our shareholders than in the past.

It is my hope that the increased turnover of the parent company may be maintained during the coming year in spite of restrictions in certain countries. I have no doubt but that in course of time these contrary influences will be overcome, and I believe that during the past year our goodwill has been increased and the potentialities for business in normal times enhanced.

TRIBUTE TO STAFF AND WORKMEN

In conclusion I would say that the balance sheet results could not have been achieved without the sympathetic and loyal co-operation of the staff and workmen, to whom the directors extend their very sincere appreciation.

The report and accounts were unanimously adopted, and a resolution was passed increasing the authorised capital of the company to £350,000 by the creation of 650,000 additional Ordinary shares of 4s. each.

BRITISH MATCH CORPORATION, LIMITED

LARGER GROUP PROFITS

The twenty-fifth annual general meeting of this company was held on August 13th, in London, the Hon. Hugh K. M. Kindersley, CBE, MC, deputy-chairman, presiding.

The following is an extract from the statement by the chairman, Mr Arthur Hacking, OBE, circulated with the report and accounts for the year to March 31, 1952:

The average return on the corporation's investments for the year, including both subsidiary and trade investments, is 9.349 per cent, as against 9.191 per cent last year. The production and sale of matches by the two principal manufacturing subsidiaries in this country again slightly exceeded those for the previous year. Costs, however, were higher.

For the current year our difficulties in regard to timber supplies persist and the outlook in regard to supplies from Canada is uncertain.

The importation of matches from Western Europe under open general licence ceased from March 11, 1952. The Board of Trade has announced a quota of £685,000 (c.i.f. values) for individual licences to be issued for the period ending December 31, 1952. The corporation's home production has been increasing, however, and no shortage of matches is to be expected during that period.

Our gross consolidated trading profit this year is increased from £2,242,687 to £2,574,011. This increase in group profits is a reflection of improved results of the corporation's overseas subsidiaries, which more than offset the fall in the profits of the United Kingdom companies.

The report was adopted.

W. & J. GLOSSOP LIMITED

(Public Works Contractors)

IMPROVED TRADING RESULTS

The seventeenth annual general meeting of W. & J. Glossop, Limited, was held on August 13th in London.

Mr Henry Stephenson (the chairman), who presided, in the course of his speech, said: I am pleased to report an improvement over last year's figures. The profit for the year under consideration is £39,402. The carry forward from last year, added to our available balance, gives us a total of £87,656, from which the directors recommend a final dividend of 15 per cent be paid on the ordinary shares and on the employees' shares, leaving a balance to carry forward to next year of £82,191.

The current year, so far, looks reasonably good, both in progress and in contracts booked. It is widely known that our road system is far behind the requirements of modern traffic, which continues to increase and will go on increasing, both in volume and in load weights. The continued failure of the Government to make adequate provision for even ordinary maintenance, much less new construction, means an accumulation of work ultimately to be done.

It has always been the policy of your board to maintain the company's capacity so as to be able to take advantage of the opportunity when the time comes. Meanwhile, we are keeping our order book reasonably full, though often at highly competitive prices, but it is a policy we believe to be sound; and we hope ultimately to get a fair reward for our efforts.

The report was adopted.

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LEADING ARTICLES

- Limelight on the Kremlin - - 429
- Living Space or Living Standards 431
- Allies Out of Line - - - 432
- The Uneasy Triangle—III - - 434

NOTES OF THE WEEK - - - 436

And Watch the March . . . ; Government versus the Farmers; Chou En-lai in Moscow; Dr Schumacher; Who is for Five-Power Talks?; Dogma of Nationalisation; Wages in Depressed Industries; Reviewing the Rates; Increasing Europe's Coal Production; Germany Caught Out?; Bacon and Butter Bargaining; Shock Treatment; Educating Civilians in Uniform; India and the Gurkhas; Communists in Sarawak; The Cost of Votes.

BOOKS AND PUBLICATIONS - 445

LETTERS TO THE EDITOR - - 447

AMERICAN SURVEY

Middle Eastern Dust Storms - 449

Where Stands the South? - - 450

No Escape for Watches; Blunder Over Briefing; Catching Up with Steel; Pollsters on Hot Bricks.

THE WORLD OVERSEAS

Kicks and Ha'pence for

Austria - - - - - 454

Politics and Pigment; Asia's Rice Shortage; Poland Prepares for Elections; Two Years of Technical Aid.

THE BUSINESS WORLD

Steel in Suspense - - - - - 463

BUSINESS NOTES - - - - - 467

Britain Blackballs Japan; Sterling and Commodity Arbitrage; Insurance and the Exmoor Floods; Cover for Cars; More Freedom for Food; Austin Clears the Decks; Imports into New Zealand; Lancashire's Troubles Never Cease; Another Scottish Bank Merger; Biggest Scottish Bank?; Zinc Controls Go; More Wheat?; New Money for Farmers; FCI's Quiet Year; Britannia Airborne; Sisal Prices Falling; Towards Agreement in Rubber?; Retrenchment in Shipping; Shorter Notes.

COMPANY NOTES - - - - - 476

STATISTICAL SUMMARY - - 477

COMPANY MEETINGS - - - 478

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Limelight on the Kremlin

SIX weeks hence, Moscow may be stealing some of the limelight that would normally focus at that time on the last laps of the American presidential election. For the world is to learn in October not only the main directives of the current Five-Year Plan (1951-55) but also details of changes in the Soviet political hierarchy which may prove to be of great significance. That two long-delayed events—the 19th congress of the Communist Party and the publication of the Plan—should at last be taking place is in itself interesting; for this is the first time since 1939 that the great Party conclave has been held, and for many months observers in the West have hoped to discover from the Plan whether there are important changes in the direction and progress of the Soviet economy. But what is even more interesting is that the leading role of the occasion—the presentation of a report on the Party's work in the tremendous years since 1939—is to be performed by the fifty-year-old, up-and-coming Georgi Malenkov. If Malenkov, not Molotov, is to do a job hitherto done only by Lenin and Stalin; if the notorious Politbureau and Orgbureau have been abolished; if the congress is to discuss changes in the structure of the Party which leads not only the Soviet Union but all Communist parties save the Chinese—then, indeed, things are happening. Just what those things are may remain uncertain for some time; but it is a reasonable surmise that preparations are being made to begin Stalin's gradual withdrawal from the exercise of supreme control and to groom a successor or successors.

Observers in the West can therefore look forward to an autumn feast of clues to future Soviet developments. They may in the event be disappointed, but there is good reason for expectancy. According to official Soviet definitions the congress is "a great event in the life of the Party and of the entire country." What it decides is binding on the whole Party. It hears and endorses the report of the Central Committee (which virtually rules the Soviet Union), revises the Party's programme and rules, determines tactics in "fundamental questions of current policy" and elects the central committee. Its public proceedings provide the directives for Communist activity everywhere until further notice.

Henceforth, according to Moscow Radio, the congress will meet every four years and not every three. There is to be a new body called the Presidium of the Party, which has never been mentioned before, and which is presumably to take the place of the Politbureau and Orgbureau. This and other changes in structure are to be proposed by Nikita Khrushchev, associated in the past with political control in the Ukraine and the policy of building agro-towns. The stage is clearly being set for change; whether it will be radical or cautious, no one outside the Kremlin can yet tell.

Too much must not be made of the role assigned to Malenkov. As a Vice-Premier and member of the Politbureau his prestige has been rising for some time. He is of the generation of leaders who

grew up in the early years of the Bolshevik revolution. Above them there are two generations: that of Stalin himself and Voroshilov, the ablest of which were liquidated in the thirties; and then the generation over sixty years old, which includes President Shvernik and Vice-Premier Kaganovitch, and is headed by Molotov. It is in the third generation that Malenkov stands alone, Zhdanov having died and mysterious disgrace having removed Voznessensky, the planner. It cannot be taken for granted that he, rather than Molotov or Beria, is being groomed for the succession. All that can be safely said is that Malenkov's career, modelled on that of Stalin, makes him a likely bet. He is the consummate bureaucrat, the controlling figure in the Orgbureau which has hitherto watched over the party cadres, the skilled manipulator of the party machine. If Stalin wished to become the elder statesman and to leave direction of the party in other hands, Malenkov might be his choice; but it is also possible that the proposed changes in the party organisation are intended gradually to disperse among several men the power that was concentrated in Stalin's hands over twenty-five years.

*

The evidence about the current Five-Year Plan is more straightforward and familiar, and confirms provisional estimates previously made in these pages. To compare it with the previous Plan (1946-50) is difficult because postwar reconstruction could obviously command a more

SOVIET BASIC PRODUCTION				
	1940	1950	1955 Target	% Increase 1955 over 1950
Coal(mn. tons)	166	260	372	43
Crude petroleum ..	31.0	37.8	69.9	85
Electricity ('000 mn. kWh)	48.3	90.3	162.5	80
Pig iron(mn. tons)	15.0	19.4	34.0	75
Crude steel	18.3	27.3	44.2	62
Rolled steel	13.1	20.8	34.1	64

special effort and a quicker tempo than could be expected in normal years. But, from the figures published this week, it looks as if the pattern and rhythm of industrial effort are little changed and similar to those of 1951. The rate of development in the iron and steel industry may slacken slightly; for the fact that the planned increase in pig iron is greater than that for crude steel may mean that steel-making capacity is greater than the available supply of raw materials. On the other hand, it seems that the rate of development in light industry is to be speeded up, to the benefit of the long-suffering consumer. Likewise, there is a striking emphasis on greatly increased agricultural output, which has been so disappointing in the past; grain production alone is scheduled to rise by 40 to 45 per cent.

The more general figures are equally ambitious and noteworthy: in five years national income is to rise by 60 per cent, real wages by 35 per cent, and gross industrial output by 70 per cent. In other words, gross industrial output is to rise annually by 12 per cent, with producers' goods (13 per cent) slightly ahead of consumer goods (11 per cent). It is fair to point out that in previous plans the output of the villages and the benefits to the consumer of increased industrial produc-

tion have always fallen short of expectations, while the programme of heavy industry has been over-fulfilled.

This Five-Year Plan—the fifth—appears twenty months late; that is to say, the last Plan ended in December, 1950, and its successor has been heard of only this week. The delay is not unusual; indeed, it is normal. It is worth noting, for example, that the third plan, which was due in 1937, was not proclaimed until March, 1939, when the last congress of the Party was held. The reason for postponement was clearly the fear that Nazi Germany and Japan might, sooner rather than later, attack on two fronts. It may be that similar uncertainties have played their part in the present postponement and that the Plan is intended to impress western strategists. What view Moscow takes of the international situation will be more easily judged after October; but on present evidence (from the Budget as well as from the Plan) it looks as if the Russians are planning not for peace or for war, but for what the West calls cold war. They may be losing to the Atlantic allies some of the advantage in sheer military strength that they established during the years when the United States and Britain were disarming, but they are building up a formidable potential for the future to be used as they think fit.

It must never be forgotten that the Soviet economy can switch resources from civil to military production, from consumer goods to industrial equipment with a speed, ruthlessness and secrecy that no government in the free world could hope to match in peacetime. Indeed, from the point of view of the Soviet rulers, the cold war is probably the ideal planning situation, for just sufficient tension can be maintained to justify the priority given to heavy industry over consumer goods production, and to convince most workers—without frightening them unduly—that the delay in improving their standard of living is due, not to their own government, but to the threats of the capitalist world outside. Certainly the Soviet planner faces few of the political difficulties of his western colleague, who is being constantly told that butter is at least as important as guns and that money being spent on arms would be better spent on rescuing Africans, Arabs and Asians from poverty. In the Soviet Union the plan is presented, the Party gets its orders from the congress, and the whole power of the political system is harnessed to the productive effort without further question.

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Events in the Communist world should be carefully watched from western capitals during the next few weeks; for it looks as if political as well as economic plans are being refurbished. The recent tidying up of the Communist parties of Eastern Europe, the preparations for a great congress in Peking of the partisans of peace, the present visit of a Chinese mission to Moscow, the recent reshuffle of Soviet ambassadors, and now the decision to hold the Party Congress—all these events coming close together suggest, if not changes in policy, at least much fresh thought about policy. It does not follow that the results of this thinking will be welcome to the free world. It should be assumed that what is said and done in October will strengthen, not weaken, the Soviet Union and its Communist allies. It is pleasant to think of the Politbureau as dead, but who knows what the new Presidium may be like? And if Stalin is preparing to leave the bridge for the cabin, who knows what course his lieutenant will steer?

Living Space or Living Standards

THE Government's success in building more houses is its best bid for popularity. Mr Macmillan's vigorous and optimistic reports shine brightly in the naughty world of no red meat and higher prices. And, politics apart, any criticism of the housing programme seems inhuman when so many families are still living in uncomfortable and even horrible conditions. To count the cost of social advance, to let economic facts set limits to social ideals, is always to be accused of subordinating people to statistics. But in fact it is nothing of the kind. There is nothing inhuman in considering the interests of people in the long run as well as in the short; to count the cost is simply to estimate what the country as a whole must give up in order that some people may move into new houses. Is it right to devote more resources to this one aspect of living standards at the expense of living standards as a whole? Are the British people being rehoused so fast that they will dangerously hamper themselves in achieving solvency and earning the living they are accustomed to? These are not inhuman questions, and they are questions to which the Labour government whose general disposition was hardly to sacrifice immediate social benefits to long-term economic gains—gave more attention than the Conservatives.

There is much in the present housing policy to praise. It has four main elements. First, there is a shift of emphasis from local authority to private building. Secondly, many more of the local authority houses are being built with two bedrooms instead of three. Thirdly, various measures are being taken to improve the efficiency of the building industry—to raise productivity and to get more houses out of a given supply of the scarcer materials. Fourthly, more of the national effort—more men and more materials—is being put into building new houses.

It is only the last of these that is open to fundamental criticism. The others are welcome in principle even if they might be pushed too far in practice. For example, if most new houses have only two bedrooms and rent control remains as rigid as ever—so that smaller families have no incentive to move out of the older, bigger houses—there is a danger that growing families will be cramped. As yet, however, the cut in the average size of local authority houses is helping to correct the balance, which had been distorted by Mr Bevan's housing policy, and the saving of about £120 per house has been worth making even if it has been disappointingly small.

There are other sensible features of the Conservatives' building programme. Many new houses are now smaller not only in number of bedrooms but also in total floor space. The "People's House," plans for which Mr Macmillan inherited from Dr Dalton, saves by this means about ten per cent of the structural materials required for a house and five per cent of the timber. Some two-thirds of the houses now being tendered for are of this type. Critics proclaim the folly of inflicting "substandard" houses on future generations for the sake of a small saving now, but substandard is a strong adjective to use when the main difference is that hall and landing are a little smaller and the ceiling a little lower; and now is the time when small savings matter.

With these useful economies in materials there has been also an improvement in the productivity of the

building industry. The Minister of Housing would probably attribute this to the psychological stimulus provided by his "no limit" programme and by the greater scope allowed to private building. If this is true, it is certainly a point on his side—so far. But it carries a significant implication; it means that the increase in productivity is largely a once-for-all gain. It has helped to give the first upward push to the rate of house-building, but the further and much greater expansion that Mr Macmillan's programme is designed to achieve will depend on using more men to build houses.

This is the critical point. In its first, and easiest, stages Mr Macmillan's programme has done a lot of good at—thanks to considerable ingenuity—a relatively small immediate cost. But it was never the early stages that caused concern. And the evidence is multiplying, indeed it is becoming irrefutable, that the programme can be pressed on only at a cost which the country is in no state to stand. Indeed, there is probably no exaggeration in saying that Mr Macmillan's new houses are now beginning to wreck the Government's economic policy.

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So far the economic strain imposed by the housing programme has not been blatant because it has largely been absorbed within the building industry. This can be seen in the manpower figures. The number of workers building new houses is 6 per cent greater than it was at this time last year; the number of workers on other kinds of construction, and on repair work, has fallen. It is certainly better to use men and materials for new houses rather than for illicit work to benefit people who are already comfortably housed. But that is only one side of the picture. It is wasteful to use men and materials for new houses while existing houses decay because landlords cannot look after their property. And it is shortsighted to use them for houses at the expense of factories and schools. At present, it is true, the Government has an excuse: the immediate reason for slowing down the school-building programme and cutting industrial building was to save steel. The test of the Government's policy will come as steel supplies improve. Will it go on holding back factory-building while housing continues to expand? That would indeed be a flat admission that the Conservatives are prepared to mortgage Britain's future for votes at the next election.

What is at issue here is the right balance between housing and industry within an investment programme of given size. But soon the problem will be wider than this. Unless industrial construction is to be cut still further, the housing expansion can go on only if more resources are drawn into the building industry from outside. The costs of such a policy can be grouped under four heads. First, it would directly inflate Britain's import bill. About four-fifths of the softwood now imported is paid for either in dollars or, if it comes from Europe, in gold. So far the value of softwood imports has hardly increased: it was £47 million in the first half of this year, against £43 million in the same period of 1951. But that is because the importers have been holding off the market, waiting for prices to fall. Unless imports are increased, softwood will be scarce next year.

The Ministry of Housing is preparing for this by experiments—now well advanced—in reducing the amount of timber used in houses. But these experiments are unlikely to be so successful so soon that the housing expansion can go on unchecked without bigger timber imports—at a time when most imports are being cut to the bone. The programme can be carried out only by excepting housing from Mr Butler's austerity prescription for the rest of the economy; and therefore the austerity elsewhere must be all the greater. Directly and simply, the British people can have the houses they are promised only by having less food; the food would be for all and the timber is for a few.

The second impact of the housing programme falls on the engineering industry, and therefore indirectly on exports. Such things as grates, pipes and baths are made from iron that would otherwise have been used to make more steel; because steel is scarce, either fewer goods made from it are exported or more steel is imported—for dollars. And even if British steel were plentiful, the fittings for houses would still absorb manpower in the engineering industry that could otherwise be switched to work for export or for defence.

These are the direct costs of the housing programme falling at strategic points in the economy. The third aspect is the indirect cost. As the programme expands, the strain it imposes is bound to spread more widely. Builders will be trying to recruit more workers; so, already, are supplying industries such as bricks, tiles and cement. As there are few unemployed workers of a suitable kind to draw on, even small gains to building and its suppliers add to the general over-fullness of employment.

This general extra pressure on the economy is not apparent yet. But it is unmistakably foreshadowed in the finances of the housing programme. This is the fourth, and grimmest, of its effects: Mr Butler's policy is being quite literally undermined. The cutting tooth in that policy—credit restriction—is having a healthy direct effect in industry, but it is not working any sharp change over the whole economy. Bank deposits are rising in spite of the tighter monetary policy. They are rising because Government expenditure is proving to be very heavy; in effect, the Government itself is borrowing

from the banks what its policy was designed to prevent other people from borrowing. And a large item in this heavy Government spending is represented by its loans—"below the line" in the Exchequer returns—to local authorities; these loans are mainly to finance house-building. By this means the Government is with one hand injecting into the economy the money that with the other hand it is supposed, by credit restriction, to be keeping out of the economy.

There is nothing remote or indirect about this process. The money that is injected will be spent. The pressure of demand that Mr Butler intended to contain will in fact rise. As yet the pressure is only on Exmoor; but no less certainly than the water of last week's floods, it must sweep down the valleys and deliver to the whole British economy an inflationary push that could be as disastrous as any natural deluge.

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In theory, of course, all this does not necessarily make the housing programme mistaken. It means only that if more houses are to be built, something else ought to be cut more drastically. But in fact the Government plainly does not intend to make any such cut. It would be foolish if it did. For it is certain—as certain as anything of the kind can be—that if the British people were free to choose they would not want more living space at the expense of their other living standards. At present, their choice is weighted for them. The demand for new houses appears to be insatiable because rigid rent control and mounting housing subsidies make it so. The country cannot choose what it wants because the alternatives are not offered to it at their real costs. To make the costs real—to raise rents—would halve the waiting lists for houses; it would enable landlords to repair their houses instead of letting them fall to bits; it would induce people to move more and waste less housing space. It would, also, of course, be very unpopular. But would it be half as unpopular as the drawn-out failure to restore the British economy that the Government is inviting—sabotaging, for the sake of houses for some tens of thousands of people, such policy for solvency as it has?

Allies Out of Line

THE allies in Western Europe, having clenched their fists last winter in expectation of a perilous summer, have been showing a tendency to relax, hands in pockets. That this should happen in the period of public holiday and parliamentary recess may be deplorable, but it is hardly surprising. Six months ago there seemed to be a risk that their moves toward making armed allies of the West Germans might provoke counter-moves and menaces from Moscow; but, in the event, all that has happened is that the Russians seem to have resigned themselves to the division of Germany and are busy arming their own Germans inside a new Soviet state. They have accepted a major diplomatic rebuff, if not with good grace at least without baring their teeth. If anybody is seriously alarmed at the prospect of 12 German divisions manning Western Europe's defences by 1954, it seems to be the French rather than the Russians. It is therefore understandable that all kinds of difficulties and grievances about rearmament

should now be ventilated by ministers, who think they see yet another chance of postponing the difficult choice between adequate standards of readiness and accepted standards of life. When they met at Lisbon in February, as members of Nato, they thought that they had struck a reasonable balance between the demands of the soldiers and the objections of the treasuries; now, as individuals who see yet another summer passing with Europe unscathed, they talk differently.

If, since February, there had been any notable change in the disposition of Soviet forces or in the general direction of Soviet policy such a change of mind would be justifiable, but even then only on one condition: that all the western governments had agreed on a fresh assessment of the strategic prospects carried out by the Standing Group and intelligence staff of Nato. There is, however, no evidence that such a revision of views has taken place. On the contrary, even the layman has noticed that what is said by Nato's Supreme Commander and

its other spokesmen is in direct conflict with what politicians and commentators have been saying. To take the most striking example: General Ridgway has firmly declared that a two years' period of military service is needed to produce an efficient soldier. The Belgian Government, on the other hand, confronted with mutiny and other protests against the two-year period, decides to reduce it—not after consultation with Nato but after consultation with other European governments whose reluctance to accept two years was already well known. Less striking, but in the long run more important, were Mr Churchill's hints in the last economic debate that the British defence programme was being radically revised to meet the needs of a long cold war. It may well be that Britain's programme, for good military as well as good economic reasons, needed such revision; for the demands made on its armed forces by events in the Middle East and by the cold war in Asia are of a special order. But it is difficult to avoid the impression that in London and other capitals there has emerged a definite tendency to run away from Nato's plans to defend Europe.

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About the Lisbon programmes there has been much pessimistic and misleading comment. It has been said that they were too ambitious and inspired by wishful thinking; that to abandon them is to be realistic and to cling to them is to be visionary. Such criticism rests on a misunderstanding of what was attempted by Nato at Lisbon. First there was the agreed plan for 1952-53; secondly, there was an agreed provisional estimate for 1953 intended to get detailed staff work started; finally, there was a rough guess at what might be done by the end of 1954. Running through the discussion was the guiding thought that there should be a fairly specific medium-term programme for Western Europe's defence that should be kept under constant review, from an economic as well as from a military point of view. It was never intended that the plan should be rigid, and it is worth recalling what was said on December 18th last year by Mr Harriman on behalf of his colleagues of the Temporary Council Committee, which drew up the first draft of the Lisbon plans:

The Committee recommends flexibility as to longer-term goals to allow for the many factors which may influence future decisions: changes in international tensions, revised estimates of military danger, new weapons and military techniques, changes in economic conditions and other factors.

The suggestion which is now being heard that the Lisbon plans are millstones around the necks of the Atlantic allies is inaccurate and unfair; there is full provision in them for revision and second thoughts, and no justification for unilateral action by member governments.

Even more important is the fact that the short-term plans which were agreed at Lisbon have turned out to be remarkably accurate. By the end of this year General Ridgway will have a number of divisions not far short of the fifty he was promised; if there is a deficiency of a few divisions it will be in reserves rather than in front-line formations. How well trained the latter are will be shown in the manoeuvres about to begin in Germany. In aircraft the total number of machines available will be only a few hundreds short of the 4,000 planned. The work on bases, communication lines and headquarter systems has made remarkable progress. There are not

enough men and weapons on the spot to make Western Europe impregnable—but no one ever thought there would or will be. The military purpose is to confront any Russian threat in Central Europe with powerful delaying action; the political purpose is to remove from the minds of western statesmen the fear that they can nowhere in the world act firmly and boldly for fear of exposing Western Europe to a threat that could not be resisted. Both those purposes must remain unchanged so long as the present diplomatic deadlock continues; and nothing has occurred this year in Europe to suggest that anything more than a slight easing of tension is likely. In Asia the outlook is as uncertain as ever, and has a direct impact on Europe's safety by the demands of Korea, Malaya and Indo-China on American, British and French strength.

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While statesmen rest and the rearmament debate is temporarily suspended, two points should be held firmly in mind. One is that the first effort at joint defence planning by the Atlantic allies cannot be written off as a failure; on the contrary, its practical success in strengthening Europe's defences is proven. The recommendations of Mr Harriman, M. Monnet and Sir Edwin Plowden to the Lisbon conference were cautious and realistic, and are as relevant now as they were in February; they said that Nato could take rearmament in its stride if member governments took the necessary steps to increase production and efficiency. In other words—and this is the second point—the question of how much rearmament can be afforded is in each country as much political as economic. The purpose of calling for a report from the Three Wise Men was to have an independent Nato view of what should and could be done, which could be set against national and party preferences: against, say, Mr Macmillan's housing programme, or against a programme of investments in heavy industry designed to keep France ahead of Germany, or against Congressional insistence on cutting appropriations for aid.

What is being undermined is not the determination to become stronger sometime and somehow—it will take much better manners in Moscow to achieve that—but the resolve to make plans and take decisions in common. When Mr Churchill and M. Pleven recently defended the right of their governments to take important military and economic decisions without consulting allies they were missing the point. The Atlantic organisation was not created to whittle down the powers of national governments; its purpose is to make possible by the sharing of burdens a scale of rearmament that is far beyond the resources of individual nations. Yet the chances are at the moment that Nato will be confronted at the end of this year with decisions by the British, French and other governments which do not dovetail, which will not make the best use of American plans for off-shore purchases, and which will delay by weeks or months the plans for 1953. If a new American President, a new House of Representatives and a partly new Senate are confronted early next year with such a disarray in the allied ranks the effect will be deplorable. There is no good reason why the permanent machinery of Nato should not be used now to consider the military second thoughts and the economic difficulties that are now pulling the allies out of line.

How Full Employment?

THE preceding articles in this series invoked the spirit of compromise as the only means of reconciling the triple incompatibility between full employment, a stable price level, and free collective bargaining. Concessions from absolute stability of prices can go a certain way, but no further; they cannot safely pass the point at which savings begin to melt and the currency to be distrusted—if they do, then it is not only the stability of money but full employment and, in the end, freedom for the unions that will vanish. Some concession from absolute freedom of collective bargaining is similarly, though less measurably, limited; whatever may be done by the growth of a sense of national responsibility in the trade unions, by the fuller use of conciliatory devices, and by the pruning of their present monopoly powers, the essential nature and cohesion of the trade union movement must be preserved. This final article applies the same question to the third corner of the triangle. Could public opinion be brought to approve any concessions from the absolute principle of full employment? And would they be such as would combine with the concessions from the other corners of the triangle into a workable policy providing as much as possible of all three principles?

The need for some concession from the absolutism of full employment hardly needs to be pointed out; nobody believes that 100 per cent employment is possible outside an army or a prison. But "full employment" has come to mean, in the minds of most of the Left, an unemployment index of 2 per cent or less; and though experience shows that this can be achieved for short periods of time if it is the paramount object of policy, it certainly cannot be reconciled with the minimum requirements of price stability or, for very long, with the free wage bargain. Two per cent unemployment implies that barely enough time is spent between jobs (an average of one week in the year over the whole labour force, including the most inveterate job-swappers) to cover the most obvious seasonal shifts and any changes in the fortunes, or unevenness in the programmes, of different firms. It allows no margin for changes in industrial technique or in the relative sizes of different industries. Both sorts of change are essential in any economy which is not stagnant and autarkic; both demand shifts in manpower; the shifts in each case must take time—and a shift in manpower which takes time is the same thing as unemployment.

Unemployment has two dimensions; it consists of the number of jobs lost, multiplied by the length of time needed, on the average, to find another job. It is worth underlining this rather obvious fact, because in the two-dimensional nature of unemployment there lies a valuable clue to the question of how full employment can be. There must be shifts; which means that jobs must be lost. One dimension has, in fact, a virtually irreducible minimum, even supposing that no mishandling of monetary and fiscal policy produces a general recession and chronic slump. This minimum varies with the fortunes, of foreign trade, with the shifting tastes of consumers, with the nature of technical change, and with the still obscure cyclical pulsations in the activities of the capital goods industries; and the more progressive

is the economy concerned, the more closely geared to a dynamically changing outside world, the bigger the number of jobs lost per annum will be—and ought to be. The other dimension, however, the average time taken between the worker's loss of a job and his establishment in a new one, is quite another matter. The further it can be reduced the better, both from the economic and from the human point of view.

Unfortunately, this entirely desirable end can be pursued by highly undesirable and ultimately self-defeating means. An unemployment index of two per cent or less may mean not merely that necessary shifts are, as in Great Britain over the last six years, failing to take place on an adequate scale, that the shortening of the average period between jobs is being achieved by the legerdemain of inflation. Inflation means deceptively high gross profits. Practically every employer feels prosperous, even if his product is only being bought, as a second or third or tenth choice by people unable to spend their inflated incomes on the things they really want. Practically every employer, therefore, wants to hold on to his workers for as long as they are willing to stay. Attractive terms are offered even for comparatively untrained or otherwise unsuitable workers. Thus a greater number of workers can both choose their own time to give up their existing job and learn the new one as they earn—which obviously reduces the average time spent between jobs. The reduction itself is an excellent thing; but since it is only made possible by the effects of a powerful inflationary "forced draught" on the employers' demand for labour, it is plain that this state of affairs must come to an end as soon as prices stop rising. Brimful employment, in fact, is inseparably linked with inflation, both as a consequence and as a cause; its inconsistency with stability of values and the free wage bargain, even if these are interpreted in the widest tolerable sense, is doubly and trebly demonstrated.

Suppose, however, that the sights were lowered; that public opinion, particularly Labour opinion, were willing to compromise to the extent of being satisfied with an employment index of 95 per cent or so. (But for the experience of the postwar years, the achievement of such an index as a peacetime norm would have been hailed, as loudly by organised labour as by anybody else, for a resounding economic triumph.) Would it be possible to reconcile full employment, on this less ambitious definition, with the necessary minimum of price stability and with trade union freedom? In the light of what has been said above, the question can be put in a more practical way: can workers be made mobile enough, can the average period between jobs be shortened enough, to make 5 per cent unemployment tolerable to public opinion in Britain, as it is in many other countries?

A great deal of attention need not be paid to the fact that, in prewar Britain, wages and prices seemed, to start moving upwards whenever unemployment fell below about 10 per cent. The unemployment index was swollen by the existence of the Special Areas, where the un-

employment was due to world-wide and permanent shifts in trade and industry. This "structural" unemployment—dreadful though its human consequences were—has little relevance to the problem of avoiding inflation. If it is removed from the prewar figures, one finds that the unemployment rate in the rest of the country was often down to about 6 per cent before any inflationary symptoms appeared. But 6 per cent is still too high for postwar public opinion to accept. If reasonable degrees of full employment and of price stability are to be reconciled, the "safe" figure for unemployment—"safe," that is, in terms of its inflationary potential—will have to be brought down below what it was in this country before the war. How can the average time between jobs be shortened for workers who are not agglomerated in ice-blocks of the inter-war variety? Many methods suggest themselves, some of them much easier to specify than to put into practice. Mobility between jobs often demands mobility between places; and mobility between places is at present only too obviously handicapped by the housing shortage. Whether that shortage can best be overcome by sheer force of new building or by deflating the present demand for houses to its real level is the subject of another article in this issue; what is relevant here is that the existence of enough houses to meet the demand would increase mobility between places and so between jobs. Moreover, rent control in its present form, with the irrational privilege which it bestows on the sitting tenant, offers a large premium on staying put and is thus an obvious agent in lengthening the period between jobs.

The administrative efficiency of the labour exchange system is already high, and not much further gain can be expected from that source. But comparatively little use is made in this country, so far, of the technique of job analysis which yielded such striking results in the United States during the war—the breaking down of different skills into their elements with a view to recognising the affinities between apparently unrelated jobs and so saving both misdirection and expensive re-training. The subject of training grants and "transfer grants" (as suggested in one interesting Swedish study) bristles with difficulties, but there should be more scope for this kind of direct aid to mobility. And on the side of industry a very wary eye needs to be kept on those intrinsically excellent things, pension schemes and promotion ladders, which today are becoming a more and more important feature of large-scale enterprise, whether private or public. Few things could be less conducive to mobility than a system of recruitment which makes every change of job a compulsory slide to the bottom of the promotion ladder.

If management is partly to blame for building barriers against the older recruit, there is still more room for improvement on the side of the trade unions. Here, also, the original motives for the present barbed-wire entanglements against mobility were not unreasonable. They grew up primarily as a means of making jobs secure; they are part of the workers' self-defence against unemployment. But the defence which they provide is only against the initial loss of jobs, against the necessity of change and adaptation; and their effect is accordingly not so much to reduce unemployment as to change its incidence and, by reducing mobility, actually to increase its total amount.

Once, indeed, the conquest of unemployment is seen less as a matter of preventing the loss of jobs than of ensuring that new jobs shall be quickly found, monopoly and restriction in every shape appear as arch-enemies of full employment. For it is not only the effects of monopoly as a strengthener of bargaining power which are relevant. Its importance lies also in its very nature. Monopoly exists where competition is shut out; and the shutting out of competition is essentially the shutting out of new resources, whether of capital, manpower or business ability, which could produce more and earn more in the monopolist's field than they can outside. Monopoly can, in fact, be described as the denial of employment opportunities.

Any attempt to re-define full employment thus has very far-reaching implications. It involves, first, a general willingness—in the interest of other desirable things—to acquiesce in a level of employment impossible to define to the last decimal point, but certainly less ambitious than that ruling in Britain during the post-war years. It involves, secondly, compromise over the whole complex of measures by which both trade unions and business units have tried in the past to achieve security. To a certain extent these compromises are alternatives. The denser and higher the network of security-motivated restrictions, the lower is the safety-level of full employment. But if the British people were content to have two million unemployed, they would not need to do anything about the monopolies and the restrictions that flourish among them. There can hardly, however, be much hesitation in choosing between them, either on strictly economic or on human grounds.

Under each of the three heads, therefore, it is possible, within the bounds of practical politics, to suggest some retreat from absolutism, in order to reconcile all three. But are the concessions sufficient to achieve the reconciliation? If public opinion could be brought to accept an unemployment total of 5 per cent, provided the turnover within the total were rapid; if the unions concentrated on their primary task of representing the workers in the wage bargain and dismantled their monopolistic restrictions—would it be possible to preserve the value of money from falling more rapidly than the economy can stand or the public will tolerate?

In the last resort the answer will be given not by economists or by administrators but by public opinion. At each corner of the triangle, the limiting factor is what public opinion will stand, and the degree of comprehension that public opinion will show for an economic policy that tries to preserve balance between competing objectives. Moreover, the uneasy triangle that has been under discussion in these articles is not the only awkward relationship in economic policy. It is a domestic triangle; and even if its conflicts can be resolved, there is still the question whether the balanced internal policy will enable the country to pay its way in the external world; at this point the triangle takes on a third dimension. No particular combination of compromises between these various pressures is sacrosanct; what matters, if there is to be any conscious direction of economic policy, is that whatever combination emerges shall be logical, deliberate, self-consistent. At bottom, the resolution of the uneasy triangle is a test-case for democracy.

(Concluded)

NOTES OF THE WEEK

And Watch the March . . .

The good sense of the General Council of the Trades Union Congress is almost unvarying. And, almost as consistently, it has no relation to the actual policies of the majority of the unions. The council looks at the state of the nation and sees—imperfectly, perhaps, but on balance shrewdly—what is best for the British workers as a whole. The individual union goes on doggedly pursuing what is immediately to the benefit of its own members—to their benefit provided that no one else does anything. And the council shuts its eyes in order to conjure up some justification for the behaviour of its constituents.

No man has ever had more reason to be disappointed by this process than Mr Butler. He has clearly found common grounds in his talks with the TUC. The council's statement on the economic situation, published this week as part of its annual report to the Congress, accepts in full Mr Butler's case for keeping wages almost steady.

In the absence of a rise in productivity, which cannot be expected to occur quickly, substantial wage increases are bound to raise costs. . . . Rises in the costs of our exports could in themselves price Britain out of world markets.

And such an increase may therefore have "the most serious consequences for our standard of living." No one could say fairer than that. And the TUC admits its share of responsibility: costs are "largely within our control—and to some extent within the control of the Trade Union Movement."

But when it comes to any means of exerting this control, the TUC runs away. No sort of wages policy, not even the smallest departure from present methods of wage bargaining, can be contemplated. No reform is considered on its merits: there is simply a blank assertion that any interference would lead to strikes (is that outside the unions' control?) and so do more harm than good. Instead, the TUC merely offers, by implication, two justifications of the pressure for higher wages that on its own analysis may be disastrous. The first is a special plea for the lower-paid workers—although it knows perfectly well that they are likely to lag behind, and become relatively worse off, in a free scramble for more money. Secondly, it asserts that the scramble is Mr Butler's fault: the unions are justified in their ruinous pressure for higher wages because he started the whole thing by not taking the TUC's advice about the Budget. As an assertion of fact this is probably false. The unions showed every sign of putting their claims whatever, within the bounds of practical possibility, the Chancellor did. And the criticisms of the Budget certainly bear no relation whatever to the grim facts of the economic situation as the TUC expounds them. Comforted by what are at best party points against the Budget, the TUC is apparently content to sit and watch

. . . . the march of this retreating world
Into vain citadels

—to watch its constituent unions lead their members to probable disaster, with no more than a sad murmur of "they can't help it."

Government versus the Farmers

The Minister of Agriculture has firmly turned down the request from the National Farmers' Union for a special review of farm prices. This may be no great surprise to the union, but it nevertheless shows an unwonted independence in a Minister of Agriculture. The last Government promised that it would compensate the farmers for any "sudden and substantial increase in costs" arising in between the annual price reviews. The farmers claim that the award of an additional 5s. a week to farm workers (making the minimum agri-

cultural wage now £5 13s.) constitutes just such an increase in costs. In this they are certainly following precedent. Except in one case—when the annual review was close at hand—every previous rise in wages since the war has been followed by a special review, resulting more or less automatically in a rise in prices equivalent to the rise in wages.

There are, admittedly, some differences in circumstances this year. The farmers, for the first time, did not oppose the increase in wages; the Minister may therefore argue that in a sense they brought it on themselves and should pay. Secondly, some agricultural costs—such as the costs of fertilisers, tyres, and machinery—have fallen in the last few months, although these are minor changes probably offset by minor increases elsewhere. Thirdly, there is also the complication that the Scottish wages board, not for the first time, has refused to follow the English board in raising wages.

These circumstances enable the Minister to offer some rather specious reasons for refusing the farmers' claim. But they are not the real point. The fact is plainly that a special review, conducted on the same principles as in the past, would lead automatically to a further increase in farm prices, passing on almost the full cost of the wage increase either to the consumer or to the taxpayer. Following so closely on the price increases awarded at the last annual review, this result would be intolerable to the Government. Sir Thomas Dugdale cannot say this bluntly because he does not want to throw over a convention established by his predecessor. But it is a stupid convention. It is absurd that, however well farmers may have done at the annual review, they should be entitled of right to full recoupment of any subsequent increase in costs. Yet that is in fact what they had been led to expect, and they are understandably disappointed. The Minister's perfectly sensible action has caused some justifiable resentment.

The lesson of this incident, in which both farmers and the Minister in a sense have right on their side, should be plain to both sides. If farmers demand, or are led to expect, too much security of income, they are bound to get sudden disappointments. Governments should avoid giving to the farmers undertakings which they (or more probably their successors) must later repudiate, in spirit if not in letter, in the national interest. Sir Thomas Dugdale has declared his intention of shortly reviewing, in conjunction with the farmers' organisations, the present procedure for fixing prices. If this very necessary overhaul is to yield good results, the lessons of the present episode will have to be assimilated.

Chou En-lai in Moscow

The Russo-Chinese conference in Moscow is clearly a serious affair, at which matters of moment are to be discussed, covering political, economic and military questions. The Chinese Prime Minister, Chou En-lai, has taken with him a delegation which includes not only Peking foreign ministry officials but also leading personalities concerned with Chinese heavy industry and communications, and a strong representation of the armed forces. This mission has to be viewed in relation to recent signs that the Chinese Communists are considerably more zealous for continuing the war in Korea than are the North Koreans, and to the fact that they have not been able during the last few weeks to prevent heavy American bombing of North Korean targets. Soviet military aid to Communist China has certainly been on a large scale and quite indispensable for the build-up of the present Chinese strength in Korea; but it has not been sufficient to enable the Chinese either to win outright on the ground or to protect their rear against air attack.

It is no wonder that the North Koreans have begun to talk in less flamboyant terms than their embarrassingly bitter-end Chinese allies. They are, after all, bearing the real brunt of the war and, being a small state without pretensions to invincibility or great power prestige, they would lose much less by accepting the terms offered by the United Nations. China is both less embarrassed by the war and less disposed to terminate it in any way which would damage the inflated prestige of the Peking regime. On the other hand, China's military leaders must realise that it is dangerous to continue the conflict without sufficient first-class armaments, that it may prove impossible to keep the North Koreans in line unless more air cover can be provided, and that the strain of the war is seriously interfering with China's schemes of economic development. The solution from a Chinese point of view is much more Russian and satellite aid both in finished armaments and in heavy industrial equipment.

The Soviet Government is unlikely to extend such aid without a substantial *quid pro quo* in the form of an agreement which will bind the Chinese People's Republic to it more tightly than before. To sustain a large Chinese army, at the end of long lines of communication, with first-class fighting equipment against a continual wastage of material and the possibility of further battles is no light undertaking. There are Soviet needs and those of the satellites to consider. It is indeed to Moscow's advantage that large American and other UN forces should be pinned down in Korea, but a contest of material attrition with large armies (as contrasted with guerrilla action on the Malaya model) may not be the type of cold war which suits it best. If Mao and Chou want Soviet help they must be prepared to grant something in return, and not simply in commercial terms; for China's exportable surpluses will not pay for what it needs. To strike the bargain is probably the purpose of the present conference.

Dr Schumacher

Death has suddenly, but not unexpectedly, removed Dr Adenauer's most doughty political opponent. Dr Kurt Schumacher had been almost continuously ill during the critical events of the last six months in Western Germany, but the fervour of his temperament had still shown itself in the Social Democrats' opposition to the Chancellor's European policy. Few Germans active in politics had suffered as he had from war and Nazism, and there were times when his political thinking and behaviour showed the dangerous fanaticism of the persecuted. He was a man of bitter memories, outstanding among them the recollection of how the moderate German Left had proved almost powerless to resist the nationalism of the Right, first under the Weimar Republic and later in Hitler's early years. He seems to have believed—and there are many Germans who think like him—that his party could gain and hold power only by being more nationalist than the men of the Centre and Right. In particular, he cherished the illusion that national unity could be attained on terms which would ensure a free, democratic Germany in which his party would be more than a match for the Communists of the East and their Russian backers.

Next month the congress of the Social Democrat Party will take place and Dr Schumacher's successor will have to be chosen, if he has not been groomed already. The most likely candidate is Herr Ollenhauer, who has been a faithful deputy and might well prove more moderate as a leader. The change could be of great importance, not only to Dr Adenauer's chances of pushing his policy through the Bundestag, but also to the outcome of next year's elections. Tribute is due to Dr Schumacher for the part he played when German political life was reviving after the war; but the pacification and integration of Western Europe should be easier now that the roaring voice of the bitter demagogue is silent.

Who is for Five-Power Talks?

Mr Malik is certainly earning his salary these days as Russia's representative at the United Nations. In the Disarmament Commission he has had to wriggle out of some of the most awkward positions a Soviet spokesman can ever have found himself in. When the Anglo-American-French plan for a fair limitation of the armed forces of the Great Powers was originally put forward, Mr Malik said it was just a trick, and that the United States would still be able to keep its naval and air forces at full strength. But last week the British delegate, Mr Coulson, showed that this would be impossible even on the Soviet figures. Then Mr Malik complained that the plan involved "a definite time lag" between general disarmament and control of atomic weapons, only to be assured by the American delegate that both matters would be dealt with simultaneously.

The western plan would place a ceiling of between 1 million and 1,500,000 men each on the forces of America, Russia and China, and one of between 700,000 and 800,000 on those of Britain and France. This would leave the two groups into which the Big Five are divided as fairly balanced as could be imagined, while the Russian proposal for a one-third slash all round would merely perpetuate the Communist's present advantage. Last week Mr Malik himself implicitly acknowledged this, for he complained that the western plan would make little difference to Britain and France, while it would force Russia and China to reduce their forces considerably. He was happier when he fell back on the hallowed doctrine of the big lie, and roundly asserted that

the Soviet delegation has repeatedly stated that the Soviet Union stands for the most detailed disclosure of armaments. We are for the checking and verifying of such information, but we do not want the Ridgway headquarters doing this task. It is one for the United Nations.

The full humour of that statement can only be appreciated by those who have seen the Russians consistently voting against the whole series of proposals for an arms census which have been approved by majorities in the United Nations ever since 1948—three years before the "Ridgway headquarters" existed.

But Mr Malik's worst moment came when the three western powers suggested that a five-power conference should be held as the first step towards disarmament. Five-power talks have been a Communist propaganda slogan for so long that Mr Malik must have felt like a cat suddenly bitten by a truculent mouse. In his embarrassment he fell back on the cosily familiar theme of "germ warfare." But he did not so much as refer to five-power talks, although the Soviet Union might have been expected to welcome the proposal as fervently as the appearance of a prodigal son.

Dogma of Nationalisation

It seems that the whole Labour party, and not merely the Bevanite wing, is trying to escape from the actual disappointments of nationalisation in a flight of metaphysical fancy. The party's latest discussion pamphlet,* written by Mr Ernest Davies, sets out soberly some of the practical problems and offers remarkably little in the way of solutions. So the only thing to do is to change the problem—but not, of course, by retreating from nationalisation. Perhaps—the hope is cautious—things would be different if only the Minister of Transport had nothing to do with the Transport Commission, and so on, but instead the cabinet contained one Minister for Nationalised Industries. Then "there could be a new conception of nationalisation, and a fresh approach to its integration in the country's economy."

It is rather difficult to detect the nature of the revolution that Mr Davies hopes to achieve by this single change. But

* "Problems of Public Ownership," Labour Party. 41

one practical advantage he does make explicit. Some of the nationalised industries might then be propped up by the others; only the accounts as a whole would need to balance. In other words, there would be no need to bother so much about efficiency; who, indeed, would be competent to pass judgment on the individual limbs of the giant? Life is easier—as private capitalists have realised before Mr Davies—the bigger the area over which a monopoly can be established.

There are, however, two practical difficulties. The more blatant the state monopoly is, the less convincing is the standard Labour argument that monopoly is an evil making an industry ripe for nationalisation. And, secondly, the subsidisation of one nationalised industry by another promises real help to the weaker brethren only if the others are pretty profitable; and that suggests more nationalisation. On this point Mr Davies is not specific. But he widens the criteria that the Labour party has in the past laid down—that an industry should be “basic,” or it should be a monopoly, or it should be inefficient.

Nationalisation may well be necessary to enable Labour to carry through further stages of its Socialist programme even if it does not fall solely within the above criteria.

It sounds rather like nationalisation for nationalisation's sake; the “new conception” comes down to earth, remarkably enough, at the point of the familiar dogma.

Wages in Depressed Industries

Trade union leaders always talk about preserving free collective bargaining, but what they have in mind is by no means always free Arbitration, according to a recent Fabian pamphlet,* was responsible for about a twelfth of the wage increases granted between 1945 and the end of 1951; two-thirds of them were due to direct bargaining and one-sixth to decisions of statutory boards. Recent decisions of the Industrial Disputes Tribunal would seem to indicate that arbitration is now doing more for the workers than direct bargaining would do. While workers in one industry after another have had their claims rejected, at least as a first stage, the tribunal has stuck to the arbitrators' now traditional practice of making awards midway between what the workers asked and the employers offered. Out of 16 wage claims heard by the tribunal, between the Chancellor's appeal for restraint in May and the end of July, only one resulted in no award. That was in the glove industry, where the employers successfully argued that there was unemployment and short time.

That decision, at least, seems to have produced the result that would have been obtained by direct bargaining. Will workers in other depressed industries do any better? In one such industry—furniture—nearly 100,000 workers were deciding, when this issue of *The Economist* went to press, whether or not to strike because the employers have, after due notice, repudiated the rather generous cost of living scale for wages. If there is no strike the question will go to arbitration, for the employers have reported the dispute to the Minister of Labour under Order 1376. Workers in the carpet industry, on the other hand, have agreed to a suspension of their cost of living scale, except for the lower paid workers.

Recent experience has shown that wages councils, like the tribunals, are recommending increases that might not have been obtained by direct bargaining, even if the workers had been more strongly organised. An exception is the clothing industry, where the wages council seems in practice to give statutory effect to agreements reached beforehand between the largest organisations in the industry. Last week the

Wholesale Clothing Manufacturers rejected for the second time a claim by the National Union of Tailors and Garment Workers for an increase of 6d. an hour. In the industries most affected by recession no method of wage negotiation has so far resulted in increases. But it seems again to be proving true that in time of recession it pays the worker to have his wages settled by a tribunal or a board.

Reviewing the Rates

The Society of County Treasurers has produced some interesting comments on the working of the Exchequer Equalisation Grant to local authorities. It is convinced that the principle of the grant is “fundamentally sound,” and points to the considerable measure of equalisation of rates in the pound which has already taken place. Whereas, for instance, rates in county areas varied between 13s. and 27s. in 1947-48, the range in 1949-50 was only from 15s. to 23s.

The equalisation grant is highly selective in its operation. About 36 per cent of the population live in areas which receive no grant whatever; as these areas contain just over half the country's rateable value, their comparative wealth is unmistakable. Nevertheless, among these “richer” authorities resources and needs vary greatly, so that there is a certain unfairness in treating them all alike. At the other end of the scale, many local authorities lean very heavily indeed on the equalisation grant. It covers more than 30 per cent of the total expenditure which would otherwise fall on the rates in no fewer than 34 counties, mainly the smaller and more rural ones. Whether or not this high degree of national aid causes local extravagance and waste, it may become the cause of a still tighter central control.

The greatest defect of the present arrangements is that uniformity of valuation has still to be achieved, and according to the Government may not now happen before 1956. Both the Exchequer equalisation grant and the important education grant are largely based on figures of rateable value which, because of different standards of valuation, are often an inadequate guide to the “wealth” or “poverty” of local authorities. This matter ought not to wait for attention until 1956. Also, the Society of County Treasurers believes that an unfair burden is being thrown on rapidly expanding areas because the costs of new public services are so much higher than before the war. These points need attention in the review of the equalisation grant which is now being undertaken.

Finally, the society feels some alarm at the present trend of financial relations between Government and local authorities. The relief to the rates represented by the postwar transfer of certain services into national hands has now been absorbed by the rising cost of the remaining local services. The dependence of local authorities on Government grants gets increasingly heavier—and with it the extent of central control. The society believes that the best relief to local government would be to re-rate industry and agriculture in full, a measure which “would be of relatively small financial significance to the industries concerned, including agriculture,” but which would create an additional £60 million of rateable value. This proposal, which is attracting growing support, well warrants a thorough investigation by the Government.

Increasing Europe's Coal Production

Few people imagined twelve months ago that the demand for coal would follow the same trend as the demand for other commodities and show a marked decline during a period of rearmament. At the beginning of this year the Organisation for European Economic Co-operation was so

concerned about the Continent's large imports of American coal that it set up the Ministerial Coal Production Group. This body was to encourage a rapid expansion of Western Europe's output so that it could do without these imports by 1954. After its recent meeting in London the Group admitted that, although the increase of 3.4 per cent set for this year is unlikely to be achieved in full, it is much more likely than it was three months ago that the so-called “exceptional” imports will not be required in 1954 except, perhaps, for certain special types of coal. The balancing factor has been the decline in coal consumption.

The progress made towards this year's objective can be seen from the accompanying table. Britain is the only country whose output in the first half of this year has

WEST EUROPEAN COAL PRODUCTION
(Million Metric Tons)

	Output, 1951	Objective, 1952	Per cent increase	Output first 28 weeks, 1951	Output first 28 weeks, 1952	Per cent change
UK	226.4	229.4	+1.3	122.8	124.9	+1.7
W. Germany ..	118.9	126.0	+6.0	63.6	64.9	+2.1
France	53.0	56.0	+5.7	29.4	31.0	+5.4
Belgium	29.7	31.0	+4.5	16.1	16.7	+3.8
Netherlands...	12.4	12.8	+3.1	6.9	6.7	-0.1
Saar	16.3	17.0	+4.0	9.0	8.5	-5.4
TOTAL	456.7	472.2	+3.4	247.4	252.8	+2.1

Source: Organisation for European Economic Co-operation.

increased at a higher rate than was forecast, though production in France and Belgium is not much below the planned rate. In contrast, output from the Saar and the Netherlands has fallen instead of increasing, while the rise in German production has been only modest. An encouraging sign is that the increase in British output has been achieved by an expanded labour force (hitherto one of the major deficiencies); by the end of June there were more underground workers than the National Coal Board expected to have at the end of the year. On the other hand, output per manshift was not only well below expectations, but also smaller than in the first half of 1951, because of the large number of recruits that have gone into the mines in the past few months. Employment has also increased in the German mines; but in France the number of workers has declined but output per manshift has improved.

Germany Caught Out?

Now, other difficulties are emerging in the attempt to increase Europe's coal production. Among them is the unwillingness of producing countries to continue an all-out effort to expand output—precisely because demand is falling. Indeed, German output in the past two months has been falling quite sharply. Only part of the decline can be explained by holidays and other extraneous factors, and these should have been offset by the high rate of new investment that has been taking place to increase current output.

Apart from self-financing, German mines have recently obtained DM 100 million from commercial banks for modernising equipment, and expected an additional DM 50 million from counterpart funds of the Mutual Security Agency. Yet their output failed to show the expected increase, whereupon MSA decided to withhold the unspent portion (DM 20 million) of its grant. The Germans claimed they must have even more investment before output can expand. But it was obvious that they were not really attempting to achieve the coal programme set by OEEC. New investment had been used not to increase production now at any cost, but to increase it later at low cost, when the ownership of the mines was settled and when a buyers' market for

coal had emerged. There have been reports—not so far substantiated—that new shafts have been sunk in German mines and new tunnels bored almost to the coal face and then left, so that later on output could be increased with the minimum of effort. Meanwhile Europeans, and Germans, import American coal.

Co-operation does not mean keeping to the letter of an agreement, but willingness to make sacrifices for a common end. Europeans cannot work together effectively without mutual trust, and nothing destroys it more easily than the knowledge or suspicion that one country is gaining at the others' expense by its astuteness. The Mutual Security Agency did not say outright that the German coal industry had done this, though it implied it. This week, MSA has decided to release the funds again, but the decision was taken more from legal considerations than from any conviction that the Germans will mend their ways.

Bacon and Butter Bargaining

In the cat-and-mouse bargaining of the present bacon talks between Denmark and Great Britain, nobody would really want to blame the Danes for resenting the role of mouse. Since the negotiations were broken off in London last week, the Danes are nervously awaiting the outcome of the meeting to be resumed in Copenhagen on August 26th.

Bargaining from a position of strength, the Ministry of Food is demanding a 15 per cent cut in the present price of Danish bacon. This would bring the price back to its level in 1950-51, but would mean a serious reduction in revenue to the Danes. They face the loss of the bonus scheme—a 28½ per cent increase in price for deliveries beyond 110,000 tons—which was put into effect last October, together with the flat increase of 12½ per cent. This has

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* “Arbitration.” By H. A. Turner. Fabian Research Series.

turned out to be handsomely profitable to the Danes. But it is a profit that they may well deplore because the bonus scheme put them in their present weak bargaining position by greatly stimulating Danish bacon production. As a result, they feel they have been trapped; while they are already resigned to losing the bonus scheme, they angrily oppose a reduction of the 12½ per cent basic increase granted them last year, or the price of 262s. 5d. per cwt. Not unreasonably do they argue that too drastic a price cut now would simply mean reduced production with consequently higher prices next year.

At Aarhus this week, Britain agreed to pay 7½ per cent more than last year for Danish butter, bringing the price up to 337s. 6d. per cwt., or 3s. a lb. It is doubtful whether the Danes will feel this as being in any way a just compensation for what they fear may happen to their bacon. In view of the present world shortage of butter, and of the 7½ per cent increase recently granted Australia and New Zealand, this was a minimum British concession so far as the Danes were concerned. Meanwhile, *Aalborgs Stiftstidende* tried to convince its countrymen that a reduced profit did not spell catastrophe. Soothingly it said: "Of course it is important that we sell our bacon, but there is really no reason to lose our wits. Let us try to be more British than the British: let us wait and see."

Shock Treatment

Four years after the passing of the Criminal Justice Act, the first detention centre for young offenders has been opened. The Act restricted the powers of the courts to impose a sentence of imprisonment on young people; no court is to sentence anyone under 21 to prison unless it is of opinion that no other method of dealing with him is appropriate.

The detention centre is to provide one such alternative. Another, less drastic, is an attendance centre. Magistrates' courts can sentence persons aged 12-20 to attend these centres for a certain number of hours each week. Several of these centres have been opened in the last two years; in effect, the young offender is punished by being kept in under the supervision of a police officer after school hours or on Saturdays. Detention centres are intended to be a much more drastic method of dealing with offenders aged 14-20 who require, in Mr Chuter Ede's words when he was explaining the relevant clause in committee,

a short, sharp punishment that will cause the young offender clearly to realise the injudiciousness of attempting continuously to flout the law.

They are for offenders unlikely to respond to probation but who have not yet got to the stage of requiring long-term training in an approved school or borstal. An important stipulation, written into the Act, is that no one who has been to prison or to a borstal can be sentenced to a detention centre, in order to avoid the risk of contamination.

Mr Ede made it quite clear that the centres were not intended to be short-term approved schools. The first centre (for boys aged 14-16) unlike an approved school will be "secure," not open, though presumably not so secure as a prison. Again unlike approved schools and borstals, the emphasis is not on instilling a sense of responsibility and self-discipline but on physical training and hard work. Life, in fact, is to be unpleasant enough to bring the offender to his senses. That, at least, is the hope. Much will depend on whether the courts send the appropriate type of offender to the centre. Much will also depend on what sort of life the offender returns to and how he adjusts himself to the shock. In committee, Mr Ede said it was intended to attach after-care committees to the centres, which would arrange voluntary supervision for the offenders on their discharge. It is to be hoped that this intention will be carried out at the new centre.

Educating Civilians in Uniform

The army authorities have just issued a threepenny pamphlet reminding men about to be called up for service of the many opportunities of study that exist for them. The main emphasis is naturally upon general education, but trades and cultural subjects have not been neglected, and help is promised to any man "who wishes to pursue a course of individual study." As far as it goes, this is valuable; but is any attention being given to the wider problems that forces education could help to meet? To have to cut two years out of virtually every young man's civilian life at the age of eighteen has now become such a well-established necessity that it is often forgotten how new the practice is in this country. Most European countries have no clear memory of the day before conscription but for British industry the long-term effects of national service on recruitment and training are quite unknown. There may be, as is often claimed, very bad effects—unsettling young men, deterring them from serious application to their jobs. There may be—and nobody knows because nobody has seriously investigated the matter—a considerable net advantage to civilian industry in the shape of the better discipline, greater physical fitness or heightened self-reliance of the demobilised national serviceman compared with their opposite numbers in the prewar period.

It is not the purpose of army service to improve the raw material of industrial recruitment; the case for or against conscription must always rest solely on grounds of military necessity. But the effect of these two years' military service on the labour force of the future, on its attitudes towards work and on its general efficiency is potentially very great, whether for good or ill, and cannot be altogether ignored. One would like to see, while conscription is still new enough for its effects to be observable, some serious investigation

Pomp and Pageantry

The anniversary of Napoleon's birth was celebrated with considerable pomp in Paris on the 15th inst. Unfortunately, the weather was not propitious. A heavy storm blew away part of the Alps that Bonaparte was represented crossing on horseback, and swept away the canvas covering of the ball room, so that the Dames de la Halle were deprived of the honour of dancing with the President. Otherwise, the sham naval engagement, the passage of Mont St. Bernard, the illuminations, the processions, and all the accompaniments of two days' fêtes, went off with great éclat, and the President has gained showers of applause from a vast multitude congregated in Paris from all parts of France and many parts of Europe. It is rather the fashion here to mock at these festivities, in which a homage to the Virgin is mingled with reverence for Bonaparte; and yet no people are fonder than ourselves of connecting religion with politics, of retaining old processions that have lost their original meaning, and celebrating remarkable occurrences by national illuminations. In all times, and amongst all people, ceremonies and festivities, shows and games, have formed a great part of their social and political lives. At an early period they were the chief means of commemorating remarkable national events, and even now are much more impressive than the written and printed records on which journalists and historians exclusively rely. They really made the events they commemorated a part of the life of society, while mere narrations, through the cold medium of an abstract alphabet that depends for all its power on previous association, can never affect the mind like some visible representation—mock fight, mock race, or mock procession, it may be—of the deed to be commemorated.

The Economist

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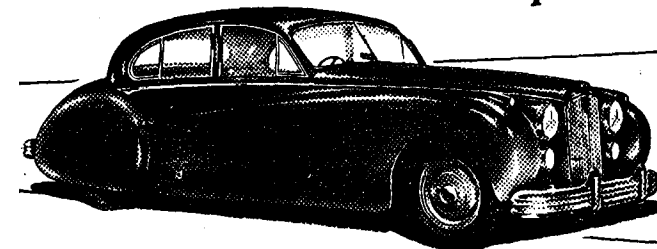
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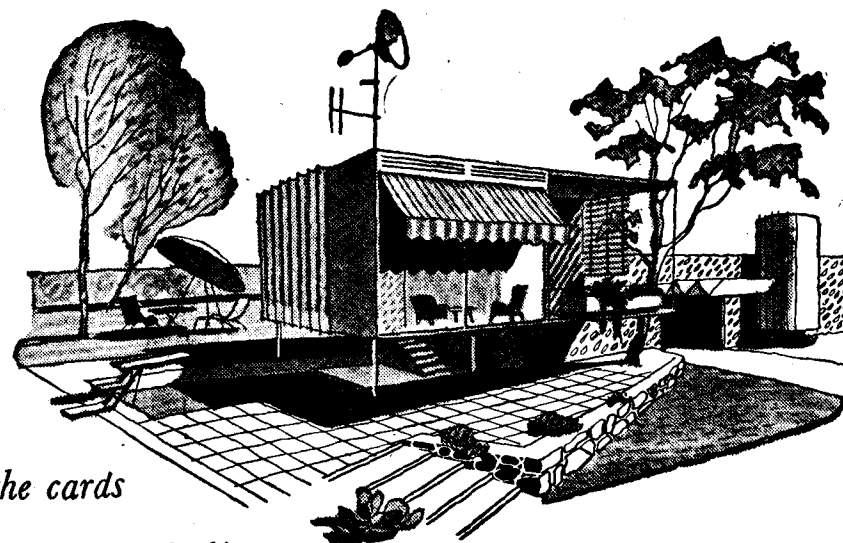
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being made into these long-term questions. Meanwhile, any evidence that Army education is being treated as more than a mere formality is encouraging.

India and the Gurkhas

The Indian politicians who are demanding that present arrangements for enlisting Gurkhas into the British army should be ended presumably see the matter as a useful stick with which to beat Mr Nehru's government. Their joint statement, loaded with references to the tainting of "our sacred soil, watered by the blood of many a martyr in the freedom struggle," suggested an unscrupulous appeal to nationalism, not a considered judgment. India's Communists, who have long been plugging the Gurkha theme, must have been delighted by their success in lining up the conservative opposition parties behind their effort to make trouble between India and Britain; but the conservatives can hardly have considered the implications of their action for their own country's security.

The point at issue is that, by agreement between India, Britain and Nepal, recruiting stations for Gurkhas have for several years been maintained at two points on the Indian side of the Nepalese border. These are not British bases, and the Gurkha recruits are given no training there; they are simply enrolled and medically examined. The stations are on Indian territory only because of the peculiar geography of Nepal, which makes it difficult to locate them across the border. The arrangement is unusual; but so is the whole relationship between India and Nepal, for the latter cannot be reached except through the former's territory, and communication between different parts of Nepal is often more difficult than communication across the border. India has recognised in many other ways the strategic importance of Nepal, and its need for special facilities to overcome its geographical problems; and there is no evidence that the existence of the recruiting stations has led to any friction.

The critics have apparently found some support among more realistic Indians who fear that the Gurkhas, by volunteering for service in Malaya, are leaving their own country ill-equipped to meet any threat from the north. But the facts are very different. First, British recruitment of Gurkhas today is on no greater a scale than before the war. Second, Nepal emerged from the Japanese war much stronger both in trained men and in equipment than ever before. Third, and most important, the present enlistment of Gurkhas for short-term service abroad means that Nepal regularly receives back well-trained men, experienced in modern war, and with a much clearer understanding of the wider world than they could acquire in their own villages. Such men, accustomed to friendly relations with both Briton and Indian, are not easy targets for Communist propaganda. And they bring back with them not only training and education, but savings. Indians who are genuinely concerned with the defence of their own country should consider these facts.

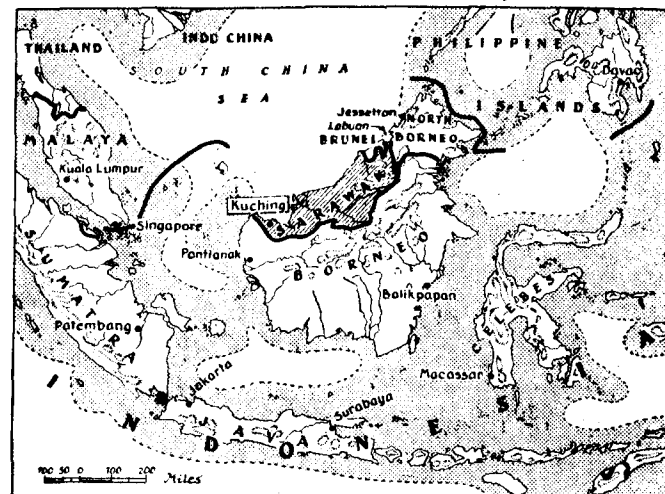
Communists in Sarawak

Earlier this month Sarawak had its first taste of Communist terrorism. Signs of activity by the party have as yet been few and far between, and it is impossible at this stage to assess accurately the significance of the recent incidents. The extortion of money from some shopkeepers, the distribution of some Communist leaflets, and the murder of one policeman and the wounding of two others, do not in themselves amount to a great deal; but the promptness with which the government declared a state of emergency in the area affected and made a small number of arrests may have caused the terrorists to move cautiously.

They are said to belong to the "Sarawak Indonesian People's Liberation Army," of which very little is known. It

is probable, as some evidence reported this week suggests, that they are being directed from Indonesian West Borneo. The Chinese Communists there, who are believed to be in touch with Peking, may regard Sarawak as an easier field for activity than their own territory. It is also possible that General Templer's successes in Malaya have made the Communists feel it necessary to step up trouble-making elsewhere in the area. In Sarawak opportunities to do serious economic damage are limited; but the territory adjoins the protectorate of Brunei, where the Seria oil-field is the third largest in the Commonwealth and now produces 100,000 barrels of crude oil daily.

If the Communists are planning more intense and wide-spread activity in Sarawak—which is by no means certain—they will not find it easy. They may expect some co-operation from the Chinese, who form just over a quarter of the



population, for many of their young men have caught the Communist infection. But the Chinese, like the rest of the population, have been enjoying a general prosperity that makes Sarawak unresponsive to Communist propaganda. Although there are only about a thousand police (now supplemented by a hundred lent from North Borneo) to defend the colony, the authorities have not yet felt it necessary to ask for military aid. Nearly 35 per cent of the population are Sea Dayaks, whose loyalty and fighting qualities are both beyond doubt; they could be formed at short notice into formidable local security forces. The proposed visit of Sir Rob Lockhart, director of operations in Malaya, indicates that plans are being considered to send troops if a really serious emergency arose.

The Cost of Votes

The official returns of candidates' expenses at the last general election have recently been published (HMSO, 2s. 6d.). They show, constituency by constituency, how much each candidate spent and where the money went. The following charts illustrate some of the conclusions that may be drawn.

The legal limits imposed on expenditure were the same as in the 1950 election. In England, Wales and Scotland a candidate could spend £450, with an additional allowance for each elector of 2d. in the counties and 1½d. in the boroughs. In Northern Ireland the limits are lower; 2d. is allowed for every entry in the electoral register, but there is no basic allowance except that £75 in the counties or £50 in the boroughs can be claimed for agents' fees. Over and above the ordinary expenditure, all candidates can claim £100 for personal expenses. If the personal allowance is included (as is done throughout this analysis) the legal maximum in Britain ranged from £776 in the small constituency

of Caithness and Sutherland to £1,155 in the Middlesex county constituency of Spelthorne. As would be expected, candidates differed greatly in the closeness with which their actual expenditure approached their permitted maximum. But there are unmistakable patterns in the variations.

First, the Conservatives put more money into the campaign than did the Labour party. The average expenditure of Conservative candidates was £775, while that of Labour candidates was £117 less. In relation to the support received, the election cost the Conservatives 8½d. per vote and the Labour party 7d. per vote. Naturally, both parties paid more heavily for success than for defeat. The average Labour MP spent £50 more than the unsuccessful Labour candidate; for Conservatives the difference was £80. Although Liberal expenditure was generally much below that of the two main parties, the six successful Liberal candidates spent on the average only a little less than the average Labour MP.

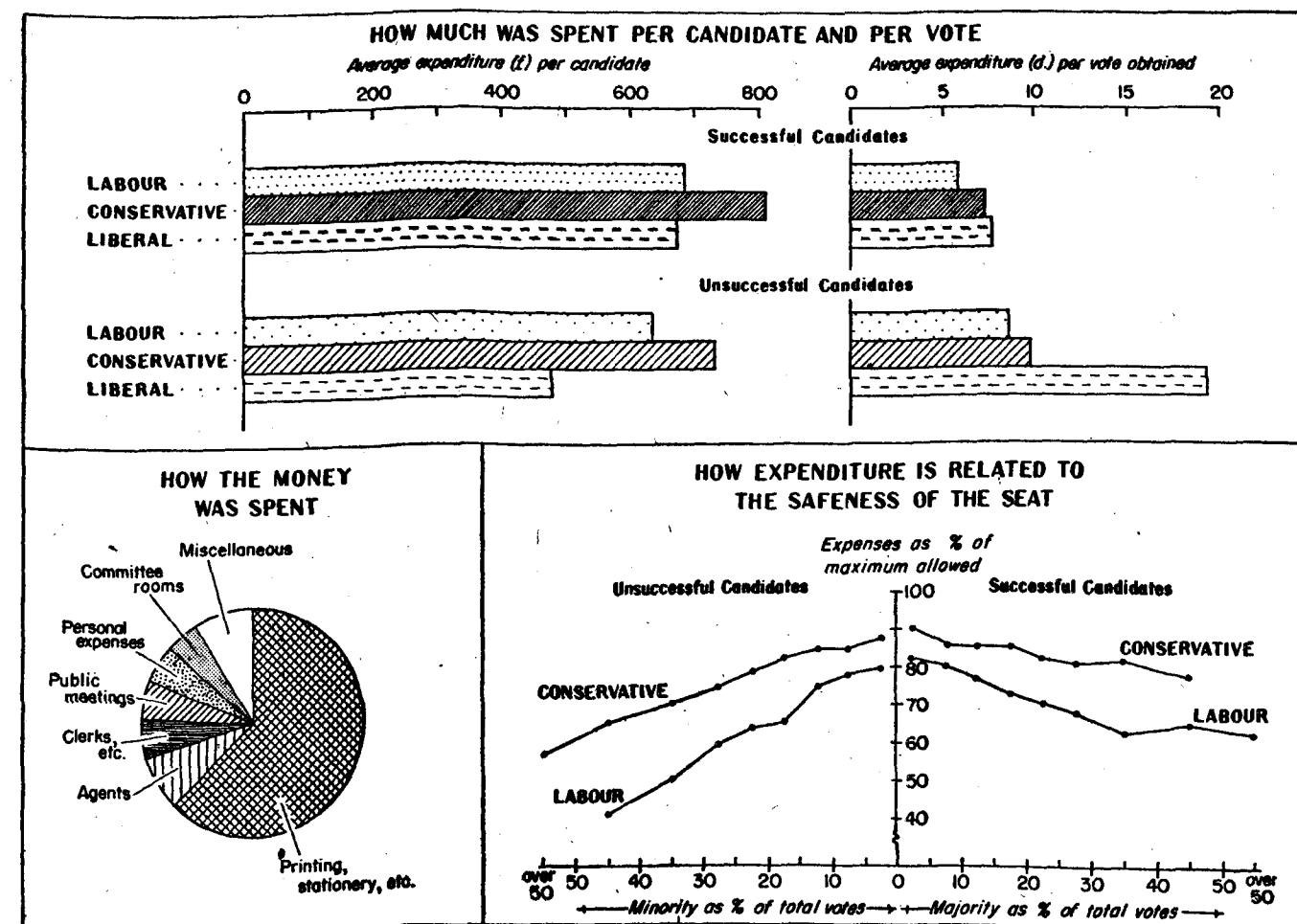
In the lower right-hand chart the expenses of the two main parties are shown in more detail. The expenses of each candidate were calculated as a percentage of the permitted maximum, and the candidates were then put into groups according to how successful they were—more precisely, according to the margin, expressed as a percentage of the poll, by which they won or lost the seat. For example, the expenses of successful candidates whose votes exceeded those of the runner-up by no more than 5 per cent of the total votes have been averaged together; then those with a winning majority of between 5 and 10 per cent, and so on. The losers have been grouped in a similar way according to the margin by which their votes were behind those of the winner. The final figure for each group, shown on the chart, is the candidates' average expenditure as a percentage of the permitted maximum. No account is taken of constituencies where the two main parties did not take the first two places in the polls. Excluded also are the four seats

that Conservatives won, and Labour lost, by a margin of more than 50 per cent of the poll, since the cases are too few for an average to be significant.

The averages conceal wide variations within each group, but the general tendency is plain. The level of expenditure of both parties was strongly influenced by the closeness of the contest. Both parties generally spent most heavily in the marginal constituencies and economised both on the safe seats and on the hopeless seats. This is, of course, the reasonable policy; the fact that it can be pursued shows how well both parties identify the marginal seats beforehand.

Expenditure fell off less steeply for the very safe seats than for the hopeless ones, and Conservative spending, besides being consistently higher, varied less than that of Labour. Even when the issue could not have been in doubt, Conservatives spent as much as 80 per cent of the permitted amount. On the other hand, as many as 24 Labour seats were won without spending half the permitted amount; no Conservative candidate won as cheaply as this. The most economical of successful candidates were the Labour MPs for the Gorbals and Bridgeton divisions of Glasgow, who spent only 23 per cent of the permitted maximum.

For the same reason—or unsafeness—of the seat candidates in county and borough constituencies spent about the same proportions of the permitted amount. It looks, therefore, as if the extra ½d. for each elector in a county constituency is—generally—a fair provision for the extra cost of electioneering to a sparser population. The distribution of expenditure is, however, rather different in the counties; a rather higher proportion than in the boroughs tends to be spent on agents and on public meetings, and a smaller proportion on printing and stationery. But almost everywhere printing and stationery account for at least half the expenditure, and for over three-fifths in the country as a whole. If printing costs should continue to rise some new budgeting may well be called for at the next election.



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Books and Publications

Sterling and Statistics

The Sterling Area. An American Analysis. Published by the ECA Mission to the United Kingdom. Obtainable from HM Stationery Office. 672 pages. £1 18s.

The Sterling Area. By A. R. Conan. Macmillan. 192 pages. 16s.

The British talent for unprofitable compromise is continually surprising those people who profess to see in it something much more cunning. It is an extraordinary achievement that the nations of the British Commonwealth (excluding Canada, but in partnership with a number of smaller independent countries) have managed to share a common dollar reserve since the beginning of the second world war—and that they have done so without formal alignment of import programmes and yet with a minimum of bickering. It is perhaps not so surprising that each member, at different stages of the trade cycle, has tended to draw out rather more foreign exchange than it earned.

Because of the structure of the system, with its heavy dependence on primary commodities for its dollar earnings, the run on the reserves tends to be worst when prices are relatively low. The usual remedy sought for such a run has been to call a Commonwealth Conference, which proceeds to recommend that all members cut their imports.

The last conference was held in January. The next, which promises to be unusually important, is due in November. It is therefore fortunate that there should be published now two enterprising analyses of the difficulties—and the mistakes—that have beset the sterling area since its inception. The first of these books is a massive study by the ECA Mission to the United Kingdom; its chief virtue lies in the care with which it has gathered together the available statistics on the trade of the area as a whole, on the economies of the individual members, and on the commodities on which the area chiefly depends. The commentary is cautious and diplomatic. The second study is a private enterprise venture by Mr. A. R. Conan, the able economist of the Commonwealth Economic Committee; it says much for Mr Conan's ingenuity—and willingness to make bold estimates where boldness is needed—that he manages to put his statistics through some hoops that the ECA mission has not thought of. But Mr Conan, too, is content to let his figures show where the sterling area has been going in the past, rather than say himself where he thinks it ought to go in the future.

One of the chief accomplishments of both these books is that they carry their analyses back to prewar days—a period for which no statistics on the sterling area had previously been published, for the simple reason that the sterling area did not then exist. Both the ECA and Mr Conan suggest that the sterling area tended to run a gold and dollar surplus just before the war. A "typical" pattern between 1934 and 1938 was,

apparently, for Britain to run a deficit of about \$350 million with the dollar area, for the overseas sterling area to run a surplus of about \$50 million with it, and for receipts of newly mined gold to bring in about \$500 million. This heavy former reliance on gold sales underlines one of the main reasons for the sterling area's unfavourable experience since the war—the fact that the dollar price of gold is about the only price that has not gone up since the 1930s. Simultaneously, however, the sterling area's current trading position has deteriorated. In 1948 and 1949 Britain ran a direct deficit of between \$700 and \$800 million with the dollar area, and the overseas sterling area ran a deficit of between \$500 and \$600 million. In 1950 both groups made a much better showing than this, but in 1949 and the second half of 1951 a much worse one.

These bare figures, however, conceal an important difference between the postwar experience of Britain and of the overseas sterling area. The widening of Britain's dollar deficit since the 1930s has been wholly due to an adverse movement of the terms of trade; Britain's dollar imports, in terms of volume, have been rigidly restricted while its dollar exports have expanded. The widening of the overseas sterling area's deficit, however, has been wholly due to the fact that, in most years, the volume of its dollar imports has increased by more than that of its exports. Sales and output of jute, rubber and tin have been particularly disappointing; only in wool, its other really important export, has the overseas sterling area fully cashed in on the American boom—and that largely because it had on hand stocks accumulated during the war.

It is tempting to argue from this that Britain has been cursed since the war with bad luck, and the overseas sterling area with bad government. But a glance at the figures collected by the ECA should correct this impression. They show that much of the reason for the sterling area's postwar dollar deficit has lain in its heavy imports from the United States of machinery, steel mill products and chemicals; meanwhile, Britain has continued to pump out consumer goods to the overseas sterling area, and seen them paid for largely out of capital exported from this country. The core of the problem is that while the overseas sterling area has pushed ahead too rapidly with its real investment programmes, Britain has not sufficiently adjusted its productive effort to meet this change in demand from the Commonwealth. This seems to be the main lesson that emerges from both these valuable studies—even though in both of them the lesson is expressed less clearly in words than in statistics.

Science and Guns

Ballistics in the Seventeenth Century.

By A. R. Hall. Cambridge University Press. 186 pages. 21s.

Mr Hall's book is of much greater interest than its title suggests. At a time when the inter-relations of government, science and technology are the subject of so much discussion and exhortation it is valuable to examine them in an earlier period when both scientists and governments were rapidly enlarging their jurisdictions. It has been suggested, not only by Marxists, that the major scientific achievements of the seventeenth century were prompted by the new technical problems of industry, navigation and war. Mr Hall has taken the study of ballistics as a test case, for here the utilitarian explanation is extremely attractive. There was the obvious and growing importance of artillery in war, the attention given by Galileo, Torricelli, Huygens and Newton to ballistics, and abundant evidence that governments, especially in the age of Louis XIV, directed mathematicians to work on problems of gunnery and provided for the scientific training of military and naval officers.

Mr Hall very effectively discredits this plausible interpretation. First, he shows that the mathematical precision of ballistical theories was largely useless to gunners since manufacturing technique was so crude that weapons were highly erratic in performance. Both soldiers and sailors continued therefore to insist on getting, in Nelson's words, "so close to our Enemies that our shot cannot miss their object." Secondly, Mr Hall demonstrates that scientists worked on ballistics not primarily because they hoped to improve the accuracy of long range bombardment, but because the analysis of the trajectory of a projectile conveniently assembled fundamental questions of physical science, questions which could only be solved by the development of refined mathematical techniques. To Newton ballistics were linked with astronomy and gravitation in general rather than with practical war needs. And indeed the general solution of the problem in 1719 was provoked by a challenge issued by an ill-tempered Scots professor of astronomy anxious to humiliate an academic opponent. Then as now academic achievement was stimulated far more by a concern for truth and prestige than by a regard for general political and economic ends.

Mr Hall is keenly aware of how much work remains to be done on the history of war and science in the seventeenth century; and fuller exploration may well modify his conclusions. But although his readers will have to face mathematical expositions, anyone interested either in general seventeenth-century history or in the relations between government, science and technology will find this book an illuminating example of what is being achieved by the historians of science.

Victorian Tragedy

Marian Evans and George Eliot. By Lawrence and Elizabeth Hanson. Oxford University Press. 402 pages. 25s.

Mr and Mrs Hanson are perhaps more concerned with Marian Evans, the woman, than with George Eliot, the novelist. That is to be welcomed, for it means they have been able to devote themselves to a wealth of fresh material about her brave, unhappy life. Here at last is the full, thoroughly documented biography of George Eliot which has been long awaited. It should destroy forever the myth that George Eliot was the school-ma'am in excelsis of Victorian literature, the superior person in bombazine, full of didactic preachments. She was a woman of the deepest and warmest emotions, and, for the sake of love, was willing to defy the lightning of Victorian conventions.

It is impossible for those living in the more tolerant atmosphere of 1952 to realise how much Marian Evans suffered from the obloquy of the respectable and the derision of the disreputable when she entered into her union with George Henry Lewes, who was married but could get no divorce. It was, in all but name, the truest and happiest of mar-

riages, a steadfast partnership lasting until Lewes died twenty-four years after.

Marian Evans was the child of the harshest school of Midlands Puritanism, to whom even Handel's oratorios were works of the devil. She had freed herself through agnosticism from this narrow tyranny, but she was never to know any rest from the goadings of conscience and the scourgings of duty. She was a woman of massive intellect and learning, and was a more subtle moral teacher than most of the ecclesiastics of her time. Imagine then the courage it needed to challenge the taboos of the tribe.

It is one of the marvels of English literature that Marian Evans, the ultra-solemn scholar, became George Eliot, the novelist. The sympathy of Lewes played a great part in the transformation. Such novels as "Adam Bede" and "The Mill on the Floss" were prodigiously successful, and had a profound influence on the Victorian sensibility. Underneath the ethical teaching there was all the warmth of a generous and rebellious heart. The love scenes in "The Mill on the Floss," for example, make Dickens and Thackeray appear almost amateurish in their treatment of human passion.

It is a queer irony that after Lewes dies George Eliot marries an insipid young man, John Cross, twenty-three years younger than herself. How appalled were the friends who had stood by her throughout the long ordeal. But it was a very human longing on the part of the Victorian rebel to be buried as a respectable matron. She lived but a few months after marrying Cross. The Victorian age is getting more and more interesting now that research is revealing the lineaments of great figures hidden so long under the whitewash.

Trade Imperialism

The Founding of the Second British Empire, 1763-1793. Vol. I. Discovery and Revolution. By Vincent T. Harlow. Longmans. 664 pages. 45s.

An iconoclastic wind is blowing down many conventional signposts and boundary marks in the fields of British imperial history. And rightly so. Too many were put up by historians concerned narrowly with the formal Empire of political control to the neglect of the wider, informal Empire of trade, investment and political influence. The effect has been to distort somewhat the picture of British expansion overseas since 1750 by blocking it out into imperialist periods of extending dominion, and anti-imperialist periods when the political frontiers have remained static.

In fact, the movement of imperial frontiers is not the only, nor the most reliable, criterion of the strength and character of imperialist activity. It is only useful in conjunction with the indices of the expanding economy—with changes in the direction and character of overseas trade and investment. Slowly, ideas about British expansion are being modified in this sense. And periods long thought of, on

the old political view, as years of stagnation and anti-imperialism turn out to be years of continuing expansion in terms of commercial penetration and informal political influence.

Professor Harlow's first volume on the founding of the Second Empire provides a good starting point for the re-interpretation of later eighteenth and nineteenth century imperial history on these lines. For on the old political assumption it seemed that the loss of the American Colonies, which broke up the first empire, was followed by thirty years imperial "apathy, neglect and negation," before the founding of the second.

Mr Harlow almost convinces us that a new Empire of Oriental trade, based not on dominion and colonisation, but on "a chain of trading posts, protected at strategic points by naval bases," began thirty years before the American catastrophe. During this time British Governments were carrying out well conceived plans for a trade empire in *Terra Australis* and an Anglo-Indian-Chinese emporium in the Malay Archipelago. How consistently they pursued these aims is not altogether clear. Almost all the examples are chosen to illustrate the thesis. Nevertheless, one cannot but accept the conclusion that, by the Napoleonic Wars, this Oriental trade imperialism was the characteristic form of British expansion. It is the more unfortunate, therefore, that Mr Harlow was unable to uncover more completely the economic changes which underlay this change of character.

But the heart of the book is a magnificent study of Shelburne's imperial ideas and policy, hanging upon the part he played in the peace negotiations leading to the Versailles settlement of 1763. The scholarship is impeccable yet wide-ranging. Here is a vivid account of how British statesmen from Shelburne and Fox and the second Chatham, faced with American nationalism on one side of the Atlantic and Irish nationalism on the other, sought in vain for acceptable new forms of imperial relationship.

The Corporate Sepulchre

Corporate Trustees. By D. R. Marsh. Europa Publications, Limited. 318 pages. 25s.

It is surprising that this should be the first serious attempt to describe the functions and organisation of the corporate trustee. The Victorian trustee was a part of the novelist's equipment, to ruin the family or save the threatened heiress. Galsworthy humanised him; Soames might not be able to manage his own affairs but he could certainly be trusted with those of his clients. Then came the Public Trustee, safe, backed by the Consolidated Fund itself, and the banks and the insurance companies; the personality of the individual was replaced by the correctness of the institution. The corporate trustee, today, is to many no more than one aspect of the bank manager, with considerable charm

but limited authority. In the background there is always a Head Office. In this book, Mr Marsh, aided by the Houblon-Norman Fund at the Bank of England and given time by his own bank, has explained Head Office, for which he deserves the greatest thanks.

The sad thing is that, in so many ways, this book was out of date—at least, out of period—before it was written. Mr Marsh, inevitably, must look on wills and settlements as the circle of covered wagons around the financial citadel of the threatened family; they are still proof against the arrow and the tomahawk, when those weapons are still used. But the legal perfections of the last

century have now become the barbed wire around the concentration camp. The spendthrift is no longer the young man moving from the Gaiety to Romano's. He lives on the other, the southern, side of the Strand and his gas chambers for the family property are the annual Finance Acts. Legal interests and estates for life can decimate an estate as surely as any Regency buck in St. James's Street, with the additional disadvantage that there is no possibility of any change in luck, no chance ever of a win against the Inland Revenue croupier. The cards are arranged and marked, and the rules changed, each year, in April.

Today, the ideal trustee would be the man who hated trustee investments, whose drinking companions were the more buccaneering types of chartered accountant and stockbroker, and who could be trusted to put nothing into writing. The corporate trustee has achieved honour and respect at the moment when he has gone over to the enemy. His reputation prevents him from seeking loopholes in the laws of taxation. Mr Marsh's book is admirable in its writing and in its knowledge, but his experience would be of far greater practical value on a man-to-man basis over a glass of refreshment at the 19th hole.

Letters to the Editor

Champions of European Unity

Sir,—According to Dr Toynbee's well-known analysis, the Catholic Church, since it laid down the foundation of modern Europe, has now the task to give a lead in the Continent's present predicament. Indeed, Catholic thinkers were among the first to feel towards a supra-national European consciousness: Chesterton and Belloc in England, Papini in Italy, Gertrud le Fort in Germany.

On the other hand, the four statesmen most prominent in instigating the political movement for a United Europe were M. Spaak in Belgium, Mr Churchill in Britain, Signor de Gasperi in Italy, and the late M. Blum in France. Out of the four only Signor de Gasperi can be associated with Catholic public life. The Catholic background may have contributed to M. Schuman's and Dr Adenauer's European policy, but it appears certain that religion was not their ultimate concern. M. Schuman's original "Plan" was confined to ending the protracted Franco-German strife—an obvious and commendable target for a French politician with German education. For Dr Adenauer—the Prime Minister of a defeated country—the European stage offered the coveted part of a twentieth century Talleyrand. In any case, Catholic dogmas bear little reference to the coal and steel pool.

A close association of the Catholic Church and the United Europe Movement would hurt the European cause by alienating non-Catholics unwilling to accept the "Vatican supremacy" and Catholics unwilling to drag religion into politics. It would also hurt the Catholic cause by jeopardising the position of the faithful in other parts of the world. The Catholic attitude towards Europe was clearly defined in 1945 by His Holiness Pius XII: "Europe is in need of the Church, but the Church is in no need of Europe."—Yours faithfully, GEORGE A. FLORIS

Edenbridge

Japan and Gatt

Sir,—In your issue of July 26th, referring to Japan's application to accede to GATT, you state that "as a contract-

ing party Japan would have automatic right to claim most-favoured-nation treatment from Britain and all other members."

This is not quite correct; for Article XXXV of GATT permits a contracting party to withhold application of the agreement (or applications of its own schedule of negotiated tariff items) from another contracting party with which it has not entered into tariff negotiations. Thus if the United Kingdom, or any other GATT member country, decided not to undertake tariff negotiations with Japan, Article XXXV could be invoked. Action taken under this article requires no vote of approval by the contracting parties as a whole. Several GATT members which have wished, in special circumstances, to withhold most-favoured-nation treatment from one or other of the parties to the agreement have in fact resorted to this clause.—Yours faithfully,

RICHARD R. FORD,
Information Officer, GATT
Geneva

Export Markets for Cars

Sir,—I must confess that I am not altogether sorry to learn, from Sir William Rootes's letter in your issue of June 21st, that British car factories "are running at an average of not more than 60 per cent of capacity." If they were running 100 per cent I can well imagine that the unfortunate purchaser would get even less service and consideration than he gets now. Nine months ago I bought a new car. Within one month the front wheel bearings had given way and had to be replaced, while all the four door handles had "frozen" solid. In each case the fault was caused by the failure of the factory to put any grease on the part on assembly. A friend of mine damaged his car almost six months ago. He is still without it for lack of the necessary spares. The factory in England has not even acknowledged his written requests for prompt dispatch of the parts. This place has recently been visited by a special travelling representative of a car manufacturer. In response to one complainant of bad service, he frankly declared that he couldn't care less.

Within my own small experience I

Spare Parts and Service

Sir,—The complaints of the oil companies voiced in your issue of August 16th, regarding the apparent inability of British engineering firms to give after-sales service comparable to their American competitors, are largely justified.

It is not generally appreciated, however, that the root of the trouble lies in the purchasing policy of the oil companies themselves. So long as they are content to place their orders in London, on price alone, there is little inducement for a British manufacturer to build up a proper distributor organisation in the territory in which his plant will operate. It cannot be too strongly emphasised that the availability or otherwise of a distributor organisation holding adequate stocks of spares, regularly replenished, is the key to the spares problem. Vital parts can be sent by air in an emergency, but for normal supplies the cost is prohibitive. The man on the spot, with factory-trained service engineers and a comprehensive spares stock, is the real answer to continuity of plant operation.

If oil companies, mining companies, and the numerous other London controlled organisations operating overseas were to make it an invariable rule that orders were only placed with manufacturers who had an effective distributor organisation in the territories concerned, there would very soon be a change of heart and a rapid improvement in spares available where they are needed—on the spot.—Yours faithfully,

T. W. STANIER
Retford, Notts.

BLOOD, OIL & SAND

The Middle East Crises RAY BROCK

Here is an up-to-the-minute book about the hottest place in the world today—the Middle East.

Raging nationalism, political intrigue, and above all the oil of the Middle East have been constantly before the eyes of the world in recent months; and the crises there are likely to recur in more dangerous forms in the near future.

Ray Brock presents the first overall picture of this most critical area covering every nerve centre from Pakistan to Yugoslavia, from Persia to Tunisia, and he writes with personal knowledge of Mossadegh, ex-King Farouk, the Mufti of Jerusalem and many other leading figures. This is the most informative book about the Middle East to have appeared since the war.

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THE BODLEY HEAD

PICTURE POST IS NOW 4d AGAIN

Hulton Press announce that PICTURE POST was reduced in price from 6d. to 4d. on August 20th. A large increase in sales is expected. The publishers believe that it is sound business logic to sell more copies at 4d. than fewer at 6d. An immediate circulation of one million is guaranteed to advertisers and will continue to be guaranteed until the end of this year.

This is the first price reduction of any national newspaper or magazine in Great Britain since the war. The publishers are proud to join those companies which are countering the dangers of inflation and planning to meet the uncertainties of the future with the same challenging policy.

Abnormally high paper prices during 1951 forced PICTURE POST to increase its price first to 5d. and then to 6d. These paper prices have now passed their peak. It is now possible, by selling more copies at 4d. to pass on to the public at the first opportunity the benefit of the lower prices now operating.

PICTURE
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AMERICAN SURVEY

Middle Eastern Dust Storms

Washington, D.C.

THE 1952 crop of Middle Eastern dilemmas finds the United States in the heat of a presidential election, when nobody wants to announce new policies or even to take up, on behalf of old ones, positions so exposed that they can be assaulted by the opposition. The opposition has made it clear that it is determined to assault wherever possible; General Eisenhower is not so confident of election that he can afford to neglect any profitable area of attack upon the Administration. Whatever may happen when the fight is over, bipartisanship in foreign affairs, despite the gallant efforts of Senator Wiley, is to be largely suspended during the campaign. The Department of State must therefore be doubly careful this year. It is not safe from irresponsible attack from without and it is certainly not safe from criticism within. Many Democrats who lost in 1950 blamed their defeat on the Secretary of State, and it was noticeable that, in all the days of oratory at the Democratic Convention, the word "Acheson" was only spoken once.

This is no time, therefore, to expect brave, new policies and it is perhaps fortunate that nobody thinks that brave, new policies are needed. It is also fortunate that British and American views on what should be done or not done are closer together now than they have been for some time. The State Department's eyes are naturally focused all the time on the Tudeh party and the likelihood of its coming to power. The department therefore thinks the British preoccupation with Abadan somewhat irresponsible, but events themselves have made irrelevant many of the disagreements over immediate tactics, and long-term policy must wait upon the evaluation of the meaning of these events. When the *New York Times* correspondent in Teheran wrote, after the collapse of Qawames Saltaneh, that "spiritual and intellectual fundamentals were involved, not merely a matter of who should manage an oil company," he was saying something that would hardly have been understood a year ago but that is now accepted.

That is not to say that any official in Washington has developed lately a higher opinion of the policies and strategy of the Anglo-Iranian Oil Company during the dispute, but only that bemoaning them or trying to alter them in retrospect would solve nothing. There is still a general view in Washington—though, in the nature of things, it can not be based upon more than guessing about what might have been—that a little sense two years ago would have enabled the company to get a better settlement than it can ever get now, and that whatever settlement was made then would have lasted for some years—very important years in terms of the present situation in the area. And there may come a time again when negotiations have reached a point at which the State Department will once more complain that a British refusal to compromise is unrealistic. It certainly was not thought to have come when Dr Mossadegh recently made overtures to the British Embassy, recanted, and then disguised an offer to negotiate with the oil company under stiff demands for money. Nor does anybody expect much result from the present British approach.

Had Qawam been able to stay in power—or rather in office since he was never in power—long enough for anything to happen, he would have had full support from Washington. Those who have criticised the United States government for not coming to his help could hardly have expected that anything could be done in the four days that he held office, or that he could have lasted long, even with foreign aid, without any basis of support at home. Now that he has gone, there is a feeling that Dr Mossadegh will, despite his initial triumph, soon find the pressures within the National Front as difficult as ever. Had he been as firmly in the saddle as he seemed when he first mentioned negotiating on the oil dispute again, there would have been hope that a solution was possible. As it now seems that intransigence is his only formula for staying in power, there is only pessimism in Washington.

★

Over Egypt, however, there is considerable, if guarded, optimism. The departure of King Farouk has made further Anglo-American arguments about recognising him as "King of the Sudan" redundant for the time being, and the photographs of him since he left have dried any tears that officials might have thought of shedding. As nobody knew anything about General Neguib when he seized power, there was both ignorance and apprehension about his intentions. But his behaviour in the last few weeks, and that of Aly Maher Pasha, has been the only piece of cheerful news from abroad for a long time. It is thought that the limitation of land holdings can, by itself, change the sources of political power and make genuine reforms possible.

The most immediate American interest is, naturally, in the effect of the changes in Egypt on the fortunes of the Middle East defence organisation. It was unfortunate that news of the British suggestion to establish a preliminary planning organisation leaked out when it did, because its timing suggested that it was something that had been proposed since General Neguib's *coup*. Whatever its merits before the *coup*, the State Department felt that the present was no time to start anything without Egyptian participation. Whereas a year ago the situation called for speed, it now seems to call for caution. In three or four months it will be easier to see which way Egypt is going and meantime nobody wants to make any irrevocable moves which will make it harder for the new government to co-operate if the present spirit of destructive nationalism gives way to one of excitement about reforms at home.

Nobody in the State Department would ever dare to use again the valuable phrase about "letting the dust settle" but that, as far as the two recent dust storms in the Middle

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

East are concerned, is what everybody would like to do—and would even have liked to do if there were no election this year. There is no confidence that the United States could do much to hurry its settling or to change the way in which it settles. If the dust settles wrongly, however, and does so before the election, the Administration will be accused of "losing" the Middle East as it "lost" China. So there is always apprehension that it may let slip some opportunity and be blamed for letting it slip. Otherwise this dangerous area may be kept out of domestic politics because the Republicans have no vested interest in it, no dictator who is their partisan pet and, apparently, no significant changes in policy to suggest.

Where Stands the South?

[FROM A CORRESPONDENT IN ALABAMA]

GENERAL EISENHOWER is now planning to start his election campaign with a two-day whirlwind tour of the southern states by air, descending at the larger airports to speak to however many listeners he finds there, instead of making an orthodox but much longer tour by train, stopping wherever people collect at the sound of the engine's whistle. The experiment will have good publicity value, but it is also a recognition that there no longer seems to be any point in wasting much of the General's time in a search for southern votes.

The Republican party will still spend both energy and money putting a brave face on its faded hopes of invading the South successfully at last, but the Democratic Convention clouded the once bright prospect that the South could this year be weaned away from its loyalty to the Democrats. The only states whose allegiance remains at all doubtful at the moment are Texas, Louisiana and, perhaps, South Carolina and Virginia. The best qualified political opinion today is that General Eisenhower will not carry more than one southern state for the Republicans, and probably none at all.

The sudden disappearance of any serious possibility of the Republicans winning any worthwhile number of votes in the South—votes which many consider crucial to General Eisenhower's chances of victory—can be credited chiefly to the Democrats' choice of Governor Adlai Stevenson of Illinois and Senator John Sparkman of Alabama as the party's presidential and vice-presidential nominees. Both men are considered in the South to be able and honest, progressive yet sound, and cast more in the Roosevelt than the Truman mould.

This last distinction is a major reason why the South has accepted the Stevenson-Sparkman ticket. The fixed emotional opposition to President Truman among Southerners in recent years, based largely on his attitude to the Negro question, has become intense. Before the Democratic Convention much of the support for General Eisenhower in the South was rooted in the fear that the Democratic party, unable to find a formidable new candidate, would turn in desperation to Mr Truman once more. That fear was carefully nurtured not only by the Republicans but by the rebellious Democrats who in 1948 formed the Dixiecrat or States' Rights party. But with Mr Truman no longer available as a bogey, the Dixiecrats and Republicans are finding that southern voters, now less emotional, are taking a more objective interest in campaign issues and personalities.

While Governor Stevenson has been seen very little in the South, he somehow had generated an amazing confidence among Southerners even before the nominating Convention.

A great number of delegates from the South, though pledged to Senator Russell of Georgia, looked to Mr Stevenson as their second choice. If he had ever been in any danger of being beaten by Senator Kefauver, the Russell delegates would have swung almost solidly to the Illinois Governor. They were a Stevenson reserve, never called up into the line.

Governor Stevenson's strength in the South comes partly from his connections, but chiefly from the man himself and his record. He could hardly have chosen his southern sponsors better: with Vice-President Barkley of Kentucky and Senator Russell to vouch for him, it is difficult for critics in the South to label Mr Stevenson as "nothing but Truman's man." But far more important than these connections is the approval which Mr Stevenson has won for himself on his record, and on a certain quality of leadership that holds peculiar appeal in the South. It is a quality, loosely referred to as "statesmanship," which to Southerners implies the ability of a public official to accomplish his objectives with dignity, and on a high administrative level, without accumulating too much grime of battle. President Truman, the sturdy gamecock, relishes both battle and grime. Governor Stevenson, by a more detached and intellectual approach, gives the impression that, while he is in command of the struggle, he is well above it.

Mr Stevenson's record of economy, resistance to corruption, and general competence as Governor of Illinois provides a solid basis for the respect in which he is held in the South; so does the impression made by his two electrifying addresses to the Convention. There is a special appreciation among Southerners for the literary and religious aspects of Mr Stevenson's speeches. More important, perhaps, is his apparently moderate position on federal laws for the protection of minorities which, in the South, mean Negroes. He has said he favours leaving this question to the state governments and that he believes in federal action only if the states do not act.

This civil rights issue has already provoked a controversy around Mr Stevenson's running mate. The selection of Senator Sparkman, from Alabama in the Deep South, naturally has not pleased northern liberals, who consider him too conservative on both civil rights and labour questions. But southern conservatives are not happy either, for they allege that Mr Sparkman, in order to win the nomination, sacrificed his southern convictions. However, the complaints from both North and South seem likely to die down. Mr Sparkman is a big dynamo of a man who has worked and studied his way up from boyhood on an Alabama tenant farm to high respect in the Senate and great popularity among radio and television audiences. He stands somewhere in between his extremist critics, a hard-working, honest liberal, a humanitarian who yet recognises the realities of political life. He will be a potent factor in holding the South within the Democratic party, and also may win votes in the North and West by his exceptional ability in debating the issues.

Detractors of Mr Sparkman in his home state have made much of the fact that he proposed General Eisenhower as the Democratic candidate for President in 1948, as opposed to Mr Truman. Mr Sparkman's reply is simple: "I did not know he was a Republican." The answer is defensible, since it is true that General Eisenhower did not state his party allegiance until a short time ago.

The presence of a strong Southerner on the Democratic ticket as a partner for the redoubtable Mr Stevenson is only

one of General Eisenhower's difficulties in the South. He also has to overcome a vivid recollection of Republican neglect of the South in pre-Roosevelt times, including hungry days under the last Republican President, Mr Herbert Hoover. The South's enormous economic gains under Democratic rule cannot be denied, though Republicans say these gains would have been even greater had they been in power. Such claims are hardly supported, however, by their votes in Congress against such popular programmes as soil conservation, rural electrification, and the Tennessee Valley Authority.

Furthermore, even among many southern Republicans there is a notable lack of fervour for General Eisenhower. Most long-time Republicans in the South were for Senator Taft, and the defeat of their candidate at the Chicago Convention by a movement that included unofficial Republicans from the South, who were not approved by the local party organisations, has drained much of the enthusiasm from the official Republican workers there.

If, as now seems likely, General Eisenhower does not have any substantial success in the South, the gradual trend toward a two-party system there will be sharply set back. As late as May, it was freely predicted that the Republicans, with their most attractive personality for many years as candidate, would capture half the southern states and break the Democratic monopoly there. Failure to win more than one or two southern states in 1952 may kill Republican chances below the Mason-Dixon line for some years.

American Notes

No Escape for Watches

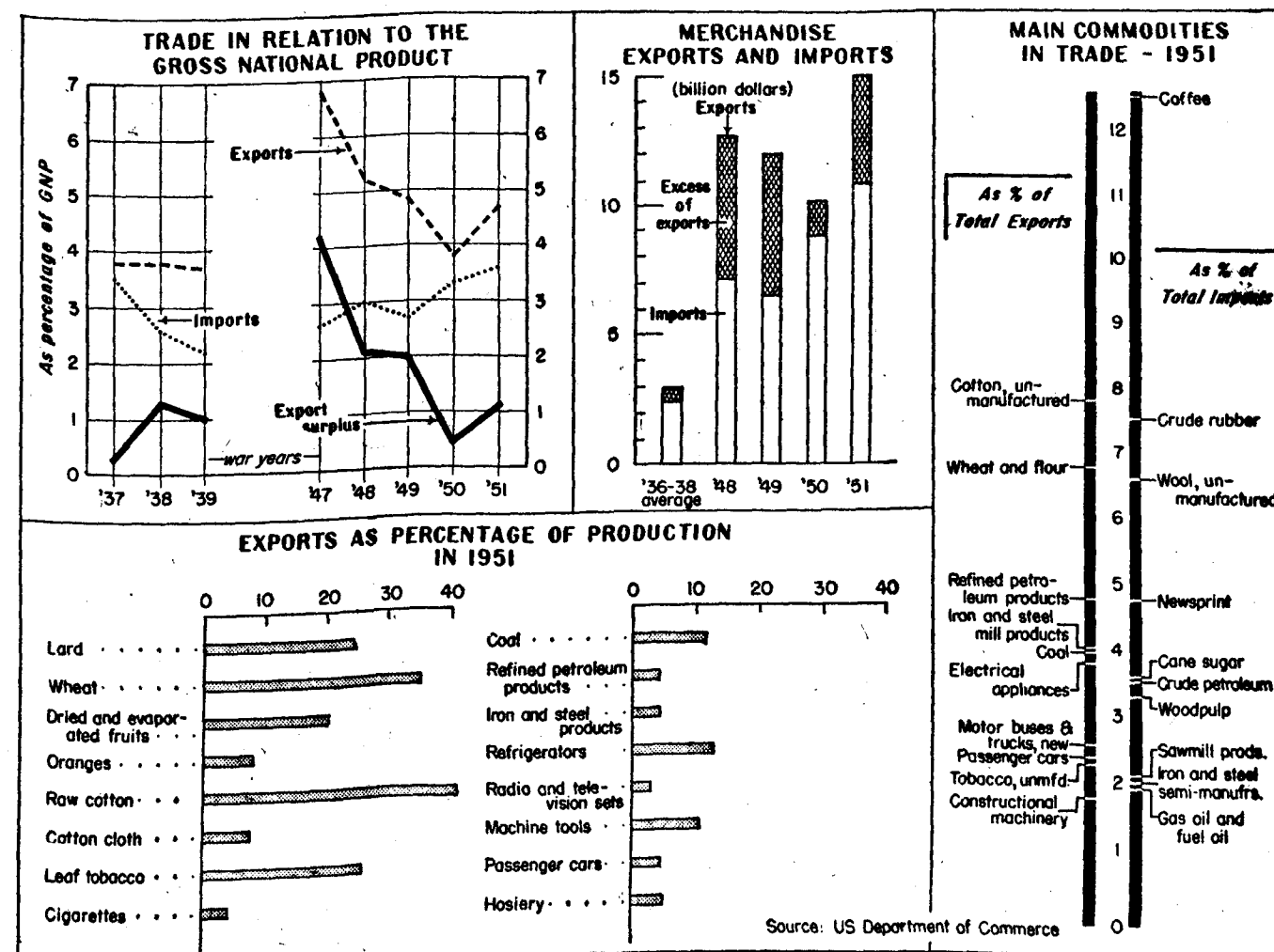
President Truman's refusal to raise the already high American tariff (an average of 37 per cent *ad valorem*) on Swiss watches has been greeted abroad with a relief which is a measure of the doubts which are felt there about the genuineness of the American belief in freer trade. These doubts have certainly been justified recently by Congress, but the Administration itself has done little, if anything, to deserve them. It is very well aware, as Mr Truman pointed out in his explanation of why he had rejected the Tariff Commission's recommendation on the watch duty, that international trade must be expanded if "friendly nations" are "to earn their own dollars and pay their way in the world."

The escape clause in the Trade Agreements Act permits an industry to appeal for relief if it thinks that it has suffered, or is threatened with, serious injury as a result of a tariff reduction. But the President said that the clause

was not intended to give domestic industry freedom to ignore the changing pattern of domestic demand or to provide an escape from normal, healthy competition.

This was what he felt the American watch manufacturers were trying to do. Since the trade agreement with Switzerland was concluded in 1936, their share of the domestic market for watches has certainly fallen substantially, but that market has grown so much that their total sales have nearly doubled. The increase in the duty on hat felts permitted some time ago under the escape clause applied, on the other hand, to a commodity for which the American market was shrinking

UNITED STATES FOREIGN TRADE



rapidly, while the increase in the duty on dried figs, allowed by the President this week, is said to be only temporary because of abnormal American crop conditions.

Other considerations also entered into the watch decision. Many American workers are employed in making cases for imported Swiss watch movements; if the tariff were raised, unemployment in this branch of the industry would cancel out to some extent any increase in employment in other branches of it. Furthermore, the President doubted whether under the present tariff there was any danger of the watch industry being damaged to such an extent that it would be inadequate in time of war. Finally, and this was the main reason for the pressure by farm and labour organisations alike against the rise in the watch duty, the Swiss had made it clear that, if the tariff were increased on an article that makes up about half their exports to the United States, they would be obliged to raise barriers on their side against at least some of their imports from the United States, which include cotton, tobacco, office equipment and automobiles.

The recent rush of demands for hearings under the escape clause will be discouraged by the President's decision on the watch question, and by his recent rejection of a higher duty on garlic, even though that was probably inspired as much by the taste of Italian voters in New York for cheap garlic as by concern for Italy's foreign trade. Businessmen who feel they are being injured will wait to see whether the election brings any hope that the escape clause may be interpreted more favourably from their point of view. There is little reason to suppose that General Eisenhower and his advisers are any less aware than is Mr Truman of the need for increasing American imports. But a Republican Congress is likely to be even more short-sighted on this question than was its nominally Democratic predecessor.

Blunder Over Briefing

The Republicans have undoubtedly come politically best out of the White House comedy of errors over the "briefing" of the two presidential candidates on secret aspects of the international situation. It all began with the laudable idea that both candidates should be given sufficient background to ensure that they did not embarrass their country's officials by irresponsible campaign speeches. When Governor Stevenson went to Washington last week to meet the President and the Cabinet, he was also given an opportunity of picking the brains of General Bradley of the Joint Chiefs-of-Staff and General Bedell Smith of the Central Intelligence Agency. This appearance on the political stage of military men whose responsibilities are officially supposed to be above politics brought a blast of boos from General Eisenhower's headquarters at Denver. The General himself was especially chagrined at this apparent defection of his old colleagues, and President Truman added to the insult by asking the General, as an afterthought, or so it seemed, to come to a similar meeting a week later.

General Eisenhower refused with righteous indignation, saying that he felt it his duty to remain free to criticise the Administration and that it would confuse the public if he conferred with the President. He added that he would, however, be glad to see the CIA's weekly reports, provided he was left free to discuss foreign affairs as he judged suitable. It then came out that the President had intended to offer these briefing facilities to both candidates at the same time, about a week earlier, but that General Bradley, a simple soldier who did not appreciate the political importance of the request, had thought it would be all right if he mentioned the matter to his old friend, General Eisenhower, next time they met.

The Republicans will certainly not hesitate to use this blunder as evidence that under the present Administration Washington is in a muddle and that none of the nation's affairs has been kept above politics. Moreover, Governor

Stevenson's visit to the White House proves, it will be alleged, that he is in Mr Truman's pocket and, if elected, will not provide the change for which the voters are supposed to be longing. In fact the main purpose of the Governor's visit was to get out of Mr Truman's pocket without offending him, and in this Mr Stevenson seems to have succeeded. He took two of the President's advisers back to Illinois with him, but he resisted suggestions that he move his headquarters to Washington. He also resisted attempts to send Mr Truman off on one of his favourite cross-country speaking tours, which would have distracted attention from Mr Stevenson's own trips, and which in any case the Democratic party could hardly have afforded. The party funds are being stretched to the limit this year to pay for television time.

President Truman is, however, to be allowed to open the Democratic campaign simultaneously with Governor Stevenson at Milwaukee on September 1st, when the Governor will be speaking in Detroit. Both will be addressing labour audiences, as is becoming on Labour Day in a year when the labour vote is vital and the Republicans are hoping to attract some of it. The Congress of Industrial Organisations has already endorsed Mr Stevenson, as was to be expected. What is less expected is that the traditionally aloof American Federation of Labour is also probably going to endorse a candidate this year.

Catching Up with Steel

True to form, Mr John L. Lewis has started his latest negotiations for a new contract for his coal miners with a bang. From today until September 2nd, a period which includes only five working days, the 475,000 members of his union are staying away from work, as their present contract allows, in memory of comrades who have suffered in mining accidents. As a result most of the country's coal mines will be closed down. Mr Lewis's ostensible purpose is to give the mine owners an opportunity of inspecting their properties and making them safe; he claims that, when asked to do this individually, they usually say they cannot afford to stop production unless their competitors do so as well.

The memorial holiday will also draw attention to the failure of the last Congress, which passed a new federal law on mine safety, to provide funds for enough inspectors to enforce the new regulations. And the publicity given to mine accidents by the memorial tributes will mobilise popular sympathy for the danger of a miner's life just as the negotiations on the new contracts open. Of more practical importance, the memorial period will also mean a reduction of about 10 million tons in stocks of coal above ground, which are at present enough for eighty days or so—not, from the miners' point of view, a very auspicious starting point for a possible strike.

Miners will not in fact be very anxious to strike, for the poor demand for coal means that they have been working only three or four days a week and are one of the few groups who have recently earned less instead of more. But their present contracts expire at the end of September and Mr Lewis is obviously counting on the reluctance of politicians to alienate the labour vote at that time by invoking the Taft-Hartley Act just before the election. If, on the other hand, an 80-day injunction against the strike were obtained under the Act, and the miners observed it, it would run out at the height of winter when coal stocks would be quickly exhausted if mining stopped. The timing of Mr Lewis's move is obviously designed to enable him to win on both swings and roundabouts. What he wants to win is not yet known, but it is presumed to be a shorter working day, perhaps of six hours, in order to spread the reduced work load over more men, and higher wages to make up for loss of time.

Mr Lewis must also get higher wages for his miners in order to catch up with his rival, Mr Murray, on the wage

ladder. The workers have now gone back at all the steel mills—the Allegheny Ludlum plants have only just reopened—although the details of the new contracts have in many cases not yet been agreed. The new Wage Stabilisation Board has announced that similar increases of 16 cents an hour will be allowed in those industries, such as steel fabricating, which have traditionally followed the pattern of steel settlements. Other unions, notably the meat-packers and rubber workers, are also hurrying to catch up with, or even to pass, the steel workers; there have been a number of local walk-outs in both industries, and a full strike against one rubber company, in protest against the slowness of negotiations.

Pollsters on Hot Bricks

Last week Dr Gallup released the results of the first tests of "voter preference" in this year's election campaign, conducted by the American Institute of Public Opinion as soon as both presidential candidates had been nominated. The national poll showed that the Republicans had chosen wisely: only 45 per cent of those surveyed would have wanted to see the Republican party win if the election were being held that day, but 47 per cent of them wanted General Eisenhower to win; the figures for the Democratic party and for Governor Stevenson were 43 and 41 per cent respectively. But at much the same stage of the 1948 election Mr Dewey was ahead of Mr Truman by 48 per cent to 37; and since Governor Stevenson is as yet hardly known at all in the country at large, while General Eisenhower is a national hero, the General's advantage is likely to decline as the campaign progresses.

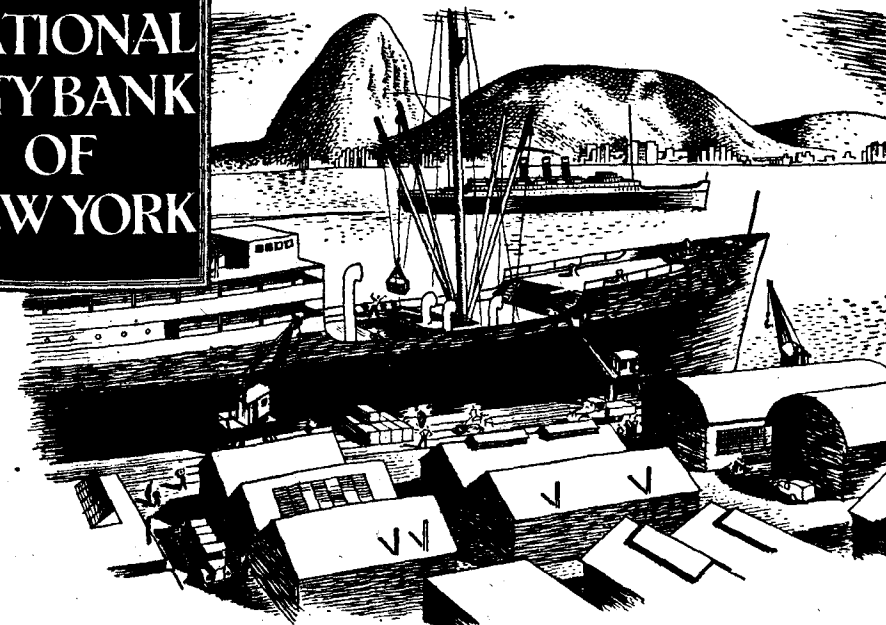
In the southern states General Eisenhower was also ahead of his party, and of the Republican vote in the South in 1948, although not far enough to make it seem likely that he could beat Mr Stevenson there, except possibly in one or

two border states. In the big cities of the North, with populations of 500,000 or more, the General again seemed more popular than his party and than Mr Dewey in 1948. But in about half of them the probable Republican vote, according to the poll, was still less than 40 per cent of the total; General Eisenhower must do better than that in these normally Democratic cities if he is to win the election. Another thing that he must do is to divert a large proportion of the 14 million independent voters from their Democratic leanings. This he, with the help, perhaps, of the failings of the Democratic party, seems to have a good chance of achieving, if the Gallup survey is to be trusted. In the last three elections, the Republicans were never supposed to have had more than 43 per cent of the independent votes, but this year, at the time the poll was taken, 52 per cent of them favoured the Republicans.

But independent voters are notorious among "pollsters" for changing their minds as the election campaign progresses. It was partly because so many voters did that at the last moment in 1948 that the polling organisations were so badly burned. This time Dr Gallup is going to keep on surveying until two days before the election and have the final results telegraphed to his office. The other group of voters who let the pollsters down badly in 1948 were those who were undecided and in the end supported Mr Truman by three to one, instead of dividing evenly as they were meant to do. This year both Dr Gallup and Mr Elmo Roper are hoping to be able to guess accurately what the undecided voters will do by asking them searching questions about their voting habits and their political philosophy. But between now and November 4th, the pollsters will be prophesying on hot bricks; they have managed to induce their newspaper and commercial clients to overlook their failure in 1948, by promising that it cannot happen again. But they have no hope of being given another chance should they once more estimate wrongly.

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THE WORLD OVERSEAS

Kicks and Ha'pence for Austria

(From Our Vienna Correspondent)

THE Soviet authorities have recently been mixing so many ha'pence with the kicks Austrians have become used to receiving from that quarter that they are almost in danger of losing their position as the most hated of the four Occupants. The distribution of baksheesh began in the early summer when the Soviet High Commissioner, General Sviridov, announced that civilian prisoners convicted by a Soviet military court would no longer be sent out of Austria to serve their sentences but would be handed over instead to Austrian custody. At about the same time, prisoners of war in the Soviet Union were suddenly given permission to write home, a privilege hitherto denied them. They may even receive post-free and customs-free parcels. On top of these concessions came an intimation that the Soviet Government was ready to give an assurance to the Danube Shipping Company that its ships (which had only ventured out of the American Zone of Austria two or three times since 1945 lest they should be seized by the Soviet authorities as German property) could journey between Linz and Vienna as often as they pleased. Since July 12th, therefore, the Austrian flag has again been seen regularly on this sector of the Danube after a lapse of fourteen years. Almost simultaneously there was a sudden reversal of the policy of making difficulties over the movement of Austrian-made goods between the Soviet and non-Soviet Zones of Austria. In the middle of June over 700 consignments were held up because the Soviet authorities had not issued the necessary permits, some of which had been outstanding since the beginning of the year. Three weeks later, all the arrears had been cleared away.

Unlawful Kidnapping

Meanwhile, however, the kicks are still continuing. Individuals "wanted" by the Soviet authorities are still unlawfully seized by Soviet agents when living in sectors outside Soviet control. Again, a deputy of the Lower Austrian Diet was called to the local Soviet Kommandatura on June 30th and ordered to hand over a list of names of people who had recently joined the local branch of the Socialist Party. He refused to do so and was ultimately allowed to go home. In other parts of the Soviet Zone local Austrian officials have been ordered to set up show cases for Soviet and Austrian-Communist propaganda. In some places, they have even been ordered to give advance notice of their business meetings. Near Urfahr, in Lower Austria, Soviet officials have been issuing orders to deface all monuments to dead Austrian soldiers on which the German uniform is depicted. And at Blumau, in another part of Lower Austria, the inhabitants have been forbidden to set up a monument to citizens who lost their lives during the war. Throughout the Soviet Zone there are constant interferences with the freedom of the press, and no fewer than 163 publications have been banned this summer, many of them permanently. There have also been numerous examples of pressure on the school authorities to include Soviet propaganda in the curriculum. On the radio service, Ravag, the programmes are subject to strict censorship. Finally, Soviet authorities still insist on continuing the postal, telegraphic and telephonic censorship on international traffic in spite of repeated demands by the Austrian Government and the other three occupants to abolish it.

Trying to evaluate these contradictory aspects of Soviet

policy is rather like trying to understand a joint composition by Sir Alfred Munnings and Picasso. All one can say for certain is that the ha'pence definitely represent a new trend—a minor one presumably, as there is no sign that the Soviet Government is ready to sign a State Treaty. The change seems to represent a wait-and-see policy pending the inauguration of some new offensive against capitalism in general. How new it is can be judged from the fact that when Mr Acheson visited Vienna in May, the Austrian Communists were first told to stage violent demonstrations and then hauled back on a taut leash at the last moment with the result that they were made to look extremely foolish. It is perhaps worth noting in this connection that the Cominform journal has recently been toying with the idea that capitalism is facing a "general crisis"; evidence of this is found in a rising strike movement involving not only conflicts with factory owners but with the State apparatus. Talk on these lines has coincided with blandishments to Austrian industry. Thus, early in August the Communist press went to some pains to point out that only the timely intervention of the Bulgarian Government had enabled the glass industry to maintain full employment instead of having to lay off workers.

Iron Gates Ajar?

Similarly, on August 6th, *Oesterreichische Volksstimme* dropped a fly baited with the suggestion that Austrian ships can now carry cargoes right into the heart of the Soviet Union, thanks to Uncle Joe's foresight in opening the Volga-Don canal at almost precisely the same moment as he allowed Austrian ships to ply between Linz and Vienna. There is, of course, not the slightest indication at present that Austrian ships are to be allowed to use the lower reaches of the Danube. Indeed, they still may not go as far as the Slovak capital, Bratislava, or even to the Austro-Czechoslovak frontier. But Austrians are certainly given the impression that if their government behaves itself, the opening not only of the Iron Gates but also of the whole Iron Curtain area is within Austria's reach.

A slightly more conciliatory attitude has also made its appearance further down the Danube. For example, at the bi-yearly meeting of the Danube Commission at Galatz in June, the perennial Yugoslav request for an increase in Yugoslav staff on the Commission's permanent secretariat was not turned down out of hand as in the past but was simply held over till the next meeting; meantime it is to be "carefully considered" by the other members. In other words, Yugoslavia was presented with what bore some faint resemblance to a vegetable which good behaviour during the ensuing six months might possibly cause to turn into a carrot. Similarly, one of the first acts of the new Rumanian dictator, Gheorghiu-Dej, after he had got rid of his potential rivals, was to inform the Austrian Government that 86 Swabian-Rumanian prisoners of war whose families fled to Austria in 1944-45 were to be released and allowed to proceed to Austria forthwith. It is noteworthy that these men were not Austrian citizens, that the Austrian Government did not ask for them and that in the past it has been extremely difficult for any Rumanian citizens of German origin to get permission to leave the country.

Perhaps Vienna is too near the scene of action for observers there to be able to see the shape of the wood formed by these

individual saplings. In any case, the saplings themselves must obviously be considered in the wider international pattern not only of Europe but of Asia. For example, about the same time as the Austrian Communists called off their offensive against Mr Acheson, the West German ones were hauled back from making the disturbances they had threatened if the General Treaty with the West German Republic was adopted. Again, has the fact that the Sino-Soviet agreement calls for Soviet evacuation of Port Arthur and the Manchurian railway in the course of 1952 any bearing on what has happened in Austria where recent developments have temporarily, and rather late in season, put the Russians on a good wicket?

Controversy Over Amnesty Laws

Meanwhile the Americans have been putting themselves on a bad one. They were alone, for instance, in vetoing a bill passed by the Austrian Parliament to amnesty some 1,100 ex-soldier members of the Nazi Party and SS who had been released from Soviet prisons after April, 1949. They look like being out on a limb in regard to the wider amnesty laws passed by the Austrian Parliament to free 32,000 minor "convicted Nazis" from the special taxes and social consequences of having joined the party. The Americans hold the view that indemnification of the victims of the Nazis should precede an amnesty to the Nazis themselves. This really means that Washington requires the Austrian Government to reach agreement with Jewish claimants for compensation before amnestying any more Austria, ex-Nazis. The question of Jewish compensation is an extremely complicated one bound up with the negotiations at the Hague between West German and Israeli representatives, with Austria's general financial situation, with the fact that some of the Jewish assets in Austria are in the hands of the Russians and that many Jews who have migrated from Austria are now perfectly free to return here to live but prefer not to do so. In any case, whether the Americans are morally right or wrong, Washington's attitude has certainly incensed many Austrians who have no love at all for the Russians. Another difficulty is that there has been a certain degree of indiscipline among the American soldiers at Salzburg which the Communists have exploited to, and indeed beyond, the utmost limits of propriety.

The resulting situation is one which requires careful watching. There are no signs whatever that Austrians are turning to Communism—rather the reverse. But they are certainly relieved that the Russian knout is being wielded less vigorously and that the Soviet Union has placed itself on record as having no objection to their request to be allowed to join Uno. To the Austrians these gestures, such as they are, have been welcome. But they will not have much more than a face-saving value unless and until the Soviet Union decides to sign the State Treaty and go home.

Politics and Pigment

[BY A CORRESPONDENT IN WEST AFRICA]

SOME years ago it was reported that a team of American scientists had discovered a method of changing the pigmentation of the human hair and skin. They might be able, it was said, to change a negro into a fair-skinned "white" man; the coal-black mammy might become a golden-haired blonde. But only the colour would be changed. There would still be the wide nose, thick lips, and the tight-curled hair, and, of course, all the other physical and non-physical attributes would remain the same. It is interesting, by the way, that the West African nationalist press regularly carries advertisements for such things as cosmetics to bleach the skin, and combs to straighten the hair.

But just as a change of pigment will not transform Africans into Anglo-Saxons, neither will the introduction of the ballot

box transform them into democrats. Democracy will have to make its accommodations in West Africa just as the historic religions have had to do. The results may be disconcerting to those who believe in the true milk of the gospel; but even absolute ideas, if there are any, do not produce uniform results wherever applied. This is not to say that the policy of introducing English parliamentary practices into West Africa is wrong. There is nothing else to be done. The West necessarily equates self-government with its own form of democracy, and is under its own spiritual compulsion to thrust the same equation on its colonies.

The difficulty is that the basic tenets of European democracy—such as liberty, equality, and fraternity—are not wholly acceptable in West Africa. Liberty from a foreign yoke is all right, but few Africans have any conception of individual freedom as conferring rights of free judgment and action, since the individual as a unit is not important in African communities; and there is a much less confident assertion of the rights of free speech now that the batteries of the African press are being turned against other Africans instead of against "the pot-bellied British imperialist." African politicians are super-sensitive to criticism, at home or abroad. Even *The Times* has been described as a cesspit of journalism, and because Mrs Elspeth Huxley, after a recent visit, made some mildly astringent comments on African affairs it was suggested that foreign journalists should not receive help from officials. Since mainly African governments came into power there has been talk of tightening the press laws, although under the British régime there has never been the slightest attempt to control a very ebullient press.

As for equality, African society is the least egalitarian in the world. The ordinary African peasant earns a pound or two in cash every year. The highest paid government post now held by an African carries a salary of £2,500 a year. Quite apart from the big business or professional men who earn far more, or the great chiefs with huge incomes, even after the payment of income tax, the ratio of the highest to the lowest is something like 2,000 to one. An African likes to be a big man or walk in the shadow of one. As for fraternity, it was an African who said the other day to the present writer—"Black men hate each other."

An Uncontrollable Infection

The demand for self-government in West Africa is not a democratic demand at all, but a nationalist one. A Nigerian peasant said to a district officer after the last elections, when representatives were chosen for the different assemblies, "Why are you handing us over to these people?" But far from invalidating the demand, the element of nationalism simply makes it irresistible. Europe's most potent legacy to Africa is not a gift but a quite uncontrollable infection. The constitutional advances of Nigeria and the Gold Coast in the last few years do not represent a successful imperial effort at guidance so much as capitulation to a time table extorted by nationalism. But, again, what does nationalism mean in West Africa? It has to attach itself to a unity of some sort, geographical, political, or tribal, and all these unities are either completely artificial in West Africa, or too localised, or they cut badly across each other. So opinion oscillates violently between such different things as "Mother Nigeria" (a Frankenstein creation if ever there was one) and "Pan Africa." A young man who is now a minister in the Nigerian Central Council of Ministers in Nigeria was asked, before his appointment, what he would do if he had complete power. "I would lead an army of liberation to South Africa," he replied. But when a distinguished Gold Coaster was thought to be in the running for a big job in Nigeria, there was gossip that a prominent Nigerian nationalist had spoken of assassination.

African politics are also peculiarly characterised by the need for a bogey. Nobody shoulders blame, and misfortunes are far more easily recognised than faults. When things go

wrong, there must be an external reason for it; crops are lost because the rain god is offended; examinations are failed because examiners are unfair; poverty exists because the British have created it. "Probably," wrote a Lagos paper in January, 1952, "history will record that one of the greatest disasters which the human race has suffered was British white imperialism." Nobody sees that if ever the British people believed in militant imperialism they have ceased to do so now. So what happens when your biggest bogey abdicates? There is a story that when Zik was asked what he would do if the British were to leave Africa on October 1st in any year he answered, "Take the boat for England on September 30th."

But hardly anyone thinks beyond the end of British control. To the question "What next?" Africans reply, "Self-government in five years," although this is an evasion, not an answer. And there is an even more startling unawareness of what is happening outside Africa, to the rest of the world. Most of them have no understanding whatever of Europe's economic difficulties, and therefore no sympathy; they never give the world strategic situation a thought, and simply don't notice their own good fortune in spending only a fraction of a per cent of their total expenditure on defence. Indeed their ideas of defence do not rise above the level of "we must have our own atom bomb" or "if Japan could build battle-ships out of scrap why can't we?" Their absorption in the nationalist struggle precludes interest in wider horizons. It even precludes African recognition of what is really wrong with Africa—not imperialism, but poverty.

Asia's Rice Shortage

[FROM A CORRESPONDENT]

THE UN Food and Agriculture Organisation recently announced plans for an international conference to deal with the increasing shortage of rice in South East Asia, caused by falling production and a rising population. It is not, however, always realised that the shortage is permanently exaggerated by political considerations and by the system of government trading widely practised throughout the area. The trouble springs from the fact that when the International Emergency Food Council controlled rice supplies in South East Asia after the war, it was engaged on what was primarily an emergency problem of making sure that such supplies of rice as were available should be distributed to the best advantage all round. Somewhat naturally, the problem was assessed against the background of prewar conditions and prewar rates of consumption. There was also a great deal of malnutrition to be overcome. Under the system of allocations it was perhaps natural that areas which had suffered from an acute shortage during the war should tend to overstate their real minimum needs and that the supplying countries should be cautious in promising future supplies. A real shortage did exist but the effect of these factors was to overestimate it.

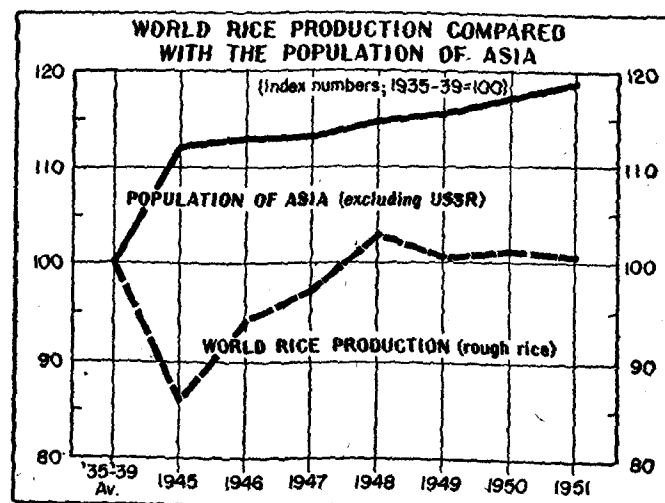
Today, this assumption that there is a wide gap between real needs and available supplies still persists. There appears to be a strong official disinclination to recognise that in reality the emergency has ceased, in the sense that the danger of starvation or of serious and widespread malnutrition is past. The emergency has become political in that those engaged in the management of rice supplies consider that, unless the rice trade remains under government control, there will be a danger of certain areas becoming so short of their staple food that chaos leading to Communism is likely to ensue.

For some time the practical business man with a wide experience of rice and the rice trade has tended to recede into the background and his place has been taken by the civil servant who cannot be expected to appreciate the finer points of an extremely complex trade. The result is that when government officials try to negotiate with the supplying

countries they are at a distinct disadvantage. They are trying to buy rice and carry out a policy at the same time. Against oriental bargaining this cannot be done; the cards are too heavily stacked against them, as the past two years have shown. In order to carry out their instructions they have had to give way on price. Thus, although the supply position has been alleviated during this period, rice prices rose much higher and are still soaring.

The Food and Agriculture Organisation is a permanent institution, devoted to proving that there is not enough food in the world to go round, and that with the growth of populations this state of affairs will get worse; it also tries to demonstrate what measures can be taken to remedy this situation, and does in fact give much useful practical advice and assistance. It is natural that FAO propaganda should urge greater and more intense cultivation, but it is unfortunate that it should be such a powerful agent to strengthen the sellers' market for rice.

One of the complexities of the rice industry is that a higher price does not necessarily bring forth greater supplies. The needs of an Asian farmer are small and, in the conditions in which he must live, they are not capable of any very great expansion. He works simply to produce enough to cover the somewhat primitive needs of himself and his family. Consequently, if the price he receives is high he may decide that his wants can be fulfilled with less effort. Furthermore, if the export price of rice becomes unduly

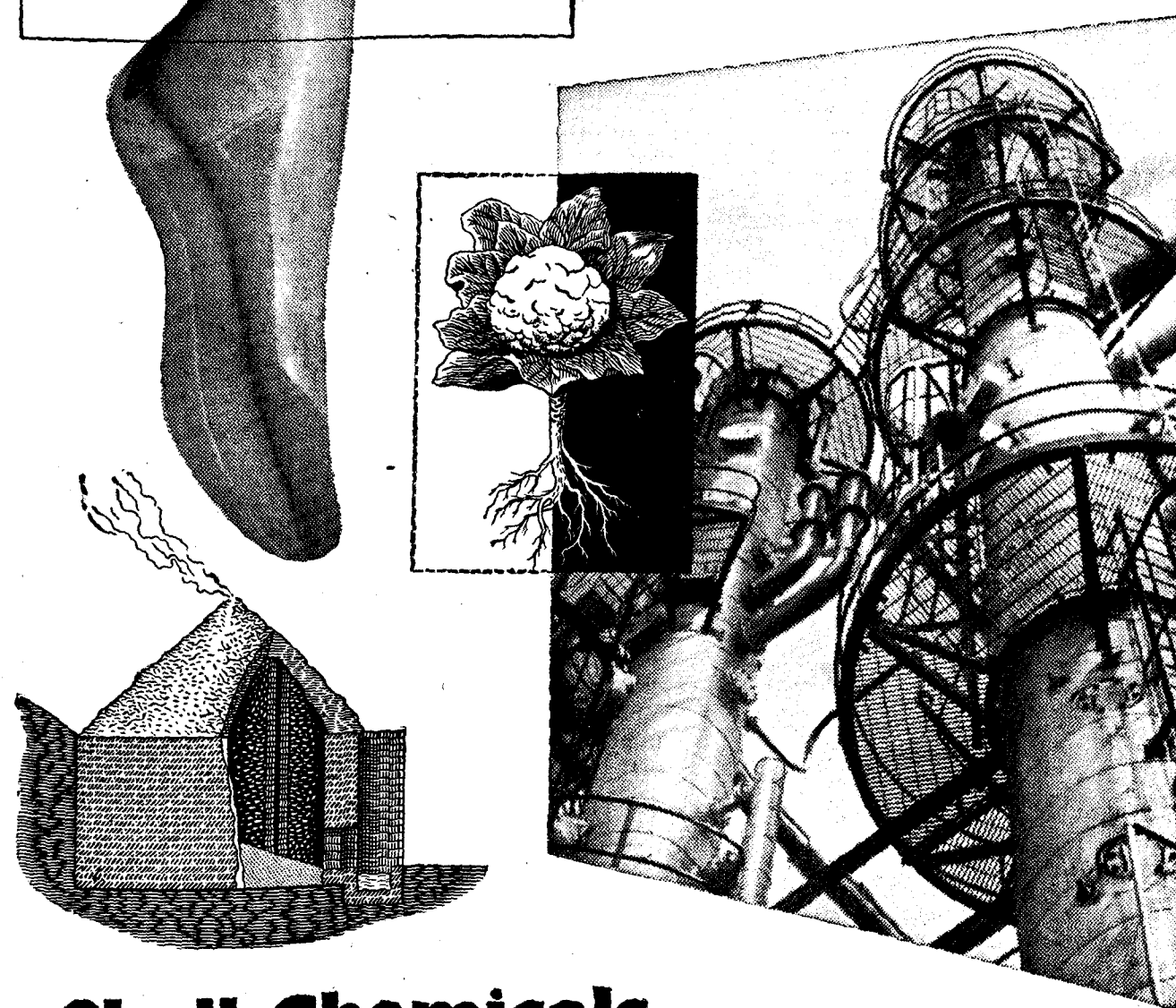


high, the internal price in the supplying countries must mount with it so that, unless strong counter-measures are taken, inflation is bound to ensue.

In Siam, where there is a government monopoly of the trade, the export price of rice bears little relation to the cost of production or to the sums paid by the government to the millers. The government receives a very large revenue from rice profits, the economic pressure of demand is prevented from having its effect, and the farmer and the miller are insulated against world conditions and probably against the promptings of the FAO. The rice merchant, whether European or Asian, knows well that price means little unless quality is unmistakably defined and unless machinery exists to enforce correct deliveries. In Siam, owing to the general rise in the cost of living, the rice miller and through him the farmer, finds that the government price paid to him is too low. Consequently he finds he must produce a poorer quality unless the foreign purchaser is willing to pay the difference. We have indeed reached the curious state of affairs where governments, having negotiated for their purchases, find it necessary to pay an additional "bonus" to the millers of the selling country in order to get the qualities that have been promised. This is a direct outcome of government trading.

It would seem that governmental interference in the rice trade of South East Asia has the effect of buttressing a state

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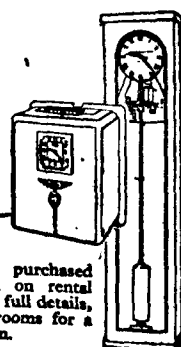
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of artificial disequilibrium and in creating an exaggerated sellers' market, and that the measures taken in the interests of the consumers may be defeating their own ends. If the position of the rice trade is to be reviewed afresh, as it plainly should be, it is necessary, first of all, to ask whether there is in fact a rice shortage, and if so, how serious it is. There is certainly very much less rice available now than there was before the war. It is also true that people are consuming less rice than they did. FAO statistics are largely based on these two facts. But to leave the matter there is to ignore two very important facts: one is that the demand for rice at £4 10s. a ton, is something quite different from the demand at £50 a ton. The other, and complementary, factor is that in the years since the war, the people of South East Asia have, in one way and another, adapted themselves to reduced supplies.

A better approach to the question posed above is to ask a further question, which is, to what extent does a material degree of malnutrition exist and in which areas is it found, bearing in mind that seasonal shortages have always happened in certain areas in South East Asia and probably always will. It is probably true that at present prices, supply and demand are roughly equated. This is a further argument against government trading, for it has done nothing to prevent the price of rice from rising quite sharply, and may in fact have helped the rise by perpetuating the sellers' market. If the rice trade were freed, it is possible that the complex influences of self interest would have the effect of reducing, and perhaps ultimately bringing to an end, the monopolistic selling power of certain countries. As things are the "terms of trade" are likely to swing more and more against the buyers.

Poland Prepares for Elections

It was announced last week that the Polish electors will go to the polls on October 26th to choose a new parliament, the first ordinary Diet since the war. The Legislative Diet which has been in office for the last five-and-a-half years finally ended its extended term two weeks ago. Before departing, however, it voted a new electoral law, an impressive document of fourteen chapters and eighty-seven articles, which apparently provides every possible guarantee that the elections will be "universal, equal, direct and secret." There will be one deputy for every 60,000 inhabitants—over 400 in all, and they will be chosen on the majority principle. In theory the voters will have the right not only to choose but to revoke their representatives.

This preoccupation with legal niceties may seem somewhat paradoxical, since the regime of "People's Democracy" is now openly referred to as a special form of dictatorship of the proletariat. Neither is there any longer a need—as there was during the last elections of 1947—to court the favour of the western powers by a pretence of "bourgeois democracy." As a deputy pointed out during the debate on the new law, the position has changed radically since the last elections. Then it was "a bitter and sharp struggle . . . against the active reactionary forces which were still of considerable strength." Now, although in theory candidates can still be chosen by all political parties—and not by the Communist Party alone, as in Russia—and social organisations, in fact there are no opposition parties. Mr Mikolajczyk's Peasant Party was smashed. Its truncated and obedient remnant—the United Peasant Party—as well as the Democratic Party for the urban middle class and the Christian Social Party, are mere puppets tolerated by the regime. The Socialist Party has been amalgamated with the Workers' (Communist) Party into a United Workers' Party.

Rubber-stamp Parliament

Even within the latter, since Gomulka's disgrace, an iron discipline has been imposed and no deviations from the official line are tolerated. Probably through fear of "heresy" or discontent no Party Congress—in theory the highest organ of the Party—has been convened since 1948. The Central Committee itself loses in importance, power becomes more and more concentrated within the Politbureau. Hence, it will probably be the latter, or even just one section of it, which will have the final say in the choice of candidates. As to the electors, they are given the right to vote but not choose.

It should not be forgotten that monkeying with parliamentary democracy is no novelty in eastern Europe. With the exception of Czechoslovakia, parliamentary tradition never took roots in these countries. In fact the last prewar Polish electoral law, that of 1935, used to be called the "needle's eye law," since it was apparently as difficult for an anti-government candidate to enter parliament as to pass through a needle's eye. Now, despite the "guarantees" of the law, an opponent of the regime will really have to be a magician to penetrate into the new Diet. Byron's words may well be addressed to Stalin:

How nobly gave he back the Poles their Diet
Then told pugnacious Poland to keep quiet. . . .

It is no longer the task of Parliament to indulge in "political nonsense." It may vent minor grievances, scrutinise the economic situation and rubber-stamp the Government's economic plans. The emphasis is now undoubtedly on the economic field, since it is through material benefits and not through political liberties that the regime hopes to gain the support of the masses.

Yet the Government will follow carefully the response of the electorate, which, if it cannot choose, can still probably show its mood. In fact, there is a special provision in the new law that no candidate can become a deputy if less than half of those entitled to vote went to the polls in his district. In the coming weeks there is likely to be a strong campaign to drag as many voters as possible to the polls. If not the outside world, at least the Polish rulers will be able to use the elections as a partial test of the popularity of the regime. From this they may well gather how far it is safe to venture with the speeding up of the tempo of economic development and social change.

Two Years of Technical Aid

[FROM OUR UNITED NATIONS CORRESPONDENT]

THE recent meetings of the technical aid bodies which are subordinate to the Economic and Social Council have shed light on both the problems and the rivalries which seem inherent in this work. There are too many programmes, too many groups handling them and not enough co-ordination between them. Aims are ill-defined, authority overlaps, goals conflict, empire building is by no means absent, and competition for manpower is almost as heated as competition for dollars and frequently harder to find. At the same time nations ask for aid and then diddle with the necessary formalities until the expert adviser they need is called to another job. And the need for a common method of briefing experts before they start is felt both in the field and in the high command.

The worst of the confusion is said to have been cleared up at the closed sessions of the Technical Assistance Board, and the need for more clarity in the top command may be met now that Mr David Owen, hitherto Assistant Secretary-General in charge of Economic Affairs, has taken office as executive chairman of the Board. It is to be hoped that he will be able to sort out the different functions of the various technical aid bodies. There is the Technical Assistance

Administration (TAA) which is Uno's own operating agency on the secretariat level. It gets its sanctions and its funds from the Technical Assistance Committee (TAC), which is a subordinate organism of EcoSoc and exercises supervision at the government level. Lastly there is the Technical Assistance Board (TAB) whose job is to co-ordinate on the operating level; it is made up of representatives from Uno itself and from its specialised agencies.

But at least one technical assistance official in Uno maintains that co-ordination as between agencies and programmes is neither the present need nor the difficult problem it looks from outside. He argues that underdeveloped countries are so vast and their requirements so numerous that all the outside men and money now at work in them can only scratch small sectors of the surface. This impression was apparently reinforced at recent closed sessions of the Technical Assistance Board. Nevertheless, the layman will continue to worry until the emphasis put on the new machinery of co-ordination, both at headquarters and in the field, catches up with the stories he has been hearing about misdirected experts and misguided programmes.

Shift in Emphasis

TAB's report covering the work of its two financial periods (the first from July, 1950, to December 31, 1951, and the second running to March, 1952) should have a quieting effect on complaints of piecemeal treatment. It shows in great detail where member agencies are working and what they are doing there. It also shows why officials claim that requests for, and grants of, aid are moving from the general to the particular. If in the beginning certain backward countries sought a general survey which would show possibilities of development that their own citizens had overlooked, some of those same countries now seek aid for specific projects based on survey proposals. Bolivia and Indonesia, for instance, both show this shift in emphasis. Both of them asked for help in planning social and economic development for their people, both received detailed and expert surveys. Both are now at work on certain aspects of recommended plans.

It will be remembered that the 1950 Uno mission to Bolivia took the lid off this small Andean country and proceeded to survey it from the subsoil to its capitol. Their report, considered a model of its kind, neither pulled punches nor promised miracles. Among its many recommendations perhaps the most novel was that after the national government was organised, the civil service should be strengthened by the addition of experts in administration, drawn from other countries, who would be able to take revolutions in their stride and provide continuity even if presidents fell. Two presidents have fallen since, but though the government which signed the technical assistance pact with Uno is long vanished, the work of national reconstruction goes on. Of the ten administrative assistants recommended, eight are at work and two more remain to be found. Bolivia pays their salaries, with the aid of a \$200,000 grant from Uno. In addition, short term experts will work on projects which range from the drawing up of improved tax legislation to the development of hydro-electric power and the installation of sugar mills. The implications of the Bolivian programme are far greater than the money spent on it would seem to indicate. Whether weak and unstable governments can be given stiffer backbones by technicians from the outside remains to be seen; but at least the experiment is being tried.

Advisers for Indonesia

The Indonesians, too, feel the need to train government civil servants with the aid of administrative experts imported from other countries. They have also asked for help in other fields, from the development of small industries to

the organisation of a mass campaign against yaws. The various agencies represented in TAB have recruited experienced advisers for them; and on the government side, a planning bureau has been set up to co-ordinate Indonesia's requests and the work of the experts sent in.

Three principles govern in all this. The first is that however obvious the need to an outside eye, aid is not thrust on countries; they must make their own requests. The second is that as far as possible governments are given what they ask for. But this principle is sometimes strained when five of them ask simultaneously for the same world-famous expert. The third is that requests and grants should now go to a central routing office, and thence to the agency most obviously concerned, and should be co-ordinated with other work in the field.

In practice this produces, for example, the present education programme in Siam, which asked Unesco for experts to help plan, organise and operate the first stage of a ten-year education plan. A New Zealander made the first survey, school was set up in an old Buddhist monastery, and an international team, made up of a Dane, a Briton and an American, followed. Specialists on food health and labour added their skills. Uno is providing some of the money, so is the United States, and Siam meets local costs.

Then there is Yugoslavia, which asked for short-term industrial missions and intensive training in certain industrial skills and is getting an American mining team, two experts on cement—one Swiss and the other French—a Belgian zinc processing expert, a Norwegian experienced in the casting industry, and Dutch engineers skilled in heating and sanitation. Most of these went for a few weeks or a few months, but an expert on rural electrification is to stay a year.

Cross-Fertilisation of Cultures

Along with the new co-ordination among agencies and programmes goes an extraordinary cross-fertilisation of cultures and ideas. This is helped by training centres—Cairo and Karachi have centres for civil aviation, Brazil and Turkey for public administration, the Philippines are to have a Far Eastern centre on mechanical logging, and Malaya one on lumber grading. But these programmes are not just largesse distributed by the industrially advanced countries to others not so far along the road. Some of the most interesting and valuable exchanges are those between the less fortunate countries. Java helps Haiti improve its food supplies by introducing a fish culture long familiar in the east, but hardly known in the west. India gets an Italian to help drain marshes, and a Greek to help control malaria. It also plays host to experts from Pakistan, Burma, Ceylon, Indonesia, Indo-China, Siam, Malaya, the Philippines and Japan who come under the sponsorship of FAO to study ways of increasing rice yields.

The money spent is remarkably small. The whole complex of TAB projects cost only \$20 million in 1950-51. In the early summer of 1952 some \$19 million had been subscribed, and it was hoped that this could be increased to \$25 million. The problem now is to persuade the donor countries that the work is abundantly worth doing and must go on, with more money rather than less. The United States has shown signs of cutting grants, and recipient countries are complaining that the local costs assigned to them are at times more than they can bear. The whole movement is entering a period when it must prove itself or go down. Yet it cannot afford loud advertising of its successes or loud complaints about its difficulties. The dragon of local pride keeps watch, not to mention the suspicious Russians, who thus far have contributed neither cash nor experts. From their point of view this must look like one of the smartest moves the non-Soviet world has made, and one to be discouraged in every possible fashion.



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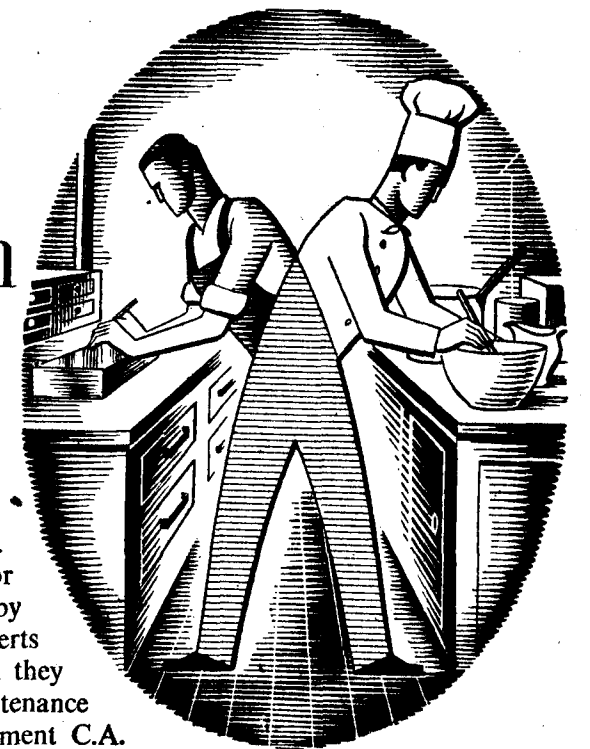
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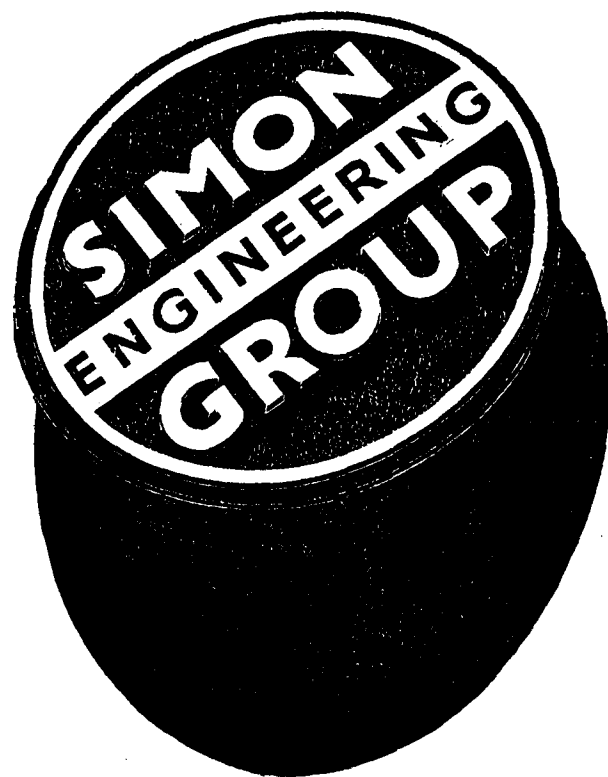
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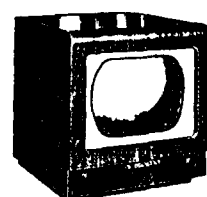
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THE BUSINESS WORLD

Steel in Suspense

AT this date, the only real significance of the first annual report of the Iron and Steel Corporation of Great Britain lies in its account—relating to a period that ended eleven months ago—of the nationalised steel companies that its successor will try to denationalise by selling them back to private owners. This report covers only the corporation's period of growing pains between the vesting date, February 15th last year, and September 30th; by the end of October its days were numbered. The present Government then announced its intention of "providing for the reorganisation of the iron and steel industry under free enterprise with an adequate measure of public supervision"; and its recently published proposals for doing so include the abolition of the corporation, whose assets will pass to a holding and realisation agency directed to "secure the return of these companies to private ownership." The corporation, during its bare eight months of unfettered operation, never succeeded in gaining any practical control over the industry it owned, for it faced the adroit rearguard action conducted by the British Iron and Steel Federation; and on November 13th last it was formally directed by the Minister of Supply to "hold the position." It is not surprising, therefore, that this report should be subdued, cautious, and circumspect, and that it should leave much unsaid. The voluminous accounts now published of this mammoth holding company and of its subsidiaries individually may facilitate elaborate speculation about how to sell steel back, but their immediate usefulness is that they set out the broad facts—as they were last autumn.

Admittedly, the report does measure certain dimensions of the industry that have not before been expressed in terms of value. The corporation owns almost the whole of the heavy end of the iron and steel industry, plus a majority or a substantial minority holding in most of the finishing sections of the industry that were not nationalised, and certain engineering and other outside interests. Its 298 companies, which employ some 292,000 people, had in the seven-and-a-half months under review a turnover (including inter-company transactions) of £372.2 million, and made a profit before tax of £34.5 million, after setting aside £5 million in the accounts of the holding company (out of taxed profits) against replacement costs, in addition to the depreciation provided by the companies. Taxation required £19.6 million and the interest on British Iron and Steel stock £5.3 million gross; after payment of other expenses, there was a balance of £7.8 million (of which £7.1 million was retained by the subsidiary companies). Of this turnover—which implies an annual rate of some £500 million a year—some £58 million, or nearly 16 per cent, comprised sales to other companies in the publicly owned group. About 77 per cent of the total sales by companies came from sales of steel products, another 10 per cent from the sale of iron ore, iron and by-products, and nearly 13 per cent from the sale of engineering and other "outside" products.

The companies' profits, it will be seen, were at an annual rate of some £64 million. The report provides no comparable estimates for earlier years, but it will be remembered that Mr Steven Hardie, in the controversy over steel prices that led to his resignation from the chairmanship, put these at rates of £42 million in 1949 and £53 million in 1950. During the same debates Mr Sandys suggested that the £64 million annual rate of profit for 1951 would include £8 million as a "windfall profit" from revaluation of stocks when prices rose in August, £10 million from profits on undefined "extraneous activities," and about £12 million from the premium earned on exporting steel at higher than home prices. The £8 million from revaluation of stocks would presumably be included in full in the earnings of the period covered by this report; but Mr Sandys' other estimates, being annual rates, would suggest that these earnings might also include profits of some £6 million from "extraneous activities" and £7.5 million from export premiums during the period under review. It is obviously unsatisfactory that the corporation's figures of total profits should be exploratory only with the aid of fragments from a controversy between the Minister and its late chairman; but the report's scope here may have been necessarily circumscribed. The report adds, "It is not expected that the same level of profitability can be maintained when more normal trading conditions return." Perhaps; but another rise in prices this year will again have boosted the value of stocks, even though this rise was officially designed to yield the steel industry about £19 million a year less than its costs had risen. Output in the year to this September, too, will have been lower; but 1951-52 can hardly be considered "more normal" than the part of 1951 considered in this report, and the corporation's profits in the second year now almost completed may not have altered greatly.

Here and there in the document can be discerned hints—or vestiges—of the policies that the corporation, in its first period of Labour Government support and of Mr Hardie's command, was beginning to formulate. Last year's much-discussed changes in directorships are explained mainly upon the ground that under the 1949 Act the companies had to avoid any discrimination or preference between customers, so that some directorships representing old ties became "no longer appropriate or desirable." Mr Hardie's ambitions of regrouping are scaled down to an unexceptionable expression of belief that certain companies in the group—as, for example, those digging home ores—might more effectively be associated with others. It records one view that other nationalised industries might well consider—that the best way to deal with some of the companies or shareholdings it acquired in activities outside iron and steel, in Britain and abroad, might be "to make other arrangements for their continuation." In its policy towards depreciation, also, it can afford to be more realistic than any other nationalised industry; its special central reserve of £5

million "to make good at current replacement costs the depletion of fixed assets" was in addition to £8.4 million provided by the companies for normal depreciation based on historical costs. The corporation discloses that the *modus vivendi* it eventually reached with the British Iron and Steel Federation entitled it to receive a six-monthly statement of income and expenditure for the "Industry Fund"—the system of levies and subsidies controlled by the federation to adjust the manufacturing costs of steel-works using the industry's various raw materials. It comments:—

While this price equalisation policy protects the consumer of foreign ores from the full blast of the rises in world prices, the distribution of the burden of the loss and the anomalies created are such as to need review,

and mentions in passing that the sale under the same system of imported scrap costing £20 a ton at the controlled home price of some £6 a ton causes another heavy loss that the federation covers out of levies.

Perhaps the only positive measure that the corporation was able to carry through in its first eight months (apart, perhaps, from some tightening of internal accounting procedure) came as a financial consequence of common ownership—the central deployment of the liquid resources of the industry. As a holding company, the corporation arranged to borrow the surplus resources of companies with cash lying on deposit and to lend this to companies needing extra money for development, in the form of unsecured loans, repayable on demand. It paid and charged the same rate of interest—3 per cent in the period under review—on the £19 million thus redistributed, whereas the companies had formerly paid at least 3½ per cent on bank overdrafts and had received only about ½ per cent on deposits. The new practice, it is estimated, saved the publicly owned industry as a whole some £200,000 in interest charges.

This sensible but small measure, however, can hardly alleviate the magnitude of the problem of financing further development that will continue to face the corporation or its successors to ownership of the steel industry. Of the original postwar development plan, estimated in 1945 to cost some £168 million, the corporation records that certain of the more ambitious projects—totalling about £70 million at 1945 prices—were not started by the time that it took over ownership. But further development proposals that will overtake, or where appropriate include, schemes left over or partially completed from that plan, and will raise the industry's capacity to some 20-21 million ingot tons of steel a year, are now being examined; together with urgently needed replacements, they will cost the industry some £60 million a year for several years. During the calendar year 1951 the publicly owned companies spent about £57 million, and required an increase in working capital of £7 million, of which total they provided about £34 million from retained profits and depreciation and £30 million from special receipts (e.g., colliery compensation), tax reserves, and a reduction in their cash balances. At the end of September last the corporation's companies had liquid resources amounting to £45 million. With further funds arising, it expected to be able to meet the industry's requirements for capital investment throughout 1952; but early in 1953 new money will have to be raised in one way or another. The industry, it estimates, could not be expected in future to cover off of retained profits more than half the £60 million a year that it is planned to spend. Whoever acquires the steel industry

or its larger expanding companies in 1953, it thus becomes abundantly clear, must be prepared to raise in addition to the purchase price some £30 million a year of new money for several years to come.

In broad outline, then, the wares that the holding and realisation agency has to market have not been given a very inspiring puff by the corporation's report. The steel industry, however, is not going to be sold back to private investors in broad outline; it is going to be sold back in individual units. And although the individual units that went into the crucible of steel nationalisation have not been as awkwardly fused as those that went into the crucible of transport nationalisation, they will not emerge unaffected by it. They have already changed very significantly in capital structure, size and relative attractiveness as investments.

The first of the accompanying tables shows how significant the changes in capital structure have been. The nominal value of the securities taken over by the corporation amounted to £74 million in ordinary capital, £34 million in preference capital, and £17 million in debentures. The compensation paid to individual stockholders was equal in most cases to the market value of these securities in October, 1948, and amounted to £172 million for the ordinary, £48 million for the preference and £17 million for the debentures. These amounts were, of course, taken into the corporation's accounts at compensation values, yet by September 30, 1951, these figures had changed to £187 million of ordinary capital, £34 million of preference and £8 million of debentures—as a result solely of switches from one class of capital to another and of the elimination of certain cross-holdings within the corporation's books. The biggest individual changes have been the conversion of the whole of the preference capital of Dorman Long, Richard Thomas and Baldwins, and Thomas Firth and John Brown into ordinary shares, and a large-scale redemption of debentures by these companies and by Stewarts and Lloyds, Guest Keen and Baldwins, South Durham, and Park Gate. Since September 30th—but presumably before Mr Sandys's standstill order—Stewarts and Lloyds and South Durham have followed suit in converting their preference shares into equities. The loan to The Steel Company of Wales of £28.2 million from the Finance Corporation for Industry and its £15 million debenture (as well as the £5 million debenture on John Summers) held privately have not, however, been redeemed by the corporation. These capital changes were logical so long as the corporation was the industry's sole stockholder; to say that part of the profits paid over to the corporation should be regarded as debenture interest, part as equity dividends, and so on, involved a meaningless splitting of hairs. To some extent, too, they were due to a very natural desire of some companies to get rid of the heavy burden of some of their prior charges. There seems little doubt that others of the companies would have accepted this change willingly had it not been halted by the standstill order last November.

It is by no means clear, however, that these changes, although they tend to simplify the capital structures, will make it easier to sell the industry back to private hands. Since October, 1948, the date on which compensation values were based, industrial debentures have fallen in value by some 25 per cent and preference shares by about 30 per cent (as measured by the Actuaries' Investment Index). But in this period the price of industrial ordinary shares has fallen by some 15 per cent, and although

CAPITAL STRUCTURE AND COMPENSATION VALUES

Major operating subsidiaries of the Iron and Steel Corporation	Ordinary			Preference			Debenture		
	Nominal Value	Compensation Value	Valuation in Corporation's accounts on Sept. 30, 1951 (a)	Nominal Value	Compensation Value	Valuation in Corporation's accounts on Sept. 30, 1951 (a)	Nominal Value	Compensation Value	Valuation in Corporation's accounts on Sept. 30, 1951 (a)
Colvilles	3,920	7,447	7,447	2,000	2,650	2,650	...	...	...
Consett Iron	2,800	6,405	6,405	500	881	881	1,018	1,043	996†
Dorman Long	3,481	5,758	12,148	4,034	6,368	*	921	943	†
English Steel	1,131	17,250	17,250	2,229	3,901	3,901	821	944	944
Guest Keen Baldwins ...	2,100	5,775	5,801	1,302	1,627	1,627	1,872	1,898	†
Hadfields	916	2,830	2,830	300	311	311	...	...	...
John Lysaght's	2,023	2,023	2,023	...	...	...	...	...	...
John Summers	3,674	6,246	6,246	3,000	3,450	3,450	†	†	†
Lancashire Steel	3,462	6,059	6,059	2,198	2,388	2,388	...	...	...
Park Gate	1,000	1,400	1,403	...	...	...	259	262	†
Richard Thomas and Baldwins	7,708	17,633	23,075	3,120	5,435	*	5,656	5,819	5,432†
Round Oak	635	1,350	1,350	100	140	140	...	...	...
South Durham Steel	938	892	898	300	374	374(b)	947	974	†
Steel Company of Wales ..	3,378	4,531	5,766	...	...	...	†	†	†
Stewarts and Lloyds	8,173	23,430	23,531	3,613	6,061	6,061(b)	2,306	2,401	†
Thomas Firth and John Brown	1,550	6,058	7,708	1,000	1,662	*	899	910	423†
United Steel	10,194	15,461	15,461	5,097	5,819	5,819	...	...	...
TOTAL (17 companies) ...	57,083	130,548	145,401	28,793	41,067	27,602	14,699	15,194	7,795
All other companies	16,672	41,759	41,579	5,252	6,781	6,322	2,262	2,267	429
Total (all companies)	73,755	172,307	186,980	34,045	47,848	33,924	16,961	17,461	8,224

(a) Based on compensation values. (b) Since end-September, 1951, preference capital has been converted into ordinary capital. * Preference capital has been converted into ordinary capital. † Part of debenture stock has been redeemed. ‡ Whole of debenture stock has been redeemed. § The whole of the debenture stock is held by the public.

PROFITS AND ASSETS

Major operating subsidiaries of the Iron and Steel Corporation	Profits before tax		Net worth		Ratio of profits to net worth		Fixed assets, less depreciation		Net current assets†		Capital commitments at Sept. 30, 1951
	Prev. Year	Latest Year*	Prev. Year	Latest Year†	Prev. Year %	Latest Year %	Prev. Year	Latest Year†	Prev. Year	Latest Year†	
Colvilles	4,765	5,096	15,705	17,496	30.3	29.1	10,324	11,204	7,112	4,408	1,874
Consett Iron	1,284	1,081	9,279	9,510	13.8	11.4	9,399	11,112	1,452	609	8,400
Dorman Long	5,033	4,539	17,787	19,511	28.3	23.3	7,777	8,766	14,488	14,382	6,637
English Steel	3,129	3,428	15,131	15,901	20.7	21.6	7,321	7,475	7,952	8,990	1,172
Guest, Keen, Baldwins	1,635	1,735	8,225	8,205	19.9	21.1	4,037	3,865	3,452	673	265
Hadfields	152	191	6,104	6,008	2.5	3.2	5,301	6,299	403	1,816	630
John Lysaght's	Dr. 66	Dr. 96	1,954	1,768	...	...	7,192	8,341	245	562	*2,000
John Summers	2,495	3,049	15,293	15,695	16.3	19.4	11,303§	15,432§	7,368	6,977	6,310
Lancashire Steel	2,202	2,886	9,698	10,447	22.7	27.6	3,784	4,539	6,099	4,197	1,080
Park Gate	551	350	1,848	1,752	30.2	20.0	1,733	2,067	984	614	2,260
Richard Thomas & Baldwins....	6,349	8,858	19,900	20,138	31.9	44.0	14,688	15,395	9,731	3,240	1,145
Round Oak	NS	117	NS	1,222	...	9.6	NS	4,425a	NS	1,082	212
South Durham Steel	1,197	948	5,150	5,563	23.2	17.0	4,704	5,590	2,486	3,045	2,120
Steel Company of Wales	726	1,128	13,638	19,255	5.3	5.9	49,263b	66,154b	2,058	2,868	12,000
Stewarts & Lloyds	8,982	11,162	32,231	36,425	27.9	30.6	21,122	22,723	17,028	17,817	5,400
Thomas Firth & John Brown...	1,408	1,834	7,994	8,067	17.6	22.7	3,170	3,152	5,361	4,328	477
United Steel	4,033	4,743	24,515	27,684	16.5	17.1	23,818	27,014	3,160	5,910	2,430
TOTAL (17 companies)	43,875	51,049	204,452	224,647	21.4	22.7	184,936	223,533	89,379	81,518	54,412
All other companies	...	12,986	...	47,220	...	27.6	...	39,022	...	20,913	...
Total (all companies)	...	64,035	...	271,867	...	23.6	...	262,555	...	102,431	55,000c

* Estimate of a full year's profits before tax prepared by the corporation on the basis of profits actually earned by a company between the end of its financial year and end-September, 1951. † End-September, 1951. ‡ In calculating net current assets no account has been taken of investments in and amount due from or to the corporation or its subsidiaries. § Including development expenditure (1950: £3,902,000; 1951: £7,970,000). (a) Including development expenditure of £3,832,000. (b) Including development expenditure (1950: £41,350,000; 1951: £57,029,000). (c) The corporation's report states that "the amount does not include commitments with other companies in the group."

certain steel equities may have some attractions as a long-term investment, the immediate prospect for equity dividends will not be bright so long as the need to plough back earnings for replacement and development persists. Apart from that, the industry will have to beware of underestimating the extent to which the supply of risk capital has dried up in these days of a stranglehold by taxation.

As was explained in these columns three weeks ago, some sections of the steel industry have been arguing that the easiest part of the realisation agency's task would be to sell back to former owners the securities, now valued at about £60 million, that represent holdings in their former major operating subsidiaries, and to sell back to the public between £50 and £60 million of equity capital in other leading producers; on these assumptions, between £80 and £95 million in equity capital, and between £15 and £20 million in preference capital and about £8 million in debenture stocks would be left in the hands of the agency.

The second of the accompanying tables summarises the recent experience of the seventeen largest companies, whose combined ordinary capital (as valued in the corporation's books) amounted to £145 million on September 30th last. It will be seen that in a year in which the total profits of the steel industry rose by about 17 per cent, four of these companies showed a fall in profits before tax, and five showed a fall in the ratio of before-tax profits to net worth (defined as the ordinary and preference capital at nominal value, plus ploughed back profits, but excluding reserves for future taxation). These figures should be compared with the capital commitments, either authorised or outstanding, of each company, shown in the last column of the table; they certainly do not suggest that the realisation agency's task of selling back the shares will be lightened by any very hopeful prospect of dividend increases to come. The picture is not universally gloomy, either of these larger companies or their smaller *confrères*. In some cases market values in October, 1948, on which compensation values were based, were right out of line with real values; as an extreme case, the Upper Forest and Worcester Steel and Tin Plates Works, Ltd., which had been recommended for closure, earned 32 per cent more last year than the whole of the compensation money paid to its unfortunate former owners. For the industry as a whole, moreover, book values at the vesting date of the tangible assets less liabilities of all companies exceeded the compensation paid in Iron and Steel stock by £14.6 million; this sum, computed after setting aside £6 million more than the companies had done for the equalisation of taxation to spread the benefit of initial allowances, has been placed to a "Consolidation Reserve" in the holding company's accounts. Even so, it would be idle to suppose that many of the companies can be sold back now without involving the Treasury in a book loss.

On the problem of marketing the steel properties, these accounts therefore offer much information for further digestion; but their considerable limitations in this context must also be borne in mind. The absence of any directors' statements, or even of detailed notes upon the individual accounts, means that a prospective investor cannot guess, for example, how far exceptional gains through stock appreciation affected the results of individual companies. The standardised accounting procedure favoured by the corporation has by no means been uniformly followed; some of the major companies

remain steadfastly uninformative. There is some question whether the companies remaining in the hands of the realisation agency may not be able to raise finance for development on more advantageous terms than their competitors; and there are some doubts about what will happen under the new regime to the £19 million of loans repayable on demand to the corporation (the Steel Company of Wales, with £7,800,000, and Hadfields, with £2,174,000, are the main debtors). Nor do the figures published for outstanding capital commitments indicate the cost of the various new development schemes, totalling £60 million a year, that individual companies are now contemplating.

The most important obscurity, as ever, concerns the Federation's subsidy-cum-levy scheme, and the way in which its effects, hidden in manufacturing costs, have distorted the results of individual companies. Last year, fairly obviously, steelworks on home orefields will have been, in effect, heavy net contributors to the revenues of their "competitors" who used imported ores or imported scrap; this effect may have been moderated by now. But such deductions as these are much too vague and general to inform judgments on the investment problem. If the realisation operation is to be a success, the Government (if it has found out) and the industry (if the Government is still in the dark) must reveal far more about the workings of this complex and hidden system. The corporation and the federation, according to this report, are now examining the system and its effects; and the corporation's second accounting period ends next month. Probably the most useful task that the Government could set this proscribed public corporation would be to carry out, and to publish in its second report early next year, the detailed examination of the Industry Fund and its ramifications that the next owners of the steel industry deserve. The capital market is not at present in such a healthy state that it will willingly buy even a fattening pig in a poke.

WORLD RECORD

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Business Notes

Britain Blackballs Japan

Japan's first attempt to become a signatory of the General Agreement on Tariffs and Trade has failed. It had hoped to get in by the quick method of entry evolved last autumn during the sixth session of the contracting parties in Geneva. Under this quick method its application for membership was made the subject of a postal ballot of the existing contracting parties, but only three refusals were needed to reject it. Britain and two other members decided to return negative votes — ostensibly on the grounds that this special procedure is not suitable for the candidature of an important trading country, and that the adhesion of Japan to the General Agreement on Tariffs and Trade ought therefore to be discussed fully at the next meeting of the contracting parties in October. It no doubt will be so discussed, and it will then be seen whether the British official objection in fact derives from deeper roots than this nice consideration for the formalities of entry. The accession of Japan to GATT would not automatically involve any compulsion on Britain to grant Japan most favoured nation treatment; it could specifically contract out of any such obligation and refuse to enter into tariff negotiations with Japan under GATT's aegis. But the real rub is that not many of the other members of the overseas sterling area might be willing to do the same.

It seems unlikely, in any event, that the British Government's initiative in blocking Japan's accession to GATT will have more than a delaying effect. The Japanese application for adhesion must now pass through the mill of normal procedure. This has two stages. In the first place Japan will seek permission to start tariff negotiations with individual countries under GATT's aegis. This permission can be secured by a simple majority vote of the existing contracting parties. Once these tariff negotiations are completed, Japan can apply for full membership, and for this an affirmative vote by two-thirds of the contracting parties will be needed. It seems probable that this affirmative vote will eventually be forthcoming. In these circumstances it must be questioned whether Great Britain has been wise to give offence not only to Japan but to the United States, which has been the main sponsor of Japan's earliest possible adhesion to GATT. Negotiations for a settlement of Japan's pre-war internal debts are now taking place in New York. Britain's part in trying to blackball Japan's membership of GATT is hardly calculated to help them on their way.

Sterling and Commodity Arbitrage

The merchanting community of London has this week been taking its bearings after the excitements that followed the reopening of commodity arbitrage between the dollar and the EPU areas, and the subsequent sudden suspension of these facilities after they had been in operation for less than a week. An appreciable part of the applications made to the Bank of England apparently related to highly tentative transactions, which had their basis in the hopes rather than in the expectations of the applicants. Altogether applications for as much as £150 million of business may have streamed into the Bank of England, but only between £50 million and £60 million of these seem to have been authorised; total authorisations were thus restricted to Britain's extra-quota deficit with EPU — that is to the amount that could be recovered wholly in gold if the British cumulative deficit with EPU were reduced to the full extent of the dealings. The Bank will now watch the position to see how much hard business is in fact done on the licences granted. In the light of that experience, and of the EPU position a month hence, it will then be decided whether or not to renew last week's

short-lived experiment. The licences granted will in any case become void unless they are used within a month, so that by mid-September the Bank should have a clear view of the road ahead.

Although many of the authorisations referred to operations that had little hope of being converted into hard business, it seems that some contracts were in fact entered into by merchants who expected to get licences but were caught by the unexpectedly early standstill order. In these circumstances, with some licences outstanding from which no business is likely to emerge, and some contracts negotiated for which no licences were issued, it was inevitable that a market in authorisations should develop. Tentative deals of this kind have, in fact, already been arranged, although they infringe the policy and wishes of the Bank of England, which had no intention to grant the right of transferability to its authorisations. Following the suspension of these arbitrage facilities, there has been a reaction in the rate for transferable sterling, from the peak figure of \$2.67 reached last week to \$2.62. In addition, the business that has actually been transacted under the authorisations granted has helped to weaken the spot sterling-dollar rate from over \$2.79 last week to \$2.78½. The logical counterpart of this movement has been a strengthening of sterling against guilders, Belgian francs and other European currencies; it is in these currencies that payments are now being made for the grain, oil seeds and other goods shipped from the United States to Europe on United Kingdom account.

* * *

Insurance and the Exmoor Floods

On a rigid interpretation of the conditions of insurance policies the flood damage in Lynmouth and elsewhere in the Exmoor district is unlikely to involve insurers in substantial liability. It is, however, almost certain that, in tune with the widespread sympathy for the victims of this extraordinary disaster, the members of the Fire Offices' Committee (the "tariff offices"), who will no doubt be followed by the remaining insurance companies and by Lloyd's underwriters, will meet the claims under policies that cover storm and tempest damage even though they do not cover damage due to "flood subsidence or landslip." So as to avoid creating a possibly awkward precedent, all such claims will no doubt be expressly paid *ex gratia*. No assessment of the extent of the damage to private property can yet be made; at a very rough guess, it may be of the order of £1 million. Insurers will, at worst, be faced with an aggregate loss of considerably less than the total cost of the damage done. Some property will have been uninsured, some substantially under-insured; of the remainder, some will have been insured by policies under which insurers, however generous their attitude, cannot be expected to make any payment in the circumstances. Payments that may total several hundreds of thousands of pounds would, however, make the Exmoor floods a major item to insurers accustomed to annual "fire" wastage in the United Kingdom (storm and flood claims fall into the fire account) of the order of £20 million a year. Moreover, relatively little of this accustomed wastage normally occurs in private houses and hotels.

Comprehensive "fire" insurance policies of the contents of private dwelling-houses do cover loss or damage by flood; this cover is extended (up to 15 per cent of the sum insured) to property of the insured temporarily removed elsewhere in the United Kingdom, Ireland or the Channel Islands, except when it is in transit or being worn. Similar policies insuring buildings, however, do not cover the risk of loss or damage by flood; it is under these policies that insurers are

expected to make *ex gratia* payments without admitting liability. But, where the insured sought cover only against fire (including explosion, lightning or thunderbolt), whether for a private house or for another type of building, no question of liability, or of *ex gratia* payment, arises for flood damage.

Cover for Cars

For fear of appearing to create a precedent, insurers will probably be cautious about making any clear-cut public announcement of their attitude to claims arising out of the Exmoor floods under policies upon which they are not liable. Flooding of a less violent nature than in this disaster is of course commonplace near many rivers at home. Abroad it reaches very serious proportions on occasions; in Kansas City last summer and in Winnipeg in the spring of 1950, for instance, extensive flooding caused very serious damage over a considerable area. Flood damage is a catastrophe against which normal prudence is of little avail; it is therefore excluded from the insured perils in policies on buildings. Another reason why insurers exclude cover against flood damage is that when claims arise they often do so in considerable numbers and for a large total sum. Separate insurances may, however, be effected against flood damage, for then the insurers have the opportunity to charge a rate of premium commensurate with the extent of each individual risk, and they can decline to insure any particular property.

A considerable number of motor cars are reported to have been swept into the sea or otherwise damaged at Lynmouth and to have been washed into the road at Dulverton. Comprehensive motor insurance policies cover loss of, or damage to, the insured vehicle by any means, so that claims up to the insured value will be met under such policies. Holiday-makers' baggage is often separately insured; if it is claims for flood damage will be met. Under the extension charge in comprehensive private house "contents" policies, baggage would be covered (up to the specified maximum sum) except when in transit.

More Freedom for Food

The Government is at long last making good its election promise to return to private trade those foods of which supplies are more or less sufficient to meet demand. This week the Ministry of Food announced the abolition of price control on coffee and the restoration of private import of coffee beans. The Ministry has certain long-term contracts with suppliers (notably East Africa) that do not expire until 1954, so that at first merchants will be allowed to import only the balance. But in two years' time they will be responsible for all imports. Retail prices are not expected to show much change; if anything, they may fall, particularly if the tea market shows no marked signs of recovery. The important thing from the consumer's point of view in this reversion to private import is that the blends available in the shops will improve just as they did for tea; and if public behaviour is consistent, demand will be concentrated more on the better blends. This happened with tea to such an extent that cheap teas are now selling, unsubsidised, at their former subsidised price. It is only a matter of months before tea will be accorded its full freedom—freedom from rationing and from price control.

The other step towards freedom is in sugar. As from the end of September, sugar refiners will be permitted to buy their own raw sugar to cover exports of refined sugar to certain destinations, such as members of the European Payments Union, the dollar area and certain other countries, e.g. Spain, Israel and Abyssinia. This new freedom is at the moment very limited and probably covers no more than a tenth of Britain's annual imports of sugar. But it is a step in the right direction, for it gives refiners an opportunity to exercise their marketing sense. In future they stand to gain or

lose from their judgment of price trends, and this will give them practice for the time when they will be permitted to buy for the home trade as well. There is every sign of a burdensome surplus of sugar, particularly in Cuba, but lack of dollars prevents Britain from building up its depleted stocks at low prices. As far as the British consumer is concerned, sugar might be just as scarce as in 1947. The Commonwealth contract will prevent the lower Cuban prices from being reflected in British retail prices; but Commonwealth producers have still not expanded output sufficiently to enable rationing to be abolished in this country.

Austin Clears the Decks

The Austin Motor Company's decision to reduce its labour force by 4 per cent during coming weeks—dismissing 800 out of its present total of 20,000 workers—is a sign of the times in more ways than one. The decision is not really due to any drop in sales. It is a deliberate attempt to streamline the company's organisation into better shape to meet foreign competition. The fact that Austin is likely to cease production of its A.90 sports car and the big Princess saloon has little bearing on the dismissals; neither car was produced in any quantity, and it is in any case certain that total Austin production will begin to rise again towards the end of the year.

During the first six months of 1952, production in the industry as a whole has been severely limited by shortage of steel. The total number of cars produced, 228,000, is 16,500 fewer than in the first half of 1951. Export shipments have not fallen as much as this. They are down only from 214,787 to 209,467 over the first seven months, which is a measure of the industry's success in finding alternative markets for cars originally destined for Australia. The allocations of steel to the industry are expected to be increased by roughly 10 per cent in the fourth quarter of this year, and since there is now considerable discrimination in the way the allocations are shared out, those companies with the best exporting record—Vauxhall, Ford and Austin in that order—are likely to get a rather higher proportion of the extra steel than companies whose products are meeting stronger sales resistance.

In these circumstances it may seem surprising that a company as efficient as Austin proposes to dismiss so many workers as this when in a month or so it expects to increase production and also to introduce a new model, the postwar Austin 7. For some time companies in the engineering industries have been holding on to men whether or not there was sufficient work to justify their retention, for fear that they would not be available when needed later. The Austin management has announced that some of the 800 people dismissed may be taken on again when the Austin 7 comes into production, which shows that this company, at any rate, no longer fears it may lose them permanently to other industries in the Birmingham area. "Concealed unemployment" of this kind has contributed to keeping up the price of British engineering products. In the motor industry, where a large proportion of car prices is set by the cost of components bought from outside, a reduction in the labour costs of assembly is one of the few ways in which a motor manufacturer can cut his own production costs. The list prices of the company's bread-and-butter cars are £340 for the Austin 7, £457 for the A.40 and £627 for the A.70. These prices, especially that of the Austin 7, do not compare too well with prices of Continental cars of about the same power, nor with the reduced prices recently introduced by Ford; a cut in Austin prices therefore seems more than likely.

Other British manufacturers may be expected to cut prices by withdrawing existing models and introducing new ones, as the Standard Motor Company is now doing. Standard has reduced both output and employment on its car assembly lines, but has been able to avoid dismissals on the Austin scale by transferring men to the tractor lines and to the

new Avon aero-engine line, which is now almost complete. But in other car factories, piecemeal dismissals ranging from the 800 workers sacked by Humber early in the year to the 80 dismissed by Rover this week are likely to become more common as production methods are overhauled and also, unfortunately, as sales resistance leads to lower production.

Imports into New Zealand

Some major misunderstandings have arisen in London about the exact nature of the cuts in imports into New Zealand for 1953 that were announced earlier this month. This confusion has arisen partly from the fact that the full official communique was not available in London and partly from a misinterpretation of the expression "scheduled countries," which apparently has a totally different meaning in New Zealand from that current in the United Kingdom. The "scheduled territories" here means the sterling area. In New Zealand "scheduled countries" means exactly the opposite, namely, the dollar area, Japan, the Russian bloc and a few other hard currency countries. Now that this important difference has been explained and fuller information about the proposals is available in London, it is possible to get a clearer perspective of what is proposed. The basic allocation of exchange for each importer in 1953 will be 40 per cent of the amount of exchange sold in 1950 to that importer for non-governmental imports other than motor vehicles and goods paid for under third-party certificates. For the present year, the basic allocation was fixed at 80 per cent, but in practice the control has been operated with considerable elasticity. At the 80 per cent figure for 1952, non-governmental imports into New Zealand would have amounted to about £110 million; actually, they may exceed £170 million.

Provision has been made for exercising a similar flexibility, in principle, in the 1953 allocations. Additional allocations may be made by the Reserve Bank to meet essential requirements. Importers who had firm orders as at April 1, 1952, for which exchange has not been allocated for remittance in 1952, will be able to submit applications to the Reserve Bank for the amount required in 1953. The Reserve Bank has undertaken to provide funds in full to pay for motor vehicles imported under licence and for licensed imports from the "scheduled"—i.e. hard currency—countries. All motor vehicles are imported under licence, and licences have also to be obtained for all goods imported from the hard currency area. The only import licences that carry no assurance of an allotment of exchange—the objectionable provision whose scope was exaggerated by the first, confused interpretations in London—relate to a few goods where protection to local industries is involved. It is estimated, however, that about four-fifths of the goods imported on private account into New Zealand from sterling area and other soft currency countries are free from licence. Hence, if they are to be sure that exchange will be forthcoming in payment for these goods, sellers in Britain and the other countries concerned will need to satisfy themselves that the buyers in New Zealand are operating within their basic 40 per cent allocation. Uncertainty on this point may in fact place serious difficulties in the way of normal trade with New Zealand, an uncertainty that will not be entirely mitigated by the knowledge that the regulations will be applied with good sense and elasticity. Furthermore, the elasticity with which the allocation scheme is being operated this year is largely responsible for the fact that the 1953 basic exchange allocation will be only half that for 1952.

Lancashire's Troubles Never Cease

The chairman of the Bleachers' Association, Mr P. L. Wright, put into words last week a fear that has been at the back of many minds in the textile industry when he suggested that the mills might not be able to deliver sufficient

cloth to meet the present revival in demand. The recent difficulties of the textile industry have arisen from an excessive accumulation of stocks at each stage of distribution; but recently the liquidation of those stocks has been taking place with increasing momentum, which has in turn led to "signs that more interest is being taken and confidence may be slowly returning." This would justify an increase in production from its present low levels, but the textile industries have dismissed so many workers during the slump that recovery may now be hampered for lack of labour.

Mr Wright was concerned solely with the supplies of grey cloth coming from the mills for finishing. Imports of grey cloth have been suspended, presumably for the duration of the slump, and the very considerable finishing capacity is at present wholly dependent on home supplies. The labour force of the spinning sections of the industry fell from 190,000 last winter to 101,600 at the end of July, and in the weaving sections from 135,000 to 132,680 by the end of June. With its previous labour force of 325,000, the cotton industry was producing an average of 47 million yards of cotton cloth a week. In recent years, production has varied directly with the number of workers in the mill. With a reduced labour force of 234,000 engaged directly on spinning and weaving (omitting the intermediate operations), the industry may not be in a position to produce much more than 34 million yards a week. More than 100,000 people are still registered as unemployed textile workers; in the Lancashire area as a whole, for example, there were 117,000 people out of work in mid-July. Whether alternative jobs are sufficiently easy to find to enable these workers to stay out of textiles is none too certain. But the industry may have lost for ever part of the labour force it built up so painfully in the postwar years.

If demand should increase faster than the industry can get back its workers, there are two ways in which it could face this situation. The first is to re-commence imports of grey cloth; during the past years about a fifth of the cloth finished in this country came from overseas. The second is to increase output per head in the mills. Methods by which this can be done are well known, and it is possible that with a reduced labour force Lancashire might become more generally receptive to ideas of re-deployment. Some such development is essential if Lancashire prices are to be brought into line with falling world prices. Mr Wright stressed that prices and delivery dates were key factors in regaining and increasing the British hold on the export markets of the colonies, out of which the industry was pricing itself last year. If cloth and clothing manufacturers persist with their present methods of production, then it may be true, as their spokesmen said so vehemently over the weekend, that hardening raw material costs and the end of stock liquidations will lead them to make some increases in their current selling prices. But the markets of the world are in no mood to pay higher prices, and to argue that there is nothing that Lancashire or other textile areas can do about them would be defeatist.

Another Scottish Bank Merger

The second amalgamation among Scottish banks within three years was announced last Tuesday. Unlike the earlier arrangement, which joined two Scottish affiliates of the Midland Bank—the Clydesdale and North of Scotland banks—the new proposal concerns two of the independent banks and will reduce the number of Scottish banks to six, three in each category. The banks now involved are the Bank of Scotland, established by special Act as long ago as 1695, and the Union Bank of Scotland, which was incorporated in 1830. The arrangements provisionally concluded by the unanimous agreement of the two boards aim eventually at complete fusion through the medium of the Bank of Scotland, "to preserve the seniority, the constitution and the name of that institution." But since it would obviously be

undesirable for the Union Bank to lose its identity too quickly, that bank will for a time continue to operate as a separate entity. The first step, therefore, will simply be the acquisition of its issued capital by the Bank of Scotland, which will shortly offer fully-paid stock at the rate of £7 for every four Union Bank shares, whether "A" shares of £5 (£1 paid) or "B" shares of £1 (fully paid), and will in addition pay 2s. 6d. in cash for each "B" share it acquires. The merger is conditional upon an assent by holders of at least 90 per cent of the Union Bank shares of each class, and, of course, also upon approval by Bank of Scotland stockholders of the creation of the requisite additional capital. At present, the Bank of Scotland's issued capital, all fully-paid, stands at £2,400,000, while the Union's paid-up capital comprises £1 million in "A" shares and £200,000 in "B."

A significant feature of this merger, by contrast with the earlier one, is that the businesses of the two banks are competitive rather than complementary, and that both embrace extensive networks of branches throughout Scotland. The potentialities for the concentration of branch business should therefore be a good deal wider than those presented by the Clydesdale-North merger, though the pace at which this process could be tackled, when the initial phase of separate working is over, will naturally be limited in any case by staff considerations. It is significant that the reason given for the cautious approach at first is not the need to safeguard established connections, but the desirability of full consideration of "such important questions as the alignment of terms of employment and pension benefits of staff." If such issues are handled judiciously, the eventual scope for administrative economies may be considerable, and might give the combined institution a welcome means of combating the pressure of rising costs that has certainly been not less worrying to the Scottish banks generally than to the English clearing banks. Indeed, the smaller the institutions, and the more thinly their business is spread through the branch networks, the more severe this pressure tends to be; its impact upon them, moreover, is accentuated by the growth of the more specialised banking services that require highly-trained staff in central departments—such as foreign exchange and trustee business.

Biggest Scottish Bank?

It is noteworthy, therefore, that the banks that are now to merge are the two smallest of the independent institutions. Since the disappearance of the North Bank, the Union Bank has been the smallest of all seven Scottish banks, having £71 million of deposits (though a proportionately larger branch system) at April 2nd last. The Bank of Scotland, at end-February, had £92 million—roughly three-quarters of the amount held by its nearest independent competitor in point of size. Even so, the combined deposits of the new institution should exceed those of the Clydesdale and North Bank, at present the largest Scottish bank, with deposits of £153 million at end-1951. It is not to be supposed, however, that this merger derives from considerations of relative size, as distinct from the advantages of larger-scale working in general. Moreover, despite these advantages, which may be reaped in the longer run, the question is bound to be asked whether the timing of the operation is not in some way related to the pressure recently thrown upon all banks by the severe fall that has occurred in gilt-edged values. However cautious investment policies may have been, the Scottish banks are particularly susceptible to this pressure, because they have habitually carried a much larger part of their assets in the form of investments than the English banks do. The ratio of investments to deposits in Scottish banks was, until recently, appreciably over 50 per cent, whereas the English proportion, before last year's funding operations, was generally only about half that figure, the difference being only partly explicable by the special importance of note issues in Scottish banking. The Scottish ratio has lately been falling, but it is not clear how far this has been due to writing-down or to actual sales. It is noteworthy that the Union Bank's

latest balance sheet, the only one made up by a Scottish bank since the second rise in Bank rate, revealed a sharp contraction of investments, from £41 million to £31 million, reducing the ratio to 43 per cent. At the same time, the bank's advances again rose steeply and, at £27.7 million, actually exceeded those shown by the Bank of Scotland two months earlier. Its published profit dropped slightly from £245,000 to £237,000; but this movement was not noticeably out of line with that shown by banks that had accounted before the change in Bank rate. The Bank of Scotland's profit dropped from £304,000 to £290,000.

One rather regrettable incidental feature of this merger is that whispers of it could be detected in the stock markets for more than a week before the announcement, and although some of the resultant rumours named Scottish banks that were in no way concerned, the information available to some operators was obviously sufficiently near the mark to cause a sharp rise in the shares of the Union Bank. Between end-July and August 11th the "A" shares were unchanged at 73s., but on August 12th they rose by 1s., and then by a further 6s., to 80s., by Friday of last week. During this latter period, the Bank of Scotland stock, which had previously been unchanged at 47s., rose to 48s. The significance of the market's anticipatory response is shown by the fact that since the announcement the Bank of Scotland stock has remained unchanged, while Union "A" shares have settled down at only 2s. 6d. above last Friday's price and the "B" shares at 4s. above it. At these levels the securities are close to the equilibrium basis implied in the terms of the offer. Before the disturbance of prices the Union Bank "A" shares, with their traditional 18 per cent dividend, were showing a yield of fractionally under 5 per cent, while the Bank of Scotland stock, with its 12 per cent, was showing just over 5 per cent.

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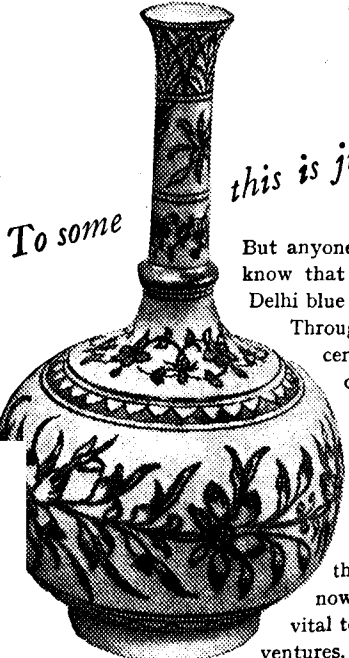
Zinc Controls Go

At long last the authorities have recognised that the shortage of zinc is over. This week the Ministry of Supply and the Board of Trade brought to an end all controls on the use of the metal. Licences will still be needed to buy virgin zinc, and by this means the Ministry will be able to control the size of commercial stocks. The consumption of zinc may gradually rise over the next few months as a result of the lifting of these restrictions; but no sudden increase is expected, for in recent weeks manufacturers have not been buying the whole of their allocations.

Controls on the consumption of zinc have been in force since December, 1950, and have been of two types. There was a list of "prohibited end-uses" in which zinc could not be used; and in addition supplies to the "first line" consumers putting zinc into other products were rationed. The Copper and Zinc (Prohibition Uses) Order, which banned the use of both metals and their alloys in a miscellaneous collection of household goods, building fittings and agricultural tools, has now been amended to exclude goods for which copper is not required (copper remains under control). When the control was first imposed, fear of a shortage of domestic necessities such as buckets, dustbins and coal scuttles led to a run on the shops. Nevertheless, wholesalers' and manufacturers' stocks have generally been sufficient to tide the retail trade over the last eighteen months, while manufacturers have been allowed several extensions of the time they were given to complete semi-finished articles in the banned categories. For many prohibited articles, for instance, gutters and roof flashings, substitute materials were easily found. The allocation of zinc was taken over by the Ministry of Materials when that Ministry came into being. Brassfounders, galvanisers and die casters were allowed to use the metal freely for any purpose not specifically prohibited, with one exception: the use of zinc in galvanising iron and steel sheet and wire products was under the additional administrative control of the Ministry of Supply.

Zinc consumption has been falling sharply since the

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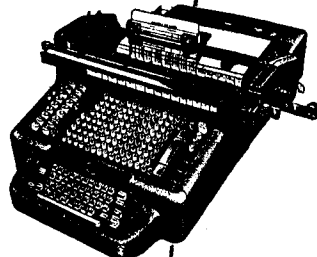
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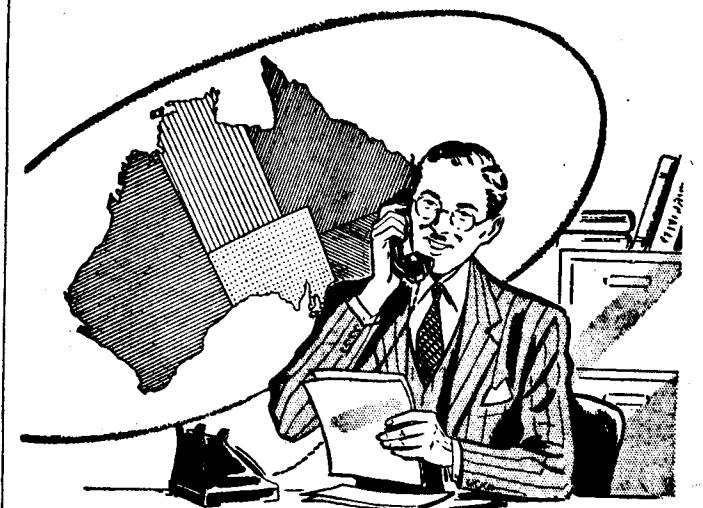
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beginning of the second quarter of this year. In June it amounted to only 19,600 tons compared with a monthly average of 26,600 tons in 1951. But some growth in demand can be expected from the galvanising industry, which uses about a third of all the virgin zinc consumed in this country. Diecasters may also take slightly more metal in a few months' time, as the motor industry, which uses a large number of zinc alloy diecastings, is to receive more steel later this year. On the other hand, the use of zinc for brass will be limited by the quantity of copper available. Any recovery in demand for zinc is likely to be welcomed by the Ministry, as Government stocks (excluding the stockpile) have increased at an embarrassing rate this year. By the end of June these amounted to nearly 75,000 tons, compared with some 26,000 tons at the end of 1951. Commercial stocks, however, have fallen from 17,500 tons at the end of March to 14,000 tons at the end of June. So far this year the manufacturers, fearing further falls in zinc prices, have been glad to leave the burden of carrying stocks to the Ministry.

* * *

More Wheat?

When negotiations for the renewal of the International Wheat Agreement are resumed next January, the contracting powers are likely to find that wheat is much more plentiful than it has been this year. In the United States, although the spring wheat crop has been damaged by the recent drought, an exceptionally large winter crop is expected; this may bring total output for the year to some 1,250 million bushels compared with less than 1,000 million bushels last year. In Canada, provided the weather remains good in the next few weeks, the crop will probably be a record one—latest official estimates put it at about 656 million bushels, or 100 million bushels more than last year. Harvests in Western Europe are also likely to be above average, although the dry spell in the middle of the summer will cause yields to be a little lighter than was previously expected. Nevertheless the French crop may well reach 40 million quarters compared with 32½ million quarters last year. The Italian wheat harvest is also likely to be bigger than in 1951, and the Spanish crop will probably not be far short of last year's postwar record. In the southern hemisphere the harvest is still some four months away, but it is known that a much larger acreage has been planted in Argentina this year. Exceptionally, the Australian crop is not expected to be larger than the meagre level reached last year.

As a result of this expanding production, North America is expected to have a surplus of some 1,400 million bushels this year; while Argentina, which last year was forced to import wheat from the United States because of the failure of its own harvest, will probably again have a surplus available for export. But the demand for these potential exports seems likely to fall. Less wheat will need to be sent to the Far East to supplement local food crops, and ample harvests in other importing areas should reduce net requirements. But all this does not mean that wheat prices will necessarily fall. The farm price scheme in the United States has in the past acted as an important prop to prices, and in Canada both domestic and export prices are tied to the International Wheat Agreement maximum of 180 cents a bushel; free market prices are still a little above this level. But it does not look as if the Canadian farmers, who are demanding that a large increase in the IWA price should be allowed after the January conference, will be batting on a very favourable wicket.

* * *

New Money for Farmers

The rise in interest rates has not apparently proved much of a deterrent to new borrowing by farmers, and on Thursday of this week the Agricultural Mortgage Corpora-

tion again came to the market, to borrow £5 million. Its issue took the form of a 4½ per cent trustee debenture stock, 1977-82, at 96½ per cent and ranking *pari passu* with the £22.1 million of debentures already issued by the corporation. A cumulative sinking fund of 1 per cent a year on the nominal amount of the issue, together with a further sum equal to one year's net interest on all stock previously purchased out of the sinking fund, will be started in 1954. At its issue price the new stock yields £4 13s. to the latest date of redemption, so that its terms were somewhat finely drawn in relation to the corporation's outstanding 4½ per cent debenture stock, 1961-91, which was quoted at 96½ on Wednesday evening. But the maturity dates of the new issue were carefully chosen to appeal to institutional investors and, moreover, the stock will be free of stamp until fully paid next January; in these circumstances it was well received and soon oversubscribed.

This new money has inevitably had to be raised on much stiffer terms than when the corporation was last in the market in September, 1951; then it was able to raise £3,250,000 by the issue of a 3½ per cent debenture stock, 1961-63, at par. Mr E. J. Bunbury, the chairman of the corporation, has emphasised more than once that the rate at which the corporation can issue its debenture stocks governs the rate at which it makes its own loans to farmers. These lending rates have, in fact, been steadily increased in the last eighteen months. In May, 1951, the corporation raised its lending rate from 4 to 4½ per cent and then, sharply off the mark after the increase in Bank rate, it was stepped up to 4½ per cent at the end of last November. In February of this year, before the second increase in Bank rate, the rate was raised further, to 5½ per cent, and a fortnight ago it was levered up yet again to 6 per cent. Up to the end of July the corporation had made about £37 million of loans on mortgage, of which nearly £22.3 million remained outstanding.

* * *

FCI's Quiet Year

In the year to March 31st the Finance Corporation for Industry's holding of investments fell from just over £54.5 million to just over £52.8 million. The latest figure still includes nearly £40 million of advances to now nationalised steel companies that the Iron and Steel Corporation has not chosen to repay and the FCI has not chosen to recall. Although there is no evidence that the FCI has found any really important outlets to offset the perhaps temporary loss of iron and steel, it has not been entirely idle during the year. The apparent fall in its investments is more than accounted for by about £3 million of loan repayments during the year (including about £1 million each by F. Perkins, Ltd., the diesel-engine manufacturers and by Ultramar, and £400,000 on one of the steel loans), while commitments for further loans at the date of the balance sheet amounted to £17,125,000 compared with £13,945,000 a year earlier. The names of those it has helped to finance are not disclosed by the corporation, although the clients themselves sometimes do so—as Socony-Vacuum has done recently—but it is known that several of its important early foster children, including the much discussed Petrochemicals, have now passed the first bout of their teething troubles and reached the production stage.

Some problems, however, have clearly persisted. The FCI has written off its investments to the extent of £489,540 in the past year; this compares (it is now revealed) with £418,959 in the previous year. Once again, therefore, it has no net profit to report. In part this is due to the fact that it prefers to make advances at a low rate of interest while its clients are still in the development stage; after their construction period and when they become able to finance themselves by the normal mechanism of the capital market the FCI obtains its reward by exercising its conversion option, on the equity of the ventures. The all-round

rise in interest rates during the past year has not dealt very kindly with this method of operation. The corporation's agreements with clients make it possible for the rates charged to be raised somewhat, if this becomes necessary in view of a rise in the rate at which the corporation can itself borrow. But as the agreements stipulate a maximum rate that may be charged, the FCI is not protected from all loss on this score. Although the effects upon the FCI's finances of the rise in interest rates have not been noticeable hitherto, they may be appreciable in the current year.

* * *

Britannia Airborne

The successful first flight of the Bristol Britannia airliner last week-end was an occasion for widespread relief—for BOAC, which had taken the considerable commercial risk of ordering 26 of the airliners off the drawing board; for the Bristol Aeroplane Company, which was still smarting over the fate of the Brabazon project; and for the industry as a whole, which is putting the Britannia into its shop window in answer to the slow-flying, low-cost piston-engined giants to which the American aircraft industry is still pinning its commercial future. The Britannia is capable of carrying 50 first-class or 104 tourist-class passengers non-stop across the Atlantic with a high but not an absolute degree of regularity. With a still-air range of 4,000 miles (in practice the range is reduced considerably by allowing a big safety margin for delays over the airport or diversion to alternative airports) and a speed of about 360 miles an hour, the cost of operating the Britannia has been calculated at about 8½d. a ton-mile, although these costs rise rapidly when the aircraft exceeds its most economic stage-length, which is about 2,500 miles. Operating costs non-stop across the Atlantic will, therefore, be a little higher than the figure quoted, but should still be below those of any other long-range airliner either built or being developed.

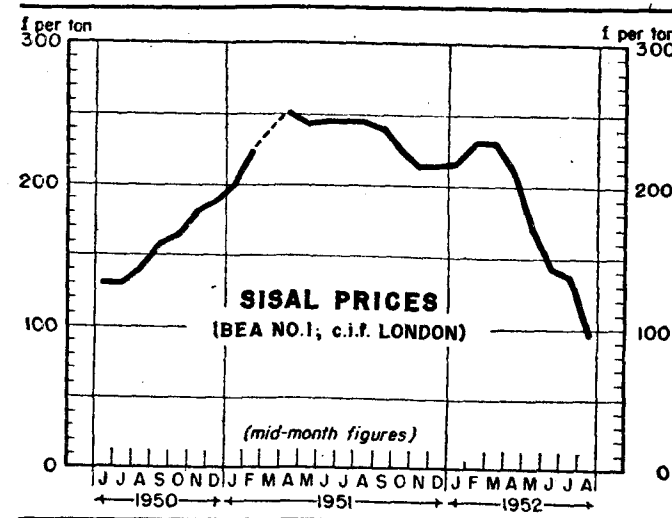
Whether the aircraft will fulfil these estimates when it goes into service depends very largely on the degree of success that the Bristol company has had in developing the turbo-prop engines with which the aircraft is powered. It is far more difficult to build a propeller-driving gas turbine aero-engine than a straight jet; the Proteus engines in the Britannia, though the third of their series, are the first to go into production. The fuel consumption of such engines is much lower than that of the jet; on the other hand, the Comet jet airliner, with a capital cost a little lower than the £600,000 estimated for the Britannia, can do one and a-half journeys to every one by the slower airliner. On the medium ranges, which may include first-class Atlantic travel, the Comet is likely to be the more attractive proposition; the Britannia is designed for the longer ranges beyond the scope of the present generation of Comets. It is the only airliner that the British industry can offer for such routes in competition with several American designs. All the American airliners, however, have the disadvantage of being piston-engined, and the number of American visitors to the Bristol company testifies to the US operators' growing impatience with the slow progress of gas turbine development in their own industry. With a production line capable of turning out 18 Britannias a year, Bristol cannot offer delivery to foreign customers much before 1956, when it is possible that a turbo-prop version of the Super-Constellation will be on the market. It is likely, therefore, that American requirements will be met by licensing the design to Canadian contractors in order to give delivery competitive with Lockheed. There is still much work to be done before the success of the Britannia is assured, and not much time in which to do it. The company maintains, however, that all that it learnt, and unlearnt, in developing the Brabazon has gone into the Britannia, in this case working from an oversized prototype to a smaller-

scale production model. This should mean that the company will in the final proving stages of the Britannia reap the reward for the tears that it shed over the Brabazon.

* * *

Sisal Prices Falling

Sisal prices are still falling and this week BEA No. 1 fibre reached £90 a ton—the lowest level since 1949. Heavy purchases for commercial needs and stockpiling drove the prices to peak levels last year and as recently as the end of March last the price of sisal was still over £230 a ton. Some fall was, however, inevitable, because world production of hard fibres was expected to reach 610,000 tons this year and to exceed requirements by some 40-50,000 tons. But a surplus of this dimension could hardly account for a 60 per cent drop in sisal prices during the last five months. A stronger reason for the decline was that the price had clearly risen too high last year. Spinners, having bought heavily last season, were less eager to buy this year. For their part, the growers, faced with larger supplies to dispose of, pressed their sales on an already weak market. Prices fell steadily, in a series of large jumps from the end of March to the end of May, when they reached £144 a ton. The London agents of the East African growers met regularly to agree on selling prices; their efforts were probably successful in arresting the fall for a time. After a while, however, members of the committee found it difficult to observe the agreed minimum prices; the weakness of the market proved too



great for such delaying tactics and the committee gave up the attempt to steady prices. From the end of the first week in July the fall in price was renewed at an even more rapid rate than before—without the temporary support provided by the growers committee, prices have declined from day to day. In little more than four weeks they have dropped by £50 a ton.

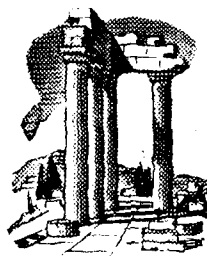
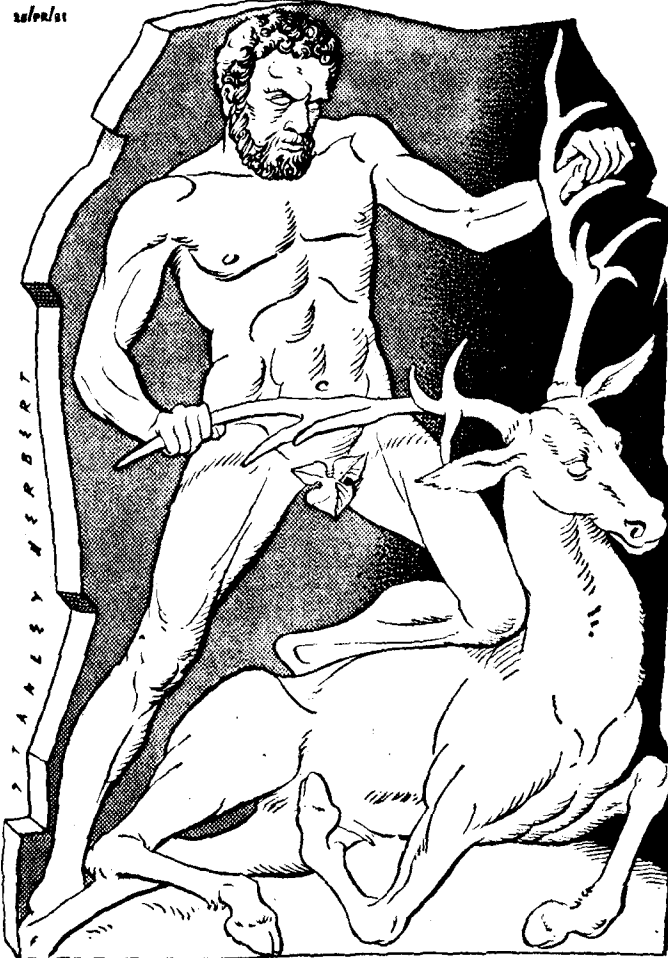
The fall in prices has undoubtedly caused the demand for sisal to be even weaker than it otherwise would have been. In spite of the prospect of large harvests throughout the northern hemisphere, spinners have not received the normal demands for baler and binder twine: merchants and farmers, seeing that prices were falling, have tended to use up stocks rather than buy afresh. For a similar reason the demand for cordage has also fallen off this year. As a result spinners are likely to be left with a carry-over of binder twine and cordage that will probably have a depressing effect on sisal prices during the coming buying season. On the other hand, if prices continue at their present low level, demand may revive, as it will probably again become profitable to use sisal in marginal products such as matting. Within the last two weeks there have indeed been reports of increased inquiries from spinners, and this may indicate that the decline has nearly run its course.



HHEAD OF A WARRIOR, a study in red chalk for the cartoon of "The Battle of Anghiari", by Leonardo da Vinci, now in the Museum of Fine Arts, Budapest. Tragically, when the design was transferred to the wall of the Hall of Council, in Florence, the colours ran and the result was a failure. All that now remains of the cartoon itself are a number of studies of fighting men and horses, which were drawn by Leonardo on paper.

If it had not been for the paper on which Leonardo made his preliminary studies in 1504 all record of one of the greatest works of this amazing genius would have been lost to posterity. And it is paper that has enabled this superb study of a head to be seen by millions throughout the world. In the reproduction of great works of art the printer and the paper-maker have combined to bring the masterpieces of the world to those denied an opportunity of visiting the famous art galleries. The spread of culture depends on paper. On it the heritage of the past is constantly renewed, for on paper reprinting can retain knowledge and culture for ever.

THE BOWATER PAPER CORPORATION LIMITED
 GREAT BRITAIN • UNITED STATES OF AMERICA • CANADA
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The capture of Diana's Stag was the third Labour of Hercules, and the chase led him beyond Arcadia; for a whole year the animal eluded him, running all over Europe through every kind of country.

The Nickel Organisation, too, has had to follow the quest wherever it led, however inhospitable the country. The best nickel deposits exist in remote places, and the making of communications has been part of the hard task. Many miles of railway are operated, handling over two million tons of material monthly. The trains keep running in every kind of weather—and temperatures of 55 degrees below zero have been recorded at the Copper Cliff mines, in Northern Ontario. Exploration engineers, too, are constantly at work. Such is their success that proved ore bodies are now considerably greater than twenty years ago, in spite of heavy withdrawals. Yet the search for new deposits must go on, so rapidly does the demand for nickel increase.

THE MOND NICKEL COMPANY LTD.

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Towards Agreement in Rubber?

The special working party of the International Rubber Study Group that has been meeting in London for the past three weeks to devise a new commodity scheme adjourned last weekend without reaching any definite result. It was not a case of agreeing to disagree, for much progress had in fact been achieved. Both the main producing and the main consuming countries, represented at the meeting, are now convinced that once stockpiling stops, the rubber market is faced with a surplus of 200-300,000 tons a year. At this stage the discussion centred in the most appropriate types of agreement that should be considered and in the end the choice lay between a multilateral contract (similar to the wheat agreement) used in conjunction with a buffer stock, and the simple buffer stock scheme first proposed immediately after the war.

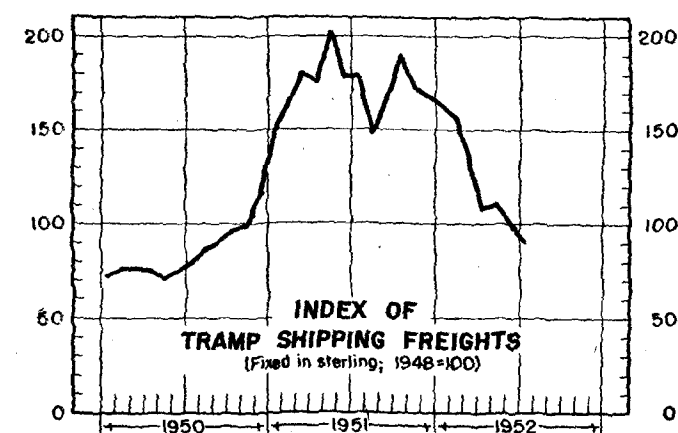
Comment on either of these schemes must await publication of the detailed proposals; but one point is clear. Any scheme intended to provide some measure of price stability without restricting output must include some form of buffer stock. Even with a multilateral contract, a buffer stock of one kind or another would be required, since consumption of raw materials may fluctuate quite substantially over a period of four or five years; with foodstuffs such as wheat, on the other hand, annual consumption is fairly stable. In either type of scheme two vital points that need to be decided are the price at which rubber is put into the buffer stock, and whether control of this stock is in the hands of producers or of consumers.

No answer to either of these questions was supplied by the working party. It was concerned only with evolving a primary formula that might limit the wide fluctuations in the price of rubber, thus providing security for producers in time of surplus and for consumers in time of shortage. This naturally brought into question the problem of synthetic rubber. It is not beyond the realms of possibility to draw up a commodity scheme covering both natural and synthetic rubber, but, even if synthetic rubber should be excluded, it remains one of the determinants of the price of natural rubber. All these contentious topics were discussed by the working party; the adjournment was decided upon to give the countries concerned time for further thought. The United States, instead of playing the role of the adamant consumer, has come to believe in the need to create some mechanism to preserve stable commodity prices, and this time it was the producers who were not certain what they wanted.

Retrenchment in Shipping

For some weeks the charterers of tramp ships have had their own way, with the downward trend of freight rates assisted by the eagerness of owners of less efficient ships to snatch at the last of the market before their margin of profit disappears. But freights have now dropped so low that it is no longer possible for these inefficient ships to be assured of profitable voyages, and as they return to their home ports they are beginning to be laid up or sold for scrap. The number of new tramp ships being built today is negligible; so scrapping and laying up directly reduce the number of ships on offer and increase the chances of employment for the more efficient vessels that can still manage to make a profit out of current freight rates. Tramp companies that have provided themselves with new ships since the war have now some reason for satisfaction. The first signs of a downward movement of some of the commodities that form part of a ship's operating costs are also discernible. Even the cost of oil bunkers has declined by 5s. a ton, though the price is still much higher than it was a year ago. Less money, too, is being wasted by delays in port, because fewer ships and smaller cargoes have relieved congestion—but ironically enough this improved turnaround has still further increased the amount of tonnage on offer. Nevertheless, the

older established tramp companies take the view that the market is now in a "healthier" state. As Mr J. R. Ropner put it recently, "speculators of many nationalities have for so many months found the maritime field a happy hunting ground that the recession may not be altogether unwelcome."



Meanwhile, many ships are still operating at satisfactory rates on time charters that may not expire for as long as 12 months ahead; and although some charterers are anxious to obtain ships on time charter at the current low rates, ship-owners generally seem to be prepared to hold out a little longer in the hope of an improvement. The end of the strikes in American steel and British Colombian lumber were expected to increase the volume of business, and the prospects of a good Australian grain harvest are not too remote. The next grain season, too, will not find a surplus of tonnage waiting in Australian ports after having discharged its cargoes of British exports.

Shorter Notes

Electric and Musical Industries Limited has at last confirmed reports that the company intends to put two types of long-playing record on the market this autumn, 10 and 12 inch discs revolving at 33½ revolutions a minute compared with the standard speed of 78 rpm, and 7 inch discs revolving at 45 rpm. While the full-size long-playing records are suitable for long works, the small discs, which play for no longer than a 78 rpm record, will be used for short pieces and there is scope for building them into serious rivals of the 78 rpm record for popular music since they are both easy to store and almost unbreakable. The Decca Record Company, which has been marketing 33½ rpm records for the past 2½ years, will introduce 7-inch 45 rpm here at the same time as EMI. The first shots in what is likely to be a battle royal between the two companies will be fired at the coming Radio Show, when EMI will be showing for the first time reproducers for its new records and possibly also the records themselves. No prices have yet been announced.

Argentina is to ship 4,000 tons of frozen meat to this country, pending the conclusion of a new agreement. The meat will be invoiced at last year's protocol prices subject to adjustment later. The Ministry of Food has agreed to this shipment to relieve the large stocks that have accumulated at Argentine ports since shipments under the 1951 protocol ceased two months ago.

The London Metal Exchange will reopen for dealings in lead on October 1st. At the end of July, when the Ministry of Materials first announced its decision to reopen the market, it said that it hoped to do so on October 1st. Following discussions with the committee of the London Metal Exchange this has now become a firm date.

Company Notes

Distillers.—Once again the full report of Distillers can be described as disappointing—disappointing not because of the strength and profitability that it reveals, but because of the paucity of information that it contains. In contrast to the reports of many other industrial giants, the only indication in Distillers' report of its widespread industrial interests is a bare list of its subsidiaries, and the only hint of current trading prospects is the bald statement that "in view of present market conditions it has been decided that substantial additions should be made to the existing stock contingencies reserves of the group." In the accounts of the parent company and its subsidiaries, £1,561,274 (against £439,190) has been transferred to this reserve from net profits of £7,170,450, which compare with net profits of £6,858,925 in 1950-51. Stockholders receive an unchanged dividend of 22½ per cent, but they are given no yardstick by which they can measure the reasons for this conservatism. Are the directors, in fact, hinting in the report that falling prices and stock losses are probable this year, or only merely possible?

In any event, any such losses should be small in comparison with the weight of stocks held by the group—or so the reserve appropriations suggest. The book value of stocks has risen from £42,770,446 to £56,416,256, a sign as indicative as the advance in trading profits, from £17,947,229 to £21,265,450, that a further expansion in business was achieved last year. This growth in investment in current assets has made some call upon the group's liquid resources. Cash balances have fallen from £10,322,940 to £6,818,299 and the group has realised some of its investments, the book value of

Consolidated earnings :—	Years to Mar. 31,	1951	1952
Trading profit	17,947,229	21,265,450	
Total income	18,411,095	21,729,345	
Depreciation	1,103,627	1,395,730	
Taxation	9,519,035	11,748,459	
Net profit	6,858,925	7,170,450	
Ordinary dividends	2,701,960	2,668,416	
Retained by subsidiaries	2,977,137	2,669,625	
General reserve	685,527	1,000,000	
Stock contingencies reserve	—	400,000	
Added to carry forward	423,351	143,109	

Cons. balance sheet analysis :—	12.34.8.11.6	14.620.669
Fixed assets, less depreciation	58,118,554	61,546,310
Net current assets	42,770,446	56,416,256
Cash	10,322,940	6,818,299
Reserves	28,705,166	33,512,688
Ordinary capital	22,589,770	22,589,770

4s. ordinary stock at 17s. 9d. ad yields 15 1s. per cent. which has fallen from £4,846,289 to £2,029,010. These factors, together with the continuing increase in fixed capital, show why the recent £10 million issue of the convertible loan stock was made. The ingenious method chosen to raise the new money presupposed both a steady growth in business and a steady expansion in profits. The full accounts suggest that both these desiderata are already in train.

Pinchin, Johnson.—Record sales in the last completed financial year and a decline in sales in the current trading period have been familiar themes at many annual general meetings in recent months. Mr G. R. T. Taylor, the chairman of Pinchin, Johnson, has now added his voice to this swelling chorus. In the year to March 31st the volume and value of sales by the Pinchin, Johnson group again created fresh records; its direct exports, for example, increased by 48 per cent in value. Since the end of the financial year, however, the volume of sales has declined. So far this decline has been of only modest proportions, but, together with rising costs, it may have a perceptible effect on this year's profits. Last year's increase in trading profits, from £1,648,599 to £1,958,819, was due almost entirely to the growth in sales; Mr Taylor explains that "demand was to some extent encouraged in the earlier months of the year by the inflationary conditions then prevail-

ing." The decision merely to maintain the ordinary dividend at 25 per cent may reflect the directors' belief that such conditions are not likely to prevail this year.

The company's dividend policy must also have taken some account of the need for new money; since the end of the financial year this has induced the company to raise £1,250,000 on a 5½ per cent unsecured loan stock (1959-64). Part of the proceeds of this loan was used to acquire a controlling interest in a Canadian company that produces industrial surface coatings; in addition a substantial interest has lately been acquired in Styrene Co-Polymers, Ltd., a British company that produces certain synthetic resins used by the Pinchin, Johnson group. Some of the remainder of the loan will presumably be used to finance further capital developments, but the balance sheet, which shows outstanding commitments at just under £470,000, suggests that these may not be on a very large scale. On the other hand, last year's expansion of sales has clearly increased the group's working capital requirements. In the year to March 31st the value of stocks rose from £3,992,314 to £5,055,055; this was accompanied by a decline in cash balances from £753,059 to £470,614 and a growth in bank loans and overdrafts from £271,263 to £550,246. At the current price of 35s. 6d. the 10s. ordinary shares yield just over 7 per cent.

Great Universal Stores.—The reports and accounts of the companies in the retail furniture division of Great Universal Stores have been published in advance of the accounts of the group as a whole. Against a background of reported retail slump and of tighter hire-purchase restrictions in many countries of the world, they are quite unexpectedly heartening. The companies concerned—Jays and Campbells (Holdings), Smart Brothers, Jackson's Stores, and their subsidiaries—are able to announce that net profits before tax advanced from £2,330,825 to £3,013,257 in the year to March 31st. The directors of both Jays and Campbells and British and Colonial Furniture report that a further improvement in trading results would have taken place had it not been for difficult trading conditions in Canada, chiefly because of hire-purchase restrictions there. Since the end of the financial year these Canadian hire-purchase restrictions have been lifted. Partly in consequence of this, the directors of all three of the trading groups are able to report that turnover and profits so far in the current year compare favourably with the results achieved a year ago.

The balance sheet drawn up on March 31st carries on this cheerful story. A further increase in hire-purchase debtors, from £25 million to nearly £27.9 million, is one indication that sales are being well maintained. So, perhaps, is the decline in the book value of stocks, from £5 million to £4.3 million, though this decline may also reflect some cuts in retail prices. Another unexpected feature is that the increase in hire purchase debtors has been accompanied by a fall in bank overdrafts and loans, from £5.4 million to £4.3 million, and by an increase in cash resources, from just over £900,000 to nearly £1.5 million. Shareholders of the GUS group should, of course, remember that in 1950-51 the profits earned by these three retail trading groups accounted for only about one-third of the profits earned by the group as a whole. If any slackening of trade has occurred it may have had its effects further down the chain of production and distribution—that is, in the wholesale and manufacturing divisions of the group. But shareholders should certainly be feeling more optimistic than they were before these accounts appeared. After these accounts were published the 5s. GUS ordinary shares were marked up 6d. to 14s. 9d., to offer a yield of nearly 6.8 per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Aug. 13, 1952	Price, Aug. 20, 1952	Net Yield, Aug. 20, 1952	Gross Yield, Aug. 20, 1952
War Bonds 2½% '51-53	99½	99½	1 14 11	2 11 9
War Bonds 2½% '52-54	99½	99½	1 17 8	3 1 3
Exchequer 2½% 1955	99½	99½	1 19 6	3 1 3
Ser. Funding 1½% '52	99½	99½	0 19 11	2 16 0
Ser. Funding 1½% '53	99½	99½	1 11 0	2 11 8
Ser. Funding 1½% '54	97½	97½	1 17 6	2 16 9
War Bonds 2½% '54-56	97½	98½	1 15 7	2 19 8
Funding 2½% '52-57	97½	98½	1 15 8	3 3 2
Nat. Def. 3½% '54-58	98	98½	1 17 0	3 6 3
War Loan 3½% '55-59	98½	98½	1 16 4	3 6 8
Savings 3½% '55-65	90½	90½	2 8 8	3 18 11
Funding 2½% '56-61	91½	91½	2 8 9	3 14 11
Funding 3½% '59-69	85½	86½	2 12 8	4 4 9
Funding 3½% '66-68	85½	86½	2 12 0	4 3 2
Funding 4½% '60-90	97½	98½	2 7 9	4 8 0
Savings 3½% '60-70	83½	84½	2 13 7	4 5 1
Savings 2½% '64-67	82½	84	2 13 5	4 0 5
Victory 4½% '20-75	100½	100½	2 0 6	3 18 3
Savings 3½% '65-75	80½	81½	2 12 2	4 5 6
Consols 4½% (alt. 1957)	83½	83½	2 10 3	4 15 9
Consols 4½% (alt. 1961)	75½	76½	2 8 6	4 13 2
Treas. 2½% (alt. 1975)	56½	56½	2 6 8	4 9 8
Treas. 3½% (alt. 1966)	65½	66½	2 7 7	4 11 5
Treas. 3½% '77-80	86½	86½	2 10 3	4 7 2
Redemption 3½% '86-96	76½	77	2 9 1	4 4 3
War Loan 3½% alt. 1952	75½	75½	2 8 9	4 13 5
Consols 2½%	57½	58½	2 5 0	4 5 11
Br. Elec. 3½% '68-73	82½	83½	2 13 0	4 15 10
Br. Elec. 3½% '74-77	80½	81½	2 12 4	4 4 8
Br. Elec. 4½% '74-79	99½	98½	2 6 4	4 6 10
Br. Elec. 3½% '76-79	87½	88½	2 8 9	4 5 4
Br. Trans. 3½% '78-88	75½	76½	2 12 2	4 6 8
Br. Trans. 3½% '68-75	82½	83½	2 13 2	4 8 0
Br. Gas 3½% '90-95	75½	76½	2 10 2	4 5 4
Br. Gas 3½% '69-71	88½	89½	2 10 4	4 5 8
Br. I. & S. 3½% '79-81	86½	86½	2 10 0	4 6 7

(e) To earliest date. (f) Flat yield. (h) To latest date. (s) Assumed average life 15 years approx. * Ex dividend

Last Two Dividends	Ordinary Stocks	Price, Aug. 13, 1952	Price, Aug. 20, 1952	Yield, Aug. 20, 1952
(a) (b) (c)				
20 a	40 Anglo-Am. 10/-	6½	6½	4 13 2
5 a	25 Anglo-Iran £1.	5½	6	5 0 0
7 a	12½ Assoc. Elec. £1.	69/6	69/6	5 15 1
12½ a	20 Assoc. P. Cem. £1	100/-	100/6	5 9 6
12½ a	10 Bass £1	122/6	122/6	7 0 0
12½ a	10 Boots 5/-	19/-	19/-	5 5 3
8½ a	3 Brad. Dyers £1.	24/3	24/-	9 11 8
10½ a	4 Br. Celanese 10/-	22/9	23/6	6 3 5
10½ a	1 Br. Motor Cp. 5/-	31/3	30/7½	...
8 a	12 Br. Oxygen £1.	48/9	50/3	5 6 6
3 b	3 Can. Pac. £25.	£64½	£64	4 7 7
5 a	7½ Coats £1.	43/6	42/9	5 16 11
5 a	6½ Courtaulds £1.	36/-	35/9	6 5 11
15 c	2½ Cunard £1.	33/6	34/-	8 15 6
7½ a	15 Distillers 4/-	18/-	17/9	5 1 5
17½ a	17½ Dunlop £1.	46/10	46/10	7 9 4
12½ c	15 Ford £1.	49/-	49/-	6 2 5
7½ a	15 Gen. Elect. £1.	83/6	83/6	5 7 9
5 a	10 Guest. Keen £1.	51/3	51/6	5 16 6
17 b	7½ Guinness 10/-	32/-	32/-	5 5 6
5½ a	4½ Hawker Sid. £1.	36/6	36/6	5 9 7
5 a	10 Imp. Chem. £1.	44/-	44/9	5 16 2
18½ a	13½ Imp. Tobacco £1	81/3	81/3	7 7 6
12½ c	£2.6c Int. Nick. n.p.	85	84½	5 9 6
17½ c	17½ J'burg Con. £1.	51/10½	52/6	6 13 4
10 b	5 Lancs. Cotton £1	37/9	37/9	7 19 0
7½ a	10 Lion. Brick £1.	60/-	60/7½	5 15 5
15 a	65 Marks Sp. A/5/-	42/9	41/9	4 15 10
6½ a	15½ Monsanto 5/-	25/7½	25/7½	4 7 10
8 a	10½ P. & O. Def. £1.	48/-	48/-	6 13 4
7½ a	17½ P. Johnson 10/-	35/6	35/6	7 0 10
185 c	100 Prudential 'A' £1	34	34	5 12 0
200 c	50 Rhokana £1.	22	22	9 1 10
5 a	10 Rolls Royce £1.	62/6	62/-	4 18 2
15 a	110 Shell Stk. £1.	83/9	84/4	5 8 7
12½ a	13½ Tube Invest. £1.	54/-	53/9	4 13 0
15 b	5 T. Newall £1.	86/3	86/10	4 12 1
5 a	8½ Unilever £1.	46/10	46/10	5 15 2
10 c	12½ Union Castle £1	20/9	21/-	5 19 1½
5 b	5 Union Disc. £1.	39/-	40/-	5 0 0
16½ a	16½ Utd. Molass. 10/-	30/6	30/6	6 9 10
50 c	50 U. S. Betong £1	38/1½	38/1½	26 4 7
10 b	2½ Vickers £1.	44/6	45/3	5 10 6
27½ b	15 Woolworth 5/-	41/-	41/-	5 3 8

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 15½%. (e) Yield basis 16½%. (f) Yield basis 22.9 gross. (g) Yield basis 16½%. (h) Yield basis 12½%. (i) Includes special int. 7%. (j) Yield basis 6½%. (k) Yield basis 19.8%. (l) Yield basis 40%. (m) Yield basis 20%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended August 16, 1952, total ordinary revenue was £74,024,000, against ordinary expenditure of £114,667,000 and issues to sinking funds £430,000. Thus, including sinking fund allocations of £10,392,000 the deficit accrued since April 1, 1952, was £224,998,000 compared with a surplus of £40,424,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	April 1, 1951 to Aug. 18, 1951	April 1, 1952 to Aug. 16, 1952	Week ended Aug. 16, 1952	Week ended Aug. 16, 1951
REVENUE					
ORD. REVENUE	180,422½	347,400	390,017	23,768	15,985
Income Tax	123,000	30,500	27,700	900	1,000
Sur-tax	175,000	77,500	58,500	3,000	2,900
Estate, etc., Duties	57,500	24,600	18,950	700	500
Stamps	452,000	109,400	140,600	10,000	14,200
Profits Tax & EPT	5,000	...	...	...	...
Excess Profits Levy	2,000	1,395	750	50	50
Special Contribution and other	...	...	...	...	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,872½	590,795	636,517	38,418	34,635
Customs	104,350	367,305	384,789	20,189	21,905
Excise	772,000	304,200	281,318	14,800	17,016
Total Customs and Excise	1,815,500	671,805	666,107	34,989	38,921
Motor Duties	64,150	11,203	11,160	...	355
Surplus from Trade	12,000	57,500	...	...	...
PO (Net receipts)	6,100	...	2,600	...	...
Broadcast Licences	15,000	3,400	3,300	...	...
Sundry Loans	26,000	8,352	8,630	54	...
Miscell. (incl. Surplus War Stores)	110,000	26,854	31,703	169	113
Total Ord. Rev.	466,137½	1,376,009	1,357,417	76,230	74,024
SELF-BALANCING	209,235	66,300	74,200	2,400	5,500
Post Office	4,900	1,987	2,133	162	33
Income Tax on EPT Refunds	...	...	...	...	...
Total	487,551½	1,444,296	1,433,570	78,392	79,557

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)	
ORD. EXPENDITURE			
Int. & Man. of Nat. Debt	575,090	190,511	215,341
Payments to N. Ireland	40,000	12,431	13,074
Other Cons. Funds	10,000	4,067	4,158
Total	625,090	207,009	232,573
Supply Services	355,436½	112,359	133,940
Total Ord. Expd.	417,936½	133,067	157,202
Sinking Funds	...	4,978	10,392
Total (excl. Self-Bal. Expd.)	417,936½	133,585	158,241
SELF-BALANCING	209,235	66,300	74,200
Post Office	4,900	1,987	2,133
Income Tax on EPT Refunds	...	...	...
Total	439,350½	140,387	165,874

After decreasing Exchequer balances by £115,827 to £2,818,969 the other operations for the week increased the National Debt by £48,422,239 to £26,006 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

PO and Telegraph (Money) Act, 1950	750
EPT Refunds	42
Local Authorities Loans Act, 1945, s. 3(1)	3,400
Miscell. Fin. Provs. Acts, 1946, s. 2(1) War Damage	3,000
War Damage Commission	273
Finance Acts, 1946 and 1947, Postwar Credits	7,465

CHANGES IN DEBT (£ thousand)	
RECEIPTS	
Treasury Bills	37,309
Tax Reserve Certs.	297
Other Debt :—	
Internal	39
Ways and Means Advances	13,300
	50,975
PAYMENTS	
Nat. Savings Certs.	200
2½% Def. Bonds	740
3½% Def. Bonds	1,613
	2,553

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways and Means Advances	Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts. Bk. of Eng. land	
1951				
Aug. 18	3230.0	2212.0	296.6	355.0
1952				
May 24	2690.0	1477.2	314.6	4481.8
" 31	2710.0	1484.5	299.7	4496.7
June 7	2750.0	1503.4	307.3	4560.7
" 14	2790.0	1517.9	273.5	4581.7
" 21	2830.0	1504.1	301.8	4638.2
" 30	4336.6	309.0	2.3	4647.8
July 5	2910.0	1440.5	308.9	4659.5
" 12	2940.0	1462.7	303.0	4705.7</

BLEACHERS' ASSOCIATION, LIMITED

IMPROVED TRADING RESULTS

EVER-RISING BURDEN OF TAXATION

MR P. L. WRIGHT ON NEED TO CONSERVE RESOURCES

The fifty-third annual general meeting of Bleachers' Association, Limited, was held in the Assembly Room, Blackfriars House, Parsonage, Manchester, on Friday, August 15, 1952.

Mr P. L. Wright (the chairman) presided. In proposing the motion for the adoption of the report and accounts, Mr Wright said: Ladies and gentlemen: The report of the directors and the accounts have been in your hands for several weeks. May I have your agreement that they shall be taken as read? (Agreed.)

Before proceeding with the business of the meeting, I have to record with deep regret the great loss which the Association has sustained during the year by the death of our chairman, Mr R. C. Reynolds, which occurred in February last. This was indeed a bitter blow, for it can be truly said that no man was ever more unflinching in his efforts to further the welfare of the Association. Not only shall we in this company sadly miss his guidance and direction, but we have good reason to know that his judgment and wise counsel, freely given in the wider sphere of the cotton trade as a whole, was greatly appreciated. His presence and exceptional ability will be greatly missed.

My colleagues on the board have appointed me as their chairman, and you have my assurance that I will do everything I can to further the interests of the Association.

CHANGES IN DIRECTORATE

It will be seen from the report and accounts, which were circulated recently, that we have appointed four new members to the board of management. These additional members, namely, Mr G. Bennett, Mr C. E. H. Charlton, Mr C. D. Greenhalgh and Sir Hereward Clare Lees, had, before their appointment in March of this year, each served the company for many years as senior branch managers. Since 1949 they have acted as executive directors and, in that capacity, have had experience in the work at our head office. They are thus well tried, and their appointment materially strengthens the board of management.

We have also appointed four of our managers, namely, Mr G. H. Crook, Mr F. Farrington, Mr G. D. Mucklow and Mr B. Stowell, to be additional members of the board of directors, and their appointment is before you for confirmation today. These appointments are in accordance with our established policy of appointing to the board full-time working directors who possess, in their respective spheres, a thorough practical knowledge of our business.

BALANCE SHEET AND RESERVES

If you will turn to the Association's balance sheet you will see that the net figure of fixed assets is lower by £50,000 than the corresponding figure a year ago. This reduction is after taking into consideration the proceeds of sales of fixed assets and the amount of a claim for fire loss which occurred during the financial year. The actual additions to these assets during the year were, in fact, some £381,000, which indicates the policy which

the board have pursued in improving the plant and buildings of the Association with a view to increasing productive efficiency.

Investments, you will see, are reduced by approximately £150,000, due to two redemptions, the proceeds of which were retained for use in the business.

Current assets have increased by about £670,000. Of this amount advances to subsidiary companies are higher than last year by £330,000. This item represents the increase in working capital required to finance business under present conditions of high prices and the need to maintain adequate stocks of materials in short supply. Debtors are up £390,000, mainly due to the inclusion of a substantial amount which is outstanding in respect of insurance claims following the fire at River Etherow Bleaching Company on October 31st last. Cash with sundry bankers is down this year by approximately £50,000.

On the liabilities side of the balance sheet it will be seen that the reserves have again been strengthened. The market value of the association's quoted investments at March 31, 1952, was £88,000 less than cost. Since that date the market value has further declined. The board have therefore appropriated £50,000 to the investments contingency fund in order that the total of that fund shall approximate to this loss in values. In addition, they have allocated £100,000 to contingencies fund and £100,000 to fixed assets replacement fund. In regard to the appropriations to these reserves, you will remember that I mentioned earlier that expenditure on fixed assets during the year amounted to £381,000. This figure is rather higher than normal and is very largely due to the additional plant which has been installed at several of our works with a view to increasing their productive efficiency and competitive ability. Stockholders will appreciate that such modernisation is essential for the maintenance of their business. The continued rise in the price of such plant and the inadequacy of allowances for depreciation in the computation of income tax assessments require substantial appropriations out of taxed profits. Under existing taxation conditions that applies to every year, but this year we have especially to strengthen the Association's resources in order to meet the contingencies inherent in the present trade recession.

TAXATION AND TRADING RESULTS

The Association's profit and loss account shows a profit of £1,046,000 before providing for taxation. This is £173,000 more than a year ago, but this additional profit has been reduced by an additional taxation charge this year over last year of £148,000, leaving an increase in net profit of only £25,000. There are three reasons for this increase in taxation: firstly, it is due to the additional charge on higher profits earned; secondly, to our feeling the full effect of the increased distribution rate of Profits Tax (for you will remember this rate was increased from 30 per cent to 50 per cent as from January 1, 1951, and only one quarter's increase was reflected in the previous year's charge); and, finally, to the Excess Profits Levy, which is payable as from January 1, 1952. The burden of taxation is thus greater than ever. This latest imposition of the Excess Profits Levy, ostensibly aimed at excess profits made as the result of rearmament, must, in actual fact, hit hardest all those firms which have shown the greatest efficiency and enterprise in increasing production. The protests made during recent years by a large body of responsible people in industry against this ever-rising burden of taxation appear to go unheeded. But it still remains a fact that to load industry with the present level of taxation encourages inflation, destroys incentive, and drains all firms of those resources which are so vital to the maintenance of their efficiency. Nothing short of our ultimate ability to compete in the export trade of the world is at stake. Because the erosion of capital is a gradual one, there is a very great danger that the realisation of its effect will come too late.

After providing for preference dividend, your directors recommend the payment of an ordinary dividend at the rate of 6 per cent for the year. I can well understand that holders of our ordinary stock may find this disappointing, in view of the increased profits for the year under review, and it was only after the most careful consideration of all the factors that the board decided that it would be imprudent, and even misleading, to declare the same dividend as was paid last year, when trade prospects are today so different. In face of current trading conditions and the uncertain future, prudence in dividend is essential and conservation of our cash resources is imperative.

There is little else in the Association's accounts which calls for any comment, though there is one item in the profit and loss account to which I wish to make reference, since it appears to lead to incorrect conclusions, despite the details which are clearly shown. I refer to the item of directors' emoluments. It is, of course, necessary under the terms of the Companies Act, 1948, to include under this heading the salaries and commissions of all those full-time working directors who are employed at our various works. Since it has always been our policy to have a large representation of branch managers on the board of the Association the charge appears high, due to the figure being computed on this statutory definition basis.

The consolidated balance sheet is not greatly different from that of the Association's balance sheet, but the picture is rather changed on the assets side by the breaking down of the shares in and the advances to subsidiary companies. On the liabilities side it is so similar in make-up to the Association's balance sheet that I do not feel it calls for any comment. The difference between the balance carried forward in the Association's profit and loss account and that in the consolidated profit and loss account is some £97,000—this representing the amounts that are carried forward in the accounts of subsidiary companies and which are needed by them to finance their current business and to meet capital expenditure.

INCREASING COSTS

In October last an agreement was reached with the trades union whereby the wages of

our workpeople were linked with the cost of living by quarterly adjustments in direct relation to the variation of the Ministry of Labour index figure. Also during the last 12 months the finishing industry has fallen into line with other sections of the textile trade and agreed to extend the holiday period to two weeks with pay. You will appreciate that the effect of these two items must entail a substantial increase in our wages bill and points to the necessity of continuing our policy of stepping up manhour output by improved methods of working, the use of incentives, mechanical aids, and so on. In what we have already done in this respect I am pleased to say that we have had the close co-operation of the trades union.

In addition to higher wage costs, we are experiencing ever dearer coal and power, more expensive materials for use in finishing and heavier carriage costs—all factors of the same inflationary trend and all inevitably tending to detract from the ability of the industry to sell abroad.

THE OUTLOOK

The accounts we have been looking at deal with a year which on the whole proved satisfactory. It was only during the last few months of the period that the effects of the recession in the textile industry were felt by the Association, so that the full impact is reaching us, as finishers, in the current financial year. The first three months to June show a considerable decline in our turnover as compared with the same period last year, and in the second quarter, including as it does the holiday weeks, the fall will be even more severe. After that there are grounds for hoping that we may look for a subdued revival.

All of us no doubt knew that the conditions enjoyed during the last six years could not last—what no one expected was that they would end so abruptly. Four months or so ago there were virtually no buyers—today there are signs that more interest is being taken in cotton goods, and confidence may thus be slowly returning. But the casualties suffered by the trade during this last year must influence the speed at which we can regain the position of a year or two ago. The tragic loss of workers in the spinning and weaving sections must seriously affect the supply of home-produced grey cloth, on which we, as commission finishers, so essentially depend. The ban on foreign grey cloth, imported for finishing prior to re-export, is not as serious, but it nevertheless represents a not unimportant restriction on our supply.

During the war years, and since, the pattern of our trade has changed. Approximately 70 per cent of the bleaching trade's much-reduced production is now absorbed in the home trade and only 30 per cent in export—in former years this position was almost exactly reversed. Expansion in our export trade is, therefore, a great need, and we warmly welcome the developments which are now in progress and from which it is hoped the Lancashire cotton industry will once again become the main supplier to our Colonial Empire, particularly the East and West African markets. If the price and delivery requirements of these markets are to be satisfied, however, co-operation between all sections of the trade will be essential.

All the signs point to a hard year before we meet again, but, in the face of them, your board is determined to retain a full share of what business is available, carefully to husband the resources of the company and to sustain, through our research and development section, a constant endeavour towards new and improved products. Particularly are we resolved to adjust our economy to these difficult times without impairing our capacity to take immediate advantage of any improvement which comes along.

TRIBUTE TO STAFF

You must allow me, before I sit down, to say a word in recognition of the service which has been given throughout the whole of our organisation. I would like to express on your behalf, as well as my own, our thanks to my colleagues on the management board, their co-directors, to all our branch managers and to the staff at head office and at our works, as well as that grand body of workers upon whom we depend, for all that they have done to contribute to the results we have placed before you. It is good to be able to say that the wonderful spirit of co-operation and loyalty which has so long existed in this Association is fully maintained today.

The report and accounts were adopted.

The retiring directors were re-elected and the fees of the joint auditors, Messrs Jones, Crewdson & Youatt and Messrs P. & J. Kevan were fixed.

A vote of thanks to Mr P. L. Wright for presiding was moved by Mr E. R. Clark and carried unanimously.

SPURLING MOTOR BODIES LIMITED

INCREASED TURNOVER

The fifteenth annual ordinary general meeting of Spurling Motor Bodies Limited was held on August 21st in London, Mr W. F. Spurling (managing director) presiding.

The following is an extract from the chairman's circulated review of the year ended February 29, 1952:

Again we are able to report a considerable increase in turnover.

Your directors have decided to recommend a final dividend of 15 per cent, making 25 per cent for the year, as compared with the 30 per cent paid last year.

I am very pleased to be able to present a report on our group of companies which I believe you will consider excellent. In every case with the exception of Marble Arch Motor Supplies Limited, each and all have improved their results. Already all departments are showing results which indicate that the Spurling Group of Companies should continue moving in the right direction. The results for the early part of the current year are certainly very encouraging. Today our sales business in connection with Vauxhall cars and Bedford trucks is centred round some of the largest operators in the country, many of whose trading names are household words. Our turnover in the service and parts departments has increased, and our production of specialised Commercial bodywork embraces new lines, both for the overseas and home markets. Our order books remain heavy.

The report was adopted.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

The Economist Intelligence Unit

22 Ryder Street, St. James's, London, S.W.1

EDGAR ALLEN & CO., LTD.

MR W. H. HIGGINBOTHAM'S REVIEW

The fifty-third annual general meeting of Edgar Allen & Co., Ltd., was held on August 14th at Sheffield.

Mr W. H. Higginbotham, FSAA, FSS, the chairman, in the course of his speech, said:

The company's trading activities are especially noteworthy in that they resulted in a total turnover greater in value by some 30 per cent than that of the previous year (itself a record figure) and produced a net revenue after full provision for depreciation (but before taxation) of £758,075. These remarkable results have been achieved in face of ever-advancing labour and other costs and the reimposition by the Government of licensing and control of steel sales in general.

ALLOCATIONS FROM PROFITS

Turning to the profit and loss account, I have already given some explanation of the unusually high earnings of the year. Interest and dividends from trade investments (gross) at £30,883 compare with the balance sheet valuation of £30,483; profits (net) and dividends from subsidiaries, totalling £24,993 as against £13,640 last year, show a return of roughly 10 per cent on the amount of our interests in these companies, shown in the balance sheet at £250,636. The total revenue of £916,242 (which compares with last year's figure of £591,436) after provision of £108,585 for depreciation of fixed assets (which, incidentally, is very considerably more than the amount of wear and tear allowance for taxation purposes), and after charging the remuneration of the directors (all full-time executives), and for contributions to staff and directors' pensions schemes, is reduced to £758,075.

From this amount must be deducted provision for income tax (£304,400), profits tax (£100,200) and for the charge proportionate to this year (i.e., three months to March 29, 1952) on account of the new excess profits levy (£20,000), less certain allowances in respect of rehabilitation expenditure; the net charge for taxation under all these heads being £416,003, equal to 55 per cent on the net trading revenue. The corresponding figure last year was 57 per cent, but the effect of a full year's charge to excess profits levy in future accounts must not be overlooked.

CAPITAL PROPOSALS

I should like to make a brief reference to the proposals for appropriation of profits and for capitalisation of reserves set forth in your directors' report. It has been suggested to me—and I do not disagree with the suggestion in principle—that a distribution of profits at a rate of 5 per cent on the capital employed is not an unreasonable expectation from a manufacturing business, especially when trade is good; this would amount to a gross distribution of £140,000 roughly, as against the gross distribution of £101,189 proposed in the report. Your directors have had very much in mind their duty to maintain the security and stability of the business as a going concern and, in so doing, they have weighed very carefully the various claims, immediate and prospective, on the company's resources in the light of the best knowledge they possess.

The time has come to bring share capital more into line with capital actually employed, and the proposals for capitalisation of reserves are a considerable step in that direction. I hope that you will agree that in these, and in their recommendations as to dividends, your directors are acting in the best interests of the company and its future.

The report was adopted.

GLOBE TELEGRAPH AND TRUST

YEAR OF FURTHER PROGRESS

SIR EDWARD WILSHAW'S SPEECH

The seventy-ninth annual general meeting of the Globe Telegraph and Trust Company, Limited, was held on August 15th in London.

Sir Edward Wilshaw, KCMG, DL, JP, LLD, FCIS (the chairman), who presided, in the course of his speech said:

The income for the year amounts to £559,716, which is £84,826 greater than last year. Income tax has risen following the improved results and amounts to £183,455, an increase of £38,979, so that the net profit for the year is £34,052 higher at £204,537.

The directors have felt justified in recommending to you the payment of a final dividend of 5 per cent, making 8 per cent for the year, compared with a total dividend of 7 per cent last year. This total dividend of 8 per cent requires £163,053 and leaves £41,484 to be added to the profit brought forward, making a total sum of £151,093 to be carried forward.

I do not think I need say more about the documents issued to stockholders. I think you will agree that they demonstrate very clearly the further progress which has been made since last year.

Perhaps I may be forgiven for reminding you that the underlying principle of an investment trust is to provide an opportunity for the man in the street with only a few hard-earned pounds left to him by the tax gatherer, to invest his money so as to receive a steady return on it.

It is the duty of these trusts, of which your company is one, to pay to the shareholders such a dividend as it can reasonably expect to maintain in the future, and by the selection of its portfolio, to smooth out the vagaries, due to changing economic conditions, of the dividends paid on many industrial and similar shares.

To this end it is the considered policy of your directors to spread its investments over a wide field, covering not only this country but the Commonwealth in general. The reward which we hope to reap as a result of our foresight should secure our dividend prospects and at the same time assist in the development of those countries on which we may have to depend so much in the years before us.

The three investment trusts, Cable and Wireless (Holding), Cables Investment Trust and Globe Telegraph Company, have very much in common, both in policy and in administration, and it is gratifying to know that progressive increases in dividends have now reached 8 per cent in each of these three companies.

CONFIDENCE IN CHANCELLOR

No one, of course, can foretell what the future may have in store, but there is no doubt that the present Government has reawakened confidence in all. I do feel that great credit is due to Mr Butler, who as Chancellor of the Exchequer, has taken drastic steps with the object of arresting inflation and the drift towards insolvency. The recent improvement in the balance of trade seems to indicate that his courageous actions have not been unavailing, but we have far to go before we regain our position as a leader in the world of commerce and finance with the pound sterling once more established as a currency that is willingly accepted in any part of the world.

The report was adopted.

W. J. BUSH & COMPANY, LIMITED

RECESSION FOLLOWS BUOYANT TRADE

The fifty-fifth annual general meeting of W. J. Bush & Company, Limited, was held on August 21st in London, Dr Percy C. C. Isherwood, OBE, FRIC, chairman and managing director of the company, presiding.

The following is his statement circulated to shareholders with the report and accounts for the year ended December 31, 1951:

The accounts now submitted show that the trading profit of the group has increased from £802,931 to £855,404, but the net profit, after providing for depreciation and estimated sums for taxation, shows a fall from £398,648 to £340,722.

During the year under review the company has continued its programme of expanding its productive capacity, and the net expenditure involved is reflected in the increase in fixed assets of approximately £387,000.

SOUTH AFRICAN SUBSIDIARY

For many years the company has operated in the Union of South Africa through branches of the London company, but in the early part of 1951 the business was transferred to a wholly owned subsidiary incorporated in the Union. This has had the effect in the holding company's accounts of an increase in the investment under the headings of subsidiary companies, and reductions under the headings of current assets and liabilities. These figures are not therefore comparable with 1950 except in the consolidated balance sheet, where they are included in both years.

As the resolution authorising the increase of the ordinary share capital by £300,000 "A" shares was not passed until January, 1952, this change in capital does not appear in the balance sheet as at the end of 1951. The directors' report bears a note, however, indicating that the recommended dividend will be paid on the capital as increased.

In my statement last year I drew attention to the ever-increasing demands on the company's liquid resources by reason of taxation, the carrying of adequate stocks and the maintenance of plant. In order to increase the company's working capital an issue of £500,000 5 per cent unsecured loan stock, 1957-61, was made in February, 1952.

STOCK IN TRADE RESERVE

Throughout the year under review the buoyant trading conditions which have obtained for some years past continued to be experienced, and the company's plants were fully employed to meet demand. The position in the current year, however, is that during recent months there has been a recession in business due to a reluctance on the part of buyers throughout the world to add to existing stocks and to commit themselves to business under the more competitive conditions now obtaining. Unless there is a recovery during the remaining months of 1952 the results for this year must inevitably suffer. This slackening of trade has resulted in a drop in the value of commodities, and in these circumstances your directors have considered it prudent to place a further sum of £150,000 to stock in trade reserve, bringing it up to £300,000.

Once again I wish to take advantage of this opportunity of placing on record my appreciation of the loyalty and hard work of my colleagues and the company's staff both at home and overseas, without which the successful results which are now under review could not have been achieved.

THE ECONOMIST, August 23, 1952

The report was adopted and the proposed final dividend of 7½ per cent, less tax, on the ordinary share capital, making 10 per cent, less tax, for the year, was approved.

PURNELL AND SONS (Printers and Bookbinders)

RIISING COSTS OFFSET RECORD TURNOVER

The eighteenth ordinary general meeting of Purnell and Sons, Limited, was held on August 15th in London, Mr W. Harvey (chairman and managing director) presiding.

The chairman said: I have pleasure in submitting to you the accounts of your company which, I think you will agree, are not unsatisfactory in view of the formidable increase in the prices of raw materials which occurred during the year under review, including an increase of about 50 per cent in the price of paper.

Although the turnover of the group and the production of its factories increased during the year 1951 to the highest level yet reached and was approximately £600,000 more than in 1950, the group profit for the year, before providing for taxation, shows a decrease of £119,863, the comparative figures being: 1951 £441,938, 1950 £561,801. It has always been the policy of your directors to preserve the goodwill of the business, and in continuance of this policy it has been necessary during the current year to maintain prices as near the level of 1950 as possible, notwithstanding the heavy increase in cost of production partly due to higher wages, but mainly consequent upon the higher cost of materials.

HARSH TAXATION

In reviewing the accounts presented to you at the last annual general meeting, I referred to the harsh effect of taxation on industry. This appears to intensify each year and is illustrated by the figures under review, when taxation was equivalent to 14s. 3d. in the £, as against 12s. 11d. in 1950. It may be of interest to you that since the formation of the company, out of a profit of some six and a half million pounds, more than four and a half million pounds have been paid in taxation.

A further matter for comment is that under the Finance Act, 1951, the initial allowance given in respect of capital expenditure has been withdrawn, in spite of the factor that it is obvious the ordinary wear and tear allowances given will be quite inadequate to cover the cost of installation of new plant which will be necessary in the future. It has been the constant aim of your directors not only to maintain, but to improve the efficiency of the plant and to keep abreast of all new developments—but this is becoming increasingly difficult due to the factor that replacement costs continue to rise at a rapid rate.

THE CURRENT YEAR

During the first six months of this year there has been a recession in some branches of printing, but the position has now improved and the improvement may be maintained if the price of materials continues to descend to a more reasonable level. We now have substantial orders in hand and while the total production will not be at the same high level as last year, the prospects generally are satisfactory.

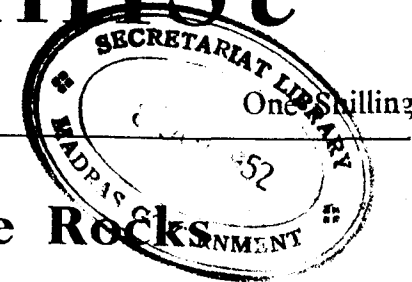
I should like once again to pay tribute to my colleagues on the board, all of whom give their full time to the service of the company, and to express my thanks to the staff and workpeople, without whose whole-hearted support the satisfactory results shown by the accounts could not be maintained.

The report was adopted.

The Economist

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Margate Rocks

AT Margate next week and at Morecambe a month later there is, fundamentally, the same question to be answered. It is whether the British Labour movement can be effectively led from behind. Both in the trade unions and in the political Labour party, the Left wing almost always has the initiative. The moderates are as often shame-faced. They step in, always apologetically and usually somewhat furtively, to try to save their followers from irresponsibility after the extremists have had their say.

At Morecambe the official leaders of the Labour party will not be proposing any constructive alternative to the Bevanism they oppose. They will ask the annual conference to reject the Left wing nostrums so freely expressed in the resolutions of its constituency delegates—which are discussed on page 488—but they will do so by suggesting instead the well-meaning but vague platitudes of the recent party document on "Facing the Facts." They will, that is to say, ask the conference not to settle but to postpone the real issues that the Left has raised; they will hope that then something else may turn up.

When the Trades Union Congress meets at Margate next week, leadership from behind will not take such a negative form as this. After several of its constituent unions had passed resolutions favouring cuts in the rearmament programme, the general council of the TUC in May stepped in with a firm statement on the priority that ought to be given to defence. Again, after some of the unions had pressed ahead with unusually extravagant wage claims—and had not, to say the least, been discouraged by the TUC's bitter comments on Mr Butler's Budget—the general council last week stepped in with a realistic statement of Britain's economic difficulties; without quite drawing the conclusion in so many words, it almost fully endorsed Mr Butler's contention that nothing but harm can come from a general rise in wages.

On both these points the TUC's leaders will be strongly challenged next week. For rearmament they have no direct responsibility and Mr Churchill himself has now thoroughly blurred the issues of principle; the vote at Margate will therefore have little significance in relation to anything except the personal struggle for power by Mr Bevan and his supporters. But the debate on wages policy will go to the heart of the issues facing the movement. In recent years it has often seemed that the exceptional responsibilities of the TUC arose from the existence of a Labour Government to which it claimed exceptional advisory rights. In fact, the first postwar Congress to be held with Labour in opposition proves to be one when the TUC's responsibilities are greater than ever. The issue, in essence, is unchanged. Will the Labour movement help to make the mixed economy—the economy that war and the Labour movement have created—work?

It is still an open question whether the real social advance that this country has achieved since 1939 will be the precursor of plenty or of

LEADING ARTICLES	
Margate Rocks - - - - -	481
Saar: Cockpit or Capital? - - -	482
Rootless and Homeless - - -	484
Bureaux Against Bureaucracy - -	486
NOTES OF THE WEEK - - - 488	
Humpty-Dumpty Diplomacy; "Liberation, not Containment"?; Cross-Currents at Morecambe; The Bevan Bid; Wages Advance; Britain and the Schuman Pool; The Closing Door; Canada and Commonwealth Economics; Freezing Pensions; Foot-and-Mouth; Japan Courts the Overseas Chinese; Greece in Search of a Policy; The Straffen Case; Unsettled Persons; Guide to British Women.	
BOOKS AND PUBLICATIONS - 495	
LETTERS TO THE EDITOR - - 498	
AMERICAN SURVEY	
Eisenhower's Burden - - -	499
Labour Stands Firm - - -	500
Boiling Oil; Absorbing the Steel Shock; Candidates on the Middle Road; Scraping the Barrel; Shorter Notes.	
THE WORLD OVERSEAS	
The Fifth Soviet Five-Year Plan—I - - - - -	505
Hesitation in Egypt; The Cost of Telling the Truth; India and Communism.	
THE BUSINESS WORLD	
Boom in Gilt-Edged - - -	514
Taking Stock in Engineering - -	516
BUSINESS NOTES - - - - 520	
Shell and Anglo-Iranian Under Fire; The Issue of Jurisdiction; An Extended EPU?; Defence Behind a Curtain; Recruiting Brainpower; How Imports Have Been Cut; Textile Exports Cease to Fall; Radio States its Case; TV and Circuses; Fiduciary Issue Reduced; IMF Dollars for Australia; Coal Stocks and Industrial Output; Extrapolation in Coal; Boom in the Copper Belt; Recovery in Jute; Steadier Wholesale Prices; Shorter Notes.	
COMPANY NOTES - - - - 527	
STATISTICAL SUMMARY - - 530	
COMPANY MEETINGS - - - 531	

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permanent impoverishment. If the trade unions cling to the cruder ideas of Socialism surviving from the thirties, they can make impoverishment inevitable whatever the party in office. Their choice is still uncertain, though it would be grossly unfair not to recognise that, in the TUC much more than in the rest of the Labour movement, those cruder ideas have since the war been to a considerable extent set aside. In 1945 the British trade unions came to a power such as they had never dreamed of, and promptly found it to be bitter. The rank and file remained more conscious of the new power than of the strict limits that economic circumstances set to its use. The leaders, with the help of Sir Stafford Cripps, soon realised that in a fully employed economy bargaining power could not raise the real wages of the workers as a whole. For the stronger unions, which inevitably set the pattern for the rest, the traditional aim of exacting as much money as possible from the employers became dormant. Appearances, of course, were generally kept up. But the real issue for the responsible union leader was whether he could keep his followers satisfied without insisting on rises that would make inflation worse for everyone.

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Extravagant and unjustified though many union claims have been—and are—the trade unions as a whole certainly have not been for the past six years the dominant cause of inflation. On the contrary, they have done a little to repress its symptoms. The initiative in raising money earnings has quite as often been taken by employers who were willing, in order to attract scarce labour, to pay much more than the union rates. In this situation, the official leader found himself more and more remote from his followers; thrusting shop stewards, negotiating with the employers on the spot, seemed to become the individual worker's real friend. These serious strains have been faced not, indeed, heroically but with good sense. For all its selfishness, its short-sighted conservatism, its slowness and its circumlocution, the trade union movement has on the whole made a difficult adjustment as well as most institutions do.

But is the achievement secure? The immediate issue at Margate is whether it can at least be maintained—in changed circumstances. The changes are two. First, the

economic logic of the appeal for wage restraint no longer has the powerful reinforcement of loyalty to a Labour government. Secondly, and more important, the economic climate has become less inflationary. Such industries as textiles are in no position, for the moment at least, to raise wages and prices, whatever the pressure from the unions; elsewhere, there are certainly much stricter limits than before to the wage increases that may conceivably be granted. The bargaining power of the unions has been reduced. But—as is shown by the rises already granted—the power is still, by any normal standards, very great. And precisely because it has fallen, there is now more temptation for the unions to use to the full the power they have—which is still quite sufficient to price many British exports out of world markets and destroy the chances of national solvency. Rises such as the £2 a week demanded by the engineering workers are plainly out of the question. But that is not the only road to ruin. Will some unions strike rather than accept the much smaller awards—of perhaps five or ten shillings a week—that might be made?

It is here that the effectiveness of the TUC's leadership will be tested. Its case for wage restraint is leadership from behind in the sense that it comes too late to affect the round of extravagant claims. There the hotheads have had their way. In fact, though not in form, the general council is asking the more militant unions to climb down gracefully, to be content with rises less favourable than the conventional proportion—varying from 40 to 60 per cent—of their claims. The appeal comes dangerously late. For five months since the Budget the TUC has wavered. Once again it has in the end—and at the top—shown moderation and good sense. It will not, surely, be stampeded now. At Margate the general council will no doubt be attacked for what can be represented as helping the Tories. If its spokesmen are apologetic and hesitant under this charge, their influence in future will be weaker than ever; they as well as the country will be the poorer. They have made their choice for continuing moderation. They now have everything to gain by throwing their weight on that side of the scale as fully and openly as they can. The future of the Labour movement depends quite as closely on their success as does the survival of Britain under a Tory government.

Saar: Cockpit or Capital?

IN this century the relations between France and Germany have been haunted by furies as terrible as any in Greek and Elizabethan drama. For France the spectre's name is fear; for Germany pride and the lust of power. Each strengthens and stimulates the other, and once this dreadful dance is set in motion, reconciliation, tolerance and a lasting settlement vanish with the furies at their heels.

After each convulsion there is, however, a lull and Europe is living through one of these. Germany has been defeated and has lost—for the time—its aggressive Prussian half. Moreover, Dr Adenauer's sincerely European spirit has put a bridle upon the uncontrolled nationalism of other Germans. France is therefore not yet too frightened to consider means of conciliation. On the other hand, the lulls do not last long and there are already signs that this one may be drawing towards its close. Western Germany's economic recovery has taken place with such speed that even without the Eastern zone

it is once again a formidable power. The spirit of nationalism, though still dormant, is being exploited by the Social Democrats in opposition. Elections must be held in Germany next year and they may mark a dangerous decline in Dr Adenauer's influence. The French see all this and feel the more strongly the danger of concession and the need for reinsurance. There is a direct risk that the work of reconciliation may be halted in the very months during which it enjoys its best chance of success.

Nowhere is this fateful interplay of national sentiment more apparent than in the negotiations over the future of the Saar. This little industrial area, tucked into an angle of Europe's frontiers, has become the touchstone of success in European reconciliation and also the chief obstacle to its achievement. For France, the Saar has been and still is a solid practical means of achieving some measure of parity with German industrial strength. In 1946 it was politically detached from Germany and

attached economically by currency and customs union to France; its steel companies were sequestered by the French with the sanction of the Interallied Reparations Agency. In 1950, a convention with the Saar Government confirmed the transfer of the coal mines on a 50-year lease to France and integrated the Saar railways with the French system. The agreements reinforced the French in just that sphere of heavy industry where their comparative weakness was most apparent. The setting up of the High Authority of the Schuman Plan does not, at least for the time being, lessen the importance of the Saar to France, for the national ownership of the coal and steel is not affected by the High Authority, and France still relies upon Saar production to give it comparable production figures to those of Germany in coal and steel and to bring it into the merger on the basis of "industrial parity."

For Germany the issue of the Saar is more political than economic. The German view, in its simpler form, is that the Saar is German and that its people should enjoy the right of "self determination" to bring them back into political union with Germany if that is their desire. Hitherto the French have not permitted branches of German parties to be organised in the Saar, and so long as the German economy was in ruins and France was giving the Saar privileged economic treatment, a majority of the Saarlanders were ready—as is their custom—to go where the bread was most thickly buttered. Now Germany's economic recovery is exercising its usual appeal and if pro-German parties are organised in the Saar, fresh elections might well result in a victory for them. German nationalist opinion demands either such elections or the holding of a plebiscite so that the Saar may, as it did under Hitler after the 1935 plebiscite, "come home" to Germany.

Into this cauldron of competing national fears and interests, M. Schuman, with the fertility of ideas customary to French postwar diplomacy, has thrown the concept of the "Europeanisation" of the Saar, a proposal which may yet provide the needed catalyst. The Saar territory is, of all European provinces, probably the one most suited to such an experiment. Throughout its history, the shifting tide of dynasties and alliances has washed it from sovereignty to sovereignty—one reason perhaps for the predominance of economic advantage in the disposal of its loyalties. To become Europe's "District of Columbia" and to see Saarbrücken as the capital of Europe could well be profitable enough to ensure the Saarlanders' support. Economically, the Saar forms an integral part of the great complex of Ruhr-Luxemburg-Lorraine heavy industry, and its Europeanisation would thus be not only consistent with the working of the Schuman Plan but almost a condition of its development.

M. Schuman's suggestion may, therefore, be some-

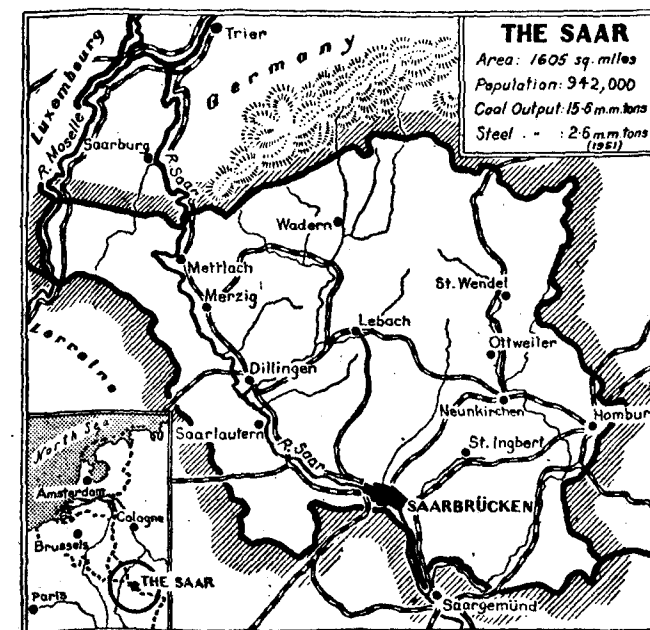
thing much more than a symbolic gesture. Nevertheless, it is already clear that negotiations on this new basis between France and Germany have run into difficulties, and any easy optimism about their outcome would be quite out of place. The French maintain that, in offering to abandon their political control of the Saar and in giving up the claim of Strasbourg, or of some other French city, to be Europe's future capital, they have offered a magnanimous example of European co-operation. But the Germans see only that the economic life of the Saar will continue to be under French control for some time to come, that a "German" province is not to rejoin Germany—hence the suggestion that France should show "parity of sacrifice" by giving up a strip of Lorraine for inclusion in the federal territory—and that the Saarlanders' "right of self determination" may be endangered. Both sides now feel the other has failed in generosity. Both sides tacitly accuse the other of talking the language of Europeanisation while pursuing the objective of narrow nationalism.

The deadlock, however, may not be complete. Very sensibly, the discussions are being pursued in private, and it is impossible to say what stage they have reached; but it is clear that there are a number of points on which further negotiation might uncover a real measure of agreement. It must certainly be hoped that this is so. For it should be clear to everybody that since matters have reached the present pitch, some international, or at least neutral, solution for the Saar is essential if the great project of Western European unification is to proceed. Either of the nationalist alternatives would bring the structure down in ruins. If the Saar were now, whether as the result of a plebiscite or

otherwise, to return to Germany, the French would disown M. Schuman and retreat into apprehensive isolation. If, on the other hand, it is insisted that the Saar remain under the French umbrella, the German nationalists will be given a perpetual handle in their campaign against Dr Adenauer's policy of moderation, and the continuing feud would very soon put an end to the work of Franco-German reconciliation. The only way out is that the Saar should, in some form, be internationalised.

The desirable next step, then, is to work out in some detail what internationalisation would mean for the Saar. This is not a task for the French and the Germans alone. The United States and the United Kingdom are vitally interested, not merely as parties to the agreement reached in 1946 but also because they have based their foreign policies on the construction of a solid Western European community. At a point in the negotiations that may be approaching, the good offices of the Americans and the British may be urgently needed, for some friendly pressure may be required on both the principals.

The French will have to be urged to make it much



more clear than it yet is what they mean by the internationalisation of the Saar. To whom is the political control of the territory, now exercised by the French Ambassador, M. Grandval, to be transferred? And what of the currency and customs union with France? It could not be abolished overnight, for the Saar is not a viable economy. Nor could all barriers between the Saar and the six nations of the Schuman Pool be raised without immense disturbance to orderly commerce. But the French should be willing to state clearly at which point they would be prepared to fuse their currency and customs union with the Saar in a wider union embracing the other six. The duties on coal and steel will in any case vanish within the year under the Schuman Plan. At what stage do the French envisage a general extension of the principle?

The most precise point of all turns on the question of the ownership of the Saar's coal and steel. What is proposed for the steel mills—now sequestered by the French—and the coal mines—now leased by the French? That is the hub of the question. That the French are unwilling to see these industrial resources pass under German control is understandable. But if they mean to keep them for themselves, then it is not really internationalisation they are proposing. A possible solution could perhaps be found in a genuine development of interlocking capital in the Saar—the form of ownership, incidentally, before 1913. The French, for instance, might offer to buy a large share of the sequestered steel shares from the former German owners, while the mines, which have long been state mines, could possibly be transferred to the control of the High Authority, or placed under some form of Franco-German control. With ownership thus internationalised, the French could claim to have done their share in making Europeanisation genuine.

At present, the German reaction is in some doubt. No one can deny Dr Adenauer's strong desire for a European solution. But he is under pressure from the nationalists and has already been compelled to talk of

raising the Saar issue at the Council of Europe. It follows that in any offer of British and American good offices, it is not only—and perhaps not mainly—on the French that pressure may have to be brought to bear. France, attacked and ruined in two wars, and, largely as a result, the weaker partner, can hardly be expected to make all the concessions. The Germans, too, must play their part and their contribution should lie in the political field—in the acceptance, in principle, of the experiment of internationalisation, at least for such time as is necessary to see whether it will work. To press for the licensing of pro-German parties and for elections in the Saar in the immediate future means inevitably that sides will be picked and passions unleashed on the straight nationalist issue—whether to join Germany or to join France. If consultation is delayed, the Saarlanders will have time to taste the fruits of European status and to learn that their great German neighbour sincerely believes internationalisation to be the right solution. Ultimately they must of course be consulted but their views cannot, in an issue of European magnitude, be the sole or even decisive factor. Nor is there much reason to suppose that they would opt for a German nationalist solution if the Germans themselves had specifically abandoned it.

The crucial point is thus German acceptance of the principle of internationalisation, but pressure may be necessary to bring them to accept the fact. The Saar, if settlement is delayed, will drift their way. It is France, not Germany, that is in urgent need of a settlement, yet France inevitably plays the weaker hand. It is for this reason, if for no other, that Britain and the United States cannot afford to remain aloof. The French, reinforced by strong British and American backing, would find it possible to be flexible. The Germans, negotiating with three great powers, might think it worth their while to be so. But if they are left to themselves, the fear of one side and the over-confidence of the other can wreck negotiation and lead Europe back down the fatal road of disunity and disintegration.

Rootless and Homeless

IT has rightly been said that the century of the common man is also the century of the displaced person. The problem of refugees has, indeed, been with us now for so long that people are hardened about it. There is a widespread feeling that as much as could be expected has already been done to ease the plight of the homeless; and that the continued existence of the problem, after years of effort, indicates that no final solution is possible. In this atmosphere of dwindling interest, most people have failed to notice that the whole nature of the problem has been transformed in recent months.

At the beginning of this year, the International Refugee Organisation (IRO), the United Nations agency which had resettled over a million displaced persons in its five years of activity, came to the end of its resources. At one time there had been a general hope that it would be able to clear up the whole task entrusted to it before its funds were exhausted. But the receiving countries were less hospitable than had been expected. Some of them jibbed when presented with the bill; some refused to join IRO at all; and others, keeping their doors theoretically open, picked at the refugee camps with cautious and finicky fingers. While they selected the best human

material from the mass of DPs with the deliberate slowness of a bargain hunter in Petticoat Lane, IRO's funds were quickly exhausted by the vast responsibility of maintaining hundreds of thousands of people in forced and unproductive idleness; and when the bargaining was done, the camps were left with a frighteningly high proportion of sick, disabled, and aged people, the so-called "hard core" of the refugees. At the beginning of 1952 it was estimated that 400,000 refugees, within the United Nations definition (which excludes persons living in the countries of their ethnic origin, such as the Germans expelled from Eastern Europe and now living in Germany), were still in Europe. About 120,000 of them were living in camps; these included 50,000 in Austria, 50,000 in Western Germany and 10,000 in Italy.

It is true that the winding up of IRO did not completely end the possibilities of a new life in a new country for every one of these people. At a conference in Brussels last December sixteen governments agreed to set up a new organisation with the cumbersome title of the Provisional Intergovernmental Committee for the Movement of Migrants from Europe. This committee, inevitably known to the initiated as PICMME, embarked on a

limited programme of transporting some 115,000 Europeans to other continents; it has already moved some 40,000, most of whom had been granted entry visas through IRO before its extinction. But, as its name implies, it was not created to deal only with refugees. Its terms of reference were to make a first assault on the much wider problem of surplus population in Europe.

The British Government have not joined this committee. They were represented at Brussels but abstained in the vote by which the committee was created; and, although it was announced at the time that the Government would carefully consider whether they should join, the gist of a recent parliamentary reply is that they will not. In that reply Mr Nutting referred to balance of payments problems as the chief reason for the British decision. The cost of participation would not be high; the committee's budget was fixed at \$36 million, of which \$10 million was to be contributed by the United States, and this country could make a worthwhile contribution to the programme for less than a million pounds. It will therefore be asked whether, despite all economic difficulties, Britain should not crown the considerable part it has already played in solving the refugee problem by taking on a last, and relatively small, burden of this kind.

But to pose the issues in this way is to misrepresent the present state of affairs. The provisional committee cannot finally empty the refugee camps. Even if its programme were confined to refugees formerly in IRO hands, it could only move a quarter of them; and its programme is not thus confined. By its nature, it symbolises the change that has come over the refugee problem. While tidying up some of the loose ends left over from IRO, it is entering upon the wider field of assisting migrants who are not refugees. Its creation amounted to a recognition that most of the remaining DPs will never now leave Europe.

That the era of mass intercontinental movement by refugees has ended is due to several factors, of which the exhaustion of funds is only one. To feed and care for a million and a half refugees, and to move a million of them across the world cost IRO nearly \$400 million, of which the United States contributed \$237 million and Britain \$76 million. Expenditure on this scale could not have continued much longer, especially in view of the fact that only eighteen out of sixty United Nations members were contributing; but it might have continued a little longer, if that were all that was necessary. But the situation was complicated by the appearance of so many "new" refugees from postwar Eastern Europe; by the increasing selectiveness with which immigrants have been

received; and above all, by the growing competition that the refugee must face from other emigrants.

Inevitably, the migrant who has behind him the protection of his own government enjoys several advantages over the refugee when he seeks to enter another country. He has a regular passport; the receiving government knows that if he becomes a nuisance or a burden he can go, or be sent, home; and his own government can not only help him to make the journey, but can also negotiate favourable terms for him with his new hosts. Moreover, he is generally fit and active, while most refugee populations carry an unusually heavy load of sick, old and very young persons. Now that the cream has been skimmed off the DP camps, few of the remaining refugees can hope to compete for entry visas with the vigorous and valuable emigrants who now seek, owing to population pressures, to leave Italy, Greece, and the Netherlands. Probably less than ten per cent of the refugees will succeed in this contest. For the rest, the only alternative is to be absorbed into the communities among whom they now live.

On February 2nd the United Nations Assembly adopted a resolution authorising the raising of an emergency fund for the relief of the neediest refugees, urging that refugees should be allowed to benefit from migration programmes, and asking countries directly affected to "pay special attention to this problem when executing programmes of economic development." The UN High Commissioner for Refugees, Dr van Heuven Goedhart, has made no secret of the fact that he regards the last of these three clauses as the most important. The response to his appeals for contribu-

tions to the \$3 million relief fund has been scant. He has received \$69,000 from Switzerland, \$19,000 from Sweden, \$14,000 from Norway, \$13,000 from Germany and about \$8,000 from other sources. At the end of June the British Government pledged a contribution of £100,000; but in the absence of corresponding pledges from other countries the fund's prospects are poor indeed.

This month, however, a considerable stimulus was given to the High Commissioner's efforts to give refugees useful work in the countries where they now find themselves. The Ford Foundation announced that it would grant \$2,900,000 to be used by Dr van Heuven Goedhart for this purpose. It stipulated that this grant should not relieve governments of their moral responsibilities; but it should at least encourage those chiefly concerned, in Austria and Western Germany, to pay more attention to the part that refugees can play in the economic life of their countries.



The High Commissioner has already persuaded the Bonn Government to extend to non-German refugees a small part of the credit facilities which it already provides for Germans expelled from beyond the Oder-Neisse line. With the Ford grant behind him, he may be able to do more in Germany. In Austria, where his responsibilities extend to the protection of *Volksdeutsch* refugees as well as non-Germans, Dr van Heuven Goedhart has for some months been pressing the government to adopt a two-year programme for the rehabilitation of some 100,000 refugees. Many of these are competent farmers, and there is much marginal land in Austria on which they could be settled, with obvious benefits to Austria's food production, if a certain amount of capital were provided. The capital cost of the two-year plan has been estimated at about \$21 million, half to be drawn from Austrian and half from foreign sources; and while the Ford grant can-

not meet more than a fraction of the latter requirement, it could serve as an invaluable pump-primer.

These projects do not solve the problem of the disabled, sick, or aged refugee. It is essential that more assistance for these helpless people be provided, either in the form of contributions to the High Commissioner's emergency relief fund, or by way of such offers as that recently made by the Swedish Government to admit tubercular refugees from Trieste. But as regards the able-bodied refugee, who is still in the majority, it must be recognised that the prime need today is integration, not emigration. For until it is clearly understood that for most refugees the future must now lie not in the Americas or Australasia, but in Europe, neither the refugees themselves nor the governments and peoples of Europe can be expected to tackle the task of integration wholeheartedly.

Bureaux Against Bureaucracy

BEFORE the war there were no such things as Citizens' Advice Bureaux. Now there are some five hundred of them. They are little offices, usually managed by public-spirited philanthropists, usually staffed by only two or three people, whose business it is to give information or advice to callers on every conceivable kind of personal problem. The number of these enquiries, carefully recorded, is more than a million a year. Here is a significant comment on the functioning of the welfare state; here, incidentally, is a very English way of meeting (despite their name) the challenge of bureaucracy.

The bureaux were set up at the outbreak of the war. A voluntary body, the National Council of Social Service, obtained funds from the Ministry of Health to finance the establishment of one thousand information centres to guide the public through the jungle of unfamiliar regulations concerning evacuation, rationing and call-up. They were staffed by capable and sympathetic people, selected with some care; many were voluntary workers, but they varied widely in background. The centres rapidly acquired a vitality and popularity beyond all expectation. With the return of peace their winding-up was postponed from year to year. Local charities stepped in as government funds were withdrawn, and as local charities felt the strain local authorities began to vote donations. At present about one-third of the bureaux receive no public money whatever. One or two are entirely dependent on local authority grants.

All, however, have the strongly independent character of voluntary social service, which is preserved by their extensive use of part-time volunteer workers. They depend on their own central headquarters for organisation and advice, as well as for an excellent and business-like information service, which is the lifeline of Citizens' Advice Bureaux. It is produced on a shoestring, by a group of professional men—again largely volunteers; nevertheless, it is a digest not only of statutory regulations and announcements of public bodies, but also of useful departmental circulars and other unpublished information. Indeed, the service is made possible by the cordial attitude of government departments. Another example of this cordiality is the departments' readiness to receive—or even request—reports as to where, in their vast operations, the shoe pinches the public. The

launching of the National Insurance Act was one occasion when local officials were too overwhelmed by the task in hand to make any detached, let alone statistical, appraisal of the causes of public misconception and confusion. The call-up of Z class reservists was another case in point. No government department was immediately aware, as were the Citizens' Advice Bureaux, of the muddle and distress caused by the absence of provision for heavy mortgage and hire purchase commitments among the men recalled. It was partly because of their timely representations that this was put right before it caused too much trouble.

The middle classes—accustomed to consulting their bank manager, their lawyer or their professional acquaintances in cases of difficulty—may wonder why yet another free service should be provided for people who cannot manage their own lives. One part of the answer is that the welfare state, which looks on paper as though it carried people in its arms from birth to death or after, still creates a deeply distrustful attitude on the part of the ordinary man and woman for whom its ministrations are intended. "Please tell me what I'm entitled to before I go to the Assistance Board" (or the Revenue or the Local Welfare Office) "because if you don't know the ropes you can't get anywhere with those people." This attitude is no less real for being, in large part, mistaken.

When an unexpected spanner is thrown into life's routine the individual is often quite ignorant of how to get the help due to him. When an elderly lodger dies penniless, does one order the funeral first and claim the cost afterwards? And from whom? When a new utility sofa bursts at the seams, does one prosecute the dealer? Or the maker? Or is it something to do with the Board of Trade? And if a waitress in a small town is dismissed without her holiday pay, she may complain to the Ministry of Labour; she may even identify, and write a coherent letter to, the appropriate Trade Board Inspector in an adjacent town; but she is much more likely simply to declare that "all these regulations are only a farce when it comes to the point." Sociologists may discern a lag between the growing complexity of institutionalised welfare and the social skills necessary to

manipulate it; cynics say that the government has invented a new kind of hard labour—running from place to place trying to get something for nothing.

Nor is everything plain sailing when the right office has been approached and the right form filled in. Big organisations make plenty of individual mistakes, however beneficent their general policy. Not all the clerks who deal directly with the public are the right sort of people for the job, and the difficulties of selection and training are little consolation to the timid caller whose story is rambling; the caller with a grievance whose dates are vague; the perfect paragon of callers faced with a liverish jack-in-office. All alike suffer a sense of outrage when the almighty state says "No" and they are convinced it should have said "Yes."

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It would be wrong to imply that Citizens' Advice Bureaux are chiefly concerned to champion the individual against the government machine. First and foremost they represent, to the man in the street, a human sympathetic listener, prepared to consider a difficulty from all sides, rather than anxious to say "that's not our department." Almost as important, they enable him to lay his troubles before an "educated" person in the superstitious sense of that word—before someone who, though he may not know all the answers, has a good idea where to find most of them. But perhaps most important of all, they stand for a kind of human reference-book independent of authority. Bureaux workers have the time and skill to interpret complicated regulations in simple terms and thus dispose of a good many supposed grievances; and when administrative injustice is seen to be done, they usually know how to get it put right without fuss. To a large extent, they have replaced older pillars of wisdom—the leisured family doctor, the parish priest and the village schoolmistress—who have for various reasons ceased to be the natural resort of the poor man with a problem. In some localities, the reputations for sound advice that Citizens' Advice Bureaux have gained are very high indeed.

The variety of problems is extraordinary. Not only the tenant, the customer and the employee, but also the landlord, the shopkeeper and the employer appeal to the bureaux for advice. Many enquiries are of the emergency kind that would otherwise go to the police—destitution, children left uncared for, matrimonial violence. Some require expert advice—legal, financial or psychiatric. And some defy all classification, like the man who had escaped from a mental home and wanted to know where to get a ration book. Simple legal guidance is often in demand, and an astonishing number of people do not know that they can get it for as little as half-a-guinea without suffering that fate comparable to death, "getting into the hands of the lawyers." The bureaux send many people to solicitors who would not otherwise have gone. Often they co-operate with a poor man's lawyer service. But at the same time they answer many more elementary legal points directly. "Can I stop paying rent to force the landlord to mend the roof?" "Can I get a divorce for incompatibility?" "Can I marry my father's step-brother?"

The universal character of the enquiries which it must be prepared to receive is, inevitably, the weakness of the organisation. It is very much a matter of luck whether in any town the right people can be found to match so much promise with performance. Trained social

workers, retired solicitors, bank managers or public officials, married women whose families have grown up—these are fairly typical of the people who run bureaux, sometimes for a salary, often for an honorarium. Recruitment would be easier if the bureaux could pay better salaries, but this is only part of the answer. A stronger headquarters organisation to provide training courses and visiting officers, who would make the bureaux less isolated, would do even more to raise the status of their work and attract the right people.

In The Hunting of the Snark, the captain

Had only one notion of crossing the ocean
And that was to tinkle his bell.

Many people fear that, while social service is all very fine in theory, it saps initiative, and that soon the man in the street will have only one notion of coping with life and that will be to tinkle the bell of some agency and lay his problems at its feet. There is a real danger here. But the champions of Citizens' Advice Bureaux point out, with some justice, that so far from encouraging people to be helpless, this organisation simply provides armchair advice as to how people can best help themselves. It hands out no money. It has no reformist or moral mission. Its own status is anomalous and its finances precarious, but it sets out to do a job which can make a very respectable contribution to the smooth running of the welfare state.

Railway Disasters

The public has been almost frightened within the last few weeks by numerous accidents on railways. Several persons have been killed, and a greater number of disasters than on the average appears to have taken place. This is alarming, because it occurs where, with proper regulations and proper care, no accidents ought to occur, and because these accidents are successively increasing year after year. Instead of increased skill, as the invention becomes better known and more used, lessening the number of accidents, they are becoming more frequent. . . . The bulk of the accidents, whether traced to the wearing out of the road, inefficient machinery, want of punctuality, or want of sufficient number of servants, may all be ascribed to one cause—the parsimony of the companies. The means employed do not correspond to the work to be performed. The necessity of providing a dividend swallows up the means that should be applied to take care of the passengers. Of course all this is to be resolved into waste, or mis-employment of the companies' resources, and to mismanagement at head-quarters. The profusion of the companies in one direction has necessitated parsimony in another. Every person endowed with ordinary sagacity has from the first condemned, for example, the useless expenditure for ornament about railway termini, etc., before the actual necessities of traffic were provided for. To pay for embellishments out of earnings, is good taste that deserves to be applauded; to pay for them out of capital till every part of the passengers and goods traffic is perfect, is little less than a crime. But every railway in the kingdom has wasted enormous sums on mere show, and now sacrifices the lives and comfort of passengers in a vain effort to retrieve the error. Interest must be equally paid on the capital invested in magnificent saloons as in locomotives and in the payment of drivers' wages. The extravagance which the sight-loving public has applauded is now felt in danger to life and limb.

The Economist

August 28, 1852

NOTES OF THE WEEK

Humpty-Dumpty Diplomacy

The latest Soviet Note on the future of Germany is an example of a type of diplomacy that is sometimes baffling to the Western mind. To the comparative realists of the occident words are meant to convey meanings, rather than to create impressions. A lie is disgraceful, and it is shaming to be caught out telling one. If a line of policy has been proposed one day, the Westerner shrinks from bare-facedly proposing something quite different shortly afterwards. In Moscow and Tokyo negotiators are taught quite a different conception of words. They learn that there are two kinds of lie. One is meant to deceive, and may be comparatively credible; the other is pronounced boldly, knowing that the other party's reason will tell him that it is not true. The point is to maintain the negotiator's position and, by constantly reiterating even a palpable untruth, to undermine the opponent's confidence. Since this is approved technique, nothing could confuse a Russian or Japanese less than to be caught out in a contradiction.

As Humpty-Dumpty remarked of words, "The question is, which is master?" In the Soviet Note published last Monday, the Moscow government blatantly ignores the fact that it proposed only a few months ago that a peace treaty should give Germany a national army, and that former Nazis and officers should be freed from disabilities. It equally overlooks the formation of a German army in the Soviet Zone, announced with a blare of trumpets by the German Communist leaders, to the discomfiture of their colleagues in France and Britain. Now the Soviet Government reverts straight back to Potsdam, in a passage that could have been, and probably was, written five years ago. It declares that the first thing to verify before elections can be held in all Germany is the extent to which the Potsdam decisions on the demilitarisation and denazification of the country have been implemented. Certainly, Soviet propaganda tries to solve the dilemma of its followers by inferring that there is a distinction between a national German army and "militarism." But to the ordinary man Moscow's contortions make nonsense.

It was clearly decided some time ago in Moscow that German unity was not to be achieved by the previous methods, chiefly because the Germans themselves refused to rise and overthrow Dr Adenauer's government. From then onwards Russian policy has been to seal off and strengthen the Soviet section of Germany. Stalin hardly tries to veil his proposals, which are unacceptable to the Germans. He now makes perfectly plain that he will only agree to elections after a peace treaty has been prepared and an all-German government "formed." The point of the Note, it appears, is in the first place to attract not Germans, but those sections of opinion in France and Britain that are most anxious to find a way to avoid German rearmament and hanker after a global settlement with the Soviet Union.

The Note ends with a proposal for a conference "not later than October this year"—that is to say, before the European Defence Community has been ratified, and before the presidential election in the United States. There is little that the Western Powers can do in return but restate their decision that elections must precede a peace treaty. That would at least prevent the Kremlin Humpty-Dumptyies from being master of the last word.

"Liberation, not Containment"?

When, in addressing the American Legion last Monday, General Eisenhower asked that the American Government should "never rest" until the "enslaved nations" of Eastern Europe and Asia are again "masters of their own fate,"

he was no doubt chiefly expressing the legitimate dislike honest men feel for the methods of Soviet imperialism and their pity for the captive peoples of the Soviet sphere. But it is quite possible that he was also trying to draw a distinction between his own and President Truman's foreign policy. His otherwise admirable speech was very largely a restatement of the policies pursued since 1945 by the Administration. At some point the individual note was needed. It was found in the doctrine of non-recognition.

This dilemma is not new. One of the great problems facing the framers of Republican foreign policy in America is that it is exceedingly difficult to improve on Mr Acheson's formula of "containment"—unless a Gadarene rush to isolationism is preferred. Containment faces the fact of Russian hostility, sets a limit to Russian expansion, yet avoids the direct risk of a third world war. It cannot be accused of appeasing Moscow. Yet it does not make war a precondition of success. How can the Republicans go one better?

This undoubtedly has been Mr John Foster Dulles's main preoccupation, and no doubt the suggestion he put forward in July—that "liberation, not containment" should be the aim of American policy—seemed a clear way out of the difficulty when first it flashed into some planner's brain. It promised more than containment, it could make containment look cautious and cowardly, it could pick up some disgruntled Czech and Polish votes and—so the sponsors probably argued—it would not increase in any way the risk of war. The Republicans could still cut taxes, just the same.

Unhappily "liberation" applied to Eastern Europe—and Asia—means either the risk of war or it means nothing. There is no way in the foreseeable future in which Poland and Czechoslovakia can be released from Soviet bondage except by force of arms. In Asia the situation is even more discouraging, since the bulk of the Chinese would probably actively resist "liberation." Even to incite Eastern Europeans to seek for liberation entails the risk of world war, for if they were to rise against their Russian masters—as the Poles did in 1864—America and its allies would have the choice of intervening to support the rebels or of suffering the shame that came Palmerston's way. "Liberation" entails no risk of war only when it means nothing.

Naturally, to recognise such a fact is not to accept or condone Russia's conquests. Nor does it entail any lessening of the effort by radio and by every other means of contact to keep open communication between the enslaved and the free. But all this is not and cannot be "liberation," and it follows that "containment" is at once a more precise and a more honest formula.

Cross-Currents at Morecambe

The rank and file of the Labour party is left baffled and uncertain by the retreat of its leaders from the policies that were once the hallmark of socialism. The very strong tradition of loyalty to the established leadership conflicts with an irresistible desire to re-assert the difference between Labour and Conservative policies. The relics of pacifist sentiment are outraged by rearmament, socialist ideals seem tarnished by alliance with the American citadel of capitalism; and it is hard to admit that anything should take priority over claims to higher living standards now. The cross-currents are clearly seen in the resolutions for submission to the Labour party conference, the agenda for which was published this week.

Almost all of the resolutions come from constituency parties. In domestic policy, about ten seek to add substance

to the executive's soothing assurance that industries will be nationalised wherever this is in the public interest. Two or three of them would still nationalise all the means of production and distribution, or at least all the major industries. Others name their candidates. But the obsession in domestic policy is that the present scale of defence expenditure is too high. Some sixty resolutions urge this view, rationalising it by arguments that are now familiar: that Britain's best security is its economic strength, which is jeopardised by rearmament, or that the best way to fight Communism is to help the backward countries. Sometimes, however, no justification is attempted; it is enough that the workers' standard of living is impaired.

Many of the resolutions about foreign affairs are an appeal to the executive to put forward a "truly socialist foreign policy," whatever that may be. Coventry Labour party comes nearest to a definition, perhaps, with its quaint demand for "a foreign policy clearly distinguishable from Tory foreign policy." Those that venture to outline a policy show a simple faith in talking it over with Stalin and agreeing to disarm. A motion from the mineworkers' union would have the conference place on record "its appreciation of the work of the Labour Government under the leadership of the Rt. Hon. C. R. Attlee." But South Worcestershire would add "and also the foresight of the Rt. Hon. Aneurin Bevan, in the attitude that he adopted towards rearmament." On paper the conjunction is "and also"; in reality it is "or." A vote on this amendment could not, whatever the result, change the leadership of the party; but it would plainly demonstrate the relative strengths of Labour's two parts.

The Bevan Bid

The temper of the resolutions at first sight augurs well for the success of the Bevanites in the elections to the national executive. Six of them—the same number as last year—are standing for the seven seats in the constituency section, and their appeal has been increased by the substitution of Mr Crossman for Mr Harold Davies. There are other candidates who, although they are not Bevanites, would, if they were elected, tend to strengthen the opposition to the official leadership. Mr Silverman's views are well known; Mrs Braddock is a left-wing spirit; and even Mr Shinwell, since he took to advocating a shorter period of national service, is almost an asset to the Bevanites.

The opposition that the Bevan faction will have to encounter, however, is much stiffer than last year. Mr Gaitskell, Mr Anthony Greenwood, Mr Jay and Mr Robens are new candidates. A sweeping gain for the Bevanites certainly cannot be taken for granted.

Wages Advance

The dams that are holding back a general round of wage increases have weakened this week. The Minister of Labour has confirmed the increases recommended by four of the wages councils whose proposals he had previously sent back for reconsideration. Faced with the same proposals a second time, and with the TUC's awful warnings against interfering with wage negotiations, he had no choice but to give the increases statutory force. Minimum rates for workers in shops selling food, footwear, outfitting and drapery, hair-dressing, bookselling and stationery are thus raised by between 7s. 6d. and 10s. a week. The Minister has still to consider the second recommendations of eight other wages councils in the retail trades, and the increases recommended by about a dozen other councils whose proposals he held up but did not refer back.

In the furniture trade a possible strike has been averted,

and arbitration called off, by agreement on a compromise cost of living scale. The scale that the employers had given notice to terminate provided an extra 1d. an hour for every three points that the cost of living index rose above 108. As the index is now 138, the bonus would on this scale have been 10d. The employers have agreed instead to pay 9d., with a further 3d. an hour for every two points that the index rises above 138. This increase in costs must be highly unwelcome to the firms most affected by recession, but the employers as a whole presumably thought that they would do no better if the case went to arbitration.

Altogether over two million workers have their wages governed by sliding scales, and of the wage increases awarded in July, totalling £73,000 a week, £54,000 a week was the product of these scales. When so many workers are getting more money in this way, arbitration tribunals can hardly be expected to refuse any increase to others.

Britain and the Schuman Pool

For friends of the Schuman coal and steel pool, this has been an encouraging week. One of the first tasks for M. Monnet, the new President of the High Authority, was to establish close and friendly relations with Britain. Following his recent visit to London, the British Government has arranged to send a permanent delegation to the headquarters of the Authority. The chairman of the British delegation is Sir Cecil Weir, and the other three members are Mr James Marjoribanks, of the Foreign Office; Miss Elizabeth Ackroyd, Under-Secretary, Ministry of Supply; and Mr Charles de Peyer, Under-Secretary, Ministry of Fuel and Power. The team will also include several technical experts from the British coal and steel industry. Between them, the members so far appointed have an impressive record of business experience, technical knowledge and successful inter-governmental co-operation. Sir Cecil is one of Britain's few counterparts of a type more commonly found in America—the industrialist who is equally at home in industry or the government office. In addition, as economic adviser to the British Control Commission in Germany during the years 1946-49 he acquired an intimate knowledge of German industry, while at the same time displaying a talent for not arousing antagonisms.

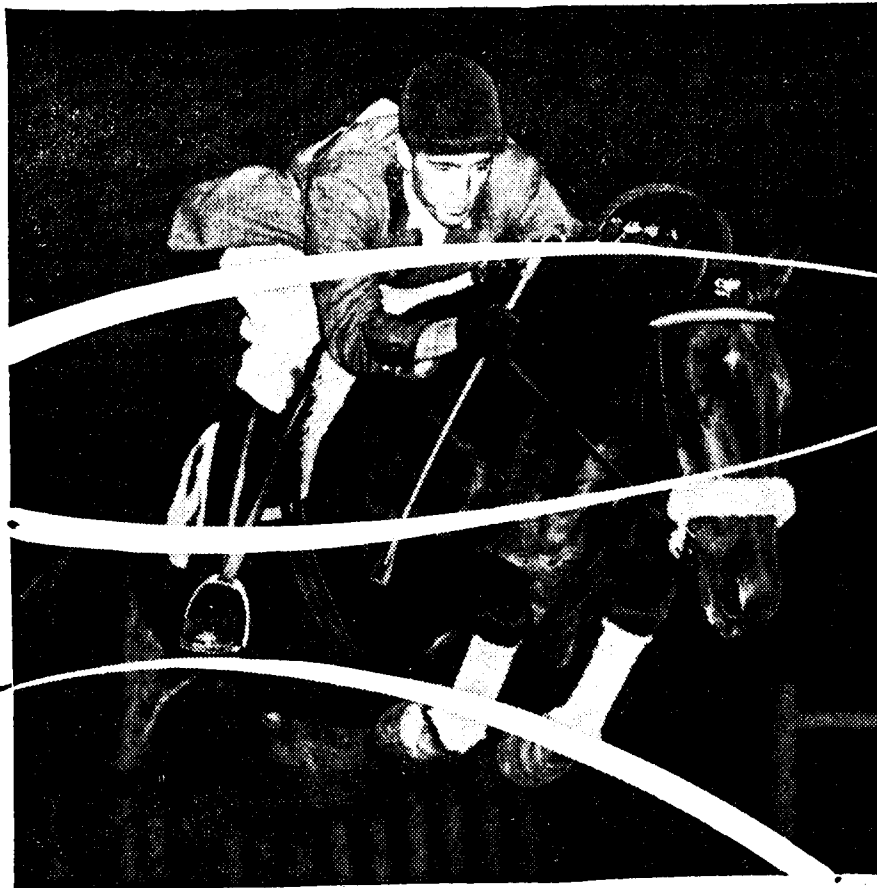
There is still no question of Britain becoming a fully fledged member of the six-nation pool, but the communique makes it clear that on this occasion Britain cannot be accused of dragging its feet. It states that "the delegation will have the task of laying the foundations for an intimate and enduring association between the Community and the United Kingdom." The word "enduring" can be taken as a measure of the change that has occurred in Britain's attitude toward the pool.

Close co-operation is thus assured at the working level. On the ministerial plane the machinery and good will for co-ordination already exist. All that remains is to devise some formula for associating Britain and the other European countries outside the pool with the activities of the Schuman Assembly. As they stand, the Eden proposals for linking the Strasbourg and Schuman Assemblies have not found favour with the French. But, fortunately, Mr Eden's proposals were sufficiently general to permit modifications or interpretations that should be satisfactory to all parties.

The Closing Door

Not so long ago the "open door" in China was an objective of both British and American Far Eastern policies. In the 1930s it was the Japanese who were trying to close the door against non-Japanese competitors in that market;

Z/RD



The hind-legs propel him up. The fore-legs are tucked in, clear of the bar. The rider leans forward, shifting his weight over the neck. His thighs grip the saddle. His toe is light in the stirrup. The reins are firm in the grasp of a master. **It all adds up to a faultless round.**

WELL GATHERED

The companies which are gathered together to form Associated Electrical Industries have names which are household words. In Britain alone, thirty factories in twenty different towns produce between them over £60,000,000-worth of equipment in a year. The companies of AEI, working separately and together, are a fine example of co-ordinated effort for the public good.

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- Newton Victor Ltd
- Premier Electric Heaters Ltd
- Sunvic Controls Ltd

It all adds up to



Associated Electrical Industries

to-day, it is the Chinese themselves who are relentlessly closing the door by a policy which the historian may compare to that of the Chinese emperors in the days of seclusion before 1842, but which is also in conformity with the general commercial practice of Communist states towards the free world. The activities of British and other foreign business firms in China in the century between the Nanking Treaty and Pearl Harbour may have been too pervasive to continue unchanged in a country asserting full control over its own national economy; but the strangling of foreign enterprise and the curtailment of foreigners' residence by Communist states go far beyond any restrictions formerly imposed by sovereign states. The state control of foreign trade under a Communist regime means an almost complete indifference to popular demand for consumers' goods, and concentration on capital goods and materials of strategic importance. At the same time the residence of foreigners for business purposes is discouraged in order to isolate the people from all foreign contacts.

The process of eating away what is left of British economic interests in China has now been carried a stage further by the requisitioning of the two principal British-owned dockyards in Shanghai. This is understood to be partly a reprisal for the judgment on appeal of the Judicial Committee of the Privy Council in favour of an American company's claim to the aircraft in Hongkong sold to it by the Nationalist Government before the British Government's transfer of *de jure* recognition to Peking. In accordance with the Communist principle that there is no such thing as judicial independence, the Privy Council's decision has been denounced as an expression of British "hostility" towards China and made the occasion for fresh paroxysms of propaganda. The requisitioning of the dockyards is an act which was to be expected soon in any case; apart from a general tendency to nationalise enterprises of this kind, recent moves to build up a Chinese Communist navy with Soviet assistance imply that all docking and shipbuilding activities must now become state secrets. The loss of these important British enterprises—with only the most shadowy chances of any compensation—is a heavy blow to lingering hopes that the decision of the principal British firms in May to withdraw from China would cause Peking even at the eleventh hour to reconsider the policy of killing geese that have laid so many golden eggs—for China as well as for the British investor.

Canada and Commonwealth Economics

The Canadian Government could not be expected to conceal its dissatisfaction with the draft agenda for the economic discussions at the Commonwealth conference in November. The Canadians thought that it put too much emphasis on the things that might be done to help Britain; it did not provide for a thorough discussion of the internal economic policies of this and other sterling countries. Such a protest can have caused no surprise in Whitehall, and it seems to have been gracefully accepted. That is welcome. In essentials, the Canadians are right; and it is easy to understand why they are getting increasingly out of patience with this country's economic policy. The soundness of the reasons does not, however, make the impatience any less alarming—for both sides.

There is an element of exaggeration in the Canadian attitude. Mr Churchill's Government at first inspired the officials and Liberal politicians of Ottawa to hope for too much. The brave words of the last Commonwealth finance conference in January were taken to imply a sharper change towards freedom in British economic policy than Mr Butler has managed to make, or perhaps than he ever intended. In their disappointment the Canadians have perhaps reacted a little too strongly. The British Government's policies are

gravely inadequate, but they are not entirely negligible; it is not fair to talk as if nothing at all had changed since October, 1951. The need for a more courageous policy of disinflation is certainly not disputed in these columns. But from the viewpoint of Ottawa there is some tendency to forget that sound liberal policies come relatively easily to a country so buoyant, with such vast resources to develop, as Canada; difficulties such as Britain has to face multiply the obstacles to liberalism as well as the need for it.

But if there is some exaggeration in Canadian criticism of Britain, it must also be said that the British Government contrives to give strong reason for much more than that—for suspicion of its motives and distrust of its intentions. In fact it has no dark designs for making the Commonwealth conference the means to an intensified restrictionism in the trading policies of the sterling area; as yet, it has no particular plans at all. But the vague importance it has attached to the conference, its equivocation about GATT, its slighting of the opportunity for international discussions at the forthcoming annual meetings of the Bretton Woods institutions—all these combine to create the worst impressions. Both Canadians and Americans could easily find grounds for being more impatient than they are, and the initiative in removing suspicions must rest with Mr Churchill's ministers.

* * *

Freezing Pensions

Once again, the Ministry of National Insurance has made a valiant attempt to bring home to the public the heavy burden that old age pensioners will sooner or later place on the national finances; sooner rather than later, for even in 1954-55—that is, the financial year after next—the expenditure from the national insurance fund will begin to outstrip its income. From then onwards, the Ministry's third annual report (Cmd. 8635) points out, the gap will increase rapidly. If the provisions of this year's National Insurance Act are taken into account, the deficiency to be made good will be:

£100 million a year by 1957-58 (five years from now).
£275 million a year by 1967-68 (fifteen years from now).
£420 million a year by 1977-78 (twenty-five years from now).

The italics are the Ministry's. So is the emphasis on how short is the time left for action. This presentation of unpalatable facts should be applauded, and it is to be hoped that the politicians will take notice. But can they take any action? In the debates this spring on the new national insurance benefits, members on both sides of the House of Commons showed for the first time a general awareness of the financial burden of pensions; none professed to see how it could be lightened. It could, however, be prevented from becoming any heavier. This year's increase in pensions to existing pensioners must be the last, whichever the party in power. It is one thing to say that people will be able to draw a higher pension when they have paid an adequate number of contributions at a higher rate. It is quite another to go on increasing pensions for people who have ceased to pay contributions at all.

If the cost of living continues to rise, freezing of pensions means that they will fall below the subsistence level—or rather that they will fall even farther below than they are at present. At the end of last year 766,781 retirement pensioners out of over four million were drawing national assistance to supplement their pensions.* This was some 91,000 more than in 1950. Most of these people would be drawing assistance to pay their rent. At the end of this year, with the cost of subsistence, apart from rent, actually higher than the old age pension, the number of pensioners drawing assistance is bound to increase sharply. Any

* Report of the National Assistance Board. Cmd. 8632.

pretence that pensions are on a subsistence level has thus been abandoned. The Government should firmly resist any pressure to reduce the gap. A shilling on to pensions appears a small concession now. But it is the future cost, as well as today's, that must be counted.

Foot-and-Mouth

The Minister of Agriculture has now appointed the committee that is to review methods of dealing with foot-and-mouth disease. It starts with a discouraging report*, published this week, on the research so far carried out at the Pirbright institute. It is difficult to gain from this report the assurance Lord Woolton hopes it will provide—"that the work is being prosecuted with both vigour and competence." The complexity of the research, the care and caution it requires, are convincingly explained. For a long time, therefore, it had to be done on a small scale. Conveniently, the stage at which the institute can safely be extended, and the work speeded up, has just been reached. But at this point the report seems unduly modest about the considerable knowledge of the disease that the scientists have gained; it is by no means clear that the extension could not safely have begun before now.

The report is no doubt right in its insistence that, even with the "greatly extended" institute, "there is no short cut to the provision of vaccines which will give full protection . . . much more remains to be done." But it is most important that the committee on policy should not be blinded by scientific perfectionism. The committee's task is to choose between imperfections. The present slaughter policy is very far—as the seriousness of this year's outbreak has shown—from giving "full protection," and it is wasteful as well. The scientific report shows that it may well be a long time before foot-and-mouth can be entirely eliminated. But the immediate question is whether scientific knowledge now goes far enough to make some wider experiments in the use of vaccines, as an alternative to slaughter, a reasonable risk. On that, the Pirbright report is quite inconclusive.

Japan Courts the Overseas Chinese

Following the visit of the Chinese ex-Premier Chang Chun to Tokyo as personal representative of Chiang Kai-shek, it is reported that a joint Japanese-Chinese corporation for the promotion of trade with South East Asia is to be formed. The significance of this lies not so much in any contribution which Formosa itself can make to such trade, as in the part which Tokyo hopes that the Nationalist regime may be able to play as an intermediary between Japan and the Overseas Chinese. The local trade of South East Asia remains largely in the hands of Chinese merchants; the Japanese lost most of their commercial contacts in this region as a result of their forced repatriation after the surrender in 1945. To build them up again and expand trade to an extent which may partially compensate for the loss of markets in mainland China—an aim which has American approval as helping to keep Japan free of economic dependence on the Communist bloc—Japan must gain the goodwill of the Overseas Chinese. But as long as Japan is ranged in the anti-Communist camp, it is no use seeking the favour of the Communist Chinese; the only practical course is to get the maximum advantage out of good relations with the Nationalist government in Taipei. That Japan does not regard such relations as a mere formality for pleasing Washington is shown by its appointment of Mr Kenkichi Yoshizawa as ambassador to the Nationalist government. A former Foreign Minister and previously Minister to China, Mr Yoshizawa was one of the outstanding figures of Japanese

prewar diplomacy, and though at the age of 78 he may no longer be at the top of his form, the accrediting of so distinguished an elder statesman certainly adds to the prestige of the Taipei government and commits Japan to the Nationalist side more strongly than might have been expected.

The struggle for the allegiance of the nine million Overseas Chinese is of both economic and political importance. There is a strong Communist element among them, and when the Nationalist regime seemed on the verge of extinction the Chinese merchant class in South East Asia thought it prudent to fellow-travel. But the massacres in China, the hardening of American policy towards Peking, and the strengthening of the Nationalists in Formosa by renewed American aid have caused a considerable revulsion of feeling among Overseas Chinese—at any rate outside Malaya. Diplomatically, the present position is that the United States, Japan, France, the Philippines and Siam recognise and have diplomatic relations with Taipei; Burma and Indonesia recognise and have diplomatic relations with Peking; while Britain recognises Peking, but has no diplomatic relations with either Chinese government. It is a situation which offers some promising opportunities to Japan.

Greece in Search of a Policy

Last week, the Greek government accepted the challenge thrown down by General Papagos, leader of the main opposition party, the Greek Rally. A special session of Parliament was summoned, and after several days of acrimonious debate the coalition government was rewarded by a vote of confidence carried by a majority of nine. Although most of the causes of friction between government and opposition were gone over, the chief interest centred on General Plastiras's account of his economic stewardship.

It was, indeed, the growing dismay over Greece's economic plight, felt not only by the politicians in opposition but throughout the country, that led General Papagos to ask for a special session. It is not likely that the government materially lessened this dismay. It could underline its difficulties—the extremely heavy defence burden, which takes over 40 per cent of the budget expenditure, and the successive cuts in American aid, which this year will amount to only about \$80 million. It could point to some successes—budget estimates balanced for the first time since the war and some check to the rising cost of living. It could also stress its determination to grapple with the main economic problems, and in particular to do its best to reduce the deficit in the balance of payments, which is running at a rate of nearly \$300 million a year and shows no signs of diminishing. But it could not convince anyone that, even if it could agree on effective and strong measures, it would be politically strong enough to carry them out. Its parliamentary majority could at any time be virtually wrecked by the eight deputies belonging to the extreme left-wing party, the EDA. And its internal cohesion is continuously threatened by differences not so much over economic policy as over the pacification and internal security problem.

General Papagos has steadily refused all invitations to join a tripartite government with the Liberals and the EPEK. He argues that if he did, he would be in a minority and would be forced to accept measures with which he did not agree. This is understandable, but somewhat unconvincing, since he has never made it clear that his economic policies would radically differ from those of the present government. If the next elections, which are unlikely to be long delayed, should be held under the majority system, and if Greece's weariness with political instability should sweep the Greek Rally back to power with a comfortable majority, General Papagos would have a more favourable climate in which to carry out a strong economic policy. But this prospect would be more promising if it was plain that the Rally has such a policy to carry out.

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* "Foot-and-Mouth Disease Research." HMSO. 6d.

The Straffen Case

The Court of Criminal Appeal has dismissed the appeal of John Thomas Straffen against his conviction for the murder of a girl of five during the few hours he was at liberty from Broadmoor Institution this spring. Straffen thus remains under sentence of death, unless the Home Secretary reprieves him; in that case, he might either be sent back to Broadmoor, where he would clearly have to be kept under the strictest surveillance, or be transferred to Rampton, an institution for criminal mental defectives.

To the layman, the puzzling feature of this case is that a man who six months before his escape was found unfit to plead to the charge of murdering two children at Bath should at his later trial be considered not only fit to plead but legally sane when the issue of insanity was put to the jury. Of his earlier unfitness to plead there was no doubt. But presumably his six months' stay in Broadmoor adjusted him sufficiently to appreciate, however dimly, what was happening at his trial last month. What could not have been altered was his mental deformity; Straffen was, and is, a certified mental defective. When, however, the question of insanity is raised at a trial, judge and jury are bound by the hundred-year-old McNaghten rules, which determine whether a person is insane enough, at law, to be deemed not responsible for his actions. It has been held, however, that a mental defective is excluded from the scope of the McNaghten rules because they expressly refer to disease of the mind—that is, mental illness, not incomplete mental development. In evidence to the Royal Commission on Capital Punishment, the British Medical Association urged that cases of mental defectiveness should be brought within the rules.

There are, therefore, good grounds for the Home Secretary to grant a reprieve. But, technicalities apart, is there not something peculiarly revolting in carrying out all the panoply of execution on someone with the mentality of a nine year old? Is it not wrong that the same penalty should be handed out to a man whose very crimes show him to be grossly abnormal as to a gangster who murders to escape arrest? Straffen is a social menace—but the state does not hang people to get rid of social menaces. It hangs people as a punishment and as a deterrent, and it is impossible to see how either purpose could be served by the execution of this mental defective.

Unsettled Persons

The phrase used in the National Assistance Act to describe tramps—"persons without a settled way of living"—turns out to have some force behind it. A report from the National Assistance Board (HMSO 15.) shows that today these persons rarely tramp the country sleeping "rough" and living by odd jobs or by begging. Most of the 2,000-odd who used the reception centres—casual wards is the old terminology—in 1951 were not casual visitors; a special inquiry showed that more than a quarter had been at the centre where they were interviewed for at least a month and nearly half were frequent applicants. So far from being lovers of the open air and the countryside, they now mainly frequent the cities; "London and a few other large towns account for about half of them."

Yet it is doubtful if there is much fundamental difference between the postwar unsettled person and the prewar tramp. Few tramps were as romantic and picturesque as popular imagination, with the help of authors, made them out to be—although, seen in the open air, they were undoubtedly more attractive than they appear in the reception centre of a big city. Their common attribute is an unwillingness or inability to work; or, as a correspondent—not a tramp, but an assisted person—put it recently, "I can, and do, work, but am unable to follow employment." Official policy now

aims at settling unsettled persons. The old are sent to local authority homes and the sick to hospital, and last year 11,000 were "submitted to employment." This large figure, large in relation to the numbers using the centres, covers several placings for one man. Few casuals stick to a job for long, sometimes because they cannot find suitable lodgings, but usually because they prefer to drift.

The immediate issue, which prompted the Assistance Board's report, is whether unsettled persons should be its responsibility or that of the local authorities or whether the present arrangements, by which the local authorities act as the board's agents in running the centres, should continue. The board thinks that it should. At present, it points out, the question boils down to what is practicable. It is regrettable that local authorities should sometimes have to accommodate tramps in part of their premises used for old people's homes. But the alternative is unthinkable. To set up everywhere separate reception centres would, apart from the capital cost, involve expenditure on wages alone of £3 per week per "tramp." Here surely the limits of the welfare state must be firmly drawn.

Guide to British Women

The Central Office of Information has issued a lengthy document telling the overseas reader all he wants to know about Women in Britain. Their legal rights, their usual occupations, their free codliver oil and the height they must reach to be policewomen—all are faithfully described. There is a bibliography ranging from Mrs Beeton to Mrs Braddock, and a list of women's organisations with an account of their objects, from the political and feminist to the well-intentioned or merely cosy:

To promote true friendship and the development of acquaintance as an opportunity for service and the betterment of social conditions. To promote good international relations through the interchange of ideas and a spirit of service among the womenfolk of Rotarians.

After much about women in employment, the overseas reader may be surprised to learn that "most but not all housekeeping is done by women." But he will probably get the impression that the Englishman's home is his joint industrial council. For it is a "serious fact" that "housewives cannot rely on any recognised scale of remuneration for their work but must normally depend for their housekeeping and personal allowance on the goodwill of one individual." It is evident that the British housewife wants a statutory minimum wage, with overtime for washing up the supper things and darning the socks.

The task of the overseas information services is, or should be, to explain the British point of view and to clear up misunderstandings. The moral of this latest effort would seem to be that where there is no particular misunderstanding, it is better to let well alone, save public money and allow foreign journalists to do their own research.

Aircraft and Airpower

Great opportunities are open to the British aircraft industry. Having made great strides since the war, it has now to keep abreast of rapid changes in civil and defence needs. Next week's issue of *The Economist* will include a special series of articles on the achievements and prospects of the

BRITISH AIRCRAFT INDUSTRY

Books and Publications

Agenda and Non-Agenda

The Theory of Economic Policy in English Classical Political Economy. By Lionel Robbins. Macmillan. 217 pages. 15s.

Popular mythology has dealt hardly with the great classical economists of the eighteenth and nineteenth centuries; less with their abstract analysis, which remains a historical datum towards which feeling can properly be as neutral as towards Stephenson's "Rocket," than with their social and political views, which appear in the myth as a unique mixture of heartlessness, impracticality and intellectual dishonesty. Indifference to human suffering; ignorance of human behaviour and its motives; an exclusive and unscrupulous concentration on justifying the ways of irresponsible capitalism; such are their chief characteristics—in the myth. Professor Robbins's study, unlike most works on the history of economic thought, leaves to one side both the development of classical analysis and the assessment of its correctness or error, to concentrate precisely on the political and social theory underlying it; and in his preface he expresses, though with some misgiving, the hope that his book may "be some safeguard for a few years against the grosser forms of misunderstanding and misrepresentation."

It certainly should be; there is not much left of the myth by the time Mr. Robbins's urbane but deadly argument is concluded. His first concern is with the nature of that economic freedom for which *laissez faire* is so compendious but misleading a label. It emerges, from his survey of the classics' pronouncements, as a freedom realistically circumscribed and conditional, a thing desirable and possible only within a setting of law and public vigilance poles apart from the atomistic anarchy of the mythologists' imagination. Hardly less remote from legend is the classics' view—though here there is more difference between individuals—of the functions of the state. Even if the "non-agenda" and "sponte acta" of Bentham's classification are wider than even liberal opinion would accept today, the "agenda" are far nearer to those of, say, Keynes in "The End of Laissez Faire" than to the extreme individualism of the French physiocrats. To saddle the English classics with the absurdities of Bastiat or Mercier de la Rivière is to push to its limits the dubious doctrine of guilt by association.

From this general theme Mr Robbins turns to consider the classics' attitude to the "Condition-of-the-People Question." Here he is on more difficult ground. He has, indeed, no difficulty in showing that they were sincerely and deeply concerned with this question; that the welfare of the masses was the chief aim even of their apparently most hard-hearted policies. But the combination of pessimism about overpopulation with optimism about the inherent adequacy of demand, and hence of

employment, led them in practice to play a role not dissimilar to that of the sixteenth-century surgeons who believed, with equal sincerity, in the need to cauterise bullet-wounds with boiling oil. It is not only in the form of socialism that sincere benevolence combined with over-confidence in principles can produce unward results; and while, as Mr Robbins points out, there is a considerable difference between "the workhouse which Senior recommended and the workhouse which actually came into being," the mythologists had some promising material to work on.

The classics' attitude to socialism is analysed in considerable detail in the second half of the book, John Stuart Mill getting the lion's share of attention. The socialism which the early classics analysed and rejected, and to which Mill was intermittently drawn, was, of course, very different from the state-capitalist enterprise or planned economy of today. The continuity of the debate, from Hume to the present day, nevertheless stands out clearly; in the last resort, it is the difference not between "a denial of the necessity for state action on the one hand and an affirmation on the other, but rather a different view of what sort of action is desirable." To the socialist, the characteristic product of the State is the Plan; to the liberal, it is the Law. Mr Robbins's book is not only of historical interest, for it establishes the pedigree of modern liberalism and vindicates its intellectual forebears.

Intrigue and Fiasco

Franz von Papen: Memoirs. Translated by Brian Connell. Andre Deutsch. 630 pages. 25s.

Von Papen was for six months, from July to December, 1932, Chancellor of Germany. His chancellorship began with an intrigue and ended with a complete fiasco. The intrigues of the East Prussian junkers and of General Schleicher had, together with the disloyalty of Hindenburg, led to the fall of Chancellor Brüning, the very man who had just helped Hindenburg to become President a second time. Papen, a keen Catholic, like Brüning belonged to the Zentrum Party; he had promised its chairman, Dr Kaas, to refuse the chancellorship twenty-four hours before he accepted it. Drawing his support solely from the favour of the senile President, he collected together the "Cabinet of Barons." By misusing the extraordinary powers of the President he abolished the Prussian government, consisting of Social-Democrats, Democrats and Zentrum, the last strong bulwark of the Republic. In spite of twice dissolving the Reichstag, he did not succeed in gaining any parliamentary support. The Communists became

stronger than ever. He did a great service to National-Socialists by lifting the ban on the Storm Troopers, without, however, winning them over. It is true that he inflicted a defeat on the Nazis in the second election, but his attempt to take them into his government foundered on Hitler's refusal to take anything less than the chancellorship. Thus he had to resign. But scarcely had Schleicher taken his place when it was learned that Papen had met Hitler for confidential talks on January 4th. When Hindenburg called Hitler to the chancellorship on January 30, 1933, nobody was surprised that Papen joined him as Vice-Chancellor. He imagined he could keep Hitler in check with the help of the "bourgeois" cabinet majority. That this policy again ended in fiasco is well known.

It was only to be expected that a man who had so manifestly foundered would follow the example of other German generals and politicians who have tried to prove by their memoirs that they were innocent. But Papen's memoirs, in spite of their wealth of detail, are unlikely to make opinions about him any more favourable. Here and there he does indeed admit a mistake, but on the whole he merely repeats the old slogans. There are frequent inexactitudes, which occasionally look like distortions. One cannot let him get away with it when he says that the State Supreme Court declared his action against the Prussian government to be "completely constitutional." The Court in fact ruled that the presidential measures, sponsored by Papen, had in important respects exceeded the competence of the President. Papen tries to camouflage with ambiguous phrases the fact that he prevented the execution of that part of the judgment which was unfavourable to him. Many more illustrations of his inaccuracy could be given.

The gravest charge against Papen's character is that he remained in Hitler's service after the latter's gangsters had murdered his two closest collaborators on June 30, 1934. He tries to dispose of the evidence of the letters, which he then wrote to Hitler and which were adduced against him at Nuremberg, by remarking that "some of the phrases in these letters now seem open to criticism." This is how Papen wrote to Hitler: "I desire to shake your hand, as I did on January 30, 1933, . . ."—the hand still stained with the blood of his closest friends. In order to give the affair its logical ending, Hitler's executioners murdered Papen's confidant, von Ketteler, immediately after the German entry into Vienna, and, a year later, Papen became Hitler's ambassador in Ankara. That, too, he tries to justify.

The Nuremberg Court acquitted Papen of the accusation of sharing the responsibility for the war. The judgment of history, which has to examine many other charges as well, will not acquit him.

Putting Over America

Public Relations and American Democracy. By J. A. R. Pimlott. Princeton University Press. (London: Geoffrey Cumberlege.) 265 pages. 25s.

The temptation to anyone writing about American public relations to draw on the style and devices of the creator of Babbitt and Elmer Gantry might well seem to be irresistible. Mr Pimlott, many might think, has resisted temptation only too well. His book is the product of researches made in the United States in 1947-48 and material gathered subsequently, and it presents his findings with a decorum proper to a distinguished member of the British Civil Service and to the holder of a Commonwealth Fund Fellowship. It eschews all flippancy and sweeping generalisation, looks at every issue with an entire absence of prejudgment, quotes chapter and verse wherever possible and gives to the practitioners of public relations the benefit of whatever doubt remains at the end of its exhaustive examination.

Much, though by no means all, of what it has to say is concerned with public relations in American government, and it is here that Mr Pimlott's touch seems surest and his conclusion most firm. Partly, no doubt, this is due to the greater ease with which the official data can be collected and examined, compared with the unofficial and, in particular, the commercial. But it is also because, by virtue of his own British training and experience, Mr Pimlott is more at home in this world than in the other, even less ordered, stamping-grounds of American public relations men.

It is an irony of the whole American practice of public relations to which Mr Pimlott draws attention that for persons whose chief tools are words their level of literary skill is astonishingly low. There are time, alas, when some of the verbal "smog" of their technical jargon seems to have leaped into Mr Pimlott's own pages. Either this, or some more subtle infection, has at one or two points not only sullied his prose style but also blurred the commonsense which is usually the hallmark of his analysis. For example, need one seek as far as he does for the roots of public distrust of public relations? Is it not natural, and healthy, to distrust anyone who is hired to handle the most universal manifestation of our common humanity, a man's relations with his fellow human beings? "Bigness" and the development of huge corporate entities may necessitate this specialisation; they cannot make it natural. Again could not Mr Pimlott have probed further into the question of why it is America which has seen the especial efflorescence of public relations? Or, to put it another way, can his subject be properly understood if it is not seen in relation to American society and American life in general?

That these questions arise is in part a tribute to the stimulating character of Mr Pimlott's book. It ranges wider and probes deeper than any other treatment

of the subject. It is genuinely a book which no one who wants to explore the field can ignore.

World Trade Theories

The Commerce of Nations. By J. B. Condliffe. Allen and Unwin. 884 pages. 36s.

Professor Condliffe's book provides in a form easily readable by the beginner, or, indeed, by the complete layman, an account of the growth of international trade from the earliest times to the present day, together with a parallel and interwoven discussion of the development of doctrines bearing upon international commercial policy. This necessitates summarising a very considerable part of the history of economic theory, and it is not surprising that such a book, though (it must be repeated) highly readable, is long. Indeed, it has been pointed out that Mr Condliffe runs the rather similarly named work of Adam Smith within ten pages or so.

The book is divided into four parts. The first deals with the history and doctrines of international trade up to and including the period of mercantilism. The second, and longest, concerns the nineteenth century, and deals with the doctrine of *laissez faire*, its application in commercial policy, its nationalist and socialist opponents, and the emergence of the classical and neo-classical theories of international trade. It also includes an account of the pattern and monetary mechanism of international trade as they developed during that century, and the part played by international capital movements. It is here, perhaps, that the analytical weakness of the more modern section of the book becomes apparent. The part played by income variation in the international adjustment mechanism of the nineteenth century can hardly be said to be sufficiently discussed. Nor in the treatment of neo-classical theory, in this and the succeeding section, is the Bickerdike-Edgeworth attack on the classical case for unilateral free trade given its place.

The third section of the book deals with the changes of the last forty years. As one might expect from Mr Condliffe's earlier works, it makes a mournful story, lightened only by the discussion of the new international machinery at the end. It is perhaps a little difficult for the reader to appreciate the extent to which the developments of this time arose, not out of war and wickedness in high places, but out of the inevitable changes in world economic structure.

The last section is called "The Modern Problem." It is the least strong, for the enormous difficulties of surveying the elements in that problem, as modern theoretical and applied studies have begun to reveal them, are above the level at which Professor Condliffe is writing in this book.

The difficulty that thus emerges progressively towards the end of the book suggests the reason why there was this gap for the author to fill. International economics is one of the most difficult branches of the subject. To write a clear

book for beginners covering the enormous range which Professor Condliffe has courageously chosen must involve a dangerous degree of oversimplification. He is no doubt aware of the dangers he has risked. If he is judged to have fallen a victim to some of them, he at least has the consolation of having escaped a great many others.

Dicey Refuted

Principles of Administrative Law. By J. A. G. Griffith and H. Street. Pitman and Sons. 316 pages. 30s.

Dicey maintained that this country had no such thing as administrative law. Generations of lawyers grew up believing him and, what is worse, believing that anything which looked like administrative law must be of a dubious parentage and best ignored. Dicey may have been substantially right in his statement when he made it (although the licensing justices were, and are, an example of an administrative court of considerable antiquity) but he was describing a state of affairs which had begun with the Star Chamber and ended with the creation of the county councils. Today it is the complaint of the lawyer that we have far too much administrative law and, what is worse, that what we have is frequently ill considered and poorly adapted to the ends of justice. Administrative law has been left in charge of the civil servant, and to the civil servant the individual is something that may become a precedent, and an awkward one at that.

The authors of this volume are lawyers who are also lecturers at London and Manchester respectively. The subjects covered range from the origins of administrative law, the law-making powers of the administration, to the use which the administration makes of its powers and the controls which the public, directly or through Parliament, has on the administration at work. It also contains two chapters of great value, one on suits by the individual against the administration, the other on public corporations, which are already creating a new field of legal and social relationships. The earlier chapters cover ground which seems more familiar, although so much has changed in the last ten years that a new guide is extremely useful. The chapter on public corporations is a valuable summary of their legal framework, but no more than (as the authors agree) an approach to one aspect of the *massif*. Perhaps the most useful single section, in the breaking of fresh ground, is that part of Chapter IV which discusses the elements of "natural justice" that should be present in every proceeding before an administrative tribunal.

The book leaves one prevailing impression, that this is a field of social organisation which has suffered a great deal from the absence of basic principle and basic thinking, below the level of contemporary politics. It is not surprising. As the authors point out, politely, neither the Law Society nor the Bar Council includes administrative law as a subject in their professional examinations. The practising lawyer must learn after he is qualified and without the benefit of a study of principle that should



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SIR CHARLES WEBSTER reviewing Volume IV in the *Spectator*

PUBLISHED BY CASSELL

be a part of his first training. Fortunately it is still true that law and administration are shaped by those who write about them as much as by those who practise them. That may well be the principal contribution to both that the authors are making.

International Patenting

The Economics of the International Patent System. By Edith Tilton Penrose. Baltimore, Johns Hopkins Press. (London, Geoffrey Cumberlege.) 247 pages. 32s.

It is commonly assumed today that a statesman is in some degree an economist as well, or at least that he knows where to find economic data relevant to his work. Unfortunately, the reverse does not always seem to be true. In this book an economist attacks a treaty without taking into account the objectives of statesmanship in treaty-making.

Dr Penrose's book was written to demonstrate that the International Convention for the Protection of Industrial Property, in existence since 1884, needs revision in order "to alleviate the restrictions on trade and industrial activity which unregulated international patenting permits." Starting from the hypothesis that national patent systems are economically undesirable, the author's reasoning leads her to the dual findings that international patenting has no significant effect in promoting technology but that, so long as national patent systems remain, patenting limited to a single country would exert an uneconomic influence on the international location of industry. From these findings she concludes that an international convention between major industrial countries having patent systems is a present necessity. But "it would be good policy," she urges, to permit all other countries "freely to use all foreign originated inventions," a result which could be achieved by releasing them from their treaty obligation to grant patents to foreigners. The author's object is to enable those who do business in these "backward" countries to secure prompt and efficient (i.e., royalty-free) access to inventions made in the major industrial countries—a kind of "Point 4" at private involuntary expense.

The argument overlooks one of the important reasons why civilised nations make treaties. Experience long ago taught us that men are angered by the acts of men in other lands which they deem, rightly or wrongly, to be an indecent depredation upon their private "rights." Those who have invested capital in the creation of "foreign originated inventions" are surely not immune from such sentiments.

The views of Dr Penrose upon the economic value of national patent systems are derived from highly debatable arguments, and in applying them to the area of international compacts she has overlooked the main purpose of treaty-making—the reduction or prevention of international differences. National representatives, when they next meet to revise the convention, are not likely to follow her example.

Letters to the Editor

Our Maps

Sir,—As a geographer who has for many years been a regular and appreciative reader of *The Economist*, I have often sought, though hitherto in vain, to fathom the mysteries of its cartographical policy. During the bleak years immediately following the war, for example, not even the merest molehill appeared to block the way of the massed might of potential aggressors, whether in Greece, the Far East or South-east Asia, and the proverbial glance at the map was sufficient to start one shivering in one's shoes. About 1949, however, perhaps because of a growing sense of confidence or perhaps because—having taken to task an eminent authority for writing "Flat Geography"—*The Economist* indulged in a fashionable bout of self criticism and found itself wanting, a notable change took place. Coastlines lost their whiskers and acquired the well-groomed appearance appropriate to Throgmorton Street and, more significant still, hordes of little woolly caterpillars appeared in the vicinity of Alps, Himalayas and Pyrenees—providing, of course, that nothing more specifically economic could be found to take their place. In the early days of this experiment, it is true, these slender and ill-fed creatures were too innocuous to cause much anxiety to an invader, but more latterly they have gained in confidence and corpulence to an extent which should make even the Kremlin think twice.

So far so good; but on page 442 of your issue of August 23rd a new development appears. The caterpillars are visibly wilting in the equatorial heat of Indonesia and the whiskers, admittedly transmogrified into a more respectable stipple, have returned. But what is their significance? Here, indeed, we are in deep waters unless, as at first sight appears, they are meant to mark the shallow waters of the Sunda shelf. But, if so, what on earth has that to do with Communists in Sarawak unless, of course, in such an amphibious region as this, subversive movements are classed as undersea activities? And, even so, would it not be better to introduce a little more accuracy and reinstate Wallace's Line to its time-honoured place between Borneo and Celebes?—Yours faithfully,

CHARLES A. FISHER
University College, Leicester

Limits of Free Bargaining

Sir,—In your issue of August 16th you suggest that "points rating" systems are the device of "certain Left-wing intellectuals." This is not true within the industries where such systems apply, nor is it true to say that the desire for the extension of this system on a national basis is confined to the "intellectuals" of the Left. The attempts in Holland to provide such a national wages structure have not been altogether unsuccessful, and I would

suggest that such a system has many advantages, even from the economic point of view.

You say that such plans take "no account of shifts in demand for different kinds of labour." But wage rates play only a secondary role in the allocation of labour resources, and present-day wage rates bear even less relationship to the free market price of labour than a scheme such as that suggested. All point rating schemes seek to assess, in effect, the scarcity value of different types of occupational "disutility." These include factors for training, (i.e. skill), hazard, discomfort, and, in some schemes, responsibility. It should not be too difficult to provide a points system which, if not completely accurate, at least places such jobs in a relationship acceptable to both employers and men.

It is, of course, quite true that under such a system a flint knapper would be assessed higher than a production belt worker, and indeed it is in the best interests of economic production that this should be so, since many so-called "skilled" trades are only made economic at the moment by grossly underpaying the resources devoted to the training of their operatives. If people want flintlocks, they should be prepared to pay the necessary premium for the skill involved.

The production line worker, on the other hand, is often grossly overpaid, particularly in the motor car industry, by comparison with his more highly skilled opposite numbers in other trades. This is, of course, achieved by various alleged incentive systems, which have the effect of making the incentive proportion far higher than the base rate. It is impossible in the space of a letter to suggest means of implementing a national "points rating" system, but a useful start in this direction would be to assess the wages bill for an industry on an agreed proportion of the standard week's base rate, and to levy company taxation on any wages paid in excess of this, either in overtime or bonus payment. This would at least have the merit of stabilising wages instead of allowing them to be raised out of proportion by firms who happen to be temporarily, at least, in a better trading position.—Yours faithfully,

D. H. BROOME

Derby

From Colorado to Cape Cod

Sir,—In your issue of August 2nd a correspondent refers to "Salem, Massachusetts, famous for witch-burning." In one sense he is correct, for the Salem witch-burnings are indeed a common article of faith. In fact, nineteen women were hanged for witchcraft in 1692 and one man suffered the *peine forte et dure* for refusing to plead. But no witches were ever burned in Salem.—Yours faithfully,

ROBERT D. HOLRAN
New York

AMERICAN SURVEY

Eisenhower's Burden

Washington, D.C.

EVERY four years the Republican party announces with anticipatory glee that, as General Eisenhower said a week or two ago, "the American people want a change." So far this estimate of public desires has proved sadly inaccurate but the old phrases are being used again this year, and this year they have a better chance of turning out to be true. Whether they do or not will depend on the decision of the independent voters, that quarter of the electorate which does its own thinking and is obviously unimpressed by such mis-statements as Senator Nixon's repeated cry that the comparatively conservative Mr Stevenson is a captive of the left-wing labour organisations. The independent voters are impressed, however, by evidence of corruption in the federal government and by the casual way in which this has been treated by one Attorney-General after another. And their concern over this state of things would probably ensure victory for the Republicans if the Democratic candidate appeared unwilling to do anything about corruption, and if General Eisenhower had not an even heavier burden to carry.

The General's burden is the weight of his fellow-crusaders standing for election to Congress and, particularly, to the Senate. It is now well known that the Republicans have only an outside chance of getting a majority in the Senate, even if their presidential candidate wins by a comfortable margin. It would be far better for him, and for his policies, if many of his "supporters" were soundly thrashed by their Democratic opponents, who would be much more likely to give President Eisenhower the only support that counts, votes in Congress, for the programmes in which he believes. But, under pressure from those in the party who accused him of not being an "organisation" man, General Eisenhower stoutly affirmed his trust in party organisations and, in his speech accepting the nomination, said that "we must have . . . a Republican majority in the United States Senate . . . to achieve these aims"—a programme of progressive policies, the uniting of the country, the strengthening of freedom and the building of a sure foundation for sound prosperity at home and a just and sure peace in the world.

Just how the kind of Republicans who are running for the

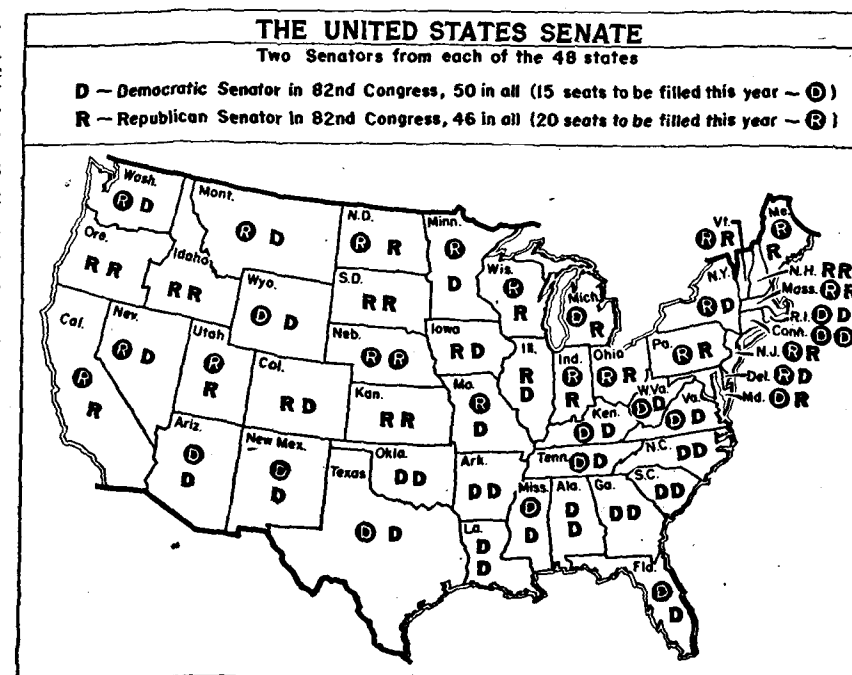
Senate this year are going to contribute to the achievement of these aims has not yet been explained by the Eisenhower headquarters, and many of those who expected a decisive lead from the General are perturbed. *The Reporter* magazine last week expressed their feelings in verse:—

Jenner and Kem, Jenner and Kem,
What are we going to do with them?
Oh Lord! the sins that we shall see
Done in the name of unity,
When those who wish each other dead
Must share one platform—and one bed!
Crusade for what? An answer, please—
And skip the generalities.

General Eisenhower has spent the weeks since the convention in appeasing the Republican Old Guard instead of wooing the independent voter—with, it seems, not too much success. As far as can be ascertained, Senator Taft is still irreconcilable and is going to provide the minimum of support compatible with decency, except in his own State, Ohio, where he will work for his brother and Senator Bricker. And the Taftian faithful throughout the country will be waiting for a lead from the master before exerting themselves. Meanwhile the independent voter, having been offered an alternative candidate who seems to have an irresistible attraction for intellectuals, is

deserting the Eisenhower Crusade. And for the sake of the independents the Alsop brothers have lately been appealing, apparently without success, to General Eisenhower to keep away from at least Wisconsin and Indiana and overt support for the notorious Republican Senators standing in those states, Mr McCarthy and Mr Jenner.

This problem faced General Eisenhower from the moment that he decided to run for the Presidency, and he was warned months ago of the effect on the independent votes of endorsing such characters as Mr McCarthy. But the argument which *Newsweek* calls "a shatteringly fierce one" still goes on as if the dilemma were new. The uneasy compromise which the General presented to press correspondents when his hand was forced satisfied nobody, and saddened the *New York Times*. Unfortunately he cannot afford to snub, or even to ignore, all those who will be liabilities if they are elected or re-elected.



With a few exceptions, it can now be seen what the contests in the Senate will be like and how well placed the Democrats appear to be. There are 35 seats to be filled this year: the normal one-third of the Senate and three additional changes caused by deaths. In the Eighty-second Congress, the Democrats now have a majority of three, 49 to 46, with one seat, that of Senator McMahon in Connecticut, vacant, and they hold 15 of the seats coming up against 20 held by the Republicans. Of those 15, six, in Florida, Mississippi, Rhode Island, Tennessee, Texas and Virginia, can be considered safe. Of the 20 Republican seats, there are also six, two in Nebraska and one each in California, Maine, North Dakota and Vermont, that are equally safe. This leaves, therefore, 14 Republican and 9 Democratic seats which could change hands.

In these contested seats the quality of the individual Senators and their opponents is of importance. Some months ago, the *New Republic* published an order of merit in the Senate, drawn up by a group of political scientists on the basis of the various Senators' attitudes on domestic and foreign issues, their legislative and intellectual ability, and their personal integrity. Though it is possible to quarrel with these ratings in detail, they are accepted as a reasonably accurate guide. In the opinion of these political scientists, nine of the fourteen Republicans and only one of the nine Democrats who could be in trouble come from the worst half of the Senate and, of the Republican nine, four come from the last five on the list; the other member of the quintet is the Democrat, Senator McKellar, a liability of which the voters of Tennessee kindly relieved Mr Stevenson in the primary election. Of the worst four, Mr McCarthy seems almost certain to be re-elected, but the other three, Mr Jenner, Mr Cain, of Washington, and Mr Malone, of Nevada, may well be beaten. So may others among the General's problem children, unless he carries them home on his back; for example, Mr Kem, of Missouri, Mr Watkins, of Utah, and Mr Ecton, of Nevada. If they are beaten it will, to a great extent, be because their Democratic opponents are demonstrably superior individuals.

At the moment Senator Bricker, of Ohio, eighty-sixth on the political scientists' list, Senator Martin, of Pennsylvania, fifty-third, and Senator Alexander Smith, of New Jersey, thirty-fourth, seem likely to win without difficulty, although all three are opposed by energetic campaigners who could transform the struggle if things once began to flow their way. Unfortunately, the best of those Republicans running this year, Senator Lodge, of Massachusetts, seventh, is in serious danger. Although his opponent, Representative Kennedy, the son of the ex-Ambassador to Britain but by no means a chip off the old block, would no doubt be a good Senator, it would be a disaster if Mr Lodge, or any other of the Eisenhower group, among them Mr Ives, of New York, twelfth, or Mr Thye, of Minnesota, forty-second, were beaten, particularly if most of the Old Guard team were to be re-elected.

The danger to those Democrats seeking re-election is not as great. It would be gratifying if the worst of them, Senator Underwood, of Kentucky, sixty-sixth, lost to Mr John Sherman Cooper, who has already had a short term in the Senate and has represented the United States at the United

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

Nations. But the seats most likely to be lost are those of Mr Blair Moody, of Michigan, nineteenth, Mr Benton, of Connecticut, fifteenth, and that of Senator McMahon for whom a successor has not yet been chosen. Connecticut is a state which has been slowly changing from the Republican to the Democratic side. In 1950, for the first time in a non-presidential election year, Democrats were elected to the Senate and, with Mr Stevenson's help, Mr Benton, at least, should scrape through this time.

To gain a bare majority in the Senate, the Republicans must hold all their own doubtful seats and win some of the doubtful Democratic ones; this will be a hard task, unless the Eisenhower campaign suddenly catches fire and burns up the Democratic opposition, a phenomenon which few people now expect. And the General finds himself in a difficult position when faced with independent voters who want a change. He is unable to promise, as Mr Stevenson is, to clean house. The dirt in General Eisenhower's house, if he is elected, will have been brought in by the voters of the die-hard Republican states; the exigencies of politics, which insist that a Republican majority is needed in Congress, will not only have forced the General to help those voters to bring it in, but will oblige him to let it stay.

Mr Stevenson, on the other hand, though he has a hard task, has not got an impossible one. Appointed officials can be dismissed—some left the Justice Department precipitately as soon as he had been nominated—and it is appointed officials who are responsible for the dirt which must be swept from his house. And who can doubt that he will try to do it when he had the temerity, the unnecessary temerity, considering that it was a moment when platitudes could have been excused, to say, in his acceptance speech, with the President beside him on the platform: "Do you doubt the power of any political leader, if he has the will to do so, to set his house in order without his neighbours having to burn it down?"

Labour Stands Firm

[FROM A CORRESPONDENT IN WASHINGTON]

GENERAL EISENHOWER'S failure to win any substantial support in the American labour movement is one of the ironies of the Republican election campaign, for at the time of the nominating conventions one of his backers' best selling points was that he would be a unifying force. Republican leaders were warned that, if Senator Taft were nominated, all of the labour leaders would be alienated, but were promised that, if the party chose General Eisenhower as its presidential nominee, the magnetic attraction between the Democratic party and the heads of the trade unions would be neutralised. After that, the Democrats nominated Governor Stevenson, perhaps their most conservative candidate since the Wall Street banker, Mr John W. Davis, in 1924. Yet, even so, the organised labour movement has polarised around Mr Stevenson as decisively as it ever did around Mr Roosevelt or Mr Truman.

First, the executive board of the Congress of Industrial Organisations met, within a few weeks of the Democratic convention, and warmly endorsed Mr Stevenson as the authentic guardian of the New Deal and the Fair Deal, in spite of the fact that he has been unsympathetic to some of the more left-wing policies of the Truman Administration. Mr Stevenson particularly disapproved of the President's handling of the steel strike and criticised him publicly for his failure to restrain it by obtaining a court injunction under the Taft-Hartley Labour Act.

As regards the Act itself, the bugbear of the labour movement, Mr Stevenson, before his nomination, stood for its revision, but not for its repeal. But since his nomination he has trimmed his words to fit the Democratic platform, which once more promises to abolish the Act. Mr Stevenson now explains that "repeal" is a form of revision, and that perhaps it would be wise to rid the law books of the political symbolism of the title of the Taft-Hartley Act. But, while the praises of the trade unionists were still ringing in his ears, Mr Stevenson went out of his way to dissociate himself from their good friend in Washington, President Truman, and demonstrate that he was not the "captive" of any man or any group, in spite of Republican allegations to the contrary.

The powerful American Federation of Labour, which claims 8 million members to the CIO's 6 million, is also climbing aboard the Stevenson bandwagon, in its own more cumbersome way. Its executive council has invited both presidential candidates to address the AFL's national convention in New York later in September and has announced, unofficially, that at that convention the council might, for the first time since 1924, recommend the delegates to endorse one of the presidential nominees. The invitation to both candidates has the outward appearance of complete impartiality, but General Eisenhower will be speaking against a strong bias at the AFL convention. The overwhelming majority of the trade union leaders in the federation are wholly committed to Mr Stevenson and the Democratic party.

The surprising thing about this concentration of organised labour strength around the Democratic nominee is that the Republican General Eisenhower has always had many friends in the labour movement, and there was real reason to expect that he would at least temper the tendency of trade union leaders to regard the Democrats as their best political hope. For in 1947, when President Truman was floundering in his leadership and had not yet begun his sensational political comeback, Mr Philip Murray, head of the CIO, and other labour leaders were amongst those who thought that General Eisenhower was the man who could revivify the Democratic party, if he became its candidate for President in 1948. Later, when in Paris, he made many good friends among labour leaders, for the General was intensely interested in the efforts of British and American trade unionists to counter the influence of Communism among the trade unions of Western Europe.

There are still traces of this friendship, although General Eisenhower has been unable to make political capital out of it. The labour leaders, even though they have swung to Mr Stevenson, have spoken kindly of the Republican nominee; the CIO executive board justified its position by declaring that

no candidate, however respected and however well intentioned, could wrest power from the entrenched Old Guard who still control the Republican party.

This statement ignores the fact, of course, that the Democratic nominee has as many undesirable political relatives as the Republican. But in a political fight there is an indisputable psychological advantage in being the first to point to the skeletons in the opposition's cupboard.

The Republicans have naturally tried to minimise the advantage of the labour endorsements that Mr Stevenson has won. Senator Nixon, the Republican nominee for Vice-President, greeted the news from the CIO and AFL meetings with the sour comment that the labour leaders could

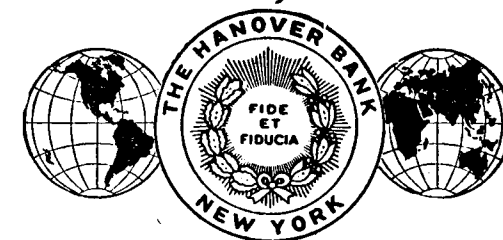
not deliver the vote of the trade union rank and file. There is, indeed, no guarantee that they can deliver all of it everywhere and there is some evidence that, in the 1950 Congressional election, too ardent support from labour organisations did some candidates more harm than good, by alienating independent voters. But the trade unionists are now well aware of this danger and the Republicans can certainly not afford to ignore the importance of Mr Stevenson's labour support. For if the union members are efficiently registered as voters and brought to the polls on November 4th, a question of organisation to which labour leaders have always paid much attention, their influence could swing closely contested states like California, Illinois, Michigan and Ohio into the Democratic column. And it is on these large industrial states that both candidates are counting for victory.

American Notes

Boiling Oil

If any proof were needed that, between now and next November, the heat will be put on in Washington by domestic politics rather than by international considerations, it has been provided by the smoking out of the Federal Trade Commission's report on the alleged cartel arrangements between the five leading American petroleum corporations and the Anglo-Iranian and Royal Dutch-Shell companies. Together these seven firms are supposed to have eliminated competition in the international trade in oil, from production through refining to distribution, by means of agreements, on marketing and pricing, made between 1928 and 1934.

A report dealing with restraints on trade by the industry—which is traditionally the favourite target of the trust-busters—is obviously just the fuel the Democrats need for building a fire under Republican big business, and for warming up the anti-monopolistic prejudices of the voters. In addition,



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the Democratic vice-presidential candidate. Mr Sparkman, is the chairman of the Senate Small Business Committee, which has long been interested in the FTC report because of its concern about the danger to the independent domestic oil producers of competition from the international companies. Although Mr Sparkman denies having pressed the President, it must be for the sake of sticking a useful feather in his campaign cap that President Truman has at last consented to the publication of a report which deals largely with negotiations over the development of the Middle-Eastern oil fields; for the political situation in that area is as delicate now as it was last year when the report was suppressed in order not to embarrass the State Department.

The companies are reserving their defence, which rests partly on a denial of the charge, partly on a claim that many things now being objected to were done with the full approval of the State Department, until next week when a grand jury is to consider whether or not they should be indicted under the anti-trust laws. Meanwhile, however, the American companies concerned, with the exception of the Gulf Oil Corporation, which may be included later, are already being sued for \$67 million in damages by the Department of Justice, acting on behalf of the Mutual Security Agency as the Economic Co-operation Administration's successor. The charges arise out of one of the practices described in the FTC report, under which oil prices all over the world are based on costs at the American Gulf ports, far higher than costs at, say, Persian Gulf ports. The companies justify this practice by claiming that oil prices depend on world supply and demand, not on costs of production.

But the practice, it is alleged, meant that European countries buying Middle-Eastern oil from American companies were charged "exorbitant" prices and that the American taxpayer suffered, since payment came from foreign aid funds. Furthermore, the price of Middle-Eastern oil "dumped" in the United States, is said to have been much lower than that charged in Europe, thus contravening the legal requirement that no foreign aid money should be used to buy commodities at prices higher than those prevailing in the United States. But there is a suspicion that election politics may also enter into this case. For these contracts were approved by Mr Paul Hoffmann, now one of General Eisenhower's advisers, when he was in charge of ECA; they are being queried by Mr Averell Harriman, a leading Democrat, who heads MSA.

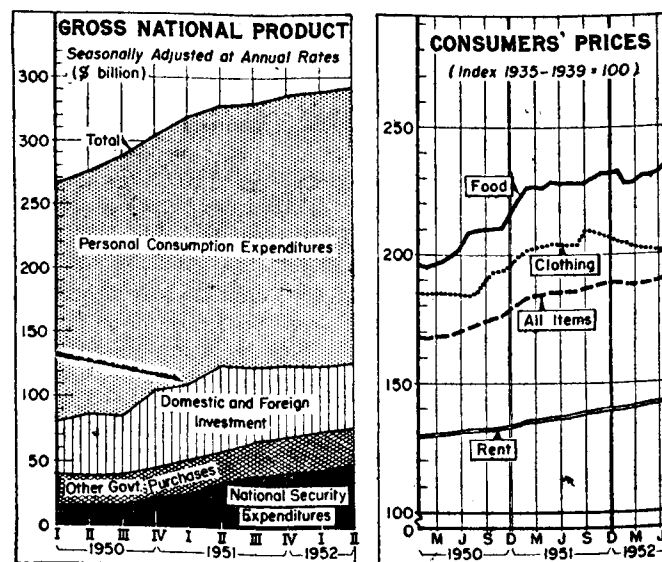
Absorbing the Steel Shock

The federal budget is one of the few economic indicators that has turned downwards lately; in its case that is the way it ought to go. The President's revised estimates, now that the 1953 fiscal year has actually begun, show revenues, at \$68.7 billion, expenditures, at \$79 billion, and the coming cash deficit all falling below last January's forecast, the deficit by \$4 billion. The decline in revenue is because corporate profits are yielding less in taxation than had been expected; nevertheless there is no doubt that the tax collectors' record haul, of almost \$65 billion, in the 1952 fiscal year will be surpassed. Congressional pruning of appropriations is the main reason why estimated expenditure has fallen, but the steel strike is also partly responsible, for it means that spending on armaments will be prevented, by shortages of steel, from mounting as sharply as had been expected.

This has, however, the advantage, from the point of view of the national economy, that the defence programme will be stretched out still further than had been expected—the peak period will not now come before mid-1953—and that the critical moment when government spending begins to drop has again been postponed. But the shock both to rearmament and to ordinary industrial output resulting from the steel strike is being absorbed surprisingly quickly. During the

present quarter the gross national product is bound to stop rising, but well before the end of the year it should have resumed its upward climb, a climb which is not simply in dollar value but in actual physical output. It was government spending on national security that speeded up the rise in the gross national product so noticeably in the second quarter of this year and armament factories are of course getting first claim on scarce steel supplies, with the day when there will be plenty for everyone put off until next year. But with an election round the corner the Government does not want to risk unemployment in civilian industrial centres; in consequence makers of automobiles and other consumer goods are not being kept so short of steel as they had feared.

Many of them in retrospect regard the steel strike as a relief rather than a shock, for it enabled them to get rid of uncomfortably large stocks of the refrigerators and washing machines which had been selling badly for so long. Demand for these has now been stimulated by Congress's insistence on relaxing restrictions on instalment credit but,



still afraid of nipping this reviving market in the bud, manufacturers are hesitating to pass on to consumers all the increases in their costs arising from the increase in the price of steel which was part of the strike settlement. That settlement is therefore unlikely to be as immediately inflationary as was predicted by the Price Stabiliser, Mr Ellis Arnall, who has now left Washington to its fate.

But even the Secretary of Commerce, who always took a more cheerful view of the situation, admits that another spiral of rising wages and prices may be on the way. This depends on whether the steel settlement was the end of the last round of inflation or the beginning of the next. It looks as if it might be the beginning, for between now and the election the Administration will hardly dare to refuse wage increases to voters faced with a rising cost of living: in July the consumers' price index went higher than ever before. The stimulus came from food prices, pushed up by the drought; they have steadied now, but the general trend is still upwards and Congress took away what power the Administration had to reverse it. Mr Tighe Woods, Mr Arnall's successor, will find it as hard to preserve stability in his new job as he did in his old, where he was supposed to hold down rents.

Candidates on the Middle Road

This week both General Eisenhower and Governor Stevenson began their election campaigns with supposedly non-political speeches to the American Legion convention in New York. From there both are taking to the road and it

looks like a middle road for both. Careful planning will probably prevent them meeting again geographically, but ideologically they are far too close together at the moment to suit the politicians. This is partly because both are naturally moderate in their views, partly because both want the support of the independent, undecided voters, to whom extremes do not appeal.

The need to strike out in a direction of his own is at least one of the reasons why General Eisenhower in his address to the Legion advocated what seems to be a dangerously aggressive foreign policy. For a few days earlier he had commended, in principle at least, President Truman's policy on Korea and some of his domestic social policies as well. As a result the General found that he was earning the "me-too" label that is supposed to have cost Mr Dewey his victory in 1948. So far it has only cost General Eisenhower the support of Colonel McCormick and the *Chicago Tribune*, which he can well do without; the Colonel is forming a new "American party," but will confine its activities to the Congressional elections for the present. However, as the Scripps-Howard press has warned General Eisenhower, a candidate campaigning on the "need for a change" cannot win by endorsing the policies of the Administration that is supposed to need changing.

Mr Stevenson, on the other hand, has been getting into trouble for admitting that the Administration, which he wants the voters to continue, does indeed need a change, that there is a "mess in Washington." For him, as Mr Truman has sharply reminded him, the danger is that he will dissociate himself too much from that Administration's record and undermine the solid foundation of party workers and trade unionists on which past Democratic victories have been built. To get back to the Truman line, and also certainly in order to be true to his own high principles, Mr Stevenson last week bravely risked cracking another of the Democratic corner-stones, the solid South. In an interview with Governor Shivers of Texas, a large southern state which the Republicans already hoped to win, Mr Stevenson refused to compromise on the tidelands oil issue. The oil under the coastal waters of the states is now, according to a Supreme Court decision, controlled by the federal government and Mr Stevenson made it clear that if Congress again tried to give this oil to the states he would follow Mr Truman's example and veto the Bill. And a furious Mr Shivers left declaring he would not vote for Mr Stevenson and might lead his friends into the Eisenhower camp if they wanted to go.

In his speech to the American Legion Mr Stevenson showed his sympathy for another of Mr Truman's courageous stands, that against exaggerated anti-Communism. The way in which Mr Stevenson explained this problem, and that in which he elaborated the main theme of his address, the meaning of patriotism, has confirmed the faith of those who believe that here is a man who could be a great President.

Scraping the Barrel

Europe is not alone in worrying about soldiers for its armies; in the United States, the men called up when conscription was resumed in September, 1950, after the Korean outbreak, are nearing the end of their two-year period of service. Of the Army's present strength of 1,558,000 men, about 700,000 will be released during the next year, and the armed forces altogether will need about 1,200,000 men between now and next June for replacements and expansion. While the Air Force (1,061,000 men), the Navy (835,000 men) and the Marines (243,000 men) draw entirely on volunteers, the Army leans heavily on conscription, and it will soon be scraping the bottom of the barrel of 18½ to 26 year olds now liable for service. The sharp upward swing in the number called up or "drafted" by local Selective Service boards at the Army's request—from 30,000 in

September to 47,000 in October—reflects the accelerating need for replacements, to be found from a diminishing supply.

Over a million men have been drafted in the past two years, and 700,000 have volunteered. The Selective Service policy has been to begin with men of 25 and work downwards; 20 year olds are now being taken and before long men of 19 will be called. Although about 800,000 boys reach registration age each year, many of those between 18½ and 20 have already volunteered, or are excused because they are students or apprentices. Of the entire 18½ to 26 age group, 1.6 million are automatically excluded because they have already done military service while nearly 3.5 million are at present deferred.

Draft officials, driven by the need for about 50,000 men a month from October on, are therefore being driven to take stock of the deferment policies which keep such a large number out of uniform. Over 300,000 men are deferred because they are engaged in essential work, another 100,000 are farmers, and there are 200,000 in school and college with sufficiently high academic standing to keep them out of the Army until their schooling is completed. Unsatisfactory health has caused the rejection of 1.5 million more, but it is doubtful whether mental and physical standards, now as moderate as they were during the war, can be lowered further.

The most likely candidates for review and the largest remaining group of deferred men, totalling almost a million, are those with dependents, usually children. While technically liable to be called up, fathers are now exempted by executive order, but Army officials forecast that by next summer they will be forced to ask for the drafting of "post-Korea" fathers. This step can be taken under present laws, while other solutions for manpower difficulties, such as raising the age limit or lengthening the term of service, would need new legislation; this would be even less acceptable to Congress than in the past, now that European conscription has begun to move in the opposite direction. Until the election is over, the services will content themselves, and try to content the Congressional critics of the way they use money and men, by making efficiency surveys; the Air Force has already announced plans for "rigorous austerity" to reduce the number of "chairborne" personnel.

Shorter Notes

The McCarran Internal Security Act has forced a judge to rule, with much regret, that a Finn, Mr Karl Latva, who has lived in the United States for many years and has an American family, must be deported because he once paid 90 cents in dues to the Communist party. This happened eighteen years ago, and Mr Latva claims to have had no connection with the party since. He revealed his Communist membership voluntarily when seeking US citizenship and the Department of Justice expects to find some way of avoiding his deportation.

Modern alchemists searching for a method of purifying salt or brackish water in large quantities will have the aid of a \$2 million grant from the federal government over the next five years. Most of the money will be given to private firms for research on the project, which is actively sponsored by the Department of the Interior.

Non-melting ice, which is available at temperatures from -8 to 32 degrees Fahrenheit and can be used over and over again, has been developed by a Californian firm and is already in use by shippers and industry. A mixture of water and a special powder produces a gelatin material that can be frozen and thawed at will with no gas or water seepage; the amount of powder fixes the temperature when frozen.

THE WORLD OVERSEAS

The Fifth Soviet Five-Year Plan—I

Keeping Up the Pressure

THE Soviet planners have finally revealed their cards and published a draft of their Five-Year Plan for the years 1951-55. Some eighteen months after the completion of the first postwar plan, we can at last get a glance at its successor. Although its ultimate targets have remained secret, the plan has been in operation, and some time ago the Russians published a balance sheet of its first year. It is now possible to see what changes they propose to make in the next four years, including the current one.

High targets are no novelty to a student of the Russian economy, and he has come to take average annual increases of about 10 per cent in the national income and 12 per cent in gross industrial production almost for granted. This is in fact what the new plan foresees; i.e., a rise over the five years of about 60 per cent in national income and 70 per cent in the gross output of industry. The rate is somewhat slower than in the previous plan, but this can be explained partly by the naturally quicker tempo of postwar reconstruction and partly by the introduction of a more realistic measuring rod—the current 1951 prices instead of the obsolete 1925-7 prices used in previous calculations.

In heavy industry the pattern is changed but little. In absolute terms, output of coal, electricity and pig iron will increase on an average during the four years slightly more than last year. The average annual rise in oil production—about 7 million tons—is substantially higher and only in steel does the annual rise fall from about 4 to some 3½ million tons. In fact among the basic industries steel seems to be the only one where a temporary stage of diminishing returns has set in and the rate of expansion is considerably slowed down—least for pig iron and most for crude steel. Possibly steel capacity has outstripped its supply of raw materials and, in addition, scrap is no longer as plentiful as it used to be. This relative set-back in expansion is apparently to be compensated by a great improvement in quality. On the other hand, the output of electricity—thanks partly to the opening of the large hydro-electric stations—and that of oil, are forging ahead at an increasing pace. On the whole, as one would expect, the Soviet planners are intent on maintaining the terrific rhythm of development in heavy industry.

More Consumer Goods

What is startling, however, is that they are apparently to maintain this pace in heavy industry without neglecting the other branches of the economy. In the last plan, for example, total industrial production was scheduled to exceed the 1940 level by nearly a half, and actually exceeded it by nearly three-quarters, while most consumer goods were only to reach the prewar output and even so some of them failed to reach their targets. Now, if the output of producers' goods is to rise by over 80 per cent in the five years, that of consumer goods is to increase by over 60 per cent. This is not all. There are still more ambitious plans for agriculture. For instance, the 1950 grain target—at 127.5 million tons—was only a few million tons higher than the 1940 output. Even this proved too stiff and the actual crop fell some 3 million tons short of it. In 1951 it was still lower and the present yield is not likely to be very much better. Yet for 1955 the Russians are planning an

output of between 175 and 187 million tons of grain. In other words, for the next three years the Soviet grain harvest should increase on average by at least 15 million tons a year.

The previous plan, as well as its predecessors, owed its success to a large extent to a continued expansion of the industrial labour force. Thus by 1950 industrial production was 73 per cent higher than in 1940, but during the same period the number of workers and employees rose by somewhere between 6,700,000 and 8,800,000 or by 25 to 30 per cent (the official figures were somewhat ambiguous). If the longer working hours are taken into account, actual productivity could not have risen by more than 15 to 20 per cent, though the Russians have claimed twice that level. During the new plan, the number of workers and employees should be raised from 35.2 million to 43.7 million, that is by only 15 per cent. Hence productivity will have to increase by about 50 per cent in fact and not merely on paper, if the plan is to be fulfilled.

Heavy industry should reach its targets whatever happens, and may well reach them ahead of schedule. If there is no emergency revision and if production continues for some time at the speed now prescribed by the planners, the long-term goals outlined by Stalin could be reached just on time. Speaking in 1946, Stalin declared that after three five-year plans the Soviet Union should be able to produce 50 million tons of pig iron, 60 million tons of steel and oil and 500 million tons of coal. If the present pattern continues this

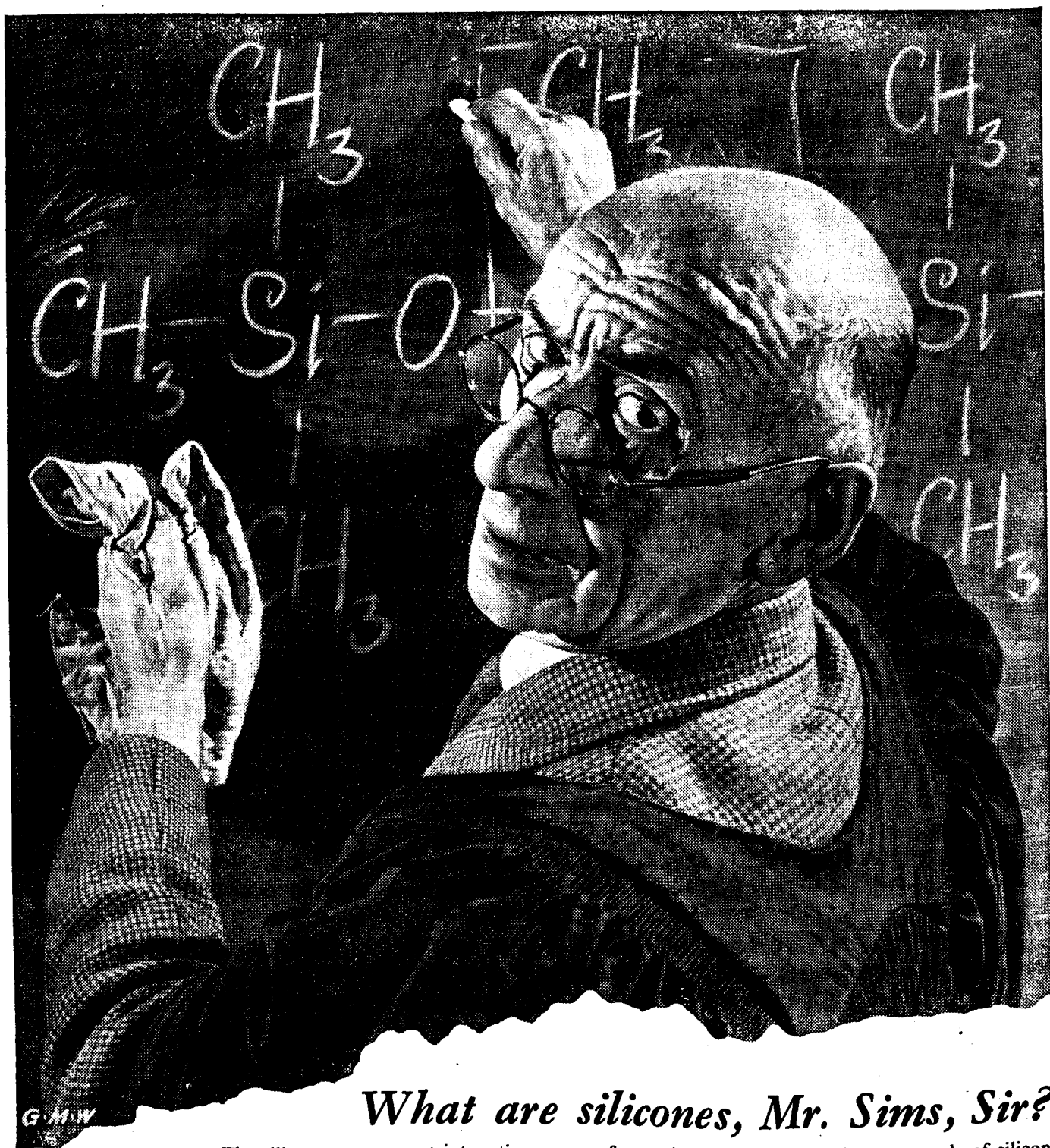
PER CAPUT PRODUCTION
(Kilograms)

	1951					1955
	USA	UK	W. Germany	France	USSR	USSR planned
Coal	3,500	4,500	2,480	1,250	1,384	1,730
Oil	2,050	1	29	7	208	325
Electricity*	2,468	1,199	1,070	850	500	756
Pig iron	426	197	223	206	109	159
Steel	635	317	281	232	154	206

* kWh.

will actually be the output of Soviet industry in 1960, with the exception of oil, whose target should be reached—or rather exceeded by 10 million tons—by 1955. Incidentally, Stalin's figures, though announced only in 1946, were apparently based on long-term calculations made on the eve of the war, and but for the ravages wrought by the Germans, they might well have been nearing completion now.

The war was a terrible set-back and even with the greatest exertions the prewar level was recovered only towards the end of 1948. This has also spoilt, or at least postponed, the great Soviet dream of "overtaking and outstripping the advanced capitalist countries." One does not know what use Malenkov and Saburov will make of the economic material at their disposal during the forthcoming 19th Congress, but at the previous Congress in 1939 both Stalin and Molotov made ample comparisons with the West.



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After boasting the superior rate of progress in the Soviet Union, they both insisted that the rate of development should not be confused with the level of development. Taking figures for 1937 they computed a table of per caput production of the chief industrial products and after candidly admitting the relative backwardness of Russia they stated that the advanced Western output must be reached and exceeded to pave the way to Communism. The table above is built on the same lines as Molotov's with data for 1951 and Russia's planned figures as well.

Comparing these data with Molotov's one can see both the glory and the handicaps of Russia. In 1951, Soviet per caput output was already substantially higher than before the war. By 1955 per caput output of pig iron and steel should be nearly twice the 1937 level, over twice for coal, over 3 times for cement, and for electric power, $3\frac{1}{2}$ times. It will become comparable with the current output of France, but still distant from that of Germany and the United Kingdom, and with the United States per caput production looming far on the horizon.

	BASIC PRODUCTION (Million metric tons)			
	1951	1955		
	United States	UK, France† and West Germany	USSR	USSR planned
Coal.....	523.0	398.4	281.0	372.0
Oil.....	309.0	1.7	42.3	70.0
Electricity*	370.2	147.4	103.0	162.5
Pig iron.....	63.9	29.3	22.1	34.1
Crude steel.....	95.4	39.2	31.3	44.2

* 1,000 million kWh. † Excluding Saar.

Yet per caput output tells only part of the story. It is important for the standard of life, not for economic potential. Here the Soviet Union's prospective economic weight holds the balance well against the combined current output of the United Kingdom, France and Germany. True, these countries will not remain stationary; and the American levels of production are still unattainable for the Soviet Union. But even such a supremacy on the economic front in Europe was unbelievable not so long ago. This must be the Soviet

SOVIET FIVE YEAR PLAN

DETAILS NOW AVAILABLE

This week's issue of the *Records and Statistics Supplement to The Economist* contains detailed information about the latest Russian Five Year Plan. Economic data from Russia and Eastern Europe are difficult to obtain, but whenever they are available they are given in *Records and Statistics*.

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rulers' consolation and may well dictate their policy. They hope to reduce slowly the West's advantage in economic potential to such proportions as to be able to counterbalance it with their other trump cards. On paper, at least, they do not look as if they are planning in expectation of an imminent conflict. Possibly in the near future now the Russians will bank on General Time as they once did on General Winter.

(To be continued.)

Hesitation in Egypt

[FROM A CORRESPONDENT]

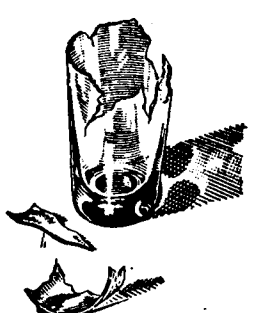
WHEN Egypt got rid of King Farouk on July 26th and threw his sycophantic followers into prison, the exhilaration of the country swept it straight forward into plans for a benevolent revolution which, without bloodshed, would narrow the immense gap between rich and poor. There would be, in particular, an agrarian reform which would affect 70 per cent of the population and, at the outset, a purge of those venal people whose activities had cankered the very roots of national life.

Except in the Moslem Brotherhood which has the idea of an "Islamic State" based on the teachings of the Koran, there was no ideological context to this movement. The most extreme results envisaged would not exceed the aims of modest democratic socialists in the West. To a large extent, the execution of reform has been entrusted to people who in any country other than Egypt would be considered reasonably conservative. Nor does Egypt need, at the moment, anything greater than the creation of an efficient, trustworthy administration, the reconstruction of political parties, the punishment of those grossly dishonest in the immediate past and a carefully constructed plan of agrarian reform to be executed within the possibilities of the Egyptian economy; for although this would leave the social structure fundamentally unchanged, the effects would be revolutionary. Even such modest aims as these would be difficult to achieve, but the attempt would still enable Egypt to retain enough stability to encourage foreign economic co-operation, upon which its regeneration must to a large extent depend.

After one month of "the new Egypt," however, it is being pertinently asked whether in fact the structure of government which has grown up around an orthodox Cabinet and the Army makes it possible to achieve even these moderate aims. The Cabinet, led by Aly Maher, is clearly intent on careful management of finance and reform and strict adherence to legal procedure in operating the purge. The Army, which purged the palace by force, breached the constitution and now supplies the power on which the Cabinet depends, is to a large extent accepting government by the Government; but in so doing its radicalism is losing its momentum. Premier Aly Maher and the Army leaders are not in conflict over their broad aims, but they are having to work hard to agree on targets, timing and methods.

This is evident in some of the hesitation on major questions. Two weeks have passed since Khamis was sentenced to death in summary fashion for leading the revolt of workers at Kafr el-Dawar which resulted in several deaths. Major-General Mohamed Neguib described him as a traitor and said it was better that one should die to save many. Yet there is no date fixed for the execution of Khamis and, although he may be hanged, it is clear that his case has caused anxiety. If the first to die in a movement for workers and peasants is a worker it is unfortunate; and, in any case, there is a feeling that the Kafr el-Dawar workers were as much stirred by the mood of the hour as by instigators. The Army pledged the breaking-up of the big estates, but the Government is obviously drawing attention to the technical difficulties involved in this very necessary reform. Then there is the

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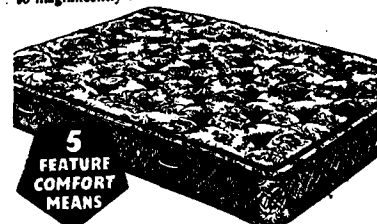


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Sea air is terribly drying, so first give your face a gentle massage with a good nourishing cream, then a shiny greasy lipstick, then perhaps a trace of brillianine on the hair. You won't need rouge to colour your cheeks. And remember, salt spray can make a sorry mess of makeup.

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To look your best, choose simple things. Pull on knee-length slacks, a jaunty striped jacket if it's hot or a turtle-neck sweater if it looks cooler. Avoid jewellery—rings can slip off if your hands get wet. And no heavy frock coats, unless of course it's a blizzard you're after.

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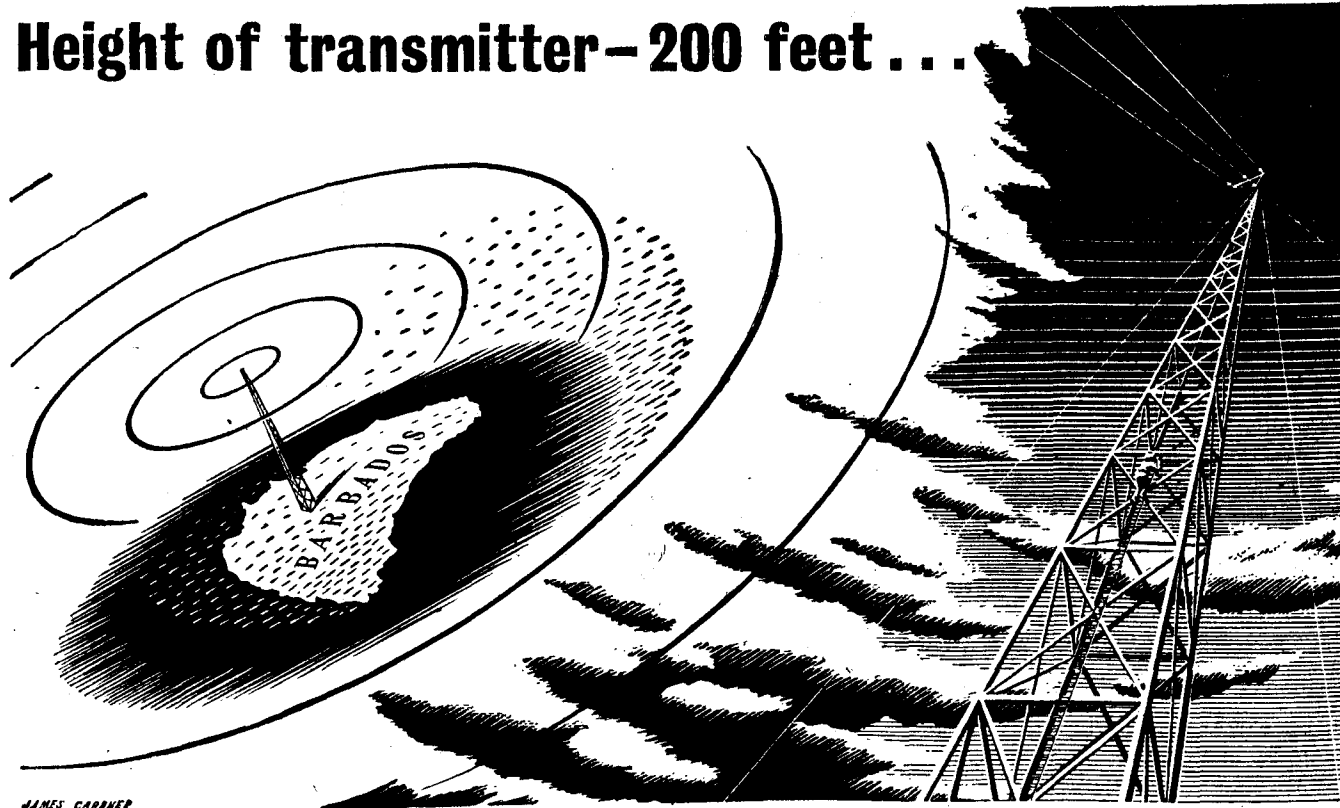
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purge, which shows signs of being bogged down in legal inquiries as thoroughly as was that intended by Naguib el-Hilaly.

On the evidence of Aly Maher's policy, one would judge that he seeks to maintain three things: first, a sound economic policy; secondly, carefully graduated reforms; and thirdly, the support of as wide a section of the population as possible. It is the third aim which seems inconsistent both with the intentions of the movement and the position of the Army. In a country where corruption and social privilege are so deeply embedded, real reform can only be achieved in face of antagonism from powerful vested interests.

There seems equal evidence that the Army does not see its own position clearly. Its insistence on restoring the constitution and parliamentary life, its tacit acceptance of next February as the possible date for elections, its constant reiteration that government is the duty of the civil authorities, suggests a faith that tortuous legal processes, constitutional reform and the reconstruction of political parties can by persuasion and civil action complete the revolution which the Army started by force. In fact, the parties and the medley of vested interests involved are sitting tight. They know that in Egypt time can cure all.

The Wafd party is convinced that sufficient momentum has already been lost to justify counter-action and is sensible enough of the state of the country to realise there are many of its opponents who would now be willing to see it stage a come back. Its counter-attack is simply an attack on the Palace as being responsible for corruption, and on the British and the Palace together for all those events, mainly the burning of Cairo, which discredited the Wafd. The Army and the Wafd, and only these two, could regenerate Egypt. The Army is wonderful, but not least because it promises to restore the constitution and obey the will of the people; for the Wafd is the people, and the people are the Wafd. Let all now concentrate on the struggle with Britain; that is, not on the corruption and calamities of Wafd rule, which are sinister lies of "the imperialists." That this case, as presented in *Al-Misri* and a speech by the Wafd's leader, Mustapha Nahas, is a hotchpotch of special pleading and prevarication does not mean it can be disregarded. If it is sustained it will have its effect in the streets and restore to the Wafd some political initiative. Its aim is to palsy the Government and the Army, so that they fall apart and the movement disintegrates, leaving the country to the Wafd machine. The new order would change, giving place to old.

Danger from Extremists

It is natural for business interests, particularly foreign interests, to consider the moderation of the reform movement as a good thing; and, in a country such as Egypt where the economic and social conditions are chaotic and complicated, carefulness is certainly required to avoid a complete breakdown. But the action of the Wafd has given one pointer to the dangers of too slow a change for the better. This country and, more particularly, this Army, will not easily accept disillusionment or forget the lesson of the *coup d'état*. The Wafd almost certainly miscalculates in believing that the Army will let it recover power, but the defeat of the Wafd could be caused by a new upsurge of extreme elements within the Army. The worst thing that could happen to Egypt is the overthrow of the new movement by a newer movement formed from conflicting, extreme groups which have nothing in common but xenophobia and ill-digested ideas of sweeping reforms.

One might fairly conclude that the best thing that could happen in Egypt is the rapid extension of radical reforms and of the purge by the present moderate Army and civil leaders, in order to maintain the momentum of the movement; in other words, a more logical acceptance of the responsibilities which the Army accepted when it dethroned the King.

The Cost of Telling the Truth

ONE might think that close and constant attention would be given to any activity which can be described simultaneously as "one of the main links of the Commonwealth" and "one of the main facets of the rearmament programme." But in the past there has been surprisingly little public interest in British broadcasting to other countries. The Select Committee on Estimates from whose report the above words are quoted is the first independent body to publish a detailed inquiry into the subject, and its recommendations and minutes throw much new light on to the BBC's external services.

In recent months, the massive jamming operations mounted by Communist governments in an attempt to cut their sub-jects off from their last means of getting news from abroad have focused attention on the part of the radio "front" that coincides with the iron curtain. The new report is a useful reminder that British external broadcasting covers a much wider field than this. In addition to programmes for Europe and Asia, it provides news and entertainment for the whole Commonwealth, for English-speaking listeners throughout the world, and for British forces overseas. The Treasury grant-in-aid on which these services depend has to cover "Calling All Forces" as well as news bulletins for Eastern Germany, and programmes in Maltese and Afrikaans go out alongside those in Russian and Czech.

Relaying the News

The Commonwealth countries clearly appreciate the BBC's efforts. Its short-wave news bulletins are rebroadcast by stations in New Zealand and Ceylon, and by Canada's French-language network. Indian and Australian stations rebroadcast other BBC programmes, and even South Africa, where rebroadcasting of BBC news was stopped in 1950, still relays non-political programmes such as sports reports. The North American service finds Canadian stations willing to use as much material as can be supplied, and BBC recorded transcriptions are also widely used by United States networks; last December 1,383 American and 105 Canadian stations were rebroadcasting London programmes, and one weekly programme is regularly rebroadcast by over 200 American stations. The external services are also doing a good deal to help colonial territories to develop their own broadcasting systems. Some thirty BBC employees are at present seconded to various colonial services, ranging from the West Indies to Uganda, where the protectorate's first station is now being set up with BBC aid. Six are now in Nigeria, helping to organise the local service launched in Lagos a few months ago, which will cover the whole territory by next year. Existing colonial stations rebroadcast a high proportion of programmes from London, and use BBC news as the basis for their own transmissions.

The grant-in-aid also has to cover the cost of the monitoring service, which collects from other countries' broadcasts a generous supply of news and background information. The Select Committee was told that perhaps only a quarter of the monitoring service's activities could be regarded as of direct value to the BBC departments concerned with putting out news. Most monitoring, in fact, is a service to the Foreign Office, the Board of Trade, the defence departments and other organisations which need a full and rapid supply of political, commercial and strategic information from all parts of the world. Here the emphasis is naturally on countries in which the press cannot operate freely. The Soviet Union, its satellites in Europe, and China are covered as fully as possible, while very little monitoring of western European

stations is done, and none at all of stations in the Commonwealth or the United States.

A summary of the main divisions of the external services' expenditure shows how the funds available are stretched to cover very different purposes:

(£ '000)

	Total	English language	European	Asian	Latin American	Monitoring	Transcription
1947-48 ...	3,896	1,472	1,286	521	591	251	275
1948-49 ...	4,132	1,367	1,346	575	555	281	210
1949-50 ...	4,382	1,413	1,450	575	567	350	227
1950-51 ...	4,754	1,428	1,574	735	559	355	237
1951-52* ...	4,659	1,451	1,688	624	541	444	251
1952-53† ...	4,820	1,530	1,900	559	175	454	292

* Provisional. † Estimate.

When it is remembered that the monitoring service is primarily an intelligence service, and that the English programmes and the transcription service are largely concerned with the needs of the Commonwealth and forces overseas, the costs of actual broadcasting to foreign countries can be seen more clearly. The Select Committee saw this clearly enough. They recommend that monitoring should henceforth be financed by a separate grant-in-aid, and that the question of Commonwealth participation in the cost of news service should be examined. The merits of the second point seem doubtful. It is arguable that Commonwealth countries owe the BBC something in return for its entertainment programmes, and indeed in some cases they pay for transcription rights; but news is a very different matter, and it may be held that Britain gains more from the fact that Commonwealth countries look to London so much for news than could be gained by any appeal for financial support. A similar view may be taken of the committee's suggestion that, where appropriate, BBC transcription programmes should be supported by commercial sponsorship—a project which does not hold out much hope of either diplomatic or commercial success.

A Threat to Exports

Moreover, as the committee learnt, the scope for the transcription service has been severely reduced by recent economies. Until last year nearly a quarter of this service was directed to Latin America, where some 250 stations out of 400 were regularly using BBC transcriptions. Now the Corporation has had to close its offices in Argentina, Brazil, Colombia and Mexico, and the lack of representatives on the spot has made it impossible to distribute transcriptions in an area where there are so many independent stations that personal contacts are essential. Direct rebroadcasting of British programmes by Latin American stations has also fallen off for the same reason; the loss involved may be gauged from the fact that before the cuts BBC programmes formed thirty per cent of all broadcasting in Chile. Together with the reduction of direct broadcasts from London in Spanish and Portuguese from nine hours daily to four hours, these cuts have made many Latin Americans feel not only that Britain is in a very serious economic plight, but also that British interest in the continent has fallen off dramatically. The Select Committee takes the view that "it may well be that the abandonment of most of the Latin American services will cost Britain dear in exports."

In this connection, the committee was surprised to learn that, while the Foreign Office, the Colonial and Commonwealth Relations Offices and the defence departments are "prescribing departments" for the external services, the Board of Trade is not. The committee's minutes give the impression that, if commercial factors had been more fully considered, the Latin American services might not have been left to bear the main brunt of this year's cuts in output. It is therefore now recommended that the Board of Trade

should become a prescribing department, and should be more closely associated with the external services.

Formally, of course, the external services, like the rest of the BBC, deal with the Post Office rather than with any other government department. But the Select Committee found that for most practical purposes the Post Office serves as little more than a clearing house; its representative, under questioning, seemed at one point to be on the verge of saying that it was, in fact, just a post office. Moreover the committee felt "grave doubts" whether the present procedures are the best way of reconciling adequate operational freedom for the BBC with adequate parliamentary control over the spending of public money. They do not suggest that opportunities for economy are being missed; indeed, they point out that cuts have had to be made every year throughout the last five years, and that there is little scope now even for minor economies. But they propose that, if Parliament is to determine the broad distribution of effort between such different aims as Commonwealth broadcasting and broadcasting to eastern Europe, an annual White Paper should be presented showing the main headings of intended expenditure.

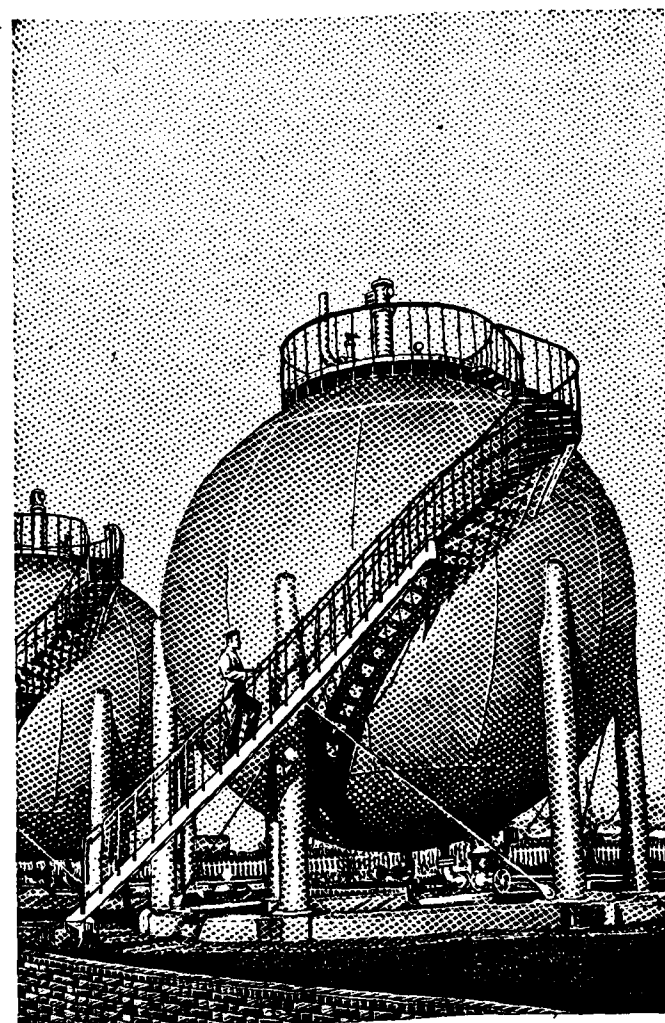
At the same time, they recommend that the annual grants-in-aid should be replaced by five-yearly grants. Whatever the level of expenditure, the advantages of allowing the BBC to see its way clear ahead for several years seemed to be overwhelming. External broadcasting is a delicate plant, slow to take root in the affections of foreign listeners, and easily damaged by abrupt changes. The BBC has built up, over a decade or more, an international reputation which is still potent even today when rival broadcasting systems have far outstripped it in terms of output; and if the external services must now be kept on a tight rein owing to lack of funds, there is all the more reason for enabling them to plan on a long-term basis.

India and Communism

[FROM A CORRESPONDENT IN INDIA]

WHEN the Upper House of the Indian Parliament passed the anti-Communist preventive detention bill recently, one Communist member made the startling declaration that if the Communist Party came to power it would bring all "landlords, capitalists and black marketeers" before the people and, if necessary, shoot them. This is typical of the sound and fury of the Communists in the Indian Parliament. But since the novelty of their outbursts has worn off there has been a relapse into a too comfortable feeling that their mischief value has perhaps been exaggerated. In the House of the People their numbers (27 out of 497) do not qualify them to be treated formally as the Opposition: in the two State Assemblies of Madras and Travancore-Cochin, where they are sufficiently strongly represented to threaten the stability of Congress governments, they have not so far shown signs of being able to unseat them. In Madras, Mr C. Rajagopalachari has just obtained a comfortable majority on a vote of confidence, and in Travancore-Cochin the danger has been averted by a timely closing of Congress ranks.

If one were to regard the legislatures as the main battlefield, complacency might be justified. The Communists have cut a poor parliamentary figure. A. K. Gopalan, their Leader in the Lower House, is more used to mob oratory, and finds the time limit on speeches too restrictive. Hiren Mukerjee, a Bengali intellectual, is too theatrical. They have had opportunities for scoring points, since Congress Party members, for so long an irresponsible Opposition themselves and now the supporters of a cautious, orthodox administration, are sometimes placed in an awkward defensive position: but the Communists have overdone the ranting and abuse. Also they have made it too crudely obvious that their only interest in some of the issues they support, for example, linguistic states, is to create and foster divisions. They have provided openings for Congressmen, both Ministers and back-



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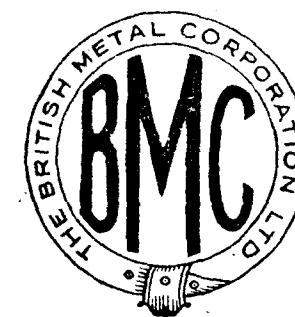
In Australia, plans are now progressing for the construction of a new refinery with a projected annual capacity of three million tons. Throughout their existing overseas refineries, Anglo-Iranian and its associated companies are rapidly increasing output to meet the world's demand for petroleum products.

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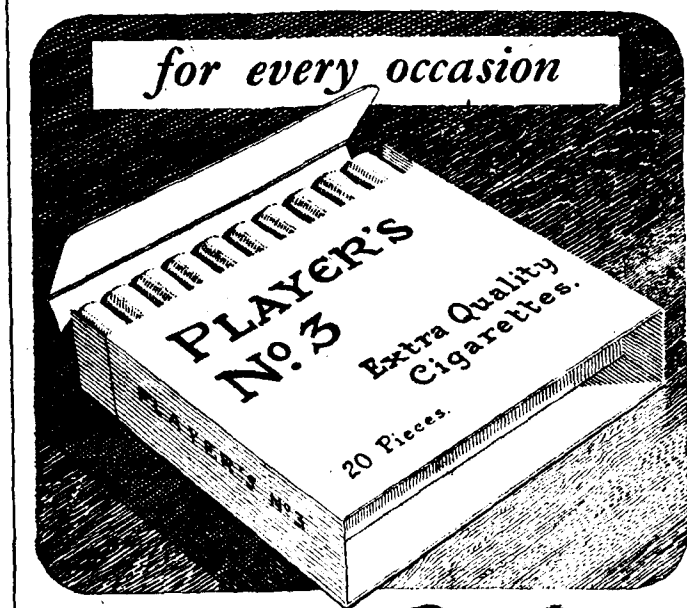
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benchers, to score off them by hard hitting or ridicule. It is satisfactory to hear the government provoked into forthright defence of such things as Commonwealth membership, the virtues of British businessmen, and American aid. It is refreshing to find that there is Congress young blood, such as the adventurous Dr S. N. Sinha, ex-officer of the Russian Army and pupil of Maxim Gorki, capable of accusing, with authority, Indian Communists of extra-territorial loyalties, and of conduct which, in countries known to him, would earn the guillotine. The Communists have indeed succeeded in striking some welcome sparks out of the Congress Party.

But Parliament is not the main battle-field. It is a good site for a loud-speaker through which the simple theses of Communist doctrine can be blared, with damnable iteration. The Communists do not mind who hears the answers, so long as their own voices are heard. The larger audience to whom these are addressed are not impressed by debating points, but by noise. For the Communists, Parliament is a sideshow; and there are some doubts in the party about the usefulness of their presence there. Their Cominform mentors have probably not revised the long-standing dictum that the Communist Party enters parliaments not for constructive work, but so that the masses may destroy from within the bourgeois state machine and Parliament itself. The real trial of strength is outside Parliament. Here the Congress Party is at a disadvantage, for whereas the Communist organisation is efficient and energetic, Congress is still an amorphous and imperfectly disciplined mass. Nehru and his Working Committee are making great efforts to pull it into shape. The residue of Congress prestige and the inherited framework of a sound administration have given the government in power a start; but the Communists have wiped out some of the handicap. Their flair for selecting weak spots and concentrating efficient organisation on them brought them surprisingly good results in South India at the last elections, and is still being put to good use. They may be numerically negligible as an opposition, but the other opposition groups, except the discredited communal right-wing Mahasabha, are no stronger, and the blurred edges of their policy make them ineffective. The Communists are therefore at the moment, though at a long remove, the potential successors to Congress. Not often, but still too often, one hears the Indian in the street say: "The Congress have promised much and performed little. I shall vote Communist next time."

Four Critical Years

It is, however, extremely unlikely that India will "go Communist" after the next elections. It is possible that Congress majorities may be reduced, but by no means certain that Communist representation in Parliament, or even their strength in the country, will be increased. Three points have to be remembered in order to keep a perspective. First, the Congress Party still has four critical years in which to produce from its Five-Year Plan results which can be paraded in time for the next election campaign. Some results in the form of fertilisers, locomotives, and power and irrigation projects already in an advanced stage of development, will certainly be apparent. Additional results which can be, and may well be, shown four years hence, in terms of more food and more employment will strengthen the Congress position against the Communists.

Secondly, the voter, if he is dissatisfied with Congress, has more than one alternative. Apart from the right wing groups, there are, to the left of Congress but to the right of the Communists, the Socialists and the Krishak Mazdoor Praja Party, now contemplating an improbable alliance. If they serve no other useful purpose, they are wedges of political blotting paper which can catch and absorb the spill-over from Congress before it reaches the Communists. Thirdly, the Communists, for all their apparent compactness, have their own divisions, and these may well become accentuated. B. T. Ranadive, under whose leadership the Communist Party of

India tried for three years to exploit, by insurrection and violence, the country's post-independence difficulties, and who was suspended from membership, is said to be making a comeback, assisted by the poor showing of Communists in Parliament. His return would be bitterly resisted by several of the present Communist leaders.

Meanwhile the guerilla war in the Telengana districts of Hyderabad has been called off, though hard bargaining goes on over the terms on which arms will be surrendered. The Communist Party headquarters has been moved from Bombay (which rebuffed them in the elections) to Madras, and there are signs that the Communists are turning their extra-parliamentary attention to industrial labour. A feature of the elections was the small success Communists achieved in the industrial cities. Employer-labour relations in industry have shown some improvement recently. Although there is still plenty of indiscipline and "go-slow," prolific labour legislation and the steering of disputes into the slow and devious channels of labour courts and tribunals have led to fewer strikes. Now a new policy is emerging, under the inspiration of G. L. Nanda of the Planning Commission and V. V. Giri, the Labour Minister, which promises further improvement of relations by encouraging the settlement of disputes through discussions and conciliation outside the courts. But industrial peace does not fit in with Communist plans. Opportunity has been taken of concessions awarded to labour by tribunals in one part of India, to promote agitation for similar concessions elsewhere, where conditions may be entirely different. This agitation is being conducted almost entirely by Communist unions, which thereby acquire merit in the eyes of labour *vis-à-vis* the more moderate Congress-sponsored unions. The object is political, and the bidding up of demands (aided by the tendency of tribunals to make on principle at least some concession to labour in any dispute) already attracts increasing support for the Communist unions.

Books and Films from Russia

There has been an increase in the visible distribution throughout India of literature emanating from Soviet Russia, well printed, on good paper, with excellent illustrations, the sale price of which is clearly far less than the cost of production. It is widely assumed that the sale proceeds go as a contribution to CPI funds. The Government of India has been puzzled how to deal with this form of propaganda, little if any of which could be described as subversive; it is rather a glorification of Russia and Communism in general, like "The Fall of Berlin" film, which is being shown all over India. A first tentative step to control the flood has been taken by an official instruction to railway administrations to discourage the sale of Soviet books on railway bookstalls, since these "are frequently of a tendentious nature."

The return some weeks ago of the Indian Cultural Mission from their five-week tour round China has aroused public interest in the progress of India's large Communist neighbour. Most members of the Mission have kept a discreet silence. Some saw only what they wanted to see, and have testified to the contagious enthusiasm, cultural renaissance and desire for peace. Others have given valuable objective accounts. Admitting a remarkable achievement in a short time by Mao Tse-tung's government, in the unification of the country, agrarian reform, stabilisation of the currency, reduction of brigandage and corruption, and pointing to some lessons which India could learn, they have also recorded the existence of a police state, and purgation by terror. The extinction of the rule of law, individual freedom and liberty of expression is a price which India is not yet prepared to pay for material progress. Nor does the question arise. There is little that is comparable today between Nehru's India and what was Chiang's China. Yet these contacts with what is happening in China are making some people ask whether the western type of democracy is the last word in democratic government so far as the East is concerned.

THE BUSINESS WORLD

Boom in Gilt-Edged

THE gilt-edged market has swung violently from the apprehensions that weighed upon it at high summer, and now is quite plainly hitching its behaviour to hopes of a golden autumn. Even by postwar standards of volatility, the speed of change in mood, from black pessimism to easy optimism, has been remarkable. At midsummer, prices of most stocks stood at their lowest for twenty years, with irredeemables offering flat yields ranging up to—and on War Loan beyond—4½ per cent and dated stocks showing redemption yields of 4½–4⅝ per cent. The recovery that began then was temporarily reversed by the rumblings from the Prime Minister, but got well under way as soon as the end-July debate had shown these to be merely extraneous noises-off. It has gathered momentum ever since, generating some crackling movements in the price-lists. On Monday last, despite the pace of the previous advance, the gains ranged up to 1½, and the new debenture of the Agricultural Mortgage Corporation went to a premium of almost that amount in its first two days. Over the past two months, some stocks have risen by fully 6 points, and in the long-term section generally the appreciation exceeds 7 per cent and in some instances is around 9 per cent. The upshot is that yields are down by three-eighths or even one-half per cent, with the flat return on 2½ per cent. Consols at £4 3s. per cent and on War Loan at £4 10s. per cent. More striking still is the fact that net prices of most long-dated stocks are now appreciably above, and those of irredeemables not much below, the levels ruling on the eve of the budget and the 4 per cent Bank rate.

This behaviour is easier to explain than to justify. To a great extent it derives from the same influences as those that produced the even more unexpected rally that set in soon after the budget—from diversified investment buying by the general public, especially by the "little man" and by others who were attracted by the income yields and who yet felt satisfied that they faced no risk of capital loss so long as they were prepared to hold for a few years at least. By contrast with the returns offered during the previous decade and more, the yields looked so attractive as to make such buyers more anxious to get in quickly than to try to get in at the bottom. Most of them, too, were probably not well acquainted with, or were prepared to disregard, the underlying economic trends—provided that no new storm seemed imminent. They went on buying until the stock exchange as such swung characteristically from a mood of complacency into one of exaggerated alarm, which it did in the latter part of May.

During that month the view gained ground that the much-discussed midsummer "hump" of strain on the gold reserves would be the signal for new and drastic measures. It was widely believed, especially overseas, that another devaluation of sterling was imminent, or at least that there would be a dash for convertibility

combined with the adoption of a flexible rate; and that either of these measures would be accompanied by a further increase in Bank rate or, alternatively, that such an increase would be necessary if the existing parity was to be successfully defended. For the more sophisticated, who were disposed to scout these rumours, there was the argument that, since so much of the Government's economic policy depended upon monetary action, it could hardly refrain from taking new steps to stiffen the credit discipline or at least to prevent it from slackening; and such steps, even though they fell short of Bank rate action, could still be very unpleasant for the gilt-edged market.

Such were the influences that checked the first wave of investment buying and provoked the severe break in the market during the latter part of May and early June. But soon afterwards the Chancellor was making soothing

NET PRICES

	Mar. 11th	Mar. 13th	June 24th	July 23rd	Aug. 20th	Aug. 27th
2½% N.W. Bds. 51/53...	100½	99½	99½	99½	99½	99½
1½% Ser. Fdg. Nov. '52	100	99½	99½	99½	99½	99½
1½% Ser. Fdg. Nov. '53	99½	98½	98½	99	99	98½
1½% Ser. Fdg. Nov. '54	98½	97	96½	97	97½	97½
2½% N.W. Bds. 54/56...	99½	97½	95½	96½	98½	98½
2½% Exch.	99½	97½	96½	97½	98½	98½
3% Sav. Bds. 55/65...	91½	89½	86	88½	90½	91½
2½% Funding 56/61...	92½	89½	88½	90½	91½	91½
3% Funding 66/68...	86½	85	82½	84½	86½	88
4% Funding 60/90...	97	95½	94	96½	97½	98½
3% Sav. Bds. 65/75...	81½	80½	77½	80½	81½	83½
3% Elect. 74/77...	81½	79½	77½	79½	81½	83½
3% Trans. 78/88...	76½	74½	72½	74½	75½	78½
3½% Steel 79/81...	87½	85½	82½	85½	86½	88½
3% Gas 90/95...	75½	73½	72	73½	75½	77½
3½% War Loan after '52	78½	76½	72½	73½	75	77½
2½% Consols	60½	58½	55½	56½	58½	60½
2½% Treas.	58½	56½	53½	54½	55½	57½
Financial Times Ind.	112.7	108.9	103.1	109.3	112.9	116.7

noises. The mid-year danger point was seen to have been passed without any very apparent difficulty and without any new démarche in economic or monetary policy. And overseas operators had begun to cover their short positions in sterling. The markets took heart afresh; and the quakings momentarily revived by Mr Churchill were more than allayed by the Chancellor's speech on the eve of the recess. That survey of official hopes for Britain's economy in the second half of the year was read as giving the markets the green light for some months ahead. Since then the investing community has piled up a whole succession of optimistic assumptions. It is widely assumed that the painful phase in surmounting the crisis that threatened early this year is already over (whereas the truth is that little pain has been experienced so far, because the cuts in imports have yet to show their full effects upon consumers' supplies); that the threat of drastic domestic measures has been lifted; that if British exports are frustrated by the stringency in overseas

markets, the home market will get the benefit, without any unpleasantness for the industries concerned; that the Government is not disposed to make any bold moves in the matter of sterling convertibility; that it is well content with the workings of the credit squeeze, so that stiffening measures are unnecessary; and that Bank rate would never be raised except as a last resort—in circumstances that are no longer expected to arise.

In addition, the gilt-edged market has benefited from more tangible factors. Since the credit pressure has not been intensified, the effects upon the market of the search for alternative means of finance have lost much of their early force; the institutional investors themselves completed their initial adjustments some months ago; and the sharpness of the impact upon industrial liquidity has lately been blunted both by the credit creation necessitated by the Government's own borrowings from the banks and by the incipient revival of demand in the textile and other industries that had been embarrassed by excessive stocks. The slowing-down of output in these industries, by short-time working and release of labour, has obviously had some effects in reducing demands for finance, and there has probably been some decline in investment outlays in other directions, too.

To the extent that the market's assumptions reflect the view that the Government is relieved to find an excuse, if not a justification, for avoiding forthright action, they are probably well-founded. Except for the fact that some technical reaction is likely to follow so fast an advance in prices, it is not difficult to make out a plausible bullish case for gilt-edged in the short run. But such arguments no longer deceive the astute operators and the big institutions. The general investment demand from individuals who can afford to disregard short-term fluctuations has gathered pace, and it has been joined both by some short-run speculation and by moderate buying from those institutions that cannot afford to let liquid funds pile up indefinitely and yet have not recently been able to find an outlet in the new issue market. The big rises in prices have resulted from the impact of this demand on a market short of stock, with disproportionate effects in some instances. This summer boom has not been provoked by any massive action by the big battalions of the gilt-edged market. Most of these expert observers are taking a very cautious view of the market for the medium-term, and they are not blind to the dangers that may beset it even in the short-term. For the short run, they point to the risk of labour disturbances and to the possibility that the meetings in Mexico City and especially the Commonwealth Conference may provoke a revival of rumours about convertibility (and therefore about a rise in Bank rate), either of which could shake the market.

Apart from this, most institutional investors seem to have grasped the fact that if Britain succeeds, as the government now hopes it will do, in coming close to its objectives for the balance of payments in the second half of this year, the transformation will have been brought about mainly by restriction of imports and of home investment. These are not only non-recurring sources of relief that cannot be used again—whether to help the economy towards its next vital objective of building up an external surplus or to meet any new adverse trend. They are also measures that sooner or later will have to be reversed; the restraint upon industrial investment, in particular, cannot be long sustained without provoking loss of productive efficiency. Stock market operators are accustomed to dismiss such longer-range considerations;

but the breathing-space before the penalties of this living upon capital become fully apparent is now very short, and the measures necessary to avoid these penalties have to be taken long before it ends. The pre-requisite is a more determined pressure than any yet applied to switch resources to the capital goods industries. And, in default of adequate budgetary restraints upon consumption or a check to social investment such as housing, the only means of working towards this vital objective is to keep the monetary reins tight.

But in fact the reins are being slackened. It is true that the banks appear to be responding to official wishes just as loyally as they did earlier in the year; but it is clear that if their liquidity ratio had not been allowed to rise sharply in the past few months (it had reached 35.9 per cent by mid-July), the credit squeeze would have been

GROSS REDEMPTION YIELDS (Per cent)

	Mar. 11th	Mar. 13th	June 24th	July 23rd	Aug. 20th	Aug. 27th
2½% N.W. Bds. 51/53...	4 16 2½	4 11 7½	4 3 11½	3 11 6½	2 17 9½	2 18 0½
1½% Ser. Fdg. Nov. '52	2 3 5½	3 0 8½	3 3 11½	2 19 8	2 16 0	2 17 1½
1½% Ser. Fdg. Nov. '53	1 18 10	2 19 8	2 16 2	2 10 6	2 11 5	2 12 9
1½% Ser. Fdg. Nov. '54	2 5 2	2 18 7	3 5 1	3 2 1	2 16 5	2 15 5
2½% N.W. Bds. 54/56...	2 14 10½	3 14 0½	4 12 10½	4 2 6	3 8 1½	3 9 1½
2½% Exch.	2 12 9½	3 3 5½	3 12 8½	3 6 11½	2 19 8½	2 19 8½
3% Sav. Bds. 55/65...	5 16 11½	6 9 7½	8 2 6½	7 6 9½	6 11 6½	6 0 5½
2½% Funding 56/61...	4 12 2½	5 5 5½	5 19 10½	5 16 11½	5 5 8½	5 0 7½
3% Funding 66/68...	4 3 10 2½	3 16 5½	4 2 0½	4 0 4½	3 14 11½	3 12 7½
4% Funding 60/90...	4 5 6½	4 8 5½	4 14 2½	4 9 8½	4 5 9½	4 2 9½
3% Sav. Bds. 65/75...	4 3 0½	4 5 8½	4 10 10½	4 6 8½	4 3 2½	4 0 6½
3% Elect. 74/77...	4 8 9½	4 14 2½	4 18 6½	4 11 3½	4 8 0½	4 4 0½
3% Trans. 78/88...	4 3 1½	4 5 1½	4 6 5½	4 3 11½	4 2 9½	4 1 4½
3½% Steel 79/81...	4 17 2½	5 1 2½	5 8 6½	5 1 11½	4 19 1½	4 14 3½
3% Gas 90/95...	4 4 7½	4 7 3½	4 11 11½	4 7 6½	4 5 11½	4 3 4½
3½% War Loan after '52	4 4 7½	4 9 1½	4 13 9½	4 9 11½	4 6 11½	4 3 9½
2½% Consols	4 4 4½	4 6 8½	4 10 11½	4 7 5½	4 4 8½	4 1 9½
2½% Treas.	4 10 11½	4 14 2½	4 17 5½	4 14 7½	4 12 2½	4 8 7½
3½% Steel 79/81...	4 5 9½	4 8 6½	4 11 2½	4 8 9½	4 6 8½	4 3 8½
3% Gas 90/95...	4 6 4½	4 9 0½	4 12 0½	4 9 4½	4 7 3½	4 4 4½
3½% War Loan after '52	4 5 9½	4 8 3½	4 12 11½	4 8 6½	4 6 7½	4 3 9½
2½% Consols	4 6 7½	4 9 2½	4 11 1½	4 9 1½	4 6 10½	4 3 8½
2½% Treas.	4 5 2½	4 7 7½	4 9 5½	4 7 5½	4 5 4½	4 2 4½
3½% War Loan after '52	4 9 1½	4 11 8½	4 16 2½	4 15 9½	4 13 5½	4 10 2½
2½% Consols	4 2 5½	4 5 3½	4 10 7½	4 8 9½	4 5 11½	4 3 2½
2½% Treas.	4 5 3½	4 8 2½	4 13 10½	4 11 10½	4 9 8½	4 6 7½

* September 1, 1952 (e) Earliest date. (f) Flat. (g) Latest date.

tighter still, and there is now some risk of marginal relaxations. More serious still is the fact that the cause of this easing of the banking position, the excessive borrowings by the Government itself, is doing damage directly, by helping to restore the liquidity of the economy at the very time that banking policy is supposed to be contracting it. All this is happening, moreover, at a time when Britain is enjoying the reliefs from the non-recurring import cuts but has not yet felt the inflationary impetus that will come when the loss of supplies is fully apparent in the shops. The inflationary tinder now lying around is providing fuel for still bigger wage demands—and still bigger difficulties for British exports.

In one sense, the rise in markets—in equities as well as gilt-edged—can be regarded simply as a reflection of these tendencies, but to some extent it is also in itself an aggravating influence. The Treasury, by the tone of its monthly economic summary, has this week furnished a large ingredient in the market optimism. But this stimulus was certainly quite unintentional. Indeed, however timid the Government's approach to the wider economic problems, it seems that the monetary authorities cannot—and certainly should not—allow the slackening of monetary tension to go much further. Unfortunately, the fact that major refinancing operations

must soon be undertaken may make the authorities less objective and nearer-sighted than they seemed earlier this year. The first of the Serial Funding Stocks, of which there is £450 million in issue, matures on November 14th, a further £60 million of 1½ per cent yearling stock temporarily placed with the National Debt Commissioners by the Transport Commission matures in the following month, and £522 million of 2½ per cent National War Bonds, 1951-53, has to be dealt with before March 1st next.

It is true that the authorities, if not far-sighted have at least been circumspect. They have not tried to restrain the rise, but, equally, they do not appear to have fostered it by any net buying. Indeed, they even seem to have been inactive lately in the matter of the 1951-53 bonds, which, on past precedents, they might have been expected to have been rapidly absorbing—if possible in exchange for longer stocks. In the market one widely surmised explanation of this inactivity is that the first of the maturities, the Serial Funding Stock, is not expected to present any difficulty, on the assumption that the banks (which hold more than half of it) can readily be "persuaded" to take a replacement stock of, say, three or four

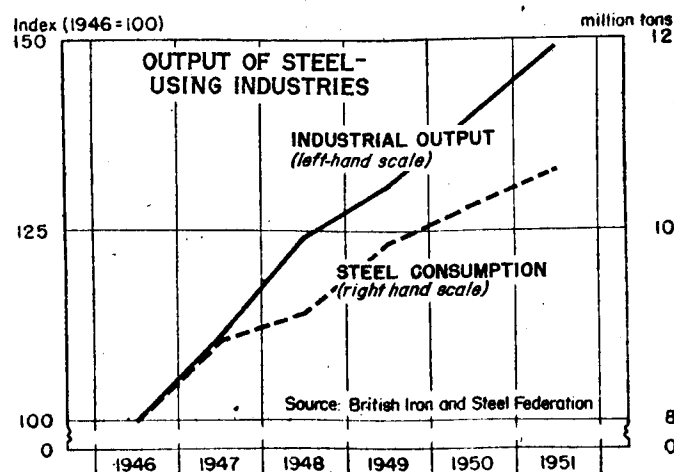
years' life. If this is indeed the official intention, it is an unhealthy one. Almost the only thoroughly healthy and promising innovation that the Conservative Government has made in economic policy was the move towards a flexible and effective rate of interest. The virtues of this policy are not to be attained by the methods of directives and a dragooning of investors, whoever they may be. They require a respect for the principles of the market-place; and the only proper way to refinance this stock is by a normal issue on the market, on whatever terms are necessary to ensure such banking and public support as monetary policy requires. And if that policy is to keep the incipient inflationary tendencies in check until the Government takes a more forthright view in its wider economic policies, the market operations that will be needed will be larger than is popularly supposed. The Government ought not only to refinance its maturities, but also to fund its additional Treasury bill borrowings from the banks—if possible by sales of longer securities to the public. The gilt-edged market may face squalls in 1953 in any case; but if monetary policy were to be fully realistic, golden autumn would turn to bleakness before then.

Taking Stock in Engineering

IN the first half of 1951, although British industrial production as a whole was slightly lower than in the first half of 1952, engineering output was probably slightly higher, and in the quickening of industrial activity that can be hoped for in the remainder of this year the "metals, engineering and vehicles" group should play a major part. These industries have already received some increases in their steel allocations for the fourth quarter, and by the end of the year, at least, any general shortage of steel may have passed away. The steel industry expects consumption in Britain this year to reach 11,350,000 tons, some 360,000 tons more than last year and more than the British metal-using industries have ever received in time of peace. A proportion of this—though probably less than the million or million and a half tons that have often been loosely quoted—will be for rearmament. But some of the defence equipment produced, it now appears, will be exported; and other undefined "alterations in the pattern of defence production in a way that limits its demand on the engineering industry" are being made. This should

clear the decks for the engineering industry to devote its expected increase in output to export markets. But what is its competitive strength in those markets likely to be?

The postwar growth in importance of these metal-using industries within the economy has been even greater than the rise in their consumption of metals. In absolute volume their output has risen by more than 50 per cent since 1946, and is probably nearly double their 1935 level; their share in the country's total output has risen from perhaps a quarter in 1935 to a third in 1946 and two-fifths in 1951, and productivity within them by probably 20 per cent since 1935. In an informative article on "Steel Supplies and Industrial Production," in its current statistical bulletin, the British Iron and Steel Federation constructs an index of industrial production weighted by the steel usage of each component industry, and plots this against total steel consumption in the economy. This chart shows that while steel consumption rose by 33 per cent between 1946 and 1951, output in the steel-using industries rose by 49 per cent. Between 1947 and 1951, it can broadly



METAL-USING EXPORTS (£ million)				
	1938	1947	1951	1st Half 1952
Vehicles (incl. locomotives, ships and aircraft)	44	173	480	262
Machinery	58	176	365	219
Elect. goods and apparatus	14	49	97	57
Cutlery, hardware, implements and instruments	9	35	63	36
Total of above	125	433	1,005	574
All other exports	346	705	1,575	773
GRAND TOTAL	471	1,138	2,580	1,347
Metal-using exports as percentage of total	% 27	% 38	% 39	% 43

be said, total consumption of aluminium rose by 18 per cent, total consumption of copper, zinc and lead hardly changed, and consumption of tin fell: the use of magnesium nearly doubled, but remained very small. Recent restrictions on the use of some metals are now being removed, since manufacturers have not been taking all they were allocated, so that their supplies should not limit the growth of output of metal goods. On the face of it, there would seem to be no obstacles from the materials side to a continued growth in the production—and hence the exports—of the engineering industries.

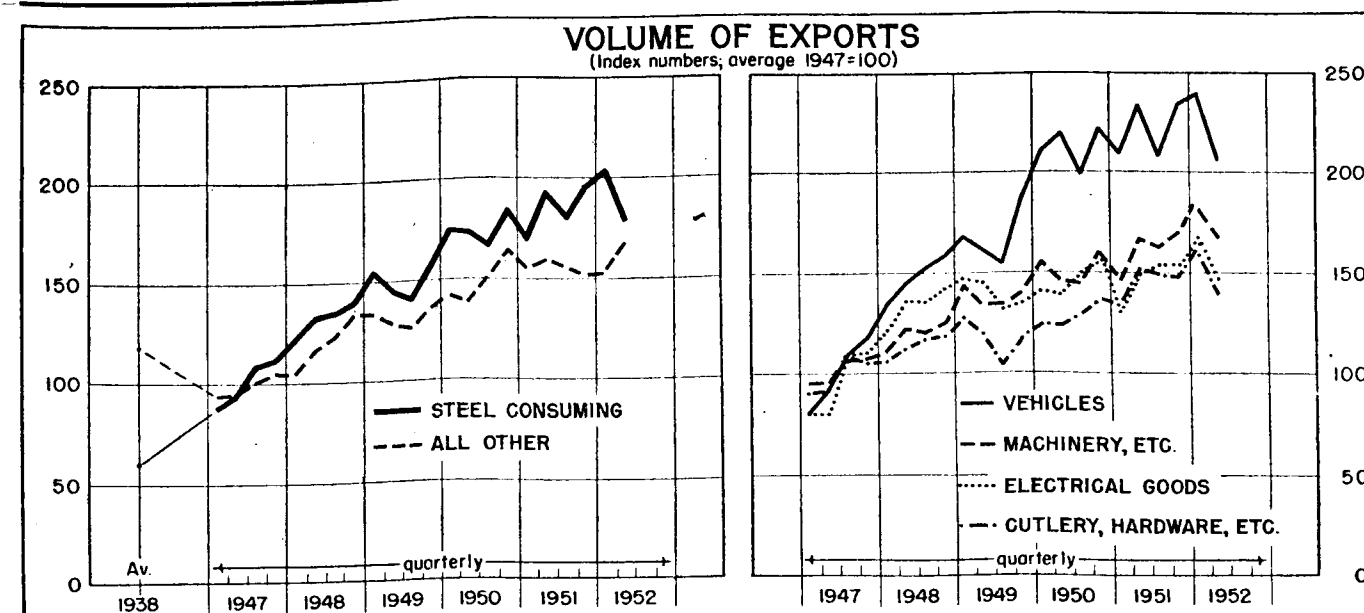
These exports, since the war, have grown in importance in the nation's economy almost as much as has total engineering output. In value, they now represent more than two-fifths of the country's total exports, and judged by their rise in volume they have considerably outpaced all other exports, having more than doubled since 1947. The growth of metal and engineering exports, as of output, has of course been uneven, as will be seen from the table. The vehicles group—ships, rolling stock, motors, cycles and aircraft—now represents half the total of steel consuming exports and about a fifth of the country's exports as a whole. The dependence upon vehicle exports was sharply underlined by the effect of import restrictions in Australia and elsewhere in the second quarter of this year, when exports of this group declined in volume by some 13 per cent and of this group declined in volume by some 13 per cent and those of the whole "metals, engineering and vehicles" group by 10 per cent; the total volume of the country's exports fell concurrently by 13 per cent below their level in the first quarter. This set-back in their exports has made many engineering industrialists more cautious than Whitehall about their future as exporters.

They certainly share the official apprehensiveness about German competition. This is now almost back to its prewar strength. West German industrial production as a whole was about 7 per cent higher in 1951 than in 1938; and by late last year its exports had probably also risen above their prewar volume. Most of this development has been crowded into the past 3½ years. West German exports, which before the war were about 80 per cent of the value of British exports, were only about a tenth of British in 1948; last year they had reached 46 per cent (and incidentally almost covered German imports, while the value of British exports

covered only 70-75 per cent of imports). The postwar emphasis on exports of coal to obtain foreign currency has now passed, and Germany is returning towards its prewar pattern of exporting; in 1951, steel and metal goods accounted for about half its exports. By early in 1951, its exports of metals and manufactures to Europe were 182 per cent of Britain's, and of machinery 91 per cent.

For engineering exports in particular, Germany is not the only major competitor, and the trends in world engineering production since the war indicate that competition will be more intense than in prewar years. Since the war, America has shared most of the world market for metal products with Britain; it has indeed, despite the dollar shortage, made rather better headway than Britain in improving upon its prewar share of world exports of most engineering products—with some notable exceptions, such as motor vehicles and tractors. The general trend has been to decrease specialisation and thus increase competition; for example, Britain has lost its dominance of the textile machinery, motor and turbine markets, but has made inroads into America's command of the world trade in tractors, farm machinery and office equipment. Competition in particular markets, too, seems likely to increase. Western Germany is now partly shut out of markets in eastern Europe that used to rely mainly upon it, and Japan is shut out of China and Manchuria; both these traditionally strong exporting countries are directing their energies into the sterling area and Latin America. In a chart on page 518 the exports of machinery and electrical equipment from Britain, the United States and Germany into a range of important markets are plotted for 1949, 1950 and 1951.

It is in their assessment of Britain's particular competitive strengths and weaknesses that some engineering exporters might differ from the Government. For many products, price does not yet seem to be so vital a determinant of whether orders are lost or won as some Cabinet pronouncements have recently suggested. It certainly is very important in the world market for vehicles, where competing vehicles have been closely priced for some time; but only one major British producer has yet shaved its export prices. For other engineering exports, price clearly is a significant factor—except for ships and certain very heavy capital equipment

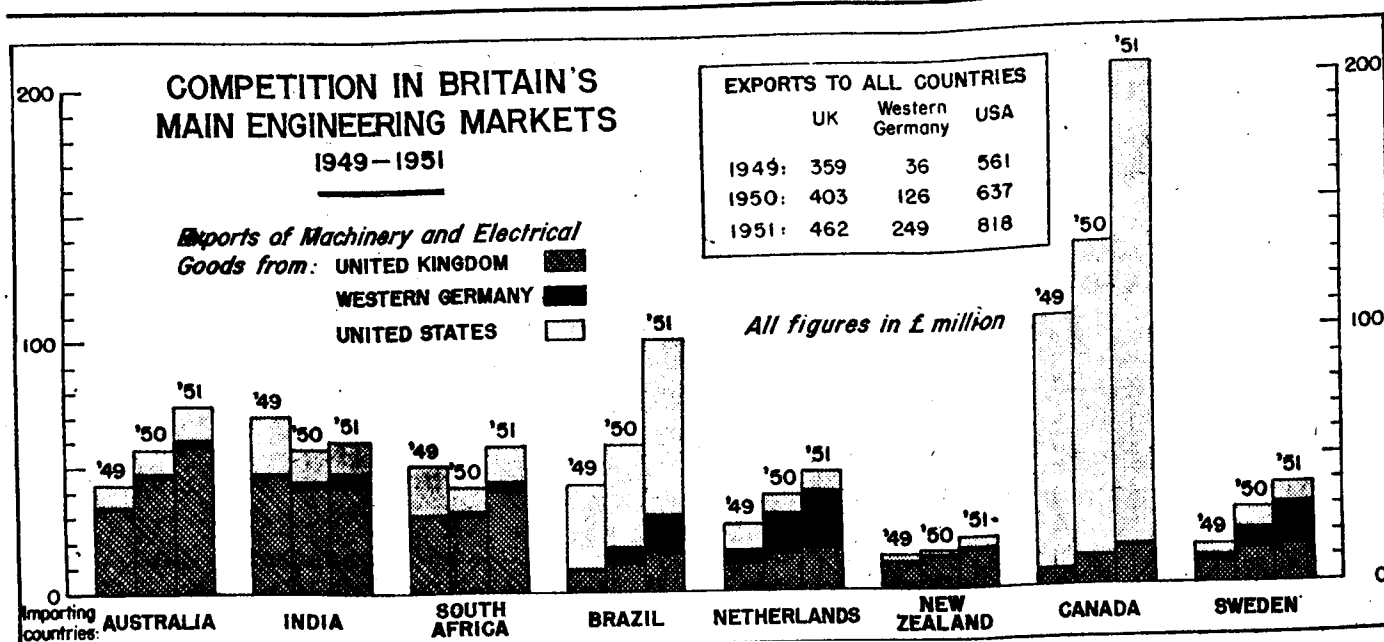


where contracts can still be fixed on a cost-plus basis—but its relative importance differs between products and markets. Britain is meeting some tight quotations from Germany for certain products, and Japanese prices are often lower than British. But British engineering prices, though they have increased in the postwar period more than American, have still probably not quite exhausted the advantage they received from devaluation. Between 1949 and the end of 1951 they were, in many cases, below what the markets could have borne; but today, whether or not some equipment is strictly still under-priced, there are few products for which the market is firm enough for any increase to be advocated without danger of losing further orders. Jet aero-engines and civil aircraft constitute perhaps the only sphere in which British engineering has today a marked technological lead, but the robustness and quality of most British equipment leave it with little reason to fear competition on this score. But the delivery period that can be promised—and the likelihood that it will be fulfilled—is probably still more important than price in obtaining orders for capital equipment. That delivery dates from Britain should in general be much more extended than those offered by competitors is an inevitable consequence of the industry's much greater volume of orders—swollen, perhaps, by too-low prices. But that Britain should generally do worse in meeting the contractual dates, as has recently been suggested, is evidence of a more significant weakness, and the same applies to some recent disquieting complaints about British after-sales service and supplies of spare parts. Nevertheless, German deliveries of engineering equipment have been lengthening noticeably in recent months, partly in consequence of the fuller employment of manufacturing capacity, and partly because of shortages of materials. Moreover, talk of German arms production suggests that the engineering industries there—which have done fairly well out of British defence orders for machinery—might in their turn be partly diverted from export production.

The further outlook for engineering exports, then, is distinctly unsettled, despite Whitehall plans. Government departments, unweaned from the taste for physical controls, are to some extent manipulating steel allocations to "promote exports"; as steel becomes less scarce, this well-meaning discrimination will carry less weight.

From the industries, there are some complaints about the Treasury's unskillfulness in negotiation with countries whose import restrictions affect some industrial equipment, as well as motor vehicles; and requests are being made for longer credit facilities. Such facilities may be forthcoming to some extent, in consequence of expected relaxations by the Exchange Control and through new arrangements by the Export Credit Department; on the other hand, there are signs that the Germans, who some months ago were offering lavish credit facilities to obtain orders in Latin America, have recently become less ready to offer such temporarily unrequited exports. Some industrialists are hoping that special financial rewards of one kind or another may be offered to successful exporters, as is done in various European countries. So far, industry in general has probably received from this Government more direction and exhortation of the old type, yet less consultation than it felt able to expect last October.

A point that cannot be overlooked is that many business men are more apprehensive than the Government and some economists about the future course of world trade. Many of them have experienced some shrinkage in total demand in the last few months. They are aware of the arguments for believing that this may be succeeded by a new phase of inflationary tendencies, yet they remain apprehensive of a deeper and more fundamental recession a few years hence. Such fears, deriving partly from the knowledge that, apart from sustained demand for a few types of major capital equipment, nothing now remains of the sellers' market, and that certain existing orders might wither away in a cold draught, are widely expressed in engineering. This view—which is here recorded, not assessed or accepted—is not holding the engineering industries back from the most strenuous and ambitious salesmanship on behalf of their products in the meantime; and there is some confidence, for example, that the advance in German competition is at present slackening. But it explains many engineering employers' hesitation to instal extra capacity or think of much enlargement of the industry (which has already gained 600,000 additional workers since 1946), whatever the role chosen for it in Whitehall.



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Business Notes

Shell and Anglo-Iranian Under Fire

There have been prompt replies from the Shell Transport and Trading and Anglo-Iranian Oil companies to the charges that they are concerned, together with five American oil groups, in an international oil cartel. The charges come in a concentrated fire from several official American sources. With one of them the two British groups are not concerned—namely, the allegation of overcharging on oil supplied by American companies from the Middle East to Europe and paid for by the Economic Co-operation Administration. This is an argument of two years' standing, and is now to be pursued by civil action in the American courts. But they are directly involved in the move of the Department of Justice and of Mr McGranery, the American Attorney-General, to obtain an indictment of the seven groups by grand jury proceedings which open in Washington next Wednesday. Anglo-Iranian itself appears to have been served with a subpoena (the company has an office and agent in New York) and Asiatic Petroleum (an American company in the Shell group) has also been summoned.

The terms of the subpoena make it quite clear that the proceedings will cover the same widely ranging allegations, and involve the same extensive groupings of more than twenty companies, that have been under investigation by the Federal Trade Commission. After long delay, the Commission's report has this week been published in Washington; in brief, it asserts that combinations and cartels in the working and selling of oil outside the United States have existed among the groups in the past and still dominate the behaviour of the industry. To this charge, the Shell Transport and Trading Company has denied that there is any international oil cartel, and asserts to the contrary that the oil industry is keenly competitive. Anglo-Iranian's statement denies that the company is a party to any cartel activity or to any action "contrary to the laws of any of the countries in which it operates."

That the oil industry has come to consist of large units is in the nature of its economic and technical history; that it should come under attack for alleged monopoly practices is partly historical and partly a matter of current American politics. The fact, familiar enough, that five American and two British groups dominate the production and selling of oil in the world market is far less shocking to opinion on this side of the Atlantic than it is to Senator Hennings, who has been active in the campaign against the companies. Nor, on this continent at any rate, does it appear that agreements between the groups on prices and production (if such agreements in fact exist) have been exploited to the consumer's disadvantage. But considerations such as these are not likely to weigh heavily in the grand jury proceedings. This relic of the British criminal law can presumably be relied upon to decide that a *prima facie* case exists against the companies for violation of the Sherman Act. It will not be for want of factual material if it fails, for the companies are under pain to produce documents from the beginning of 1928 on agreements entered into by themselves or their associates with any other parties, or correspondence, or minutes of directors' meetings, under thirteen headings concerned with their business outside the United States. Such a mountain of documentation ought certainly to provide the prosecution with enough to convince the grand jury that there are matters requiring investigation by trial. The campaign, indeed, promises to stretch into the longest proceedings ever known in the history of American anti-trust investigations.

The Issue of Jurisdiction

No doubt the two British companies affected by these charges are giving careful consideration to the important issues of jurisdiction that they raise. But these jurisdictional issues, important though they are to the two companies that are immediately affected, extend even beyond them. They clearly call for close consideration by the British authorities and by those sections of British industry that are concerned in world trade and have links, at the same time, with American concerns. What is at issue is the propriety and the relevance of subjecting British companies to criminal proceedings in American courts on matters concerned with their business in countries outside the United States. The process of discovery by which these proceedings are conducted in the American courts probes into every corner of their business, every contract, every agreement with foreign governments. It asserts, indeed, that American processes of law in investigating the alleged activities of cartels allow the American authorities to govern what British companies should and can do outside the United States.

If this proposition were pushed to its logical conclusion, it would make fruitful contact between American and British industry difficult to the point of impossibility. To take the case of oil alone: no important British group would deny the importance of the freest contact with the American oil industry. The United States is the centre of gravity of the industry, and its technical prime mover; from the United States, Britain and the rest of the world have derived the advantage of continued competitive stimulus. But no industry, oil or any other, would consider these advantages, important though they are, worth the price of sacrifice of its right to pursue its trading policies (to borrow from the Anglo-Iranian statement) within the laws of any of the countries within which it operates. It must be hoped that the authorities on both sides of the Atlantic will accord to this point the fundamental importance that it deserves.

An Extended EPU?

The second annual report of the managing board of the European Payments Union covers an eventful year, and gives a detailed description of the intricate changes in quotas and clearing arrangements that marked the transition from the second to the third year of the Union. It also throws out the interesting suggestion that the area of multilateral payments now covered by the Union might be extended. In particular it is proposed to examine whether this area can include the countries of Latin America. The countries of southern Latin America—with which, incidentally, Britain has run a surplus in each of the last four years—are in many ways complementary to the present economic bloc of EPU, which contains not only the countries of Western Europe, but of the overseas sterling area as well.

The managing board feels that at the end of the second year of operations of EPU "considerable achievements can be recorded"; but much remains to be done and that "much" is the responsibility of the individual members. "They alone can take the necessary steps to ensure that their internal economies are stable; that the level of production in their basic industries is rising; and that productivity, particularly in their export industries is also increasing. It falls also to individual countries to ensure that the internal value of their currencies is properly reflected in the official rates of exchange which they maintain, and that they do not impose restrictions on imports which are unnecessary for

balance of payments reasons and are maintained chiefly in order to protect home producers from the effects of foreign competition. Creditor countries in particular should endeavour to ensure that their surpluses are not increased by the maintenance of unnecessary restrictions on imports." Here is as concise a summary as could be desired of the universal recipe for solvency and economic salvation. If the world does not accept and apply it, it will not be for want of tedious repetition.

Defence behind a Curtain

As the only independent body granted some power to examine the progress of rearmament in any detail, the Select Committee on Estimates has added considerably to the extent of public information on the subject by the reports it has published on the defence programme. But its third report, published this week, shows that the Select Committee this spring began to encounter much more difficulty over questions of security than it did in the earlier stages of the programme. Its records of evidence from Government departments have suffered much more obviously than before from strict pruning, and are spattered with asterisks that signify figures given only in confidence. Public information is not the Select Committee's responsibility; so that is by the way. But there are some signs that the security curtain is being used by officials as a shelter from pertinent questions, and thus is hampering the Select Committee's ability to carry out its real job—scrutinising the spending of public money. Sir Ralph Glynn's despairing complaint at one point that, "It is no use putting nothing in our report; we must put something in," may sound slightly petulant to civil servants. But his remark on another occasion, "There has been more extravagance in expenditure due to documents being labelled 'Secret' than from any other single cause. . . . The word 'secret' is very often applied in order to cover up extravagance" remains entirely justified. The departments, in several cases, apparently remained adamant—though Sir Ralph was able to point out that certain detailed information withheld by the Ministry of Supply had in fact been disclosed by Mr William Batt in Washington a week previously, before the Senate Foreign Relations Committee.

This partly inevitable obscuring of detail for security reasons has tended to reduce some of the Select Committee's report to unexceptionable generalities, and perhaps also to send it exploring safer byways where the facts are more easily forthcoming, such as the storage of military equipment. Its general comments cover the supply of labour, regarding which they confirm the outside impression that skilled labour which they confirm the outside impression that skilled labour is short but general labour easier; the call-up of apprentices, which it thinks might be even further curtailed to reduce its effect upon munitions makers; and the allocation of priorities to Government production and research projects, about which it is still not satisfied. The Committee mentions that some schemes have been deliberately delayed, causing considerable increases in cost; and others carried forward upon a rather lavish scale. Certain fairly expensive work, for example, was carried out for the Fighting Vehicles Design and Proving Establishment at Chobham, which is at present under notice to quit its present location in 3½ years' time; this departure, its director believes, would mean the loss of 50 per cent of its staff, who would not be prepared to move to alternative areas such as Bournemouth, which has been suggested. The Select Committee suggests that the system of priorities that takes account of the needs of industry and the export trade needs official review and independent inquiry.

Recruiting Brainpower

One factor that the Select Committee believes is seriously affecting the development of defence equipment is a shortage of scientists arising from the inadequate

salaries offered by the Government. From the evidence published, it would seem that the Select Committee was expecting to find this complaint to be rather more general among the Government's scientific establishments than it proved to be; but it probably has some effect at the margin of recruitment for all defence research. Professor Hall, director of the Royal Aircraft Establishment, quoted the case of one of his best men who left an official job in which he was receiving about £1,000 a year to join the aircraft industry, where he received £2,200 a year plus a car and a house. But he added that though most of his really valuable staff could certainly obtain twice as much money in industry, they remained fairly satisfied to stay in the Government service; they had "intellectual freedom" and the best plant available, which seemed just to tip the balance. In the main, he added, the men who left were the weaker rather than the stronger in scientific quality.

The official view regarding the scientific civil service—expressed by the Ministry of Supply in a memorandum to the Select Committee about recruitment for the atomic energy programme—is that the scientist entering Government service is probably underpaid in comparison with other employment. So is the scientist at the top of an establishment. But the men in the middle—who can reach, say, £2,100 a year at 31—command salaries and conditions that compare well with their counterparts in industry, where promotion for the research man may be slower. Sir John Cockcroft—who remains director at Harwell though he has also taken over the chairmanship of the Defence Research Policy Committee formerly held by Sir Henry Tizard—felt that salary scales there were not depriving the Atomic Energy Research Establishment of the best men. On the other hand, this applies mainly to Harwell, which has become a kind of "atomic university" to which all young British scientists intending to specialise in nuclear physics tend to gravitate. It may not be so true of the nuclear "production establishments" at such less glamorous places as Windscale, Aldermaston and Capenhurst. The Select Committee's anxiety upon this issue in general may seem to have been somewhat deflated by most of the official witnesses. It appears to have derived partly from the views that the present Paymaster-General expressed while in opposition last year. But there are some signs of a drift of highly-qualified scientific brains from Britain to America in recent months—two universities have thought it worth reporting to the Ministry of Labour—and the country certainly cannot afford to spoil the vast amounts it is spending on research equipment through parsimony in paying the best men to use it.

How Imports have been Cut

The pattern of imports as shown in the trade returns deserves particularly close scrutiny for the closing of the balance of payments gap now depends primarily on a continued fall in the import bill. Recently Mr Thorneycroft implied that the cuts imposed by the Chancellor would reduce imports for the year to some £3,500 million—or £400 million less than last year's total. To fulfil this forecast the monthly average during the second half of this year must not exceed £270 million, so imports during the remaining five months will have to average at least £20 million less than the July total of £290 million announced a fortnight ago.

The detailed returns for the month now show that raw materials continue to bear the brunt of the reductions. But the decline has not been due to import cuts alone. Lower prices have played their part in bringing down the cost of imports of materials to £108 million, compared with £158 million in July, 1951, and with an average of £122 million in the second quarter of this year. Wool and rubber imports were only half the value of those in July last year. On the other hand, raw cotton imports fell in value from

£25.9 million in July, 1951, to £8.9 million last month principally because a smaller quantity was imported; and the volume of imports of paper materials also declined. But there are important exceptions to this general decline in the import of materials. The expansion

TREND OF SELECTED BRITISH IMPORTS
(£ '000s)

	Total First Seven Months, 1951	Total First Seven Months, 1952	April, 1952	May, 1952	June, 1952	July, 1952
Food						
Wheat.....	73,707	83,956	11,246	12,636	15,515	15,528
Feeding-stuffs.....	20,223	13,303	2,103	2,051	1,255	1,456
Biscuits.....	3,422	2,591	420	523	435	238
Preserved fruit.....	6,190	5,708	815	1,008	857	1,034
RAW MATERIALS						
Iron ore and scrap..	23,172	41,964	6,414	6,316	6,466	8,039
Petrols.....	4,373	15,127	1,185	2,104	3,233	4,929
Raw cotton and waste	151,159	91,240	18,012	9,669	7,965	8,911
Crude petroleum.....	73,352	138,421	21,507	20,329	21,168	18,551
Hides and skins.....	47,449	21,675	3,213	2,017	2,577	2,131
MANUFACTURED GOODS						
Steel bars and rods..	2,070	13,500	1,392	2,182	2,122	3,175
Machine tools.....	6,209	30,632	3,926	5,059	3,986	5,592
Wool manufactures..	22,260	5,398	669	690	546	532

in the rearmament industry led to a rise in imports of metal ores, compared with July, 1951; and, indeed, those of iron ore and scrap last month were higher than the average for the second quarter of this year.

As a result of the cuts, imports of many types of food amount to less than they did a year ago. Imports of "other foods," which include preserved fruits and vegetables, biscuits and sugar, were much lower than in July last year. Smaller quantities of grain, feeding stuffs and dairy products were imported, but these reductions were partly offset by a sharp rise in meat imports. Although the value of imported manufactured goods was lower last month than in July last year, it was above the average for the second quarter of this year. Larger imports of metal goods and machinery—no longer duty free—account for most of the rise in recent months; imports of most other manufactured goods have declined.

Textile Exports Cease to Fall.

At long last British textile exports may be turning the corner. Last month they ceased to decline for the first time this year. Admittedly, the improvement so far is slight, but if it continues it may be sufficient to reverse the downward trend in total exports. This was continued last

THE TREND OF SELECTED BRITISH EXPORTS
(£ '000s)

	Total First Seven Months, 1951	Total First Seven Months, 1952	April, 1952	May, 1952	June, 1952	July, 1952
Coal.....	14,706	30,344	3,578	5,398	4,696	5,824
Cotton goods.....	120,567	96,991	13,657	12,027	10,462	10,978
Wool manufactures..	111,520	71,730	9,804	9,303	8,531	10,133
Textiles.....	11,445	16,959	2,872	2,944	2,220	1,861
Table cutlery.....	562	489	103	71	64	69
Chemicals, etc.....	78,907	86,136	11,504	13,312	10,466	10,359
Paper, cardboard, etc.	21,176	26,985	4,056	5,560	2,950	2,715

month when the total value of exports fell to £207 million, compared with an average of £209½ million in the second quarter. Exports of nearly all manufactured goods except engineering products and textiles are now declining. Non-ferrous metal exports fell from £6.9 million a month in the second quarter to £6.1 million last month, and iron and steel exports were lower in value and volume.

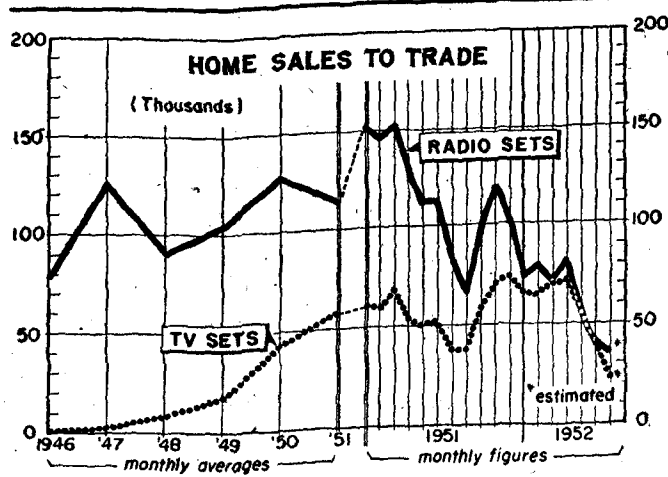
Textile exports in July amounted to £29 million and were unchanged from the monthly average of the second quarter

—in spite of a fall in shipments to Australia. But increased shipments of other textiles mask a further fall in cotton and a smaller fall in rayon goods. Exports of wool manufactures increased from a monthly average of £9.2 million in the second quarter to £10.1 million in July. Britain's main markets for wool goods are the United States and Canada, and shipments to both these countries have been improving lately. Exports of cotton goods, on the other hand, go chiefly to the sterling area, many parts of which have imposed restrictions on textile imports; in others, as for example the colonial territories, there is sharp competition from other cotton exporting countries.

According to the Board of Trade index the terms of trade have improved by no less than 6 per cent since the beginning of the year and are still moving in this country's favour. Last month the fall in import prices more than offset a further decline in the price of exports. The price of manufactured imports fell from 104 in June to 101 in July (1951=100), raw materials from 92 to 90, and food, drink and tobacco from 107 to 105 during the same period. Prices of textile exports again fell sharply in July, causing the index of export prices to lose another point. The prices of metal and engineering products remained unchanged; other manufactured exports became slightly cheaper.

Radio States Its Case

The radio industry is going through a comfortless period of falling home sales and no early prospect of the type of defence order that will provide alternative employment. The industry is now, perhaps, the chief victim of the Chancellor's policy of deflation in the home. Ordered to reduce home deliveries of domestic radio and television receivers by one-quarter at the beginning of the year, it has received a temporary reprieve until the autumn, but the trend of sales suggests that, whatever bargains it strikes with the Ministry of Supply, the industry must willy-nilly cut its production for lack of demand. This week both Pye and Cossor have reported a fall in sales in the past year and the chairman of Pye attributed this to the 66½ per cent purchase tax (the rate was doubled in 1951) and the hire purchase restrictions. A move to cut prices was started by Electric and Musical Industries this summer; it has been followed by companies such as Pye and English Electric, but those companies that have reduced prices are reluctant to attract too much attention to the fact, and some of the leading manufacturers maintain that costs have risen so much that any reduction is out of the question.



The drop in radio sales was perhaps to be expected in view of the competition from television, and since television receivers contain far more components than radio, no fall in employment need have followed. But the television figures themselves are disappointing, considering that two new

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transmitters, one covering an area as densely populated as the London transmission area, have opened this year. The fall in home sales has also to be interpreted in light of the fact that the industry was basing its plans for production on a rate of sales considerably higher than those of 1951.

Defence orders are running now at an annual rate of £40 to £45 million. This represents a substantial slice of the industry's total output, which reached £110 million in 1951. But it means much less in terms of actual employment, since a large part of the orders is for capital equipment, where the cost of materials alone represents a high proportion of the total value. These orders employ skilled engineers and designers, but give no employment to the set assembly lines, whilst the recent changes in the air rearmament programme will cause an immediate reduction in current requirements for the type of transmitting and receiving set that might have provided such employment. Moreover, as military designs become more complex, they become less and less suited to mass assembly work. The industry's total exports, which are running at an annual rate of £25 million compared with £22.7 million in 1951, are likely to continue to expand, but overseas demand is also for the complex type of electronic apparatus and component already in demand for defence purposes. Exports of radio and television receivers totalled £2.8 million in the first seven months of this year, but are bound to fall later in the year; Australia, which took 4 per cent of these supplies, has now virtually banned any further imports of receivers.

* * *

TV and Circuses

The all-out effort being made by the radio industry and the BBC to stimulate public interest in the annual radio show that opened at Earls Court this week will almost certainly ensure a bigger attendance than last year. But it

is not by any means so certain that the exhibition will be able to achieve its primary purpose of stimulating sales of domestic receivers in what is usually a very slack period of trade. The truth is that there is little to whet the appetite of potential customers; and if this year's exhibition, with its ingenious sideshows, resembles a radio circus rather than the decorous display of earlier years, that serves only to demonstrate the impasse that the industry has reached. Apart from the BBC studios, which have a back-stage interest of their own, these sideshows are almost entirely made up of industrial and military exhibits, the only fields in which the industry has scope to exercise its ingenuity free from the inhibitions of cost. Such displays as television cameras, underwater television, radar, guided missiles, mobile transmitters of all sizes and radio-control apparatus suggest that in future the industry hopes to become less dependent on the market for domestic receivers than it is today. This field is, however, open only to those companies with good research facilities, and these are still a minority in the industry.

In the domestic field, the need to hold prices down, combined with the preoccupation of the industry's best design staff with defence work, has restricted innovation, and designs are dominated by considerations of economy. In radio this takes the form of dual purpose sets capable of running off mains or on a battery, combining sometimes a gramophone and in one case a radiogram. Nearly all manufacturers in television have dropped the small 9-inch screen set in favour of sets with screens of 12 inches or more to meet the public demand for a bigger picture. The 12-inch screen accounts for nearly 70 per cent of current sales; sales of sets with larger screens are hampered by their high price and their high maintenance cost. A 16-inch tube receiver, for example, costs 140 guineas including tax, compared with £82 for a receiver with a 12-inch tube made by the same company. A second difficulty lies in the cost of tube replacement. The retail price of a cathode tube works out at roughly £1 an

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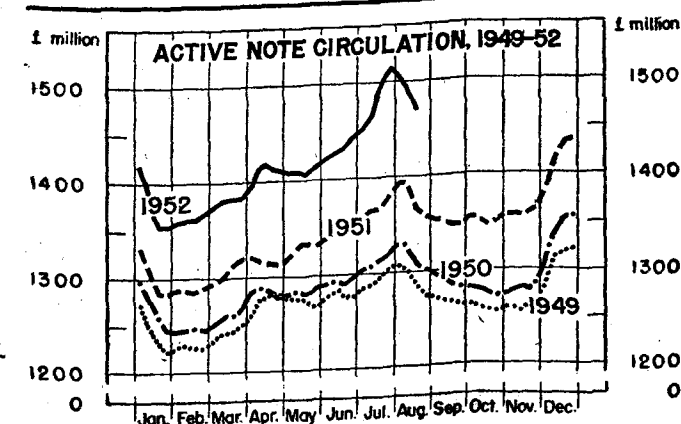
B. T. THAKUR, General Manager.

inch of screen size plus tax, bringing the retail price of a 12-inch tube to £15; and maintenance costs thus rise with each increase in the size of the screen. This explains the growing number of projection receivers going into production. These receivers use a 2½-inch tube to project the televised image on to a mirror, from which it is magnified on to the viewing screen. This cuts both maintenance cost and the size of the receiver, but involves the use of a complicated optical system, making the price of the receiver higher than that of the equivalent direct viewing set. The system is, however, in its infancy and clearly capable of further development. The appearance of one or two projection sets that throw a picture on to a 3 ft. by 4 ft wall screen shows the technical possibilities of the system, but its development along these lines must be limited while the BBC continues to transmit pictures on 405 lines only.

* * *

Fiduciary Issue Reduced

In the week to last Wednesday the active note circulation fell by another £12 million to £1,459 million; and, as expected, the fiduciary issue (which was increased from £1,450 million to £1,500 million in the fourth week of June, and then to £1,550 million in the fourth week of July) has been reduced to £1,500 million. As will be seen from the accompanying chart, the customary seasonal fluctuation in the note issue on either side of the August Bank holiday has been sharper in 1952 than in previous



postwar years. At the end of last April the active note circulation stood at £1,410 million, compared with £1,314 million at the end of April, 1951. Between the end of April and the August Bank holiday peak, the active circulation increased by £98½ million in 1952 compared with £51½ million in the same period of 1951; but by August 27th of this year it was already £49½ million below its Bank holiday peak, compared with only £35 million below it on August 29, 1951. The reflux in the last two weeks alone has amounted to over £34 million, compared with only £13 million in the corresponding period last year. Although it is clear that the increase in prices and wages since last year has caused a general increase in the amount of money that people find it convenient to carry about with them (rather than leaving on bank deposit), the increase in this respect since the spring has not been as great as the very heavy pre-holiday efflux of notes at first seemed to suggest. In late June and early July the banks obviously drew out more notes into their tills than they eventually needed.

* * *

IMF Dollars for Australia

It was announced this week that Australia is purchasing \$30 million in US dollars from the International Monetary Fund. The purchase is being completed before September

30th so as to secure urgently required dollar finance during Australia's leanest balance of payments season—that is, before receipts from the wool sales begin to come in. It should be stressed that this Australian purchase of dollars from the IMF has nothing to do with the loan for \$50 million that Australia has recently negotiated with the International Bank for Reconstruction and Development. Figures have recently been published of the dollar deficit that Australia incurred in the twelve months to June 30, 1952. This amounted to \$165 million compared with a surplus of \$71 million in the previous twelve months. Part of this dollar deficit was financed from Australia's own resources, but \$131 million was withdrawn from the sterling area dollar pool, compared with a net contribution of \$97 million in the previous year.

* * *

Coal Stocks and Industrial Output

At this time last year fuel experts were sensibly warning the country that the winter might bring a renewed coal crisis, and the British Electricity Authority, beseeching industrial electricity consumers to spread their power load, was quoting frightening estimates of the gap between peak demand and generating capacity. Today, coal is wreathed in comparative contentment; stocks stand already at almost the minimum winter "safety level" required by the beginning of November, which should free about two million tons more for export between now and then. This year the BEA has again asked industrial consumers to reduce their load during peak hours by 10 per cent (compared with 20 per cent last year); but after a winter virtually without power cuts, it has not waxed very alarming about the gap between peak demand and capacity. Both public utilities bear witness to the most important development in Britain's fuel budget during the last twelve months—the disappearance of the sharp growth in internal fuel consumption that had marked the previous two years.

Inland consumption of coal in the first 32 weeks of 1952 was 2½ million tons lower than in the same period of the previous year. In the same way, electricity consumption was only a fraction higher than the year before, and some tables of electricity sales recently issued confirm that the trend, particularly since April, seems to be downwards. In 1948-49 and 1949-50, the number of units sold rose by about 8 per cent each year (adjusted for normal weather and standard working days), and in 1950-51, they rose 11 per cent; but in 1951-52, the increase was only 7 per cent, and in each month since March the percentage by which sales exceed those a year before has declined.

Broadly, it can be assumed that these roughly parallel trends in consumption of coal and electricity follow the flattening curve of industrial activity; better weather, and increased use of private generating equipment (which the BEA is advocating this winter) probably had some additional influence upon electricity consumption. Today's lull in fuel forebodings may not prove the most suitable atmosphere for the Ridley report on fuel economy that is due in some weeks' time. But the fact that this lull is almost entirely a consequence of slackening industrial output should temper any complacency.

* * *

Extrapolation in Coal

Nobody would suggest that the experience of the last eight months could offer a satisfactory basis for forecasts of the country's coal consumption in the future. But it once again emphasises the difficulty, in making such forecasts, of selecting the particular trend to follow. Sir Hubert Merrett, who two years ago prepared an extensive survey of the potential overseas market for British coals during the next decade, is the latest expert to enter the lists with a forecast of future consumption in this country. Total inland con-

sumption here last year was 209 million tons; Sir Henry, in an article in the current National Provincial Bank Review, expects this to reach 227 million tons in 1956 and to 237 million tons by 1961. Assuming that production of opencast coal will have ceased by 1955—which is not now likely—he thinks the British industry cannot produce more than about 226 million tons in 1956, and is doubtful whether the long-term plan—already seriously behindhand—will in fact achieve the output of some 240 million tons at which it aims by 1961-1965. He comments:

It would seem, therefore, that our coal export trade will shrink rapidly from 1954 onwards and die out completely by 1956 unless further measures are taken.

This extinction, he judges, will not be allowed; but Britain will enter the ranks of "importing-exporting" coal countries, with foreign imports as permanent a feature of its fuel economy as small coal exports.

Sir Henry's estimate of future coal consumption in Britain is thus far above the Coal Board's original calculation in the 1950 plan—205-215 million tons—but somewhat below the figure of 263 million tons for 1965 forecast recently by the Federation of British Industries. Both of these independent estimates were built up from estimates of future consumption by different groups of consumers. But the FBI's figure in fact amounts almost exactly in total to a direct projection of the sharp upward trend in consumption during 1950 and 1951, while Sir Henry's follows this trend up to 1956 but assumes some moderation in the growth of consumption in the five years following. Statistically, this short period would not provide a satisfactory trend for extrapolation. Such statistics of coal available for home use since the beginning of the century as exist might well suggest a consumption much nearer to the Coal Board's estimate than to the two independent figures. But as an example of the pitfalls of any such projections, it may be noted that the rise in consumption between 1900 and 1917—before electricity began to affect the fuel balance significantly—would have suggested a home consumption by 1951 of some 250 million tons. Estimates made upon the best forecasts that can be applied for individual groups of consumers have more weight; but no individual forecast can be free from the same weaknesses in assumption that beset projections made from the total. Even were the coming Ridley report to serve no other purpose than to draw together such estimates of future demand from the widest possible range of experts, and to provide its own tentative assessment, it might be valuable.

Boom in the Copper Belt

The Rhodesian copper producers are still riding on the crest of a boom. In the year to June 30th last, Roan Antelope increased its sales of copper from 74,520 tons to 81,027 tons, its gross revenue from £13.1 million to £16.7 million, and its estimated before-tax profits from £5,925,000 to £8,281,000. Mufulira, which had to follow a cautious policy of coal conservation in the early part of 1952 (because

floods threatened its rail communications), saw its total sales in the year fall from 83,681 tons to 76,369 tons; but, thanks to higher prices, its gross revenue rose from £14.6 million to £15.7 million, and its estimated before-tax profits from £7,877,000 to £8,269,000. Shortly after the end of the financial year of both these companies, the Ministry of Materials raised its buying price for Rhodesian copper by 20 per cent, so that the current year is likely to have started well.

It is still not clear, however, how much shareholders can expect to get out of this possibly evanescent prosperity. Both companies applied to the Treasury last May for permission to transfer residence to Northern Rhodesia. There has still been no announcement on whether they will be allowed to follow their competitors in the Anglo-American group through the ring fence—to the not inconsiderable political and tax advantages that would await them in Rhodesia, especially now that the Excess Profits Levy is in action here. At best this delay is a sign of Treasury red tape; at worst it is a sign of unwise indecision.

Recovery in Jute

A firmer tone has prevailed in the jute market during the past two weeks. In Pakistan there has been a sudden increase in purchases by continental buyers, who had previously hung back from what had seemed to be a falling market. In the middle of July pressure of supplies had forced the Pakistan Government to lower its minimum price for loose jute by nearly £20 a ton, to the equivalent of about £73 a ton (c. and f. HARB) for export qualities, but many shippers continued to offer supplies below this price. For a time the Pakistan Government was apparently willing to turn a blind eye to this evasion, but they have now made it clear that buyers must pay the minimum price or go without. This firmer attitude has been made possible by the increase in demand; in addition, it has been reported in the last few days that the Pakistan Government may raise its minimum price to about £75 a ton from the middle of September.

Thanks to the fall in prices earlier this year, hessian is again able to compete with cotton as a packing material, and jute seems to be well placed to regain some of the ground lost to substitutes in the United States last year. During the last few weeks increased American buying has helped the price of Indian hessians to recover, and the internal price of raw jute in India has also increased sharply (exports of raw jute from India are not permitted). In Britain, too, there has been a definite improvement in the jute trade since the reduction in the Jute Control's prices at the beginning of this month. Before this reduction, consumers had been living on a hand-to-mouth basis and had run down their stocks to a very low level. But spinners and manufacturers have now received sufficient orders to keep them going during the next few months; in consequence, longer hours are being worked in some mills. But no increase in world demand that threatens a shortage of jute is foreseeable this year. In fact, the Pakistan Government, fearing a large surplus, is restricting next year's crop to 4.5 million bales, or 25 per cent below this year's level.

Steadier Wholesale Prices

The official indices of wholesale prices are beginning to reflect the recent recovery in certain commodity prices. Although the index of basic materials, based on June, 1949, continued to decline in July, the fall of 0.2 per cent on the month was much smaller than the corresponding reductions in May and June. On the other hand increases in the price of metals, principally copper, caused small rises in the indices for materials used in mechanical and electrical engineering and in building and civil engineering.

The price of copper rose by 11 per cent, showing the biggest increase for any commodity during the month, and aluminium prices also rose. Lead, after falling steadily since the beginning of the year, recovered slightly in July. Zinc, on the other hand, dropped for the third month in succession, and the index for August will no doubt reflect the further falls that have taken place in its price during the last two

INDEX NUMBERS OF INDUSTRIAL MATERIALS PRICES
June 30, 1949=100

	Basic Materials (excluding fuel) for non-food manufacturing industry	Materials used in mechanical engineering industry	Materials used in electrical engineering industry	Building and civil engineering materials	House building materials
1951 Mar.	220.4	128.3	143.1	117.8	116.7
1952 Jan.	181.5	143.2	160.0	134.4	130.0
Feb.	177.0	143.6	160.2	134.8	131.4
Mar.	169.6	152.2	165.4	136.8	132.9
April	164.7	152.6	166.3	137.3	133.4
May	162.1	151.7	165.5	134.9	131.8
June	160.0	151.7	167.6	133.4	130.5
July	159.6	152.8	170.7	134.0	130.9

Source: Board of Trade.

or three weeks. With two exceptions, textile prices continued to decline in July; wool, which has been reviving since April, gained a further 8 per cent during the month, and raw silk increased by about 5 per cent. The fall in jute, sisal and cotton prices during July was smaller than in previous months. Among other materials, the prices of rubber and imported softwood remained virtually unchanged, but hardwood prices rose slightly. The recovery in prices of hides and skins that began in June continued in July at a reduced rate, because the fall in domestic hides was partially offset by a rise in the price of imported hides. Woodpulp prices declined by no less than 28 per cent on the month, and at the end of July were 48 per cent below the peak level reached in January.

Company Notes

Tootal Broadhurst Lee.—The reasons for the slump in Tootal's trading profits from £2,105,294 to £783,000 are clearly outlined in the chairman's statement, but the reasons for the increase in equity distribution in the face of this slide in earnings still remain a little obscure. In common with other spokesmen of the cotton industry, Sir Kenneth Lee (who retired from the chairmanship of Tootals last June after 55 years of service to the group) has a gloomy tale to tell of falling raw material prices and slumping sales. When sales began to fall, the group was left with large unsold stocks, and had to cut production; Sir Kenneth agrees that it would have been better if production had been reduced in the spring of 1951, when raw material prices were at their peak. The group's stocks are valued in the balance sheet at £3.2 million, against nearly £3.6 million a year before; if they had been entered at cost or market value, it is estimated that they would have stood at £4.9 million, against £5.3 million a year before. Unfortunately, the company was left with a very considerable quantity of goods on its

hands when the Australian Government imposed its import embargoes last March, and it is clear that the losses on these stocks go a long way towards explaining the steep

Consolidated earnings	1951	1952
Trading profit	2,105,294	783,000
Total income	2,142,401	847,556
Depreciation	163,348	259,313
Taxation	1,319,788	241,988
Net profit	565,120	224,789
Ordinary dividends	68,124	74,335
Ordinary dividends (per cent)	13	15
Revenue reserves	65,951	13,789
Added to group carry forward	420,920	137,301
Cons. balance sheet analysis	1951	1952
Fixed assets, less depreciation	1,291,536	1,830,599
Net current assets	5,007,882	3,823,757
Stocks	3,560,559	3,205,106
Cash	1,803,171	2,451,284
Reserves	5,010,837	4,364,160
Ordinary capital*	943,709	943,932

(* Ordinary share at 60s and yields 15 0s 0d per cent. Including employees' shares.)

decline in profits. An additional explanation lies in the large losses made by the company's American and Canadian subsidiaries.

Shorter Notes

The Treasury has announced that as from Monday next, September 1st, the number of National Savings Certificates of the ninth issue that may be held by any person is to be increased from 500 units (cost price £375) to 700 units (£525), in addition to the permitted holdings of previous issues. The last effective increase in the permitted holdings of National Savings Certificates was in February, 1951, when the ninth issue was launched. September 1st is also the date from which the new 3½ per cent Defence Bonds (described on page 44 of *The Economist* of July 5th) will be on sale.

Indirect exports of steel, in metal goods sent overseas, have increased by 75 per cent since 1947, according to an estimate by the British Iron and Steel Federation. Last year they amounted to some 2,700,000 tons of finished steel. In terms of ingots, this would be about 3,700,000 tons; since direct exports accounted for about 2,700,000 ingot tons, roughly 40 per cent of the year's total output was sold overseas. The estimated volume of exports of the metal goods concerned has in fact doubled since 1947; the tonnage of steel has risen less partly because exports of goods containing a small amount of steel in relation to their value have increased more rapidly than those of goods containing a large amount of steel.

For the second time within a month the price of marine fuel oil was last week reduced by the oil companies. This new reduction is of 7s. per ton for marine fuel oil and of 2s. 6d. per ton for diesel oil. Diesel oil is now nearly £4 per ton dearer than marine fuel oil. This widening of the differential may encourage motor-ship owners to run their main engines on the heavier fuel oil, thus obtaining a considerable saving on their annual fuel bill.

Prices of certain qualities of alloy and stainless steel were altered this week by the Ministry of Supply to take account of the changes in alloying content that have been made to conserve alloying metals, as well as changes in the prices of the alloying metals.

It is against this background of almost unrelieved gloom that the directors decided to raise the ordinary dividend. Sir Kenneth explains that the dividend paid in 1950-51 was smaller than would have been recommended had it not been for the Labour Government's White Paper on dividend limitation; in fact, the payment of a 15 per cent dividend is a return to the rate paid in 1949-50. Since then, however, the prospects for Lancashire have had to be considerably revised. The financial strength of the group provides some justification for the directors' decision—cash resources, for example, have risen from £1.8 million to £2.4 million—but in the current year shareholders would be well advised to consider the course of trade, rather than the strength of the group's balance sheet, as the final arbiter of dividend payments.

Pye.—The radio industry is passing through a difficult period, as three recent company reports—those by Pye, A. C. Cossor and Thorn Electrical—make abundantly clear.

INDEX

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ETA REEDS



AN Indian firm making paper from eta reeds found considerable difficulty in bleaching the fibre and in producing paper of satisfactory quality. Experimental manufacture on a full-scale plant was expensive and also meant taking the plant off normal production for a long period. Accordingly, the firm turned to I.C.I. (India) by whom the enquiry was referred to the I.C.I. technical service organisation in England. A quantity of boiled eta pulp was then shipped to this country for trials. It was sent first to I.C.I. General Chemicals Division at Runcorn who developed a successful bleaching process. The bleached pulp was then sent to I.C.I. Dyestuffs Division, who maintain in Manchester a small papermaking machine as part of their normal technical service to the paper industry. Tests showed that the white obtained in bleaching was as stable to light as that of the bleached cotton pulp used in the manufacture of high-grade papers. After a number of trials, using eta fibre alone and in mixtures, samples of paper and details of the way in which the various pulp mixtures behaved on the papermaking machine were sent to India.

As a result, the original difficulties were overcome and the manufacturer in India was able to make paper of the quality required.



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In their full—and it is a commendably full—report the directors of Pye describe the year to March 31st last as “the most difficult we have had for a long time.” The supply position made it necessary for the group to stockpile “vast quantities of materials.” Government contracts did not materialise as promised, and purchase tax and hire purchase restrictions kept down sales of radio receivers. Although turnover as a whole increased, profit margins were cut. “In situations like these,” report the directors of Pye, “a business requires much more capital than it ought, and as we could not see the justification for such capital increase, we have had a most embarrassing and difficult time.”

Despite these complaints, and despite a loss by its Canadian subsidiary, Pye's gross trading profits rose from £666,107 to £783,554 last year; after allowing for increased taxation,

Consolidated earnings:—	Years to Mar. 31, 1951	1952
Trading profit	666,107	783,554
Depreciation	56,641	98,783
Taxation	358,316	448,820
Net profit after taxation	183,614	102,219
Dividend (deferred ordinary)	40,837	18
Dividend (per cent)	18	18
Carry forward	490,104	603,408

net profits fell from £183,614 to £102,219 but the dividend on the deferred ordinary shares was maintained at 18 per cent. The balance sheet shows, however, that stocks and work in progress rose from £1,940,693 to £2,748,174, the group's bank overdraft rose from £108,752 to £444,715, and its cash balance ran down from £234,932 to £36,007. At the current price of 15s. 9d. the 5s. deferred ordinary shares yield £5 14s. 3d. per cent.

A. C. Cossor.—Like Pye, the A. C. Cossor Group showed an increase in its gross trading profit (from £473,549 to £482,876) in the year to March 31st last, but a fall in its net trading profit (from £374,601 to £352,768). As had been expected, however, the profit was sufficient for the group to make its first ordinary dividend payment since 1947, at 10 per cent. In his statement last year, the chairman had held out a reasonable hope of a resumption of ordinary dividends “before very long,” and when, in March of this year, three years of preference dividend arrears were cleared off, it was generally recognised that the patience of ordinary shareholders would soon be rewarded. Nevertheless, the directors' report is not a cheerful one, for Lord Burghley forecasts that last year's downward trend in profits will continue during the current year. There has been a “spectacular fall” in the sales of radio receivers, and this has been only partially offset by a further increase in sales of television receivers. More-

Consolidated earnings:—	Years to Mar. 31, 1951	1952
Trading profit	473,549	482,876
Income	481,169	487,977
Depreciation	48,641	67,465
Taxation	220,498	249,801
Ordinary dividend	nil	31,500
Ordinary dividend (per cent)	nil	10
Revenue reserves	4,033	14,147
Added to group carry forward	144,874	37,304

Cons. balance sheet analysis:—	Years to Mar. 31, 1951	1952
Fixed assets, less depreciation	622,546	694,280
Net current assets	1,532,342	1,545,458
Stocks	2,010,047	2,875,437
Cash	30,647	18,853
Reserves	703,520	754,781
Ordinary capital	600,000	600,000

5s. ordinary share at 10s. 3d. yields £4 17s. 6d. per cent.

over, the group has been “very hardly hit” by the selection of the standard years for EPL, which were years during which the company either incurred heavy losses or made very low profits. One of the alternative

capital standards will have to be adopted, and this will set the group's standard well below present actual performance.

A conspicuous rise in stocks, from £2,010,047 to £2,875,437, has caused the group's bank overdraft to increase by £554,574 to £813,891, and working capital is now inadequate. The directors have not yet decided how this is to be remedied, but as a first step a special resolution is to be submitted at the annual general meeting to increase their borrowing powers from £1,125,000 (the amount of the nominal capital) to £2,200,000. Following the publication of the report, the price of the ordinary shares fell by 2s. to 9s. 9d.

Thorn Electrical.—The main interests of Thorn Electrical are in the consumer goods side of the electrical trade—in lighting equipment as well as in television and radio sets. In the year to March 31st last a record turnover was achieved and group profits before taxation rose from £517,323 to £681,169; net profit increased from £169,514 to £211,819 and the ordinary dividend rate rose from 10 to 12½ per cent. The fact that the rate of advance in profits has slowed down since last year suggests, however, that the rise in costs is eating into profit margins, and the chairman remarks ruefully that “world conditions are certainly not encouraging at the present time.”

As with Pye and A. C. Cossor, there has been a sharp rise in the book value of stocks from £1,196,346 to £2,083,600, and this has been accompanied by a net decline in liquid resources. The slight increase in cash balances, from £62,348 to £142,260, has been completely overshadowed by the increase in loans and bank overdrafts from £107,049 to £988,180. Moreover the continued expansion of business, reflected in this paucity of liquid assets, has led the directors to warn shareholders that “further finance will be

Consolidated earnings:—	Years to Mar. 31, 1951	1952
Trading profit	517,323	681,169
Depreciation	114,852	139,381
Taxation	210,447	288,185
Net profit	189,514	211,819
Ordinary dividends	27,759	34,699
Ordinary dividends (per cent)	10	12½
General reserve	80,000	120,000
Added to group carry forward	14,809	13,865

Cons. balance sheet analysis:—	Years to Mar. 31, 1951	1952
Fixed assets, less depreciation	676,083	911,406
Net current assets	1,099,941	1,186,776
Stocks	1,196,346	2,083,600
Cash	62,348	142,260
Loans and bank overdrafts	107,049	988,180
Ordinary capital	528,750	528,750

5s. ordinary share at 8s. 6d. yields £7 7s. 0d. per cent.

required up to a substantial figure within the next two years.” The directors believe that it may be “more advantageous and practicable” to raise the new money required by an issue of loan capital and not by an issue of share capital; shareholders are therefore being asked to agree to an increase in the existing limit put on the company's borrowing powers to £2 million.

Great Universal Stores.—The unexpectedly cheerful results published last week by the retail furniture companies in the Great Universal Stores group has now been followed by the preliminary statement for the group as a whole for the year ended March 31st. This shows that the group's total trading profits reached an all-time record of £10,007,555, or £1,846,405 more than in the previous year. Out of this, tax absorbs £5,365,365 (against £4,489,415), but net consolidated earnings are up by over £600,000, at £2,993,676. A final dividend of 18½ per cent has been declared on the new capital; as the group's capital was increased by a one-for-one scrip bonus last May, the total dividend for the year is the equivalent of 50 per cent on the old capital compared with 40 per cent last year.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Aug. 20, 1952	Price, Aug. 27, 1952	Net Yield, Aug. 27, 1952	Gross Yield, Aug. 27, 1952
War Bonds 2½% '51-53	99½	99½	1 14 4	2 18 0
War Bonds 2½% '52-54	99½	99½	1 18 4	3 2 2
Exchequer 2½% 1955	98½	98½	1 19 5	3 1 4
Ser. Funding 1½% '52	99½	99½	0 18 7	2 17 11
Ser. Funding 1½% '53	99½	98½	1 12 0	2 12 9
Ser. Funding 1½% '54	97½	97½	1 16 4	2 15 5
War Bonds 2½% '54-56	98½	98½	1 15 6	2 19 8
Funding 2½% '52-57	98½	98½	1 15 1	3 2 7
Nat. Def. 3½% '54-58	98½	98½	1 15 4	3 1 1
War Loan 3½% '55-59	98½	98½	1 15 6	3 5 11
Savings 3½% '55-65	90½	92	2 15 11	3 15 11
Funding 2½% '56-61	91½	92½	2 6 6	3 12 7
Funding 3½% '59-69	86½	88½	2 9 11	4 1 8
Funding 3½% '66-68	86½	88½	2 9 8	4 0 6
Funding 4½% '60-90	98½	100	2 3 11	4 4 0
Savings 3½% '60-70	*84½	85½	2 11 1	4 2 3
Savings 2½% '64-67	84	85½	2 11 5	3 18 4
Victory 4½% '20-76	*100½	101½	1 19 1	3 16 8
Savings 3½% '65-75	81½	83½	2 10 5	4 2 4
Consols 4½% (aft. 1957)	83½	86½	2 8 7	4 12 8
Consols 3½% (aft. 1961)	76½	77½	2 7 1	4 9 6
Treas. 2½% (aft. 1975)	56½	57½	2 5 7	4 6 7
Treas. 3½% (aft. 1966)	66½	69	2 6 1	4 8 6
Treas. 4½% '77-80	86½	88½	2 7 9	4 1 1
Redemption 3½% '86-96	77½	77½	2 7 9	4 1 7
War Loan 3½% aft. 1952	75½	78½	2 7 1	4 10 2
Consols 2½%	58½	60½	2 3 6	4 3 2
Br. Elec. 3½% '68-73	83½	84½	2 11 3	4 2 8
Br. Elec. 3½% '74-77	*81½	83½	2 9 11	4 1 9
Br. Elec. 4½% '74-79	98½	99½	2 5 5	4 5 9
Br. Elec. 3½% '76-79	88½	90½	2 7 2	4 3 5
Br. Trans. 3½% '78-88	76½	78½	2 9 10	4 3 8
Br. Trans. 3½% '88-73	83½	84½	2 11 5	4 2 11
Br. Gas 3½% '90-95	76½	78½	2 7 11	4 2 4
Br. Gas 3½% '69-71	*89½	91½	2 8 7	4 3 8
Br. I. & S. 3½% '79-81	86½	88½	2 7 9	4 3 9

(e) To earliest date. (f) Flat yield. (g) To latest date. (s) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends	Ordinary Stocks	Price, Aug. 20, 1952	Price, Aug. 27, 1952	Yield, Aug. 27, 1952
(a) (b) (c)				
20 a	40 b Anglo-Am. 10/-	6½	6½	4 14 1
5 a	25 b Anglo-Iran £1	6	6½	4 17 11
7 a	12½ b Assoc. Elec. £1	69/6	71/6	5 11 11
7 a	20 b Assoc. P. Cem. £1	100/6	102/6	5 7 4
22½ c	10 b Bass £1	122/6	130/-	6 11 11
10 a	10 b Boots 5/-	19/-	19/-	5 5 3
8½ b	3 a Brad. Dyers £1	24/-	25/4	9 1 3
10½ b	4½ a Br. Celanese 10/-	23/6	25/6	5 13 9
12½ c	15 a Br. Motor Cp. 5/-	30/7½	31/10½	...
8 a	12 b Br. Oxygen £1	50/3	53/-	5 0 7½
3 b	3 a Can. Pac. \$25	*64	*63½	4 8 0
5 a	7½ b Coats £1	42/9	43/9	5 14 3
5 a	6½ b Courtaulds £1	35/9	38/9	5 16 2
15 c	24 a Cunard £1	34/-	34/-	8 16 6
7½ a	15 b Distillers 4/-	17/9	18/3	4 18 8
17½ c	17½ a Dunlop £1	46/10	50/-	7 0 0
12½ c	15 a Ford £1	49/-	49/9	6 0 7
7½ a	15 b Gen. Elect. £1	83/6	84/6	5 6 6
5 a	10 b Guest Keen £1	51/6	54/-	5 11 1
17 b	7 a Guinness 10/-	32/-	32/-	5 5 0
5½ b	4½ a Hawker Sid. £1	36/6	36/9	5 8 10
3 a	10 b Imp. Chem. £1	44/9	45/6	5 14 4
18½ b	13½ a Imp. Tobacco £1	54/3	54/9	7 6 10
8½ c	2½ a Int. Nick. n.p.	*84½	*84½	5 10 3
17½ c	17½ a J'burg Con. £1	52/6	53/1½	6 11 9
10 b	5 a Lancs. Cotton £1	37/9	39/9	7 11 0
7½ a	10 b Lon. Brick £1	60/7½	60/7½	5 15 5
15 a	65 b Marks Sp. A 5/-	41/9	43/3	4 12 6
6½ a	15½ b Monsanto 5/-	25/7½	26/3	4 5 9
7½ a	10½ b P. & O. Def. £1	48/-	48/6	6 12 0
185 c	17½ b P. Johnson 10/-	35/6	36/6	6 17 0
	100 c Prudential 'A' £1	34	34½	5 10 6
200 c	50 a Rhokana £1	22	22½	8 16 10
5 a	10 b Rolls Royce £1	61/-	61/6	4 17 7
15 a	10 b Shell Sdk. £1	84/4	85/-	5 7 9
12½ b	13½ a Tube Invest. £1	53/9	57/3	4 7 4½
15 b	5 a Tur. Newall £1	86/10	92/6	4 6 6
5 a	8½ b Unilever £1	46/10	46/10	5 15 2
10 c	12½ a Union Castle £1	21/-	21/9	5 14 11½
5 b	5 a Union Dist. £1	40/-	40/-	5 0 0
16½ a	16½ b Utd. Molass. 10/-	30/6	32/-	6 3 9m
50 c	50 c U. Sua Betong £1	38/1½	38/1½	26 4 7
10 b	2½ a Vickers £1	45/3	45/6	5 7 6
27½ b	15 a Woolworth 5/-	41/-	42/3	5 0 3

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 13½%. (e) Yield basis 16½%. (f) Yield basis 22.9 gross. (g) Yield basis 16½%. (h) Yield basis 12½%. (i) Includes special int. (j) Yield basis 6½%. (k) Yield basis 19.8%. (l) Yield basis 40%. (m) Yield basis 20%. (n) Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended August 23, 1952, total ordinary revenue was £60,977,000, against ordinary expenditure of £78,453,000, and issues to sinking funds £370,000. Thus, including sinking fund allocations of £10,761,000 the deficit accrued since April 1, 1952, was £242,850,000 compared with a surplus of £42,420,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	April 1, 1951 to Aug. 23, 1951	April 1, 1952 to Aug. 23, 1952	Week ended Aug. 25, 1951	Week ended Aug. 23, 1952
REVENUE					
Ord. Revenue					
Income Tax	180,422	363,291	403,059	15,891	15,042
Sur. Tax	123,000	31,300	28,799	800	1,000
Estate, etc., Duties	175,000	81,000	61,300	3,500	2,800
Stamps	57,500	25,100	19,950	1,500	1,000
Profits Tax & EPT	452,000	120,900	152,600	11,500	12,000
Excess Profits Levy	5,000				
Special Contribution					
tion and other					
Inland Revenue	2,000	1,445	800	50	50
Total Inland Rev.	261,872	624,036	666,409	33,241	29,892
Customs	104,550	384,443	404,856	16,828	20,067
Excise	772,000	318,406	292,033	14,206	10,715
Total Customs and Excise	1,815,500	702,839	696,889	31,034	30,782
Motor Duties	64,150	11,203	11,160		
Surplus from Trade	12,000	57,500			
PO (Net receipts)		7,700		1,600	
Broadcast Licences	15,000	3,400	3,300		
Sundry Loans	26,000	8,972	8,630	621	
Miscell. (incl. Surplus War Stores)	110,000	29,284	32,009	430	303
Total Ord. Rev.	466,137	1,442,335	1,413,394	66,926	60,977
SELF-BALANCING					
Post Office	209,235	69,700	79,200	3,400	5,000
Income Tax on EPT Refunds	4,900	2,127	2,303	140	70
Total	487,551	1,514,762	1,494,996	70,466	66,047

	Estimate, 1952-53	April 1, 1951 to Aug. 23, 1951	April 1, 1952 to Aug. 23, 1952	Week ended Aug. 25, 1951	Week ended Aug. 23, 1952
EXPENDITURE					
Ord. Expenditure					
Int. & Man. of Nat. Debt	575,000	192,575	220,694	2,062	5,353
Payments to N. Ireland	40,000	14,729	13,074	2,298	
Other Cons. Funds	10,000	4,397	4,174	330	16
Total	625,000	211,700	237,942	4,690	5,369
Supply Services	555,367	118,337	141,250	60,240	73,090
Total Ord. Expd.	417,936	139,537	165,042	64,930	78,459
Sinking Funds		4,978	10,762		370
Total (excl. Self-Bal. Expd.)	417,936	140,055	166,124	64,930	78,829
SELF-BALANCING					
Post Office	209,235	69,700	79,200	3,400	5,000
Income Tax on EPT Refunds	4,900	2,127	2,303	140	70
Total	439,502	147,232	174,264	68,470	83,899

After increasing Exchequer balances by £311,736 to £3,130,705 the other operations for the week increased the National Debt by £25,583,583 to £26,032 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

PO and Telegraph (Money) Act, 1950	750
EPT Refunds	84
Export Guarantees Act, 1949	10
Local Authorities Loans Act, 1945, s. 3(1)	5,000
Coal Industry Acts, 1946 to 1951	800
Overseas Resources Development Act, 1948: Colonial Development	500
Finance Acts, 1946 and 1947, Postwar Credits	276
	7,420

CHANGES IN DEBT (£ thousand)

	RECEIPTS	PAYMENTS
Treasury Bills	2,301	Nat. Savings Certs. 400
Ways and Means		24% Def. Bonds 535
Advances	27,195	3% Def. Bonds 1,530
		3% Ter. Annuities 1,483
		Tax Reserve Certs. 932
		Other Debt:—
		Internal 2
	29,466	4,882

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
	Tender	Public Depts.	Bk. of Eng. land	
1951				
Aug. 25	3230.0	2255.7	291.2	325.0
1952				
May 31	2710.0	1484.5	299.7	4.5
June 7	2750.0	1503.4	307.3	...
" 14	2790.0	1517.9	273.5	0.3
" 21	2830.0	1504.1	301.8	2.3
" 30	4336.6	309.0	2.3	...
July 5	2910.0	1440.5	308.9	...
" 12	2940.0	1462.7	303.0	...
" 19	2970.0	1443.5	327.8	1.8
" 26	3000.0	1459.5	285.5	2.3
Aug. 2	3020.0	1430.3	264.4	...
" 9	3040.0	1403.3	265.4	1.0
" 16	3030.0	1450.6	279.8	...
" 23	3040.0	1442.9	307.0	...

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Min. Rate %
	Offered	Applied For	Allotted		
1951					
Aug. 24	260.0	518.7	260.0	10 3.36	77
1952					
May 23	220.0	302.3	220.0	47 7.94	63
" 30	220.0	307.1	240.0	47 8.25	71
June 6	240.0	306.5	240.0	48 4.09	71
" 13	240.0	310.4	240.0	48 0.36	72
" 20	250.0	301.1	250.0	48 8.25	77
" 27	240.0	302.4	240.0	49 0.44	74
July 4	240.0	308.8	240.0	49 0.45	73
" 11	240.0	315.2	240.0	49 4.20	68
" 18	230.0	322.9	230.0	49 3.88	59
" 25	220.0	317.2	220.0	49 3.88	56
Aug. 1	220.0	320.5	220.0	48 11.99	68
" 8	230.0	295.1	220.0	49 0.41	68
" 15	220.0	284.6	220.0	49 0.39	70
" 22	240.0	301.1	240.0	49 4.31	73

On August 22nd applications for 91 day bills to be paid from August 25 to August 30, 1952, were accepted dated Monday to Saturday at about 73 per cent at £99 7s. 8d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million were offered on August 29th. For the week ended August 30th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Total 20 weeks ended Aug. 19, 1951	Aug. 18, 1952	Week ended Aug. 18, 1952
Savings Certificates:—			
Receipts	73,700	45,100	2,100
Repayments	57,000	56,600	2,300
Net Savings	16,700	Dr 11,500	Dr 200
Defence Bonds:—			
Receipts	18,649	11,228	39
Repayments	23,931	28,255	1,675
Net Savings	Dr 5,282	Dr 17,027	Dr 1,645
P.O. and Trustee Savings Banks:—			
Receipts	261,636	276,582	11,939
Repayments	333,869	329,058	15,394
Net Savings	Dr 72,233	Dr 47,470	Dr 3,455
Total Net Savings	Dr 60,815	Dr 81,003	Dr 6,300
Interest on certificates repaid	13,843	15,460	652
Interest accrued	48,365	49,576	2,470
Change in total invested	-26,293	-46,887	-3,462

BANK OF ENGLAND

RETURNS

AUGUST 27, 1952
ISSUE DEPARTMENT

	£	£
Notes Issued:—		
In Circulation	1458,955,382	Govt. Debt 11,015,100
In Bank, Department	41,401,441	Other Govt. Securities 1485,781,213
		Other Secs. 689,518
		Coin (other than gold) 2,514,169
		Am. of Fid. Issue 1,500,000,000
		Gold Coin and Bullion (at 248s. per oz. fine) 356,823
	1500,356,823	1500,356,823

BANKING DEPARTMENT

	£	£
Capital	14,553,000	Govt. Secs. 296,936,439
Res.	3,895,662	Other Secs. 34,716,400
Public Depts.	38,963,031	Discounts and Advances 7,240,480
Public Accts.	15,964,772	Securities 27,475,920
H.M. Treas. Special Acct.	22,998,359	
Other Depts.	317,212,746	Notes 41,401,441
Bankers	252,369,045	Coin 1,570,168
Other Accts.	64,843,701	
	374,624,439	374,624,439

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
	Aug. 29	Aug. 13
Issue Dept.:		
Notes in circulation	1358.0	1493.1
Notes in banking department	42.4	57.2
Government debt and securities	1396.2	1546.8
Other securities	0.7	0.7
Gold and coins	3.4	2.9
Valued at s. per fine oz.	248/0	248/0
Banking Dept.:		
Deposits:		
Public Accounts	18.5	12.4
Treasury Special Account	0.9	0.5
Bankers	273.6	262.5
Others	98.9	65.0
Total	391.9	340.4
Securities:		
Government	302.1	265.0
Discounts, etc.	29.7	11.8
Other	35.8	23.3
Total	367.6	300.1
Banking dept. reserve	42.9	58.8
%	10.9	17.2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,550 million to £1,500 million on August 27, 1952.

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

	Aug. 21, 1951	Aug. 12, 1952	Aug. 25, 1952
Cereals and meat	168.4	195.6	192.5
Other foods	182.0	191.5	191.6
Textiles	274.3	220.5	221.1
Minerals	367.4	367.6	369.7
Miscellaneous	194.8	188.0	186.7
Complete Index	224.7	222.6	221.8
1913=100	306.3	306.3	305.2

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

	1952	1951	1952	1952
	London	New York	Bombay	Bombay
	per ounce	per ounce	per 100 tolas	per tola
Aug. 21..	73.0	83.25	Market	Closed
" 22..	73.0	83.25	162.1	92.5
" 23..	73.0	83.25	161.5	91.11
" 25..	73.0	83.25	Market	Closed
" 26..	73.0	83.25	161.6	91.4
" 27..	73.0	83.25	160.14	91.5

CONTAINERS LIMITED

The company's holding in our associated company, Colthrop Board and Paper Mills Limited, has increased from 69,193 shares to 103,789 shares of £1 each as a result of the bonus issue of one share for two last autumn. As the dividend paid by that company was maintained at 25 per cent, the dividend received from this source has increased from £17,298 to £25,947.

Apart from the value of this investment, which is considerably in excess of the amount standing in our books, the proximity of the Colthrop Board Mill, which supplies Cropper and Company, Limited, and Containers, Limited, with nearly all the raw materials they require, enables those companies to work on a minimum of stock. This is, of course, very advantageous at a time of falling prices.

APPALLING BURDEN OF TAXATION

Our subsidiary company, Containers Limited, has shown a smaller profit than for the previous year owing to the general recession of trade throughout the country during the last six months. During the last few

CROPPER AND COMPANY

(Carton Manufacturers)

ANOTHER RECORD YEAR

MR FRANK W. J. SMITH'S STATEMENT

The fifty-fifth annual general meeting of Cropper and Company, Limited, was held on August 28th at the registered offices of the company, Thatcham, Berkshire.

Mr Frank W. J. Smith, the chairman and managing director, presided.

The following is his statement which was circulated with the report and accounts for the year ended June 30, 1952:

Once again I am pleased to be able to report that the profit of the parent company for the year just ended has reached a new high record at £478,892, compared with £452,934 for the previous year.

This result is very satisfactory in view of the difficult conditions prevailing during the last six months. Taxation, to which I shall refer later, takes £32,824 more than last year at £294,790, but after adding the amount brought forward from last year and deducting the cost of the preference dividend for the year and the interim dividend of 12½ per cent upon the ordinary shares paid in January last, there remains a disposable balance on the profit and loss account of £204,906.

The directors recommend the payment of a final dividend of 25 per cent, making 37½ per cent for the year on the ordinary share capital as increased by the bonus last autumn of one share for five. It is also proposed to transfer £120,000 to general reserve, making the total of that reserve £325,448, and to carry forward £49,821 to next year's accounts. The directors do not consider it necessary to add to the employees' benefit fund this year, as the amount to the credit of that account is deemed to be adequate.

STRONG FINANCIAL POSITION

The financial position of the company and our subsidiary company, Containers Limited, is very strong. The current assets of the group, including bank balances of £717,163 and tax reserve certificates of £550,000, amount to £1,850,575, against current liabilities of £705,130. The fixed assets have been written down over a period of years to the sum of £345,803 and are worth many times that amount. There are no debentures, loans, bank overdraft, or prior charges of any description.

The company's holding in our associated company, Colthrop Board and Paper Mills Limited, has increased from 69,193 shares to 103,789 shares of £1 each as a result of the bonus issue of one share for two last autumn. As the dividend paid by that company was maintained at 25 per cent, the dividend received from this source has increased from £17,298 to £25,947.

Apart from the value of this investment, which is considerably in excess of the amount standing in our books, the proximity of the Colthrop Board Mill, which supplies Cropper and Company, Limited, and Containers, Limited, with nearly all the raw materials they require, enables those companies to work on a minimum of stock. This is, of course, very advantageous at a time of falling prices.

CONTAINERS LIMITED

Our subsidiary company, Containers Limited, has shown a smaller profit than for the previous year owing to the general recession of trade throughout the country during the last six months. During the last few

weeks, however, there has been a considerable increase in the volume of orders received. After paying the same dividend as before, Containers Limited, has allocated £50,000 to general reserve, increasing that reserve to £250,000.

Taxation, already a heavy burden, has been increased by the Excess Profits Levy, an estimate of which for the six months since January 1st last has been charged in these accounts. The levy will be chargeable for a full year in the next accounts, but the company's standard is favourable and it is unlikely that the possibility of future dividends will be affected by this particular imposition.

The last two years of trading have been abnormal owing to the great activity of business throughout the country, with the result that a lull has occurred while stocks were running down. Already, however, there are signs of improvement, but our business as manufacturers of packing materials is entirely dependent upon the general trade of the country and I hesitate to prophesy the future course of business. I feel, however, that we can face the future with confidence, since our factories are maintained in the highest state of efficiency and since the financial position built up over the long period of 55 years is one of unusual strength.

In conclusion I should like to take this opportunity of thanking my co-directors, the staff, and all our employees for their loyal co-operation during a very difficult period.

WILLIAMS AND WILLIAMS OLDHAM & SON LIMITED LIMITED

CONTINUED PROGRESS

The forty-third annual general meeting of Williams and Williams Limited was held on August 22, 1952, at Reliance Works, Chester.

Mr B. A. Williams, OBE, MIPE, chairman of the company, presided, and in the course of his remarks said:

It has for many years been the directors' policy to finance expansion of the company's business and operations out of accumulated and undistributed profits, the expansion contemplated, however, is such that this is becoming more and more difficult. We have under review an extensive programme, both at home and overseas, which will require considerable capital expenditure partly to catch up with replacements and developments which were held back by the war, and partly to cater for the expansion of our business.

The inadequacy of the present depreciation allowances against taxation continues to operate harshly against progressive companies such as yours. Out of the small balance left after such heavy taxation it is difficult to provide for replacements at a cost three and four times the value allowed for taxation purposes. Moreover it is impossible to reconcile the demand of successive governments for more and more exports with a fiscal policy that discourages expenditure on up-to-date equipment.

Despite this, however, it has been our constant endeavour to increase the volume of our exports, even though progress in this and in our production for essential building programmes at home, has been severely curtailed by shortage of steel. We are led to believe, however, that material allocations will be improving in the latter part of this year and we shall expect to make further progress in the development of our overseas trade in proportion to this improvement.

OVERSEAS VISITS

Your directors, as well as a number of your staff, have visited many of your overseas units during the year under review. We have also received visits from directors of your overseas companies and plans are already in hand for further visits—these are essential for maintaining and increasing your export trade in various parts of the world.

Turning now to the profit and loss account and balance sheet, you will observe that the year's trading shows a consolidated net profit after providing for all chargeable expenditure other than taxation (£210,115) of £412,027 compared with £236,939 (with taxation of £136,585) for the previous year and after adding the sum of £196,006 brought forward from previous years and £49,331 being profit on the sale of property and investments—a balance remains of £657,364 which your directors recommend be dealt with in the manner set forth in their report.

Your directors would like you to note that the total amount invoiced for the year under review was more than eight times that of 1938 indicating the development and progress made by your company since the war.

Your directors recommend that a dividend of 20 per cent be paid on the ordinary share capital of the company.

In making this recommendation for a modest increase, your directors have deferred to the wishes of the government that restraint be exercised.

We would ask you to accord your appreciation of the continued good work of the managements and staffs of our group of companies both at home and abroad.

The report was adopted.

ACTIVE AND SUCCESSFUL YEAR

MR JOHN OLDHAM'S REVIEW

At the thirty-third annual general meeting of Oldham & Son Limited, held on August 29th at the company's head office, Denton, Manchester, the chairman, Mr John Oldham, OBE, JP, reported further steady progress and development of the company's business at home and overseas. The profit for the year was a record one.

This satisfactory result had been achieved by increased sales in all departments, and the installation of new processes and methods of production which had offset substantial rises in costs.

Net profit of the group for the year ended March 31st last, subject only to taxation, amounted to £319,706 as compared with £270,176 in the previous year.

It was proposed to increase the final ordinary dividend to 20 per cent, which, with the interim dividend, made 35 per cent for the year.

Production had increased substantially both in variety and volume. The new tool and engineering department, occupying 10,000 sq ft, which had been completed early in the year, had played a vital part in meeting increasing demands for the company's products by accelerating the re-tooling programme.

Sales had risen in all departments, and a striking feature was the fact that, notwithstanding the operations of the overseas companies, direct exports had exceeded those of the previous year.

"FIBRAK" BATTERY SEPARATOR

Referring to the company's new "Fibrak" battery separator, the chairman recalled his statement last year that a separator had been developed in their laboratories at Denton, after a long period of research and test, and that its manufacture in the USA had been licensed to an important company there. Production of this separator, running into several millions a week, was now under way in the United States. In the company's works, too, large-scale production had commenced. This major development should be a source of considerable profit to the company.

OVERSEAS MANUFACTURING COMPANIES

Oldham & Son Africa Limited, in which they held a 50 per cent interest, had made further progress according to its third annual statement. A considerably increased turnover had resulted in a net profit of over £70,000, an increase of 40 per cent on the preceding year.

The company's French subsidiary, Société Française des Procédés Oldham, continued to increase its business as the leading supplier of self-service miners' lamps and equipment to the French mining industry. Production of batteries by Oldham & Son India Limited, had commenced at the Madras plant during the year.

Concluding, the chairman said that shareholders could rest assured that the efforts of the directors would be continually devoted to the task of widening and strengthening the company's foundations, and adapting its policies and programmes to meet changing conditions.

The report and accounts were adopted, and at an extraordinary general meeting held subsequently, a proposal to distribute part of the Company's reserves in the form of a bonus share issue to ordinary shareholders in the proportion of one 1s. ordinary share for each ordinary share held, was approved.

GOLDEN HOPE RUBBER ESTATE, LIMITED

The annual general meeting of The Golden Hope Rubber Estate, Limited, will be held on September 15th, in London.

The following is an abstract of the address of the chairman, Sir Eric Macfadyen, circulated with the report and accounts:

In the balance sheet, the estates, buildings and trade investments stand at £596,152, and with the balance of rehabilitation expenditure (£7,183) total £603,335. These are more than covered by the issued capital and capital reserves—together £645,704. Revenue reserves, plus current liabilities and the provision for future taxation amount to £573,292, against which we have current assets of £615,661. Output was down, from 5,484,597 lb to 4,586,959 lb, owing to difficulties applicable to Malayan Estates generally during the year.

The net profit, after allowing for export duty on the new scale of £96,627 and Malayan and British taxation of £163,853, is £134,046, compared with £180,256 last year. The cost of the 10 per cent interim dividend paid last March and of the 15 per cent now recommended, making 25 per cent for the year, is £53,856. £82,483 is divided between cultivation reserve and development reserve and the general reserve is augmented by £15,000. The carry forward is £31,250, against £28,315 brought in.

Further planting has proceeded—104 acres of rubber and 468 acres of oil palms. These developments have been partly on jungle and partly on replanted land.

Dealing with the intensification of terrorism during the year and the more hopeful feeling now prevailing, the Chairman said, it would be misleading to imply that life is as yet any easier in most districts.

Binding Cases

Because of increased size, THE ECONOMIST will this year have to be bound in quarterly instead of half-yearly volumes, and RECORDS & STATISTICS in half-yearly instead of yearly volumes. Suitable binding cases are now available in stiff, dark blue cloth covers, with gilt lettering on the spine. These cases provide a firm and effective binding, and the year can also be stamped on the spine if required. The cost per case, post free throughout the world, is 11/-.

Orders, stating requirements clearly and enclosing a remittance, should be sent, not to THE ECONOMIST, but to—

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The Economist

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September 6, 1952

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LEADING ARTICLES

Trade, Not Isolation	- - - -	533
Mossadegh: Fanatic or Strategist?	- - - -	535
The Right to Work	- - - -	536
Eastern Trade and Western Politics	- - - -	538

NOTES OF THE WEEK

Three to One for Arms; Forward with Wage Claims; In Place of Bevanism?; Dry-Cleaning the Party?; Instead of the Politbureau; Mr Draper Reports; Houses for Sale; More Private Building; The Housing Spiral; Clash Over Krupp's; Contradictions of Western Policy; Pay at Broadmoor; British Colour Bar; Old Roads and New Police; General Election in Japan; Drought in Yugoslavia; Dangers in Nepal.	- - - -	540
---	---------	-----

BOOKS AND PUBLICATIONS

LETTERS TO THE EDITOR	- - - -	553
-----------------------	---------	-----

AMERICAN SURVEY

Tests for Trade	- - - -	554
McCarthy Again?	- - - -	555
Straight Talk for Labour; Never-Never on the Up-and-Up; Storming the South; Co-operation Against Clothing Competition; Expansion's Weak Spots; Shorter Notes.	- - - -	

THE WORLD OVERSEAS

Japan Eyes the China Market	- - - -	562
The Fifth Soviet Five-Year Plan—II; Egypt in the Red; Spanish Optimism; South Africa Makes Crime Pay.	- - - -	

THE BUSINESS WORLD

Issues at Mexico City	- - - -	571
Defence Runs on Bearings	- - - -	572

BUSINESS NOTES

Back to Dollar Balance; Effects of Commodity Arbitrage; Deficit Financing at the Banks; Liquidity Ratio Up on the Year; Rank's Recovery Continues; Caution at the Wool Sales; Six Months' Production; Premier Petrol and the Cat Crackers; Rumblyngs Over Fuel; Threat to Engineering Exports; Germany's External Commitments; "Tea Cheers"; Special Finance for Ships; Coryton Refinery Prepares; Surplus of Cocoa?; Shorter Notes.	- - - -	577
--	---------	-----

COMPANY NOTES	- - - -	586
STATISTICAL SUMMARY	- - - -	587
COMPANY MEETINGS	- - - -	588
AIRCRAFT SURVEY	- - - -	592

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Trade, Not Isolation

IN Washington and Ottawa, at least, this is the time of year when men remember nostalgically the wartime plans for postwar economic reconstruction. The two institutions born at the Bretton Woods conference—the International Monetary Fund and the International Bank for Reconstruction and Development—are now holding their annual meetings. These twins were to have been the means to a new expansionism, as well as a new security, in the trade of nations. The little interest now taken in them in London can plausibly be presented as realism, but it is not on that account any less regrettable.

It is an accepted commonplace that the world economy cannot be revived unless international capital can be found on a large scale for the underdeveloped areas. And, while the International Bank has disappointed some expectations, it has done enough to ensure that, if ever the revival comes, the Bank will be at least one important channel of investment. The Fund, it is true, has displayed as yet no such promise. But that does not make it any less indispensable. In the past three years, two committees of economists have been asked by the United Nations to report on the international action that might be taken to maintain full employment. The committees embraced a wide range of opinion; Mr Kaldor and Mr MacDougall were, in turn, the British members. But the two reports had one thing conspicuously in common: both would make a changed Monetary Fund—though changed in radically different ways—the main instrument for preventing a recession in one country from spreading uncontrollably to others. The significance of this agreement is surely too plain for the British Treasury to ignore. The sceptics may be right—the Monetary Fund may continue to be of little practical use; but if so, that will be because the sort of world in which Britain might attain solvency and a stable prosperity has not been created. If there is to be effective international co-operation in currency and trading policies, it will have to grow—in part—through the existing Fund.

These are, admittedly, considerations for the longer run. Nothing that can decisively shape the immediate economic future will be done during the present meetings at Mexico City. But the glaring fault of British government since the war is that it has so rarely thought beyond the short run. The Tories had time enough in opposition to prepare themselves to correct this. Yet opinion in Whitehall seems still to remain stolidly indifferent while new approaches to the economic problem are continually being pondered outside. It is true that no approach can come to anything definite while the Presidential election campaign is being fought in the United States. But preliminary talks are not necessarily a waste of time—particularly when the continuity of American foreign policy will be maintained whether Governor Stevenson or General Eisenhower is the next American President.

Mr Butler's shunning of the opportunity for such talks is, to say the least, unfortunate. He alone, among the finance ministers of the leading countries, is not at Mexico City. In any circumstances, this

would be one more count in the indictment of selfish isolationism that the foreigner can draw up—with only a little misunderstanding—against British economic policy. The actual circumstances make it far worse than that. Mr Butler has remained in London in order to prepare for the economic discussions at the conference of Commonwealth Ministers. Whitehall is indeed buzzing with this preparatory work. Much has been done; the preliminary agenda has gone out and been commented on. And while there are, no doubt, many official papers to be written, time is not desperately short. The full conference is still nearly three months ahead. If this must keep Mr Butler in London now, it suggests that the Commonwealth conference is vastly more important, in the British Government's view, than the international financial meeting. This is certainly the inference that has been drawn in North America and Europe. It would be tactless to advertise such a view even if it were entirely sensible. In fact it is nonsensical.

There is nothing to suggest that the London talks will be any less exploratory—though they will be on a narrower front—than those at Mexico City. No doubt the Commonwealth Ministers will discuss the importance of making the sterling area's earnings of dollars steadier—and so the chances of inducing the Americans to alter their buying methods to that end. No doubt they will discuss development policies within the Commonwealth—and so their dependence on attracting American capital. No doubt they will discuss the routes by which sterling might be made convertible—and so the chances of getting the American Treasury to help to provide some stabilisation fund. All this is interesting and important, but it hardly makes the Commonwealth conference decisive while discussions at which the United States is represented are theoretical or preliminary.

★

Why, then, is the British Government making so much fuss about it? There are two possible explanations. It may be no more than a combination of window-dressing and wishful thinking. Before the summer recess, ministers came to the conclusion—rightly enough—that some new initiative in economic policy was needed; but they had no idea, or at least no collective idea, what it should be. Partly from sentiment, but perhaps more because it was conveniently far away, the Commonwealth conference became a means of focusing thought on the long-term problems about which ministers might agree—and an excuse for putting off the immediate decisions.

This is probably the truth, but if so, British blundering is, once more, being mistaken abroad for something more astute. There are plausible reasons for that. The Beaverbrook Press and its odd ideas of an Empire economic policy are always with us. More important, on both the Left and the Right there are fresh outbreaks of defeatism, rationalising the fear of competitive trade by a "realism" that would have Britain stop trying to live by trading; from this it is a short step to say that the sterling economy needs a stouter protective shell to isolate it from the world. Above all, a vocal section of the Tory party continues to press the Government to denounce the General Agreement on Tariffs and Trade in order to raise tariffs against the foreigner and provide wider margins of preference for Commonwealth trade. Every political party has a few such wild ideas, some hallowed paths for emotion and escapism. But although a Govern-

ment with a narrow majority does not openly challenge the wilder interpretations of party faith, it will do nothing whatever to put them into practice.

Imperial preference has reached that status for British Tories. The party's love of it cannot determine the Government's deeds. Ministers have deliberately let it be implied that something may be done about preferences at the Commonwealth conference. In fact such a policy would plainly promise nothing but harm, on balance, to this country; it would infuriate all the Commonwealth's allies; and, whatever Britain wants, several members of the Commonwealth certainly will not touch it. This, presumably, is what ministers are relying on. After the conference they will be able to imply to their supporters that they might have liked to extend Imperial Preference but other members of the Commonwealth were against it. Another possibility has, indeed, been mentioned. The idea of a tighter preferential system might be used as a bluff to show the Americans that they as well as Britain would suffer from a new dollar crisis; a strategy so childish and so unnecessary will not, one must assume, be seriously entertained by any but the most inexperienced policymakers at Westminster. The theory that the cunning British are bound to try to produce some spare aces from their sleeves has already done damage enough. Poker faces at Mexico City, vague hints about important decisions to be taken in November, will do more damage.

★

The annual report of the Monetary Fund shows again that, halting though they have been, Mr Butler's moves towards a more realistic economic policy at home have evoked a ready sympathy abroad. His slogan "trade, not aid" has perhaps been even more encouraging. But doubts about its real significance are growing. It is Mr Butler's task to scotch them promptly. When a Conservative Government talks about living without aid it is not, surely, thinking of the sort of "independence" that the Left-wing of the Labour party loves to dream about—the independence not of earning dollars but of cutting contacts with the dollar world to a minimum.

Isolation cannot be the substitute for aid. And the trade that Mr Butler aspires to is not, surely, trade that is peculiarly concentrated within a fenced sterling area. Ministers should by now have learned enough of the economic facts to know that there is no such easy way for Britain. This is not to say that everything depends solely on stern domestic policies. There is a general dollar problem, there are structural weaknesses in the economy of the free world, that can be put right only by international action. In that action the special arrangements among the sterling countries can play a useful part; but they cannot be either sufficient or exclusive.

The political framework for a closer economic association must be as wide as the western community to which the whole Commonwealth belongs; that is to say, it must for all practical purposes be almost as wide as the free world. Discussions within the Commonwealth are excellent provided only that no one is allowed to regard them as in any way competitive with other talks. It is now too late to make the meetings at Mexico City an important preliminary to anything. But the November Commonwealth conference will be successful precisely to the extent that it is preliminary—preliminary to the next international meeting, which may well have to be, and certainly ought to be, earlier than September, 1953.

Mossadegh: Fanatic or Strategist?

ON Saturday last, Dr. Mossadegh broadcast from Teheran a statement that put an end to a welter of rumours that had been coursing through the capital about negotiation with Britain over oil. Earlier in the day not Britain alone, but Britain and the United States jointly, had published over the signature of President Truman and Mr Churchill an offer which they regarded as meeting him more than half-way. He at once turned it down, taking the decision entirely on his own initiative and giving no reasons for it. He has summoned the two houses of Parliament on September 10th and 13th to decide on a "proper" reply. Persians suspect traps in any wording, however plain, and Mr Acheson has this week done well to try and make the western meaning crystal clear. But Dr Mossadegh has set the tone for a tart answer and, in the position which he has now built for himself, that tone is difficult to gainsay. It is: "Either you negotiate on my terms, or else I cannot be answerable for the rise of Communism in Persia." The western powers now have to decide how to meet this piece of blackmail.

What are his terms? During the long and rambling conversations that he has held with American, British and International Bank visitors in the course of the last year, they have not always been the same. He is out for all he can get and therefore trims them, in oriental fashion, to the audience of the moment. Thus a basis suggested today may be dropped tomorrow. For instance, the basis of the Churchill-Truman offer of August 30th was a conversation with the British chargé d'affaires on August 14th; during this talk, "clarifying" his peremptory Note of August 7th, he said that he was prepared to go to the International Court for arbitration on the subject of compensation to the Anglo-Iranian Oil Company, "though not on the question of the 1933 agreement or the validity of the nationalisation laws." He added that he needed funds, and that he was ready to discuss purchases of oil with the company. The Anglo-American Note therefore proposed, first, arbitration by the Court and, secondly, discussion with the company about getting the flow of oil moving. Subject to these two conditions, it offered to recognise nationalisation by buying the nationalised oil, to ease British restrictions on Persia's use of sterling and to tender an immediate \$10 million gift from the United States, to assist the nation financially until revenue from oil resumed its flow.

The treatment which Dr. Mossadegh instantly meted out to this offer throws two points into prominence. First, the fundamental difference between the parties to the debate lies in their attitude to the 1933 agreement. This the Persians regard as a dead letter, killed by their nationalisation law; they therefore regard themselves as free to handle and sell as they please oil which they once contracted to lease till 1993. The western powers, who have other such contracts in the Middle East, cannot admit the Persian thesis without damaging their position elsewhere. The second point that now clearly emerges is that Dr Mossadegh, believing that he has the West on the run on account of its fear of Communism, will continue to stall and haver in the hope of achieving his maximum demands.

Probably, therefore, Dr Mossadegh is holding out for more money. Possibly he also hopes that Mr Alton Jones—a wise and responsible American oil man, who helped

Mexico with similar problems and who has just, at his invitation, been to Abadan—will magically proffer some means of producing and selling oil that will enable him to snap his fingers at the British and American governments. But, whatever his reasoning it is now clear that there is no hope of any agreement of any kind unless every step towards it takes into account the streak of vanity that is to be found in every national character, but that is unusually marked in the Persian.

Failure to allow for this was the main mistake made by the Anglo-Iranian Oil Company, which paid too much attention to technical efficiency, and too little to Persian susceptibilities; the same failure marked the policy of the British Government during the years when, though a majority shareholder in the company, it never instructed the two government directors who represented it on the board to press for increasing the direct participation of influential Persians in the management. Today any proposition, however gilded with money, will likewise fail if it pays insufficient attention to Persian pride. Persians, excelling as they do in such realms as metaphysics, dialectics and art, cannot believe that they are not proficient in all fields. The accident of their geographical position has increased their belief in their all-round capacity, for it has enabled them to conceal shortcomings behind a screen of dalliance with rival great powers, whose alternating overtures have afforded them an adequate diet of "something to turn down." The combination of their nature, their geographical position and some misadventures at the hands of great powers has bred in them a pathological fear of interference; an infinite capacity of blindness to their own weak spots; and so much mistrust of one another that they are not, except under a dictatorship, capable of efficiently running their own home affairs. There are, therefore, only two methods of approach to them in foreign relations. One is to ride roughshod over them, a technique which suits Moscow but is no longer popular in Britain and is an un-American way of doing things; the other is to bear their foibles constantly in mind.

London and Washington, in devising their retort to Dr Mossadegh's blackmail, have no choice but to do the latter; and this seriously limits their range of bargaining. They are therefore entitled to inquire whether they cannot evade the blackmail. Is there, for instance, no alternative to the Mossadegh regime? To their one-time hopes on this score, the answer "No" was effectively returned on July 28th; on that day the Shah, by refusing to order the army to quell the mob, cut the ground from under his own feet and under those of all possible rivals to the Mossadegh-Kashani alliance. Again, how strong is Tudeh? Is it an immediate menace against which the West must act at all costs? Or is Dr Mossadegh exaggerating its strength and capacity? Opinions are divided. But if its present organisation and support are measured by the published Russian yardsticks that are available, it still seems to be some way from the stage at which it can with assurance assume power. Originally, according to Lenin's theses presented to the Communist International, the "general basic tasks" of Com-

munism in countries such as Persia began with

a shifting of the relationship of forces in favour of the proletariat; emancipation of the country from the yoke of imperialism (nationalisation of foreign concessions, railways, banks, etc.) and the establishment of the national unity of the country where this has not yet been attained; overthrow of the power of the exploiting classes at the back of which imperialism stands; organisation of Soviets of workers and peasants and of a red army; establishment of the dictatorship of the proletariat and peasantry.

For parts of this programme, Tudeh has prepared or is ready. But unfortunate Russian experiences of immature coups in Asia—in North Persia in 1921 and 1946, in China in 1925-27—have led Stalin to make some amendment to the programme. *Pravda* wrote last July

The defeat experienced in the first revolutionary war (in China) "fully confirmed the need for the Communists thoroughly to study the art of war and to gain possession of the army. The army must be both the propagandist for and the carrier out of the party's policy and the people's rule."

The Tudeh coup of the future is likely to depend, therefore, not on the proletariat and the universities, where lie the party's present strongholds, but on the army and the peasantry in which, as far as can be judged, permeation is short of what is required for success. It is possible, therefore, that the western bargainers have more time for preparation than Dr Mossadegh would have them believe.

Thus the western powers, as they think out their next move, have the following data on which to build. They

The Right to Work

AT Margate this week the Trades Union Congress has been vigorously asserting the principle of the closed shop and at the same time expressing fears that the legal rights of trade unions are not all they ought to be. To the outsider, impressed by the enormous power of the unions, this seems an odd doctrine. But it is bound to have at least a sympathetic hearing from a Government anxious to be as friendly as possible with the unions—and grateful for the political moderation of the TUC's General Council. But political expediency is not the only consideration. If the unions want to have one side of the medal reconsidered, it is surely reasonable to look at the other side too. If the legal rights of the unions in relation to other bodies deserve sympathetic examination, so also do the rights of the individual within the union.

If the phrase can be wrung free from all trace of innuendo, trade unions today are the sacred cow of British political life. Everyone, trade unionist included, feels free to explore, comment on and criticise all aspects of Parliament, the public corporations, in fact any organisation whose activities impinge on public affairs. For the trade unionist, however, the process is strictly one-way. Many trade union leaders resemble, in this, the professional soldier; any criticism of the regiment must be made in private, and never by an outsider. But there are more trade unions than regiments, and their influence is immeasurably greater. The critical question has been taking shape for some time, as industry after industry has reached, or come near to, the condition of a "closed shop," in which all workers are union members. Objectionable as this is in liberal principle, it cannot now be quickly altered. And the practical problem of avoiding its worst abuses must, therefore, be faced. Does the

must take into account the mixture of pride and incapacity which has already caused the present Persian regime to jettison most of its bulwarks against Communism and against the menace of Russian domination that it admittedly hates. But they can take heart from the thought that Tudeh's incapacity to run the country is, for the time being, as great as Dr Mossadegh's. They need not, therefore, instantly capitulate to his blackmail. They can tell him that their offer may save him, and remains open; they can leave him, if he insists on a better offer, to propose one that they could accept. They have time in which to match gambit with gambit.

If, on the other hand, his dislike of the West is so great as to blind him to all other dangers, if his fanaticism continues to swamp his political sense, and if he cannot learn in which direction the greatest danger lies, then they must recognise that the Communist advance cannot be stopped even by continually paying him money. The Americans and British must, therefore, continue their present close consultation; indeed, they should extend their present agreement on tactics to the subject of how western interests in the Persian Gulf are to be safeguarded in the event of a Tudeh coup in Teheran. The precautionary decisions that they need to take include consultation with Pakistan and Iraq—both of them deeply affected—about the military movements that might be necessary. They also need to plan support to the many good Persian nationalists who would flee south from Teheran if a Communist regime took over.

approach to the closed shop mean that the right to work has become a union prerogative, for them to grant or withhold? If so, what are the safeguards available to the ordinary member, and are they adequate?

A union does not need to be a part of the Communist machinery of state in order to become tyrannical. The closer it approaches to the closed shop, the greater its opportunity for tyranny. The public becomes entitled to take an interest in the standards of internal union administration that affect the working rights of the ordinary member. Traditionally, the union's organised strength is applied to the employer, who—also by tradition—is assumed to be able to take care of himself. But if ever the union's management claims the right to apply the strength of the union to workpeople, whether members of the union or not, in order to make them conform to the policy of the officials, the result can be tyranny; neither in theory nor in practice has the worker any protection against his union.

The closed shop puts an end to labour's age-old cry for the right to work. The right to work becomes conditional; the applicant for the job must be a member of the prescribed union. In a closed shop, each man starting work must hold a union card. He must never risk the loss of that card, for if it should be taken from him his right to work is gone. Nor is this state of affairs confined to the strictly closed shops. If a man offends his shop stewards, he is likewise in jeopardy. After an unofficial strike earlier this year in an engineering factory the shops stewards compiled a list of union members of whose conduct during the strike they disapproved. Wherever the men on that list may go, they will find shop stewards checking their names against this

list and bringing pressure to bear on every management not to employ them. The unions have the apparatus of tyranny, even though they prefer to label it "working-class solidarity." In a Canadian "closed shop" case, Judge of Appeal O'Halloran put the situation in this way: "A man has a right to work at his trade. If membership of a union is a condition attached to working at his trade, then he has an indefeasible right to belong to that union. It must be so, or else the union can have no right to agitate for a closed shop." But the statement that a man has an indefeasible right to belong to a union is certainly not good law in the United Kingdom.

The trade unionist's stock answer to such criticism is that it is too legalistic. Trade union leaders, he says, are creating and making use of institutions based on common sense, shaped by the exigencies of the industrial situation and governed by the general British sense of fair play. Democracy is not a thing of blue prints and set forms; the details of any democratic procedure, in politics as well as in industry, may be open to criticism. What matters is the final result. Does union leadership in general reflect the views of the mass of the rank and file? Do union leaders work towards an accepted industrial end? The defenders of the unions say yes. The more honest might add: "Of course, there are a few unfortunate cases . . ."—but claim that reform is a matter for the unions to tackle in their own way and in their own time.

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That attitude is reasonable, up to a point. Trade unions in this country do not deliberately use their powers to drive the mass of the workers along a course which the workers do not want to follow. But the same can be said of most institutions. The majority of magistrates' courts on the majority of occasions behave with innate justice. But some of the most difficult problems of justice are the problems of the exception, of the individual. In the case of the magistrates' courts, for example, there are safeguards for the individual in the shape of the higher courts to which the individual can turn. Even the Civil Service allows appeals to the Minister. What are the safeguards for the individual trade unionist? Suppose he is out of step with the policy of his union, or less militant than his district organiser or his shop stewards think he should be. The trade union spokesman would say he has the protection of his union rules. Are they, really, a protection?

The law reports on this count are by no means reassuring. In the case of *Abbott v. Sullivan* (referred to in *The Economist* of February 16, 1952) the High Court ruled that no part of a man's contract with the union committee that effectively controlled his right to work had been broken when that committee struck his name off the union list. As a result, Mr Abbott, a cornporter, found himself without legal redress and with no possibility of following his trade in London. It is not enough, therefore, to say that the safeguard for each union member lies in the rules of the union. There are many weaknesses in that shield. The rules may be ambiguous, or uncertain. The members of the committee may not operate the rules fairly. In the case of Mr Abbott, the union organiser whom he had assaulted sat with the committee when it considered whether Mr Abbott should be allowed to keep his right to work; in the words of the trial judge, "I would be surprised to learn that this [the committee's decision] was their own

unaided independent decision." In the Canadian case mentioned above, at the general meeting of the union considering a resolution to expel a member—described by the chairman of the meeting as a "friend of the capitalist class"—the names of the few who voted against expulsion were noted down; that at least has the appearance of intimidation.

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No one wants to make the Courts an appeal tribunal for the domestic affairs of trade unions and trade unionists. Most trade union leaders would be up in arms if this were seriously suggested, and with reason. The feeling of loyalty and comradeship is as important to industrial relations generally as it is to the union itself. But, if unions insist that they shall control so important a right as the right to work, then they have a case to answer when any individual can show that this power is misused—or even that it may be misused—in any way.

This control over the right to work is not, of course, confined to the industrial trade unions. It exists in the majority of the professions; but in the professions it is regulated, partly by statute, partly by recognised custom. Admission to the "union," or professional body, depends upon acquiring a certain level of professional skill; but if the skill is there, admission is automatic. Likewise, a man may be ejected from the profession only if he commits one of a list of reasonably well defined professional crimes, and the authority which judges such cases is required to act in a "judicial" way. For example, the disciplinary committee of the Law Society, which has considerable powers over solicitors, consists of practising lawyers, but they are appointed by the Master of the Rolls and an appeal from its decision lies to the Court.

An exact duplication of this kind of procedure is probably inappropriate to the trade union world. The professions are small in numbers and much more homogeneous in feeling as well as in their work. Yet the essential features of any body with power over the right to work should be the same in industry as in the professions. It should consist of working members, it should have both independence of mind and prestige because it has independence of mind, and it should go out of its way to exclude from its judicial activities anything which is not strictly relevant to the one essential question: Does the individual accused deserve to be deprived of his right to work because of some unfitness for the job?

The case of Mr Abbott does not make pretty reading, even in the law reports. There may be an adequate answer, but no one has yet given it. What is disquieting is the silence that responsible union leaders keep over all aspects of this problem. Perhaps union committees do rack their brains to find ways of ensuring that officials deal with their members on the highest standards of justice and fair play, in this as well as in other matters. If so, they do not breathe a word outside. Mr Goldstein quotes in his recent book the remark made by Mr Ernest Bevin in his trade union days: "Trade union ballots—and I would not say this in public—do not reach the standard of a parliamentary election." Why not say it in public? The public has already made some shrewd enough guesses, and it is certainly interested, in more senses than one. But, no: the sacred cow must not be criticised.

For those trade unionists who live in a world of strict and perpetual class war, the secrecy is understandable.

An army command does not discuss its shortcomings within hearing of the enemy. But the majority of trade union leaders know that, today, the class war description of trade union activity is out of date; its spirit is kept alive by the Communists because it is part of the Soviet war on social democracy, by others only because their thought ossified years ago. To the main political parties, the whole subject of trade union organisation is dynamite, and each fears that it might be the more seriously damaged if the charge ever went off—a state of mind for which union leaders must accept some responsibility. But there is no necessity for the first move to be political

or for it to come from the outside. The unions themselves could appoint an independent commission to make recommendations for a standard code, for a members' charter of rights. It would even be possible for a trade union MP to introduce it in the form of a private member's Bill. It is a pity that union leadership does not see how much its general prestige would be increased by such union initiative. The entire "closed shop" issue could be faced more confidently, and more exclusively on its own merits, if the unions had a cleaner bill of health in their consideration for the freedom of individual members.

Eastern Trade and Western Politics

SEPTEMBER 9th was the day tentatively fixed by the Economic Commission for Europe for renewed consultations on East-West trade. Experts from both sides of the Iron Curtain were to meet and talk over the possibilities of expanding their commercial exchanges. The Western governments agreed. The Soviet Union took no notice whatsoever of the invitation. The talks, therefore, will not take place. Yet at the very time when the Secretary of the ECE was sending his last unavailing telegrams to Moscow, an influential body of Americans—the United States Council of the International Chamber of Commerce—published a memorandum, urging their fellow countrymen to understand the dilemma of other western nations who need to trade with the East and to relax American opposition to certain forms of commerce across the Iron Curtain.

For keen collectors of specimens of political irony, this conjunction provides a museum piece. The year 1952 has been shrill with Communist cries that vast markets lie in the Soviet sphere for the goods Western Europe needs to export, and that its economic health is being directly endangered by such monuments to ideological intolerance as the American Battle Act—the Congressional prohibition on the extension of American aid to any nation trading indiscriminately with the East. At the same time, the Americans have undoubtedly used their influence, particularly since the outbreak of the Korean war, to check East-West trade. The Battle Act is only the most public example of a pressure that has been steadily exercised. Yet now it is the Russians who will not discuss trade and it is the Americans who are having second thoughts.

The sudden change of front is not, however, as confusing as it seems. The Russians have not, in fact, changed their front at all. The reason why they would not discuss East-West trade with competent officials under the umbrella of an impartial organisation is that they prefer to discuss it with the Dean of Canterbury in a general atmosphere of economic ballyhoo in Moscow. Their conference earlier in the summer was intended very largely for propaganda purposes—and may have had one undesired effect, that of making responsible Americans aware of the inconsistencies of the Battle Act. But if the carefully stage-managed economic conference was largely propaganda, it had a serious purpose. There are products which the Soviet zone—and China—urgently need from the West. They want, as does every other relatively backward area, the capital goods

and the raw materials necessary for economic expansion. In return, the Soviet half has primary products to offer—Soviet wheat and fodder and timber, Polish coal and foodstuffs—which Western Europe cannot easily obtain elsewhere.

The Russians have, moreover, political motives for maintaining this trade. In the Soviet system, trade reinforces political policy and it is policy that makes peace, war or cold war. East-West trade, if it can be canalised through single buying and selling agencies—the Soviet ideal in trading technique—can become a strong instrument of political pressure and, at the same time, a steady source of finance for Communist organisation and propaganda in western countries—as the Italians have discovered. The Russians also appear to hope that Chinese trade with the West can be managed through Soviet channels. They have precise and important interests at stake in East-West trade, provided that its content and organisation conform to their pattern.

There is no such clarity on the Western side. Nor is it possible that there should be. The free world made up of free nations, each pursuing its interests more or less freely, cannot oppose a natural uniformity to the imposed conformity of the Soviets. It would be impossible to secure an identical reaction to East-West trade from, say, the United States on the one hand, whose interests in East-West trade are almost nil, and the Scandinavian countries on the other, whose present dependence upon Polish coal is complete. To this natural divergence have been added, moreover, a couple of economic and political twists which in recent years have only served to excite emotion and darken counsel wherever East-West trade has been discussed between the western partners.

The difficulty does not spring from the scale of East-West trade. It is small absolutely—exchanges with Eastern Europe represent only about 3 per cent of Western Europe's total trade—and it is much smaller than before the war. The volume of Western Europe's imports has fallen over two-thirds, its exports by about a half. The problem begins with the nature of the exchanges. The Eastern negotiators have made it increasingly clear that they are interested in capital goods and strategic raw materials, and in not much else besides. Whereas all western exports of consumer goods have fallen off drastically, more machinery is being exported to the East than before the war, transport equipment has maintained a high level and raw material purchases,

above all from the sterling area are also considerable. The Russians thus seek just those goods which the United States would wish to see banned or reduced in order to avoid any strengthening of the Soviet economy. The goods the eastern sphere offers in return are again small in quantity but vital in quality. Polish coal may grow less important to Scandinavia, Italy and Austria as British coal exports increase, but the only alternative sources of supply for wheat, coarse grain and timber lie in the New World and must be paid for in dollars.

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It is at this point that the political twist begins to affect the economic argument. Confronted by the Battle Act on the one hand and the scale of the American tariff on the other, the exasperated European can say: "I am not to sell to the East. I am not to buy food and fodder and timber in return. But will you tell me how to buy them elsewhere when the only possible supplies are walled in by tariffs? Do not urge me to abandon East-West trade while at the same time you keep up artificial barriers to trade between allies, otherwise your pressure will force up my prices, induce inflation and end in unemployment." This is the mood which Moscow hoped to exploit. It has also undoubtedly helped the United States affiliates of the International Chamber of Commerce to plead for a more flexible American attitude towards East-West trade.

If this were the end of the problem, it would be enough for Western Europe to hope that the sensible attitude of the United States Council would win the day in Congress—the Administration has always taken a more balanced view—and to continue to develop East-West trade wherever benefit promises for both sides. But the issue in fact is deeper. Although one may deplore the crudity of some Congressional interventions and doubt their political honesty, the various amendments designed to check East-West trade have raised a serious point. Is it really in the interests of the West to strengthen the Soviet Union by exporting to it the capital equipment and the primary products needed to expand its economy? The next twenty years will be ones of unprecedented strain if Russia is to raise its industrial production by 80 per cent, its agriculture by 45 per cent, its consumer goods by 65 per cent, and at the same time monopolise the economic development of China and enter the Asian markets as a supplier of capital goods on credit and on a vast scale. All this is implicit in Russia's programme. Is it in the western interest to encourage and help the

trend? It is not rather the relative backwardness of the Soviet economy that is the West's best hope, not only of discouraging Russia from risking war, but of winning the cold war by wooing China into neutrality between East and West and by bolstering Asian independence?

Nor does it seem wise to make Soviet supplies an essential factor in western economies. As past experience has shown, such supplies can be turned on and off for political purposes, whereas alternative sources take a long time to create. Moreover, the whole trend of Communist economies is towards industrialisation and towards the elimination of such surpluses of primary products as the western nations require. To assume a continued flow of Soviet grain and timber is to assume that the gigantic growth planned for the Soviet economy will not create for it the problem of scarce primary supplies forecast for the western world in the Paley Report. A Soviet economy running short will not have much available for would-be western purchasers.

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These facts suggest the necessity of a new approach to the problem of East-West trade. Hitherto popular American attention has been concentrated upon checking western exports, indifferent to the crucial problem of western imports. The new approach needs to concentrate rather on the vital problem of these supplies. In the short run, such an approach would induce, as the United States Council suggests, a moderate and flexible attitude towards East-West trade, the West importing as much as is economically and strategically important to itself and giving away as little as possible of economically vital supplies in return. In other words, the hardest bargain possible should be struck.

Rightly understood, the problem of East-West trade is therefore simply one facet of the much wider problem of overcoming the dollar gap in an expanding world economy. Hitherto, lack of this understanding has injected impatience and bitterness into western exchanges on the matter, with American public opinion overlooking Western Europe's vital need for imports, the Europeans harping on tariffs and the Battle Act and forgetting the generous American aid which the Battle Act sought only to control. If the western world would face the imperative need for expanding primary supplies and creating sources beyond the influence of the caprices and exigencies of Soviet trading policy, then East-West trade might ultimately become so marginal that its political importance would vanish.

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NOTES OF THE WEEK

Three to One for Arms

The Trades Union Congress on Tuesday endorsed rearmament by a bigger majority than anyone had dared to expect. The relevant section of the General Council's report declared firmly that "the greatest possible measure of rearmament must be carried out within the limits of our power to find the means." It was approved by 5,597,000 votes to 1,450,000—a majority of more than three to one.

This, after all the uncertain turns of opinion during the past few months, is a famous victory for the good sense to which the British trade unions almost always come round in the end. The victory is not, admittedly, quite so clear-cut as the voting figures might suggest. Good sense was aided, as usual, by some astute manoeuvring from the leaders. The four separate votes on the rearmament issue took such a form that at no point were all the various critics of rearmament united in opposition to the General Council. The critics seemed, indeed, to be confused. Surprisingly, the first resolution, which came nearest to expressing a Communist view, attracted more votes than any other expression of discontent with rearmament; but it was defeated by 6,041,000 votes to 1,887,000. This represented more or less a full trial of strength. On the fourth vote—the actual endorsement of rearmament as expounded by the TUC—delegates representing nearly a million votes abstained.

Their confusion does not, however, alter the fact that the critics of rearmament among the trade unions have proved to be decisively in a minority. The amendment that seemed to represent Mr Bevan's point of view attracted only 1,272,000 votes—although its weightiest champion, Mr Birch, had been careful to avoid giving any support to Mr Bevan personally; on the contrary, he deprecated a feud that was doing so much obvious harm, and he insisted that the point at issue was merely one of degree. Whatever other conclusions may be drawn, the debate at Margate was a plain rebuff for Mr Bevan; his popularity with the constituency Labour parties must, however great it proves to be, seem rather a hollow consolation. The support of what the *Manchester Guardian* has called "the suburban socialists of Merton and Morden" is probably owed as much to his association with the intellectual malcontents of the Left as to his own powers of leadership. It represents no power within the Labour movement; and it cannot even give much emotional satisfaction to the mystic with roots at Tredegar.

Forward with Wage Claims

The debate on wages at the Trades Union Congress was no worse, from Mr Butler's point of view, than he must have expected. It was, indeed, a little better than might have been feared after the engineering employers had been so tactless in their repetition last weekend of the refusal to consider any increase in pay in response to the claim by the Confederation of Shipbuilding and Engineering Unions. The phrasing of the refusal, which reflected closely the arguments for wage restraint used by Mr Butler, had made the union delegates at Margate think that the employers had asked the Government for advice. All the familiar suspicions of a Tory Government, in league with the bosses against the workers, were thus revived in spite of the trouble that Sir Walter Monckton has taken to be sympathetic to the unions. The Communists were provided with many useful talking-points, and any real insistence on moderation by the General Council of the TUC became impossible.

The formal resolution, advocating some qualified restraint in wage demands, was passed by a large majority. But its supporters included some unions that had voted against the General Council on a resolution opposing any kind of wage

restraint. The majority against this declaration of irresponsibility was less than two to one. Moreover, most of the engineering unions are undoubtedly determined to show their teeth by stopping all overtime working. Though the general unions, with members in the engineering industry, are opposed to such action, they are in a minority in the councils of the confederation.

Few unions are as militant as the engineers, but the debate at Margate left no doubt that all are determined to press their claims until they somehow get the increased pay that seems to them just. The adjective provides no definition of a wages policy. There is only one way to distinguish between wage advances that are "reasonable" or "justifiable" and those that are excessive. That way is to argue out the claims before an independent tribunal. The Margate debate was moderate enough to make it likely that most unions will accept the results of arbitration. And there is no doubt that arbitration tribunals, like the independent members of the wages councils, will continue to think that moderate advances in wages are "justified" by the rise in the cost of living. It is this that makes the engineering employers' stand for the national interest in wage stability seem beside the point. The issue will no doubt go in the end to some sort of arbitration, and the engineering unions will be very foolish—as well as unpatriotic—if in the meantime they threaten so much that they cannot accept the results of arbitration without climbing down further than dignity allows.

In Place of Bevanism?

This week Mr Bevan's friends have professedly brought "up to date" the argument of their declaration last summer—the famous exposition of the "One Way Only." But this new pamphlet—"In Place of Dollars,"* written by Mr Harold Wilson—is in fact more reminiscent of Mr Bevan's own political testament. That is true not only of the title; the pamphlet reflects in miniature the rambling quality of "In Place of Fear." The parallel in the thinking of the Left between fear and dollars might provide fascinating material for the political psychologist.

The pamphlet ranges widely over the causes of the British crisis, the achievements of the Labour Government and the wickedness of the Tories and Mr Gaitskell. As one would expect from Mr Wilson, one or two shrewd points are made. But in general the pamphlet is polemical without being forceful and partisan without being stirring. Rearmament is no longer in itself a sufficient issue to give unity and direction to the pamphlet, and the Bevanite case contains nothing else. Mr Wilson mentions the general need for investment overseas, which he has argued elsewhere, but excludes it from the four principles of his "plan for Britain," presumably because large-scale investment so obviously depends on getting the dollars he wants to replace. The replacement is to be achieved, of course, by developing non-dollar supplies, increasing Imperial Preferences and trading with the East. For the rest, the rearmament programme should be cut (no firm figures are given) and there should be more controls and more nationalisation. The only unfamiliar point in the argument is Mr Wilson's odd belief that unemployment "is spreading inexorably across the country" and Britain is therefore facing "another 1931."

If all this really is the "up to date" argument, Labour's ginger group has indeed run out of ideas. The one meaning that might possibly be read between the lines of the pamphlet is a wish to give up any distinctive doctrine and to make peace with the more orthodox Labour leaders.

* Tribune pamphlets. 6d.

Dry-Cleaning the Party?

In the official commentaries on the proposed new statute of the Soviet Communist Party, as in the statute itself, there are striking puritanical refrains. Reference is constantly made to sins of slackness, ostentation, loose morals, nepotism and dishonesty which are apparently prevalent among many party members. Great stress is also laid on the need for criticism and self-criticism. It is declared that whoever cannot tolerate criticism or is guilty of sins cannot remain in the Party.

Such statements seem to foreshadow a thorough cleansing of the ranks. Yet this operation is unlikely to have the political character of the notorious purges in the 1930s. There is no longer an active, nor even a suspected, opposition to be eliminated; what may be intended is rather a sifting of the greatly swollen party membership. At the last party congress, in 1939, it was officially stated that party membership did not exceed 2.5 million. Since then the total membership has risen by at least 4 million.

True, 1939 marked the end of an ebb tide. The purges had left great gaps, but afterwards new members were again admitted. Their numbers grew quickly and the war turned out to be a propitious recruiting period. For the soldier at the front admission to the party was made much easier. Standards of recommendation were lowered, and the period of party novitiate was cut from one year to three months. Total membership was less than 4 million on the eve of the war, but according to Mr Malenkov it had risen in 1947 to about 6.3 million. Such a swelling of the ranks led to a great decline in discipline. A number of "undesirables" must have crept into the party, which is required to be a well organised, obedient and devoted instrument. What it had gained in numerical strength, it must partially have lost in cohesion. The stage now seems to be set for a tightening up. To regain its former discipline, however, the party will require not bloody purges but perhaps a seasonal dry-cleaning.

Instead of the Politbureau

Last week Mr Kruschchev, who will be the official spokesman on changes in the Soviet Communist party's statute at the forthcoming congress, gave an authoritative commentary on the draft amendments which have already been published. Simultaneously the Central Committee instructed party members to discuss and criticise the draft of both the five-year plan and the statute. This sudden appeal for frank criticism may prove to have surprising results, since many party members are too young to remember what penalties may be incurred by too liberal an exercise of critical faculties. For the moment, however, no criticism has been forthcoming or, at least, it has not as yet been sifted by the proper authorities. To interpret the proposed changes in the party structure is still largely guesswork. One thing, however, seems clear: on paper, at least, it looks as if the Central Committee will gain much strength. This committee of over 70 members is elected at each congress to direct the party until the next meeting. Since the maximum interval between congresses has been officially extended from three to four years, the life of the Central Committee is likewise prolonged. All-Union conferences, which were also empowered to change the composition of the Committee, are now abolished. The Party Control Commission ceases to exist as a separate unit and is absorbed by the Central Committee, which will have its own agents, independent of local authorities, to supervise the work done.

All this looks like further centralisation of control. The central authority should see to it that no deviations, no slackening are allowed at the periphery; but into whose hands will the Central Committee delegate its increased power? Hitherto, real control was exercised by the Politbureau, assisted by the Orgbureau and Secretariat. Now the two

former are merged into one new Presidium. This change, Mr Kruschchev asserts, is only nominal since the new Presidium corresponds more closely to the actual functions of its predecessors. Why is this so, and since when? Could this be the sole reason for dropping the notorious name of Politbureau 35 years after it was set up? But according to Mr Kruschchev no significance should be attached either to the dropping of an even more celebrated title—Bolshevik. Stalin, however, clung to the name even when he was wiping out the remnants of the Bolshevik Old Guard. The Soviet Union is probably approaching changes much more profound than Mr Kruschchev would care to admit.

* * *

Mr Draper Reports

The first report submitted to the President by Mr Draper, US Special Representative in Europe, is a concise and forthright document. It both summarises, in language for the layman, the progress of the last six months and gives a warning that the economic pillars of the Atlantic alliance still rest on fragile and temporary foundations.

The report does not neglect the remarkable achievements of the period: the creation of the Schuman pool, the progress towards the European Defence Community and the rescue operation performed on the European Payments Union. But it is much more concerned with the shortcomings and the failures: the "stretch-out" in the timing of defence programmes, the American foreign aid cuts, the purely "temporary" answer that the EPU settlement provides, and above all the continued inability to find a cure for Europe's most persistent maladies—financial instability and the dollar gap.

Of the two ailments, Mr Draper considers the balance of payments the more serious. "Unless a balance can be restored there is real danger of a deep and perhaps dis-

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astrous fissure between the economies of Europe and America." He suggests once again that trade not aid is the solution and that "drastic and complementary actions on both sides of the Atlantic" will be required. The nations of western Europe will have to produce at more competitive prices and some of them, it is implied, should take sterner measures against inflation. For its part the United States will have to buy more—a great deal more—and invest energetically overseas.

Hitherto no American official has stated quite so lucidly the thesis that America's allies to be of any real value must be solvent. There have always been men in US government circles who realise how undesirable is the client-patron relationship; but until now none of them has said that the relationship is in the long run an impossible one, that the United States cannot build its military alliances with nations that periodically face economic breakdown.

* * *

Houses for Sale

Last week the Minister of Housing took two steps to encourage the private ownership of houses. The first was to give general consent to the sale of council houses by local authorities; ministerial approval for each sale was necessary under the 1936 Act. Sale is only permitted, however, subject to certain conditions which are intended to protect the ratepayers from sales at a loss, and to avoid profiteering on the part of purchasers. No house built before 1945 may be sold at less than twenty times its net annual rent and no postwar house at less than the full cost of building it. No purchaser of a council house may resell it for five years at more than its purchase price, and the first offer of resale must be made to the local authority.

These conditions, however necessary, reduce the attractions of buying a council house so long as money is falling in value. Perhaps the average occupant of a council house does not think along those lines; but he will certainly reckon his weekly outgoings as an owner compared with his rent as a tenant. As owner of a postwar house he would have to pay a building society 4½ per cent on about £1600 (if he borrowed the whole sum, as he perhaps could), repay the capital over 20 years, and meet maintenance costs at, say, £15 a year. He would, therefore, be paying about £2 10s. a week for a house which he formerly occupied at a subsidised rent of perhaps 25s. He may consider this a high price to pay for security of tenure and freedom to paint his front door as he likes; and he may not regard a council house either as a readily saleable asset or as an heirloom that he wants permanently in the family. A prewar house might be a better proposition if it is sold at the minimum price, which would probably be around £500. But people are far more likely to dream of renting a postwar house than of owning a very inferior prewar one.

It seems unlikely, therefore, that local authorities will be able to sell many of their houses; it is, none the less, all to the good that the power to sell has been made more flexible. It will be a pity if that flexibility is offset by rigid ideas, and if the sale of council houses merely becomes an issue of local party politics—which, unfortunately, it may often be.

* * *

More Private Building

The Minister of Housing's other new step towards encouraging house ownership is his request to local authorities to say how many more licences they would grant for private building if these were not at the expense of their own building programmes. At present the local authorities get a batch of licences and decide how many of these to keep for their own housing and how many to give for private building. According to Mr Macmillan's instructions of last December, they may issue private licences up to a ratio of one to one with

council houses; but by June of this year the new housing contracts were showing an actual ratio of only one private licence for every three council houses—the ratio that the Ministry did in fact expect.

Some local authorities have pointed out to the Minister that after they have provided for their own housing programme and issued the rest of the licences for private building, there is still an unsatisfied demand for licences. Building firms have supported their claim that building labour is available, without prejudice to local authority work; some small firms tend to be idle now that the trade in repairs is less brisk. The Ministry's regional officers will weigh up such local conditions and tell the local authority how many additional licences it may grant. Mr Macmillan certainly misses no opportunity to put more houses under construction; it must be particularly disconcerting to his political opponents that the greater emphasis on private building cannot be said to be at the expense of the housing estates.

* * *

The Housing Spiral

Some plain words about housing policy have been voiced at the summer school of the Town Planning Institute. Professor Stephenson declared bluntly that 200,000 houses a year is the most the nation can afford. While the public authorities strain every effort to build more new houses, the older houses are allowed to fall prematurely into decay. Private landlords can do little to stop this until the Rent Restriction Acts are revised. If the Government will not amend the Acts, then the only possible alternative, as Professor Stephenson pointed out, is for local authorities to take over and repair obsolescent house property. So far, only Birmingham has had the powers or energy to pursue this course on an effective scale. Surely the Government cannot let the position deteriorate still further without promoting one of the possible remedies?

Sir George Pepler's criticism cuts even deeper. He brings the weight of a long official experience to his contention that the large housing subsidies are a direct cause of wastefulness and inefficiency in the building industry. The builders have in effect been removed from the normal economic pressures of the market. The Government's desire to build new houses seems to be so strong that it will stretch subsidies indefinitely to cover rising costs, and the low productivity of the building industry goes uncorrected.

The very poor record of the building industry since the war in turn makes the Government's housing programme less economic and less possible to justify. The speakers at the institute's summer school have put their finger on the two weak points in this vicious spiral—the bad effect of indiscriminate subsidies and the absurdity of neglecting all housing but new housing.

* * *

Clash Over Krupp's

For contrary reasons, indignation has been expressed in Britain and Germany about the latest measures to deal with the Krupp family fortune. The clash of opinion in both countries reflects an extremely complicated economic and political situation that it will be hard to disentangle to anybody's satisfaction. The Krupp affair is part of the Allied attempt to break up the Ruhr heavy industrial combines and regroup them into smaller, but still efficient, units. In spite of German complaints about the way in which an integrated production system was being shattered, the record of the Ruhr over the past few years indicates that no lasting damage has been done to the concerns by Allied measures.

The Allies also set out to prevent any future concentration of power in Germany heavy industry and, in particular, to bar the return of industrialists who aided Hitler. According

to their regulations, no individual owner of shares in Ruhr heavy industry is to retain a majority in more than one company and, on paper, care has been taken to prevent evasion of this ban. The Krupp family were singled out for special penalties. Herr Alfred Krupp was imprisoned, and then amnestied. His holdings were not permanently confiscated, but are now to be returned on special conditions. The Krupps are to be prevented from ever again owning interests in iron, crude steel and coal companies, though they can retain steel processing and other plants. At the time the regulation was framed there was no question of the Krupps becoming arms manufacturers again; Essen was destroyed by bombing, dismantling or demolition, and all Germany was supposed to have abandoned armaments production for ever.

If the Allied bans are observed, Herr Krupp and majority shareholders in other Ruhr firms will have to sell a great number of shares. The Krupp empire that is to be dissolved consists in the main of coalmines that produced, even in 1950, about 6½ million tons of coal. Krupp's coal shares are valued at over £12½ million. In addition, the Krupp steel shares are valued at about £30 million. Not all need be sold at once. The greater part of the steel shares are to be converted into bonds or shares without voting rights.

German business circles have been greatly concerned about the effect of a vast flood of sales on the stock market, particularly as heavy industry hopes to revive the market for capital issues. The Allies have, however, granted a period of five years for disposing of the Krupp and other holdings. This respite, combined with German ingenuity, makes it unlikely that forced sales will be allowed to damage the heavy industry, though the ultimate ownership of the Ruhr is likely to remain uncertain for some time to come.

* * *

Contradictions of Western Policy

The whole dilemma of Western policy towards Germany presents itself in the Krupp affair. The indignation felt in Britain at the return of so vast a fortune to a family that has for decades epitomised German militarism is natural. But it is quite out of keeping with the decision to rearm Germans, and to encourage the Ruhr to produce some types of armaments. It is, moreover, unrealistic to expect that the German Government will introduce a new *Lex Krupp*, carrying out the Allied bans, and reversing the measure by which Hitler promised that the Krupp family should remain in possession of its empire. Even the attitude of the trade unions is ambiguous. In earlier years they supported the demand of the Allies that the "Ruhr barons" should be prevented from returning to power; but the working people of Essen by no means share the indignation of British Labour members about the Krupps. On the contrary, the family's paternal rule was popular, and it was the mining trade union that recently indignantly exposed the fact that the Krupp concern was selling its majority holding in the *Constantin* mine to a French firm.

Furthermore, the executive of the German Trade Union Federation is not opposed to arms production. It is Herr Krupp who, with some of his former colleagues, declares that he will have nothing more to do with making guns. The western governments may well find themselves having to offer to the Ruhr inducements to turn its factories back to arms production. In the meantime, however, they stigmatise Herr Krupp *pour encourager les autres* while leaving him one of the richest men in the world.

* * *

Pay at Broadmoor

One wage increase that would have the support of public opinion is an increase for mental nurses at Broadmoor. The pay of a new recruit is at present £5 4s. a week, and it is

hardly surprising that the staff is below strength. The recent committee of inquiry into Broadmoor urged that the existing "lead" of £40 over the salaries paid to student mental nurses in the national health service was not enough to offset the disadvantages of the job; it recommended that salaries should be increased and should no longer be tied automatically to those of other mental nurses.

Fortified by this opinion, Staff at Broadmoor, Rampton and Moss Side, through the Prison Officers' Association, pressed the claim for an 18 per cent pay increase which they originally put forward in February. They were told by the Minister of Health, however, that their claim could not be considered in isolation from the claim now going through the Whitley machinery about the pay of mental nurses in the national health service. The association considered that the Minister had thus gone back on his statement in the House of Commons on June 30th that the Government accepted all the recommendations in principle. The Minister did in fact make a qualification, but in the official report it became separated from his general acceptance by a misplaced full stop. The staffs at the State institutions then decided to withdraw all compulsory overtime; but the Minister of Labour intervened, and separate negotiations on the claim are to begin immediately through the Whitley machinery.

The Minister of Health has said that any agreement reached will be provisional and subject to adjustment when the claim for other mental nurses is settled. In theory, therefore, he clings to the rather fine distinction—which is none the less real—that while there should not be an automatic link between pay in the two types of mental institutions, the one should be considered in relation to the other. In practice, however, this looks like face-saving. It is impossible to imagine that the pay at Broadmoor, having once been raised under the provisional agreement, could be adjusted in the light of the award to other mental nurses—unless the adjustment were upwards. But as the negotiations

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for the health service are complicated and protracted, and meanwhile the staff at the state institutions is short-handed and short-tempered, Mr Macleod has got out of his difficulty in the only possible way.

British Colour Bar

The racial problem may well be as pressing an issue for the world of the next generation as Communism is for this one, and it is encouraging that the Bow Group—a research society of young Conservatives—has been looking into the British aspect of the problem*. The treatment of coloured people in Britain provides “a unique opportunity of proving that neither class, race nor creed are barriers to the friendship and close co-operation of men of good will.” The pamphlet itself sets an example of good will in the friendly and frank way that it presents its material.

One of two lots usually befalls the coloured man in Britain: he is either a manual labourer or a visiting student. In either case, there is considerable room for improvement of the conditions to which he is subjected. The worker's difficulties are social and professional rather than economic; indeed, he seems to be better satisfied with his economic position than his white counterpart. He is to a great extent the victim of a low level of education and an unsettled life. The coloured student, on the other hand, is likely to find accommodation and examinations his most serious problems. Differences in background and insufficient qualifications account for most of his difficulties. The pamphlet offers some sensible comment and practical suggestions about both the worker and the student; it points out that both are involved in the vicious sequence whereby misunderstandings tend to be regarded—and in turn reacted to—as prejudice and discrimination.

The pamphlet also admits that at bottom the problem of the coloured man is one of contact with his white environment. But by his doggedly reasonable approach, refusing to enter controversy, the author seems content to leave the issue suspended in mid air. His questionable premise is that the problem of the coloured man is not “intrinsically different” from that of any foreign resident, temporary or permanent. Inevitably, then, he does not find much evidence of racial prejudice; for whatever there existed of it would on this assumption reduce itself to accidental and corrigible circumstances. But is not that merely to explain away the problem of racial prejudice altogether? Sensibility and good will are both praiseworthy and even fruitful qualities of the Bow pamphlet, but they do not in the end seem quite sufficient to extinguish the problems of the coloured man in Britain.

Old Roads and New Police

The Metropolitan Police Report for 1951 (HMSO, 3s. 6d.) has two disturbing features: an analysis of the increase in indictable offences and an account of the traffic situation. In the streets of London last year 660 persons were killed and 40,325 injured in road accidents. Sir Harold Scott describes these figures as “not only a challenge to authority but a reproach to the community.” Casualties in 1951, moreover, exceeded those of the previous year by 3,899. The remedy is perfectly clear: a large-scale and imaginative replanning of roads in congested areas. Recommendations to this effect were submitted to the Minister of Transport over a year ago; they would cost some £10 million. Sir Harold Scott betrays justified scepticism about the chances of getting the money, but the work would surely merit some of the energy being devoted with so little qualification to the housing programme.

In 1951 the downward trend of crime, which had, by and large, continued since 1945, was reversed. Compared with

* “Coloured Peoples in Britain.” By Anthony McCowan. Bow Group. 6d.

1950 there was an increase of 10.8 per cent in the number of offences. The sharp rise in the price of metals provoked robberies amounting to £63,800—a suggestive footnote on the sensitivity of the underworld to market trends. The police maintained its strong record by leaving only two murders unsolved, but it is noteworthy that only one out of ten persons charged with murder was sentenced to death.

The report attributes the rise in crime to a shortage of men, which remains acute despite the rise in basic pay from £330 to £400 per year, and despite the successful experiment of employing boy cadets for minor police duties. The report notes that the Festival of Britain and the Danish and Norwegian royal visits imposed a heavy strain on the available constabulary. This should suggest clearly enough the magnitude of the problems to be faced at the Coronation.

General Election in Japan

Mr Yoshida, the Japanese Prime Minister, made a surprise move in dissolving the Diet and fixing a general election for October 1st, considerably earlier than was expected. In going to the country at this time he is in effect asking for a verdict on the record of his party before the memory of Japan's recovery of sovereignty through the San Francisco peace treaty has become too dim to be an electoral asset, and before any measures that may have to be taken for Japan's rearmament have involved the Government in further political complications.

The decision appears to have had something to do also with the internal conflict in the Liberal Party between Mr Yoshida and his embittered rival Mr Hatoyama, who was the original postwar leader of the party, but had the misfortune to be purged by General MacArthur on account of certain pro-Axis utterances he was on record as having made in the period when they were the fashion. Mr Hatoyama's supporters claim that there was a gentleman's agreement whereby Mr Yoshida would take on the leadership of the party, but return it to Mr Hatoyama if and when the latter was depurged. Into the rights and wrongs, if any, of this controversy, it would be impertinent for a foreigner to enter; but in the western democracies there is a natural preference for a leader whose record in relation to the Nazi alliance has been beyond reproach. Mr Yoshida has shown since the war outstanding qualities of statesmanship in bringing his country back to normal relations with the victors of the Pacific war.

It is possible that his decision to hold an early election was also influenced by the dispute which has so seriously marred the good relations between Japan and this country. It is clear that the episode of the conviction of the two British sailors at Kobe by a Japanese court has been extremely embarrassing to Mr Yoshida. He would almost certainly have been willing to give satisfaction to the British Government on this matter; but after the peace treaty had definitely left Japan with jurisdiction in the case, intervention to set aside the verdict of the court on British demand would have exposed him to the charge of weakness in upholding the newly regained national sovereignty. In this country there has inevitably been strong feeling at the idea of British sailors on United Nations service being thrown into a Japanese

Aircraft and Airpower

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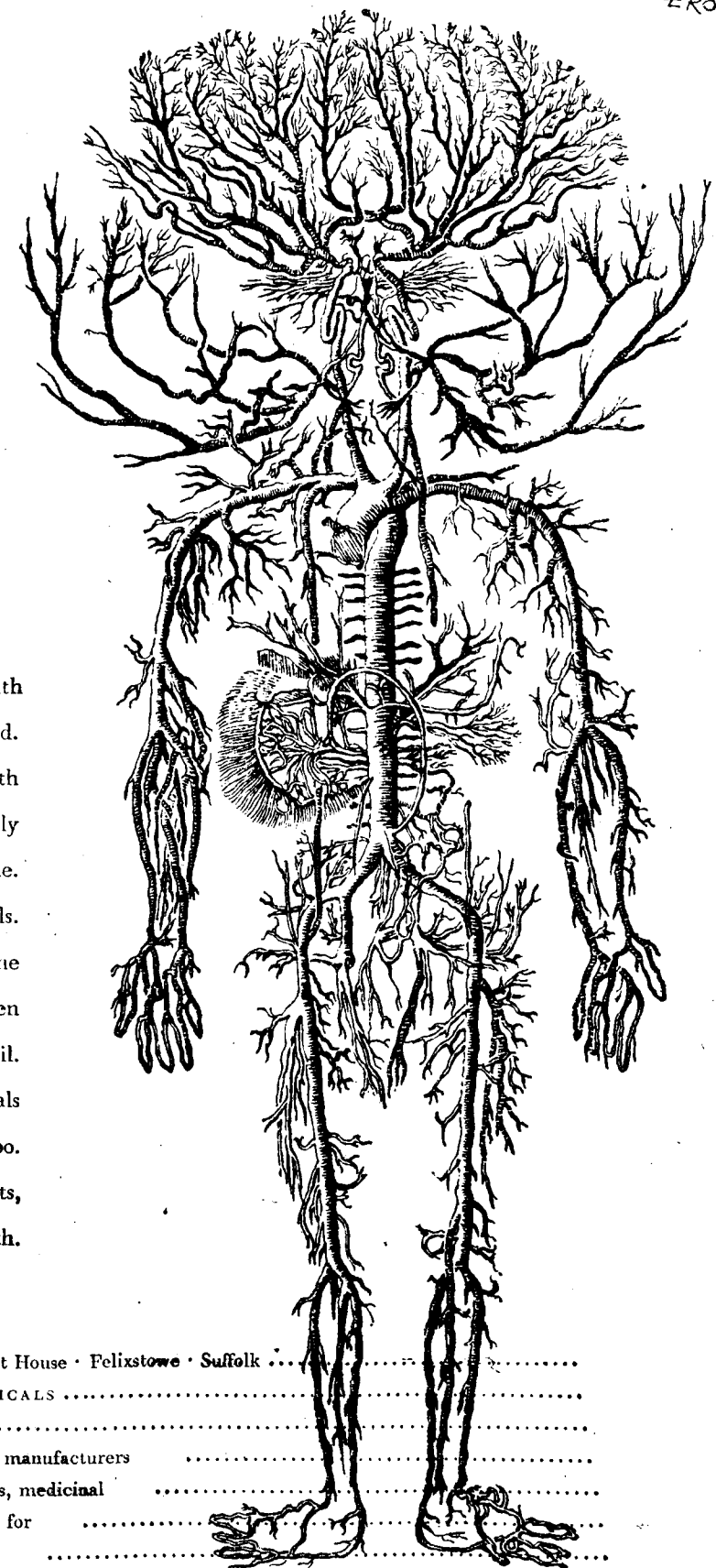
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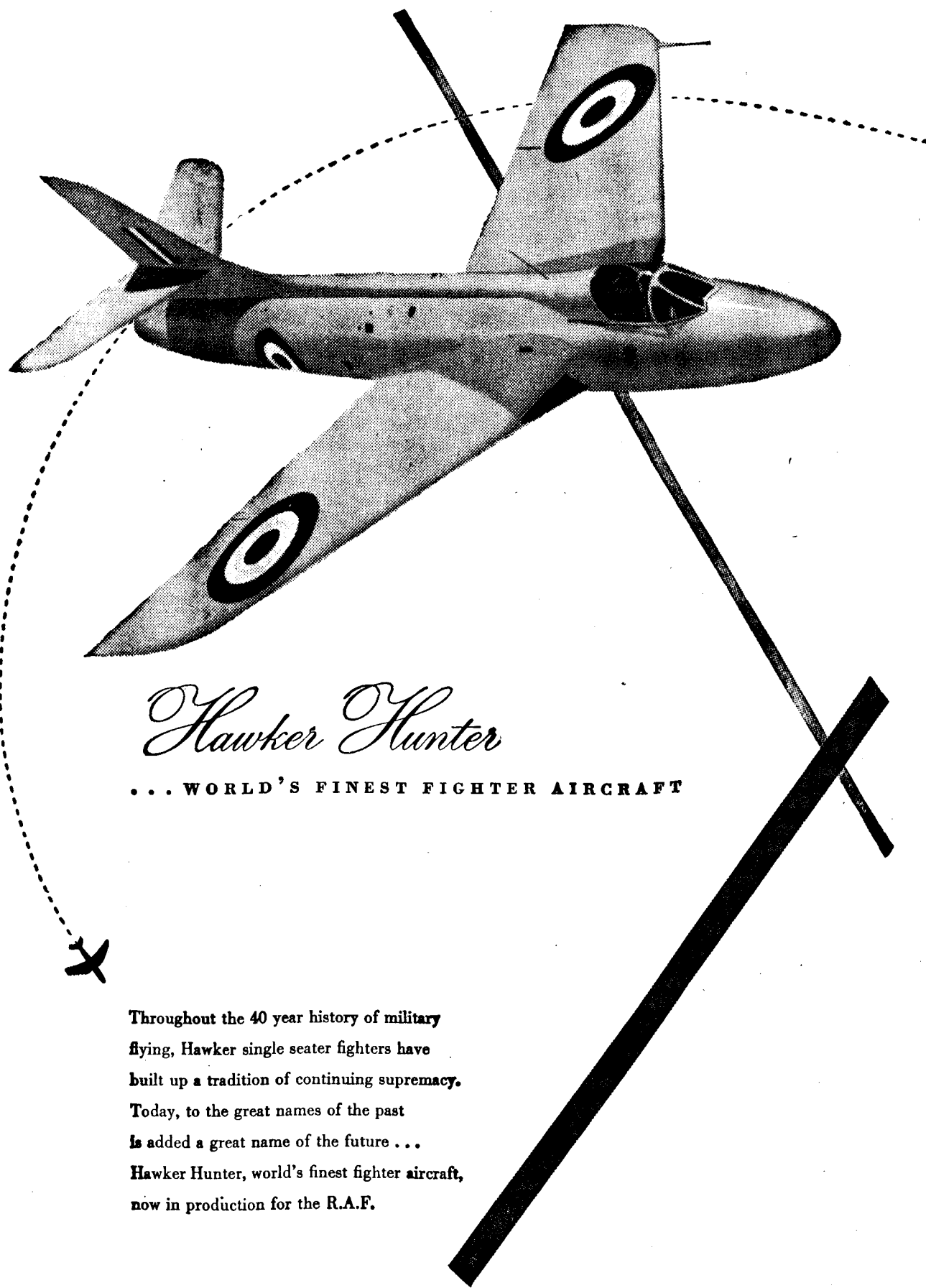
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prison so soon after the end of the Allied occupation, especially when American forces in Japan have an agreement giving them extra-territorial jurisdiction. But the time for obtaining a special jurisdiction for non-American United Nations forces in Japan was before the ratification of the peace treaty, and by neglecting to do so the British Government took the risk of just the kind of incident which has occurred. It is to be hoped, however, that both this particular case and the general question of jurisdiction affecting British and Commonwealth personnel on Korean War service will be quickly settled after the election with whatever government emerges from it; for the rulers of a proud and sensitive people are better able to practise conciliation in such matters on the morrow than on the eve of a poll.

* * *

Drought in Yugoslavia

The drought in Yugoslavia is much more serious than was at first believed. The damage to the crops is already estimated at 100 billion dinars (about \$333 million). The maize crop, in particular, is well below average, and it is now clear that there will be a shortage of fats and sugar as well as of cereals. It is thought that the losses will be greater than those suffered after the 1950 drought, but that the consequences will be less serious because last year's excellent harvest allowed the authorities to build up reserves.

The measures necessary to keep the Yugoslav people fed may well cause a serious setback to the government's efforts to restore the balance of payments and to complete the industrialisation plan by the end of the year. It has not, however, hesitated to take prompt action, and has banned the export of all cereals. If the ban has to be maintained, it will have a serious effect on Yugoslav export plans. The increase in exports during the first half of the year was largely due to increased exports of corn, and the government has undertaken to export large quantities in current trade agreements with Austria and other countries. The Yugoslavs are reported to believe, however, that if they can persuade the United States to let them use part of their dollar aid under the 1952-53 tripartite aid programme to buy wheat, it will not be necessary to maintain the ban on corn exports. But to use part of their foreign aid in this way must only seem the lesser of two evils to the Yugoslavs. It is believed that under the 1952-53 agreement, which is not yet signed, they will get rather less than \$100 million; this is much less than they had over-optimistically hoped for.

The State Economic Council has also decided that, while as many of the key industrial projects as possible must be completed, it is necessary to cut capital investment in industry immediately in order to offset the losses caused by the drought; and it is planning next year to increase investment in agriculture up to 30 billion dinars at the expense of industry. These measures were foreshadowed by Marshal Tito in his speech at Glina earlier this month. They are a welcome sign of the increased realism of Yugoslav plans; but there will be nothing but regret for the disastrous drought that may have accelerated them.

* * *

Dangers in Nepal

The news that King Tribhuvana of Nepal is flying to Delhi to see Mr Nehru reflects the continuing and dangerous instability of this strategically placed frontier state, lying along the border between India and Chinese Tibet. Nepal has become of special importance to India since the Peking government took over Tibet, as it lies astride one of the main passes through the Himalayas, and the Indian frontier does not at this point extend beyond the plains. Nepal provides a way through the mountain barrier, and in hostile hands could be a dagger pointed at the heart of northern India.

Ever since the end of British paramountcy over the Indian states, the government of Nepal has been on the edge of collapse. Today the country is torn by the quarrels of the Koirala brothers; by the intrigues of the traditional ruling family, the Ranas, trying to protect what remains of their power; and by the plots of Communist-inspired opportunists, who seek to exploit the growing sense of frustration of the Nepalese people, in order to seize power. There are, in addition, a number of genuine Nepalese Communists, including Dr K. I. Singh, who is reported to have gone to Peking and to be preparing for a come-back.

During the past two years the Indian Government, largely through the Indian Congress Party, has achieved a position of considerable influence in Nepal. But Delhi can by no means be certain either that a hostile coup will not be attempted or of being able to thwart it quickly enough if it is. There are, therefore, a number of people in the Indian capital who would like to see Nepal accede to India, and there can be no doubt that this would be in the general interest of free Asia. One result, however, might be to make it impossible for the British to go on recruiting Nepal's Gurkhas for the British army—and for service in Malaya. Difficulties have already arisen over the use of barracks on Indian soil, since Mr Nehru, whatever his attachment to the Commonwealth, cannot any longer afford to give his own political opponents a handle of this kind. Perhaps the only satisfactory solution would be a close, formal alliance which would entitle India to station troops in any part of Nepal without any formal surrender of its sovereignty.

Towards a Decimal Coinage

TO THE EDITOR OF *The Economist*

Sir,—The first step towards a decimal currency has at length been taken: the florin is now a current coin, and it now becomes the duty of the public press by its influence to induce the powers that be to complete the system by the coinage of two other new pieces, to replace our present pence and farthings. As your paper confessedly stands at the head of the press in all currency affairs, I forward you the following remarks on the subject, which you will perhaps give to the public.

In our present monetary system we have four denominations:—£1 equal to 20s., equal to 240d., equal to 960 qrs. or farthings; substitute £1 equal to 10 florins, equal to 100 coppers, equal to 1,000 smaller ones. Here, then, we have the two higher denominations, or the hundreds and thousands place in the decimal system; we require only the tens place and units, or the two lower denominations. Suppose a new copper coin, value 2 2-5d., or 100 coined out of 240 pennies, and a second one, 1-10th of the preceding, or 1,000 out of 960 farthings, viz., 25 out of 24 farthings, a piece imperceptibly less than the present farthing, we should have all we require for the transition. . . . I would suggest four new names to the new denominations:—*gol*, instead of sovereign; *sil*, instead of florin; *cop*, instead of the new large copper piece; and *min*, instead of farthing. These appellations, I contend, could neither be easily miscalled, contracted, nor simplified, each being derived from the metal used in its manufacture, except *min*, which is meant as a contraction from the word "minimum" or least. No foreign coins that I have heard of are at all similar, while there are no less than four European coins of different values denominated "florin." I beg leave, Mr. Editor, to subscribe myself yours, &c., &c., DECIMAL.

The Economist

September 4, 1952

Books and Publications

The Strategic Argument, 1943-44

The Second World War, Vol. V: Closing the Ring. By Winston S. Churchill. Cassell. 673 pages. 30s.

The War Speeches of the Rt. Hon. Winston S. Churchill. 3 Vols. Edited by Charles Eade. Cassell. 482, 560 and 578 pages respectively. 21s. each.

Quite apart from their narrative style and unique authority, Mr Churchill's memoirs are an invaluable historical source thanks to the documents they contain. Seldom has such power been so effectively concentrated, in a time of such crisis, in the hands of one man, and of one man who can write so well. His new volume—opportunistically coinciding with a reissue of his wartime speeches—covers the period of one year from the invasion of Sicily in July, 1943, to the invasion of Normandy in June, 1944. If this period, being a period of Allied initiative in war and ascendancy in production, lacks the heroic quality of the days of defence, it is nevertheless of extraordinary interest: for it was the period of the Cairo and Teheran conferences and those great controversies about Allied political and military strategy which even now reverberate across the Atlantic. The documents now published by Mr Churchill, and his commentary on them, are invaluable evidence on this still volcanic subject.

Essentially the problem was where and how hard to strike: for in spite of increased production there were still bottlenecks, especially in landing-craft. It has often been said that Mr Churchill opposed, while the Americans advocated, the main landing in France, demanding, against their resistance, a new "Dardanelles" in the Eastern Mediterranean. Mr Churchill proves that this was not so. In fact he consistently supported the punctual invasion of Normandy ("Overlord"), but wished to use forces already available there for intermediate operations in the Mediterranean—particularly in the Aegean, where firm Allied control might end Turkish neutrality and open the Black Sea route to Russia. "The issue between myself and the Americans was, in fact, a very narrow one. It was not that I was in any way lukewarm about 'Overlord.' I wanted to get what I needed for the Mediterranean and at the same time keep to the date of 'Overlord'." Mr Churchill's failure, against "the dull, deadweight resistance" of Washington, to carry through this policy—which led to "the most acute difference I ever had with General Eisenhower," the loss of Leros ("our first really grievous reverse since Tobruk 1942") and Turkish refusal to enter the war—have obviously left him with bitter memories; but in other respects he obtained American support and can claim success. Expensive diversionary campaigns in the Far East were avoided; Mountbatten and Wingate were sustained against the Chinese enthusiasm of Stilwell; and even in the Mediterranean Mr Churchill's policy in Italy was, in essentials, accepted. In spite of the failure at Anzio (of which there is an interesting

explanation) and the change of strategy dictated by Hitler's decision to fight it out in Italy, Mr Churchill claims that this policy was a success, since it diverted German troops from the imminent battleground in the West.

For this was a period of Hitler's military sclerosis, of that inelastic universal resistance which, by leaving him no reserve, threatened not only defeat but disaster. In 1943, with the battles of Kursk, Orel and Kharkov, he met disaster in the East. In the West it was being prepared. A period of gestation is always uncomfortable—

The genius and the mortal instruments
Are then in council—

and if we are surprised, it should rather be at the harmony than at the differences between Allies at such a time. What with gigantic logistical problems in three elements, reviving politics in Italy, civil war among the Greeks, a major war in Asia, new weapons in Germany, an exasperating alliance with Stalin, and "the preposterous behaviour of General de Gaulle," Allied co-operation might well have come adrift. That the effort was so effectively co-ordinated was largely due to the firm control and diplomatic handling of British resources which characterised the war policy of Mr Churchill.

Little England

Portrait of England. By Laurence Thompson. Gollancz. 254 pages. 10s. 6d.

A "Portrait of England" is an ambitious project. The portraitist must catch a contemporary spirit, while respecting the sweep of history; must eschew prejudice, yet retain the liveliness of a personal approach; must select the significant and representative situation, personality, attitude, without distorting perspective; must do justice both to the trees and to the wood and must—if possible—manage all this while remaining readable and easy-mannered.

Mr Thompson scores high on all these counts. As sheer entertainment, his book rates alpha plus by two severe tests, its earlier chapters proving irresistibly absorbing when read in twenty-minute bursts of rush-hour strap-hanging, its later ones exerting an equal spell under a hot holiday sun. As a serious study, a reliable document? One should know one's England equally well before delivering a confident judgment; but it is reassuring to find Mr Thompson, in two significant chapters, unerringly picking out the crucial topics, and virtually duplicating the conclusions, of expert social research with whose results he could not have been acquainted. Alpha again, for judgment and perspicacity.

Alpha all round? Not quite. Mr Thompson's method—admirable for liveliness, for getting over the ground, for illustrating general principles from particular instances—has its shortcomings. He has travelled round England in sweeping zigzags from Plymouth to Peterlee, choosing at each stopping place some small, easily-envisaged group of people tackling some particular job; beginning and ending with town planners (to whom his attitude is distinctly ambivalent), taking in farmers, fishermen, miners, welfare workers, lorry drivers, and a spiv or two, and a political spectrum ranging from the grand old Tory who used to be his commanding officer to the prospective Communist candidate for Wigan—both of whom he regards with affectionate admiration. He has mastered an almost cinematic technique of deft cutting from close up to long shot; the individual tree seen in close and loving focus, then the sudden illuminating switch to the aerial view of the wood—corrective to sentimentality, facile enthusiasm or facile indignation. Admirable; but is the vivid picture which results a real portrait, a true likeness? There are obvious omissions; London, by design, is a vast blank, so is what one might call Betjemanland; the only University is Redbrick. The single grand old Tory is the only representative of Old England—one misses even a pendant in the shape of a grand old Whig. Business with a capital B is right out of the picture. There are no Servicemen, National or Regular; no deep sea sailors, no one, indeed (unless one excepts one incidental Pakistani) with so much as a toehold overseas; this is Little England with a vengeance, retaining of its wider concerns only a precarious standard of living and an uneasy conscience.

One must select, of course; and a second reading shows the unstated principle of selection. In one way or another, successfully or unsuccessfully, all Mr Thompson's characters and communities are coming to terms with a single problem; the problem of mutual responsibility. This is less an imperfect portrait of England than a superlatively successful portrait of something at once lesser, because it is only a part of England, and greater, because it is also part of the whole human evolution—the Welfare State in the making, an imperfect essay, set in the English scene, towards the brotherhood of man.

Thirty Years of Foreign Exchange

The United States in International Banking. By Siegfried Stern. Oxford University Press. 447 pages. 35s.

For an account of the impact upon American banking of two world wars, no better authority could be found than Siegfried Stern, thirty of whose forty-six years in international finance were spent running foreign departments of New York banks. His grasp of detail is apparent on every page of this large

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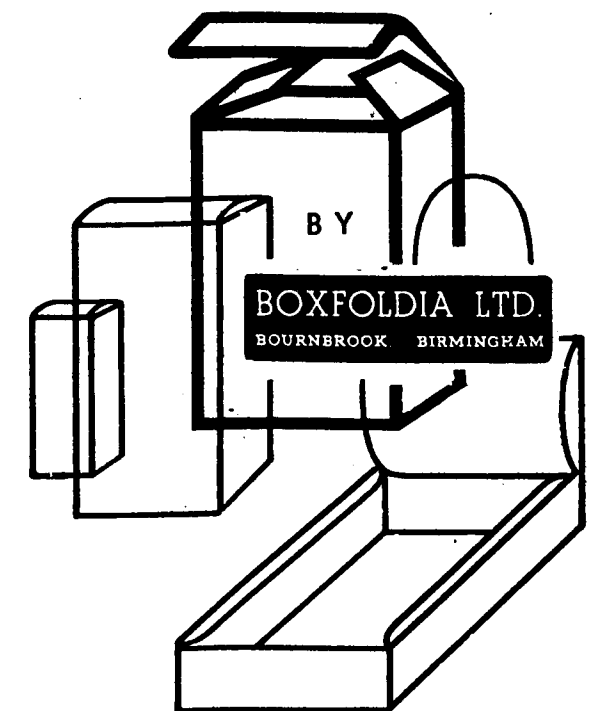
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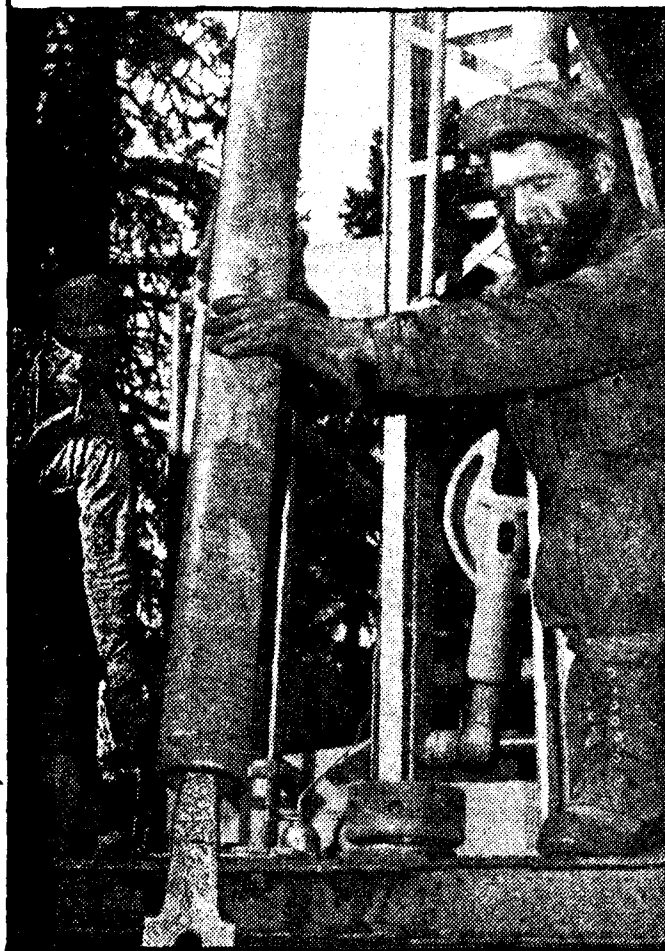


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volume, and the wide scope of the records used is shown by 300 references to named individuals and 200 to separate banking institutions. While it is to the latter that this book will have the greatest appeal, all engaged in international transactions should consider it required reading on questions of international credit. It is unfortunate that the title may discourage that wide circle of general readers which the contents justify.

An excellent historical survey of international finance from 1914 to 1945 is followed by an account of the effects on American banking of US wartime controls, especially those applied to foreign assets held in the United States. The relations between American banks and US Government corporations are examined, and there is a fine study of the results of the Silver Purchase Act of 1934.

Quite half the book covers American banking operations in, or connections with, twenty individual countries, of which Germany and China receive the greatest space, while England, France and the USSR get fuller treatment than the remainder. With these five countries Mr Stern had particularly intimate relations, since his final fifteen banking years were spent at the head of the foreign department of a New York institution with branch offices in England, France, Germany and China, which was also the principal US correspondent bank of Soviet Russia. The book closes with a section on the organisation of American foreign banking, past, present and future.

There is a five-page bibliography and an excellent index, although a few names in the latter appear to have been dropped from the published text. On one or two minor points of fact, dates and spelling the author's memory might be questioned, but this book can be highly recommended to those in need of guidance on international banking during the years from Sarajevo to Hiroshima.

Scattered Unity

Survey of British Commonwealth Affairs. Problems of External Policy, 1931-39. By Nicholas Mansergh. Oxford University Press. 481 pages. 42s.

As the first historical analysis of Commonwealth foreign policies since the Dominions began to act independently in world affairs, this book is of unusual interest. At once it can be said that it is worthy of a Chatham House series which includes Professor Hancock's classic volumes on Commonwealth problems of nationality and economic policy. Indeed, Mr Mansergh has carried Mr Hancock's basic conception of the struggle within the Commonwealth between liberty and unity, nationalism and supranational loyalty, into his interpretations of Dominion external policies.

After 1926, and certainly by 1936, the Dominions controlled their own foreign relations. Was this to be the end of united Commonwealth action in the world; or the beginning of a more equal partnership in search of peace?

One thing emerges clearly. In Mr Mansergh's words, "the ideal of an imperial diplomatic unity deriving from an ever expanding measure of joint responsibility for policy on the part of all the self-governing members of the Commonwealth... melted away." The Dominions, except possibly Australia and New Zealand, did not want a single, common policy for the Commonwealth as a whole. Nationalist suspicions of the old imperial power, the prior tasks of fostering the coalescence of British and non-British into single Dominion nations, and the illusion of security in isolation, all restricted the field of Commonwealth co-operation. In Mr Mackenzie King, not General Smuts, Mr Mansergh finds the representative figure of this period—"a solid, unromantic Hamlet... for ever refraining from leaping."

Yet the Commonwealth nations still retained a curious capacity for arriving individually at the same sort of foreign policy. All supported collective security through the League—and abandoned it when force was needed to make it effective; all then agreed at the Commonwealth Conference of 1937 upon the policy of appeasing Germany, then suddenly—with the exception of Eire—decided individually that the only chance of security was war.

Mr Mansergh's explanation of the factors behind this type of unity is, perhaps, not so satisfactory as that of the factors of disunity. Much was due to the fact that while the Dominions were equal in status with the United Kingdom, they were not yet equal in function or power. And the United Kingdom, bearing the predominant responsibility for the defence of the whole, could not but have the predominant influence on foreign policy. Much was due to community of outlook and language and to consultation between governments. Mr Mansergh takes account of these unifying elements. But how exactly the common desires of communities scattered all over the globe came to be translated by six equal sovereign governments into broadly similar and compatible decisions is still something of a mystery. So it will remain until the archives of the Commonwealth Relations Office are opened.

Studies of Society

Structure and Function in Primitive Society. By A. R. Radcliffe-Brown. Cohen and West. 219 pages. 21s.

This slim book is a reprinting of a number of articles published by the author in learned journals during the past thirty years. Each of these papers deals with a subject which was obviously of topical interest to anthropologists at the time it was written. Some are controversial, some purely expository. All are marked by a distinction of style and rigour of thought; the art of saying so much with such precision is rare today. Varied as these papers are, they have some common features. One is the author's preoccupation with the family and kinship customs of primitive peoples. The first paper in the book

discusses the significance of uncles in South African native life. Another paper is concerned with what the author calls "joking relationships," which means the custom by which certain classes of relatives can revile one another for fun. A third paper considers the theoretical study of primitive kinship systems and expounds the author's approach in terms of his concept of "social function." In other papers the subject comes up in one form or another.

The lay reader may think these problems are trivial. He will soon find himself drawn into a subject matter of the utmost complexity and following a method of analysis reminiscent of a mathematical argument. For when Professor Radcliffe-Brown discusses uncles, jokes and matriarchy, what he does is to demonstrate his thesis, which forms the second recurrent theme of these papers, that these customs make sense when they are seen as elements in an interconnected series of social institutions. It is not just a question of blood kinship but of the legal and economic arrangements of the Society. This thesis is stated rather more abstractly in two papers.

Mr Radcliffe-Brown acknowledges his debt to the French sociological school of Durkheim. The strength of his point of view comes from its consistency and clarity. If in some ways it seems too obvious to deserve the high sounding title of sociological theory, this is partly because the author himself makes it seem so simple. And this is the greatest weakness of his point of view. He makes social relationships fit together far too neatly. As he says in one or two essays, he has often been bracketed with Malinowski as one of the founders of functional anthropology. The contrast between them would be illuminating to follow out. For Professor Radcliffe-Brown social relationships seem to be almost disembodied; whereas for Malinowski it was the stress and strain in them that figured most. It is the human quality of resistance to the letter of the law that seems to be left out of many of Mr Radcliffe-Brown's calculations. His interest is in simple societies with static economies and his rather formal method of analysis is perhaps appropriate for them. This does not mean that sociologists concerned with more complex societies cannot learn a great deal from these essays. On the contrary, they raise fundamental problems of method and theory and their publication in a book is a service for which the publishers deserve thanks.

Scientific Biography

British Scientists of the Twentieth Century. By J. G. Crowther. Routledge and Kegan Paul. 320 pages. 25s.

This is the third of Mr J. G. Crowther's collections of serious and informative scientific biographies, the previous two being devoted to nineteenth century scientists, British and American respectively. The six scientists described here are all recently dead, and did the major

part of their work between 1890 and the start of the late war. They are: two experimental physicists—J. J. Thomson and Rutherford; two mathematician-astronomers—Jeans and Eddington; and two biologists—Gowland Hopkins, the discoverer of vitamins, and Bateson, the champion of evolution by variation. It is hard to think of a better selection; all six are Cambridge men, which fairly reflects the character of an era. Jeans, perhaps, judged by the permanent value of his scientific contributions, ranks lower than the others, but his immense popularity and prestige as an expositor make him a figure who cannot be overlooked.

Mr Crowther's biographies are serious to the point of dryness, as he has concentrated on the scientific man largely to the exclusion of the human being. Schoolboy and student days are carefully described and analysed, it is true, but the mature man is seen mainly through his scientific deeds and writings, of which long extracts are quoted in illustration of the character of his work. It is the history of certain scientific developments, as personified in the men chiefly responsible, which Mr Crowther is really writing. Embodied in each biography is an outline of the scientific discoveries and theories concerned, and this part has been done with great care; the reader will be grateful to find that the sensationalism popularly associated with accounts of "great discoveries" is completely lacking. Indeed, these expositions are quite exceptional for their insight and clarity, and Mr Crowther has steeped himself, not only in the work of his subjects themselves, but in the contemporary intellectual atmosphere in which that work was done.

As if to make up for the paucity of usual biographical details, Mr Crowther peppers the text here and there with odd anecdotes and sayings, the gleanings of his card-index, which occasionally makes the style disconcertingly spasmodic. What is really a pleasant surprise, from a writer of Mr J. G. Crowther's well-known political leanings, is that he has, with one exception, almost entirely eschewed political "interpretation" of these most unpolitical of men. True, he has provided each one with a label—Thomson represents the "liberal" era, Rutherford the "imperialist," Jeans is a symbol of bourgeois decadence, and so on—but these are as irrelevant as they are silly, and do not colour the writing. The one exception lies at the end of the chapter on Bateson, and takes the inevitable form of a eulogy of Lysenko (with portrait), whose brilliant discoveries, under the leadership of Stalin and inspired by the Marxist-Leninist theories of Michurin, have broken the shackles of the sterile Mendel-Morgan genetics. Is it wishful thinking, in hopes of the eventual redemption of so careful and discerning a writer, to detect an uneasiness in the style of this dutiful contribution? So objective and rational has been the foregoing account that the replacement of lucid explanation by rhetoric and denunciation in these final pages is very noticeable, and fatally weakens the case. Fortunately, it does not spoil a valuable and interesting book.

Family Quarrel

West and East of Tito. By Harry Hodgkinson. Gollancz. 187 pages. 12s. 6d.

This interesting book does not content itself simply with carrying out another analysis of the significance of Tito's split with the Soviet Union. It also examines the origins and repercussions of the quarrel for any light they may throw on whatever principles guide Stalin in his relations both with other Communist states and with the rest of the world. The examination ranges over a wide field—from the history of the Serbs to a comparison of the Soviet and Yugoslav attitude to the arts and sciences. It is carried out with complete impartiality; the author clearly has no illusions about the gravity of the menace of Soviet imperialism, but this never leads him into any attempt to whitewash either the principles or practices of Tito. Indeed, he is careful to point out the "family affinity of the contestants," which is obscured by the bitterness of their conflict.

The main conclusions of this book contain little that is new. It has, for

instance, long been plain that Tito's successful defiance of Stalin might end in a separation of revolutionary Communism from Soviet military power and that this could have enormously important consequences for the free world. And this is not the first time that the ideological and practical importance of Stalin's famous contributions to the linguistics controversy has been pointed out. But Mr Hodgkinson reaches his conclusions by way of many acute observations and a wealth of interesting—and sometimes amusing—detail. Indeed, he might well have made his points rather more effectively had he been content to elaborate them rather less exuberantly. He might also thereby have had more space in which to discuss more fully the economic and political problems confronting the Yugoslavs in their attempt to build up a new model Communist state. Tito's chances of success or failure, and the extent to which he is forced to compromise his rigid Marxist beliefs, must surely have as significant repercussions on Soviet policy as did his original defiance of Russia.

Chronicling the United States

From Versailles to the New Deal. By Harold U. Faulkner. 388 pages.

The United States in a Chaotic World. By Allan Nevins. 252 pages.

The New Deal and World Affairs. By Allan Nevins. 332 pages.

War for the World. By Fletcher Pratt. 364 pages.

The Struggle for Survival. By Eliot Janeway. 382 pages.

The Chronicles of America Series. Edited by Allan Nevins. Yale University Press. (London: Geoffrey Cumberlege.) 32s. 6d. each.

It is regrettable that the price of these books should be so high for the British reader. Their subject is a period of American history—the quarter-century between Versailles and V-J Day—which was of enormous significance for the United States and Britain. While other treatments of this period exist, the scale and clarity of these volumes in the Yale "Chronicles of America" series makes them particularly well adapted to the requirements of the ordinary, non-specialised reader. Here he will find sensible, fair, lucid and readable accounts of this extraordinary epoch, written from a standpoint which may be roughly described as liberal orthodox.

Professor Nevins narrates the transition from 1918 isolationism to 1945 "bipartisanship" with a frank apportionment of blame (for the first) and praise (for the second). Professor Faulkner, describing the domestic scene during the Harding-Coolidge-Hoover era, is less disposed to sit in judgment, but his implicit appraisals parallel Mr Nevins's. Mr Fletcher Pratt contents himself with telling the straightforward narrative of the military operations of the United States forces in the second World War; he shows a welcome balance, even if he abstains from posing some of the more searching questions about Allied strategy.

Anyone determined to find fault with these four volumes might perhaps complain that they all share something of this tendency to sheer off questioning;

all tend to present rather too smooth a surface to the reader. But if so, Mr Janeway's "Chronicle of Economic Mobilisation in World War II" must be exempted wholesale from this charge. His book is in quite a different category from all the others. Not everyone will find it comprehensible. The author's long apprenticeship to *Fortune* has left certain lasting scars upon a prose style that, one suspects, was never notable for modesty or clearness. He introduces himself with a first chapter which combines slickness and obscurity to a phenomenal degree. As he proceeds, the very intimacy of his experience of wartime Washington sometimes blurs the picture he presents of its intricate manoeuvres. He has his favourites—Knudsen, Douglas, Forrestal—and his villains—Nelson, Wallace and Harry Hopkins. And always there lurks behind the scenes that *eminence grise*, Mr Justice Frankfurter. These valuations are disputable; and one may complain that Mr Janeway's concentration on bureaucratic feuding has led him to skimp a good deal of the less exciting, but perhaps equally important, aspects of the amazing story of American mobilisation. But into his highly personal, combative, conspiratorial pages he has packed a remarkable amount of information and revelation. His book has vigour, provocativeness, bite and vividness. Perhaps wartime Washington was not quite like this, but it was more like it than most future historians will realise or contemporary historians admit.

Letters to the Editor

Reviewing the Rates

Sir,—I am surprised to learn from your issue of August 23rd, that the Society of County Treasurers regards the principle of the Exchequer Equalisation Grant as "fundamentally sound"; in my view it is certainly not that.

Two grants which are based on valuation, either in whole or in part, are the Education Grant and the Exchequer Equalisation Grant. In both cases the formulae adopted mean that the higher the expenditure and the lower the valuation the greater the grant. But the formulae also mean the greater the extravagance and the lower the valuation as a result of inadequate council house rents, the greater the grant. Inadequate council house rents mean a high rate per £1 which is not unduly onerous on tenants of low rented council houses, but is a heavy burden on tenants of substandard houses—admittedly rent controlled—and on owner occupiers. If council house rents are reasonable in relation to earnings, the valuation goes up, the Education and Exchequer Grants go down and even if the total net sum to be raised from the rates is increased, the rate per £ is lowered with a consequent more equitable sharing of the burden amongst all ratepayers.

It is disappointing that the Society of County Treasurers have missed the point about low council house rents and it is hoped that the departmental committee now considering these grants will not overlook it.—Yours faithfully,

COUNTY COUNCILLOR

Sir,—The comments made by the Society of County Treasurers on the Exchequer Equalisation Grant system are disappointing; something more solid was expected.

Your note mentioned that even among those counties which do not qualify for Equalisation Grants there are differences in resources and needs. It is tempting to retort "So what?" For the aim of the 1948 Act was not to equalise resources but to assist the poorer major authorities only. Granted, Hertfordshire and Kent are poorer than Surrey and Middlesex but they are, nevertheless, on a national average standard, rich enough to stand on their own feet. (The poorer district authorities within the counties, including those within counties which do not receive Equalisation Grants, are catered for by the county "capitation" grant system.) In any case, are the "differences" in the resources of these richer counties such as to merit special attention? Of the six administrative counties which did not get any Equalisation Grant in 1951-52, their rateable values per head of population ranged only from £8 to £11. There were also 23 county boroughs which received no Equalisation Grant.

There are surely two main criticisms of the 1948 Equalisation Grant system—

apart, of course, from the separate problem of valuation standards. First, the "sparsity" weighting in the grant formula is inadequate; and, secondly, a minimum average rateable value per head of population is no guarantee that resources are sufficient in the aggregate for the efficient administration of local government services; as the 1947 Report of the Local Government Boundary Commission put it, "The new Grant provides quality of rateable value, but adequate population can alone provide quantity."—Yours faithfully,

SILVAN JONES
University College, Bangor

Polish Elections

Sir,—In the article in your issue of August 23rd you seem to suppose, that the electorate "can still probably show its mood" by boycotting the polls. I think this is unjustified optimism. At a time when practically everybody is state-employed, there will be no difficulties in dragging all able-bodied voters to the polls. In the villages all those working in collective or state farms will be compelled to vote; few of the individual peasants will care to get their names on the registers being marked as "not having done their civic duty." The tax collectors would make them pay too heavily for such a luxury.—Yours faithfully,

A. ROMER
London, S.W.1

"Defiance" in S. Africa

Sir,—In your issue of August 16th your correspondent refers to the squalid native townships of Port Elizabeth and East London. This is not altogether accurate; Port Elizabeth is the model town as far as native housing is concerned. I am also certain that the campaign has been kept to these smaller and quieter cities because of the lack of strong feeling among the Nationalists found there. There are, again, so many varying attractions for native crime in Johannesburg, that a defiance campaign with passivity as its keynote would not attract so much attention as it does in other centres.—Yours faithfully,

Johannesburg J. McDUGALL

The Corporate Sepulchre

Sir,—Your review of Mr D. R. Marsh's "Corporate Trustees" is not just to those bodies. It overlooks that it is the practice of most corporate trustees to examine the documents under which they are appointed before they come into operation and preferably whilst they are still in draft. In this way useful suggestions can be made regarding investment powers and the incidence of duties. It has been the practice of many corporate trustees for some time past to suggest to testators and settlors the advisability of giving their trustees the widest possible investment powers.—Yours faithfully,

R. T. BARTLETT
Sutton Coldfield

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AMERICAN SURVEY

Tests for Trade

Washington, D.C.

CONSIDERING that in election year in the United States debating points made by foreigners are usually buried beneath the avalanche of political platitudes set in motion by the political campaign, the British Chancellor's remark about "trade, not aid" has had a surprisingly wide circulation. It cropped up again last week in Mr William Draper's report to the President on his first six months as Special Representative in Europe. One of the strongest passages in this report was that in which Mr Draper urged the reaffirmation and extension of the reciprocal trade programme, enactment of the proposed legislation for simplified customs procedures and the progressive lowering of other import restrictions and duties.

These words have, of course, a familiar ring. Probably the vast majority of the American people would accept them, in theory, without question. It is only when Americans are brought face to face with particular cases, cases which affect them personally, that they begin to waver. And no arguments about the wisdom of allowing other nations to pay for their imports rather than obliging the American taxpayer to subsidize his exports make any impression on those stalwart upholders of Adam Smith's free, competitive system, the American manufacturers and food growers, or on their representatives in Congress.

At the present moment there are thirteen applications pending for relief under the escape clause of the Trade Agreements Act, a record number. Many of the goods concerned—the last application was for higher duties on screen-printed silk scarves—are not of vast importance and the amount of trade involved is not great. But the growing tendency to turn to the Tariff Commission, the body which must hear the cases and report to the President, justifies the comment of the *Wall Street Journal* that

we still boast that we are the most efficient producers in the world, but we are becoming fearful of the efficiency of outsiders invading our home markets.

Up to date, except in the case of dried figs, the President has reversed those findings of the Commission which favoured increases in duties; in the case of the Swiss watches he thus discouraged a stream of applicants. They were waiting to see how he received that recommendation from the Tariff Commission; they would have made the present total of thirteen look very small, had he given way to the pressures which were being exerted on him.

★

This is likely to become the test case, at least as long as there is a Democratic Administration. In the letter which Mr Truman wrote to the chairmen of the Senate Finance Committee and of the House Ways and Means Committee explaining his refusal to act on Swiss watches, he speculated on why three of the Tariff Commissioners had found evidence of serious injury to the industry:

The answer seems to lie almost entirely in the significance they attached to the fact that the expansion of domestic watch production has not kept pace with expansion of imports, so that the industry today enjoys a smaller share of the larger

market. Because of the dangerous precedent which would be involved in accepting this share doctrine as the determinant of serious injury, I should like to emphasise its far-reaching implications.

The President went on to say that serious injury, by any definition, meant a loss to someone. Declining production, lower employment, lower wages, lower returns or losses on capital invested—any of these might, in his opinion, indicate some degree of injury. During the week between the two political conventions in Chicago, a number of correspondents, including, naturally enough, some Swiss correspondents, took a trip to Elgin, one of the centres of the American watch industry, expecting to find, on the basis of the tales of woe which had been brought to Washington by the management, a tragic island of unemployment, a new, 1952 Hooverville. They found instead a city which had grown from 38,000 to 44,000 inhabitants in a decade and one as prosperous as other cities which had raised no cry for help to the federal government. The President, they concluded, was right when he rejected the idea that "serious injury exists when the domestic industry fails to gain something it never had," and that he was also right when he said that "it was never intended that the programme be limited by a requirement that domestic production must double whenever imports double."

This requirement was also implicit in the motor-cycle case presented by the Harley-Davidson Company, which was rejected by the Tariff Commission without the necessity of presidential intervention, and explicit in the cheese quota amendment to the Defence Production Act last year. The idea seems to permeate American industry that there is an unexpandable maximum share of the market that foreigners can be allowed to take. This unexpandable share is generally considered to be about ten per cent.

However, there is no reason to think that any American exporter believes that his share of foreign markets should be limited to ten per cent. Indeed, the film industry, which will draw up a new agreement with the Board of Trade next week, would be shocked at any suggestion that its share of the British market should be restricted to five times that amount. Perhaps the American importer and exporter should be encouraged to get together—or rather to get at the other's throat—before the Trade Agreements Act comes up for renewal next spring.

Internal differences of this kind will arise over the new arrangement just concluded with Venezuela, which will have the effect, through the application of the most-favoured-nation clause, of cutting the duty on oil imported into the United States from anywhere in the free world by amounts which go as high as 50 per cent. The agreement has been concluded over the protests of the always vocal independent petroleum companies, who produce and sell their oil in the United States and are most perturbed that the country is now a net importer of oil. But the agreement will be welcomed by the big integrated American oil companies, whose operations are international and who are responsible for most of the Venezuelan production. It will also be welcomed by the steel companies, who are beginning to import iron ore

which will now come in duty free from Venezuela, and by the American growers of fruit and manufacturers of industrial machinery, unassembled motor vehicles and wireless sets, whose products are now to be treated more favourably by the Venezuelan customs.

The real test of the relative strength of exporters and importers will come with the debate on the renewal of the Trade Agreements Act. By then there will be a new Congress and a new President. Mr Stevenson has not yet spoken on the subject of tariffs, but he has said that he will stand on the Democratic platform and that he thought that those who drafted it did a good job. His past record justifies the assumption that he would do nothing to destroy the complex system of reciprocal trade agreements established by Mr Cordell Hull and carried on through the Truman Administration. The Republican platform, on the other hand, not only does not encourage foreign exporters to extend their operations, but warns them to wait and see what happens when Congress starts to debate the Act in April.

General Eisenhower himself has made an unequivocal statement of belief that "trade is a two-way street" and all his experience suggests that he knows the importance of Mr Draper's remark that

if the simple truth were clearly understood and accepted by our people, regardless of party, the next Administration and the next Congress would doubtless find ways and means to . . . greatly increase our imports from Europe and other parts of the world.

Should General Eisenhower be elected, he will, as the first Republican President for more years than most businessmen care to remember, presumably be able to influence Congress for some time at least. He might even get an extension of the Trade Agreements Act through before he is forced to capitulate to Senator Taft and his Congressional allies.

McCarthy Again?

[FROM A CORRESPONDENT IN WISCONSIN]

GENERAL EISENHOWER'S most difficult problem at present is whether he should give active support to those "pre-historic" Republican candidates for Congress who are completely out of sympathy with his international policies and political principles. The practical dilemma is that if these Republicans are defeated, as they may be without the General's endorsement, then, as President, he would be frustrated by having to struggle with a Democratic Congress. On the other hand, if he does endorse them, he may alienate enough independent voters to be defeated himself. The problem has crystallised round Senator McCarthy of Wisconsin, who is running for a second term this year, because it is felt that if the General can swallow such violence and "character assassination," he can swallow anything. Moreover, Wisconsin is an important mid-western State, which is Republican in local politics but was for Mr Truman in 1948, and which has a strong independent vote.

Although revolted by the McCarthy attack on his hero, General Marshall, and making it clear that he deplores the Senator's tactics, General Eisenhower has so far steered a middle road between outright repudiation and wholehearted

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

support of Mr McCarthy. His vice-presidential running mate, Mr Nixon, as well-known an anti-Communist as Mr McCarthy but more reputable, has also avoided committing himself finally. What effect an outright repudiation of Mr McCarthy would have on the Wisconsin result is an interesting speculation; such outside interference in state affairs might rally the voters to him.

Mr McCarthy's first hurdle comes next Tuesday, with the primary election in which the two parties choose their candidates for the state elections. Here he has five opponents for the Republican nomination for Senator, but only one needs to be taken seriously. This is Mr Leonard Schmitt, a lawyer from the city of Merrill, who has stumped the state speaking vigorously against Mr McCarthy, and has introduced the latest American political novelty, the radio "talkathon," on which he answers questions for 25 hours at a stretch. This has frightened Mr McCarthy enough to make him interrupt his convalescence from a serious operation and come back to town to reply to Mr Schmitt.

Mr Schmitt has long been at odds with the Wisconsin Republican party organisation, which supports Mr McCarthy and has accused Mr Schmitt of being a Democrat running on the Republican ticket. However that may be, he will have little chance against Mr McCarthy next week unless thousands of Wisconsin Democrats cross the party line and mark Republican primary ballots for him.

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This can be done because Wisconsin has the open primary system which is supposed to free the people from the power of the political bosses; in this type of primary, those registered as members of one party can vote in another party's primary election if they prefer, and can thus influence, and perhaps decide, the opposition's choice of candidate. It is a system that was condemned as dishonest and undemocratic over thirty years ago by the late President Taft, a stickler for party responsibility, but it still flourishes in Wisconsin. And it explains in part how Mr McCarthy became a candidate for the Senate in 1946. His opponent in the Republican primary in that year was Senator Robert La Follette, who was defeated by only just over 5,000 votes. They almost certainly came from Democrats who thought that Mr La Follette would be the most formidable opponent for their candidate and who therefore went into the Republican primary to vote for the unknown Mr McCarthy.

Until a few weeks ago it seemed that they would be able to cross the party line again this year in order to defeat the man they helped to elect in 1946. It looked as though Mr Henry Reuss, a Milwaukee lawyer and once a Marshall Plan official, would not have to fight for the Democratic nomination for Senator, so that members of his party, with no great interest in the candidates for other offices who must also be chosen in the primary, would have felt free to take part in the Republican contest. But at the last moment Mr Thomas Fairchild, the Federal District Attorney and former State Attorney General entered the Democratic race.

Last spring most Wisconsin Democrats and many Republicans would have welcomed his candidacy. He had run a good race against the state's senior Senator, Mr Wiley, in 1950 and by winning the election for Attorney General in 1948 he had given the Democrats their first victory for a state office for fourteen years. Although a Democrat, Mr Fairchild is the son of a lifelong Republican who has been a Wisconsin Supreme Court Justice for 22 years, and thus would undoubtedly get votes in November from Republicans

who cannot accept Mr McCarthy. But when Mr Fairchild changed his mind, after refusing to run, the followers of Mr Reuss, who had not expected a contest, were furious and the battle for the nomination is now bitter. This means that most Democrats will stay on their own side of the fence on Tuesday, instead of coming over to the Republicans. Thus Mr Schmitt's chances of the Republican nomination have been damaged and Mr McCarthy's enhanced. And if Mr McCarthy is nominated, as seems probable, the fight in the Democratic primary may leave scars on that party that will make it easier for him to win in November.

But the reason why Mr Fairchild yielded to pressure and decided to run was because he became convinced that neither Mr Schmitt in the Republican primary nor Mr Reuss in the general election had any real chance of defeating Mr McCarthy, whom he loathes. Whether Mr Fairchild himself could do that is still far from certain, but some Wisconsin Democratic leaders and a few Republicans think that he has a good chance—if he gets by Mr Reuss in the primary. These people believe that Mr McCarthy has been losing ground with Wisconsin voters. He was first elected as a war hero, in a year when the Republicans came in on a wave of reaction, but his highly advertised war record in the Marines has now been questioned in documented newspaper articles. His difficulties with income tax authorities, his behaviour as a Wisconsin circuit judge (which drew stinging rebukes from the State Supreme Court and the State Board of Bar Commissioners), the \$10,000 he received from a pre-fabricated housing firm, now bankrupt, for a pamphlet he wrote while serving as chairman of a special Senate committee investigating housing—all these things have been given wide circulation in Wisconsin in recent months. It seems certain also that the tactics used in his campaign against "Communists-in-government" have offended many members of his own party and that his violent attack on General Marshall backfired politically.

★

Those who argue that Mr McCarthy is slipping point to the formation in recent weeks of two citizens' committees opposing the Senator, which cut completely across political party lines as well as economic interests. And it is believed that there will be a substantial "silent" vote against Mr McCarthy by other citizens unwilling or unable to take a public stand against him. Nevertheless Mr McCarthy still has powerful support and many hard-headed political observers who have no use for him personally dismiss all this evidence that he may not win as wishful thinking.

These observers point out, first of all, that Wisconsin is a Republican state and that he has the enthusiastic backing of the strong well-financed state Republican organisation. He won lavish endorsement from the same state convention in June that sharply censured his colleague, Senator Wiley, who had inexcusably referred to Mr Acheson as "the distinguished and able Secretary of State." This party organisation is in a position to bring effective pressure on most Republican leaders who show reluctance to go down the line for Mr McCarthy. This specifically and conspicuously includes Governor Kohler, who has privately condemned Mr McCarthy's behaviour and who even considered opposing the Senator in the primary. Now Mr Kohler, running for a second term as Governor, has not only endorsed Mr McCarthy and campaigned for him, but also declares unblushingly that the "factual foundation" for many of the McCarthy charges against the State Department "has already been demonstrated."

It is doubtful whether Mr McCarthy's charges against the State Department, however unjustified, have hurt him politically in those parts of Wisconsin where isolationist sympathies still survive, and these attacks on "Communism" may have helped him also in traditional Democratic strongholds, such as the Catholic sections of Milwaukee. The Senator has even had some success in equating opposition to himself and his tactics with pro-Communism. Finally, he is by far the best known of any of the candidates. Whatever the other results of his campaign against the State Department, it has put his name in the news with a frequency unparalleled in Wisconsin politics. For all these reasons there are many political observers who are convinced that Senator McCarthy will continue to represent Wisconsin whatever General Eisenhower does.

American Notes

Straight Talk for Labour

The American Legion audience which had to submit to a lecture on the nature of patriotism from Governor Stevenson, and hear that he would resist special privileges, even for veterans, now has the comfort that it was not singled out for plain talk. Labour Day, traditionally the starting-point for political campaigns, is the day when the trade unions are accustomed to have their virtues extolled by politicians, and particularly by those of the Democratic party, which rightly regards the labour vote as the backbone of its strength. But in Detroit Governor Stevenson chose to emphasise labour's responsibilities as well as its rights. Although a few months ago he was criticising the President for not invoking the Taft-Hartley Act in the steel strike, he has now accepted the Democratic position that the Act should be repealed, rather than revised, if only to get rid of an ugly piece of political symbolism. But he insisted that even in that "tangled snarl of legal barbed wire" there was some good. While a new law should recognise the unions as responsible organisations, and do away with the use of the court injunction in labour disputes, it should also make it clear that membership must be open to all, without discrimination, forbid unfair practices by trade unions as well as employers, and provide means of avoiding strikes, such as the recent steel stoppage, which endanger the nation and the whole free world.

This is not the sort of talk which brought out crowds of industrial workers to hear Mr Truman in 1948, and is still bringing them to his whistle-stops. Mr Truman has stepped out of the limelight with good grace, as long as he can continue the hard-hitting tactics he enjoys and pursues so effectively. For example, he is turning the tables on the Republicans' demand for a change by inquiring whether it is a change from full employment which they really seek. This is not Governor Stevenson's style. Even while he was deploring General Eisenhower's reckless sponsoring of a policy of liberating enslaved peoples, he politely hoped that the General was misunderstood.

But if the Governor failed, partly because of his matter, partly because of the inadequacies of outdoor television, to whip up labour enthusiasm at Detroit, he seems to have retrieved the Negro vote, which was in danger of being lost when a Southerner was chosen as his running-mate. It is a feather in Mr Stevenson's cap that Representative Adam Powell, the Negro Congressman who was threatening that his race would stay away from the polls, and Negro leaders from a number of other crucial states now wholeheartedly support him. This conversion took place after Governor Stevenson promised to combat segregation in Washington and explained that he favoured a federal law on Negro rights, though one which would be invoked only in states which did not take action themselves.



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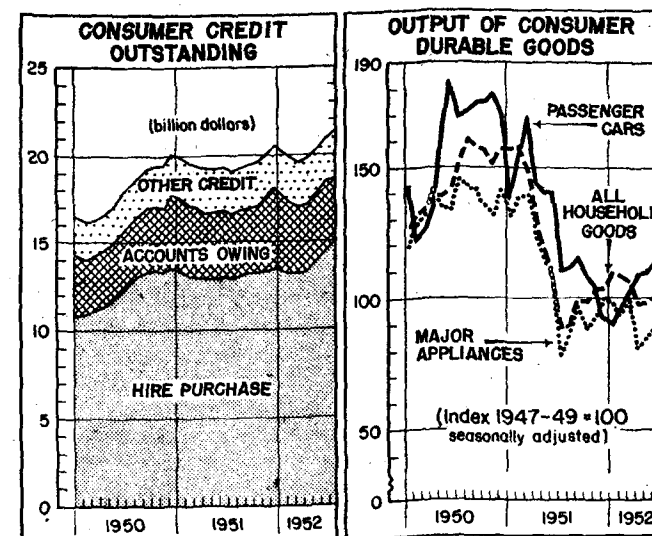
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Never-Never on the Up-and-Up

Contrary to the forecasts of the Federal Reserve Board, hire purchase buying has shot up since last May, when the board relaxed the regulations which had fixed both down payments and instalments at a high proportion of the original cost of the article. This had been too high for most people in the low income groups, where this summer's new buyers of automobiles and household appliances on credit apparently come from. However, although in the first burst of enthusiasm some retailers reduced their terms almost to the never-never category of no down-payments, and instalments lasting a life time, shop keepers are now carefully suiting their hire purchase agreements to their customers' financial standing. This is one reason why economists are not yet perturbed at the fact that the amount of consumer credit outstanding is higher than ever before. Another reason is that, with earnings continuing to go up, the relationship between consumer debt and disposable personal income is remaining steady; the total amount owed at present is still under ten per cent of the total amount available for spending.

Consumers are, however, at last actually spending rather more of their incomes; net saving, while still high, has now fallen to only seven per cent of the income left after taxation, compared with nine per cent in the second half of last year. It seems probable that the present rate of saving may become customary as long as incomes remain satisfactory. People seem to be buying again because they can see no prospect of prices dropping any further and some prospect of them rising again. People also seem to be buying because the cupboards



Source: Federal Reserve Board

they filled after the Korean outbreak are empty and the clothes they bought then are wearing out. It is noticeable that the improvement in retail trade which is at last appearing everywhere, except in New York City, is more marked in non-durable goods, such as clothing, than in the durable lines, where the increase in hire purchases has to some extent been cancelled out by a slackening in cash sales.

Many dealers are in fact relieved that the steel strike meant a sharp fall in the output of durable goods in July. This is particularly true of automobile salesmen, who doubt whether they will be able to dispose of the new cars that are now once more being produced at the pre-strike rate of 95,000 a week. Dealers in household appliances, such as refrigerators and cooking stoves, may, however, find their trade improving next month when the terms on which mortgages can be granted will be eased. Estate agents are hoping that the present poor market for houses is only because buyers are waiting until they too can borrow on something approaching never-never terms. But there is evidence that the postwar demand for houses, like that for automobiles and household appliances, may be almost satisfied and that future sales may depend mainly on replacements and on the formation of new families

Storming the South

General Eisenhower made history this week by invading the traditionally Democratic South, which is usually written off by Republicans, and by doing his wooing by air, thus bringing the "whistle-stop" technique up to date. His enthusiastic reception, as he vigorously attacked corruption in Washington, was watched intently by Democratic strategists, although in the past fortnight most of the rebellious southern state organisations have swung, somewhat reluctantly, into line behind the party's national candidates. In South Carolina, Mississippi, and Louisiana, three of the four states which deserted Mr Truman in 1948, Democratic electors have been pledged to deliver their states' electoral votes to Mr Stevenson. In Louisiana, a state with off-shore oil interests, this was too much for six of the ten electors. They resigned, and substitutes are being sought. Democrats in Virginia have grudgingly promised to support the Stevenson-Sparkman ticket.

The consequence is that General Eisenhower will have to stand on his own feet in the South, winning votes under a Republican or independent label. In the long run this is undoubtedly a better foundation for the creation of a vigorous Republican party in the South than the masquerading of the Republican candidates as Democrats at which some dissatisfied and reactionary Southerners were willing to connive. The sole exception may be Texas, where the Democratic organisation, affronted by Governor Stevenson's rebuff over off-shore oil, may next week offer the General and Mr Nixon first places on the Democratic ballot. Republicans in Texas have already placed the local Democratic candidates upon their list in the hope of picking up votes for General Eisenhower.

Both the presidential candidates, after pleasing the South by their moderate positions on Negro rights, have retreated somewhat, under northern pressure, and promised to try to end the filibuster. This right of unlimited debate in the Senate is regarded by the South as the chief defence of minority groups against hateful legislation; so far it has prevented any civil rights legislation from even coming to a vote, for sixty-four of the ninety-six Senators are needed to change this rule may not be curbed at all. The northern liberals who hope early in the session to end the "stranglehold by vocal cords" are seeking a way round this obstacle by arguing that the Senate is no more a "continuous body" than the House and that, like the House, its rules must be voted afresh at the beginning of each session. Only a majority vote would be necessary. The task of handing down a decision on this knotty point will be an unenviable one if a Southerner is in the chair. But even a favourable verdict would not necessarily spell the end of the filibuster. Too many non-southern Senators like it because it relieves them from taking a stand on burning issues.

* * *

Co-operation Against Clothing Competition

In New York City's clothing factories it does not seem as unorthodox as it would in Detroit's automobile shops or Pittsburgh's steel mills for the industry to invoke the help of its trade union to fight its competitors, or for the union to agree to be used in this way. But as a result of giving such a new interpretation to the old labour motto—"In union there is strength"—the International Ladies' Garment Workers' Union now finds itself involved in an anti-trust suit as co-defendant with the clothing firms which employ its members. It has also found itself departing even further from trade union tradition by being picketed by the employers of non-union labour who are bringing the suit.

The Sherman Anti-Trust Act has been called into play by a group of 190 unorganised firms in the women's apparel industry in New York City, about 10 per cent of such businesses there. The suit is their answer to the organising

drive, accompanied by mass picketing, recently started by the ILGWU in order to bring their workers into the union. This drive was urged on the ILGWU by the unionised firms that have been suffering from price cutting indulged in by competitors whose wage bills are not fixed by union contracts. These competitors are now accusing the unionised firms and the union itself of conspiring to restrain the trade in women's clothing.

Making women's clothing is New York's largest industry, with an annual output worth \$600 million and a labour force of 250,000 workers, who have not been involved in a strike for over 25 years. The turbulent days when immigrant seamstresses were organised in East Side sweatshops is a memory preserved only in the turn-of-the-century name of the union and its central body, the Cloak Joint Board. The ILGWU is a veteran in the clothing business compared with most of the firms it has under contract, and its policy is guided by the belief that it must watch the industry's interests, the better to protect itself.

In keeping with this philosophy, the union did not seek wage increases last year because of the depressed condition of the trade, and the continuation of the buyers' market this year has made it especially important to the industry to remove wages and working conditions from competition. The co-operative attempt to organise the non-union firms has included ordering delivery companies with which the industry has contracts to desist from providing lorry transport for non-union shops and, according to the plaintiffs in the suit, attempts to force the independents to join the present employers' associations. The recent picketing dramatised the union's refusal to recognise the newly formed association of the non-union firms, a refusal based on the fact that it duplicates existing associations and the allegation that it is run by firms having unsavoury connections with the underworld.

Expansion's Weak Spots

By offering rapid tax amortisation, the government since December, 1950, has induced private industry to promise to invest over \$22 billion in the expansion of basic materials and facilities needed by the defence programme. By the end of June this expansion was, on the average, about half in place and by the end of next year it should be nine-tenths complete. Some industries are much further ahead than others, and even inside industries the rate of growth is uneven; the blast furnace programme, for example, is lagging far behind the building of steel works and rolling mills which will require pig iron from the furnaces. But even so Mr Fowler, the Defence Production Administrator, considers that the production of most basic materials has been expanded sufficiently to allow the defence programme to be speeded up, if the military authorities so desire, without pinching the civilian consumer. When the Administration decided to stretch out and slow down the defence programme it acted, in part, on the fear that too great a share of the available materials would have to be diverted to the services.

Relatively few additions are being made to the 13,000 "certificates of necessity" already granted, for most of the work of expanding the base of the economy has been eagerly snatched up. But on a few items, some of them essential in time of war, business has proved baulky. The goals set by the planners are at least high enough to provide for full mobilisation readiness. And private businessmen are understandably reluctant to invest their own or their stockholders' money in plants whose products will be needed only in wartime or for which the supply is already equal to civilian demand. For example, although structural steel has been exceedingly short ever since 1950, only one offer to expand production has been made. Big structural steel shapes would be all-important in time of war, but the industry objects that capacity to turn them out is already more than adequate

for peacetime; that the trend is toward lighter forms; and that structural shapes are relatively unprofitable. The same kind of arguments apply to certain sorts of chemicals.

Some government planners, feeling that for the lack of a nail or two the whole preparedness programme may be held up, would like the government itself to fill the gaps, building industrial plants as it did during the last war. At present it is building none, except in the field of atomic energy. Congress, in the original Defence Production Act, invited the planners to ask for more powers if those they had proved inadequate, though it did not promise to grant them. But Mr Fowler apparently considers that direct government construction should only be a last resort, undertaken if richer rewards, offers of compensation, or stockpiling fail to provide the answer.

Shorter Notes

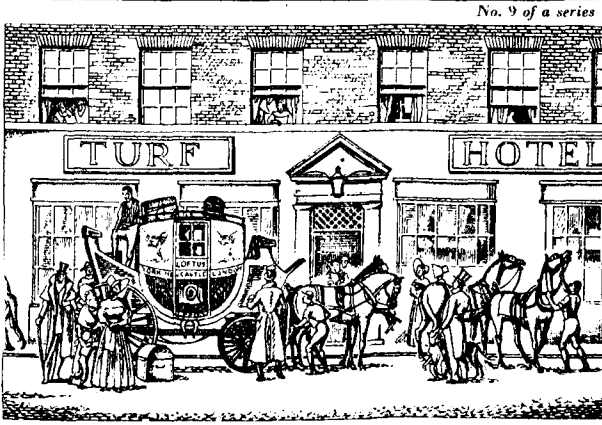
The Senate preparedness committee, in its latest criticism of extravagance and waste by the armed forces, has censured the Army's Chief Engineer, General Pick, for allowing public funds to be squandered on the strategic air bases being built in North Africa. The need for speed, in order that two of the bases might be in operation within six months, was the root cause of the unsatisfactory construction, which means that costly repairs must now be carried out, but the committee also blames "flagrant disregard for sound engineering practices," indecision, confusion, poor administration, loafing and drunkenness. The committee admits that these conditions have been dealt with and that the work is now proceeding satisfactorily and fairly economically, but it is convinced that at least \$120 million has been wasted.

Senator McCarran's perennial problem is the shortage of shepherds in his state, Nevada, one of the chief wool-producing regions. He has sponsored special immigration arrangements for Basque shepherds and special foreign aid funds for Spain, but the Spanish government, annoyed at American criticism of its grandiose demands for military aid, has been delaying the visas for the Basque shepherds. However, it is understood that Spain has now remembered its American fairy godfather and has rewarded Mr McCarran by granting the exit permits.

The Air Defence Command has launched its "Operation Skywatch" in 27 states in spite of the fact that it has only 30 per cent of the civil defence volunteers needed for round-the-clock duty. In order to man the 6,000 stations on both coastlines and along the northern border, an estimated 500,000 volunteers are required to provide two spotters for every two-hour shift. Only 150,000 people have volunteered and only about half the projected stations can be opened for some hours during the day; the Civil Defence Administrator puts part of the blame on Congress which appropriated \$43 million for his agency instead of the \$600 million requested.

Continued sales of the "miracle" drug chloromycetin is to be permitted by the Food and Drug Administration in view of its value in treating such serious illnesses as typhoid fever, but the medicine must now carry a specific warning against its indiscriminate use for minor infections. This is the result of an investigation after reports that severe blood disorders, in some cases followed the use of this powerful antibiotic, which has been administered to about 8 million patients since 1949.

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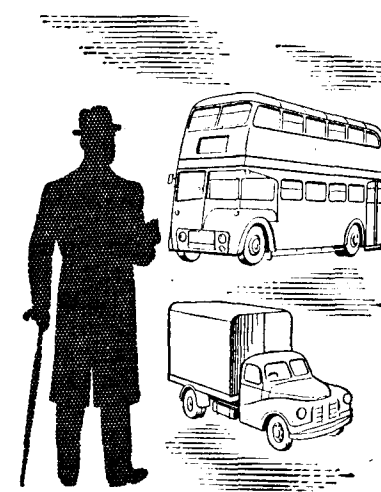
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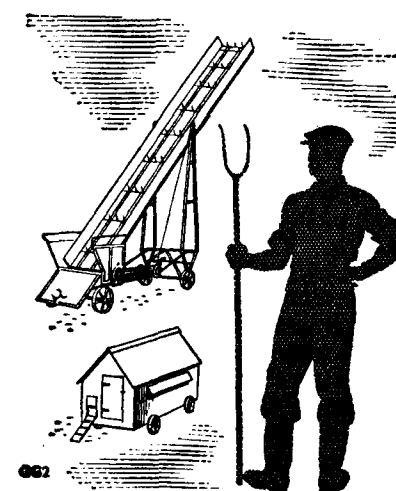
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Japan Eyes the China Market

(From Our Tokyo Correspondent)

NO one—least of all, probably, the Government leaders—knows what Japanese policy really is on the long range question of trade with Communist China. It may be suspected that at present no hard-and-fast policy exists. In uneasy theory, the Government is firmly opposed to all trade with Peking which comes within the scope of the western powers' restrictions on exports of "strategic" materials to the Communists. But the sensitive ear can detect a hollow and forced ring in the Government's loud warnings against the perils and futilities of trade with Communist China. Different ministers advocate different courses. The Foreign Office and the Ministry of International Trade and Industry are openly at variance. The Prime Minister directly contradicts his Foreign Minister on Japan's attitude to the Peking Government. And industrial pressure for a resumption of trade grows all the time, not only among the ranks of the businessmen, who support the conservative government, but in trade union circles also. In this conflict of voices and division of authority, the Chinese Communists have an admirable opportunity to make mischief by offering trade concessions to split Japan from the West.

There are two independent and, indeed, opposed Japanese movements now actively negotiating for resumed trade with Communist China. The brisker movement is branded as illegal and invalid by the Foreign Office and is subject to the same charge of involuntary propaganda influence as are the British and French interests which have made similar vague barter agreements with Communist states. Last June three self-appointed Japanese delegates, described as representatives of the China-Japan Trade Enhancement Association, signed a £30 million barter trade "agreement" in Peking with Nan Han-chen, chairman of the Chinese International Trade Enhancement Committee. It was agreed that trade should "in principle" be in barter, and that financial calculations should be in sterling. There were special provisions that, for the discussion of details, Japanese representatives should go to China and that the location of a proposed arbitration committee to discuss any disputes should be "within the boundary of China."

But the real catch was that all barter commodities were classified into three groups, "A," "B" and "C"; that the commodities in each classification were to be exclusively convertible; and that the items which Japan needed most from China (coal, soya beans, iron ore and manganese ore) were interchangeable only for Japanese copper, steel products, railway materials, tinplate, aluminium, metal ingots and other vital commodities almost all of which are prohibited under the western ban on exports to the Communists. Some idea of the circumstances in which the "agreement" was signed may be gauged from the earnest testimony of one of the three Japanese signatories, an elderly lady socialist, Mrs Tomi Kora, that the Chinese had assured her sincerely that any strategic materials supplied by Japan would definitely be used only for civilian, and never for military purposes.

The Foreign Office angrily denounced the "agreement" as "illegal." But Mr Nobuhiko Ushiba, chief of the Bureau of Commerce, speaking on behalf of the Ministry of International Trade and Industry, said blandly that "such barter trade on a sterling basis was not impossible," and that his Ministry might issue permits for such trade, "depending on the nature of the articles involved." The first tentative but

definite barter moves, avoiding controversial strategic materials, have already been initiated between Japan and China. The first modest deal was valued at only £2 million—Chinese lacquer, talc and plaster for Japanese typewriters and bicycles. The second is reputedly valued at £3 million; the exotic but "strategically" harmless exchange includes Japanese bicycles, dried cuttlefish, sewing machines and DDT, and Chinese liquorice, raw cotton (6,000 tons), cow-bones, coking coal (250,000 tons), and pig bristles. Details have not yet been settled, and many cynics are asserting that the deals are only paper propaganda. The Foreign Office has firmly announced that it will refuse visas for Japanese export representatives to go to Communist China, but there is a loud hint reverberating throughout the business world of Osaka that the Government will not stop anyone from visiting Hongkong to hammer out adjustments.

Meantime, on what may be called the official trade front, the Ministry of International Trade and Industry is now diffidently exploring the possibility of expanding exports of weaving machines, dyestuffs, paper and woollen goods to China. The previous barrier against the Japanese export of these items was lifted at the recent five-nation talks at Washington, which finally allowed Japan to join the United States, Britain, France and Canada on the Co-ordinating Committee for Export Control in Paris. To these commodities—which, as Japan knew, the West had been exporting to the Communists while prohibiting Japan from doing so—were finally added under pressure from Japan, such mystical but valuable goods as Japanese agar-agar, DDT, mosquito incense and pyrethrum.

Thin End of the Wedge

Japanese industrialists have not shown excessive enthusiasm over these first trade concessions granted by the West. Conservative estimates place the value of official business with Communist China—as distinct from, and in addition to, the volume of unpredictable business under the unofficial barter "agreement"—at no more than \$28 million for the last four months of this year. This makes a poor showing beside Korean war orders placed by the United States, which averaged \$30 million a month all last year. But it represents the thin end of the honourable wedge, and as such is not being scorned by industrialists who have huge stocks of dyes, textiles, paper and woollen goods ready for immediate export if Communist China will take them.

A further complication has been the spirited attempt by Chiang Kai-shek to present a wider alternative non-Communist Chinese market for Japan. He has sent the amiable General, Chang Chun, former Premier, as a trade emissary to Japan. General Chang argued that Japan's "dream of trade" with Communist China was based on "a hoax," that China needed its raw materials as desperately as the Japanese did. The Japanese listened impassively but sat up and took notice when Chang promised an "interim" arrangement, during "the temporary Red regime," which would "throw open" to the Japanese "the resources and needs of several million Chinese non-Communist businessmen in South-East Asia countries." The Japanese may have their private reservations about the "temporary Red regime," but the prospect of some hard trade in South-East Asia

attracted them at once. There has been growing an uncooled impatience with the glitteringly vague American offers of a vast new trade bonanza in South-East Asia. General Chang's proposition is being followed up with customary Japanese thoroughness and vigour.

Apart from the possibilities of this new proposition for Formosa, Japan expects to sign another trade agreement with Nationalist China, valued at \$72 million a year for exports and imports alike. The present trade agreement is worth only \$50 million. Japan's principal exports will be: fertilisers, textiles, iron and steel goods and machinery; and its imports, rice, sugar, bananas and pineapples. The new trade pact, at General Chang's bland suggestion, will be known as the Japan-China Trade Agreement instead of the present Japan-Formosa Trade Agreement. The next move seems to lie with Communist China.

The Fifth Soviet Five-Year-Plan—II

Bright Prospects for the Russian Consumer

It was argued in a previous article that the pattern of development of Soviet basic production has not been changed radically in the new plan. Yet, if there are no novel departures, there is a certain shift in emphasis: a fuel-saving campaign and the substitution of electricity for other fuels; plans for speeding up the production of timber and building materials; efforts to achieve self-sufficiency in non-ferrous metals through the development of home deposits and of synthetic substitutes; and last but not least great emphasis on the output of the engineering industry. All these were features of the previous plan; but in the new one they receive even greater emphasis.

The important role ascribed to electric power is the more significant, since the planned increase in oil production is the most spectacular target of the plan. Coal is progressing regularly towards its goal of 500 million tons by 1960. This week, it was reported that coal production now runs at a rate 8 per cent higher than last year and hence should top 300 million tons for the first time this year. Oil output, however, is scheduled to reach 70 million tons in 1955; that is, 10 million tons more than its long-term goal. All the same, the planners foresee the progressive introduction into the countryside of electrically driven tractors, a greater electrification of transport and the use of electric power in the development of regions where coal is in short supply. Such ambitious plans of power expansion are made possible by the gradual putting into action of the hydro-electric power stations built as part of the "Great Projects." By 1955 these should account for about one-fifth of the total electric power generated and they should account for about one-third of the planned increase of some 60,000 million kwh.

Industrial expansion makes great demands on the building trade to provide both factories and houses for the workers. The Russians recognise that the timber industry has "failed to keep pace with the growing needs of the national economy." Output of timber is now to be stepped up and that of building materials as a whole is to be at least doubled during the 5-year period. State building should provide some 105 million square metres of floor space in the towns, and private construction should bring it up to over 120 million square metres. Although housing will remain an acute problem for a long time to come, the new planned figures compare favourably with the 85 million square metres planned and over 100 million achieved in the previous five years, particularly as these figures lumped together war damage repairs and new construction. Priority is now apparently to be given to the Urals, Siberia, the Volga area, the Far East and Central Asia.

This is in fact the only direct reference to the eastward shift of industry, which has been a salient feature of postwar Soviet development. An indirect indication is provided by the intended expansion of the production of non-ferrous metals, since the deposits of the latter are located chiefly in the Urals or further east. During the five years of the plan the output of nickel is to rise by one-half, that of tin by over three-quarters; copper production is to be nearly doubled, that of zinc is to increase one and a half times, while the output of lead and aluminium is to be increased even more steeply. With the exception of tin and nickel, the planned rate of expansion is greater than in the previous plan. In addition, the rapidly growing chemical industry is to help by providing Ersatz non-ferrous metals and synthetic rubber.

In its emphasis on steel alloys, the chemical industry and non-ferrous metals the new plan is reminiscent of the third 5-year plan which was interrupted by the war. Then, too, stockpiles were to be increased. Now they are to be doubled, while the national income is to rise by only 60 per cent. Hence, reserves which, partly out of fear and partly to smooth the running of the economy, have always been high in the Soviet Union, may well be increased to nearly 8 per cent of the national income, instead of the usually estimated 6 per cent. The greatest resemblance, however, lies in the stress laid on engineering. In the new plan, to quote a striking example, the output of the machine building and metal processing industries is to be doubled in the five years.

The great difference between the third and fifth plans lies in the production of consumer goods. In 1939 large increases were indeed planned, but there was a great discrepancy between the planned pace of heavy and light industry. The new plan is to close this gap as the following indices show.

PLANNED INDICES OF INDUSTRIAL PRODUCTION
(1950=100)

Producers' Goods	1955	Consumer Goods	1955
Coal	143	Paper	143
Oil	185	Cotton goods	161
Crude steel	162	Leather footwear....	155
Metal-cutting tools (large)	260	Sugar	178
Commercial timber	156	Animal fat	172
Total producers' goods ..	180	Total consumer goods ..	165

The present plan does, in fact, give an idea of what the Russians could achieve if they devoted more thought to the consumer. If the light and food industries are allowed to run according to schedule, the Soviet Union will by 1955 produce twice as many woollen fabrics, and twice as much sugar and fats as in 1940; the output of cotton goods will exceed the pre-war level by three quarters and the output of shoes by a half. Even allowing for the growth of population these are tremendous increases. Yet the Russian consumer is promised still more. The sales to the public of clothing, shoes and sugar should rise during the 5-year period by about 20 per cent more than the domestic output of these articles. This fits in well with the reference in the draft plan to closer co-operation with the countries of the Soviet bloc and to the development of relations "with all countries which wish to develop trade on the basis of equality and mutual benefit." It remains to be seen whether the Russians really intend to buy consumer goods from the West or whether the gap between domestic production and the promised supplies is to be accounted for only by Czech shoes and Polish textiles.

But whatever the source, to the average Russian, the prospects must look dazzling. The planned supply of consumer goods may still fall far short of the promised land of plenty of the Communist millennium or even of the American standard of life. Yet the Russians could make quite favourable comparisons with most European countries and, what is most important, if the targets are reached, it will almost look

like plenty to the Russian who has not yet forgotten the appalling conditions of war and its aftermath.

These prospects must arouse great hopes. They may also evoke bitter memories. The third 5-year-plan promised the Russian consumer a rise in his standard of life which was

PRODUCTION OF CONSUMER GOODS

	Unit	1940	1950	1951	1955 Target
Cotton fabrics ..	mn. metres	3,886	3,815	4,656	6,142
Woollen fabrics ..	"	120	167	189	257
Leather footwear ..	mn. pairs	205	205	240	318
Sugar	'000 tons	2,150	2,515	2,969	4,477
Animal fats	"	207	325	345	559
Vegetable fats ..	"	724	775	868	1,372

substantial, even if it was not as spectacular as the one promised now. He seemed to have it almost within his reach. Then came the spectre of war, rearmament, a shift towards heavy industry and finally war itself. Will the hopes of the ordinary Russian again be doomed or will he—after decades of hard toil, privations and bitter disappointments—at last get his reward? If they do not consider war imminent it may well pay the Russian leaders to carry out these plans. Even if they fall short of completion, an additional pair of shoes, a few extra yards of cotton, a few more ounces of sugar will pay rich dividends in boosting morale and strengthening the regime.

(To be concluded)

Egypt in the Red

[BY A CORRESPONDENT]

IN Cairo, two weeks ago, the Minister of Finance, Abdel Gelil el Emary, told a press conference that the cotton policy of the Wafd "had had a most disastrous effect on the country's economy." It may or may not be good politics to blame the present critical state of Egypt's finances upon the Wafd. But there can be no doubt about the facts. Cotton normally accounts for something like 80 per cent of the country's exports. During the last two seasons the fantastic manipulations of the price of cotton on the Alexandria market, which the Wafd allowed or encouraged, in order to favour its friends and supporters, pushed prices so high that on each occasion a large carry-over had to be taken over by the government instead of being sold to foreign spinners.

Moreover, the Wafd's determination to keep cotton prices high not only reduced the value of the country's exports but actually increased its bill for imports as well. For if he is persuaded that he will get a good price for his cotton, the fellah somewhat naturally plants more cotton and less grain, with the result that more grain must be imported. In 1950 the value of Egypt's imports of wheat was £E13.8 million. Last year it was no less than £E34 million. It is true that stockpiling in the Western world during at any rate the earlier part of 1951 tended to mask the results of this policy, for in that year the value of exports was £E203 million compared with imports amounting to £E242 million if monetary gold is excluded. But the full effect became strikingly plain in the first six months of the present year, when the value of exports was estimated at £E67 million compared with no less than £E124 million in the first six months of 1951; the value of imports amounting to £E120 million and £E113 million in the first half of 1951 and 1952 respectively. The favourable balance of visible trade in the first half of 1951 has thus been replaced by an adverse balance of £E46 million in the first half of 1952.

According to figures published by the National Bank of Egypt, current invisible exports in the first six months of 1951 (the latest figures available), amounted to £E47.7 million, consisting mainly of Suez Canal dues (£E13.3 million); expenditure of British troops in Egypt

(£E6.6 million); the country's gross shipping earnings (£E3.8 million); interest and dividends (£E2.4 million); and no less than £E19.8 million being described as "other receipts." Current invisible imports amounted in all to £E36.7 million, made up mainly of "travel and maintenance" (£E7.4 million); interest and dividends (£E7.4 million); government expenditure abroad (£E4.1 million); and gross shipping disbursements (£E3 million). There was thus a credit balance on current account of invisible items amounting to £E11 million. But even on the somewhat optimistic assumption that in the first half of 1952 invisible items have yielded the same surplus as in the first half of 1951, the gap which has still to be filled is large indeed. It is hardly surprising that the Egyptian authorities should have pressed Whitehall so long and so earnestly to release before it strictly need have done, the £10 million which the Treasury undertook by the 1951 Anglo-Egyptian Payments Agreement to release by the end of each of the ten years for which the agreement runs. Nor is it altogether surprising, in view of the interest which Britain has in preventing a serious worsening of Egypt's position, that Whitehall should have agreed.

Gold Reserve Built Up

When, in the summer of 1947, Egypt cut loose from the sterling area and began its attempt to make the Egyptian pound stand on its own feet, there were many who thought that the experiment would end in failure. As things turned out, a sustained period of high prices for cotton in world markets enabled Egypt to earn the dollars needed to acquire a gold reserve. This gold reserve now stands at £E60.6 million, covering a third of the notes at present in circulation. This is an important consideration in a country of peasants who understand gold but distrust paper. In addition a reserve has been built up of some £E35 million in foreign currencies other than sterling, though there has been a heavy fall since the beginning of this year, when it stood at over £E50 million. Moreover, it has proved possible to transact a substantial proportion of Egypt's foreign trade in the so-called Egyptian export pounds, which in 1951 amounted to £E19 million. It is true that the value of the currency on the free market has fallen in recent months to a discount of 30 per cent, though, as the Minister of Finance pointed out, the discount now stands at only 10 per cent. It is true that in the last four years the restrictions have not prevented a large flight of capital to Zurich, Amsterdam, New York and Buenos Aires. It is true also that the whole experiment has involved a serious reduction in the sterling balances, which now stand at £E173 million compared with £E224 million at the end of 1950. In spite of all this, and in spite of the disastrous six months Egypt's foreign trade has just experienced, it would be premature to assume that the bold decision of 1947 has not proved a success.

But another cotton season like the one just coming to an end would make the assumption unavoidable. Even before the recent upheaval, action had been taken to reduce imports and to economise foreign exchange, for instance, by the restriction of travel allowances. And there is no doubt that the present government is alive to the real danger which faces the country. The Minister of Finance's recent declaration that its policy will be to accelerate the movement of cotton is a sure indication that it considers it to be more in the country's interest to see that the cotton is actually exported than to encourage a bull market at Minet-el-Bassal and to come to the rescue of the speculators when they get into trouble. Indeed, if the government is as good as its word about the drive against corruption, one or two of the better-known names in Alexandria may not be heard of for some little time.

All this will help. But there will still be a long way to go before Egypt's international accounts can be balanced this year unless it succeeds in selling its cotton abroad, and in selling it at a price considerably higher than that ruling

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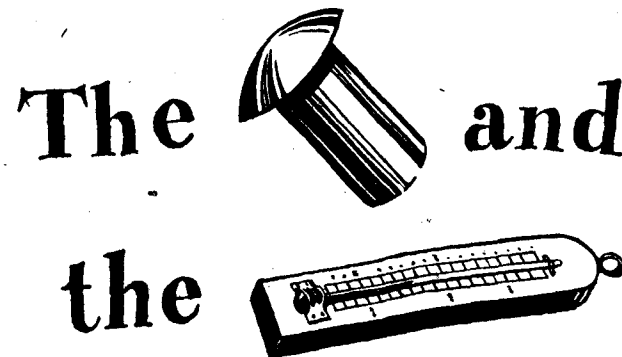
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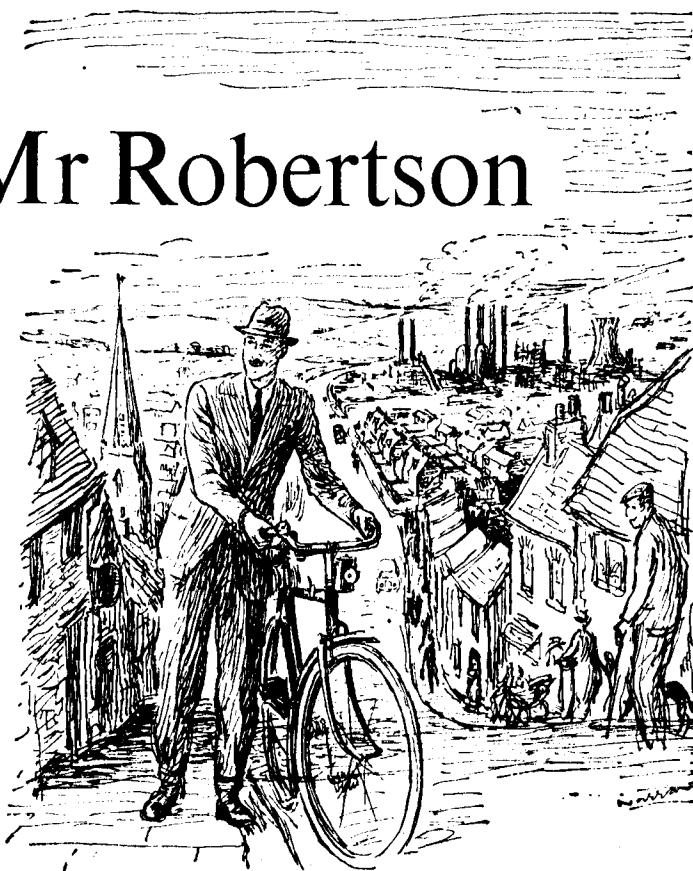
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At home to Mr Robertson



IT IS A FINE THING, someone once said, to have ancestors; but if you have none worth speaking about, it is not a bad plan to set up in the business yourself. There are towns like this. The guide books are terse about them. 'Pop. 18,157; early closing Wednesday; nothing noteworthy to see...' There are many such, not quite new and not very old, whose traditions are still in the making.

★ ★ ★

IT WAS in a town of this kind that Mr. Robertson came to live. As he surveyed it for the first time, it looked commonplace enough; the old weathered cottages, the newer houses and the tarmac road that led along the valley to the ironworks beyond.

★ ★ ★

NOTHING noteworthy—or so it would have seemed to Baedeker. But Mr. Robertson was not a starry-eyed visitor. He had come here because he had a job to do. To him there was one thing very noteworthy about the little town. It was full of people. People and their problems were Mr. Robertson's business.

THEY have been the concern of Mr. Robertson, his colleagues and his predecessors for just over a century—although not always to the same extent as today. Mr. Robertson's business, which is home service insurance, has developed in much the same way as the town in which he came to work. Like cities many times its size, its social pattern reflects in miniature the story of a nation's growth. Every week, from Friday to Thursday, Mr. Robertson cycles through a century of history; from the old farmhouses on the village outskirts, through the 'new' but sooty town to the villas on the windward side of the smoke. There are families in every row, street and crescent who are at home, on one day or another, to Mr. Robertson.

'POP. 18,157...' Most of it is in the 'new' town that Mr. Robertson visits on a Friday evening, for it is reasonable to collect insurance premiums when people find it easiest to pay them. Hereabouts this Friday evening visit has been a custom for as long as there have been local traditions of any kind. No one, save for a few cottagers, lived here before the mineral quarries were opened and the ironworks built. Ever since, the insurance man's regular call has been an accepted feature of domestic routine. Often enough, family problems are stored up during the week for his attention.

THIS valley town, like many others, has had its ups and downs; today it is one of the all-important reservoirs of Britain's productive energy. And Mr. Robertson—like the fitters and foremen and

clerks he visits in their homes and sometimes in the works canteen—is also playing a part in keeping the nation's economy on an even keel; in helping, perhaps, to turn the wheels within the factory gates

FOR MONEY is needed to keep these wheels spinning. Mr. Robertson's policyholders are among the millions of families who help to provide it and who enjoy, in consequence, the security that wisely-spread investments yield. To offer this extra measure of security, a family safeguard for the present and often a provision for the future as well, is the primary purpose of life assurance. But if the intention to save were not constantly refreshed by painstaking personal attention, the nation, no less than the individual policyholder, would be poorer.

THE voluntary effort of countless families throughout the country, aided by the service that Mr. Robertson and his colleagues bring to their homes, enables millions of pounds which would otherwise be 'spending money' to be funnelled off every year to augment the nation's savings. A large part of the funds administered for the policyholders provides capital resources which invigorate vital productive industries.

MR. ROBERTSON may or may not reflect on these affairs as he cycles home to a belated meal. Most likely his thoughts are elsewhere. For his concern is with the people, provident and happy-go-lucky alike, whose needs and problems he has come to understand so well.

HIS interests are intimately linked with theirs. And if he reaches home to find an urgent call to be dealt with before he finally turns in—well, that is just one of the services which play an indispensable part in sustaining this nationwide thrift movement.

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today. Otherwise there must be further calls for foreign assistance and further drafts on the reserves. But foreigners can be tough, and the reserves are not inexhaustible, even if the government were strong enough to requisition balances held by Egyptians abroad. The plans for the redistribution of large estates, now being so hotly canvassed by the army, will be more likely, at any rate for the time being, to retard than promote more production and better sales. It may well be that the country will have to consider seriously whether it is wise to rely on one cash crop alone.

Spanish Optimism.

[BY A CORRESPONDENT]

THE doldrums into which the United States' negotiations for bases in Spain have drifted are reported to be due to the stiffness of General Franco's terms. That he is in a position to dictate such terms is in turn largely due to last year's excellent harvest, with the prospect of another almost equally good this year. This situation has given rise to mounting confidence in Spanish official quarters, where it is perhaps felt that if the country managed to pull through the lean years of droughts and scarcity almost without American aid, why should it not now, from a position of relative strength, extract the best possible terms for its bases. But how real is this strength and how far is official optimism justified?

The production last year of approximately 4,150,000 metric tons of wheat as compared with 3,382,000 in 1950 provides the chief source of both strength and optimism. Since the last harvest the gradual abolition of food rationing, which was completed on June 1st, has been a sign of the improved food situation. Prices have fallen; official sources give the foodstuffs index for March, 1952 (basis 1936=100) as 740.4, compared with a monthly average for 1951 of 762.9. People complain, however, that whereas before they were able to buy rationed foods, small in quantity though these were, at controlled prices, now they have to buy everything at the free price, which in most cases has been almost as high as the former black market price; but the prospects of another good harvest are daily causing a salutary downward trend.

The supply of fertilisers, which has been one of General Franco's worst headaches, has recently greatly improved. There have been imports under the United States \$62.5 million credit, but from a long-term point of view the project to manufacture nitrogenous fertilisers in Spain is more important. Already production is well under way. It is hoped that before many years, home production will provide about one-quarter of the country's nitrogenous fertiliser requirements; but the rest has still to be imported, or else foregone.

The favourable trade balance for 1951 of 172.9 million gold pesetas, as compared with an adverse balance in 1950 of 1.2 million gold pesetas, provides further substantial grounds for confidence. The rains which fell in abundance early in 1951 provided the much-needed electric power upon which Spanish industry depends. The Government has undertaken an extensive hydro-electric power scheme which was already yielding results in increased production during 1950 despite the continued drought conditions which forced cuts in the supply of electricity. Provided that conditions of drought do not return, the outlook for the supply of power to industry would seem favourable despite the shortcomings revealed in the recently published Bank of Urquijo report. The large increase in the tourist industry, stimulated by the so far unspoilt charms of Spain, as well as by a rate of exchange fixed at a specially favourable level, has helped substantially to improve the country's foreign exchange position. Last but not least, there is the Franco regime's feeling of restored self-esteem in the international sphere, which has

given it added confidence in dealing with the internal situation and caused its enemies within the country to despair.

These are a few of the more important factors which have given rise to the present optimism in official quarters. But on closer examination, there is also another side to the picture. Although the 4,150,000 metric tons of wheat harvested last year was a bumper crop, it did not reach the average for the years 1931-35 of 4,364,000 metric tons. This is due to the decrease in both the area under cultivation and in the average unitary yield which has taken place since the Civil War. In recent years the official price offered for wheat has been so low that the farmer has preferred to grow other more lucrative crops or to sell his wheat in the black market, while lack of fertilisers has also helped the decrease in production. Meanwhile the population has increased from 23,563,867 in 1930 to nearly 29 million today. Thus, in order to attain the pre-Civil War standard of consumption, production will have to be still further increased, and although the crops are good again this year, there is no guarantee that high yields will continue. The slump in food prices and the removal of many government controls, including official buying with its guaranteed minimum price, has seriously affected growers. It seems likely that next year there may be a shortage of such commodities as potatoes, which the disgusted grower finds today are a glut on the market. Despite the fact that food prices have come down, all other items in the cost of living indices have risen.

Foreign Trade Difficulties

Last year's favourable trade balance has not been continued this year. During the first five months of 1952 there has been an adverse trade balance of 20 million gold pesetas. Spain, like Britain, is faced with the prospect of strong competition from Japan and elsewhere in the export of manufactured cotton goods which now form one of its most valuable exports. The 1952-53 orange crop promises to be so good that a serious slump in prices is feared; so is growing competition from French North Africa and Israel. Spain has probably suffered more than it has benefited from the recent high prices of raw materials. Although its minerals have fetched high prices, its present policy of industrial expansion has made necessary extensive imports of raw materials.

Spain's economy is suffering from a too rapid expansion of secondary industries to the neglect of its basic industries and essential services, such as transport. It is probable that at present the rate of depreciation of capital equipment is greater than the rate of capital investment. General Franco boasted last May of the amount invested in new industries, but it would probably have paid better dividends to have invested some of this money in the railways, which are at present proving a brake on industry as a whole. The new industries require foreign exchange not only to buy capital plant but also to secure raw materials when they first come into production and before they have yet shown any return—provided, of course, that markets can eventually be found. Nor is Spain in a position to squander its foreign exchange because its gold holdings are slender; in April, 1952, they amounted to only \$51 million.

These may, perhaps, seem to be somewhat gloomy remarks in face of the optimism at present radiating from Madrid; and indeed there is no doubt that, compared with March, 1951, the period of the Barcelona strikes, the situation today is transformed. It would be still further transformed were substantial United States aid forthcoming. But even were General Franco not so well placed as he now is, or thinks he is, it is probable that, as a good Galician, he would prefer to do without rather than to compromise on the terms he has laid down. And were hard times, such as a further series of droughts, again to come its way, Spain has shown before that it has the qualities of a good horse faced with a sticky jump that can always manage to find a spare leg.

South Africa Makes Crime Pay

[FROM OUR JOHANNESBURG CORRESPONDENT]

At this time of the year the great plains of the Orange Free State lie flat and yellow in the winter sun under an enormous, tight-stretched canopy of thin blue sky. The roads run straight as rulers from horizon to horizon, lined with tall blue gums. Farms here are about 6,000 acres: some are much larger; they grow maize and wheat and rear cattle and sheep. Despite the difference between the world price of maize (£3 a bag) and the South African price which the farmers get through the state control board (£1 10s. a bag), the farmers are prosperous: incomes of individual farmers of between £40,000 and £60,000 are plausibly mentioned. Part of the reason is cheap black labour. The income of an agricultural worker rarely if ever exceeds £60 a year, and this includes what he can get from the sale of his own maize grown on a few acres which the white farmer may allow him to cultivate. The cash wage of an agricultural labourer is 30s. a month.

But the farmers are running into difficulties. The new goldfields nearby are drawing labour away from the farms; and in any case the Africans are showing an increasing aversion to farm work. Under the Masters and Servants Act, a farmer can still pursue a runaway worker, and have him first fined and then forced back to work. But the Africans, it seems, now resent this.

To overcome their labour difficulties the farmers have adopted what some people might regard as a remarkable plan. Kroonstad, with a white population of 10,000, is now the second largest town in the Free State, after Bloemfontein. The farmers in the Kroonstad district are in the upper income brackets. Kroonstad itself is a pretty town, with a pleasant river frontage, broad streets, and several tall-steepled churches. It also has a prison; and in the gardens and fields of Kroonstad a familiar sight is red-jerseyed African convicts working under the eye of black guards armed with spears. They have been hired out to private employers.

A Private Farm Jail

The South African Government has in the past year or two pursued a deliberate policy of building "outpost" prisons in rural areas, and allowing farmers to hire convict labour from them. There are now 12 such outpost jails in South Africa, but until recently there were none in the Free State. The farmers of the Kroonstad district therefore applied to the Government for an outpost prison in their area. As there was apparently some difficulty in finding the money for it, the farmers hit on an ingenious expedient. A leading Kroonstad farmer, Mr George Verster, organised 22 other farmers into a private company, on a normal shareholding basis. The farmers subscribed £12,000 in £1 shares, and elected Mr Verster their chairman. Mr Verster then approached the Government, with the proposal that the company should build and equip a prison, if the Government would stock it with convicts.

It so happens that Mr Verster's uncle, Mr Victor Verster, is the Director of Prisons. The Government was enthusiastic about the proposal, and it was arranged that when the new prison was built the Government would supply 350 African convicts whom the Kroonstad farmers' company could hire by paying the state 1s. 9d. per head per day (the convicts of course get nothing). Because of rapidly rising building costs, it was found that the £12,000 the farmers had subscribed was insufficient to build and equip a jail of suitable dimensions; the sum needed was £25,000. This difficulty was overcome, however, by the farmers being permitted to

use convict labour from the already existing Kroonstad jail for the building of the new jail. On this basis, it was possible to erect a prison, whose value as property is £25,000, for £12,000. The new prison was called "Geneva"—perhaps in grateful recognition of the fact that the South African Government does not subscribe to the ILO convention against the hiring out of convict labour for private profit.

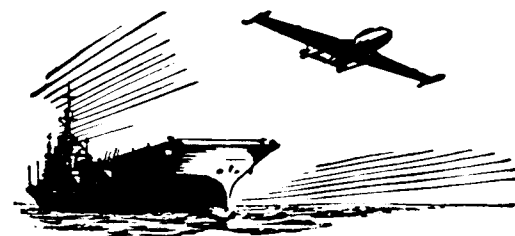
In the view of Mr George Verster and his fellow-farmers, the farm jail scheme has several merits. There is (they do not deny it) the merit of cheap labour; by getting convicts at 1s. 9d. a day, they are confident that their £12,000 investment will prove a good one. The convict labour will usefully supplement the labour they already have, and will make it unnecessary to raise wages to attract more. A further merit of the scheme is that it is "thoroughly democratic." By this is meant that, under the rules of the company, the farmers will be treated in exactly the same way as far as getting convicts is concerned, whatever the differences in the size of their contributions to the scheme. They also maintain that the plan has merits from the convicts' point of view, because it is, in fact, a "rehabilitation scheme." For the convicts are all to be first offenders. They will be Zulus sent up to the new jail from Natal to serve sentences of from six to fifteen years for slaying or wounding fellow Zulus in tribal fights. Thus they are not ordinary criminals, and by working for Mr Verster and his friends, they will be removed from contamination by hardened, habitual criminals.

At the beginning of August, the new Geneva jail was formally opened by the Minister of Justice, Mr Swart, who was accompanied by the Director of Prisons, Mr Victor Verster. It was a gala day for the district. The farmers turned out wearing their best Sunday suits, and accompanied by their wives and children. Outside the prison, in the centre of an improvised garden, the South African flag flew from a tall white flagpole. It was quite like the opening of a new school or some other interesting addition to a flourishing district's amenities.

Prison Tea Party

Mr Swart arrived, and was cordially greeted by the farmers and their wives. He made a long speech, in which he stoutly defended the farm jail system, trounced the "misinformed critics" both inside and outside South Africa, who professed to be shocked by it, praised Mr Verster and his fellow farmers for their excellent idea (which he frankly confessed would save the State a lot of money), remarked laughingly that the convicts were lucky fellows who would get plenty of fine fresh country air, and finally promised that, as Minister of Justice, he would see to it that "many more" farm jails were built in the shortest possible space of time. After the conclusion of the opening ceremonies, which included the unveiling of a commemorative tablet, some farmers' wives who had tiptoed off during the speeches bustled forward with cups of coffee and plates of cake and with the prison as background, a little tea-party was held.

The Johannesburg *Star* rather spoiled the effect of all this by denouncing the whole farm jail system as "morally reprehensible," and declaring that farm jails are nothing less than an "investment in crime," since it is now in the interests both of farmers who pay for the building of such prisons, and of the State, which gets paid for hiring out the convicts, to keep the farm jails filled. But this criticism will not dissuade, and will certainly not convince, either the farmers or the Minister of Justice. In their view, they are helping the convicts, by "rehabilitating" them; helping the country, by providing cheap labour for the production of valuable food; and helping themselves, by running prisons if not at a profit then at least without too great a loss. What other country, they may well demand, can point to such achievements? When was there ever such a magnificent example of "philanthropy and five per cent"?



Air Power is Military and Civil

THE seventh post-war display of the member companies of the Society of British Aircraft Constructors,* although much restricted by Security considerations, affords stronger evidence of technical advance and ability than any previous display.

Some will criticise the diversity of projects both military and civil, arguing that the present peril cannot be countered except by concentration upon a few essential aircraft and power plants.

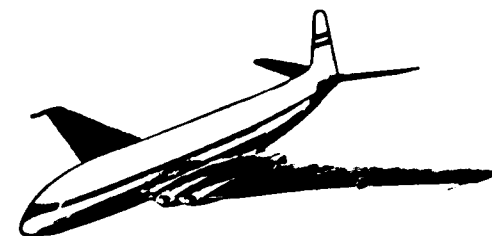
The display, however, reflects the design trend, not the present productive effort. It evidences Britain's recognition that the long-term requirement is broader in scope. While concentrating our manufacture upon tactical weapons we dare not neglect the development of the strategic air forces or the future fleets of commercial air traffic. To do so would be to play into the hands of our enemies, leaving the defences of democracy wide open to devastating danger a few years later on.

In design and in manufacture military and civil aviation become increasingly complementary now that both make use of high speed, jet propulsion, pressurisation, refrigeration, power-boost controls and electronics. Efficient factory organisation likewise requires the keying of civil and military production.

de Havilland for their part have pursued the development and manufacture of both military aircraft and commercial vehicles during the recent unstable years. In the tactical category it was export business which enabled a large productive organisation to be built up and preparations to be made for the international production of the versatile Venom and its war-worthy Ghost turbine, unrivalled in their functions. Equipment of this kind can justify the large production runs which up to now European factories have not enjoyed. Civil business has been maintained at a high level with Dove, Heron and Comet, with engines and propellers. A substantial world-wide trade has been accomplished, civil and military programmes both benefiting from the alliance.

The realisation that the two demands are not in conflict but can and must be satisfied together has been perhaps the main process of thought in our industry during the past year. The fact is that to meet the double need we must apply a larger proportion of the total national effort to aircraft and must clearly understand that aviation ranks as one of the greatest industries of the age. Less essential things in our already austere life have to be sacrificed to this end or we shall be eclipsed.

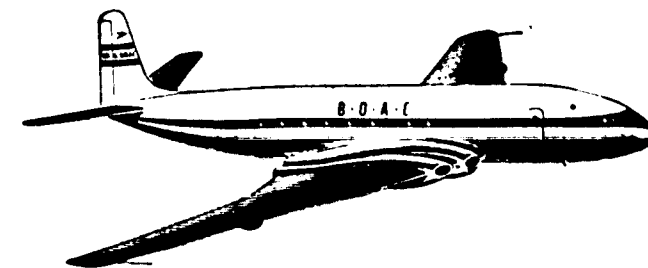
* Farnborough, September 1-7: public days Friday, 5-10s., Saturday and Sunday, 6 and 7-5s.



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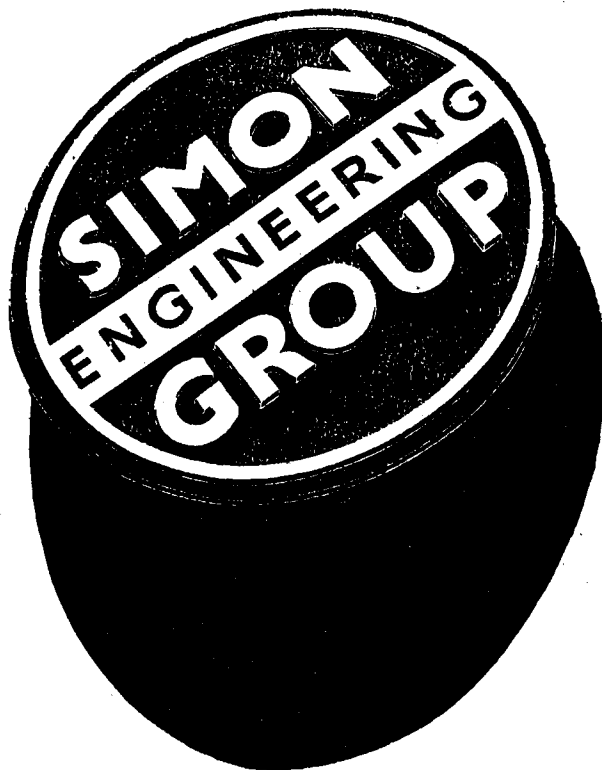
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THE BUSINESS WORLD

Issues at Mexico City

THE meetings of governors of the International Monetary Fund and of the International Bank for Reconstruction and Development that opened in Mexico City this week are the first of these annual gatherings to be held after the end of the so-called "transitional period" envisaged in the Articles of Agreement of the Fund. It was recognised at Bretton Woods that there should be a period of three, or at most five, years during which signatories might, if necessary, live according to the exceptions rather than the complete rules and intentions of that agreement. The Fund began operations in the Spring of 1947, and the span allotted for teething troubles has now passed. Yet the latest report of the Fund's executive directors has to admit that "the attainment of a stable international equilibrium still eludes large parts of the world and there has been little secure or sustained progress toward the Fund objectives of unimpeded, multilateral trade and the general convertibility of currencies." The time should thus have arrived for some fundamental rethinking of the basic concepts on which the Bretton Woods institutions were built. Annual meetings of governors, however, are not the best venue for such fundamental thinking, and the current meeting at Mexico City is unlikely to match those of 1947 or 1949 as a source of concrete news and achievement.

The negation that hangs over this year's meeting is in part connected with the imminence of the presidential election in the United States, and with the vacuum in American policy-making that this creates towards the end of each leap year. One issue in particular that depends on American initiative, the problem of the world price of gold, was put into cold storage before the present meeting began. Before departing for Mexico City, Mr John Snyder went out of his way to emphasise that the United States Treasury would remain a buyer and seller of gold at the present price of \$35 per ounce, and that it had no intention of departing from that parity. This statement has not prevented the South African Minister of Finance from raising the issue once again at the Fund meeting, but it has certainly banished any expectation that he will have any more success in his campaign than he has encountered in previous years.

Another dampening circumstance at the Mexico City meeting has been the absence of the British Chancellor of the Exchequer. Mr Butler, obviously with the concurrence of the Prime Minister, considers that he can be more profitably engaged in preparing for the Commonwealth economic conference in London. This decision is in itself a reminder of the dangers that threaten the Fund and other international institutions if they do not adjust themselves to the times in which they have to live.

There is no indication in the annual report of the executive directors of the Fund that such an adjustment is in contemplation. This document gives some unexceptionable, but by now extremely familiar, advice to Fund members, both debtors and creditors, on their duty to

relate their domestic to their external policies. It points out that "when there is excessive demand for all resources, the incentives to undertake the transfer of productive resources that may be necessary if long-term external equilibrium is to be established, are seriously weakened"; and it then goes on to attack all attempts to meet the problems arising from balances of payments by crouching in the shelter of import restrictions or by relying on the assistance afforded by other countries' import discriminations.

★

These, however, are general appeals and earnest exhortations to which it is unlikely that members will respond any more willingly today than they have done in the past five years. In the matter of new techniques, the Fund seems to be as barren of ideas as ever. This, of course, is not entirely—or even mainly—its own fault. The Fund was originally created for two main purposes. The first was to prevent world trade from drying up as a result of the lack of currency reserves by countries that were caught in temporary difficulties on their balance of payments; and the second was to act as an international pressure group—or perhaps even an international governing body—in support of a liberal philosophy of world trade and exchange.

From the outset, the Fund was equipped with insufficient irrigating funds to secure the first of these objectives. There is some recognition of this deficiency in this year's annual report. This explains that the Fund has for some time had under consideration the question of increasing its members' quotas, having in mind such factors as the magnitude of possible balance of payments deficits in a depression and the fall in the purchasing power of money since 1946. It also expresses the hope that the "new procedural arrangements" made in the past year will ensure that the use of the Fund's resources will not be unduly protracted, and will thus facilitate their broader use." All this, however, is mere tinkering with the existing mechanism.

A much more fundamental question, which the report does not discuss, is whether the rigid philosophy conceived at Bretton Woods is equipped to play a permanent and appreciable part in framing the economic structure of the postwar world. It is doubtful, for example, whether the flexibility of the exchange structure provided under the Fund agreement is sufficient to meet the strains that have been and will be put upon it. As at present interpreted, the relevant articles allow changes in exchange rates only in moments of crisis and as a last resort. Those countries that wish to keep any freedom of action in their exchange rates may remain members of the Fund but they are excluded from any access to its facilities. The result is that any country that tried seriously to follow this rigid philosophy of the

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mid 1940s, and that ran into temporary difficulties on its balance of payments, would find the escape route of exchange adjustment virtually closed to it by the Fund, while the escape route of an increase in tariffs is blocked by the General Agreement on Tariffs and Trade. The only remedy open to it in those circumstances would be one that is all too often adopted in any case—that of applying quotas, and other quantitative restrictions on imports, in a discriminatory fashion. Thus, the rigidities in exchange rates and import duties seem to foster the very remedy that is most basically inimical to an expansion of trade.

It is true that if all countries did their anti-inflationary duty these balance of payments difficulties would not occur with such persistence and severity. The member countries are duly reminded of that fact in the successive chapters of the Fund's report—as in many other documents: But this is 1952; and if this philosophy is to play any significant role in world trade policies the rules may have to be adjusted to a more flexible design than was conceived at Bretton Woods in 1944. For example, the rules may have to provide for a wider tolerance for exchange fluctuations. Countries that decide, for the time being, not to notify specific parities to the Fund may have to be given, nonetheless, access to its facilities, since it is precisely for countries in external difficulties that those facilities are intended.

It may also be asked whether the Fund is not, in any case, too big and too "universal" to tackle the job to which it was supposed to be called in 1944. With the accession of Japan and Western Germany as members, the number of executive directors is once more being raised—from 14 to 16. The sphere of interest of this unwieldy board is so wide and diffuse that it is asking a great deal to expect it to exercise any effective vigilance and influence over member countries. It should be remembered that all successful efforts in monetary co-operation—the sterling area, the European Payments Union, the Bank for International Settlements—have had much more limited frameworks within which to function. Another difficulty lies in the political element in the Fund's organisation. So long as member countries know that information given to the Fund, and the details of advice sought from it, will be automatically disseminated to the four corners of the earth by executive directors (whose duty it is to keep their governments informed of what takes place), the Fund will never be the repository

of confidential information. Its function of guiding exchange policy among member countries must be seriously impeded by this deficiency.

The International Bank, fortunately, does not enter similarly into the sphere of controversy. Its latest report reflects the activity of a sound going concern. In the past year the Bank made nineteen loans in sixteen countries, for an amount equivalent to \$298.6 million. This brought the total of all loans by the Bank to \$1,412 million, distributed over 27 countries; the disbursements actually made on these loans so far amount to just over \$876 million. The International Bank has thus played a not inconsiderable part in spreading scarce dollars across the world. Through its technical assistance programme it has also spread the gospel of self-help, and is gradually teaching would-be borrowers to make better use of their own resources.

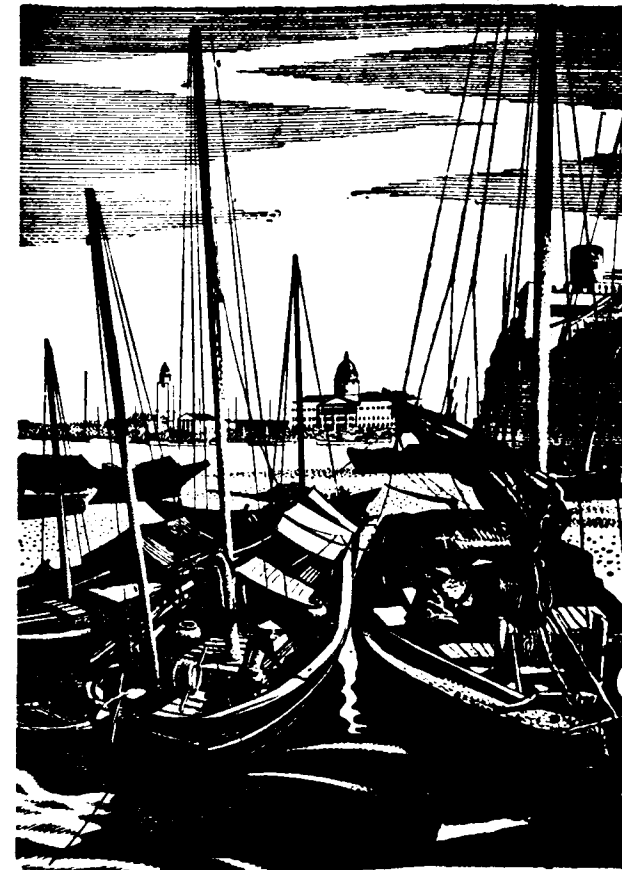
So far the Bank has steered clear of defaults, though certain borrowers do not shape too promisingly in the face of commitments that loom immediately ahead. One of the main tasks now before it—and one of the topics that must have been discussed at Mexico City this week—is the need for a strengthening of its resources, especially perhaps in US dollars. The Bank is, however, also seeking to expand the scale of its lending in non-dollar currencies; as its President, Mr Eugene Black, pointed out at Thursday's meeting, nearly 15 per cent of the loans that the Bank made last year are repayable in currencies other than US dollars—and Mr Black made the interesting suggestion that the Bank might be able to provide some of the finance (mostly non-dollar finance) that will be needed for investment under the Schuman Plan. The debate in Mexico City should also give a little more precision to the proposals—made by the United States International Development Advisory Board and tentatively approved by the Bank—for the setting up of an International Finance Corporation as an affiliate of the Bank. The Bank intends to explore this project further, and it recognises in its annual report that such a corporation could stimulate international private investment and contribute significantly to the further development of the Bank's member countries. There is no sign that the International Bank is failing to adjust itself to the times in which it lives. But adjustment to this modern age is, of course, easier for a body that is lending American dollars than for one that is trying to tell other countries how not to spend them.

Defence Runs on Bearings

FEW people ever look at a ball bearing unless something goes wrong with their cycle or car, and in rather the same way Whitehall seldom pays much attention to the industry that makes these bearings unless some emergency interrupts the smooth running of the economy. Some of the authorities concerned began the last war sharing the ordinary man's too simple idea of a ball bearing as a small shiny steel ball that manages to get lost very easily; but they soon had to learn how vital, complex and difficult a component it was to produce. From the beginning of the current rearmament programme, therefore, the Ministry of Supply has been concerned about the strain that defence may place on this industry. Anxiety about bearings for the armaments that

use them—and few do not—is probably justified but can be exaggerated, as some of Whitehall's demands on the industry since the war have been. Ball and roller bearing manufacture, moreover, remains somewhat secluded from common understanding.

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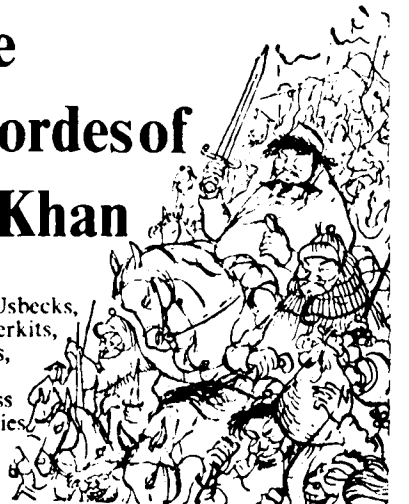
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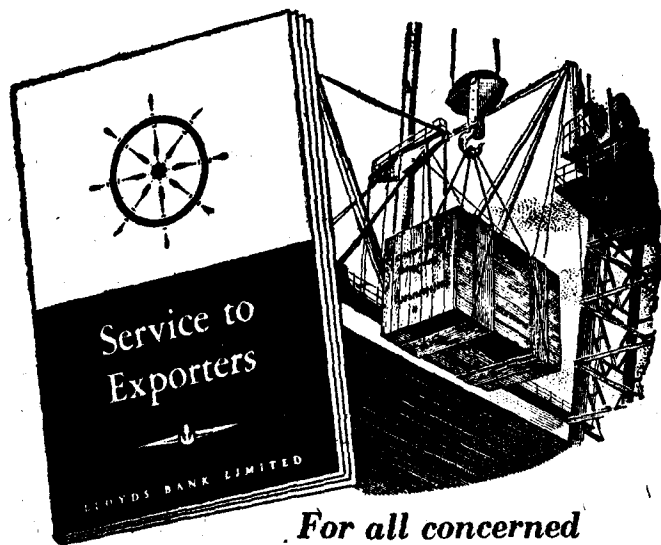


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on the bearing is of the "thrust" type, balls or cylindrical rollers are used. Where some thrust is also exerted along the axis of the moving shaft or the bearing—as for example along a car axle when the wheels turn a corner—the roller used is often of tapered section, forming with the inner and outer races the "tapered roller" bearing of which the use has developed considerably with the growth of motor transport.

These bearings are used somewhere in almost every modern machine, from the tiny ball bearing with seven balls, weighing only a tenth of an ounce, that goes into a predictor mechanism, to the huge barrel section or tapered roller bearing weighing three or four tons that may form part of a rolling mill. This ubiquity is officially recognised in the machinery of steel allocation; since these anti-friction bearings go into almost all steel products, the industry receives a bulk "horizontal" allocation of steel, and does not have to collect a vast cloud of sub-authorisations from its myriad customers. Probably the largest consumers among these are the vehicle industry, railway locomotives and rolling stock, machine tools, electric motors, aircraft, textile machinery and general engineering. But it is much easier to count the few exceptions in which they are never used. The most obvious examples are the main bearings of a car crankshaft, which is made in one complex shape over which the one-piece roller bearings could not be slipped, and ship propelling machinery, which relies on plain bearings. One bearing manufacturer, talking of defence, commented recently, "A warship is about the only piece of war equipment that could go into action without us. But that couldn't train its guns."

*

The industry that makes these important components is itself small, highly concentrated, and fairly specialised. About 95 per cent of the output is made in less than ten factories by five concerns—Hoffman, Skefko, Ransome & Marles and Timken, which also controls Fischer. Hoffman has technical associations with America, Timken has 51 per cent American participation in its ownership, and Skefko is connected with the great Swedish bearing combine that owns factories throughout the Continent. Timken concentrates on tapered roller bearings and leaves its ball and parallel roller bearings to Fischer. Skefko makes all types. Hoffman and Ransome & Marles are perhaps more important in the ball and parallel roller bearing field. The two techniques, and the materials they need, vary, but are alike in needing specialised production machinery that usually needs replacing through obsolescence long before it is worn out—such is the pace of technical progress. The industry finances fundamental research at certain universities, and its own research departments play a large part in designing its machine tools. For this reason, the industry is highly capitalised: the five main companies have fixed assets totalling more than £6 million in book value, but worth probably four times that at replacement values. In value the annual output of the industry is perhaps of the order of £35 million a year; since the cost of materials is probably not more than 30-35 per cent of this, its "conversion factor" is high.

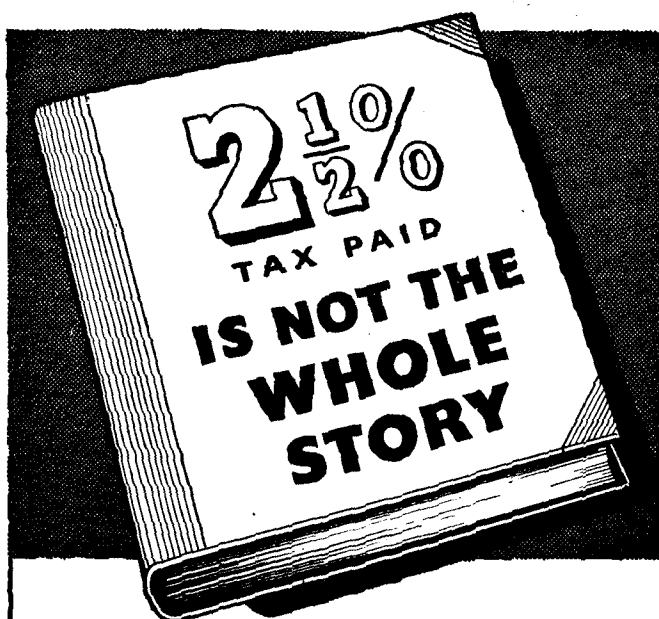
It is not security alone that makes it impossible to state the proportion by which defence demands will add to current ball and roller bearing output. The fact is that it is difficult to do more than estimate just how

much that current output continues to be. The five major manufacturers, through the Ball and Roller Bearing Manufacturers' Association, supply the Ministry of Supply with figures of the number and value of bearings they make—but stipulate that these shall remain confidential; the fringe of small fry tell the Ministry only the value of their output. In 1948 the industry stated that employment had grown from 11,868 in 1938 to 17,046 in 1946, and 18,030 in 1947, and the number of bearings produced from 23,650,000 in 1938 to 33,346,000 in 1946, and 40,062,000 in 1947. It then forecast the output for 1948 as fifty million bearings; the Census of Production collected figures for 1948, but has yet to publish them. Postwar demand from the vehicle industries, and in particular the agricultural machinery industry, may have more than equalled the wartime peak—which was partly met by heavy imports. An informed estimate might put employment in the industry today at just over 20,000 factory workers and perhaps 4,000 staff; and output, in terms of numbers of bearings, may be some 70-75 million bearings a year.

Not that such numbers, or the total value tell much; a bearing may cost between a few shillings and a few thousand pounds. One maker has two factories with roughly the same labour force; one turns out about twenty times as many bearings as the other, which makes mainly large and custom-built roller bearings. It is probably fairer to say that the industry as a whole may have spent nearly £10 million on expansion since the war; that its output has probably doubled; and that its productivity has increased, in that while its costs of materials have risen by perhaps 45-100 per cent, and those of labour by some 25 per cent, the price of standard bearings has gone up by no more than about 20 per cent. Its exports—held down in general to about 10 per cent of output—have risen by nearly a third in the past five years. Possibly 70 per cent of its deliveries at home have eventually gone overseas inside engineering products. Since the war the number of tapered roller bearings has probably increased in proportion to that of the other types—over 80 per cent of the field they are competitive—but it is still probably no more than a fifth of the industry's total output.

Defence equipment tends to need more bearings, and in particular more of the larger bearings among standard sizes, than civilian. All combat vehicles now have four-wheel drive, against two-wheel drive in the last war: that doubles the number of tapered roller bearings needed. Tanks, radar equipment, and anti-aircraft equipment call for great numbers of the heavier bearings. On the other hand, there is also a special demand for the very smallest ball bearings, for control mechanisms in electronic equipment. Many specialised bearings of both types are needed; a jet aero-engine requires about the same number of bearings as a piston engine (counting the ancillary drives of both), but certain of them are more intricate—and more vital—than any in a piston engine. For both types of bearings greater precision than usual is necessary; war equipment needs more of the super-accurate bearings that most of the manufacturers make to order—at about four times the ordinary price.

A remaining potential weakness in the British industry, upon which rearmament has once again thrown emphasis, concerns one of the materials used by three of the largest bearing companies—thickwalled steel tubing. This tubing, used for the rings between which the balls or rollers move, came in prewar days almost entirely from



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Sweden, with a little from America. When German domination of Europe in 1940 cut off the European source of supply—apart from a little desperate blockade-running—and shipping from America became hazardous, the British tube manufacturing industry had to start producing it in Britain. The bearing makers set most exacting specifications for analysis and grain structure of the nickel or chrome alloy steels they use. The automatic machine tools that are used, moreover, require tube that is absolutely straight and of an outer and inner diameter that must be correct within very small tolerances. Over several years, the job was done; and about 90 per cent of the tubes required are now made in Britain on equipment not originally designed for the purpose. But the automatic machines for bearings are developing in precision and speed of operation to an extent that will soon need even better tube. Tube Investments, Ltd., decided in 1950 to install an American "Assel" mill of the latest type to produce this better tube in quantities that will take care of the bearing industry's developing needs; but the £2 million plant will not come into operation for some eighteen months.

Bearings are needed from the beginning of the defence programme, in the machine tools that make the equipment, to its end in the quantity production of tanks, combat vehicles and aircraft; but the main weight of the demands will not begin to be felt for about another twelve months. So far the industry, generally speaking, has been taking the extra defence orders in its stride, aided by the fact that the civilian market at home and overseas is for the moment softening a little. In recent months there have been signs that part of the civilian orderbook may consist of excess orders that customers do not really need. If industrial production in general picks up in coming months, total demand for bearings will increase, particularly as many engineering customers have a habit of leaving their orders for the bearings for a given product to the last possible moment. Even so, the growing demands of defence should not prove beyond the industry's capacity, given some diversion of bearings from civil use. There will need to be an expansion of output of especially precise bearings; and probably some extra capacity will have to be brought into being for the heaviest sizes of bearings. Home production has been supplemented by heavy imports, last year and this. But all the manufacturers are still expanding capacity, and before long it may be possible to reduce imports to a few special sizes.

Co-ordination of Western defence is raising the question of standardisation in bearing sizes—and a good deal of controversy thereon. In the long run it may be likely that ball bearings will be standardised on metric sizes and tapered-roller bearings upon inch sizes—in both following the American bearings industry, which is the largest in the world. In the industry's attitude to estimates of the vast numbers of bearings needed for rearmament, there remains a tinge of reserve: it remembers that at the end of the last war, when bearings had often been considered terribly scarce, the Government had 17 million bearings to dispose of in its stocks. Some similar scepticism is to be found in the manufacturers' reaction to hearing the ball-bearing industry described as a "panacea" target for air attack; nevertheless, it is not easy to think of many equally concentrated industries so vital to the defence of this country.

Business Notes

Back to Dollar Balance

Temporarily, at any rate, the sterling area came back to balance on its dollar accounts in August. Its deficit with countries of the European Payments Union fell dramatically, to only \$4,800,000 compared with \$98.6 million in July. Its gold and dollar account with non-European countries swung round from a net payment of \$7 million in July to net receipts of just under \$10 million in August—both figures including any transfers to London of newly mined sterling area gold. Despite this improvement, the central gold and dollar reserve fell from \$1,716 million to \$1,672 million between July 31st and August 31st. This was because the very heavy July deficit with EPU had to be settled by a gold transfer to Europe in mid-August—just as the small August deficit will have to be settled by a gold transfer in mid-September—and because receipts of American aid, at \$45 million, were the smallest since April. But it will be disappointing if the fall in the reserves in August is not more than recovered during the current month.

In general, therefore, although the gold reserves fell in August for the first time in four months, the story that the Treasury had to tell last week was the most cheerful since the third and worst postwar dollar crisis came off the boil. Receipts of American aid last month were not notably above

middle of September. Very few of the deals authorised last month can have led to payments to the dollar area in August, and practically none of them can yet have led to receipts from Europe. But the anticipatory retention of sterling by European merchants may have imparted a misleading gloss to the published EPU figures.

Even after allowance is made for this factor, however, the sterling area's deficit with Europe last month certainly improved over the deficit of \$99 million shown in July, and probably also improved over the basic strain of around \$50 million shown in each of the preceding five months (excluding the special receipt of \$25 million under the Anglo-Belgian arms contract in June). It seems probable, therefore, that the Government's objective of reaching balance with Europe by the end of the year should at least be achieved and may well be surpassed. But with stocks of imported goods now running down in almost every country of the Commonwealth, with the gold reserve at only \$1,672 million, and with the end-year payment of over \$175 million on the US and Canadian loans looming four months ahead, there is clearly no room for complacency.

Deficit Financing at the Banks

The clearing banks' statement for August reveals a depressingly sharp accentuation of the rather ominous trends that have been apparent for some months past. In the five weeks to August 20th, net bank deposits rose by another £23 million, to £5,867 million, or fully £180 million above the low point touched last March. This movement seems to be contrary to the seasonal trend; not since 1947 has there been any perceptible increase in deposits in the month of August, and last year they dropped by £58 million. The deterioration by comparison with last year is in fact the largest yet shown, and its significance is heightened by the fact that this latest increase in deposits has occurred despite an abnormally large drop in bank advances and a further decline in the banks' holdings of commercial bills. Owing partly to the fact that the final proceeds of the recent BEA loan became available during the month, bank advances are down by £68 million, whereas in the similar period last year they rose by £3 million despite the fact that repayments were then being made from the £37½ million paid up during the month on last year's issue of Gas Stock. It seems evident from these figures that there has been a further notable contraction in advances to the private sector of the economy. The contraction since last March, when total advances reached their peak (at £1,953 million), now amounts to almost £200 million, of which, however, not less than £125 million must have been attributable to repayments of electricity advances; in the corresponding period last year total advances rose by £86 million.

The disinflationary effects that this tight hold upon advances should have exerted upon the credit position as a whole have, however, been entirely obliterated by the rapid expansion of governmental borrowings from the banks. On the usual basis of reckoning, it appears that during the last month alone the central government's demands upon the banking system have expanded by no less than £106 million, a rate of borrowing almost as fast as that indicated by the statement covering the first fortnight in July (when the indicated borrowings totalled £67 million). It is true that, if it could be presumed that the "departments" still hold the whole of their original big take-up of the new BEA loan, nearly £30 million of the month's borrowings by the Treasury could be attributed to the need to finance the latest call on that stock. But even on this rather unlikely hypo-

MONTHLY GOLD MOVEMENTS IN 1952
(\$ million)

	Gold payments to (—) or Receipts from (+)			American Aid	Change in Reserves	Reserves at end of Month
	EPU*	Other Countries	Total			
Jan.	-75	-224	-299	Nil	-299	2,036
Feb.	-94	-172	-266	Nil	-266	1,770
Mar.	-50	-21	-71	+1	-70	1,700
April	-51	-12	-63	+25	-38	1,662
May	-45	-20	-65	+81	+16	1,678
June	-47	-41	-88	+95	+7	1,685
July	-23	-7	-30	+61	+31	1,716
Aug.	-99	+10	-89	+45	-44	1,672
Sept.	-5	...	...	...	...	...

* Gold payments to EPU in each month are the consequence of deficits incurred in the preceding month.

the average monthly rate that can be expected between now and next June, the sterling area's gap with non-European countries has for the moment been bridged, and the deficit with Europe has fallen to its lowest level for well over a year.

Effects of Commodity Arbitrage

These figures, however—and especially those relating to the sharp fall in the deficit with EPU in August—need to be regarded with some caution. The deficit recorded with EPU each month refers only to payments that have been cleared through the relevant central banks. Last month European merchants may have abstained from turning some of their sterling receipts over to their monetary authorities for conversion into local currency—in anticipation of being able to use that sterling for making purchases under the recent British scheme for commodity arbitrage. As explained in *The Economist* on August 23rd, the Bank of England in the month granted licences to British merchants for some £50 or £60 million of commodity arbitrage business between the dollar area and EPU, and continental merchants are clearly hoping that more licences of this kind will be issued after the Bank has completed its review of this scheme in the

thesis, the net borrowings for other purposes would amount to £76 million, whereas in the similar period last year the Treasury actually repaid some £60 million of its indebtedness to the banking system. The month's borrowings are most clearly visible in the banks' holdings of Treasury bills, which jumped during the month by £117 million, raising them to £1,175 million; an increase in cash was more than offset by a decline in money at call.

Liquidity Ratio Up on the Year

Over the first five months of this current financial year the Government has, indeed, increased its borrowings from the banking system by rather more than £500 million, whereas in the corresponding period of 1951 its use of bank credit was, on balance, virtually unchanged. The reason for this striking contrast is, of course, readily discernible in the disquieting trend of the Treasury's domestic finances. In the period most nearly comparable to that covered by the bank statements for the five months to August 20th, the Treasury incurred an above-line deficit of £243 million and a below-line deficit of virtually the same amount, making a total deficit of £487 million, or over £330 million more than that for the similar period of 1951. Moreover, whereas in that period net receipts from borrowings on tax reserve certificates were much more than sufficient to cover the net deficit on small savings, this year the combined effect of these operations involved the Treasury in net outgoings amounting to nearly £50 million. The total need for domestic finance in these past five months has therefore exceeded £530 million, in contrast with less than £120 million last year.

One striking consequence of the heavy rate of Treasury borrowings from the banking system has been a continued and rapid strengthening of bank liquidity. In the past month, despite the further decline of £17 million in portfolios of commercial bills (which, at £64½ million, are little more than one-third of the peak volume attained early this year), the total liquid assets of the clearing banks rose by £90 million, to £2,265 million. They are now almost £400 million above their level of last March, and only a fraction below that for the corresponding date last year. Hence the liquidity ratio, which has jumped during the month by 1.5 per cent to no less than 37.4 per cent, is now actually higher than it was twelve months ago, and is only a little below the bloated figure of 39 per cent that obtained on the eve of the funding operations of last November. In the circumstances, it is surprising to find that bank advances to the private sector are still declining.

There is, perhaps, some reason to hope that the Treasury's domestic needs for finance will soon begin to drop below the extraordinary rate of recent months; on the other hand, the improvement in the "overall" external balance of payments means that little or no finance will be received on balance from external sources. In the second half of last year, it will be recalled, the Treasury was securing very large sums from the counterpart of a huge external deficit. It seems unlikely, therefore, that the trend of bank deposits during the remainder of this calendar year can be perceptibly better than in the last four months of 1951 (when net deposits rose by £130 million), and it could easily be substantially worse.

Rank's Recovery Continues

Though the continued improvement in the fortunes of the Rank group, as shown in preliminary figures for the year ended on June 28th last, has not progressed quite as far as some prophets had been forecasting, its progress has been substantial. The consolidated trading profit of Odeon Theatres have risen from £5,125,000 to £6,397,000, and

though after provision for depreciation, interest, and taxation, and the share of profits due to minority shareholders in Odeon's subsidiaries, the net profit comes down to £835,000, this compares with £138,000 in 1950-51. In 1951-52, also, £393,000 has been brought in from special profits on the sale of investments and fixed assets, less additional tax provision and amounts written off intangible assets: last year only £138,000 came from this source. The company has therefore been able to reduce the arrears of dividend on its 6 per cent cumulative preference shares by two years' payments during the period under review, bringing payments up to June, 1951. Hopes that it might bring these dividends up to date have been disappointed, but the directors believe that this should be done during the current year. It is still, of course, paying no dividend on the ordinary shares. The directors report, however, that the consolidated balance sheet will show a reduction in bank indebtedness of £2,437,000 during the year, which together with the reductions achieved in the two previous years will have brought this debt down by £9,510,000 in three years—to roughly £6,776,000. Loan capital, too, was reduced during the year by £1,911,000—leaving some £16,733,000. The Gaumont-British group also increased its trading profit, but its net profit, after taking account of certain special credits, was down from £711,181 to £625,384; in spite of this, it has increased the ordinary dividend from 5 per cent last year to 7½ per cent this.

During part of the period under review the Rank organisation was co-operating with the National Film Finance Corporation in producing films under the "group" scheme; and for most of the period the increased "Eady levy" upon cinema box-office receipts was passing a larger share than before of the final revenue of the industry back into production. It seems likely, therefore, that film production on the group's present reduced scale should be a less costly ancillary activity than in recent years; but exhibition, the really profitable side of the film industry, has had to offset the larger levy and the decline in cinema attendance by increased prices.

Caution at the Wool Sales

The Australian and South African wool selling seasons opened this week, with continental demand predominating and with prices at around—but not significantly above—the level at which they closed at the end of the previous season in June. At the opening auction at Sydney on September 1st prices showed some buoyancy and average 64's reached 154d. per lb, but on the second day they weakened again by about 5d. a lb. At Adelaide, where sales began on September 2nd, prices of most counts were bid up by between 2½ and 5 per cent above the June level on the opening day. This initial firmness was broadly in line with expectations. The estimate of the Australian 1952-53 clip to be received into store is 3,375,000 bales, or only about 17,000 bales more than last year, and it is known that manufacturers in all countries have allowed their stocks to run down; it was generally anticipated therefore that there would be a fair demand during the opening of the season to meet firm orders.

Meanwhile, two factors are still causing uncertainty in the wool market. First, United States buying has not yet been significant at the Australian sales; it is expected to influence prices later in the season. Secondly, large unsold stocks are still held in South America, but the South Americans are not likely to be in a hurry to depress wool prices. The presence of more Japanese buyers at the Australian sales has suggested that the wool textile industry may face heightened competition from Japan, but this is unlikely to have any significant effect on raw wool prices. If prices are only maintained at—and not increased above—present levels, it does not seem that Australia's foreign exchange income during the current season will enable it to do much about lifting its rigid import restrictions.



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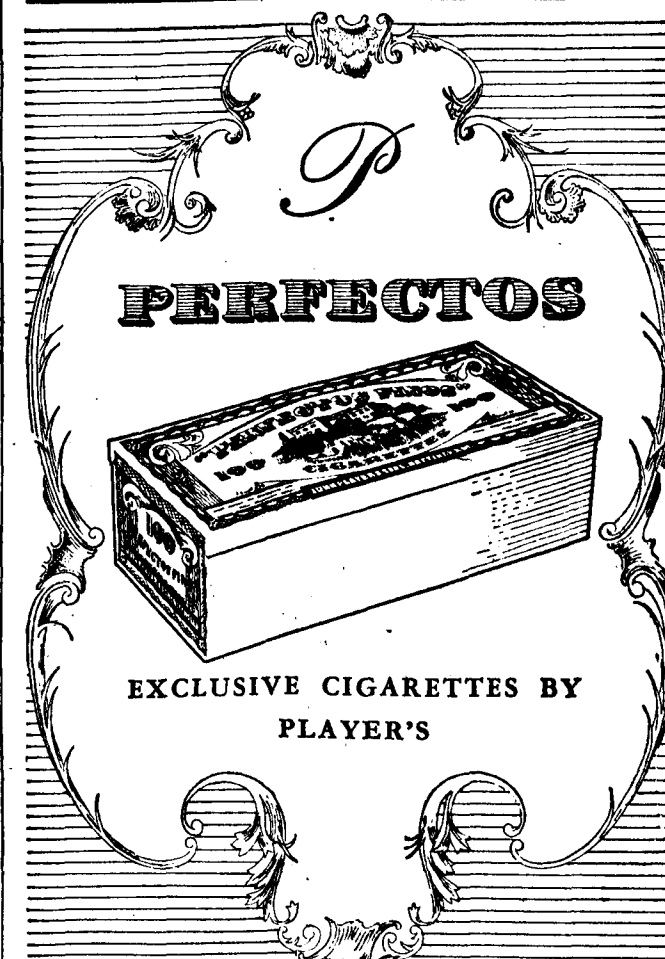
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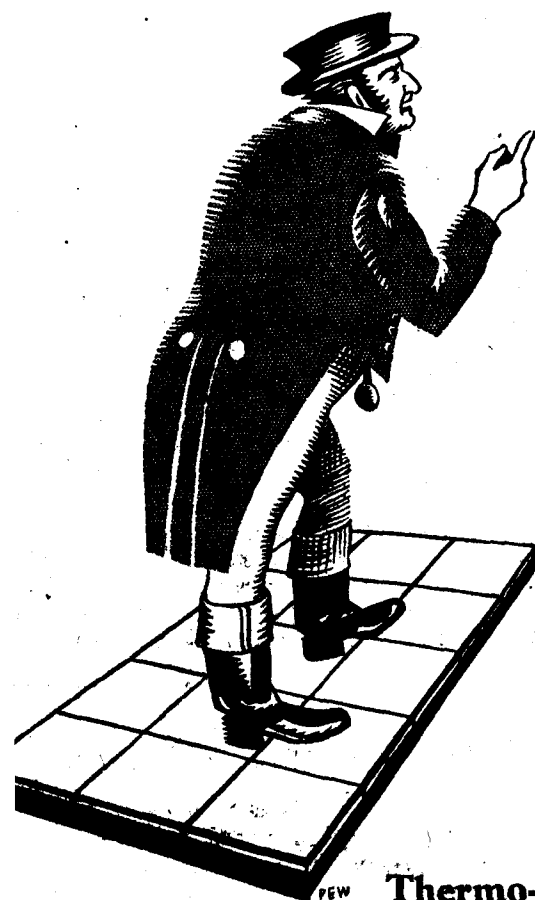
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Six Months' Production

In the first six months of 1952, industrial production in Britain was slightly lower than in the first half of last year; the revised official index of production puts the margin at 2 per cent, while the London and Cambridge index puts it at only one per cent. The two indices are now calculated on different base years, since the new official index abandoned the 1946 basis upon which the unofficial index is still calculated: Satisfactory comparisons between the two indices have always been most difficult, owing to the different data upon which they are calculated: the alteration in base year now makes useful comparisons almost impossible.

The most important declines in production seem from the London and Cambridge index (which is the more up to date of the two as regards indices for individual industries) to have taken place in textiles, clothing and leather, and the "motors, cycles and aircraft" group. Output in the

SELECTED INDICES OF INDUSTRIAL PRODUCTION, First Half, 1951 AND 1952

Official Index of Industrial Production (1948=100)	All Industries		Manufacturing		Building and Contracting	
	1951	1952	1951	1952	1951	1952
January.....	116	118	119	120	96	96
February.....	122	121	125	123	106	101
March.....	116	123	118	126	101	104
April.....	122	111	126	113	98	100
May.....	116	115	121	118	95	99
June.....	122	110	127	111	103	107
Half-yearly av..	119	116	123	119	100	120
London & Cambridge Index (1946=100)	All Industries (B Index)		Textiles		Motors, Cycles and Aircraft	
	1951	1952	1951	1952	1951	1952
January.....	137	138	143	135	207	181
February.....	146	145	151	134	202	184
March.....	136	145	141	125	172	179
April.....	145	133	154	104	192	175
May.....	137	141	144	110	194	195
June.....	143	134	151	100	183	167
Half-yearly av..	141	139	147	118	192	180

Note:—Easter fell in March, 1951 and April, 1952; Whitsun in May, 1951 and June, 1952.

machinery industries continued to be high during the first five months of the year, while the fuel and power industries increased their production in comparison with last year. The official index for all industries in July is so far expected to be 104-105, as holidays begin to have their effect. The variable incidence of Easter and Whitsun has already made comparison of output between four of the first six months of 1951 and 1952 practically impossible, and July and August can seldom be expected to give any indication of a continuing trend. So it will be some time before anyone will be able to judge from these records whether the autumn is bringing the hoped-for industrial recovery or not.

Premier Petrol and the Cat Crackers

Any policy that has been embodied in several pieces of industrial equipment costing about £9 million apiece is apt to prove rather expensive to reverse, as the Government has learned during its latest discussions over premier-grade motor spirit. The Government has accepted the oil companies' argument that such a spirit was the principal product for which the six catalytic cracking units now completed or under

construction at refineries in Britain were designed. But it remains apprehensive of the extra cost, in imported oil, with a dollar element, that such refining might involve. In considering the latest application for permission to sell this first-grade, branded spirit, put forward by Shell-Mex and B.P. Ltd. in June, the Government therefore asked the companies whether these complex cracking units could not be converted into simple distillation units with the object of turning out the maximum quantity of petroleum products of a "utility" quality. Mr C. M. Vignoles, chairman of the Shell-Mex and B.P. group, who disclosed this in a public statement this week, recorded the companies' answer:—

It has been shown that the conversion of the cat crackers in this manner not only would take two years to carry out, cost between £5 million and £10 million, and require many thousands of tons of steel, but would involve a serious dislocation of a major industry with a most undesirable loss in production of a number of products.

Mr Vignoles added that the extra need for foreign exchange through marketing the higher-grade petrol, in the companies' view, would be no more than £250,000 a year for a year or two—for the purchase of ethyl fluid.

Mr Vignoles describes the Government's inquiry about de-grading the cracking units as motivated by "a proper concern for the national fuel position"—which seems studiously moderate. Such a step, apart from condemning the British motorist to interminable reliance upon petrol of pool quality, would also cut down supplies of many of the essential materials that a petroleum chemicals industry has since the war been created to utilise; and it would force the British motor industry to continue to design its engines for fuel of lower quality than is being sold in many of the overseas countries that buy British cars. With two catalytic cracking units already in uneconomic operation—producing high-grade spirit that is then blended with low-grade gasoline to pass as pool—and the other four nearing completion, the issue is becoming increasingly urgent and the Government has still not produced a fully reasoned case for delaying premier-grade petrol.

* * *

Rumblings over Fuel

The Ridley report on fuel economy is expected to appear next week, offering presumably an impartial opinion—though not a final judgment—upon some of the controversy in which its subject is now wrenched. But its imminence has not stilled the discussion. Sir Herbert Merrett's recent forecast of the future demand for coal in Britain was a valuable contribution. But it seems doubtful whether the latest rumbling of argument between the gas and electricity experts has added much to earlier expositions of both cases. The defenders of electricity, by leaving by-products of gas manufacture out of the question, and assuming a particular value for the "electrical equivalent of gas" in cooking and heating, have calculated that the thermal efficiency of heating by gas is no higher than that of electrical space heating; they add that electricity provides a better standard of personal warmth, and takes far worse coal. The secretary of the Gas Council considered it necessary this week to contend that the by-products cannot be ignored; that the value quoted for the

Aircraft and Airpower

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"equivalent" in question is wrong; and that electricity is no longer the only consumer that has to accept small coals.

A more hopeful approach by the British Electricity Authority to answering the question of the purposes that the different fuels should serve was mentioned last week in a report from the Anglo-American Council on Productivity, summarising developments in the industry following the productivity report published by its team in October, 1950. The Utilisation Research Committee of BEA, following the report's comments on "selective development" on the part of power supply companies in the United States, has begun to study the relative costs that can be attributed to the various classes of electricity consumer and the contribution of these classes of consumer, and the various types of appliance in use, to the peak load. This is obviously not the first attention that the British supply industry has paid to such questions; but their growing importance deserves more study. Some realistic estimates of the relative cost of various loads, set beside the prices charged for such consumption, would be among the best evidence that the electricity supply industry—together with other fuel industries—could offer in the debate on fuel economy.

Threat to Engineering Exports

A ban on overtime, and a restriction of earnings on piecework to the level earned by a timeworker during a 44-hour week, such as are now threatened by the engineering unions, would require considerable immediate sacrifices from most of their members. The last official estimate, in October last, suggested that 52 per cent of all workers in engineering receive some form of payment by results, and in the manufacture of vehicles of all kinds the proportion is probably higher. Unofficial estimates some time ago put the proportion of pieceworkers as high as 80 per cent for the skilled workers in shipbuilding, and at 60 per cent for skilled engineering operatives; and suggested that these pieceworkers earned perhaps 20 per cent more than time-workers in similar trades.

In October last a 47-hour week was the average worked in engineering. Since pieceworkers generally achieve their higher pay in a somewhat shorter working week, these

averages would suggest that over the year as a whole time-workers were working well over three hours' overtime a week. The most recent records of overtime reported to the Ministry of Labour, for one week in May this year, show about 400,000 of the 1,160,000 workers in engineering, and 160,000 of the 600,000 employed in the vehicle industries, as working overtime; in each case, the average was 8 hours a week. May was a month of fairly high output in both groups of industries; though nearly 7,000 workers in engineering, and 7,700 in the vehicle industries, were on short time. Since that time, short time working has certainly been extended in the vehicle industries. Nevertheless, these figures suggest that a very large proportion of the workers in engineering would share in this sacrifice for bargaining purposes; the more highly skilled men on piecework, indeed, might be giving up some pounds a week. The first signs of reluctance, however, have come from the general workers' unions that supply many of the unskilled workers in engineering; unskilled men on piecework in some cases gain even more from payment by results than skilled men, and in any case the unskilled men's total earnings are obviously much lower.

On the other side of the dispute, the cost to the employers of these union restrictions on work is less easy to illustrate, but it will obviously be considerable. Few of the engineering industries are at present so hampered by shortage of steel, or so apprehensive of a slackening in demand, as to make this threatened check to output any less serious for them. The direct effect upon companies' output and earnings will vary with their pressure of work. But the most serious implications of this development in the wage dispute, for both sides of the engineering industry, would be its effect upon the industry's competitive strength in the world market. British deliveries are already long, and often behind time; no other single factor is so important in securing export orders. Anything that further delays them may have lasting effects on the share that Britain will be able to secure of the world market for engineering products.

Germany's External Commitments

Since agreement was reached in London on the settlement of Germany's prewar external debts, two new commitments have been entered into by the Federal German Government. The first of these is the settlement, reached after five months of negotiations, with the Government of Israel and world Jewish organisations in compensation for German persecution of Jews and expropriation of their property before and during the war. The assessment of the damage was a problem that was bound to baffle the most objective inquiry. In presenting its original claim the Government of Israel contended that 500,000 Jews from Germany and other countries that fell under German domination had to find refuge in Israel, that the cost of receiving, rehabilitating and settling them might be estimated at \$3,000 per person, and that a claim for reparations of \$1,500 million therefore appeared to lie. This figure, equivalent to Deutsche Marks 6,300 million, has now been whittled down to DM 3,500 million. Of this, DM 3,000 million will be paid to Israel, DM 450 million will be allocated to world Jewish organisations, and a further DM 50 million has been earmarked to satisfy the claims of individual Jews who may not be represented by the world organisations. These payments are to be spread over a period of fourteen years and will, for the most part, be made in kind—that is, in exports of capital and consumer goods from Germany. Germany also intends to use some of its credits with EPU to purchase foreign goods that can be shipped to Israel in satisfaction of these claims.

The other new agreement that will add its burden to the German balance of payments is one under which the Federal German Government has undertaken to pay Switzerland the equivalent of about £53 million in settlement of clearing debts originally valued at about £98 million. These debts



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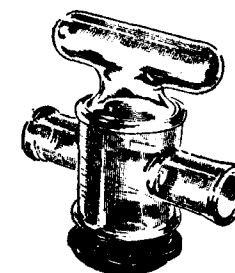
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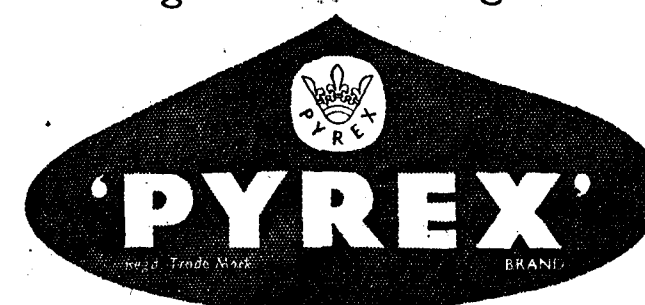


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Recorded and Indexed

To record, summarise, and index economic documents and events, this is one of the many functions of the *Records & Statistics* supplement to *The Economist*. For example, the issues published during August contained the Annual Report of the Iron & Steel Corporation, information about the Soviet Five Year Plan, details of the new official Index of Industrial Production, the Bank of England's figures of the United Kingdom's overseas investments, and the White Paper on the future of the steel industry.

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accrued as the result of Switzerland's favourable balance of payments with Germany during and after the war, and were also swollen by the cost of supporting German soldiers that were interned in Switzerland. A sum equivalent to about £10 million is to be paid within four years and the remainder will be paid in 27 annual instalments. Throughout the German debt negotiations in London, the Swiss representatives made it abundantly clear that they reserved their right to a satisfactory settlement of the clearing debts and this was accepted by the other countries represented at these discussions. The Swiss settlement, therefore, does not necessarily create a precedent for opening the problem of the clearing debts owing to other countries in Europe. The commitments involved in the Israel settlements were also taken into account during the London negotiations. The two new agreements and the burdens on Germany's balance of payments that they involve do not, therefore, invalidate in any way the terms proposed for the settlement of Germany's prewar external debts.

"Tea Cheers . . ."

After a long period of weakness, tea prices have risen slightly during the last three weeks. The improvement has been mainly concentrated on what are known as "good liquoring" teas, but there has also been a small increase in the poorer grades. Two factors probably account for the firmer tone in the market: the removal of restrictions on the re-export of tea from this country at the end of July, and anticipation of an increase in British demand once rationing is ended. As a result of the freeing of the entrepôt trade, British re-exports may double their present rate of 13 million lb a year, but they are unlikely to regain the prewar level of some 60 million lb. Some of the expected increase, of course, is likely to be at the expense of direct exports from the growing areas—particularly those in the Far East—to the importing countries. But the restoration to London of its full status as an international market may also increase the total world trade in tea; London can offer a wider range of blends and growths than any other market, and the tea it sells has time to mature on its journey from the East.

The end of tea rationing in Britain was brought a stage nearer by the announcement last week that the weekly ration of tea is to be increased from 2½ oz to 3 oz in the week

Price Indices of Capital Equipment

The Economist Intelligence Unit, in conjunction with the Association of Certified and Corporate Accountants, has compiled a series of indices showing changes in the cost of replacing industrial and other assets. Indices available are

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beginning September 7th. In choosing to increase the ration again rather than remove restrictions altogether, the authorities seem to be erring on the side of caution. Average consumption of tea before the war was about 2.9 oz a week (or less than the new ration) and it has been estimated that average unrationed demand now would still be between 2.75 and 3 oz a week. Estimates of this sort, of course, are always apt to go awry. While tea has been rationed housewives may have tended to buy the more expensive blends in order to make it go further; if so, once they can buy unlimited quantities they may choose to pay less for their tea, but to buy more of it. It is probably this reasoning that has led to the recent slight rise in the price of poorer grade teas on the London market. But the tea trade clearly feels that it will be difficult to get the consumption of tea back to the prewar level—even when rationing is ended. Indeed, one of the big distributors has found it necessary to cut its prices recently, and an intensive campaign is being conducted to get people to drink more; as part of it, posters bearing the slogan "Tea Cheers—3 oz this month" will be displayed in many shops next week.

Special Finance for Ships

Foreign shipowners, and more recently British, appear to have welcomed the opportunity to secure outside finance for their replacement and new construction offered by the setting up last year of the Ship Mortgage Finance Company. This specialised corporation, which was registered on March 27, 1951, has this week published its first accounts, for the period ending June 30th this year. Up to that date it had completed contracts to lend some £1,440,000, and was negotiating further loans amounting to about £1,860,000.

The company actually received proposals for ship mortgages totalling no less than £21 million in its first fifteen months' trading, for finance in building 70 new ships. Its completed loans cover ten ships, and those now being negotiated another ten; it turned down applications on 24 ships, and those regarding 26 others were withdrawn. As was expected, the Norwegian shipowners were among the first to request mortgages from the company, mainly for tanker tonnage; but more recently mortgages have been requested for dry-cargo shipping, mainly by British owners. When the company was formed a year ago, freight rates were high, and some of the dry-cargo tonnage on order represented ships of which owners hoped to be able to write off the cost more rapidly than usual during such profitable operations. Today, the picture has changed. Freight rates have declined steeply, and owners are thinking about laying up ships rather than bringing new ones into operation—though the new vessels actually being delivered may work more profitably. Despite this decline in ships' earnings, and the increase in interest rates, the directors report that "the flow of new applications is not unsatisfactory." The company's advances are generally limited to first mortgages on half the cost or value of the completed ship, and to periods of five or six years. Its present capital is £1 million in £1 shares (10s. paid) subscribed privately by insurance companies and other institutions, and by the Shipbuilding Conference. It has powers to raise up to £10 million of debenture stock to finance its lending; in the first report Sir James Milne, the chairman, says that arrangements are in hand to raise loan capital as and when required, with the consent of the Capital Issues Committee.

Coryton Refinery Prepares

The Vacuum Oil Company's refinery at Coryton on the Thames is expected to come on stream this autumn. Crude oil deliveries are already being made into the storage tanks and the boiler house and power plant is going through its final

tests. The refinery will have an annual throughput of nearly a million tons of crude; it was planned originally for the production of lubricants, with other oil products as ancillary activities. Last year, however, it was decided to build a catalytic cracker in addition.

The foundations for this special unit are now completed, but the cracker itself is not expected to be on stream for another year. Vacuum Oil is jointly owned by Powell Duffryn and Socony-Vacuum, to whose special design the cracker is being built. When it is completed—assuming that branded petrol will by that time, at least, have come back on to the home market—motor spirit will be marketed in this country under the Mobilgas trade mark for the first time.

Surplus of Cocoa?

Cocoa is the latest of the sterling area's dollar-earning commodities of which the price has declined sharply this year. The London price, which was about 34os. a cwt. at the beginning of March, has fallen steadily ever since; there is now little old crop cocoa left, but the new crop is selling at about 247s. per 50 kilos for October/December delivery. The West African Boards will begin to purchase the new season's crop towards the end of this month, and once these supplies reach the market in quantity, prices will probably begin to slide again.

Last year's main and mid crops were both very disappointing. Prospects for the coming season are good at present, but much depends on the weather during the next few weeks. Heavy rain during this period last year delayed harvesting and caused a severe outbreak of black pod disease in the Gold Coast. Semi-official forecasts suggest that there will be a "good normal crop" in the Gold Coast this year; estimates are not precise but generally vary between 250,000 and 270,000 tons. The recent announcement that the marketing board will pay growers only 70s. a load of 60 lb this year, compared with 80s. a load last year is unlikely to reduce harvesting. The Nigerian crop was at first expected to fall short of last year's level of 100,000 tons, but the latest reports are more optimistic. Growing conditions in French West Africa have been favourable so far.

Supplies of cocoa will probably be larger this year than during 1951/52, but there is no sign of any improvement in demand. On the contrary, consumption in most countries is falling. In the United States the seasonal fall in confectionery purchases during the summer was larger than normal and sales so far this year seem to have been even lower than the corresponding period of 1951. In this country consumption of cocoa in the first half of 1952 was at least 10 per cent lower than in the first half of last year. Sweets are still rationed, but there is evidence that a large proportion of coupons are not being used, and the trade associations with the approval of the Ministry of Food, is at present surveying distributors' stocks to make some estimate of the potential "unrationed demand." The German market was expected to take much larger quantities of cocoa this year, but after an early boom purchases have fallen off. High prices have not only reduced the demand for confectionery but have also prompted many countries to economise in the use of cocoa; cheaper fats are being substituted for cocoa butter in the manufacture of chocolate couverture. Even after the fall of the last few months cocoa is still dear compared with other commodities, and prices will probably have to fall a good deal further before there is any general recovery in consumption.

Shorter Notes

In accordance with a promise made by the Chancellor last May, the Treasury has now announced full details of two "general consents" for escape through the ring fence set

up by Section 36 of the 1951 Finance Act. In brief, British-controlled but non-resident companies incorporated after the end of 1951 may now emigrate if they wish to carry on a new industrial activity in any Commonwealth territory, and British businesses abroad may be sold for £50,000 or less to overseas buyers (with certain safeguards designed to prevent any sort of arranged deals that might offend against the spirit of the "consent").

From September 15 the Board of Trade is to revoke the open general licence for imports of certain cooked and uncooked meat products from the sterling Commonwealth and certain other areas. This step is being taken, with the agreement of the Governments principally concerned, to avoid the danger that increasing imports of these products might reduce the supplies of carcase meat that these countries have contracted to send to the United Kingdom. Canned products are not affected by this order; the main sufferers will apparently be luncheon meats from New Zealand and Australia.

The latest Middle East oil company to bring an oil concession agreement into line with the "50-50" basis now established in the area is Petroleum Development (Qatar) Ltd., an associated company of the Iraq Petroleum Company. Under the modified concession, Shaikh Ali bin Abdullah bin Qasim al Thani, whose father made the original 75-year agreement covering this area in 1935, will receive half the profits from company operations there instead of a fixed royalty. Production of oil in the Dukhan sector of the peninsula was 1.7 million tons in 1950; last year it was 2.3 million tons, and it is now running at about 3 million tons a year.



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Statistical Summary

In his statement to shareholders Mr T. M. Sparkes, the retiring chairman, declares that Australia has proved a "very big disappointment" owing to the collapse of the wool boom and the imposition of drastic import restrictions. Whitworth and Mitchell have also encountered difficulties in New Zealand owing to credit restrictions, and in South Africa, where the market is overstocked; in many other countries in the Middle and Near East government restrictions have resulted in the deferment of shipments and cancellation of orders on hand. Mr Sparkes believes that the recession has been so severe and rapid that the lower level of prices should result in resumed buying, but he warns that this forecast could easily be upset by political considerations. This is a gloomy story indeed. The preference dividend has now been definitely passed, and in the circumstances ordinary shareholders are lucky to have got even the 2½ per cent interim declared in February. The ordinarys are now a nominal market at 16s. 9d.

(e) To earliest date. (f) Flat yield. (l) To latest date.
(s) Assumed average life 13 years approx. * Ex dividend

(d) Yield basis 13½%. (e) Yield basis 16½%. (f) Yield basis 22.9 gross. (g) Yield basis 16%. (h) Yield basis 12½%. (k) Yield basis 6½%. (m) Yield basis 19.8%. (n) Yield basis 40%. (o) Yield basis 20%. *Ex divider.

NET RECEIPTS (£ thousand)	
Nil	
NET ISSUES (£ thousand)	
PO and Telegraph (Money) Act, 1950	750
EPT Refunds	24
Export Guarantees Act, 1949	5
Housing (Temp. Accom.), 1944 and 1947	50
Local Authorities Loans Act, 1945, s. 3(1)	9,300
New Towns Acts, 1946 and 1952	750
Cotton (Centralised Buying) Act, 1947, s. 21(1)	3,000
Miscell. Fin. Provs., 1946, s. 2(1)	3,000
War Damage: War Damage Commission	316
Finance Acts, 1946 and 1947, Postwar Credits	
	17,195

(₹ thousand)			
	Total 21 weeks ended		Week ended
	Aug. 26, 1951	Aug. 25, 1952	Aug. 26, 1952
Savings Certificates :—			
Receipts	75,700	47,100	2,000
Repayments	59,700	59,000	2,400
Net Savings	16,000	Dr 11,900	Dr 400
Defence Bonds :—			
Receipts	20,214	11,248	20
Repayments	25,991	29,670	1,415
Net Savings	Dr 5,777	Dr 18,422	Dr 1,395
P.O. and Trustee Savings Banks :—			
Receipts	273,597	289,092	12,510
Repayments	348,501	344,452	15,394
Net Savings	Dr 74,904	Dr 55,360	Dr 2,884
Total Net Savings	Dr 64,681	Dr 85,882	Dr 4,679
Interest on certificates repaid	14,518	16,120	660
Interest accrued	50,769	52,048	2,470
Change in total invested	— 28,430	— 49,756	2,868

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	SILVER			GOLD
	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 28..	73-0	83-25	161 10	92 1
" 29..	73-0	83-25	161 9	92 14
" 30..	Markets	Closed	161 7	92 0
Sept. 1..	73-0	Closed	161 11	92 4
" 2..	73-0	83-25	163 5	92 11
" 3..	73-0	83-25	Market Closed	

TATA IRON AND STEEL COMPANY

SHARP REVERSAL OF INFLATIONARY TREND

METHOD OF FINANCING EXPANSION PROGRAMME

EFFECT OF GOVERNMENT'S STEEL PRICE POLICY

ROLE OF THE EQUITY SHAREHOLDER

MR J. R. D. TATA'S SPEECH

The Annual General Meeting of the shareholders of the Tata Iron and Steel Company, Limited, was held on August 28th at Bombay, Mr J. R. D. Tata, Chairman of the company, presiding.

Surveying the economic situation Mr Tata said that "the year under review was marked by a sharp reversal of the inflationary trend which had received accelerated impetus from the Korean war. The cessation of stock-piling and panicky buying for replenishing inventories in the USA and elsewhere was largely responsible for the decline in prices which has occurred throughout the world, particularly in primary commodities. It has been helped also by the measures adopted by governments in India and other countries for curtailing credit facilities. Although the abrupt fall in prices which resulted from these measures caused a temporary dislocation of trade and industry, they have generally had the effect of restoring a more stable and, on the whole, healthier price structure. It is too early, however, to assume that the risk of further inflation is past. Recently there have been again signs of a gradual rise in wholesale prices and if the international situation worsens, the upward trend may acquire fresh momentum and call for vigilant action."

THE FOOD SITUATION

"The fall in wholesale prices," continued Mr Tata, "has not been reflected yet in the cost of living. Food prices which constitute the largest single element in the cost of living have shown an increase in several parts of the country and there are unfortunately areas where conditions amounting almost to famine still prevail. There is some reason, however, for thinking that in spite of these adverse circumstances, the food situation may become easier. The stock position with regard to food-grains is better now than it has been for some years past. This is due mainly to the large shipments of wheat from the USA which have recently arrived in the country, and also to the reduction of the rationing commitments of Government during the year and the lessened incentive for hoarding of food-grains owing to the general decline in prices."

"Fiscal and monetary measures," observed Mr Tata, "are an essential ingredient of an effective programme for fighting inflation. But unless this is supplemented by measures designed to increase production, the problem of inflation will remain largely unsolved. A fall in demand brought about by reduced purchasing power may temporarily alleviate the inflationary pressure but it will not provide a final remedy in a country with a low standard of living. This is a matter to which Government are fully alive as shown by the importance they attach to the draft Plan drawn up by the Planning Commission. The Plan, however, is limited to the public sector of the country's economy consisting mainly of schemes for multi-purpose development, and for transport and social services. Manufac-

turing industries like ours have been left, under the Plan, to private enterprise."

SUBSTANTIAL IMPROVEMENT IN OUTPUTS

Referring to the substantial improvement over the previous year in output of industrial raw materials and manufactured products, Mr Tata said that such progress resulted mostly from the better utilisation of existing capacity and the more plentiful availability of raw materials. If it is to be effective as a means of combating inflation and creating higher standards of living, the annual increase in industrial output must be on a scale which will require a continuous expansion of productive capacity. This is a responsibility which, in normal times, and in a free economy, would lie squarely on private enterprise; but private enterprise cannot fulfil such a responsibility unless it is in a position to raise the requisite finance.

"The lack of finance," continued Mr Tata, "is, today, by far the greatest handicap in the way of our economic development and the rock on which all our economic plans are likely to founder. Unless means are found to stimulate capital formation and to canalise savings into the required channels, no substantial progress can be expected."

CAPITAL FOR ECONOMIC DEVELOPMENT

"The virtual cessation of capital formation, through individual savings, during the last few years, although largely due to external causes not within the control of Government, has undoubtedly been aggravated by recent developments within the country, including Government's industrial and financial policies. To the extent that such policies have benefited the people by transferring earning power and wealth from a limited class of society to a larger number of people, they have achieved a socially desirable end, but we must face the fact that, in the process, capital formation has been seriously affected. A modern, progressive society requires that wealth and earning power be more equitably distributed amongst its members, but capital formation and its use for economic development are equally essential to that society's survival and growth."

Commenting on the expansion from reserves Mr Tata said that "while the disappearance of individual savings amongst classes of society which would normally invest their savings in industry, has curtailed the country's capacity to raise fresh capital for new ventures, existing industries could continue to expand if they were able to make savings of their own and to use them for expansion. Corporate savings of this nature have always been, throughout the world, the principal source of finance for the expansion of established industries."

A DESIRABLE FEATURE

"A study of the balance-sheets of leading, long-established industries in India," said Mr

Tata, "will disclose the preponderant extent to which our own industrial expansion has been financed from internal savings. To my mind, this is a wholly desirable feature which one would expect Government not only to recognise as such, but to encourage by positive measures. The current trend of thought in some official circles, however, appears to be that at least in controlled industries, the creation of reserves to be used for expansion is anti-social as it places the burden on the consumer, instead of the shareholder who should provide the additional capital for expansion."

This view overlooks the fact that even when reserves are used for expansion, it is the shareholder who has provided them over the years from undistributed profits, and that fresh capital investments would, in any case, have to come largely from what the shareholders save from the dividends they receive from industry. There is no difference of principle between paying out a larger dividend to shareholders in the first instance and getting part of it back later by way of fresh investment on the one hand, and paying a lower dividend at source and investing the balance of profit in new plant and machinery on the other. The second method is, however, obviously more effective and practical."

THE GOVERNMENT ATTITUDE

"In any case, in a controlled industry like ours where profits are statutorily limited by Government, the indirect and uncertain method of raising finance for expansion mentioned above could operate only if Government allowed a reasonable return on investments to be made in expanding the industry. The Tariff Board and Government, however, have fixed prices on a basis which gives a net return of only 3½ per cent on the additional block. Some even of that small return must be set aside to reserve to tide over emergencies or periods of depression. Thus, shareholders are assured of a net dividend of only 2½ per cent on any fresh investment that they may care to make in the expansion of steel capacity."

"If regard for the interest of the consumer of steel in India," continued Mr Tata, "is the main reason for the low return provided by Government and the Tariff Board on capital investment in the steel industry, it is, I feel, being carried to a length wholly unjustified by the facts of the case. When we recently pressed for a more reasonable return to the shareholder, we were told that the consumer had borne the burden of protecting the steel industry in the past, and that it is the duty of the shareholders to repay him for his sacrifices by assuring him low prices in the present. This proposition, is unexceptionable if reasonably applied."

COMPARATIVE FIGURES

"The following figures show that it is not. During the fifteen years of effective protection to the steel industry, from 1924 to 1939, the

consumer in India paid your Company, as a result of protection, a total of approximately Rs. 11 crores (£8,250,000) (\$23,099,000) more than he would otherwise have paid. Today the average price that the consumer in India pays for steel, including that imported by Government for sale, is about Rs.400 (£30) (\$84) per ton less than the import price; but the measure of the Indian producers' contribution to the low level of steel prices in India is higher than this, as the retention prices of the steel companies are about Rs.500 (£38) (\$105) less than the price at which foreign steel could be landed in India, without taking the duties into account."

"In other words, whereas the Indian steel industry was subsidised in the past to the extent of a total of approximately Rs.11 crores (£8,250,000) (\$23,099,000) in 15 years, the consumer is now getting his steel at a saving of Rs.40 crores (£30 million) (\$83,998,000) per year. Even if we take as a basis of comparison not the export prices but the present domestic prices in the UK, the value of the industry's contribution to the Indian consumer is over Rs.12 crores (£9 million) (\$25,199,000) per year. In the light of the above figures, and of the fact that steel enters to an imperceptible extent into the cost of living it is evident that the measures taken to protect the consumer of steel are excessive and in disregard of the legitimate claims of the industry and its shareholders."

UNFAIR TREATMENT OF SHAREHOLDERS

"Financial statistics published in our Annual Reports clearly show that in the Steel Company at least, the equity shareholders have not received fair treatment for some years. Taking the last fifteen years, we find that the total amount paid in dividends to the equity shareholders averaged Rs.143 lakhs (£1,072,000) (\$3,003,000) per year during the first five years and Rs.99 lakhs (£742,500) (\$2,079,000) per year in the last five years, reflecting a drop of nearly a third. If we take into account the reduced purchasing power of the rupee since the war, we find that our 17,000 equity shareholders are today worse off in respect of the return on their investment in the Company by nearly 80 per cent, as compared with 1937-38."

"There is a tendency today," Mr Tata observed, "to under-rate the role of the equity shareholder in the industrial economy and to judge his contribution to industry merely by the amount of his original investment, after which he is considered to have served his purpose and to be entitled to nothing more than a modest dividend calculated on that original investment. This view is misleading on many counts. It ignores the fact that, in long-established industries, the great majority of the present shareholders are not the same as the original shareholders, and that they have purchased their shares at the prevailing market prices and not at the original issue price, to which their cost therefore bears no relation. It overlooks the fact that the reserve and other funds built up from that the reserve and other funds built up from undistributed profits, year by year, represent an important contribution by the equity shareholders to the increased value of the assets on which the present profits are earned."

THE ELEMENT OF RISK

"Finally, it fails to appreciate the importance of the element of risk inherent in investments of risk-capital. So long as a mixed economy, in which a large part of industrial development is left to private enterprise, is considered necessary in the country's interest, the investors' willingness to take risks is an essential element in the development of industry."

"It is natural, however, that risk-capital should get a return commensurate with the risks it takes, as well as a long-term chance of

capital appreciation in successful ventures to compensate for the loss incurred on unsuccessful ones. On many occasions in recent years private enterprise has been blamed for the slow pace of industrial expansion in the country. The facts and considerations to which I have drawn attention show that if private enterprise has latterly not been able to achieve all that was expected of it, this was due largely to causes beyond its control, for some of which, at least, Government's own policies have been responsible."

BEARING ON EXPANSION PROGRAMME

"The issues I have just discussed," said Mr Tata, "have a direct bearing on our own problem of financing the expansion programme which we have undertaken at Government's own request. If reasonable retention prices had been allowed to the industry after the war, we would have no such problem to-day, as our reserves would have by now been adequate, together with a modest increase in our borrowings, to finance the whole programme. In the position in which we find ourselves, however, we suggested to Government that retention prices of steel in the country be raised by an average of about Rs.100 (£7) (\$21) a ton, approximately 44 per cent of which would go to Government in taxation. In return, we undertook to apply the whole of the balance of about Rs.56 (£4) (\$12) per ton to the desired expansion of our plant. This proposal would still have left our retention prices at about Rs.400 (£30) (\$84) less than the import prices."

"Government have instead decided to raise steel prices to the consumer by Rs.50 (£4) (\$11) per ton, but to leave untouched the retention prices of the producers at their present low levels, the increase being taken to the Iron and Steel Controller's Equalisation Fund. Out of the accumulations of this Fund we understand that Government contemplate granting a loan to us and to the Steel Corporation of Bengal. This would, in effect, amount to lending us our own money, for it would legitimately be ours if prices were maintained at a more reasonable level."

ADDITIONAL BORROWINGS

It was pointed out by Mr Tata that, "in addition to this special advance by Government, the Company will have to borrow elsewhere the difference between Government's loan plus the amount it will set aside each year to depreciation and reserve, and the total amount to be spent on the capital expenditure programme. It is likely that such additional borrowings will reach a figure of Rs.4 crores (£3 million) (\$8,400,000) or Rs.5 crores (£3,750,000) (\$10,500,000). Thus, at the end of the period, the aggregate borrowings of the company, including those already existing to-day, may be in the neighbourhood of Rs.18 crores (£13,500,000) (\$37,800,000) to Rs.20 crores (£15 million) (\$42 million)."

"Subject to the shareholders' approval, under Article 130 we have agreed in principle to take a loan from Government not because we think it constitutes the best or the fairest solution of the problem, but because, whatever our personal views may be, the country's interests must come first, and these imperatively require that additional steel-making capacity be created."

DETERRENT TO FURTHER INVESTMENT

"We shall continue," assured Mr Tata, "at the same time, to press Government for a revision of their present policy in respect of steel prices, which is not only unfair to the existing shareholders of the Steel Company, but acts as a deterrent to any further investment in the industry."

Mr Tata welcomed Government's announcement for setting up a Committee to investigate the tax structure of the country, and hoped that the question of the general incidence of taxation and its bearing on capital formation and production would engage the attention of the Taxation Enquiry Committee, in addition to the problems which faced trade and industry due to the lack of co-ordination between the various State Governments in the matter of sales taxes."

THE YEAR'S OPERATIONS AND PROFITS

Referring to operations and profits for the year under review, Mr Tata explained that in spite of the increase of about 15,000 tons in the output of finished steel and of a credit to the year's revenues of an item of Rs.123.6 lakhs (£927,000) (\$2,595,000) arising from the operation of previous years, the net profit was about the same as for 1950-51. For a proper comparison, it was necessary to set off against Rs.123.6 lakhs odd (£927,000) (\$2,595,000), amounts of a similar nature totalling Rs.88 lakhs (£660,000) (\$1,848,000) credited to the Profit and Loss Account in respect of previous years. The net accretion on this account for the year under review was only about Rs.35 lakhs (£262,000) (\$735,000). Increased profits on the additional output of steel and pig iron amounted to about Rs.59 lakhs (£442,000) (\$1,239,000), and the price increase of Rs.11 (£1) (\$2.3) per ton granted by Government from July 1, 1951, to compensate for increased costs, amounted to Rs.66 lakhs (£495,000) (\$1,386,000) for nine months of the year. He explained that, thus, other items remaining the same, the year's earnings should have been higher than the previous year's by about Rs.160 lakhs (£1,200,000) (\$3,360,000), but for the fact that against this sum, there had to be set off, a large increase in payments to labour totalling Rs.100 lakhs (£75,000) (\$2,100,000) for the year in respect of normal grade increments, increased dearness allowance, incentive bonus, and new service bonus payable to all employees not in receipt of performance bonus. The profits were also affected by the increased prices paid for raw material and stores."

Attention of the shareholders was drawn to an amount of Rs.75 lakhs (£562,000) (\$1,575,000) which represented for nine months, the first instalment of a special provision for depreciation allowed to the Company by Government and included in the selling prices."

SATISFACTORY LABOUR SITUATION

The labour situation during the year was reported to be satisfactory. Referring to the labour statistics given in the Annual Report, Mr Tata said that it gave a striking picture of the large increase, both in the average income per employee and in the labour cost per ton of finished steel. The latter had now reached a level which left no margin for further increase in earnings per capita, except through increased productivity. In this connection, Mr Tata stressed the need for a reduction in the number of men employed, which, he reiterated, would be achieved gradually by not filling vacancies and by absorbing surplus men in new plants or departments."

Mr Tata pointed out that while the average annual income per employee at Jamshedpur had gone up by 33 per cent, the output of finished steel had increased by only 13 per cent, which was still 6 per cent below the 1939-40 level, and the Directors felt that the time had now come to insist that any further increase in payments and benefits to labour must be accompanied by an increase in the output per capita. While saying this, Mr Tata recognised that one of the chief difficulties in obtaining labour's co-operation was the weak-

ness of the trade union movement in the country as compared to industrially more advanced countries. No lasting improvement was possible unless trade unions were better organised and consolidated so that employers could make with them collective agreements which were equally enforceable on both sides. The tendency of political parties to control trade unions as part of their bid to canvass labour support in elections led to unhealthy multiplication of labour unions, often within the same industry, making conflicting demands on the Management, with the result that the real and constructive aspect of labour organisation often took a second place.

WM. CORY & SON, LIMITED

THE HON. F. A. LEATHERS' STATEMENT

The Hon. F. A. Leathers presided at the fifty-sixth annual general meeting of Wm. Cory & Son, Limited, held on August 28th, at Cory Buildings, Fenchurch Street, London, E.C.3.

The following is an extract from his statement, circulated with the accounts:

Your company has substantially increased the volume of coal distributed during the year.

The oil bunkering side has more than absorbed the gradual reduction in the tonnage of coal provided for ships' use. In recent years the quantity of oil supplied as bunkers or cargo has increased with each twelve months' trading, with the exception of the year under review. The reduction which was comparatively small, was due entirely to the present situation in Persia.

Our coasting colliers have had a year of successful trading. A ship, which has been named *Corfield*, was purchased at the end of 1951. In addition to the three vessels under construction, two new ships, each of 4,600 tons dead-weight, have been ordered.

The company again participated in the importation of coal into this country from the United States of America and was interested in the movement of coal from India to the United Kingdom. While, unfortunately, exports of coal from the United Kingdom did not increase, the company had its full share in the tonnage available. A large part of the increased tonnage of our coal export department has resulted from our participation in the flow of coal from the United States of America to European countries.

The lighterage and wharfage sections have each shown a satisfactory result. Our fleet of barges has been modernised in recent years, and our tugs are in the process of being replaced by more efficient units. For convenience of management, the fleet of tugs and barges was transferred to the lighterage companies within the group from the wholly owned subsidiary, Cory Lighterage, Limited. It is intended that the programme of major repairs, which will soon fall due at our riverside wharves, will be undertaken in the course of the next few years.

Your subsidiary companies in the Union of South Africa have suffered a substantial decline in business during the year, chiefly from the inability of the railways to move coal to the ports of shipment and to inland consumers.

The business of John Kelly, Limited, of Belfast, of which we are joint owners with the Powell Duffryn Group, has increased in tonnage, with satisfactory results during the year. Orders for six ships have been placed.

The reports and accounts were adopted.

FURNESS, WITHY AND COMPANY

RECORD EARNINGS

CONTINUANCE OF HIGH SHIPBUILDING COSTS

INEVITABLE RESULT OF EXCESSIVE TAXATION

SIR ERNEST H. MURRANT'S STATEMENT

The sixty-first annual general meeting of Furness, Withy and Company Limited will be held at the registered office, Furness House, Leadenhall Street, London, E.C.3, on Wednesday, September 24th.

The following is an extract from the statement by the Chairman, Sir Ernest H. Murrant, KCMG, MBE, which has been circulated with the report and accounts for the year ended April 30, 1952:

The combined fleets, comprising a variety of different types—passenger, passenger and cargo, fully refrigerated and partially refrigerated, dry cargo ships and one tanker, stand in the balance sheet at a book value of £19,629,224. That figure includes £2,076,725 paid on account of new tonnage which, of course, has contributed nothing to the earnings of the past year. From the cost of the ships in commission £8,538,690 has been written off during the past five years from profits, and in addition a substantial amount has been written off by transfers from fleet replacement reserves to cover, in some measure, the element of inflation in postwar building costs.

RECORD EARNINGS

The consolidated profit and loss account shows record gross earnings, amounting to £8,476,607. The principal deductions from these gross earnings are £1,875,734 applied to depreciation of fixed assets, and the provision of £3,243,742 (against £774,895 in 1950-51) for taxation here and abroad.

The net profit in the parent company's accounts is £1,011,482, of which £500,000 has been transferred to fleet replacement account. The results for the year under review clearly justify the legitimate expectations of stockholders to a reasonable benefit from a good year, just as they must expect a recession when the reverse applies. The directors therefore recommend the payment of a bonus of 2½ per cent, making a total distribution of 12½ per cent less tax.

If the board's recommendations are approved, there will be a balance carried forward into the current year of £402,336.

PROBLEM OF HIGH SHIPBUILDING COSTS

The very high cost of shipbuilding continues to cause anxious thought for the future. It is a problem which cannot be ignored, and the wartime policy of "mend and make do" cannot be applied indefinitely. Indeed, that policy, forced upon industry by the necessities of war, has added materially to the postwar difficulty of replacing lost and obsolete tonnage and financing the cost of new ships at excessive postwar prices. The estimated balance of shipbuilding expenditure for which contracts had been entered into at April 30th was £6,356,240, representing balance payments to be made in due course in respect of twelve ships under construction or contracted for, delivery of which is anticipated at varying dates between now and 1956. What the actual ultimate cost will be is dependent upon the eventual cost of materials and labour, and is at present incalculable.

EXCESSIVE TAXATION BURDEN

The total provision for taxes of all descriptions amounts to the huge figure of £3,243,742. For many years the shipping industry has laboured under an excessive tax burden, and upon every appropriate occasion, as well as to every appropriate body, strong representations have been made urging the necessity for changes in the method of assessment which will result in some relief. Evidence and suggestions have been submitted in turn to the Millard Tucker Committee and to the Royal Commission, from which it is hoped that some helpful recommendations may emerge. In the meantime, however, it would almost seem that the bleating of the kid has further excited the tiger inasmuch as, in the desire to restrict profits on re-armament, industry generally, including shipping, is to bear an Excess Profits Levy as from January 1, 1952. No doubt there will be many who will applaud the desire to avoid undue profit-making from the national necessity to re-arm; there will certainly be others who feel that if burdens there must be, they should be shared as equally as possible. It should, however, be realised that the shipping industry has very special problems. Not merely is it essentially international in character (and therefore its domestic burdens cannot be shared equally with foreign competitors); not merely is its problem of replacing obsolete tonnage materially different from nearly every other industry, but it is generally admitted that shipping is a key industry in relation to national defence, and is also one of the chief contributors to those all important exports, invisible though they may be. Shipbuilders call for a continuous stream of orders for new ships and governments of all colours and creeds call for the maintenance of an adequate and efficient merchant marine, whilst all agree that merchant ships are as vitally necessary in peace as in war.

DRAIN ON RESERVES

Shipowners know that a period of prosperity has, in the past, and probably will in the future, be followed by a longer period of hard trading—years in which it is difficult to earn even depreciation—and unless in the good years by far the major part of their earnings is reserved for the purpose of maintaining their fleets instead of being drained away by taxation, the inevitable result must be a gradual decline in the number of ships and volume of tonnage-carrying capacity.

In a great many respects we are fortunate that we have been able to achieve so much, both in our own and the Exchequer's behalf, and it is to be hoped that our many thousands of stockholders will be satisfied that the restraint exercised in regard to dividend distributions has played its part in establishing the strong position revealed by the current balance sheet. At the same time stockholders must be prepared for the probability that the next profit and loss statement will reflect a much reduced level of earnings, which in turn will restrict the amount available for allocation to reserves for the maintenance of our capital assets.

ALLIED SUMATRA PLANTATIONS

DOUBLE TAXATION BURDEN

The twenty-sixth annual general meeting of Allied Sumatra Plantations, Limited, was held on September 2nd, in London, Mr A. L. Mathewson, OBE, the chairman, presiding.

The chairman, in the course of his speech, said: The 1951 group rubber crop was 7,541,963 lb., nearly half as much again as for 1950 but still only some 70 per cent of the 1941 crop, our previous highest.

So far in 1952 the improvement in output has been maintained; July yielded over one million lb., bringing the total for January-July up to 6,439,635 lb. Some 5,545,000 lb. of the 1952 rubber crop have been sold at an average price appreciably better than that now obtainable. We are, however, working on a much narrower margin than in 1951.

The profit margin on rubber in 1951 was less than 1d. per lb. more than in 1950, the increase in average selling price being almost offset by higher production costs, particularly in wages and export duty.

The profit of the group for the year after depreciation but before taxation was £300,787, out of which £99,844 has had to be set aside for Indonesian Company Tax and £81,170 (net) for United Kingdom taxation, leaving £119,773. These figures by no means tell the full story of the heavy double burden of taxation. The loss of 1951 gross revenue suffered by the subsidiary companies as a result of the exchange certificates system, together with export and similar duties, is estimated at not less than sixteen million rupiah, equivalent to £500,000. The Indonesian Exchequer benefits to the tune of practically £600,000 and over £81,000 has to be provided for the UK revenue. Thus the taxpayers, as sleeping partners but with no capital at risk, share between them a sum equivalent to almost 50 per cent on the company's issued capital, as against the proposed dividend to shareholders of 5 per cent. This odd interpretation of fair shares in fact reflects a policy, or the lack of one, which is now seen in practice to be destroying capital values, employment, trade and revenue, with implications still wider.

After referring to the prolonged interruption of replanting in Indonesia and enumerating the main factors discouraging the resumption of normal replacement programmes, the chairman continued:

To Indonesia her diversified plantation industries, the mainstay of her economy, are of prime importance. It may with some confidence be assumed that the ablest of her leaders realise how intimately related and vital to each other are the economic and political stability of the Republic on the one hand, and the efficiency and vigour of these industries on the other.

AN IMPORTANT QUESTION

A question of paramount importance therefore is the removal of conditions which at present are so completely discouraging both new planting and replanting; and the substitution of fully adequate incentives.

If, as is understood, Indonesia has in preparation a plan to encourage foreign investment within her territories, it is to be hoped that a realistic view will be taken of the increasing scarcity and difficulty of obtaining risk-bearing capital. The treatment accorded to existing foreign investors, who during the past half century have done so much for the development of Indonesia, is likely to be a decisive factor.

The report was adopted.

ASPRO LIMITED

The seventeenth annual general meeting of Aspro Limited was held on September 2nd at 16, Berkeley Street, London, W.1. In the absence of the chairman, Sir Ian Fraser, CBE, MP, presided.

The following is an extract from the circulated statement by the chairman, Mr Maurice A. Nicholas.

TRADING RESULTS FOR THE YEAR

The trading profit of your group after providing for directors' remuneration and depreciation amounted to £585,321 compared with £793,794 for the previous year. In the parent company's accounts the amount available for appropriation is £173,160, to which must be added the balance of profits brought forward from last year making a total amount of £197,472. After deducting £14,438 for the preference dividend and a further £39,375 for the interim ordinary dividend, already paid, your directors propose (a) to allocate £50,000 to the general reserve of Aspro Limited and (b) to recommend a final dividend of 20 per cent, less income tax, on the ordinary stock, the same rate as for last year. The balance to be carried forward on profit and loss account will therefore be £41,519 as against £24,312 brought in.

ACQUISITION OF MINORITY INTERESTS

The reduction in the group cash position is mainly accounted for by the purchase on behalf of your Parent company of the minority interests in our subsidiary companies in Luxembourg and South Africa at a cost of £300,000. Your directors in their report have referred to my negotiations resulting in the acquisition of these minority interests in our Continental Holding Company (which has since been dissolved) and in Nicholas (South Africa) (Pty.) Limited. This transaction has led to a simplification and consolidation of the group's financial structure and has facilitated the steps being taken by the boards of our overseas companies to improve their financial and administrative position.

TRADING CONDITIONS

Supplies of acid, paper and board have been particularly difficult to obtain, though your directors anticipated this difficulty and deemed it prudent to carry out a certain amount of stock-piling, which is reflected in the accounts presented herewith. The raw materials position is now becoming easier and the whole question of stocks is being kept under continuous review by your board.

While the trading profit for the year at £585,321 is not as high as for the previous year it must be remembered that reflected in the previous year's accounts were the additional sales made as a result of the serious influenza epidemic of January and February, 1951.

EXTENSION OF OVERSEAS INTERESTS

During the year we formed three subsidiary companies in Holland, Pakistan and Northern Ireland. In both Holland and Northern Ireland these companies will take over the promotion of the company's sales from agents who previously handled our business there. Sales promotion in our export markets has continued throughout the year, while on the development front we hope to commence operations in two other large overseas countries during the latter part of 1952. Though the surveys of these two markets are encouraging, it is too early yet to make predictions as to their full potentialities.

THE WOLVERHAMPTON METAL COMPANY

PROPOSED BONUS ISSUE

MR THOMAS C. JAMES ON RECORD TRADING RESULTS

The forty-ninth annual general meeting of The Wolverhampton Metal Company, Limited, was held on August 29th in Birmingham, Mr Thomas C. James (chairman and managing director) presiding.

The following is an extract from his circulated statement:

Since my last report the company has suffered a great loss in the death last November of my brother, Mr Henry S. James. He had been associated with the business even before it became a private company in 1903 and had been chairman since 1946, when the company became a public one. Whilst paying tribute to his work, I should like to express my appreciation of the honour which my colleagues have paid me in appointing me as his successor.

The results of the group's trading for the financial year ended March 31, 1952, will, I am sure, be received by you with as much pleasure and satisfaction as the presentation of them gives to me. There is once again an increased profit position, in fact a new record, the trading profit of the group (before taxation and allocations) being £372,386, against £294,282 as shown for the previous year, an increase of £78,104.

To meet taxation we have set aside £204,000, leaving £168,386, which, when added to the Profit and Loss account balance of £162,226 from the previous year and a credit of £17,500 for Excess Provision for Taxation at March 31, 1951, gives a total balance of £348,112.

Apart from dividends, there is only one appropriation made this year, namely, that of £2,000 to the Employees' Service Fund, to which I refer later. The directors are recommending a final dividend of 2½ per cent, making 45 per cent for the year, as compared with 40 per cent for the previous year. This total dividend absorbs £45,670 net, leaving a total carry-forward balance on Profit and Loss account of £300,442, as compared with £162,226 at the end of the previous financial year.

BONUS ISSUE

Consent was received last May from H.M. Treasury to the making of a bonus issue under which (subject to eventual approval by the stockholders) each stockholder will receive one fully paid stock unit by way of bonus for every unit held at the appropriate date. This will require an appropriation from the Profit and Loss account of £146,142, which, with the items, Share Premium Account, Excess Profits Tax, Post-war Refund and Surplus on Sale of Freehold Property, will thereby increase the issued capital by a further £193,311 up to £386,622.

This proposed bonus issue, if sanctioned by the members, will be carried out after declaration of the recommended final dividend as calculated on the present capital.

In view, therefore, of the appropriation to be made next year from the Profit and Loss account for the purpose of the bonus issue, the directors have not made any further allocations this year to the already substantial reserves.

The group balance-sheet, in line with the increased profit, shows a stronger position than ever before in the company's history. The Fixed Assets, which are very conserva-

(Continued on page iii of cover)

AIRCRAFT AND AIRPOWER

Buyers for New Aircraft
Quality or Numbers?

What Sort of Air Force?
Civil Aviation as a Business

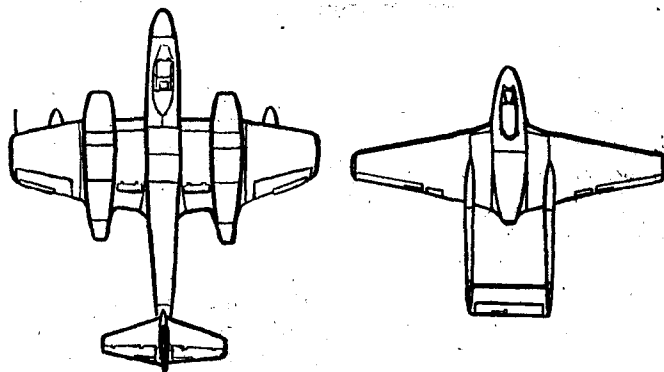
Buyers for New Aircraft

THE British aircraft industry has never enjoyed—and has certainly never sought—a comfortable life. It is enured to turbulent change, both in what it produces and in what its customers require of it. In both respects, the challenges now presented to the industry are as dramatic as any it has ever known. In defence policy, emphasis has shifted towards the need for a continual state of preparedness to meet an ever-present risk, and the requirements of the Air Force—the industry's major customer—have changed with it. Current standard types of aircraft are no longer likely to be needed in the numbers in which they have been ordered; on the other hand a regular uninterrupted flow of the newest types has become essential. Such changes of programme are never simple to apply in the aircraft factories themselves; but on this occasion there has been some incidental gain in the easing of pressure on the industry. Shortage of labour no longer threatens to hold up production as it did twelve months ago; supplies of materials or machine tools may not be perfect, but they are not causing pressing difficulties. A marked improvement in the rate of recruitment, which in part arises from slacker conditions in other branches of industry, including engineering, has brought the monthly intake of labour very close to what the industry requires—to provide, say, 225,000 workers by the end of 1953 directly employed in the industry and perhaps the same number in ancillary industries making forgings, castings, and other components for the aircraft manufacturers. The industry is also stretching its labour force by working more overtime than the average for the country.

A change of air policy on a major scale prompts pertinent questions about the size of the industry. The original programme involved big orders for aircraft such as the de Havilland Venom fighter, the Gloster Meteor and the English Electric Canberra bomber; it called for extra production lines in the factories of the three companies that designed the aircraft, and it brought into use assembly space belonging to such companies as Bristol Aeroplane, Handley Page, A. V. Roe and Short Brothers and Harland in Belfast that would otherwise have been without work. To meet the heavy requirements for Rolls Royce Avon engines, Rolls Royce built a completely new factory at Glasgow, and orders for Avons were also given to three other companies—Bristol, Napier and the Standard Motor Company. Except for the Bristol line for Venoms, on which work did not proceed very far, all these new production lines are likely to be kept in

existence, though their capacity now seems to be beyond the RAF's revised requirements for those types of aircraft. This creates difficulties, not least for the Ministry of Supply. If the Air Staff declares that it no longer wants Venoms and Canberras in the numbers first intended, orders must be cut back somewhere. If they are cut on lines belonging to sub-contractors, those companies face unemployment, to the extent that the sub-contracts were awarded to them in the first place because they had no prospect of sufficient military orders to keep them employed. Cuts in orders placed with the companies that designed the aircraft and engines may be less painful, to the extent that they have new versions or completely new designs under active development. The reduction in Canberra orders may be a relief to English Electric, the makers, who will remain burdened with other work. Rolls Royce, who would have made the engines for the cancelled Canberras, must presumably face a slackening of work throughout its factories until new engines are brought into production.

1943 The evolution of the delta can be traced from the straight wing Gloster METEOR and de Havilland VAMPIRE.

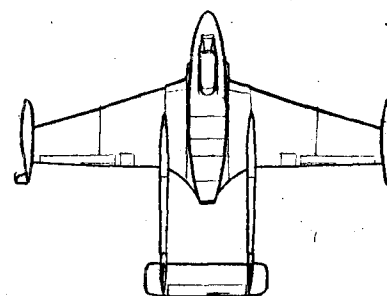


The cut in aircraft deliveries during the next eighteen months, before new types are fully in production, should considerably ease the strain on the Exchequer during this year and next. By temporarily relaxing the pressure on the aircraft industry, the cuts may even assist it to make a direct contribution to the country's balance of payments. This is an over-simplification, for export possibilities depend on whether the industry has in production the types of aircraft that other countries wish to buy. Its possible foreign customers fall into three

classes—the civil airlines, the Nato countries, and the military establishments of other foreign governments.

Three companies, Bristol, Vickers and de Havilland, are making a determined effort to build up an export trade in civil aircraft. Bristol's products are its freighter (price £90,000), and its turbo-prop Britannia airliner (£600,000). The freighter, though perhaps on the small side for general freight as compared with American designs, can accommodate special traffic such as cars and livestock that few other aircraft can carry, and for this reason it should command an international market. The Britannia, which is the British industry's answer to the long-range civil airliners of the American

1949 ... through the thin wing de Havilland VENOM...



industry, has only recently flown, and its performance has yet to be proved. Present estimates suggest that it may be an outstanding airliner, but since delivery for foreign customers could hardly be before 1956, its prospects lie beyond the present discussion.

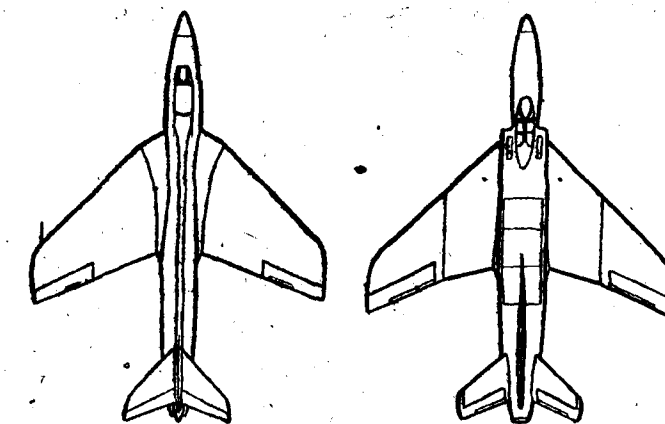
Vickers has in the £200,000 turbo-prop Viscount a medium-range airliner probably without equal in the market today. Lack of orders led to a considerable delay in bringing the Viscount into production, and the company's pre-occupation with the Valiant bomber may limit its output in coming months. Export sales of the Viscount must depend very closely on the resources that Vickers can devote or divert to its production. The company has taken orders for 58 of these attractive aircraft from all over the world; they might be larger if delivery could be improved, and perhaps if the company were to make a forceful effort to push the Viscount in the North American markets that it has not yet visited. It is possible that a jet transport might also be developed on the lines of the Valiant bomber, but Vickers is not to be blamed for any lack of enthusiasm for diverting design or production resources from current military work.

The de Havilland company remains the largest manufacturer of civil aircraft in the country. It is reputed to have the best sales organisation in the industry, and has an established export trade in 6 to 20-seat aircraft like the Dove (£22,000) and Heron (£37,000) that earns far more at present than the Comet (£500,000). So far that matter do companies like Percival and Shorts (with an amphibious design). Foreign orders for the Comet have so far been spasmodic and although the famous Captain Rickenbacker of Eastern Airlines was talking last week of big orders for the Comet III, neither he nor anyone else can have them for five years. De Havilland cannot take the heavy commercial risk of laying down extra production lines for Comets until it has a reasonable flow of firm orders. The company has been rather unkindly criticised for a "slow rate of output" without due allowance being made for these commercial risks. By tooling up at Shorts, de Havilland hopes to have Comets for sale "off the shelf" when airlines become more confident of the future of jet aircraft.

The military market in some ways presents fewer

difficulties. There is still a steady flow abroad of Vampires, Meteors and trainer aircraft of all kinds to the Middle East, Asia and South America, costing between £15,000 to £30,000 apiece. Governments in those countries are prepared to buy fighters that are by western standards obsolete. The Nato countries are not, and the possibility of their placing off-shore orders for which the United States would pay in dollars, depends on the British aircraft industry being able to deliver aircraft that they do want. Swift, Hunter and Javelin fighters would be willingly accepted. But the first Swifts are just coming off the line, and such aircraft could only be sold to Nato countries by taking them from the RAF. If recruitment into the Air Force were slow, it might be possible to divert such modern aircraft to Nato countries without sacrifice. If not, the choice would resolve itself into the strategic question whether such fighters would be better deployed in Europe or in the daylight defence of this country. Delays in getting the Hunter into production (it was ordered at the same time as the Swift) suggest that it will not for some time be available for off-shore purchasers. Again, the Javelin will not come off the lines for a considerable time, and nor will the heavy bombers. On the other hand, the British aircraft industry should be in a position to supply Canberras in some quantity at an estimated cost of £100,000 apiece, and also Venom and Meteor night fighters. Pending a decision on the Swift, these aircraft represent an immediate contribution that the industry could make to Nato defence. There is also a dark horse. The de Havilland 110 night fighter was rejected by the RAF in favour of the Javelin. Had the de Havilland company been able to offer earlier delivery than Gloster, the 110 might well have been ordered since the Javelin, as a production project, is not so far developed as the 110. If the de Havilland company could convince foreign customers that it can, despite its heavy civil and military commitments, give a reasonable delivery date, this impressive new aircraft might find abroad the market that it so far lacks at home.

1951 ... to the swept wing Hawker HUNTER and Supermarine SWIFT...



This survey suggests that there is considerable scope for the export of British aircraft. But the possibilities can easily be exaggerated. At any one time, only a small number of companies out of the total aircraft industry have designs suitable for production and of these even fewer are suitable for sale abroad. While the capacity of the industry as a whole may not be too large for the demands upon it from home and from abroad, it can be argued that some of this capacity is in the wrong places. The policy of standardisation pursued

in the early postwar phase did much to restrict activity to one or two companies, to the discouragement of the rest. If defence policy is in future keyed to continuous modernisation, it will spread work more evenly throughout the industry. Orders will still be irregular, simply because some designs take longer to develop than others. A. V. Roe has been working since the end of the war on its new heavy delta bomber; the outcome is a radical advance in aircraft design, but during its seven years' incubation Avro has had little remunerative production work. The ability that goes to successful design is not monopolised by the commercially successful companies in the industry; it turns up in unlikely places elsewhere. Many people believe that the industry could profitably be concentrated into four or five companies, but even more are convinced that the strength of the British aircraft industry rests upon a large number of independent design units scattered over the country. The Ministry of Supply is for this reason alone resigned to carrying a number of passengers on its defence budget, and to find

Quality or Numbers?

THE unique display at which the British aircraft industry presents the cream of its products flown by the pick of its pilots has done much to bring the prestige of the industry to its present high point. The Farnborough air show is not so much concerned with the present as with a future in which changes are likely to occur of greater violence and wider implication than the industry has yet known. It is an annual commonplace that some of the aircraft that appear at Farnborough have flown for only a few hours and will not be in squadron service in quantity for several years. The test that the industry has continually to apply to itself is whether its designs are abreast of, or better still, ahead of, future military requirements.

In the crudest terms, military requirements today seek weapons with which to launch an atomic attack and other weapons capable of warding off such an attack. This year marks the completion of a development programme initiated along these lines at the end of the war. Its results, in terms of the aircraft appearing at Farnborough, suggest that it has been outstandingly successful within its self-imposed limits. There are, however, signs that those limits may have been too narrowly conceived. The RAF has the promise of fighters and bombers that are for the time without equal in the world, but certain accessories for those aircraft have not been studied with the same care, while certain other subsidiary but nevertheless vital aspects of air power have been sadly neglected.

The nucleus of a striking force is now complete with the emergence of a light, a medium and two heavy bombers. Now that, in the words of the Defence Minister, "the reshaping of our air programme will be based on the principle of concentrating more on quality than on mere numbers," the Air Staff is able to give early production orders for so advanced a design as Avro's delta bomber, without delays for flight testing. A risk of this kind can be taken when permission is

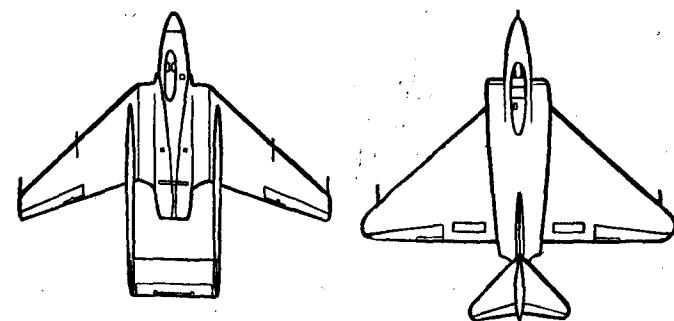
work for them even at the expense of more active companies.

The opportunities open to the industry to develop a civil and military export market are never likely to be better than they are today, for the American industry is prevented by its own production embarrassments from supplying military aircraft, and is handicapped in the civil field by its failure to develop gas turbine airliners. While British designs have been conspicuously successful, the very difficulties that the industry is likely to experience in offering reasonable delivery dates to foreign customers suggests that it has much to learn in the way of putting those designs into production. Some of the disappointments of the past year are directly attributable to deficiencies of management. In the factory too great reliance is still placed on individual skill, and too little on production engineering that would simplify the actual operations. If the aircraft industry is to become, as well it might, one of the country's leading exporters, it must learn new techniques of producing in quantity.

given to order more than one design in the same class. It cannot be taken when equipment has to be standardised on one type.

The progress made in jet engines has changed many of the concepts of bomber design. Using two Rolls-Royce Avon engines, English Electric have been able to give the unarmed Canberra bomber the clean lines, the speed and the manoeuvrability of a fighter, but the

... and so, later in the same year, to the DE HAVILLAND 110 and the Gloster JAVELIN ...



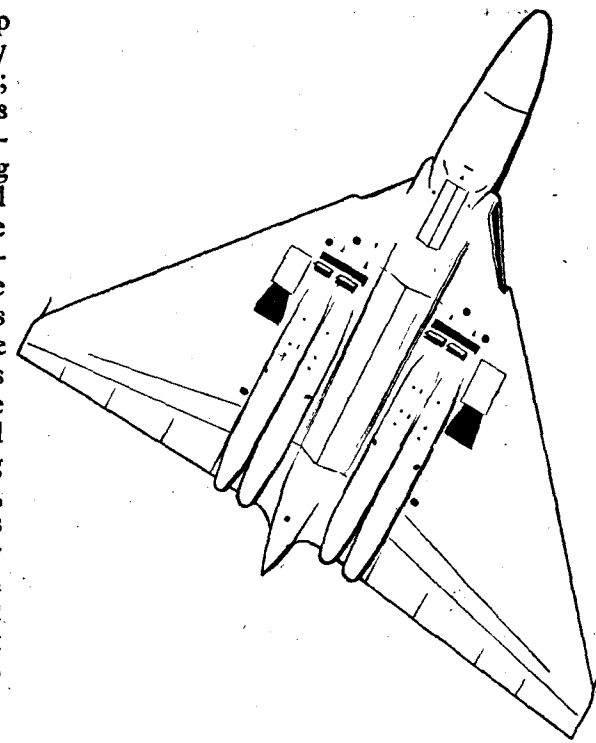
high fuel consumption of these engines probably costs something in terms of range. To give bigger bombers the minimum range of 3,000 to 4,000 miles that they need can only be done by cutting down the drag—that is, the resistance of the air—in a way that has never previously been attempted on big aircraft. The unbroken lines of the Vickers Valiant bomber, with its thin swept wing, represents one way of doing this. The Valiant is a bomber that meets an exacting Air Ministry specification on range and bomb-load, and does so with only four engines—an exercise in restraint that compares favourably with multi-engined American projects. The Avro bomber is intended to have a longer range than the Valiant. To get this increase, drag has been further reduced by sweeping back the wing at an even sharper angle, and eliminating a large part of the tail. The development of low-consumption jet engines will also improve range. The inevitable loss of strength that

results from a sharper sweep of wing is counteracted by filling it into a solid triangle; at the same time, the controls normally housed in the abandoned tail fins are placed along this new surface. A good deal of fuel and equipment can be stored inside the wing, reducing the size and drag of the fuselage. The reason why it is still thought necessary to have more than one bomber of this class in production lies in the problems of handling created by placing the controls along the wing. At Farnborough, flown by a test pilot who has done as much as the designer himself to create confidence in the delta, the bomber appeared surprisingly manoeuvrable; it remains for service pilots to make it behave with the same docility.

The industry has successfully built bombers to fulfil service requirements on range and bomb-load. Whether they fly sufficiently high and sufficiently fast to elude enemy defences can never be foreseen with certainty. But the problems of defence must be broadly similar in all countries. They are being met, here in three ways—by light, fast interceptors such as the Swift and Hunter, by all-purpose, heavier fighters like the Javelin, and by guided missiles. The use of interceptors of the Swift and Hunter class is limited. At heights above 30,000 feet, it becomes difficult to see other objects in the sky; since bombers are likely to fly in at heights of 40,000 feet or more and since they are not likely to come over in swarms, they may well be beyond the human ability of a jet fighter pilot to identify and attack. Air combat in Korea is already providing evidence of the difficulty of visual interception at much lower altitudes.

Fighters capable of intercepting aircraft at such altitudes must carry their own radar. The Javelin, and the supersonic de Havilland 110, both carry such equipment. With twin engines, they have the power to climb with this extra weight to 40,000 feet within the precariously short interval that exists between the detection by ground radar of a jet bomber flying at more than 600 mph and its arrival over the target area. But it is a slow and costly process to build such detection apparatus into an aircraft, and beyond the capacity of any industry to deliver fighters so equipped in number. They must, therefore, be reserved exclusively to meet the risk of the small, high-flying bomber force. Fighters relying on visual interception will continue to form the basis of a defence force against mass raids where there is an even chance that the raiders will fly at a sufficiently low level to make visual interception possible.

Guided missiles may reduce the need for fighters, but only at a heavy cost. Missiles can be built which, fired from the ground, will pick up and "home" on an approaching aircraft. A number of aircraft companies are working on such weapons and several were on show at Farnborough. But their cost alone is likely to prevent



30th August, 1952 ... and ultimately to the perfect triangle, the AVRO 698.

them from replacing fighter aircraft for at least the next decade. On the other hand, it is possible that a smaller type of guided missile which can be released from an aircraft may come into service with less delay, although, if it does, some thorny problems of aircraft identification will arise. For these reasons, continued development in fast-climbing fighter aircraft is likely to be needed, possibly with rocket motors or rocket boost to carry them to altitudes where the air becomes too thin for efficient engine combustion. The high-speed fighter is also the only means, and not a very efficient one, of combating the danger of attack from low-flying aircraft.

With so much attention concentrated on the immediate problems of attack and defence, other aspects of air power have come a poor second. One of

these is armament. Continued reliance upon foreign designs for cannon presents a strange contrast with the resourcefulness shown in other directions. A second deficiency is in radio. The radio industry is handicapped by lack of research facilities on the scale needed to meet special electronic problems at high speeds and altitudes. There has, perhaps, been too long a delay in providing the industry with specifications on which to work, but now that these have been issued, the problems of design are proving more complex than was expected. The equipment of a modern bomber comprises 1,000 or more valves, and cannot be made easily, cheaply or quickly.

A third defect must be laid squarely at the door of the industry. Nearly all British fighters have controls that are manually operated. At speeds at or above Mach 1 (when at any given altitude the aircraft is passing the speed of sound) it becomes almost impossible to control aircraft in this way. One or two companies have for some time past recognised the need for power-operated controls for high speed flight, and have fitted them to their aircraft. It is interesting to note in this context that the de Havilland 110 has frequently and regularly exceeded Mach 1, and that the Hunter has occasionally and more cautiously done so; but no other British fighter yet appears to have been flown at supersonic speed. Reports from test pilots are now leading to the more general fitting of power controls, which should lead to higher performance of the aircraft.

The most neglected branch of the industry has been transport aircraft, whether helicopter or conventional aircraft. At the beginning of the week the long-delayed order for the big Blackburn freighter was announced. This is an aircraft that can carry a tank or a bus or 90 troops and yet land on a grass air-strip in 500 yards. That magnificent conception, the 10-engined Princess flying boat, remains a homeless child. The defence ministries may be relying on requisitioning civil

airliners like the Comet and Britannia, or they may be waiting to see the development of design studies on transports evolved from the Valiant and Avro bombers. But the same absence of suitable designs does not excuse the lack of interest in helicopters. These prehensile machines make strange partners for the jets, but they are a no less necessary part of defence equipment. Yet the Bristol Aeroplane Company, which demonstrated this week the world's first twin-engined helicopter, has been obliged to attempt this difficult feat of design for its first multi-seat helicopter in order to attract the interest of civil operators. There are signs that the Army, which would be the principal user of helicopters, is ceasing to regard them as an expensive form of flying jeep, and beginning to appreciate real tactical possibilities for rapid movement and evacuation of troops and materials over terrain, land, water or beach, that cannot be crossed by other means. The Navy has also done some testing of helicopters on carriers. This interest has not, however, reached a stage where it is leading to any direct sponsorship of suitable designs. Here, perhaps, is one aspect of the rearmament programme that would bear closer investigation.

What Sort of Air Force?

WHEN Mr Churchill last spoke on defence, before the House of Commons in July, two thoughts seemed uppermost in his mind: the need to provide the right kind of forces for "a long cold war," and the foolishness of ordering and producing now large quantities of weapons that will rapidly become obsolescent. It sounded as if he had taken the vital decision that chiefs of staff find it so hard to recommend—the decision that a major war involving Britain is unlikely in the next three or four years.

To take the view that a major war is unlikely in the immediate future is not, of course, to rule it out altogether. It is obvious that the Nato powers must provide the nucleus for expanding rapidly the sort of forces that will be needed if war breaks out in Western Europe before the mid 1950s; in other words they must have—and have quickly—the nucleus of a first-class jet fighter force (both day and night), and of a medium and strategic jet bomber force. But they must also have on hand the rather different weapons needed to deter the outbreak, not of a major war in Western Europe, but of new and localised "Malayan type" or even "Korean type" wars (say in Indo-China or Burma). And they must prepare themselves against the possibility that a major war may break out in Europe after the mid-1950s, that is after the race between jet aircraft and guided missiles (both offensive and defensive) may have been decided in the favour of the latter.

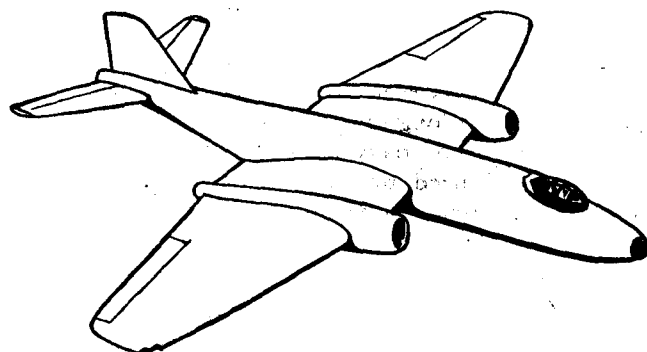
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The strategic demands are therefore complex and, above all in these days of continuous scientific research and carefully planned industrial development, quite appallingly expensive. Otherwise, they are fairly familiar. The problem of whether to provide for "war tomorrow" or "war ten years hence" is not new; it has harassed Britain's naval designers all through the twentieth

By concentrating the greater part of the industry's design resources on fighters and bombers, the country has been assured of the minimum number of effective designs for attack and defence. It is now necessary to take a wider view if the industry is to fulfil an important role in the country's economy and not simply in its defence. Aircraft design cannot be canalised into types. Civil designs depend on military research and on military engines. Even a company so heavily committed and so successful in civil aircraft as de Havilland has come to the conclusion that it cannot afford to retire from the field of military design, while a military aircraft builder like Vickers looks in turn to the market for air liners to tide over periodic and inevitable fluctuations in military demand. It would be easy to conclude that the British aircraft industry should concentrate its resources on the design and construction of one or two types of aircraft for sale at home and abroad simply because it has at this time one or two outstandingly successful designs in production. But if new designs are to present themselves as attractive research projects, the industry must have some assurance that a potential home market, however limited, does exist for them.

century. The cold war is imperial policing in a new form—without the Indian Army. The differing natures of the threats in Europe and the Middle East are familiar. The danger to industry and the civil population in these islands is that of 1940, with the possibilities of vital damage greatly increased. What are new are the scope

English Electric twin-engined CANBERRA bomber.



and strength of the Atlantic alliance, of which this country is a member and the economic difficulties that limit the exercise of British power.

In practice, these two new factors merge—and should merge—into one. Britain has to limit demands on the engineering industry because of its decisive importance in the export trade; the Government must, therefore, select carefully between alternative weapons and can order large production only when sure that they have a winner, like the Centurion tank or the Canberra bomber. But nowadays, when there is the possibility that some hundreds of millions of American dollars may become available to buy British arms for allies in Nato, it is necessary to get those allies to agree on what is a winner—that is to say, better than something they can produce. Fortunately, this is one case where sound military and sound economic strategy seem to point in the same direction; it has always been intended that Nato should

create integrated and balanced forces of all arms, for the defence of an area spreading from northern Norway to North Africa and from Northern Ireland to the eastern frontiers of Turkey. Britain—like France—has overseas commitments beyond this area and is, therefore, entitled to decide for itself what forces are necessary for tasks outside the Nato area. But within the Nato area it is difficult to see why the various fighting and production roles should not be distributed among allies according to skill, capacity and wealth—as well as according to traditional interests and geographic advantage.

It is against this complex background that the tasks of the RAF may be summarised. First and foremost—both from the point of view of this country and of the whole Atlantic alliance—must come the defence of the British Isles. There lies the seat of British power and there, too, lie ports, bases and airfields vital to the strategy of Nato and the Commonwealth. For the predictable future this task will be entrusted to the Hunters, Swifts, Javelins and D.H. 110's. Within a decade these may give place to the rocket aircraft and radio-guided missiles—how soon and how much is a closely guarded secret. But there are some predictable problems of the robot age for which the RAF should be planning now. The new weapons will tax not only the capacity of industry but also the skill of operators and directing staffs. Training standards will have to be high and there will be little time in war to correct errors in defence organisation. The Dowding of the future will need a perfected early warning system and new tactics against high-flying jet bombers and rocket attack—if the balance of advantage is to switch to the defenders.

Second in RAF calculations must be the watch on the Atlantic and other trade routes. The jobs done against the U-boats by the Hudsons, Sunderlands, and Wellingtons would have to be done again in a world war, probably over even greater ranges. Long-range aircraft like the Shackleton and the Carrier-borne Gannet are therefore as vital as ever. It is far more difficult than it was to detect the long-range submarine, which can now stay submerged for days on end. Therefore Coastal Command will need not only the most intricate and expensive electronic equipment, but also a large reserve of first-class radio engineers—as, indeed, will all the fighting services.

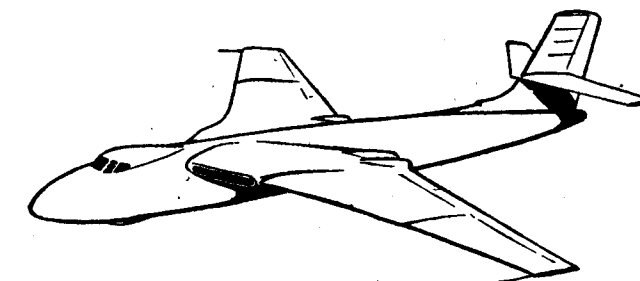
Third might come the function of reconnaissance. To give it this position is to invite bitter controversy, but that is preferable to the virtual neglect of this function of air forces both in the United States and in this country. There was a grave weakness in British air reconnaissance in the early stages of the last war which should not be allowed to occur again. The reconnoitring aircraft not only provides eyes and ears for all arms; it provides weather intelligence indispensable to bomber forces, can secure vital radar intelligence, and is the best means of assessing bomb damage. The Luftwaffe fell down badly on air reconnaissance in the last war, as the commanders responsible for the allied landings in North Africa, Sicily and France will gratefully acknowledge. Soviet intelligence, on the other hand, has always attached high importance to air reconnaissance. Clearly, the RAF cannot afford a large force of specialist squadrons for this work; but it could institute specialist training for picked crews in all types of squadron. And the cold war will offer excellent opportunities for practising their skill.

Fourth—and here again the strategy needed for the

cold war seems to merge into that which would be needed for a hot one—comes the transport aircraft. The cost of moving British troops on their imperial and cold war duties might be considerably reduced by the use of suitable air transports. (At any moment, nowadays, there are between 35,000 and 40,000 men "in the pipe line" between home and station, and between stations.) Moreover, the defensive plans of Nato will increasingly depend on the swift movement of troops and equipment and air squadrons over the vast area of the free world. With a big air lift capacity and with some standardisation of equipment, Nato might well lighten its burden of garrisoning and maintaining big local forces. Here, Britain could make a major and unique contribution to Nato's resources—and earn foreign currencies in the process—if its allies will back its winners. In jet transports British industry could lead the world, with the Comet, the Viscount, and the Britannia. Moreover, for Commonwealth defence, the role of the transport plane could be crucial, provided that Transport Command is not again treated as the Cinderella of the RAF and its crews sacrificed to Bomber Command.

It is true that this country's productive capacity is limited; and it may, therefore, seem absurd to advocate a major effort in transport aircraft when there are so many other things to be done and when foreign orders for civilian air liners can be met only with great difficulty. But it is perhaps time that the choice—if it is a straight choice—between bombers and transport aircraft were faced, or at least publicly discussed. Nobody denies that to achieve air superiority in war, the battle must be taken deep into enemy territory; it is vital to take the initiative

Vickers VALIANT four-engined bomber.



and remain on the offensive. That, however, is the function allotted by the Americans to their strategic bomber forces, and to the atomic bombs that they will carry. Given the existence of the Atlantic alliance, can a good case be made out for a British bomber force that would merely duplicate this role? And, if such a case can be made on such military as well as political grounds, can Britain afford a force large enough to be effective?

It is difficult for the layman to know how large, in fact, a bomber force of modern jet aircraft would need to be for effective strategic attack. The Valiant jet bombers have been conceived as carriers of atomic weapons over great distances and could attack many, if not the most remote, industrial centres in Russia. But they have become by the swift changes of design and standards, medium bombers; perhaps the new Avro Delta bomber, which was flying at Farnborough this week, is the precursor of the heavy bomber of the future. Whether Britain can afford the luxury of a large force of strategic bombers, in addition to its heavy burdens of air defence, is another matter for argument. Better an efficient defen-

sive force than bits of everything is the verdict of some; strategic bombing responsibilities, they argue, must be left with the Americans. But to this there is an important counter-argument. The rate of advance in jet bomber development in Britain leaves no time for nice calculations of integrated forces and equitably shared defence burdens. Such calculations may be essential to the full maturity of the whole Nato conception; but if the British aircraft industry can produce brilliant machines which are in many ways ahead of the best that America can at present offer, how are they to be developed for squadron work unless the Air Ministry orders them for bomber command or unless the United States Air Force is itself prepared to buy them?

There are many other uncertainties in the strategic picture. For example, the role of the tactical air forces may have to be constantly reviewed. Commitments to support the ground forces of the European Army are heavy; fighters and fighter bombers are needed in Malaya; the tactical use of atomic weapons against ground forces presents new problems. The temptation will be to disperse effort, to have a dab at everything, to postpone production in the hope that something better is on the way. And there will always be the natural dis-

position of the air staff to insist on a "balanced force" of bombers, fighters, transport and reconnaissance aircraft. Whether Britain can afford—or must afford—such a force, is a problem on which the layman hesitates to pass judgment without far more information than he is likely to get. But he is at least in a position to ask for wider public discussion. That discussion should be centred on a limited but specific battery of questions. If Britain can best produce jet transports—say with the assistance of Canada—then what are the objections to proposing that American and all other Nato forces buy and use them, leaving to the United States the provision of heavy bombers? If France could produce and sell the right kind of reconnaissance aircraft, then why not let the French use British and American fighters? Against such ideas there may be weighty political, financial and technical arguments to be heard; but the case for the defence has never been fully stated in public. On the face of it an agreement within Nato, which would allow nations to specialise in what they do best and rely on allies for the rest, would seem to offer to this country a way of making the best of its productive resources without a crippling effort to do everything. Air strategy must not be allowed to crash between too many tempting stools.

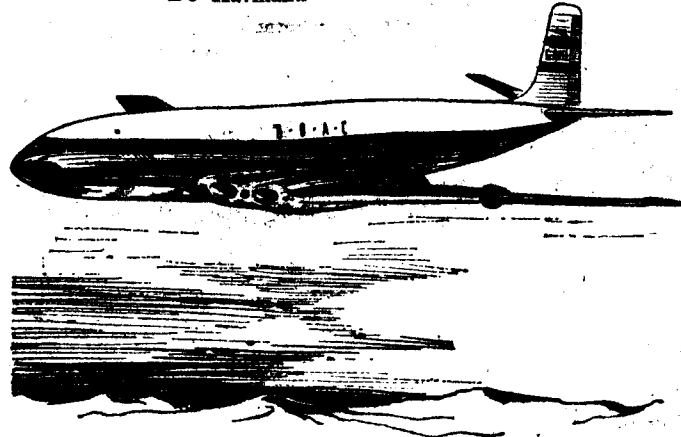
Civil Aviation as a Business

BRITISH civil aviation is in better shape than it has ever been. The two airways corporations have established themselves on the sound basis that civil aviation is a business—different in technique, but in other ways much like any other industry. Recently independent operators were given opportunities for playing a larger part in the development of an industry which may become as important as the merchant marine has been in the past. The major corporation, British Overseas Airways, suffered much at its inception from the carry-over of ideas from the scale and nature of wartime operations, as well as from the over-enthusiasm of the early postwar years. It was allowed to expand to an excessive size. Its misjudgment was a painful process of reducing its staff by one-third—at a time of general expansion in the industry—and the severe strain on morale that such cuts imposed. British European Airways was more fortunately placed, since it was separated from BOAC in 1946, and started its career with a staff of more appropriate size. Even so, it could not wholly escape the repercussions of events taking place in its sister corporation.

Partly as a result of plans laid some years ago to obtain improved aircraft which are now bearing fruit, BOAC succeeded in its latest financial year to last March in pulling itself out of the red for the first time; preliminary figures issued early in May, showed that it earned an operating surplus of £1,227,000 before paying interest on capital. BEA has not yet worked its way into profitable operation, and sharp rises in its operating costs have pushed its break-even point to 75 per cent of full capacity. But its traffic is rising rapidly, and in July (when summer traffic is always at a peak) BEA made a profit of £108,000. Only four years earlier, the corporations' break-even points were approximately 115 per cent of aircraft capacity, beyond the bounds of physical achievement. Here is evidence of considerable improvement in financial and technical management.

The corporations aim to equip themselves throughout with British aircraft as soon as suitable types are available. Their financial success is therefore closely dependent on the ability of the British aircraft industry to produce aircraft that have good economic characteristics as well as high technical qualities. At present, the British aircraft industry is not abreast of the American industry in this matter. No British aircraft at present in service can compare favourably in the international field with the economics of the latest versions of the Douglas DC class or the Lockheed Constellation. The United States is a vast area, and internal air services have been developed on a scale far exceeding that of American international services. Such coast-to-coast services have naturally encouraged the development of aircraft suitable for the stage lengths common in international and even transatlantic operations. This fact has given American builders an advantage over British aircraft manufacturers, who have had to produce long-range commercial aircraft from scratch, rather than by evolution of types long proved and suitable for intensive domestic services. Despite all this week's enthusiasm, it is still true that

De Havilland COMET jet airliner.



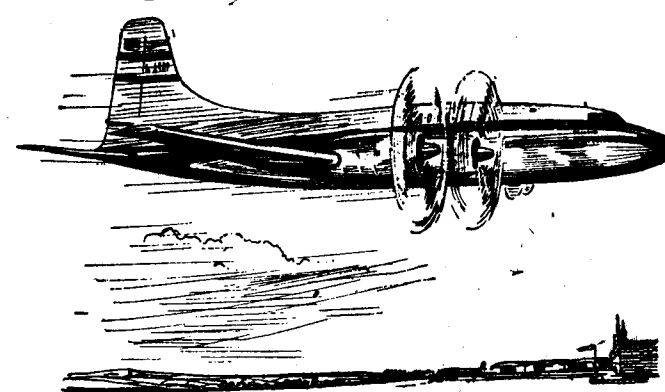
there is no British-built aircraft in service capable of flying the Atlantic non-stop with an economic payload. This is not only a matter of national prestige. It is also an item of importance in the national balance sheet. With the right products to sell, the aircraft industry can build up an export trade of great value. In addition, BOAC's transatlantic services earn considerable amounts of dollars for this country, and are capable of earning more. But until British transatlantic type aircraft are available, many, if not all, of these dollars must be spent again in paying for American aircraft and their spares. These considerations explain the hopes that are placed in the Bristol Britannia and in the later marks of the de Havilland Comet.

The pattern of routes operated by the air corporations throughout the world is settling down into a kind of aerial permanent way. In common with other international carriers, the British corporations are now seeking to extend the market for air travel, by attracting a much wider public to tourist services at fares about 30 per cent below the first-class fare level. Services at cheaper fares take different forms, according to circumstances. On the short European routes, where end-to-end journeys are completed in a few hours, and people normally prefer to travel during the day, aircraft have always been under-used during the night. This fact justifies the offer of cheaper fares at night time. On the longer international routes, aircraft are habitually used day and night because of the length of journey; the introduction of tourist fares on these routes has been achieved by higher density seating and getting more passengers into the aircraft with somewhat less comfort. Even so, because long-range aircraft started by allowing passengers generous space, the comfort and seating density of a long-range tourist aircraft is hardly less than that of a short-range first-class aircraft, as may be seen by comparing the seating of the BOAC tourist Constellation with that of the BEA Ambassador.

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BOAC's introduction of tourist services across the North Atlantic this summer has been quite as successful as was hoped in tapping a new market—and a dollar market at that. The corporation plans to expand tourist services next year by introducing them on some Eastern and African routes. If this line of development is followed to its logical conclusion, it suggests a route pattern in which the corporation operates both first-class and tourist services on most of its routes. This would seem to involve the operation of two types of aircraft along the same route at the same time, which would mark a departure from existing practice.

Bristol BRITANNIA turbo-prop airliner.



It is the Government's intention to encourage independent operators to put on yet a third class of service, described in the terms of reference of the reconstituted Air Transport Advisory Council as a "Colonial Coach" class. The object is to provide the public with the opportunity to travel by air at fares substantially below the corporations' tourist fare level. But aircraft design is developing so fast that the reductions in operating costs of newer types of aircraft may well offset any advantages to be gained by the use of written-down or second-hand equipment. If the corporations genuinely try to establish tourist fares at the lowest level that new types of aircraft justify, and if operational standards are fully maintained by the independent operators, it may be difficult for the latter to undercut the corporations' fares by the substantial margin required to attract a new class of traffic. On the other hand, if the corporations' level of operating costs were to exceed that of an equally reliable independent operator by a wide margin, there would certainly be cause for concern about the quality of their direction and management.

American domestic operators have developed freight services most successfully in recent years. Although air freight costs are many times higher than surface costs, speed and frequency of delivery by air can permit considerable reduction of dispersed stocks, with savings often sufficiently great to offset the higher cost of air transport. Encouraged, no doubt, by these results, a number of foreign international carriers have placed orders for freighter versions of the newest American aircraft; and it is believed that both British corporations are interested in the possible adaptation of new British aircraft for freight services. But the factors which have contributed to the successful development of air freight services in the United States do not necessarily hold good in other parts of the world, where customs barriers intervene or distances may be much greater. Much freight is already carried by air as fill-up load on passenger aircraft, and indeed is necessary for the successful economic operation of scheduled services. In the development of additional all-freight operations in the international field, either as scheduled or as tramp services, this country should play a leading part; perhaps the independent operators can make their greatest contribution to the development of British civil aviation in this direction.

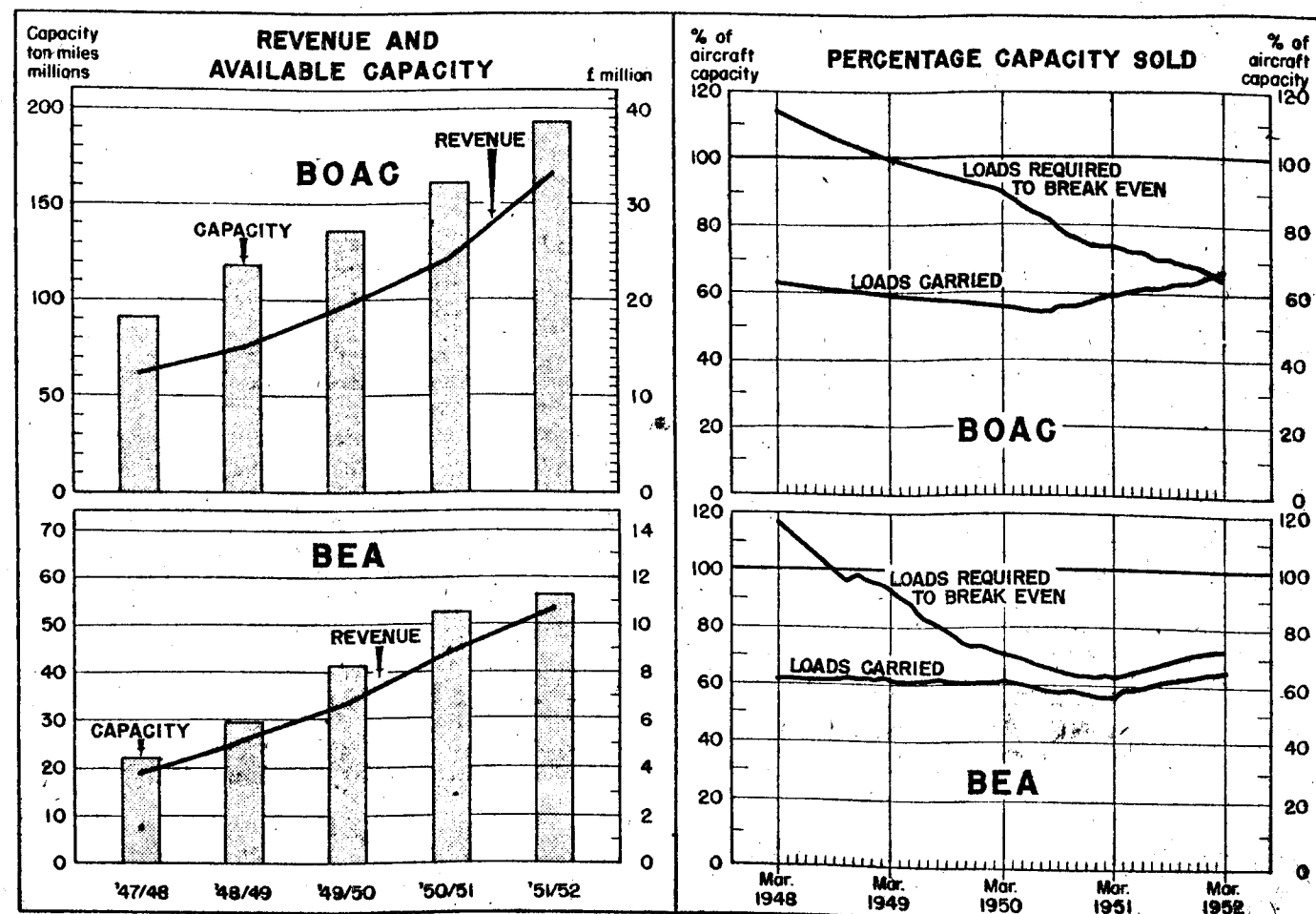
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Both corporations need a period of stable and steady leadership, under which they can build up tradition and experience of business management—which their rapid growth and frequent reorganisation have impeded. To describe them as monopolies, and to argue for permanent interference to prevent abuse of alleged monopolistic powers, misunderstands their real position. The corporations are the only designated British operators in the international field—apart from certain private companies who have associate agreements with them for limited operations. But this fact does not make them monopolies. In fact, BOAC and BEA between them do not account for more than about 15 per cent of the world's international airline business. They are the nominated representatives of this country in a fiercely competitive industry in which prices are determined by international cost levels; hence, their financial results, related to those of other operators, provide some indication of relative efficiency. Two corporations give room

for different ideas of management and operating technique to be applied; and they are a safeguard against the drawbacks of undue size. But is it certain that (compared with KLM and Air France, for example) British civil aviation is not handicapped in the all-important matter of commercial traffic rights by the existence of two separate legal entities in the same field? Again, it is highly desirable to give scope for the independent operators to develop. But it is to be hoped that the procedure of the ATAC will not place the British corporations at a disadvantage with their international competitors, by compelling them publicly to disclose their

plans long in advance and by restricting their freedom rapidly to adapt their route patterns to changing world conditions. If the British corporations are to acquit themselves well in the strenuously competitive field of world civil aviation, they ought to be able to make effective response to steps taken by their foreign competitors. They deserve no undue privilege as public corporations, but they ought to be allowed to get on with their business without the constant barrage of criticism that sometimes afflicts public corporations. Their progress in the last year or two certainly justifies the hope of businesslike progress in the future.

PROGRESS OF THE AIR CORPORATIONS



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LEADING ARTICLES

- Thriftless Britain - - - - - 601
 The Soldier's Rule in Egypt - - - 603
 Four-Fifths Vacuum - - - - - 604
 M. Thorez's Second Coming - - - 605

NOTES OF THE WEEK - - - 607

Engineers Ready for Compromise; After Margate; Britain and Europe; German Trouble Makers; German Reparations for Israel; Shrinkage on the Left; The Truth about 1947; Frontiers and Food; The Flatulent Economy; University Returns and Accounts; By Broomstick to Teheran; Bumper Harvest in Turkey; Communist Strings to Aid; The Price of Progress; Miss Horsbrugh Against Cramming; Spending Per Family; A Lesson from Bedlam.

BOOKS AND PUBLICATIONS - 616

LETTERS TO THE EDITOR - - 620

AMERICAN SURVEY

- No War of Liberation - - - 623
 Whose Tidelands? - - - - - 624
 Campaigns in Collision; Alcoa on the Way to Alaska; Hammering at the Quotas; Choosing Congressional Candidates; Crime Coming Back?; Driving Hollywood to Television; Shorter Notes.

THE WORLD OVERSEAS

- Dutch Lessons for British
 Chancellors - - - - - 631
 Gaul is Divided; Britain Puzzles Canada; The Fifth Soviet Five-Year Plan—III; Norway in Nato—I.

THE BUSINESS WORLD

- The Anatomy of Crisis - - - 641
 Competition in Fuel - - - - - 643

BUSINESS NOTES - - - - - 648

Fall in Exports; Sterling and Commodity Arbitrage; Steel Output Grows; Echoes from Mexico City; Is Coal too Cheap?; Textiles on the Mend; Buyers Return; Where Manpower is Going; Japanese Debt Negotiations; Decontrolling Timber; Freedom for Linseed; Four Years of Productivity; The Council's Future; Too Many Cooks in the BRM; Stock Exchange Statistics; Canada and American Accounts; Shorter Notes.

COMPANY NOTES - - - - - 660

STATISTICAL SUMMARY - - - 662

COMPANY MEETINGS - - - - - 663

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Thriftless Britain

THE annual report on the national income, in its new and greatly expanded form, is reviewed more extensively on a later page. There is, however, one salient fact that is worth picking out and exposing in all its nakedness. This is the fact that the British community is now making hardly any provision at all for its own future. It is true that physical capital is still being created in this country—houses and factories are being built, new plant is being installed. But this new capital is not being provided for out of the nation's earnings; it is being provided by draining the reserves, or on credit from other countries. The country is not saving nearly enough to pay for even the present restricted volume of capital investment.

Among the many excellences of the national income estimates in their new form, there is one defect: nowhere in nearly a hundred pages of statistics is there one comprehensive figure of the net national savings. But it is not difficult to calculate a figure, provided that attention is paid to one statistical catch. In accordance with the conventions of the accounting profession, backed up by Somerset House, companies include in their "profits," and hence in their "savings," any increase during the year in the value of the stocks of raw materials and unfinished work that they hold. But if this increase arises, not from any real addition to stocks, but simply from a rise in prices, it does not constitute saving in any sense that is of value in economic discussion. Crude figures of savings need therefore to have this element of pure price inflation removed from them before they can provide a measure of the real national savings. With this correction made, the fact emerges that companies and private individuals, after making the (usually inadequate) provision that the law permits for the obsolescence of existing capital and setting aside funds to meet their accruing tax liabilities, saved nothing at all in 1951—indeed, less than nothing at all. A positive figure can be put upon the national savings only because the central and local governments had a combined true surplus; they imposed saving on the country. The net total of private and public saving was no more than £261 million.

It is true that 1951 was a difficult and unfortunate year. But the average net savings of the last six years were no more than £463 million, which is, of course, fantastically too small for a nation such as Britain. One comparison should be quite enough to establish this. If the present Government succeeds in building 300,000 houses a year, and if the average cost of each house can be kept down to £1,500, the housing programme alone will cost £450 million a year. The houses actually built in 1951 cost £335 million. The national savings, in short, are barely more than half what is needed to pay for the housing programme, without leaving a penny over for new factories, new schools or hospitals or for any machinery, aircraft, ships or other productive equipment except in bare replacement of what wears out. Still less is there anything left for foreign investment, for the development of the Commonwealth or for participation in Point Four schemes.

Another way of showing the inadequacy of this level of savings is to set it alongside the actual expenditure on capital investment that ought to have been financed out of savings in 1951. This amounted to £1,379 million, in addition to the £870 million that was paid for out of depreciation allowances. All this new capital was badly needed; indeed, it represents only those projects which can make their way through the mesh of the controls. Buses, lorries, railway material, ships, aircraft, plant and machinery, houses, roads, factories, other buildings—there is not one of these categories which could be further cut without the very greatest difficulty, economic or political. Yet the savings of the country covered less than one-fifth of the total.

If they were not met out of savings, how were they financed? The answer is instructive—and alarming. A very large slice of the total capital expenditure of the year, amounting to £542 million, was found by liquidating overseas assets (the gold and dollar reserves) or by going into debt to other countries. As everybody knows, this cannot go on for very long. Most of the rest—£537 million—was financed out of what the official statisticians call “additions to tax reserves.” In more ordinary language, this means that companies and private individuals were using for capital purposes the money they ought to have been setting aside to pay the heavier taxes accruing on their 1951 earnings but not yet payable. These reserves are clearly not “savings” to the individuals and companies that set them aside; if they are used to finance capital expenditure, they are being borrowed from the future and will sooner or later have to be repaid. From the national point of view, however, it can be argued that these are real savings—the money represents real resources produced and not consumed. That is true, so far as the single year 1951 is concerned. But this can be relied upon as a permanent source of savings to finance capital investment only if it can be assumed that each year's revenue collection will always exceed the previous year's. And if these tax reserves are to be added into net savings, then a deduction must be entered on the other side to provide for the fact that the depreciation allowances granted by the Revenue are not nearly large enough to keep existing capital intact. These points penetrate deep into the theory of social accounting; and the ordinary man will do best to apply to the whole nation the rules that he applies to himself: he may, in any year, have some money from his tax reserves that he can invest until it is wanted; but if he includes it in his savings, he is deluding himself. By this test, the British nation spent on new capital investment in 1951 more than five times its real net savings.

*

The miracle is that this sort of profligacy has gone on as long as it has. It is testimony to the great internal reserves built up by the thrift of the past and to the patience of those overseas countries that have been willing to supply goods to Britain without payment, whether they be the Americans who, in their generosity, knew what they were doing or the poor colonial peoples who were never asked whether they wanted to sustain the standards of the British people. Clearly this sort of thing cannot go on very much longer. Equally clearly, no economic policy is deserving of the name unless it propounds measures for bringing the national savings and the national investment expenditure into equality with each other.

One way of doing this, at least in theory, would be to reduce capital expenditure until it was no more than could be financed out of savings. But the present rate of capital expenditure is too small, rather than too large. An instructive set of comparisons can be made with the figures of the national income of the United States in 1951, which have also been released recently. (The definitions on which the figures are compiled differ in the two countries, but not sufficiently to invalidate the broad comparisons.) In the United Kingdom last year, the net expenditure on domestic investment equalled 10.5 per cent of the national income; in the United States it was 12.7 per cent. The total can be broken down into its constituent elements only on a gross basis—that is, including the expenditures that are in replacement of obsolete capital as well as the new investment—but they also give broadly similar results:—

	Britain Per cent	America Per cent
Building—Residential	15	20
Other	17½	19½
Other fixed capital	50	43
Increase in physical volume of stocks	17½	17½
	100	100

It is strange, at first sight, to find housing proportionately higher in the United States and what the Americans call “producers’ durable equipment” lower. But the American population is still rapidly increasing, and moving about. And the 43 per cent going into productive equipment still means that the average American worker was provided last year with nearly three times as much new productive equipment as the average British worker. This comparison in itself is enough to show that (with the exception of housing) the British capital programme is certainly not too large.

If investment expenditures cannot safely be brought down, then—inescapably—savings must be brought up. If the British and American figures show a strange similarity in their capital expenditures, they show the sharpest contrast in the disposal of income. Where last year the British people saved 2 per cent of their income, the Americans saved 12½ per cent. The British saved £261 million; the Americans (on an only slightly less rigorous definition) saved \$38,646 million. So far from running into debt with the rest of the world, their savings were enough to finance the whole of their gigantic investment programme and to leave a small surplus for investment abroad—in addition to all the money their government sent overseas in one way or another, which the American people paid for in taxes before the figure of savings was struck.

In any problem of public policy there are two parts—first, the ascertainment of the facts, which should admit of as little dispute as possible; and secondly, the prescription of what should be done, which may be controversial. This article is restricted to the first part. There will be other occasions for arguing about how the saving of the British community can best be increased. On that, there are many possible points of view. But on the facts there can be no argument. Either the level of British savings—personal, corporate or governmental—will have to be very substantially increased, or else the present rate of expenditure on new capital will have to be very drastically reduced. And to do that would be to bid farewell to any hope of earning the standard of living that the British people already think they have a right to enjoy—let alone of resuming the march towards wealth and welfare for all.

The Soldier's Rule in Egypt

IN Egypt a politician has given place to a soldier at the controls. Last Sunday Aly Maher resigned the premiership under pressure from the army, and General Neguib—the leader, though not the prime instigator, of the coup that disposed of King Farouk—took it over. Many Egyptians, and all foreigners who know Egypt well, are disquieted at this turn of events. The cause of their apprehension is not the display of dictatorship; dictation is, beyond a doubt, the only method whereby that overcrowded and socially unhealthy country can straighten its tangled affairs without resort to violence. They feel anxious because Aly Maher offered an advantage that General Neguib may not possess; he was proficient at choosing and working with technically able and experienced colleagues. Only last Saturday, he had reshuffled his cabinet in order to include in it some of the best minds in Egypt. All those interested in improvement of the bestial conditions of life in rural Egypt lifted up their hearts. By Monday General Neguib had dropped all but one of these promising colleagues. What was worse, he had been pushed into arresting a long list of citizens in which the names of rogues, King's friends, and chatterboxes jostle with those of harmless scholars and honest statesmen. These acts may have been perpetrated on the spur of an anxious moment. They may be redeemed later. But at first sight both give cause for anxiety lest inexperienced men should try to move faster than is compatible with peaceful change.

Broadly speaking, the Neguib-Maher coalition that was, in July, conceived and pushed into power by a *junta* of army officers knew from the start that it must cut two cancers out of Egyptian public life. One was the Palace clique, which it dealt with at once. The other was the old-style professional politician who composes the upper ranks of most of the political parties—demagogic, rich, self-seeking, usually corrupt and paying only lip service to the changes that are needed if the middle and poor classes are to lead a better life. The party with the thickest upper crust of this type is the Wafd, a thorough purge of which was therefore the army's second purpose. The army's conception was and is that if only the heads of such parties can be lopped off, the bodies and tails will join its “sacred movement,” since these naturally share its desire for taxation of the rich and a better deal for the poor.

The July coup had been admirably planned and executed. General Neguib proved an attractive leader, and the Egyptian public seemed pleased to be told with efficiency what to do next. Early in August he proclaimed that he saw “no reason for dictatorship at present.” Elections were promised for the New Year, and both he and Aly Maher instructed the political parties forthwith to purge their upper ranks. Simultaneously they applied themselves to their reform programme. Here there arose the first difference between administrator and soldier—a disagreement over pace. Aly Maher and, it seems, also Neguib personally, realised that operations such as the breaking up of large estates and their redistribution to peasants are complicated processes. The former knew from experience that Egypt's imperfect civil service cannot perform miracles overnight. He publicly spoke of the need for “time to

create an administrative machine” to execute land reform. The *junta* at Neguib's back began pressing for quicker action than Aly Maher felt was feasible. In mid-August another cause of trouble between *junta* and executive began to brew. It developed out of the labour riots at the textile centre of Kafr el Dawar. Neguib, who well realised that at the first sign of violence he must show whether army or mob was master, arrested and tried the ringleaders. Some of the *junta* disapproved of the consequent alienation of organised labour. Finally, towards the end of the month, the Wafd began to rear a jaunt head; it had conducted a token purge of minor malefactors, but refused to liquidate the real offenders, notably Serag ed Din and certain much-enriched members of Nahas's wife's family. It started briskly to whitewash itself in a leading Cairo newspaper. Its hidden hand began to brew trouble for Aly Maher in the provinces. On August 24th, the anniversary of the death of its founder, Zaghlul, Nahas defiantly claimed that time was on its side and that it still held “the leadership of the nation.” When Aly Maher, who has always believed in splitting not steamrolling the Wafd and is always convinced that he can navigate some tortuous course round every difficulty, made no reply to this sally, the *junta* increasingly thought him wanting in aplomb and despatch. Thus when he announced his new and admirable cabinet on September 5th, he did so in unfavourable circumstances.

*

This cabinet lasted only two days and no one seems to have had time to give it the praise it deserves. It included two men of vision and integrity—Ibrahim Madkur and Mirrit Boutros Ghali—who, nearly ten years ago, had the courage to produce an outstanding book on Egypt's economy and its social ills, which was banned by the Wafd. Aly Maher appointed Madkur to head a new ministry of reconstruction, and Mirrit Ghali to a special department for raising the standard of village life. Mahmoud Mohammed Mahmoud, an ex-auditor general who had proved his moral courage by fighting financial scandals, was to run communications. The able banker Abdel Gelil el Emary was retained at the Ministry of Finance. The way towards rural betterment was paved not only with intentions but with men who knew how to execute them. Yet the cabinet lasted only two days.

The causes of its abrupt demise are plain. The need to move fast marks every revolution, whether in 1789, 1917 or 1952. On the very day of the announcement of the cabinet changes, the Wafd had come out into the open with a challenge to the army both on its call for party purges and on its land reform legislation. The *junta* felt that this challenge needed firmer handling than suits a man of Aly Maher's temperament. Almost simultaneously, the two ringleaders in the Kafr el Dawar riot were executed at Alexandria. Some members of the *junta* felt the need to demonstrate to the working classes that speedy reforms were on the way. Aly Maher had to go. Though defeated, he is not disgraced. The sad aspect of his going is the simultaneous departure of all his abler colleagues except Abdel Gelil el Emary.

The new cabinet, though inexperienced, has during

its first meetings revealed that it realises the impossibility of performing immediate miracles. Execution of its decree law on land reform is to be spread over five years. The parties have been given thirty days in which to purge themselves while they conform to a second decree-law on party organisation. Yet it is faced with problems the dimensions of which some of its members, in their inexperience, prefer not to contemplate. Although the land law gives the peasantry many rights that they have never hitherto possessed, the actual extent of the large estates that it will parcel out suffices to give land only to a fraction of the landless peasants. New lands could be reclaimed, but only over years and with the help of foreign loans; yet the new cabinet contains several members who have in the past worked actively against foreign participation in Egypt's development. Again, General Neguib has issued a warning against attempts by impatient or disgruntled peasants to effect seizures. Yet it is doubtful whether the administrative machine in the provinces can handle the many malcontents that are bound to be restless. Further, the Moslem Brotherhood—the only organised body, other than the Wafd, that has

a nationwide following—is represented in the cabinet because it has always shared the healthy views of the *junta* upon such subjects as social services, education and taxation. Yet it has in its composition a fanatical and extremist streak that can become dangerous if moved to harness the ravening mobs of Cairo and Alexandria. Lastly, not all the members of the *junta* are of the same political complexion. Were they to split on political issues, and were General Neguib to prove their puppet rather than their master, Egypt's immediate future would be problematical.

It does not do to be over-pessimistic. Present signs are that General Neguib knows how to curb his team. He has a hold on the nation because he has given it the impression that he knows what to tell it to do, and also because it senses that he will really do something for the poor man. Seen from London, his merits in this respect are great. The problem of Anglo-Egyptian relations may have to wait, and that of Middle Eastern defence with it. But Britain, for one, would greatly prefer to settle them with a government that is sincerely and efficiently grappling with Egypt's poverty.

Four-Fifths Vacuum

“FOUR-FIFTHS of both parties,” the Prime Minister told his constituents at Woodford last Saturday, “agree on four-fifths of what should be done.” This emphasis on an underlying national unity has become a familiar theme of his since the last election. In the House of Commons, in a debate on foreign affairs or defence, it is natural and wholly welcome. In a party speech in his constituency, it may not be less welcome but it is certainly odd. And is it really to be welcomed? Does it provide anything but a spurious air of statesmanship, a vague and misleading impression that all good men are one? If there really is so much agreement, is it not, in hard fact, a disquieting symptom of the emptiness to which British politics have fallen?

It is true that the main political parties must always agree on a wide range of fundamentals or democracy cannot work; in this sense, Mr Churchill's point is platitudinous. But it is not the sense that he meant. The agreed fundamentals have little to do with normal political debate. They pass unspoken, more often than not, precisely because they are outside the party conflict. The margin of disagreement may be narrow, the issues may be superficial, but here none the less lies the whole purpose of the party system; the disputed issues are the bread-and-butter of the politicians. On them depends the enthusiasm of the party organisations, the political interest of the ordinary elector, his willingness to go to the polls. Politics has no substance, democratic decision is a farce, unless people believe that Britain will—gradually, at least—become a different place according to whether Mr Churchill or Mr Attlee is in office.

If that belief is unjustified, it is no matter for rejoicing. There is no virtue in agreement as such; on the contrary, there is always room for two honestly held opinions over a very wide range of government activity. If on four-fifths of what they want to do Mr Churchill and Mr Attlee are agreed, the probability is that it is because neither is in fact facing the difficult issues that need decision. This is the reason for disquiet. In foreign

policy, it is true, Mr Churchill's point is sound enough. Only the minority of the Labour party that follows Mr Bevan seriously challenges the main lines of Government action; otherwise, the national agreement is real and deserves all the emphasis it can be given. But in domestic policy, the facts are quite different. Mr Churchill's motive merits every sympathy. He is concerned about the ferocity of the party dispute in Parliament, which is certainly out of all proportion to the issues under debate. A Labour Government would (probably) restore steel and road transport to nationalisation after the Conservatives have undone it. It would (soon) abolish all charges from the health service. It might be expected (though this is no more than an implication) to restore the 40 per cent that Mr Butler is lopping off the food subsidies; conceivably, it would lower Bank rate again. These are not negligible issues, but plainly they are also not matters of such major principle as would justify the intensity of passion that Labour has been expending in opposition.

Mr Churchill presumably hopes that his arithmetic of agreement may help to deflate this passion. But arithmetic, as he would be the first to recognise, is a small thing in itself. The Labour party will show a better sense of proportion in the next session of Parliament only if the range of issues is so much wider that it has no choice. And this is not Mr Churchill's intention. The Tories are less cocksure and less emotional than their opponents, but the sense of proportion implied in their actions is much the same. The denationalisation of steel and road transport may not merit much either of enthusiasm or of bitterness, but it is the Government that chooses to make them the main business of Parliament next year. A higher Bank rate, small charges for the health service and lower food subsidies may be of little significance in themselves, while Government spending otherwise runs higher than ever, but they are the only distinctive things in Tory economic policy—in

the policy that, Mr Churchill claims, has saved the country from the impending bankruptcy which drove Mr Attlee to face the verdict of the polling booths.

The matters of disagreement are, in short, the stuff of Government action so far. The truth of Mr Churchill's arithmetic lies in the negative form of it that he did not state: the things that arouse the parties' enthusiasms—and are therefore controversial—are only a fifth of what should be done. But the other four-fifths of domestic policy is not agreement; it is a vacuum. The political conflict has to concentrate on inessentials because the greater part of what needs to be done is not on the agenda of either party. If it were, there might well be a surprising measure of agreement. There has rarely been less divergence between the ends, at least in the short run, that the two main parties have set themselves. Both are determined to preserve the welfare state substantially as it has been constructed over the past twelve years, neither more nor less. Most Conservative leaders are sure that they cannot go back on what is, most Labour leaders recognise that for a time the impetus to radical social change is exhausted. Both parties can define their further ends only in such platitudinous terms as Dr Dalton has lately used—a society that is “just, ardent, prosperous and free.”

About means, there is more theoretical but even less practical disagreement. Labour inherited a siege economy in 1945, and, having thought of nothing to replace it during six years of office, is determined to go on believing against all evidence and reason that it will work in a competitive world. The Tories believe in

some—not all—of the methods of the free economy and would like to turn them to the ends of the welfare state; but they are not confident that they can do it, and they are inhibited from substantial experiments by the fear that any tampering with means will be mistaken for a rejection of the ends. Because it has lost positive purpose itself, the Labour party is determined to keep its emotions and hatreds going by believing that the Tories are not merely conservatives but reactionaries. In the words of a party pamphlet published this week, they “will fight the rearguard action of privilege until the end of time.” If this is untrue, the Tories nevertheless pay it the compliment of thinking that a majority of the electors can easily be led to believe it. They therefore do nothing radical, but are less careful in minor matters. In their tenderness towards brewers and the former road haulage firms, they contrive still to give at least an excellent imitation of a party that is a party of privilege whenever it nods.

All this is the log-jam that has to be broken before British politics can revive and the parties can face in honest disagreement the real issues that lie before this country. Moderate Socialism needs a purpose and moderate Conservatism needs a faith in its own policy. If those were found, the area of open disagreement would be wider but politics might be better-tempered as well as more constructive. For the moral obligation on the responsible politician is not to shun squabbling and live quietly; it is to see that the party differences put before the public are the essentials on which the country needs decision.

M. Thorez's Second Coming

NOTHING is more difficult in the life of the active Communist than those moments when he is required by his party not to stand out in the mass of his compatriots but to merge quietly with them. If he has any conscience and independence left in him at all, he resents the order that he should cease being the overt revolutionary and become the colourless associate of all and sundry with a grievance—ex-Fascists and Nazis, cranks of Left and Right, even the hated bourgeois social-democrats. The policy of Moscow and the failures of previous lines may make perfectly clear to Communists the need for what is called the “united front” with other parties; but the truly militant comrade may accept the need with bad grace. There are signs that something of this kind is happening now among Communists of free Europe, something more than the already united fronts of the “peace campaign” and the agitation against “American germ warfare.” And it is in France that the signs can be read most clearly.

Since the fiasco of its campaign in May against General Ridgway, the successor in Europe to General Eisenhower, the French Communist party has undergone a crisis of doubt and embarrassed self-scrutiny. Its long-heralded strikes and demonstrations fizzled out into sporadic violence and ridicule. M. Duclos' failure of nerve on the night of May 28th cost him the prestige of martyrdom and during his partial eclipse French Communists (of varying shades of orthodoxy) had a chance of voicing frank criticism. M. Fajon, an astute veteran of the trade union movement, took over control

of the Communist press and sought to discharge the party's central committee from all blame; but his very advocacy betrayed significant disagreements about tactics within the core of the party. On June 18th, *Les Lettres Françaises*, M. Aragon's brilliant Communist periodical, published an article by Pierre Cot, an extreme left-wing fellow traveller. It spoke of the growing isolation of French Communist workers and described the walls of silence which separated them from the rest of the population. It argued for a united front, for an open alliance with liberal elements in the bourgeoisie. M. Cot pointed out that the apathy and disgust shown towards Communism by neutralist and radical elements of public opinion could be blamed directly on the strategy of terror used in May.

This assessment of the situation won widespread support in the ranks of the central committee and M. Duclos re-emerged as the bearer of glad tidings. He admitted that French Communism had taken too particular a tinge, that it had lost its roots in the tradition of native Jacobinism, and was guilty of the sectarian heresy. The time had come for a “national front” which would attract all right-thinking men and fight a united battle for bread, wages, and peace. M. André Stil, the Stalin prizewinner and editor of *l'Humanité*, joined in the chorus of self-confession. He admitted that he had taken the isolation of the working classes for granted and that the “frenzied tone” of his articles had alienated numerous potential adherents. M. Cot's thesis appeared to have carried the day.

But the simplicity of the new line proved deceptive, and M. Auguste Lecoer, the ever-watchful and tormented conscience of the party, launched a powerful attack on the heresy of "opportunism." M. Lecoer denounced M. Cot for supposing that the exploiter and the exploited could stand on the same side of the barricades. It was all very well to search out partisans of peace in unlikely quarters, but class warfare was and would remain the primary law in the capitalist jungle. M. Stil also came in for severe criticism. Why had he implied that violence of language was a prerogative of the working classes? With an unflinching sense of gravity, M. Lecoer assured the central committee that Communist workers abhorred any sign of frenzy. Both M. Stil and M. Aragon (for whom this must have been an especially trying experience) accepted public rebuke in the proper spirit of humility.

At the end of its sessions, therefore, the central committee now finds itself confronted with a complete paradox. On the one hand French Communists are to strive for a united front, on the other hand, the rigid lines drawn by the class struggle must not be blurred. French Communists are to tread a tight-rope between two abysses of heresy, "sectarianism" and "opportunism." On either side loom the shadows of Bukharin and Trotsky. The only way of staying on such a path seems to be a total lack of forward motion, and there is evidence that the contradictory directives which have emerged from the central committee are spreading bewilderment and torpor in the rank and file of the party.

It is against this background that the return of M. Thorez from his cure in Russia must be interpreted.

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M. Duclos's announcement last week that he was fully restored and would shortly arrive in France provided a note of dramatic certitude in what was, by and large, a scene of weakness and confusion. The Messiah is now returning from the east to clarify all doubts. The announcement of M. Thorez's return seems authentic, although there have been previous false alarms. Well-informed circles, however, wonder whether the reason for his homecoming is that his cure is complete, or that the state of the French Communist party made it imperative.

★

The reappearance of M. Thorez on the French political scene has been adroitly prepared. A warrant for the arrest of his son had been issued at the time of the anti-Ridgway riots. Shortly before Duclos's announcement of the leader's return, young Thorez surrendered to the police and put the family name back on the front pages. The Cominform meeting held early last month in Prague, moreover, and the reshuffling of ideas in preparation for the Party Congress in Moscow, lend substance to the hope that Thorez is returning with a decisive new formula, a key to the dilemma of his followers. In the minds of French Communists his name is linked with the glorious memories of the "popular front" in 1934-36. As a direct emissary from Moscow, he will satisfy M. Lecoer's scruples about orthodoxy; as the embodiment of the "united front" tradition he will strengthen the hand of M. Duclos. In the return of Thorez, the central committee may find the dialectical synthesis of contrary lines of action, while to the ordinary party member M. Thorez will offer a rallying point.

Fundamentally, however, M. Thorez will be facing the same problems and the same bankruptcy of ideas that have beset the French Communist party over the past two years. Each in turn, the favourite Communist lines of attack have proved futile. There is general apathy about Indo-China and the susceptibilities of French jingoism will discourage the Communists from being too militant about the North African problem. By coming out in favour of a German national army, Mr Stalin has disinflated one of the strongest emotional arguments used by the French Communist party. General Ridgway's extremely quiet and careful attitude has taken the edge off the perennial question of American "occupation troops," and M. Joliot-Curie's opinions on bacteriological warfare in Korea now rank with the chopsticks of the Dean of Canterbury.

There would seem to be only two main points on which the French Communists could effectively concentrate: the threat of inflation, and the rather wild indiscretions of some American thinking on foreign policy as advocated by Mr Dulles and occasionally supported by General Eisenhower. But the latter's pronouncements since the Philadelphia speech have done much to clear the air and reassure moderate opinion. As for inflation, the problem is one on which no party has a monopoly of indignation, and M. Pinay's attitude commands the type of respect which the Communists will find hard to counteract. On the whole, therefore, the return of M. Thorez may bring little change. Whatever the "new line" emerging from the Soviet Party Congress, it will have to be adapted to French needs, to the irony and sophistication of the French political mind, and to the present lack of dynamism among French Communists.

NOTES OF THE WEEK

Engineers Ready for Compromise

There seems to be a good chance that production for defence and for exports will not after all be held up by a ban on piece rates and overtime in the engineering and shipbuilding industries. The confederation of the 38 unions concerned resolved on the ban on Wednesday. On Thursday their executive council received a telegram from the Ministry of Labour's chief conciliation officer inviting them to discuss the matter with him. This they lost no time in accepting, and a meeting has been fixed for Monday next.

In the meantime the council of the confederation has decided not to fix a date for bringing the ban into operation. This suggests that they expect a settlement—in spite of what they regard as the provocation of the employers in repeatedly rejecting their claim and refusing to make any offer at all. The employers' attitude, indeed, probably rallied to the cause some in the unions who had at first thought it foolish to forfeit earnings in support of a claim so excessive as £2 a week. But there was more division of opinion in the ranks of the confederation than the president, Mr Brotherton, implied when he said that the decision to ban overtime and piecework was taken by an overwhelming majority; it was actually less than two-thirds. The general unions, representing the unskilled workers, had proposed that the dispute be referred to arbitration; and although Mr Brotherton claimed that the ban on overtime and piecework was an instruction to all the 38 unions of the confederation, Mr Nicholas of the Transport and General Workers Union stoutly maintained that it would be for his union executive to decide whether to implement it.

If the unskilled worker would feel the greatest hardship from lost earnings the skilled worker would have most to lose—in many cases as much as £4 or £5 a week. Many others must have wondered on what basis they would be paid at all if not on piece rates. The workers' sacrifice would be great, and so far the confederation has not decided how to pay compensation. It seems certain, therefore, that many who voted for the resolution did so on the assumption that a ban which would involve the loss of between three and four million man-hours a week could never be allowed to come into force. The Minister of Labour will need all his skill to get a peaceful compromise arranged, but he may well succeed.

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After Margate

The Trades Union Congress dispersed last Friday having once again demonstrated its remarkable loyalty to its established leaders. Only on two occasions did it override the wishes of its general council, and of those only one affects the future: the council has been ordered to prepare a programme of further nationalisation for presentation to next year's congress. But this is the issue on which the extremists in the Labour movement always get a clear field for argument; the union leaders could not express their objections with any clarity, for none dares publicly to recommend a halt to nationalisation. The case for caution is always put in terms of strategy, not of principle, and the ordinary delegates may be forgiven for feeling that strategy is not their business when Labour is out of office. On other issues the congress cast its vote for moderation, even to the extent of passing one motion and rejecting a very similar one because it was sponsored by the Communist-led Electrical Trades Union.

The net effect of the week's discussions is, however, nebulous. The TUC has accepted the need to rearm as much and as fast as possible, but has affirmed its opposition to

the economic policy—especially the cuts in food subsidies and the imposition of charges in the national health service—that makes rearmament possible. It has accepted the council's view that excessive wage increases could lead to unemployment and national insolvency, but does not think that justifiable increases to meet rises in the cost of living come into this category. Nor will any one union consider its own claim excessive. But, at least, the resolution passed by congress should mean that the weight of trade union opinion as a whole will not be behind extreme measures to enforce the larger claims.

Inconsistencies in moderation were, in any event, the least that could be expected against the present background of rejected wage claims and it says much for the quality of the union leaders that there was any moderation at all. Mr Deakin was a skilful chairman; Mr Lincoln Evans, above all, distinguished himself by his courage as well as his lucid exposition and telling phrases. It has often seemed since the war that the trade unions were no longer producing leaders of the same calibre as they had in the twenties and thirties. The 1952 congress has at least removed that doubt.

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Britain and Europe

Work for a European political community is now reaching the drawing board, and it is intended that a blue-print of a constitution and parliamentary machinery should be ready by March 10, 1953. Practical efforts to unite Western Europe around the Franco-German nucleus have thus gained a remarkable impetus of their own. The Foreign Ministers of the six governments joined together in the coal-steel pool, and still to be joined in the defence community, have instructed the common assembly of the pool to turn itself into a constituent organ. Its deliberations will be historic, and very different in character and purpose from the sincere but more rambling debates of the Council of Europe's Assembly.

Mr Eden is to address the latter body on Monday and press his proposals that the so-called restricted communities—for defence and coal and steel—should develop "within the framework of the Council of Europe." He is said to be disturbed at the prospect of a tightly-knit and exclusive community growing up across the Channel. This concern comes a little late in the day and it is not clear that it is in British interests to express it. If the new European policy is to succeed—especially as it affects Franco-German relations—a tight and formal structure is needed. The British, having given good reasons why they cannot take part in something tight are not in a strong position to plead for something loose. It sounds as if Britain is asking to have representation without responsibility. "Within the framework of" is a favourite phrase of the Foreign Office nowadays. It is far from clear, even to the British mind, what it means; to the French in their present mood it means nothing.

If there is the slightest chance of France, Germany and Italy setting up genuine political institutions to control common economic and defence policies, then British attempts to modify them in order to preserve the larger Council of Europe would be ill-advised. The Council has been a useful piece of scaffolding, without which the structure of unity would have taken shape more slowly; but it should not impede the growth of the permanent structure. British co-operation in technical bodies like the coal-steel pool and the defence community can be ensured by special arrangements, but British political interests are best safeguarded by giving thought to the shape of the Atlantic community of which the European confederation will be a part.

German Trouble Makers

Dr Seebohm, Minister of Transport in the Adenauer cabinet, appears to be a trouble maker. He told a large meeting of Germans from the Sudetenland last weekend that their old home could be "won back by peaceful means." Considering that the territory in question was wrenched away from the Czechs in 1938, in circumstances which still make Britons blush, Dr Seebohm's phrase is almost worthy of Goebbels. It can be argued that Dr Adenauer's colleagues must woo the votes of those who were expelled in 1945 from beyond the Oder-Neisse line, and that they cannot afford to let their political rivals monopolise the appeal to nationalist feeling; that is legitimate politics. It can also be argued that something must be done one day about German aspirations to the "lost East"; that is necessary realism. But to go beyond this is foolish and dangerous; and it is to be hoped that some Germans will have the courage publicly to disown any claim to territory other than that held by their government before March, 1938.

It was unfortunate that Bonn Republic Day produced a feast of Seebohmism, in which meetings thousands strong were made to feel the call of the east. Those who have worked for the independence of the Republic and for a new start in German relations with Europe are both embarrassed and disgusted by the manner in which these meetings are conducted. They are also disturbed by the way in which regional organisations of refugees are being linked up in a single body for agitation and action, which might in time play a sinister part in the German political scene. In the long run things can be done to make life easier for the *Entrechteten*; in the short run their leaders seem to be taking them either towards war or towards a deal with the Russians at Poland's expense. They will receive no help or encouragement in either course from American, British or French public opinion.

German Reparations for Israel

After long months of negotiation, agreement has at last been reached on the amount to be paid in reparations to the Jews by the German Federal Republic. The State of Israel is to get \$715 million in goods spread over a period of 12 to 14 years, and the equivalent of a further \$107 million is to be paid in token compensation for unclaimed Jewish assets in Germany; this sum will be spent by Jewish world relief organisations.

The negotiations have been accompanied by a running fire of bitter criticism within Israel; indeed, the agreement has only just managed to win the approval of the Knesset foreign affairs committee. Some of this criticism sprang from the anxiety of the Government's opponents to beat it with whatever stick comes to hand; but by far the greater part was due to the deep unwillingness of the Jews to have anything to do with the Germans. No material restitution can, of course, ever atone for Germany's moral guilt towards the Jews. But it is right and proper that the Germans should pay some compensation for the Jewish property looted by the Nazis and should help to finance the resettlement of the Jews expelled from Germany.

In Israel there are doubts whether the agreement will achieve even this limited aim. It is a good deal less than the \$1,000 million which the Israelis originally demanded from the Federal Republic; and they do not feel that they have any reliable guarantee that the Germans will really keep up the scheduled deliveries over so long a period. But if the agreement is carried out, and if the Israelis use the reparations wisely and well, it is plain that it might make all the difference to their struggling economy. One immediate benefit will be the ability to take out of the German sterling balances 75 million marks immediately and an equal sum next year with which to buy oil. This should cover

two-thirds of Israel's needs, and for the time being will relieve it of a problem which has become acute since the exhaustion of its own sterling balances earlier this year.

How best to use the rest of the annual instalments is still being considered by the Israeli Government. A 10-year development plan, drawn up by an American expert largely on the basis of reparations goods from Germany, is now being considered by the Cabinet. But a good part of the reparations will have to be used to cover the growing trade deficit, which in the first five months of the year was running at over £43 million. There are fears that this may seriously hamper long-term development; it should, however, be remembered that the state of Israel is in its pioneering days, and that a very high proportion of its current imports are indispensable producer goods.

Shrinkage on the Left

It is becoming to look increasingly possible that the annual conference of the Labour party may turn out to be, as so often before, something of an anticlimax. The dispute between Bevanites and others cannot be altogether avoided, but it may once again be considerably muted. Orthodox Labour policy has now made considerable concessions to Left-wing sentiment on such matters as opposition to the health service charges and dislike of German rearmament. Moreover, Mr Churchill's slowing down of the rearmament programme has greatly narrowed the gap on policy between the two wings of the Labour party. At the same time the TUC has made it clear that Mr Bevan cannot hope for adequate union support if he tries to push his dislike of rearmament further. This, combined with the wooliness of the National Executive's policy statements prepared for the conference, is likely to make the debates on policy at the Morecambe conference rambling and inconclusive—the more so as the man round whom the critics revolve, Mr Bevan himself, will appear as a spokesman of the platform, not of the floor.

Even the elections for the seven constituency places on Labour's executive committee may be less significant than has been widely supposed. This is not because Mr Bevan's supporters are likely to do badly. On the contrary, there is a good chance that all their six candidates will win. The chance is, indeed, so good as to cause some anxiety within the Bevanite camp. A wholesale victory of this type, particularly if it were won at the expense of Mr Morrison or Mr James Griffiths, would be such an obviously false reflection of the true state of opinion within the party as to cause a sharp reaction. Left-wing opinion is strong in many constituencies, but no one could pretend that it represents six-sevenths of constituency feeling. A victory in these proportions might well bring a demand for a change in the method of election to the constituency seats, and also a strong swing against Mr Bevan when Labour MPs elect their Parliamentary committee—the Opposition front bench—next session. And it is in the Parliamentary party—and in the unions—rather than in the executive committee, that the real power of the Labour movement rests.

It would be surprising, moreover, if some of Mr Bevan's associates did not think that the time had come to make a genuine peace with the rest of the party. The election of three or four leading members of their sect to seats on the Parliamentary committee would be almost a guarantee of office in the next Labour administration. Some at least of Mr Bevan's followers would be less than human—or less than politicians—if they did not think the time had come to cash their coupons and take the dividends of their period in the semi-wilderness. They are unlikely to be hindered by any feelings of personal loyalty to Mr Bevan. Of the various influences which have brought forty or so Labour MPs into the Bevanite camp, personal adherence to its leader has been of very minor account. Mr Bevan remains very much the

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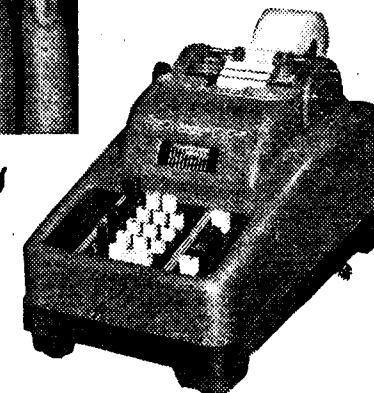


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Times Literary Supplement, August 29, 1952

The September issue, now on sale, contains articles on: *The Civilization of pre-Columbian Mexico: Nibley Green, 1469*; *British Prime Ministers XIV: Wellington; Randolph of Roanoke and the Mind of the South; Historians Reconsidered VIII: Tacitus; John Locke's Politics; and Dryden and the Rise of Modern Publishing.*

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leading rebel, rather than the leader of the rebels, and if he feels inclined to press his case further, to retain for another session the freedom and irresponsibility of the back benches, the number of his friends is likely to shrink.

* * *

The Truth about 1947

Since the war the Labour Party has conducted its private affairs with so much love of publicity that few secrets have been left for future revelation. One important incident is still, however, obscure. It is believed that in July, 1947, there was an attempt to have Mr Attlee replaced as Prime Minister by Mr Ernest Bevin. A corner of the curtain covering these events has been lifted in the controversy about whether or not the Bevanites are "a party within a party." Mr Bevan's journalistic friends have attacked Mr George Brown, the member for Belper, and one of their most forthright opponents inside the Labour Party, on the grounds that he who now accuses them of disloyalty was five years ago active in moves to depose Mr Attlee from the Premiership. The setting of this alleged *putsch* was the run on the pound after sterling had been made convertible during the first postwar crisis. None of the major actors in the events of that time has yet made public what really happened. It seems clear, however, that towards the end of July Labour MPs were sounded for their reactions to the suggestion that Mr Bevin should replace Mr Attlee. At the same time the *Daily Mirror*, which was almost a Labour paper, accused Mr Attlee of having "contracted out of the country's crisis" and demanded that he should resign.

The whole manoeuvre, if such it was, seems to have been defeated the moment word of it reached the ears of Ernest Bevin; he would have nothing to do with any such change. Mr Attlee went before a meeting of the Parliamentary Labour Party and was given what amounted to a vote of confidence. This took the curious form of the approval by the party meeting of a press notice stating that those taking part in the discussion "expressed the complete satisfaction of the party with the Prime Minister's statement and assured him of the united support of the Parliamentary Labour party in all measures which the Government thought it necessary to take."

In the accounts of the incident published at the time, there was no mention of Mr Brown; his alleged activities have been criticised by some of his Parliamentary colleagues only since he emerged as an outspoken critic of the Bevan group. For this reason, it is interesting to examine not so much the views Mr Brown may have held as the post which he occupied. He was the Parliamentary Private Secretary to Dr Dalton, at that time still Chancellor of the Exchequer. If, as it is now alleged, Mr Brown took a leading part in manoeuvres against Mr Attlee, it is hardly likely that he could have done so without the knowledge, and presumably the acquiescence, of his master. Indeed, Mr Brown was far too obscure a member of the Parliamentary Party to have been able himself to stage a plot against the Prime Minister. If the views about Mr Attlee's leadership that people held in 1947 are to be called into the Bevanite dispute, it might be better that the whole story should be told.

* * *

Frontiers and Food

The function of the British Association's annual meeting is essentially to integrate; to maintain and perfect the contact, increasingly threatened by specialisation, between experts in different fields and between experts in general and the layman. A striking example of the interest, and possibly of the fruitfulness, of juxtaposition has been provided this year by the presidential addresses of Dr N. C. Wright to the agricultural section, and Professor Ogilvie Buchanan, to the geographical section. Mr Wright described his task as one of "reviewing the past trends and present position of

the nation's food supplies," discussing the nutritional objectives of the war and postwar period, the decline and recovery in dietetic standards, the part played by British agriculture and by overseas imports, and—in the broadest outline—the prospects of both. Mr. Buchanan, dealing with "Some Aspects of Settlement in the Overseas Dominions," traced the historical phases and geographical and political influences determining the advance of the agricultural "frontier" over the three and a half centuries between Champlain's first permanent settlement in Canada and the present day.

The movements of the frontier are shown to differ from Dominion to Dominion not only for the obvious reasons—the nature of resources and climate, the state of technique, natural communications and transport development—but also according to "the human circumstances of the particular time at which the settlement took place"—the type of settler and the psychological, legal and political background. The two classes of influence naturally interact. Climate, conformation, and markets may favour the extensive settlement of the pastoralist or the closer settlement of the homestead farmer, while policy and preference may pull the other way. "We cannot doubt," said Mr Buchanan, "that if the nineteenth-century colonisation of Australia and New Zealand had been by Chinese instead of by British people, or if the British colonisation had been seventeenth instead of nineteenth century, the rural landscapes of these two Dominions would have been very different from what they are."

One can conclude, with obvious relevance to the food problems of the world in general and of Great Britain in particular, that there is no special inevitability about the present pattern of use of the world's resources. The extensive frontier has indeed virtually ceased to move; but the still-mobile intensive frontier is influenced by the same sort of extra-economic forces (land-tenure, inter-racial relations, social preferences and prejudices) as have been active over the whole period of settlement. The lesson to be learned from the records of that period may be obscure, but that they hold a lesson is beyond doubt.

* * *

The Flatulent Economy

Professor D. T. Jack's presidential address to the economics section of the British Association is also, though in a different sense, a piece of integration. Just as the distress of a sufferer from measles centres now on his sore throat, now on his consuming itch, now on his feverish headache, so public opinion in an inflated economy shifts in comfortless alternation from bottlenecks and shortages to foreign payments crises and on to the cost of living spiral—generally with only the dimmest idea of their common cause and inter-connections. Mr Jack compendiously presented all these symptoms as part of a single malady, the effects of a full employment policy "pushed beyond its natural bounds."

This malady, as he sees it, is in the last resort an intellectual one. It consists, first, in the depression psychosis which has focused postwar precept and policy on "the type of problem which was prominent during the interwar depressions," to the exclusion of the very different type now requiring attention. It consists, secondly, in an exclusive preoccupation with statistical aggregates regardless of the particular economic realities (such as bottlenecks and general distortions and misdirections) which underlie them. The United Nations reports on employment policy come in for some severe handling on both these counts, as also for their assumption that the pace, in matters of international action to preserve full employment, shall always be set at the discretion of the most flatulent member of the world trading community. Attempts to shift responsibility from one national government to another are, in Mr Jack's view, fruitless.

No less so is the attempt to load it off in another direction—from the central national authority on to the parties to the wage bargain, and particularly on to the trade unions. Given an inflationary level of employment, no central wage policy, even were the framing of such a thing politically possible, is likely to stop the familiar cost-price spiral. The only remedy, the inclusive if discouraging remedy, is to lower the sights—how far, Professor Jack did not say. There is more to this omission than modesty and caution; it marks, indeed, the weak point of his diagnosis. While agreeing with all his strictures on the various *éminences grises* of inflationary policy, one may question their practical importance. The determining factor in Britain's failure to achieve stability has been less the inadequate wisdom of experts than the inadequate political courage of governments; inflationary distresses have been the penalty of our sins less of commission than of omission.

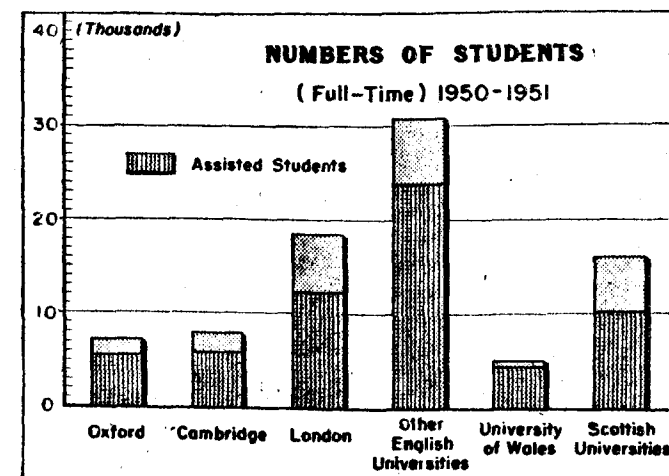
University Returns and Accounts

The great expansion of the universities that has taken place since the war was halted in 1950-51. According to the returns of the University Grants Committee the number of full-time students was 85,314—107 lower than in the previous year; the fall was, however, entirely at the expense of Wales and Scotland. There was little change in the pro-

FULL-TIME STUDENTS IN UNIVERSITIES, 1950-51

	Men	Women	Total
Birmingham	2,595	711	3,306
Bristol	1,786	729	2,515
Cambridge	7,182	709	7,891
Durham	3,511	820	4,331
Leeds	2,539	706	3,245
Liverpool	2,594	703	3,297
London	13,506	4,906	18,412
Manchester	3,217	1,101	4,318
Nottingham	1,536	576	2,112
Oxford	6,122	1,085	7,207
Reading	555	474	1,029
Sheffield	1,662	362	2,024
Southampton	668	279	947
Wales	3,822	1,311	5,133
Aberdeen	1,421	535	1,956
Edinburgh	3,871	1,456	5,327
Glasgow	4,327	1,259	5,586
St. Andrews	1,249	648	1,897

portion of assisted students—amounting to 73 per cent—or in the subjects that were read. Arts subjects still accounted for 43 per cent of the total, although slightly less than the year before. If this seemed to suit the needs of the times,



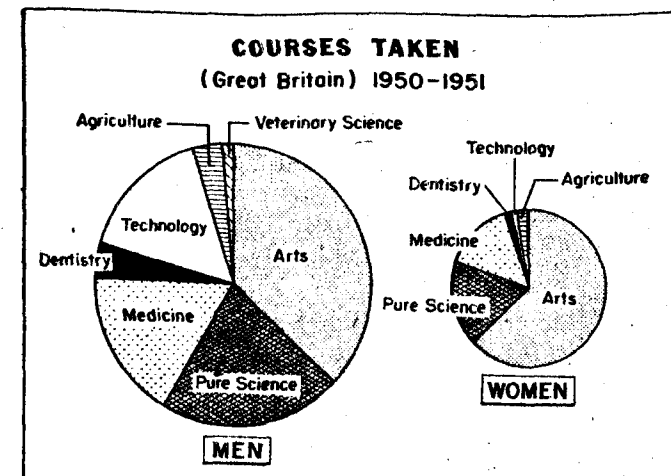
It is surprising to find that students of technology were some 300 fewer than in 1949-50.

The returns also show again how heavily the universities now depend on state grants. Sixty-five per cent of their income now comes from this source, compared with 34 per cent in 1935-36. This dependence led the Select Committee on Estimates, earlier this year, to recommend that the universities' expenditure should be subject to parliamentary scrutiny—that their books should be open to inspection by the Comptroller and Auditor General. In its reply published this week, the Treasury rejects this proposal. It points out that such an inspection could have two objects: first, to show that the parliamentary grant had been used for the purpose for which it was intended, and, second, to reveal extravagance. The first purpose, as the Treasury maintains, is already served by the existing audit of university accounts; and as to the second, a detailed scrutiny of what was spent on building and equipment would involve questions of academic policy, and is best left to the University Grants Committee. This committee, with the help of experts from its own works and buildings sub-committee and from the Ministry of Works, scrutinises all plans for which aid is sought, and insists that the universities should accept the lowest tender for their work, unless they can show good reason why they should not do so. The safeguards are thus perfectly adequate. To limit the universities' power, subject to these safeguards, to spend their grants as they think fit, would be to interfere with the essentials of academic freedom.

By Broomstick to Teheran

There is something about the Persians that makes people want to stroke them. Over the last 150 years, they have therefore come to think that stroking is their due. Thus Dr Mossadegh has turned, complacently and without surprise, from fatiguing interviews with the joint Anglo-American government front to greet other visitors. These are Dr Schacht from Hamburg, Mr Alton Jones, the American oil distributor who advised Mexico, and a growing band of Italian, Swiss, German and United States firms who are talking of despatching further oil tankers on test runs to Abadan. On the grounds that "certain efforts and negotiations are going on," he has therefore postponed until September 16th the meeting of parliament that was this week to approve his reply to the Truman-Churchill offer. He seeks to give, and in Teheran has given, the impression that new and better offers to help Persia out of its difficulties are coming from many sides.

Dr Schacht plays a considerable role in increasing the Persian illusion that there are still ample and easy opportunities for recovering lost ground. He is a symbol of wealth without tears. No Persian notices the level at which



he is rated at home: that though he has been consulted in Indonesia and Teheran he has so far been refused permission to open a bank in Hamburg. As was shown in Indonesia, his plans for financial reform now tend to be grandiloquent and detached from political reality. Unfortunately, he has a formidable reputation for wizardry in the popular esteem of the United States. It would be a pity were his fans in America to influence Persian thinking, for it is naive to believe that Persia's ills can be solved by a stroke of individual brilliance. A round of visits and a postponement of the meeting of Parliament constitute no advance upon the state of affairs described in *The Economist* of last week.

Bumper Harvest in Turkey

A welcome additional source of non-dollar grain is being provided this year by Turkey's record harvest. The present estimate of just over 11,500,000 metric tons compares very favourably with the prewar average of under 7,500,000 tons and last year's bumper cereal harvest of over 10 million tons. The Turks estimate that they will have an export surplus of between 1,500,000 and 2 million tons.

This success could not have been achieved if the weather had not been kind; but it is also the result of American financial and technical aid, and of the common sense of the Turks who understood in time the folly of neglecting agriculture in favour of grandiose plans for industrial development. Last year the acreage under the main cereal crops was over 45 per cent higher than the prewar average; this year it is higher still. The credits extended by the Agricultural Bank, which in 1937 amounted to only £731 million, have now risen to over £900 million. When ECA assistance started early in 1949 there were only about 2,000 serviceable tractors available; now there are around 25,000, as well as thousands of combine harvesters and other machinery. Yet, in spite of optimistic forecasts in the Turkish press, it would be rash to pin too great hopes just yet on Turkey as a non-dollar, non-Communist bread-basket for the free world. Its harvests have always been subject to large fluctuations. The techniques now being introduced by the Americans, as well as the extensive irrigation and mechanisation programme, can do much, but not everything, to combat the vagaries of the weather.

Communist Strings to Aid

It is not often that Communist cynicism shows up so clearly in Asia as it has in the matter of Soviet and Chinese grain deliveries to India. From the province of Andhra in Madras the local Communist organisation, one of the strongest in India, has lately appealed direct to both Moscow and Peking for aid to meet the lack of food. In reply the Chinese promised a donation of 400,000 rupees; and the Russians, through Mr Kuznetsov, chairman of the All-Union Central Council of Trade Unions, promised 10,000 tons of wheat (the people of Andhra are rice eaters), 5,000 tons of rice, 500,000 cans of condensed milk, and a donation of 250,000 rupees. The Chinese made it a condition that their aid should be distributed by the Communists' famine relief committee in Andhra. Similar strings to the Russian offer are reported to have been cut only on the adamant insistence of the Indian government, which states that it learned of these offers only from press reports. Peking's refusal to allow distribution save as a propaganda operation by a group pledged to overthrow the government has forced Delhi to decline the Chinese offer.

Mr Nehru's government has issued a statement in which it points out that the problem of "relief is not a party or political question," that gifts are welcome wherever they come from, and that they will be used in the areas named by donors. But the practice is to

distribute them through the government or agencies like the Indian Red Cross. Distribution of gifts from abroad by private organisations interferes with the government's own plans for relief and rationing and creates difficulty and unhealthy rivalry between the various private organisations.

Nothing could be fairer than that.

The clumsy impertinence of these Russian and Chinese attempts to gain kudos from relatively small amounts of assistance may be gauged by comparative figures about the grain that has reached India in the form of aid between January 1, 1951, and April 30, 1952. Of a total of 6.7 million tons, 3.8 million tons—over 50 per cent—came from the United States, 2.3 million tons from other non-Communist countries, 500,000 tons from China and 100,000 tons from the Soviet Union.

The Price of Progress

The destruction of the de Havilland 110 last Saturday before 100,000 people is a disaster raised to the plane of tragedy by the circumstances that surrounded it. John Derry was flying the fastest and the most powerful aircraft that has yet been built in this country, and for nearly a year he had been alone in flying at speeds above the speed of sound. The present supremacy of British aircraft design is built on the courage to take such a step into the unknown, to develop aircraft that must fly under conditions yet to be explored. To a great degree, therefore, the ultimate success of the enterprise rests on the men who deliberately fly the aircraft in such a way as to discover whether they can survive those conditions. They do not always return. Last year the pilot of the Hunter prototype was killed; the Swift, the Valiant and the Javelin have all been involved in accidents. The break-up of an aircraft is not counted as a defeat either

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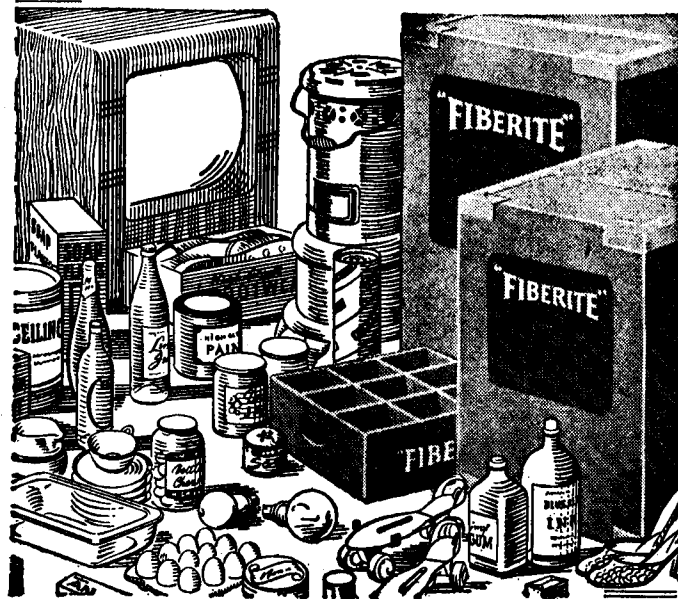
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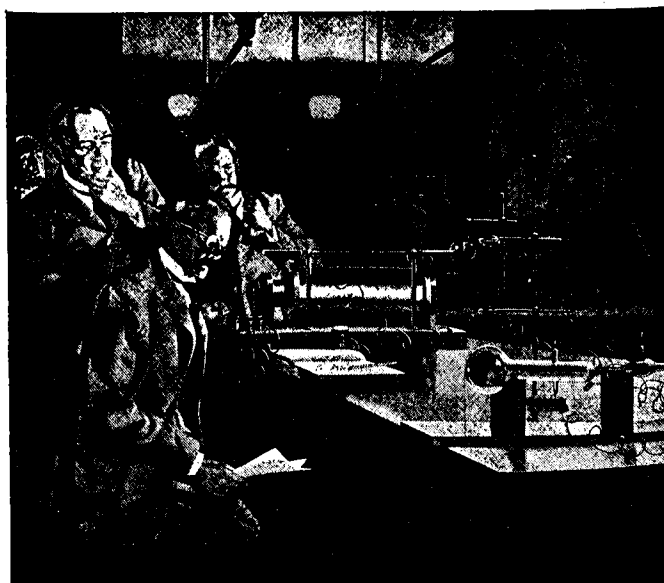


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Scene reconstructed by Roy Carnon.

WHEN IT FIRST OPENED ITS DOORS, in 1894, to post-graduate students from other universities, the Cavendish Laboratory at Cambridge granted them a greater privilege than anyone suspected. Only three years later their brilliant leader, Professor J. J. Thomson, announced that his experiments with cathode rays had revealed "... matter in a new state ... in which the subdivision of matter is carried very much further than in the ordinary gaseous state. ..." With this discovery of the electron, as it is now known, came the dawn of the atomic age — an age which has already transformed science and industry — giving us such wonders as television and the electron microscope — and has provided a vast new source of power. How rich were the closing years of the nineteenth century in great names and great beginnings!

It was also in 1894 that Albert E. Reed took over an almost derelict straw paper mill to make super-calendered newsprint and other printing papers. Acquiring and revitalising other paper mills with remarkable energy and foresight, he founded one of the world's largest paper-making organisations. And at the five mills of the Reed Paper Group — where giant modern machines produce every day hundreds of tons of newsprint, kraft, tissues and other papers — his pioneering spirit is kept alive in ceaseless technological research.

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PIONEERS IN MODERN PAPER TECHNOLOGY

by the men who build or the men who fly and die in them. It is the price paid for knowledge that can, so it seems, only be obtained by testing to destruction.

The great surge of public interest in the aircraft industry has manifested itself in what has become a remarkable annual pilgrimage to the air show at Farnborough, which was never planned as a public display. Last Sunday 140,000 people saw another pilot, Mr Neville Duke, take over the mantle of John Derry where nearly 100 people were killed or injured the day before. Spectators at any trial of skill run some risk, whether from horses, cars, motor cycles or aircraft. The real disaster would be the day when men no longer came forward to fly the 110, as Derry flew the aircraft in which Geoffrey de Havilland died, and when the crowds no longer came to cheer them in the flight.

Miss Horsbrugh Against Cranning

The Minister of Education has issued a circular reminding local authorities how the General Certificate of Education should be used. Though it can be adapted to the needs of children leaving school at sixteen or so who want a national qualification, it is primarily intended to be taken at the advanced and scholarship standards, as a qualifying examination for the professions and the universities. It was designed to make the schools as free as possible from examinations, and the children free from the tyranny of a rigid curriculum.

The new certificate has had very little of the effect that was intended. It is being used as if it were the old school certificate. Although it is awarded in individual subjects pupils are taking it, not in the subjects for which they show most interest and aptitude, but in a standard range of sub-

The Permanent Civil Servant

One of the great advantages which we enjoy in this country, and which, perhaps, more than anything else, gives a free scope to the exercise of that great constitutional principle, which requires a change in the *personelle* of the Executive, whenever public opinion, expressed by Parliamentary majorities, demands it, is, that in every department of the Government there are high and responsible officers, who hold their appointments permanently, and who are safe guides to the Ministers of the day, so far as the form and routine of business is concerned. And one of the highest and proudest boasts connected with our public offices is, that whatever may be the private political views of these permanent officers, they are far above party considerations in the discharge of their public duties. There is, perhaps, no one point connected with official life, which has from time to time been more frequently alluded to by Ministers of all political parties with pride and satisfaction, than the great advantages which they had derived from the assistance of those permanent high officers, and the honourable manner in which their duties are performed. It is to this element in the constitution of our departments that we are indebted for that uniformity which characterises, in so remarkable a degree, the public business of this country, which gives the stamp of stability to the routine of our offices and the execution of the law, and which saves the public from a great portion of that inconvenience, to which, at first sight, it would naturally be exposed by a change of Government, and to which those countries are exposed, greatly to their loss and inconvenience, where, with every change of Government, it is customary to change the whole official staff.

The Economist

September 11, 1952

jects. This is not, in the first instance, the fault of the schools. It is due to the insistence of parents and employers on some written evidence of an all-round education; they are not content to rely solely on school reports and headmasters' recommendations. This is largely inevitable; but if the Ministry would address its propaganda to parents and employers, it might have some chance of making their demands on the curriculum less rigid.

In the same circular the Minister puts an end to hopes that she, too, might be less rigid in her attitude to the certificate; she has no intention of instituting a distinction mark at the ordinary level of the examination. It was decided last May to award distinctions at the advanced level, but still not at the ordinary—Miss Horsbrugh for some reason believes that they might "reduce the significance of ... the normal pass standards." The spur of competition, however, is equally desirable at every stage. Another disappointment is that no effort has been made to abolish the minimum age of entry in time for the supplementary examination to be held at Christmas. Now that they know that there will be no minimum age next summer it is harder than ever for clever children to be held up for a full year just because they are not sixteen—and just because it is too much trouble to arrange otherwise.

Spending Per Family

Any speculation about the budget of an average household invites scepticism. Even after all the levelling of recent years, households still vary so much in size, in their incomes and what they do with them, that averages may seem to be merely an arithmetical exercise. No actual household can in fact be labelled "average," since the average works out at 3.2 persons per household. But at least it provides some yardstick by which to reduce the figures

THE AVERAGE HOUSEHOLD BUDGET.

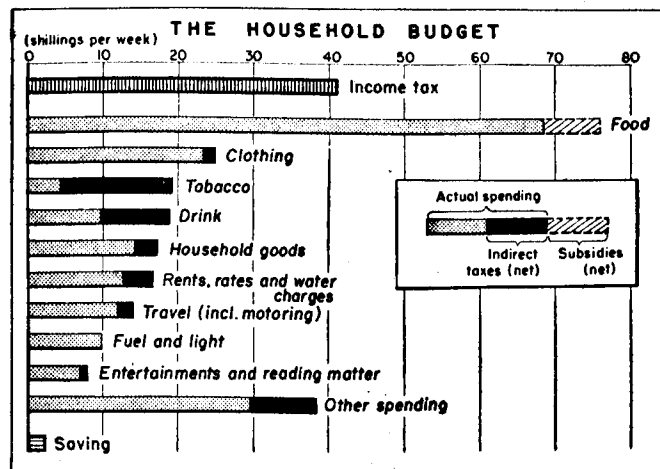
	Expenditure per week	Net Indirect Taxes or Net Subsidies (—)
	s. d.	s. d.
Income tax and national insurance contributions	41 1	
Spending		
Food	68 8	—7 5
Rent, rates and water charges	16 9	4 0
Clothing	25 1	1 9
Fuel and light	9 11	Nil
Household goods	17 9	3 0
Tobacco	19 2	14 11
Drink	18 10	9 2
Travel	8 9	0 9
Private motoring	5 4	1 3
Entertainments	4 4	1 1
Books, newspapers, magazines	3 7	Nil
Other goods and services	38 5	8 10*
Saving	2 4	
TOTAL	280 0	37 4

* Including taxes that cannot be allocated to specific items.

on income and spending in the new national income paper to a more easily digestible form than the hundreds of millions of pounds for the country as a whole. Though there are some statistical snags in the calculations, they suggest that the income coming into the average household in 1951 was about £14 a week. This may seem surprisingly high, but there are some 23 million workers spread among the 15 million households—on the average, therefore, one person working full-time and another half-time in each household. In addition to these earnings, interest and dividends, pensions

and other payments from the welfare state have also to be apportioned out.

The table and chart show how the £14 a week was spent and how much the tax collector took, directly or indirectly, in an "average" family distributing its spending in the same proportions as the nation as a whole. The tax collector



reaped altogether nearly £4 a week, if national insurance contributions are included. Less was spent on rent than on either drink or tobacco. Another striking point is how little purchase tax on clothing cost the average household, while taxes on smoking and drinking yielded nearly three-fifths as much as did income tax. This piece of accounting ends with the slender figure of 2s. 4d.—all that the average household saved each week out of its £14.

Books and Publications

Parliament in Danger

Parliament: A Survey. Edited by Lord Campion. *Allen and Unwin.* 296 pages. 22s. 6d.

This book has issued from the discussions of a group of distinguished parliamentarians, lawyers, historians, and civil servants which was convened by the University of London. It consists of thirteen individual studies of the working of the British parliamentary system under modern conditions. These essays cover a wide field. Some of them (Mr Amery's, for example) throw interesting sidelights on recent political history, while others (such as Lord Campion's discussion of parliamentary procedure) provide valuable material on constitutional developments. What gives cohesion to the whole book, however, is the common reverence for parliamentary traditions shared by all the authors. This approach has precluded complacency, and led a majority of the writers to strike a note of alarm and even of despondency about the status of Parliament today.

"The British Parliament," states Sir Arthur Salter, "has a past of glory, a present of frustration, a future of uncertainty." In similar vein, other authors contrast the perplexities of the present with the glories of the past. Mr G. M. Young finds his golden age in the period between 1840 and 1870, "when Parliament and the Executive seem to have achieved a proper balance, resting largely on the presence in Parliament of

a substantial body of experienced, knowledgeable, independent members." In his view, there are fewer men of sound judgment in Parliament today.

It is not so much the quality of members as their diminishing independence which causes apprehension. Several contributors mention Sir Alan Herbert as an honourable anachronism and wish there were more like him. The professionalisation of politics, fed by the payment of members and the enlargement of Government-dispersed patronage, has increased the rewards for party loyalty and the penalties for even a minor deviation. The resounding defeat of rebels, independents, and the smaller parties at the 1950 and 1951 elections is seen as the forerunner of more sinister possibilities.

The authors of this book are in general agreement that the growth of party discipline is deadening and dangerous. Party discipline feeds, and in turn is fed by, the growing powers of the executive. Then two interlocked developments, which have grown together since 1900, have gathered their real momentum since 1939. Sir Cecil Carr, in the chapter on delegated legislation, points out that the discretionary powers of Ministers have grown well beyond the limits envisaged by the pre-war Committee on Ministers' Powers.

A Lesson from Bedlam

Plutarch narrates how young Spartans were taught sobriety by being confronted with riotously drunken slaves, and in England, during the eighteenth-century, eccentrics were sometimes cured by being taken on a tour of Bedlam. A similar idea seems to have been applied by the Singapore Police in its treatment of students detained under the emergency regulations in January last year for alleged membership or support of the Communist party. The students were placed on St. John's Island, off the coast of Singapore, together with other militant Communists. The compounds were run along strictly Marxist lines, under rigid party discipline and with discussions and lectures on dialectical materialism. It is now announced that all save one of the students have been released and are "cured." The violent aspects of Communist discipline, the stifling intellectual orthodoxy required, seem to have discouraged the young adepts. One of them, in fact, lived in continuous terror of his more hardened companions.

This original scheme raises a number of intriguing issues. It involves considerable risk; for penology suggests that younger criminals are usually made worse by association with experienced jail-mates. Moreover, are certain groups of Communists to be kept in a fiercely ebullient state in order to maintain the stock of vaccine? Many young Communists in western countries would be profoundly shaken if they could witness their creed in action; for there is nothing like a course of continuous lectures and disciplined discussion groups to cool down the average enthusiast.

Professor Wade shows how the conferment of these powers has been (since 1939) drawn in terms too vague and broad to be challenged effectively in the courts. He believes that a solution to the problems posed by administrative justice must be sought in political rather than in legal safeguards. But how can Government powers be curbed and controlled, if its faithful following in Parliament raise no objections?

This is the ugly question which causes Mr J. J. Craik Henderson to dilate on the "dangers of a supreme Parliament." He believes that the very principle of the sovereignty of Parliament, so faithfully secured by the British constitution, may serve the purpose of majority tyranny—of rule by a party élite. Other authors, too, sharing this fear, cast around for remedies; the one most frequently mentioned is the effective deployment of a purged upper house as a check on the possible excesses of an unbridled majority in the Commons. Mr G. M. Young suggests the alternative of a series of advisory councils, composed of affected interests, supervising each main sphere of Government activity—a variant on the older idea of an industrial Parliament. Other writers analyse the possibilities of improved parliamentary supervision over the work of the executive, although Sir Arthur Salter stresses the general view that such supervision will be of very limited effect, unless the powers themselves are reduced.

Clearly, these suggestions are no more than palliatives. To read this book is to get the impression that the only real cure would be to put the clock back—to tame the executive, to release the member from his party chains, to revive that substantial body of experienced, knowledgeable, independent members lauded by Mr. Young. But this is impossible. Politics, for better or worse, has lost its amateur status, and the bloated executive has become immune to all but minor deflations. Are then the forebodings to be found in this book justified? Or are, perhaps, the dangers somewhat exaggerated, and the benefits of firm and effective government too little remembered?

Fish and Fishing

Come and Fish. By Michael Shephard. *Museum Press.* 240 pages. 18s.

The Book of Sea Trout. By Hamish Stuart. *Jonathan Cape.* 286 pages. 16s.

The occupational disease of writers of fishing books is an inability to illustrate points from personal experience without lapsing into esoteric angling autobiography. But Mr Shephard is immune. He has the gift of being able to instruct and yet to keep alive the atmosphere of the waterside, to teach without dogmatism, and to recount experiences which illuminate the reader's mind rather than the writer's prowess. But then few can have such a rich and varied experience to draw on. From roach to salmon, from dry fly to paternoster and maggots, he has done and enjoyed it all; and about all of it he has something fresh to say. It is rare to find a fishing book so free from barren anecdote and from statements of the obvious. It is written with that serene geniality which has informed every really good fishing book from Walton onwards. Not that he will trifle with the widespread illusion that fishing is an inactive sport. "Patience is the last virtue needed by the true angler, unless it is patience when listening to the unfounded opinions of those who have never fished." But fishing goes with a certain geniality of temper—except in well-recognised interludes such as those provided by broken casts, tangles, leaking waders, or occupation with something other than fishing.

Mr Shephard's tastes are catholic, and the nearest he comes to expressing any preference is to refer to the tench as "perhaps my favourite fish." But he concedes that the sea-trout is "the gamest fish of all." And who would not concede it to that silver streak of acrobatic fury? It is right and proper that Hamish Stuart's classic, devoted to sea-trout exclusively, should now be republished; the original edition is hard to come by. Serenity and geniality of temper were not unfailing in Hamish Stuart's writings. A pugnacious and intolerant controversialist, he was almost as venomous about other writers on the salmonidae as was Joseph Pennell about other writers on etching. His opponents in debate are not the only people to whom his contemptuous asperity can be irritating. None the less there is some

quiet fun to be got from it here and there—as for example, from his sallies at the "Scale School," at the confidence with which examiners of a single scale will pronounce on the nicest details of a fish's *vie économique* and *vie amoureuse* of three years before. And really the asperity is but pepper on the meat. Hamish Stuart knew his sea trout through and through, watched their habits and their haunts and noted their every reaction to tide, weather, water, and angler. In his enthusiasm for the study and preservation of the fish, and in his delight in fishing for it and in the places where it is fished, the rough-tongued critic disappears. In his place is the enthusiast, who takes a happy and unresisting reader with him to follow the trout's journeys to and from the estuary, to tend his pools and lochs, and to beguile him with fly and lure in Roag or Howmore.

Reform Diaries

Three Early Nineteenth Century Diaries. Edited by A. Aspinall. *Williams and Norgate.* 402 pages. 45s.

The three diaries which Professor Aspinall has edited were written between 1830 and 1834 by politicians who, although—or perhaps because—they were not of the first rank, were excellently placed to follow at close quarters the bitter struggle which raged around the passage of the Great Reform Bill of 1832, a measure as important as any in the constitutional history of this country. Le Marchant was principal secretary to Lord Brougham, Lord Chancellor in the Reform Ministry of 1830-34; Littleton was a moderate Whig MP who nursed the ambition of succeeding Manners Sutton in the Speakership of the House of Commons, while Ellenborough, the son of the Lord Chief Justice, was a Tory who held office under Wellington and remained his faithful, though not uncritical, supporter throughout the battle against Reform.

The diaries do not materially modify the knowledge we have of the general history of the crisis, at the height of which "people talked very openly of civil war and even of a change of dynasty." But they do provide a detailed and wonderfully intimate view of the political and social life of the years they encompass. The diarists' very lack of distinction makes them admirable chroniclers of the events they witnessed and gives their observations an authenticity seldom attained by men of greater perspicacity and vision. They set down indiscriminately their private preoccupations and their reactions to what they saw and heard, their verdicts on the leaders they followed or opposed, their hopes and fears. They do not, of course, present a full picture of the politics of Reform. The popular agitation in the country—where "the arrival of a coach from London at an unusual hour emptied the workshops in an instant" and "workmen walk about, talking of nothing but the Bill"—has only a marginal place in a chronicle of political events in London. But it does intrude sufficiently in these pages to show how

well Tories and Whigs realised that they were confronted with a power that was a greater threat to both than either could ever be to the other.

Professor Aspinall's editing is remarkably skilful and meticulous; his introduction underlines a number of the most important aspects of Reform. In particular, the section which he devotes to the Tory party organisation after 1830 shows how much research remains to be done on the development and history of party organisation in Britain. This book will be indispensable to the student of early nineteenth-century politics, while the general reader will find much that is interesting and amusing about one of the liveliest periods of British political history.

Analysis of Social Science

Mind and Society. Epistemological Essays on Sociology. By Bart Landheer. *Martinus Nijhoff, The Hague.* 112 pages. 5.50 Guilders.

Perhaps one of man's greatest achievements has been his willingness to decide between competing theories of nature without reference to his own wants and fears. With regard, however, to theories about society he may well be still at that stage of emotional attachment which once characterised his attitude to nature. Professor Landheer puts this kind of point more strongly when he suggests that the social sciences have developed too much as the ideologies of different social groups. He

Ready Shortly PROGRESSIVE TAXATION

A STUDY IN THE DEVELOPMENT OF THE PROGRESSIVE PRINCIPLE IN THE BRITISH INCOME TAX

By F. SHEHAB 30s. net

Progressive taxation is, broadly speaking, a method of taxation by which the rate of tax is graded so that the rich pay proportionately more than the poor: the income tax and death duties provide vivid examples of how firmly it is now bedded in the British fiscal structure. In this book the author sets out to trace the history of the principle which underlies this method of taxation as applied to the British income tax.

First introduced in 1799 by Pitt, the tax has in the course of little more than a century completely changed the face of English society; this book resurveys the course of this silent revolution, shows how at each step in the path of reform the prophets of woe described mighty problems, economic, administrative and social, and tells how some were illusory, some overcome, and some remain.

OXFORD
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maintains, rather surprisingly, that one of the reasons for this is that the social sciences have not had as much contact with philosophy as natural science. His remedy, therefore, for their emotional attachment is a course of philosophical analysis.

The core of the trouble seems to be that in social science we have a changing mind trying to study a changing set of social relationships. The author thinks, therefore, that "only in a stable society with a definite pattern is the formation of social theories with a fairly general validity possible." So he sets out, consciously culture-bound by western civilisation, to follow out his hunch that common factors can be discerned in the mental structures of changing individuals which will be writ large in social development, social organisation, and thought systems. His modernised version of the Platonic soul comprises natural or short-term reactions, rational or long-term reactions, and the reactions which extend beyond the span of individual life. Consequences are deduced from these admittedly abstract concepts of individual mental structure which lead on to the discussion of Max Scheler's philosophical anthropology, "civilisation" as a sociological category, together with its three stages and Dr Toynbee's theories about it.

There are many puzzles about methodology in the social sciences and it is high time that philosophers cleared some of them up. Professor Landheer sees some of the problems, but he cannot be said to give either clear or cogent answers to them. Indeed, his book is the sort that often leads one to reflect that the social sciences suffer from too much rather than too little philosophising about them. And, no doubt, the contemporary impatience with the type of philosophising of which this book is a fair representative is as socially significant as the book itself. There may nevertheless be good reasons for it.

War and Peace in Israel

The New State of Israel. By Gerald de Gaury. Derek Verschoyle. 260 pages. 18s.

Israel. The Establishment of a State. By Harry Sacher. Weidenfeld and Nicholson. 332 pages. 25s.

Among the spate of books now appearing on Israel in Britain and the United States, one by a gentile is—or ought to be—a landmark. Colonel de Gaury has written some vivid and readable books about Arabia; he could justifiably be expected to do the same about Israel. He has not attempted this. His survey, though dressed up as a book, is in fact a handbook. Department by department, he has collected the voluminous reports produced by Israeli ministries (usually for the benefit of American Jewry) on the way in which they run their work. The result is a series of arid summaries useful chiefly to those who need to know exactly how the voter who has not yet learnt Hebrew manages his ballot paper, or that the Negotiable Documents Department prints the stamps, or that

"legal draftsmen follow the development of all draft legislation."

The book is a mere skeleton, containing no drop of the new state's life blood—of the excitement of reconditioning the desert, the frustrations created by controls, the admixture of bullying and benefaction that makes Histadruth policy, or the drawbacks and triumphs of assimilating unpromising immigrants. Only in a financial chapter which is by another hand does it attempt an assessment of pros and cons. An admirable collection of photographs merely emphasises how good a book the author could have written if he had described what he saw, instead of what he read.

Mr Sacher's book is for half its length a repetition of the often-told tale of the last days of the mandate and of the muddled thinking that marked the successive decisions taken by the United Nations. For the other half, it is a history of the Palestine war from the Jewish side—incomplete, in that it cannot yet set out, "for comprehensible reasons," the full story of relations between the government and the Irgun, but interesting in that it conveys, often by direct quotation from hitherto unpublished memoranda, a good idea of the spirit that fired the Jewish nation to win its country.

The sub-title of the book should be its title, for the only point at which space is devoted to Israel today is in a final chapter called The Future. This is temptingly full of all-too-brief references to topics about which everyone is anxious to learn. Why did Mr Sacher thus allocate his space? What purpose does he think he serves, at the present juncture in Anglo-Israeli relations, by looking back over his shoulder at the bitterness of four and five years ago? He does not benefit history, for his text is warped by what used to be contemporary bias, and historians already possess such material in abundance. Criticism of British mandatory rule is well founded, but is no longer valuable unless allowance is made for Mr Bevin's embarrassments created by British dependence on the United States and British relationships with Moslem countries, notably Pakistan. Nor is a portrait of the Jewish community historically valuable when no strictures are uttered on some of the devices it used to get its way. At least half the book will be welcome only to those who enjoy opening old sores.

Word Histories

Concise Etymological Dictionary of Modern English. New Revised Edition. By Ernest Weekley. Secker and Warburg. 480 pages. 35s.

Now in his middle eighties, Professor Ernest Weekley has prematurely become something of a legend, both among generations of French students (at least one of his works is still a textbook) and to the general public ever since, exactly forty years ago, his delightful "Romance of Words" appeared. Fortunately, "The Romance of Words" is still available, although the equally delightful

"Romance of Names" is out of print. As a populariser, always scholarly, yet always immensely readable, of the origin and history of words, Professor Weekley has deserved well of the public. His "Words Ancient and Modern" remains in print; so does the charming "Jack and Jill," a study of Christian or given names; and one hears a rumour that a "modernised" and enlarged edition of "The English Language" is on the way.

Likewise "modernised," enlarged and scrupulously revised is the new edition of the long out of print "Concise Etymological Dictionary of Modern English," first published in 1921. What we have here is, therefore, a virtually new book. How timely it is. Apart from Skeats's large dictionary, last reprinted in 1910, there has since the early 1930s been no reputable etymological dictionary of English, whether here or in America. To have to go to the vast Oxford English Dictionary, or to the by no means small Webster's New International Dictionary, is to ask rather much of anyone not conveniently near some great library nor owning a millionaire's purse. This revised "Weekley" supplies the answer, for not only is he up to date (phoney, spiv, allergy, penicillin), but he is reasonably comprehensive. Although he subscribes to none of the current fads of philology, he knows about them, has investigated what they involve, and deliberately stands aside.

This wise and temperate lexicographer possesses the rare talent of being able to please the general educated reader and to conform to the demands of scholarship. But then, he is a practised writer, with a style of remarkable lucidity and simplicity, and a notable scholar. Hence his ability to render even a dictionary, packed with scholarship, thoroughly acceptable to those who have no philology. He employs few abbreviations and no symbols. Among the many fascinating word-histories to be found in this book, those of the following words are, without being necessarily the best, at least typical: beach, cockney, fret, lounge, penguin, quaff, stride, wee, wood.

In every sense, "The Concise Etymological" is very good value.

Seeing Without Perceiving

The Twelve Republics. By M. Follick. Williams and Norgate. 357 pages. 18s.

In January, 1948, Mr Follick made a brisk tour of the Caribbean, with the praiseworthy aim of arousing interest in the Interparliamentary Union. As a member of Parliament, he was hospitably received wherever he went, and he saw much; but he seems to have perceived little. In this book he has eked out his notes with lengthy historical interpolations which amount to little more than summaries of buccaneering exploits. But on the whole the tales of Drake and Hawkins contrast favourably with the author's own narrative, which abounds in such vivid descriptions as this, of an ambassadorial residence: "The rooms of his house

are large and nicely arranged, with a large garden in front and a still larger one behind."

Mr Follick did not always see so clearly; he was never able to work out why Salvador is more densely peopled than Honduras, or why the Pacific end of the Panama Canal lies east of the Atlantic end, and he thought it "really disgraceful" that Venezuela should have so much less railway than Britain. But his moments of bewilderment are, perhaps, preferable to his numerous incisive judgments. British Honduras, he tells us, has possibly the most strategic position in the whole world. The late Jorge Gaitan was the most promising Latin American politician of the century. Henry VIII (Mr Follick digresses rather far at times) launched England on four centuries of domination of the world. Even geography and spelling must bend to the author's will. The most interesting point on what he calls "Old Man Orinoco" is where "the Portuguese and Apure join to rush madly into the mother stream at San Fernando. Great ocean-going steamers can reach this point." Such strange statements would matter less if the author did not try to write authoritatively on controversial matters; but it is somewhat irresponsible for a member of Parliament to build up a violent attack on the oil companies in Venezuela simply by converting their 50-50 division of profits with the government into one of 80-20.

But if Mr Follick adds little to our knowledge of the Caribbean, he tells us a great deal about Mr Follick. We learn how Lord Beaverbrook waved to him in Nassau, how congenial he has found General Trujillo, Lenin, Franco and Bernard Shaw, how he had a long talk (not described) with Mr Sol Bloom in Washington. Above all, one is grateful for his account of his return to London. "My statement in the House of Commons caused a stir the like of which is seldom experienced. . . . The country was thunderstruck at the truths that I revealed." The pity of it is that Mr Follick is quite right in seeking to arouse British interest in the Caribbean area; but it is to be feared that this book will have a rather different effect.

Shorter Notices

The Perón Era. By Robert J. Alexander. Gollancz. 239 pages. 12s. 6d.

In 1943 a group of Argentine officers issued a manifesto which openly demanded that their country should make itself master of all South America in the same way that Germany was supposedly the final master of all Europe. They called for "an inflexible dictatorship" on the German model, and warned their generation that it must be "sacrificed" for this heroic ideal. The subsequent decade has seen one of the leaders of this group, Colonel Juan Perón, impose both the dictatorship and the sacrifice on the Argentine people; but it has not seen the achievement of the Argentine hegemony which these efforts were meant to bring about.

Mr Alexander has written an admirably succinct and readable account of Colonel Perón's climb to power and of the policies of his régime. Inevitably, his narrative does

not cover the latest developments; but the results of the last elections and the economic difficulties of the first half of this year are foreshadowed, and substantially confirm the book's analysis. The brutal suppression of civil liberties and the nauseating adulation of *El Líder*, which are such prominent features of *Peronismo*, are sufficiently familiar to British readers; but Mr Alexander performs a useful service in bringing out the genuine enthusiasm that the present régime has awakened among the Argentine workers by its lavish use of social and economic benefits. How long this enthusiasm will endure among economic difficulties is, however, doubtful; and, as Mr Alexander makes clear, it is the failure of President Perón's economic policies that has also stultified his efforts to dominate the whole continent.

Case Law on National Insurance. By H. Keast. Thames Bank Publishing Company, Limited. 194 pages. Index and Tables. 10s.

This book is well described by its title. It is a summary of the various lines of decisions given by tribunals set up under the National Insurance Act, 1946, and the National Insurance (Industrial Injuries) Act, 1946, which between them cover the social benefits for sickness, unemployment and maternity, death grants, retirement pensions and compensation for industrial injuries. The result is a most useful working manual for all who have to advise and help the individual in contact with the actual machinery of the welfare state.

The Annual Register, 1951. Edited by Ivion S. Macadam. Longmans Green and Company, Limited. 506 pages. 63s.

When a publication reaches its 193rd year it is perhaps enough to say that it takes its previous form and brings its usual information up to date. This "review of public events" continues to present current history by logical, rather than chronological grouping, so it is not surprising to find the largest section devoted to "Foreign History." But since this logical grouping has been adopted, has the time not come for the Advisory Board to consider incorporating "Finance, Trade and Industry" with the rest of the history of the United Kingdom instead of segregating them in a chapter by themselves after literature, the arts and science?

Willing's Press Guide, 1952. Willing's Press Service Limited. 620 pages. 21s.

The seventy-eighth annual issue of this reference book to the press of the United Kingdom and the Irish Republic has two new sections: one which groups the productions of leading publishers and the other giving references to publications offering "group advertising." The rest of the book follows the familiar pattern and provides alphabetical and classified information about newspapers and other publications. The main foreign publications are also listed.

The Investor's India Year Book, 1952. Compiled by Place, Siddons and Gough. Orient Longmans. Calcutta. 374 pages. Rs 20.

The main part of this reference book gives financial details and a ten-year series of annual results of companies quoted on the Calcutta Stock Exchange. This edition, the thirty-eighth, restores the full section on tea companies last published in 1943-44.

A preface reviews the events of 1951 and their influence on the Indian economy, and deals in some detail with the main industries.

Time Will Run Back. By Henry Hazlitt. Ernest Benn. 256 pages. 15s.

Mr Hazlitt introduces us to Wonworld, the terrible and logical application of Communist ideals projected into a future where the rest of the world has been subject and semi-starving for more than a hundred years. If the scene were more than a painted back-drop for the arguments of two reformers, it would be more frightening, but, unfortunately, we are becoming immune to these oft-repeated warnings, and it will take a more realistic account of the abominations of Communist rule to shake this horror-weary generation out of its apathy.

The author claims that he has merely set down what is happening in Russia today, or has been seriously proposed by contemporary Communist and Socialist writers. From the outset the reader will scarcely expect impartiality in a book about Communism by an ardent capitalist, but, in any case, it is very soon apparent that this flimsy tale is but a peg upon which to hang an ABC of economics. The clarity with which Mr Hazlitt presents the thesis that if capitalism did not exist, it would be necessary to invent it will recommend itself to many, but there is a certain naïveté about the rest of the book which begets impatience.

Underground movements are the ubiquitous corollary of dictatorship. But there is a wild improbability about Mr Hazlitt's unique saviour, brought up on an island Utopia on mathematics, music, chemistry and chess—without ideological bias, and no history, true or false. That any young man, let alone the ruling Dictator's son, should be allowed this education in such a world, is incredible, but that he should have escaped assassination once back in Moscow beggars belief. To rely on such a god from such a machine would remove all hope of redemption.

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Letters to the Editor

Freezing Pensions

Sir,—In your issue of August 30th you rightly call attention to the prospective rapid rise in the cost of old age pensions. But to my thinking the trouble is due not solely, or perhaps even mainly, to the fact that the span of human life is being increased, but to our misguided method of reckoning the years of dependence of old people.

The ratio that really matters is not that between those below and those above a certain fixed age (60, 65, or 70) but between those capable and those incapable by their work of paying their way. Greater longevity for the average man and woman should be, and in fact is, accompanied by a simultaneous expansion of the average years of potential activity. There are wide differences between one individual and another. Some become infirm in their fifties, others do their best work in their sixties and even seventies—notably our present Prime Minister in his leadership of the nation during the war.

Yet we continue with our rigid rules about retirement. I know, for instance, two women, one in public and one in private employ, who have been compulsorily retired at 65 when, so far as I can judge, they were at the height of their efficiency. They are now searching for some inferior job to enable them to remain independent. Cannot some way be found of dealing with this absurd waste of the nation's human resources?—Yours faithfully,

PETHICK-LAWRENCE
London, W.C.2

Champions of European Unity

Sir,—I was rather surprised when I read in your issue of August 16th the statement: "In the crucial area of parliamentary action they (the creators of European union) are only three (Schuman, Adenauer and de Gasperi)," followed by another statement: "Only the Catholic parties of the Centre which these three men lead are committed unequivocally to the federal ideal."

In my view, while it is true that it is only "a small force" which is trying a "great change," you overstate your case. In the first place, the statements are not materially correct, if one considers the contribution, which was or is being given by men like Plevin, Sforza, Spaak, Carandini, Blum, Reynaud, etc., etc.; and, in Italy, for instance, republicans, social democrats and liberals are officially committed to the support of European union.

In the second place, even if it is true that the stronger force is formed today by the Catholic parties, your editorial seemed to me to convey also the idea that federalism is an essentially Catholic ideal. This does not appear to be fair to the Italian lay tradition (to stick again to the Italian case), which is indeed mainly responsible for the creation and the propagation of that ideal. As a matter of fact, what Signor de Gasperi

is doing both in his foreign and domestic policy (and this is high-skilled liberal statesmanship) is to absorb and adopt the ideas and ideals of the men and parties which led Italy on the morrow of the *Risorgimento*. This is no surprise, if one considers the substantial lack of modern political traditions of the Catholics and bears in mind de Gasperi's great effort to strengthen the democratic coalition to hold off the threat from the Catholic right wing.

The minor democratic parties, however small, count in our politics much more than is revealed by statistics and electoral returns. This statement surely ought to be understandable in a country, like England, where one has witnessed for 40 years the changing role of the Liberal party and its impact on the British party struggle.—Your faithfully,
Naples RENATO GIORDANO

Reviewing the Rates

Sir,—Your necessarily brief review of a seven-page report prepared by the Society of County Treasurers has produced two letters of criticism in your issue of September 6th.

"County Councillor" does not agree with the view of the Society that the principle of the Exchequer Equalisation Grant is fundamentally sound. He bases this belief on the grounds that deliberately reduced council house rents would result in lowered assessments for rates and a consequent increase in the Exchequer Equalisation and Education Grants. Even if "County Councillor" could prove by figures that this device would assist a county borough council—and I very much doubt if this could be shown—it would certainly not be true of the county areas. The loss of rents would be met by the ratepayers of the district concerned, but any benefit of the Equalisation and Education Grants would be shared by the ratepayers of the whole of the county. In any event, "County Councillor" appears to have forgotten that since 1950 all valuation for rating has been the function of the Inland Revenue and not of the district councils. The County Treasurers' report makes it abundantly clear that the Equalisation and Education Grant systems can work fairly only if they are based upon uniform standards of valuation throughout the country.

Mr Silvan Jones is disappointed with the report and expected something more solid, but he appears to select one out of the twelve points in the summary of conclusions as apparently being of prime importance. There are over 16,000,000 people living in areas above the national average, for which and for whom there is no system of equalisation of rates at Exchequer expense. Would the report have been more solid if it had ignored this?

Mr Jones says that there are two main criticisms of the 1948 Equalisation Grant system:—(a) the inadequacy of the sparsity weighting in the Grant formula, and (b) the minimum average rateable value per head is no guarantee that resources are sufficient. Both these

points were in fact dealt with in the report.—Yours faithfully,

R. S. McDOUGALL
President,
Society of County Treasurers.
Hertford

Austrian Jewry

Sir,—The article from your Vienna correspondent in your issue of August 23rd appears in certain respects to be based on misunderstanding. He writes, "the question of Jewish compensation is an extremely complicated one bound up with the negotiations at The Hague between West German and Israeli representatives, with Austria's general financial situation, with the fact that some of the Jewish assets in Austria are in the hands of the Russians and that many Jews who have migrated from Austria are now perfectly free to return to live here, but prefer not to do so."

This statement is in many respects misleading:

1. The negotiations at The Hague are between Israeli and West German representatives and deal only with the claim for the cost of re-settlement in Israel of those who fled from Hitler's persecutions; they hardly touch the Austrian "government's" responsibility for restitution.

2. If Austria's general financial situation is strong enough to enable her to recompense former Nazis (which is the intention of the Bill vetoed by the Americans) it should surely enable her to afford some form of indemnification to their victims. The question of compensation is "bound up" with Austria's financial situation only to the extent that a bundle of miscellaneous pamphlets on different subjects are "bound up" together in the British Museum.

3. The fact that some Jewish assets are in the hands of the Russians will cause delay in their restitution to their rightful owners, but has no connection whatever with the question of compensation for those who suffered damage in health and liberty and through deprivation of their chattels.

4. I find it hard to fathom the degree of insensibility which allows your correspondent to write of the Jews who "migrated" from Austria and who though free to return prefer not to do so. The "migration" of the Jews from Austria was an enforced exile to which the only alternatives were torture and death. Their natural unwillingness to return to the country where they suffered so outrageously is not material to their claim for compensation.

It is idle for the present Austrian government, in the face of all the evidence, which is now available, to claim that the persecution of the Jews was an activity which their predecessors did anything to oppose and that Austrians neither took part in nor benefited from it. The West German government has shown its willingness to make such restitution for Hitlerism as is possible: the Austrian government might well do the same instead of confining its measures to the handful of Jews who have returned to its frontiers.—Yours faithfully,

H. J. D'AVIGDOR-GOLDSMID
Tonbridge



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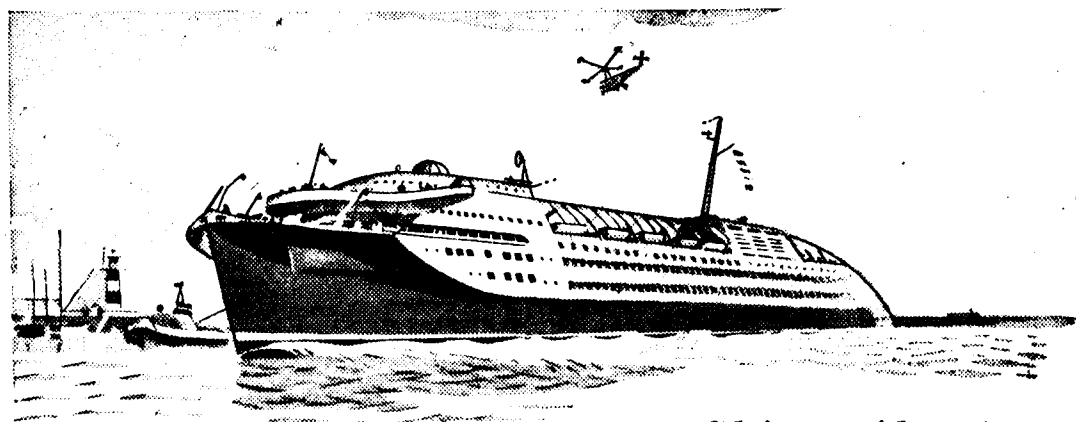
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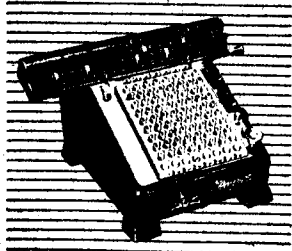
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AMERICAN SURVEY

No War of Liberation

Washington, D.C.

THE notion that the Republicans could give glamour to their foreign policy with a campaign promise to liberate the "enslaved peoples" under Russian rule has turned out to be less bright than it must have looked some weeks ago to Mr John Foster Dulles, its principal instigator. It is now generally perceived to have been an error of judgment. The proposal might have been regarded by the voters, or by a considerable section of them, as a stirring appeal to all that is finest in American idealism; it might have stirred up a crusade. But it did not. Even before Governor Stevenson had denounced it as "the reckless suggestion of a war of liberation in Europe which has frightened everyone except the Russians," the decorous interment of the idea was in progress on the Republican side. General Eisenhower himself performed recognisable obsequies in his foreign policy speech at Philadelphia; and, although several days later Senator Nixon, the Republican Vice-Presidential candidate, was still soliciting the votes of minority groups in Massachusetts with the assertion that his chief had pledged himself to try to liberate the iron-curtain nations, several newspapers committed to the General and his cause had by then made reasonably plain their view that it would be prudent to forget the whole thing.

The life and early death of this, the first campaign issue in the realm of foreign policy, is an interesting story with a hopeful moral. This is that a politician in America who continues to comfort himself with the conviction that anything is permissible in a presidential election is badly out of date. The dialectical exuberance which once was expected and enjoyed during an election campaign must now be damped down in deference to the national sense of danger.

Under the old campaign rules, a sound case might have been made for a carefully worded undertaking to hasten a liberation devoutly desired — and especially one known to be desired by minority groups with substantial voting power. The case Mr Dulles made in early July, when the Republican Platform Committee was composing its foreign plank, must have looked particularly attractive. The weight of opinion in the Republican councils was that the party must protect itself against repetitions this year of the "Me Too" charges flung at Mr Dewey in 1948 and 1944. Everyone saw that the need of the hour was a Republican foreign policy that would have a new and dynamic look. So the Republican platform said that, when the party came to power, the United States would repudiate such agreements as those reached at Yalta because they "aid Communist enslavements"; and went on:

It will be made clear on the highest authority of the President and the Congress that US policy looks happily forward to the genuine independence of those captive peoples. . . . [The Republican programme] will mark the end of the negative, futile and immoral policy of "containment" which abandons countless human beings to a despotism and godless terrorism which in turn enables the rulers to forge the captives into a weapon for our destruction. . . . The policies . . . will inevitably set up strains and stresses within the captive world which will make the rulers impotent to continue in their monstrous ways and mark the beginning of the end.

These sentences were new and dynamic enough to attract the fugitive attention of commentators, even though they were well aware that it is what the candidate says rather than what the platform says that counts. Doubts about how the liberation trick was to be done were expressed; but no answers were forthcoming and the subject was more or less shelved. It was not until General Eisenhower gave the matter a once-over-lightly treatment in his speech to the American Legion at the end of last month that the Dulles idea was hauled out and examined.

★

There were those who then described it as "vague" and "dangerous"; but none performed so thorough a job of peering and prodding as did President Truman at Parkersburg. What he asked, did "these Republican masterminds" mean when they talked about liberating the enslaved peoples of Eastern Europe? He recited the "means short of war" taken by his Administration, and he said that there was no way to do more than this without using force. America's allies had signed up for combined defence of freedom, but not for a warlike crusade. The President went on:

I am perfectly convinced — and I hope our Allies will understand — that the Republicans do not intend by what they say to pledge this country to a frightful atomic war in order to roll back the Iron Curtain by force. Yet . . . all Europeans know quite well that insurrection in the Soviet borderland these days could only be successful with armed support from the outside world. If the Republicans don't mean to give that armed support — and I feel sure they don't — then they are trying to deceive their fellow citizens at home and playing cruel, gutter politics with the lives of countless good men and women behind the Iron Curtain.

Governor Stevenson, on one of his tours, found himself at Hamtramck, Michigan, a suburb of Detroit whose population is largely of Polish descent. He warned an audience, which cheered him warmly and appeared to agree with his thesis, that

the cruel grip of Soviet tyranny upon your friends and relatives cannot be loosened by loose talk or idle threats . . . by awakening false hopes which might stimulate intemperate action that would only lead your brothers to the execution squads.

Here, as in other places, Mr Stevenson said a little piece about Mr Eisenhower, whom he usually calls "my opponent" or "the General." He is very scrupulous and earnest about these references and, though he occasionally permits himself a jest, delicately barbed (he mentioned at Denver a Republican propensity for "generalities — and I don't mean a pun"), he is careful to leave nobody in doubt that he respects General Eisenhower as a man of integrity and admires his military attainments. He told the Polish-Americans at Hamtramck: "My opponent is an honourable man." But he went on:

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

We are dealing here with something more than the awful abstractions of power politics: we are dealing with the lives of millions of our fellow men.

The idea that had looked so promising to the Republican Platform Committee in Chicago was now wearing a very different aspect. It was too late to point out that in the speech to the American Legion which had caused all the fuss General Eisenhower had said little more than had been said by, among others, President Truman himself. In his Parkersburg speech Mr Truman agreed that the "permanent Soviet enslavement of these nations" could not be accepted, and that the United States must seek "to keep alive the culture, spirit and hopes of once-free people." All the General had said to the American Legion was that "the conscience of America shall never be free until these people have the opportunity to choose their own paths" and that "we shall never desist in our aid to every man and woman of those shackled lands who seek refuge with us." But as someone some time ago pointed out, it is not so much what you are saying as what they think you are saying; and the General himself put ideas in people's minds by distributing in advance a text of his speech rather more forthright than anything he actually said.

★

Mr Dulles issued a statement in reply to the President. He said there were "countless peaceful ways by which the task of the Russian despots can be made so unbearably difficult that they will renounce their rule," and he added, somewhat obscurely: "That was shown in Yugoslavia." But three days later, when General Eisenhower arrived in Philadelphia for his well-advertised speech on foreign policy, none of the countless ways had been delineated and nobody had explained how Yugoslavia's internal situation was to be reproduced, by external pressure, in Poland or anywhere else.

In the Eisenhower speech the Dulles idea was reduced to a pale and unexceptionable fifth point in a ten-point foreign policy programme:

The fifth step in this programme is to aid by every peaceful means, but only by peaceful means, the right to live in freedom. The containing of Communism is largely physical and by itself an inadequate approach to our task. There is also need to bring hope and every peaceful aid to the world's enslaved peoples. We shall never be truculent—but we shall never appease.

This was not what the Republican platform had said—not by a long chalk. As to the other nine points in the Eisenhower programme for winning the peace, they could be regarded either as "vigorous" and "positive" (as the pro-Eisenhower leader writers said) or as virtually indistinguishable from those espoused and pursued by Mr Truman and Mr Acheson (as the pro-Stevenson newspapers claimed).

But as the *Washington Post*, which endorsed General Eisenhower many weeks ago, also observed:

Whatever misunderstanding arose from a few unfortunate passages of Ike's speech to the American Legion should be swept away by his unequivocal statement that only peaceful means should be used in giving aid to "the world's enslaved peoples." The Republican candidate has thus definitely turned back from the limb of a crusade for early liberation offered him by John Foster Dulles.

The *Washington Post* sounded relieved, and the relief was echoed elsewhere. The country and the candidate have brushed off a risky idea, and the implication is that the country is sober enough and the candidate honest and wise enough to let it go at that.

Whose Tidelands?

[FROM A CORRESPONDENT IN TEXAS]

THE theoretical argument over the growing encroachment of the federal government on the powers of the states only makes political sparks fly when it rubs against practical issues such as whose duty it is to protect the civil rights of Negroes or who owns the oil off state shores. The argument over whether this tidelands oil belongs to the federal government or the states concerned affects most directly California, Louisiana and Texas, and two of these three are southern states which, like the rest of the South, are particularly conscious of threats to states' rights. Largely for this reason, they are also states which the Republicans have hopes of winning from the Democrats in this year's presidential election; this applies especially to Texas, where General Eisenhower was born and which has an important number of votes.

Both the Republican platform and the General himself favour state ownership of the tidelands. The Democrats, unable to agree, refrained from mentioning the matter in their platform, but Governor Stevenson has refused to equivocate. He left Mr Shivers, the Governor of Texas, in no doubt that he believed the tidelands belonged to the federal government and that, if elected, he would do all he could to prevent Congress handing them over to the states. As a result, Governor Shivers, like Governor Kennon of Louisiana, has withdrawn his support from Mr Stevenson and is encouraging his followers in Texas to vote for General Eisenhower.

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The political smoke which envelops the tidelands controversy has obscured the legal and economic implications of this complicated and much misunderstood issue. The ownership of the tidelands (an inaccurate name for underwater land which actually begins at the low-tide mark and runs seawards) was of little interest until it was found that the oil-fields of California, Texas and Louisiana extended under their coastal waters. It had been generally presumed, however, that the tidelands belonged to the states and state laws prevailed in such matters as the regulation and conservation of fisheries and oyster beds, the production of sand and shell and in the granting of rights for construction of wharves, pleasure piers and "made land" on the water front. In accordance with this presumption, California granted oil leases, and was followed by Texas and Louisiana. However, as early as 1933 individual Californians were applying for leases from the federal government, only to be refused by the Secretary of the Interior, Mr Harold Ickes, who at that time held that, in the opinion of Supreme Court Justices, it was "the settled law" that the states had title to the off-shore oil.

By 1944 the increase of oil drilling in tidal waters brought a new attempt to assert federal ownership, which this time was supported by Mr Ickes. A resolution was introduced in Congress to establish this right of the federal government, but Congress turned it down. Then suit was brought against the State of California and in June, 1947, the Supreme Court decided in favour of the federal government. The decision implied that the federal government also owned the tidelands in other states, except, possibly, in Texas. The case of Texas, which on several occasions has been declared by President Truman to be "in a class by itself," rested upon the sovereign claim to the tidelands during the

period of the independent Republic of Texas, from 1836 to 1845, and upon the agreement by which, when Texas was admitted to the Union, there was reserved to the new state all of the public domain of the former republic.

However, suit was brought against Texas, and the Supreme Court again decided in favour of the federal government in June, 1950. A similar decision was rendered at the same time against Louisiana. The Supreme Court held that though the Republic of Texas had legal possession of its tideland waters, the tidelands could not properly be interpreted as part of the public domain which had been retained by the State of Texas, since the Republic's fortifications, harbours and docks had been ceded to the federal government. The court contended that "most of these properties lie side by side with, and shade into, the marginal sea," and that therefore cession of the marginal sea to the federal government had been intended. The decision also emphasised that Texas entered the Union on an "equal footing" with the other states, and denied that this referred only to governmental and political prerogatives. The decision of the court was four-to-three, with two justices not voting. In his dissenting opinion, Mr Justice Reed differed from the majority on the application of "equal footing" to the Texas tidelands, and Mr Justice Frankfurter concurred, stating that to him it was clear that the submerged lands were part of the public domain of Texas.

The decision of the court in the three cases did not give absolute title over the tidelands to the federal government, but asserted the "paramount right" of the federal government to exercise ownership and control. It declared:

The crucial question . . . is not merely who owns the bare legal title to the lands. . . . The United States here asserts rights . . . transcending those of a mere property owner.

Thus the court left Congress with the responsibility of exercising the paramount right of the federal government to take the land or of relinquishing this right in favour of the states. While the case was still before the Supreme Court, in 1946, Congress passed a resolution which handed the tidelands over to the states. This was vetoed by President Truman and an attempt to over-ride the veto failed to obtain the necessary two-thirds majority in the Senate. After the Texas decision a similar resolution was passed and again vetoed, last May. No attempt was made to reverse the veto this time, presumably because advocates of the Bill did not think they could get the necessary two-thirds majority in the Senate, and preferred to let the matter ride through the presidential campaign.

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There has been much confused thinking on this issue, especially about the distinction between the tidelands and the continental shelf, and the kind and value of the property involved. The tidelands of the United States are construed as those beginning at the low-water mark on the beach and extending three miles to sea. (In the case of Texas and part of the coast of Florida approximately ten miles or three leagues is claimed by the state, under the old Spanish statute, and was recognised by Congress in its Bill.) The continental shelf extends something like 100 miles out to sea along both the Atlantic and Gulf coasts; in California it extends only a relatively short distance beyond the three miles of tidelands. The states are making no claim to the continental shelf which has been put under United States sovereignty by an Act of Congress.

By appealing to selfish interests, both sides in this controversy have succeeded in giving the public an exaggerated idea of the amount of oil available. There has frequently

been talk of \$40 billion worth, but it is difficult to see how this figure is arrived at. Presumably most of the amount would come from Texas, since it has the longest coastline bordering on oil-bearing dry land. Yet Texas has produced only about 14 billion barrels of oil since the first commercial production in 1897. Less than one per cent of this has come from the ten miles of land stretching inland from tidewater. On the assumption that eventual output from the area stretching ten miles out to sea would be the same, over a period of years Texas tidelands might produce 100 million barrels at about \$2.50 a barrel, of which about 20 per cent might accrue to the federal government, through lease and royalty revenues. A similar calculation could be applied to the other states with oil-bearing tidelands.

The State Constitution of Texas ceded practically all the public domain to the state school system and the \$7 million received for tidelands oil leases, before the Supreme Court decision, went into the public school endowment fund. It has been argued in Congress that the revenue from offshore oil should benefit all American children, not just those in the states concerned, but Texans contend that the future addition of oil earnings to their present school fund of about \$160 million would be worth a lot to the state, while to the federal government it would merely be a drop in the budget.

It has also been argued that the Supreme Court decision has set a precedent for federal claims to underwater lands in all the states—those under the Hudson River or Lake Michigan, for example. About a third of the city of Long Beach in California, built on twenty square miles of land reclaimed from the sea, is said to have been jeopardised by the court's ruling. The Justice Department has answered reassuringly that it does not intend to move against property owners who have an established right through having con-

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structed filled-in lands, docks or other tidelands facilities. It has also been contended that the establishment of the paramount right of the federal government to possess the tidelands would set a new precedent for federal seizure of property, an opinion which was supported by Mr Justice Frankfurter in his dissent in the California case.

These arguments have, of course, been made much of by those who oppose the federal government's claim. The whole question will undoubtedly be debated again in the next Congress and will almost certainly end up in the lap of the next President. Meanwhile, the underwater oilfields remain undeveloped.

American Notes

Campaigns in Collision

General Eisenhower seemed to find his feet and his tongue in the South, where large Democratic audiences turned out last week to see the famous war hero and the unaccustomed spectacle of a Republican presidential candidate, and to applaud him as he lashed out at the "top to bottom mess" in Washington. The stock answer to those who have been asking plaintively, "When do we start, Ike?" has been that the General wanted to conserve his strength for the last critical weeks. Now a flood of eloquent denunciation has swept down upon those who were grumbling a week ago that the General was "running like a dry creek."

One Republican, however, has not been swept off his feet by the General's onslaught on corruption. Senator Taft, who has just returned to Washington after seven weeks in his Canadian tent, is in no hurry to do battle for the man who snatched the nomination from him at Chicago. His coldness, the ominous interest he expressed in General Eisenhower's possible Cabinet appointments and in the stand the General meant to take on foreign policy, labour relations, and other controversial issues, his coyness about arranging a meeting, all lend substance to the story that Senator Taft may sulk in Ohio if the General does not hew to a conservative line, particularly on the Taft-Hartley Act.

This unhealed wound in the Republican party is one into which it is Governor Stevenson's strategy and delight to pour salt. At Kasson, Minnesota, he accused General Eisenhower, with perfect accuracy, of ploughing under the Republican farm platform and making off with the Democratic one in broad daylight; he welcomed the "distinguished hitch-hiker," while expressing some anxiety about the Republican pirates climbing aboard in his wake. In fact, both candidates stood firmly on the prudent principle of giving the farmer what he wants. Even Governor Stevenson, who has gambled on other audiences being adult enough to be told unpleasant home truths, played safe with the politically foot-loose farmers. He never mentioned the flexible price support system, which is still law, though in deference to farm fears Congress has postponed putting it into effect. The measure is designed to encourage diversification by lowering price supports on staple crops. The middle-western farm states which Mr Truman carried in 1948 are once more a vital battleground; the President himself is apparently to be asked to do more campaigning in this area than Mr Stevenson at first thought necessary.

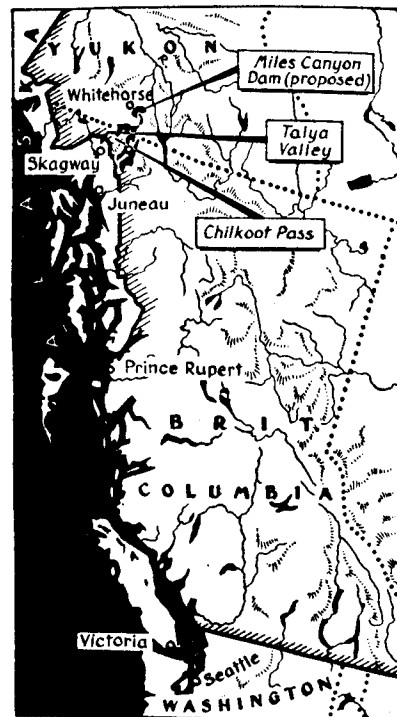
It is the Governor's strategy to outline his views on major issues before engaging in any rough and tumble. This has the advantage of making the Governor better known; it shows a respect for the voter's intelligence; and it also leaves General Eisenhower, whose constructive speeches are yet to come, in the position of following the furrow the Governor has already ploughed. If, in the interests of Republican unity, which have already led to some strange embraces, the General is going to move right to placate Senator Taft, and increase the risk of alienating independent

voters, this will not matter. But if he does not, the General may find he has inherited the "Mc Too" label which damaged Mr Dewey in 1948.

Alcoa on the Way to Alaska

Alcoa, the Aluminum Company of America, has announced a project which, if carried out, will give America's northern territory, Alaska, a mouthful of what its economy needs most—industrialisation. Alcoa is planning a huge aluminium undertaking in the Taiya Valley, near Skagway on Alaska's southern tail; the plant would have an initial capacity of 200,000 tons a year, which might be doubled later, and would provide work for 4,000 or more people, to be housed in a new all-electric town with room for 20,000 inhabitants, nearly one-sixth of the present population of the territory. Bauxite would be brought by sea from the Caribbean and the last thousand miles of the journey, from Seattle, would be by the inland passage which is protected by islands from submarine attack.

The reason why Alcoa is going to Alaska is that nowhere nearer home can the company find enough hydro-electricity, which is almost the only economic source for the huge quantities of power needed for aluminium production.



such competition for their own aluminium company; it has been hoping to capture a large share of the American aluminium market, which is expected to triple in size in the next twenty years.

There is not enough aluminium in prospect for even the immediate future, in the opinion of American defence officials who have the needs of the strategic stockpile in mind, even though about 1 million tons of primary aluminium will be produced in the United States this year and by 1954 annual capacity will have reached 1.5 million tons; a further increase in capacity of about 180,000 tons a year is likely to be recommended. This does not, however, necessarily mean that Alcoa's Alaskan project will be encouraged, even though the company is prepared to find the \$400 million it will cost with little or no government help. Apart from the fact that the project will take at least four years to complete, neither Congress nor the Administration is anxious to increase Alcoa's share of American aluminium production, which has been reduced from 50 to under 40 per cent by the expansion of other firms since the Korean outbreak. If there is any further expansion, it is hoped that entirely new firms may be induced

to compete in the aluminium market. For this reason Alcoa may have difficulty in getting Congress to authorise the purchase of the 20,000 acres of Alaskan land which are needed for the plant and the new town; under the Homestead Act individual holdings are at present limited to 160 acres.

Hammering at the Quotas

Mr Truman, who failed to persuade Congress a few months ago to uphold his veto of the McCarran-Walter immigration and naturalisation Bill, has not given up the fight. He will leave for his successor an analysis of the new law, and recommendations for changes in it, to be drawn up in the next four months by a seven-man commission he has just appointed. Its head is Mr Philip Perlman, the former Solicitor-General, whose critical view of the Act is no secret. The reminder that the Administration, if not Senator McCarran, stands for a more liberal immigration policy will not be lost on foreign-born voters who want to help their friends and relations in Europe, but are frightened by Republican suggestions of a war of liberation.

The commission's attention is directed toward two aspects of the law which Mr Truman finds particularly objectionable: the continued weighting of the immigration quotas, through the national origins device, against applicants from Southern and Eastern Europe and Asia, and the failure to provide any hope of haven for the millions uprooted by the Russians. The first, with all its distasteful implications of racial superiority, makes the American devotion to democracy and equality sound hollow; it also makes it impossible to relieve overpopulation in Greece and Italy. The second means that America cannot take in any of the millions expelled from Eastern Germany or reward the 20,000 or so courageous souls who break through into free Europe every month. Congress refused to consider extending the emergency programme administered by the Displaced Persons Commission, which has just been disbanded. Under the DP Act, over 300,000 refugees were settled in the United States; some 50,000 less lucky ones were stranded in the commission's pipeline when it closed down.

Unless the new Congress is very different from the old, or Mr Perlman is exceptionally persuasive, it is not likely to scrap the McCarran Act before giving it a trial. But the Administration at least can set its own house in order. Under prodding from the courts, the State Department at last has set up a board of appeals to hear the cases of American citizens denied passports. Applicants who are turned down must now be told why, within the limits of national security; they can be represented by counsel and can appeal to the new board from the decisions of the visa and passport sections. Hearsay evidence may not be wholly ruled out, but Mr Acheson's insistence that the passport section and the appeals board must be governed by the preponderance of the evidence, as though they were trial courts, should discourage the spirit of McCarthyism and McCarranism which seems to have infected some officials. It should also save the Department from further humiliations such as that which it suffered in the Lattimore incident.

Choosing Congressional Candidates

Another, and almost the last, of Congress's ancient southern demagogues has lost the confidence of his constituents: even in spite of his extravagant efforts on behalf of ex-servicemen, Representative John Rankin of Mississippi was beaten in the primary election in his district by Mr Thomas Abernethy, who in the last Congress represented the neighbouring constituency, now consolidated with Mr Rankin's. Mr Rankin had not kept up with changes in local opinion, but what defeated him was his age—70—rather than revulsion against the outworn ideas he stood for. In

Nevada, however, there has been a genuine revolt against another reactionary Democrat, Senator McCarran. He himself is not up for re-election this year, but his hand-picked candidate for Nevada's other Senatorial seat, now held by a Republican, was most surprisingly defeated in the Democratic primary by Mr Thomas Mechling, an unknown young newspaperman.

Unfortunately Republicans are showing less good sense than Democrats in choosing their candidates for next November. There was never much hope that Senator McCarthy would lose the Republican nomination in Wisconsin, but it was not expected that he would get far more votes than all the other candidates of both parties combined, which means that his victory in the general election is almost certain. It may be that the voters of Wisconsin, constantly exhorted by the national press to get rid of this blot on their state, reacted to outside interference by doing just the opposite; in Mississippi Mr Rankin might also have won if his old enemies amongst the newspaper columnists had not refrained from campaigning on Mr Abernethy's behalf.

The most outspoken critic of Mr McCarthy's alleged lack of personal integrity, Senator Benton, faces a hard fight for re-election in Connecticut. He is being opposed by Mr William Purtell, who, in order that he may store up seniority for himself in Washington, has been temporarily appointed by the Republican Governor to occupy, until January, Connecticut's other seat in the Senate, which was left vacant by the death of Senator McMahon, and which is therefore also up for election this year. Mrs Clare Boothe Luce had hoped to be the Republican contender for this seat in November, but the candidate finally chosen is Mr Prescott Bush, who nearly defeated Senator Benton in 1950. The Democratic choice is Representative Ribicoff of Hartford. In neighbouring New York it looks as if the liberal Republi-

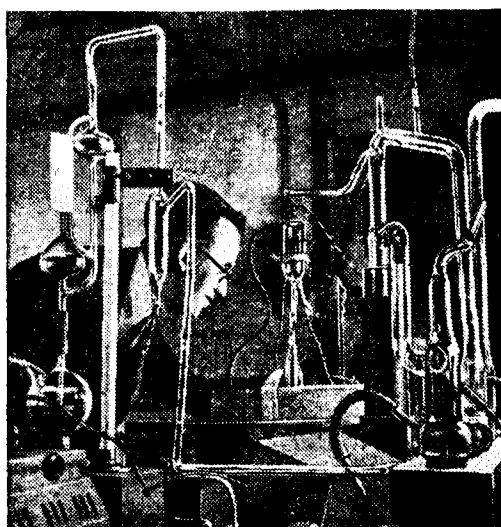
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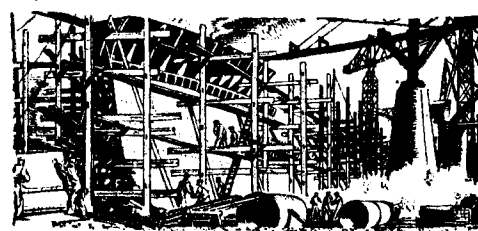
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THE WORLD OVERSEAS

Dutch Lessons for British Chancellors

THOSE who believe that Britain failed to take adequate steps to correct its balance of payments are prone to look beyond these shores for models of economic behaviour. Their eyes turn to Holland where the change over the past eighteen months has been spectacular. In the first quarter of 1951, Dutch exports paid for only 68 per cent of the goods purchased from abroad; during the same period in 1952 the percentage reached 93. There have even been occasions in recent months when Dutch foreign trade has shown a surplus. Nothing comparable has taken place in Britain and therefore it may be worth examining what lessons—if any—can be drawn from the Dutch experience.

Ever since the end of the war Holland has faced an uphill struggle to make ends meet. Like Britain, it had been forced to liquidate many of its overseas investments; in addition it was compelled to finance a big reconstruction programme, and to make good the loss of Indonesia. In spite of these burdens the Dutch balance of payments showed a fairly steady improvement until 1950, the year of the Communist invasion of Korea. In the space of a year the deficit in the total balance of payments increased nearly 40 per cent—from 984 million guilders in 1949 to 1,362 million in 1950. This deterioration continued throughout the first seven months of 1951 and also showed itself in a mounting deficit with the European Payments Union. Total gold and foreign exchange holdings by the Netherlands Bank sank to 894 million guilders—the lowest point in postwar years.

Part of the story behind this crisis is revealed in Table I. It shows how from October, 1950, until July, 1951, Dutch exports, though constantly expanding, failed to keep pace with rising imports. This was true both in value and in volume. The explanation is by now a familiar one—a substantial portion of the swollen imports was due to the scramble for raw materials that followed the Korean war.

TABLE I
INDEX NUMBERS OF FOREIGN TRADE
(1948=100)

	Quantity				Value			
	Imports		Exports		Imports		Exports	
	1950	1951	1950	1951	1950	1951	1950	1951
January	142	165	175	224	100	116	102	106
February	125	152	140	237	102	124	101	108
March	144	167	185	230	104	127	98	108
April	151	154	168	228	104	130	99	115
May	153	169	174	223	106	136	98	116
June	154	172	199	238	110	135	97	115
July	142	165	219	225	108	134	91	115
August	143	140	214	228	107	139	92	116
September	149	131	226	266	107	132	93	117
October	164	140	263	300	110	135	96	117
November	149	123	246	270	115	134	102	123
December	145	123	235	232	118	135	104	120

In addition, the deterioration in Holland's external trading accounts was accompanied at the outset by a rise in the volume of consumer expenditure, which jumped 8 per cent in the third quarter of 1950. Inflationary expenditure, both in the private and public sector, was not something new. Since the end of the war, Holland, like a number of its European partners, had been living beyond its means. As Table II shows, this over-spending had almost ceased in 1949, but events of 1950 once again put the economy in the

red. The figures point to an enormous rise in stocks of raw materials accompanied by a persistent increase in consumption on the part of the general public, the State, and industry.

TABLE II
NATIONAL INCOME AND EXPENDITURE
(In 1,000 m. guilders)

	1949	1950	1951
National income at market value	15.96	17.72	19.35
Consumption—			
By the public	11.60	12.50	13.55
By the State	2.48	2.69	3.00
Total consumption	14.08	15.19	16.55
National savings	1.88	2.53	2.80
National investments in mfg. industries	1.56	1.90	2.00
Stock replacement	0.69	1.68	0.80
Total net investments	2.15	3.42	2.80
Surplus or deficit	-0.27	-0.89	...

In September, 1950, the Government first responded to the new threat to economic stability by raising the bank rate from 2½ to 3 per cent. It soon, however, became obvious that by itself this move was not enough, and in the first quarter of the following year the Government took a whole series of measures designed to cut spending both for investment purposes and for private use.

The initial step was to reinforce the new bank rate by the introduction of specific credit restrictions. Operated with the help of the commercial banks, these restrictions aimed at checking the expansion of stocks and reducing bank loans for internal investment. Business profits were taxed more heavily and the turnover tax on luxury goods was increased. It was announced that the annual rate of house building would be reduced from 50,000 to 40,000. Once again the Government cut its subsidies on imported commodities—primarily food—from an annual rate of 450 million guilders to 175 million. As compensation for the price increase that ensued, wage rates were raised by 5 per cent, but at this level they still lagged behind prices by about 7 per cent. Wage rates have remained stable at this point ever since—largely owing to the moderation of the Dutch trade unions and also to the recent narrowing of the gap by a small decline in prices. In April the bank rate was raised still further to 4 per cent. The sole increase in physical controls over trade throughout the entire period took place in August when Holland cut the percentage of "liberalised" trade with the other Marshall countries from 65 to 60 per cent.

Turning the Corner

The turning point came suddenly. In August, 1951, imports dropped abruptly in volume, and shortly afterwards began to decline in value as well; exports continued to expand both by value and volume. Holland also started to run a substantial surplus in the European Payments Union, and since that time has amassed a total credit with EPU of 1,106 million guilders. Gold and foreign exchange holdings grew steadily and now stand at 3,229 million guilders—a rise of 2,293 million in just over a year. In recent months the Government has dismantled most of the apparatus erected to deal with the emergency. The bank rate has been lowered at intervals to 3 per cent and numerous measures are now being taken to offset a reverse movement in the Dutch economy—the tendency for demand and production to

stagnate. Since the beginning of this year government efforts to stimulate demand plus seasonal trends have combined to reduce unemployment from a peak of slightly more than 4 per cent to a current figure of 3 per cent. By British standards this is large, but the Dutch do not regard it with alarm.

For those who would draw morals from Holland, the crucial question is whether any connection exists between the restrictive measures applied by the Government and the dramatic turn in the Dutch balance of payments. Part of the answer seems to lie in a closer inspection of the changes that have occurred in the Dutch foreign exchange accounts for the years 1949-51. Table III lists these changes for the currency areas with which Holland conducts the bulk of its trade.

The picture it gives is not one of general, balanced improvement. Indeed, the deficit with Belgium in 1951, though falling, was still very high. Moreover a previous surplus with Western Germany had become a deficit and the dollar balance was also worse. The only notable surpluses that Holland had achieved were with Argentina, France, and most striking of all, with the sterling area. The one feature common to all three customers is inflation, coupled with balance of payments difficulties.

The phenomenal surplus of sterling in 1951 (1,097.6 million guilders as compared with a deficit of 25 million for the previous year) can be explained only partially by visible trade movements. Larger exports to the sterling area and declining imports from it account for at most one half of the increase. The remainder consists—in what proportions it is impossible to say—of such items as sterling acquired from Indonesia and transfers from Royal Dutch Shell; another portion probably represents a normal balance which disappeared in 1950 because of abnormal demands for sterling both in order to acquire stockpiles of raw materials and to conduct "commodity shunting" operations.

TABLE III
CURRENT ACCOUNT BALANCES BY MAJOR EXCHANGE AREAS
(In millions of guilders)

Foreign Exchange	1949	1950	1951
Belgium.....	- 250.6	- 755.7	- 704.6
Western Germany.....	+ 86.8	+ 146.4	- 371.8
France.....	- 98.1	- 113.7	+ 193.0
Sterling.....	+ 200.0	- 25.1	+ 1,097.6
Sweden.....	+ 24.8	+ 26.9	+ 29.5
USA dollars.....	- 574.5	- 430.0	- 656.0
Indonesia.....	+ 378.7	- 168.5	- 141.7
Argentina.....	+ 54.7	+ 12.2	+ 147.6
TOTAL all areas.....	- 253.3	- 1,090.9	- 252.0

Dutch officials themselves are less ready than some pundits abroad to assert that they have found a magic formula for balance of payments ills. They are inclined to minimise the role played by the measures of domestic control. The fact that imports fell from their exaggerated levels is due, they say, less to government action at home than to external causes—the abatement of the Korean crisis, a buyers' strike and, more recently, a decline in world prices. At the same time they largely attribute Holland's export gains to the fact that Dutch prices have risen less rapidly than those of other countries; in other words, "Holland's inflation is less than its customers' inflation."

This last explanation understates the credit due to the Dutch Government. It took steps to control inflation much earlier and more drastically than did many other world traders. Herein lies the real lesson for Britain of the Dutch experience. The relative success of the measures taken underlines the importance of speedily adjusting financial and fiscal policies to meet external change and the danger of waiting for months on end before breaking to the public the news that something ought to be done. The Dutch experience suggests, too, that the time to make stockpiling purchases is when prices begin to rise and not when they have reached a peak.

Gaul is Divided

M. PINAY has valiantly held his thumb in the dike, but the waters are threatening to come over the top. After enjoying an EPU surplus of \$21 million in June, France suffered a deficit of \$23 million in August. Its adverse balance of trade in the first half of the year totals 329 billion francs as against 155 billion over the same period of 1951. Despite a 6½ per cent increase in industrial output (as compared with the first half of 1951), France's dollar exports declined by 24 per cent from May to June, and because of the crippling effect of high prices its over-all exports declined a further 7 per cent in July. Owing to heavy imports of grain and metals France's balance of trade over the summer deteriorated even further.

The downward trend of prices which had lasted since February was reversed in the latter part of June. The retail price index now stands at 144.8. If it reaches 149, the sliding wage-scale law will make acutely inflationary developments nearly inevitable. This index figure, moreover, is not above suspicion as it fails to include the price for food and vegetables. The latter have skyrocketed: as compared with July, 1951, salads and peas are up by some 70 per cent and citrus fruit by 80 per cent. Meat and dairy products have shown a similar trend; the price of veal, for example, has risen by 25 per cent since June alone. The critical importance of these figures can be gauged from the fact that 60 per cent of the average consumer's bill is spent on foodstuffs.

Fears About the Franc

Despite M. Pinay's firm attitude and the 2 billion francs in "new money" raised by the gold-backed loan, the currency is by no means in a reassuring state. In early August, the fears created by drought, foot-and-mouth disease and the fact that off-shore procurements were less than had been hoped for, depressed the black market rate of the franc to 418 to the dollar. The large margin between this and the official rate cut sharply into the revenues expected from the tourist trade. Since April, 1950, moreover, bank credits have risen by 63 per cent and the inflation of the franc has not only been absolute but also relative when compared to the inflationary movements registered in other currencies. The tendency to invest (in metallurgical industries, for example) has led to activities which could be financed only by inflationary developments.

In his efforts to stem the rising tide, M. Pinay is backed by a rather disunited army. The federation of agricultural workers has declared that it would demand tax exemptions unless price reductions were obtained from industry before September 15th. In a very significant speech in Poitiers on September 3rd, M. Blondell, president of the national federation of agricultural workers, described agriculture as engaged in an open war against industry. He claimed that no more than 7½ per cent of aggregate capital investment was devoted to aiding the farmers and urged his listeners to fight the industrial interests with every means at their command. The CGT on the other hand, demanded an immediate 15 per cent wage increase in order to meet the ever-rising cost of food for which it blamed the farmers and agricultural distributors. Though Communist-inspired, this agitation for higher wages is gradually spreading among all unions. Industrialists are arguing, with a great deal of justice, that the peasants are hoarding gold, and the peasants are countering by pointing to the high margin of industrial profits. The price reductions which M. Pinay has obtained from industry, simply are not reaching the consumers.

What is M. Pinay proposing to do before Parliament reconvenes on October 7th? He appears to be concentrating on price monopolies, cartel agreements and trade associations with the help of decrees conceived under the Vichy regime. In France there is one small retail business for every 32 inhabitants (as compared with a 1:80 ratio in the United States). Since the war 200,000 new retail stores dealing in

consumer goods have been set up. These are frequently run by inexperienced owners who operate at great cost and without a rational price policy. The margin of profit above gross cost often reaches 30 per cent and drives prices well above the demand and supply level. There is, moreover, little doubt that there are speculative interests active in the meat market. But such measures as pilot-shops, a double-price tag (indicating the margin between wholesale and retail) and the breaking up of certain monopolies do not come to grips with the central problems.

M. Pinay would have to move boldly against the excessive profits being registered in the armament and automotive industries, and against inflationary premiums, such as those in the nationalised accident insurance policies. He would have to be prepared to liberalise the formidable import restrictions, but his balance of payments problem stands in the way. Above all, M. Pinay would have to impose credit restrictions all along the line. But these measures, as well as the various plans concerned with the elimination of small retail businesses which cannot survive economically, raise profound political and social problems. M. Pinay's coalition in Parliament still depends on traders, middlemen, the "small bourgeois" and the farmers. These groups want hoarded gold, high prices and protected markets. Their shortness of vision is the main obstacle in the path of a sane economic policy. Unless it can be surmounted, the old adage that both cabinets and leaves tend to fall in autumn may come true.

Britain Puzzles Canada

[FROM OUR OTTAWA CORRESPONDENT]

EVERY time Canada approaches talks about the sterling balance of payments, as it is now doing in preparation for the forthcoming Commonwealth conference in London, there comes to the surface here an uncomfortable mixture of irritation and anxiety. Both are intensified by the very deep-seated Canadian instinct to preserve the link with Britain and the link with the United States in the closest possible balance. Canada never wants to be forced to choose between the two links. It instinctively dreads and tries to avert the collapse of either; and at the present time the only serious danger is the collapse of the sterling counter-balance to the United States.

But the Canadian approach to Britain can never be understood without an appreciation of the irritation which unhappily accompanies the anxiety and desire to help. The root cause of the irritation is the contrast between British statements about the link with Canada and British performance. Two examples from different fields illustrate the sort of thing which lends such an air of futility to British professions about Canada. There was a flurry here last month about Canadian defence purchases in the United Kingdom. An unfortunate press story indicated that Mr Howe, the Minister of Defence Production, was claiming to be helping Britain by buying British arms. Actually no one here would claim that any defence purchases have been made in Britain for the sake of helping Britain; a substantial number of orders are being placed because Britain is the best source of supply, which means that it has either the best available types or the most favourable prices or the best delivery dates.

British officials have, nevertheless, indicated here that they hope Canada will increase these orders as much as possible. "We hope you'll give us all the help you can," they say. Yet the fact is that not a single representative of the British Government has ever visited the Department of Defence production here to try to sell British defence goods. The Canadian office of the Federation of British Industries, so far as senior officials know, has been just as inactive. Such orders as have been placed in Britain—for example, a large one for Rolls-Royce "Nene" engines, and one of about

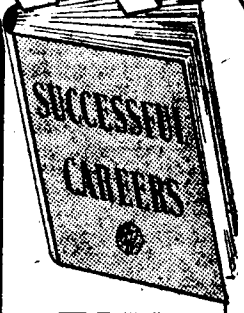
£1 million for "flight-simulators"—have been obtained by individual firms sending out aggressive and well-informed representatives who made sure that the appropriate officials in the Canadian Government knew exactly what they had to offer. The relatively few cases of business-like initiative have paid off, but there has been nothing in the way of a concerted effort by the British Government or British business to promote the sale of British defence equipment. Instead, the Department of Defence Production has received lengthy circulars sent out to all the possible purchasing governments asking for an immediate statement of their purchases for the year and warning them that additional orders should be kept to a minimum. It is very hard for Canadians to reconcile such an approach with the repeated statements of Britain's urgent desire to get dollar orders.

Nor can Canadians help noting the contrast between British passivity in this whole field and the problem Canada itself had to tackle with the United States. When the rearmament drive started after Korea, Canada was placing large orders in the United States and getting practically no American orders. At a time when the balance of payments was very much less satisfactory than it is now, this unfavourable exchange was a cause for concern. But a formidable array of obstacles headed by the Buy American Act stood in the way of American purchases in Canada. All the pressures of American business and the prejudice of the armed forces in favour of keeping defence purchases at home were fortified by a definite legislative enactment. Canada faced obstacles which had no remote counterpart in Canadian attitudes to Britain.

Yet American purchases in Canada are now running far ahead of Canadian purchases in the United States. Ways have been found to make the Buy American Act very much less of an obstacle, and all the American services are now, in varying degrees, favourably impressed with the possibilities of Canadian production. Part of this was achieved, of

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course, by high level policy decisions, and part by the near-saturation of American capacity which has reduced the opposition to purchases outside the United States. But it is still perfectly certain that the result would not have been achieved if Canada had not sent its ablest official salesmen to Washington, paid them at rates which are high for government posts, and established close personal ties with procurement officers all over the United States. The Canadian representatives are now on such terms with all the services that they can ensure that Canadian firms get a look in whenever a new procurement problem arises. If British spokesmen mean what they say about wanting Canadian orders, it appears incomprehensible that Britain has not made a comparable effort to get them.

Vain Appeals to the BBC

The other example comes from a very different field. The Canadian Broadcasting Corporation has just opened a television service in the two biggest centres of population, Montreal and Toronto. Private interests wanting to establish a commercial television service have, for the present, been refused licences. The Government's policy is at least to get the national service firmly established before allowing rival commercial programmes. Behind this decision, clearly enough, lies the determination to make something distinctively Canadian out of Canadian television and not to allow it to be a mere overflow from the American networks.

It is a courageous decision but a very costly one. No one yet knows how the television service is to be financed. There are no concentrations of population comparable with London out of which large sums can be collected in licence fees. The capital costs have all been borne out of government advances. Maintenance costs may have to be met in the same way; but it is difficult to tax the whole of Canada for a service which is available only to people in Montreal and Toronto. These two considerations combine to establish an urgent demand for television programmes from Britain. Canada wants to vary the available American programmes with more material than it can afford to produce itself. In the early stages of the service, until a chain of relay stations is established between Montreal, Toronto and Buffalo, a large part of the service must take the form of "kinescope" recordings. Even the programmes produced in Montreal will have to be recorded to be shown in Toronto. Canada had hoped for a substantial flow of such recordings from the BBC. Yet it can get little except a few newsreel programmes. Canadians inevitably ask what value they can attach to all the British professions about desiring to improve Britain's intellectual contacts with Canada. Nothing is more familiar than the British people who loudly deplore the increasing influence of American publications, radio and books in Canada. Yet in television Canada not only presents an opportunity, it forcefully requests British programmes.

The BBC is getting an appropriation of £250,000 to make half a dozen elaborate films for television. It hopes to sell them in the United States, and they will be available to Canada. But Canada does not want half a dozen expensive special productions. It wants a regular flow week by week of recordings of some of the best of Britain's domestic service, a regular flow which would give British material a day-by-day acceptance that occasional special presentations can never achieve. The fact that they have to be recordings is merely the accident of geography. There is no television relay beam across the Atlantic: recording is a substitute for it.

According to the traditional pattern which has been established in sound radio, any material that is recorded immediately requires a fee of two or three times the original performance. This is the stand the artists' unions have always taken; and if the recording is to be available for use in perpetuity it is an understandable position. But nothing of this kind is involved in Canada's request. It wants the use

of a recording on one occasion only as an alternative to direct retransmission. Again it is difficult to conceive that Britain is in earnest about maintaining its influence in Canada if the broadcasting authorities and the artists' unions cannot arrange reasonable terms to meet the Canadian need.

In face of British performances such as these in the different fields of information and defence procurement, it is not surprising that Canadians get irritated at the high-sounding British professions about maintaining Anglo-Canadian relations, and the repeated requests that Canada should do something to help. Performance and profession are too far apart.

The Fifth Soviet Five Year Plan—III

High Hopes of the Farmers

THE ambitious projects of the Soviet light and food industries are largely dependent on the fulfilment of the very stiff targets set for agriculture. Planning finds less scope in the countryside than in the towns and in the Soviet Union its task has been rendered even more arduous by both man-made and natural calamities. Hence, agricultural production has hitherto been the relatively unsuccessful partner in Soviet economic development and has failed to keep pace with the rapidly growing heavy industry. While after the war the latter advanced with great strides and soon left the 1940 level far behind, agriculture was scheduled to exceed the prewar level only slightly by 1950, and even so, with the exception of cotton, failed to reach its modest objectives. In spite of this, the targets assigned to agriculture have been comparable in their magnitude to those usually set for basic industry. The Soviet planners must consider that obstacles to agricultural progress were incidental or that they can now be overcome, and that they will finally be able to impose their will in the countryside.

SOVIET AGRICULTURAL PRODUCTION
(million tons)

	1940	1950	1955 target	% increase 1955 over 1950
Grain	119.0	124.5	174.5-186.5	40-50
Cotton	2.7	3.75	5.8-6.2	55-65
Sugar-beet	21.0	23.5	38.8-40.0	65-70

There were many causes contributing to the lag in Soviet agricultural development. Scarcely had the countryside recovered from the wounds of war and civil war, than it was mutilated by forcible collectivisation. Then as soon as it again got into its stride in the late thirties, it was ravaged by German invasion. Grain output picked up progressively after the war and roughly recovered in 1948. But since 1949 no progress has been made. Bad weather conditions, in fact, brought grain output down by some 3.5 million tons in 1951. Another possible drawback was the lack of co-operation by the farmers because of the suspicions aroused by the amalgamation of collective farms into larger units. The planners must hope that the bad effects of this supplementary collectivisation have now been spent; its benefits in higher productivity should be reaped in the near future.

They probably expect that their other investment in the countryside should also mature by now. The tractor park has been more than restored to its prewar level, since during the last six years over 670,000 tractors, in units of 15 horse power, and 147,000 combines have been supplied to rural areas. Expert guidance is now also more readily available as there are about 50,000 qualified agronomists in the 8,000 or so tractor stations and out of the 120,000 amalgamated farms about 90,000 are headed by men with special agricultural education. Progress has also been made with the

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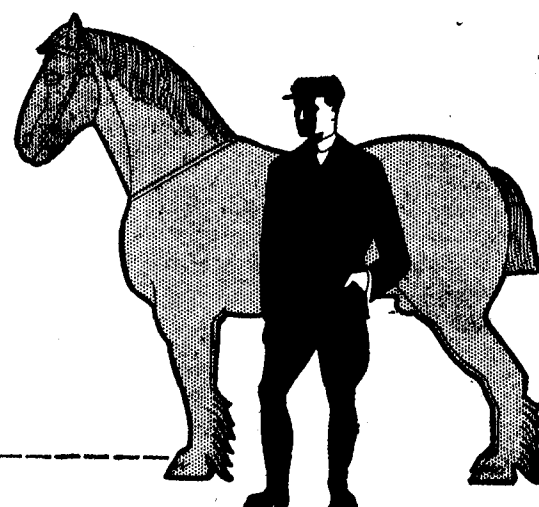
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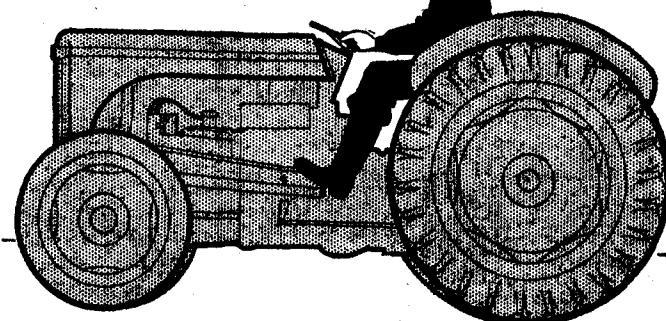
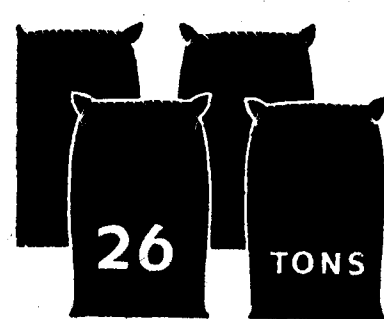
In 1913, basic crop production in Britain was 7 tons per man per year. By 1950, with increased mechanisation this output had risen to 26 tons—in spite of shorter working hours. Milk production had doubled—due in no small way to the replacement of 1,000,000 horses by tractors, allowing 2,000,000 cows to be added to our dairy herds.

Financially, the benefits of mechanisation are no less marked. An analysis of 300 farm accounts by Reading University showed that a machinery investment of £3.10.0. per acre produced an output of £13.11.0. per acre and an output per man-year of £555. With an investment in machinery of £6.10.0. per acre, outputs rose to £18.13.0. per acre and £743 per man-year. From the national point of view, the replacement of 70,000 horses by tractors between 1949 and 1950 alone produced an extra £4,200,000 worth of food a year.

Remarkable as this evidence is, more can still be done—and must be done, if we are to solve our national problems. Although most of the farms of this country are mechanised to a certain degree, too many are uneconomically equipped with heavy, costly machinery whose running costs eat away at any savings of time and labour. Horses still feed off too much land which could be turned over to dairy produce. And the small farms need profitable mechanisation urgently, for they cannot afford to lose acreage for the upkeep of horses or to pay out large sums in wages.

The land is there—millions of acres which can be brought into cultivation and millions more which can be more profitably farmed. Choice of the right machinery to do the job will help to produce from it the cheaper food which is the basis of a sound economy.

Harry Ferguson Ltd.



1950

GROW MORE FOOD IN BRITAIN

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electrification of the countryside. If before the war only 4 per cent of the collective farms were provided with electric power, now the proportion has risen to over 15 per cent. Actually, it is really even higher since the largest farms have usually been the ones to be electrified. A counter-offensive has also been launched against Nature and its periodical calamities by a special anti-drought campaign. A 15-year plan of afforestation was announced in 1948. In addition to protective forest belts it envisaged the mass building of snow reservoirs and ponds. The major part, however, in the reclamation and improvement of land should be played by the irrigation side of the so-called "Great Projects."

Increasing Yields

All these, and other, undertakings should be proceeded with and, in most cases, greatly speeded up in the new planning period. Progress in tractor production will probably be least marked since the supply in 1955 (216,000 in 15 hp units) should be only 20 per cent higher than in 1950. The increase in the supply of combines may be greater as 80 to 90 per cent of the grain is scheduled to be harvested mechanically at the end of the plan compared with just over one half at the beginning. Over 30,000 ponds are to be built and 2.5 million hectares of protective belts are to be laid during the five years, almost twice the area covered in the previous plan. Work on the "Great Projects" should proceed at full steam. Of the more ambitious ones only the Kuybyshev scheme—which is to irrigate an area of 1 million hectares—should be finished by 1955, most others being scheduled for completion one or two years later. Some may be finished ahead of time and in any case several irrigation systems may have already started work. Assuming that half of the work will then be done—on the basis of official figures—about 14 million hectares will be irrigated. Water power provided by these stations is also to form the basis of further electrification in the countryside and the planners strongly recommend both the use of electrical appliances and a shift to electrically driven tractors, particularly in the neighbouring areas.

Yet, even if the projects are completed ahead of schedule, the new sown areas will raise output, particularly of grain, by only a fraction of the vast planned increase. True, irrigation should also raise substantially the average yield and this increase of yield per hectare looks like the basic premiss of the agricultural plan. Some progress has already been made in this direction, though it has not yet been equal to the sacrifices and investment involved. The average yield of grain per hectare is estimated at 1.21 tons in 1950 compared with 1.07 tons in 1940. No country-wide figures are given in the present plan, but from the regional data available it appears that a much quicker development is expected. The yield of grain is probably scheduled to rise by at least one third to some 1.6 tons per hectare in 1955. This will still be much less than the level of the intensive agriculture in Western Europe, but it should exceed the average of Eastern Europe and Mediterranean countries. (All Soviet figures are based on the standing crop and are therefore inflated. This affects comparisons with other countries, but not comparisons within Russia since 1933). The yield of sugar-beet is probably also expected to increase by about one third, while that of cotton in Central Asia, where the bulk is grown, is scheduled to reach about 2.6 tons per hectare compared with about 2 tons now.

Livestock Lag Behind

If they succeed in raising substantially the average yield of grain the Russians should be able to reinforce two lines of their policy. They could further increase the share of industrial crops in the total sown area and carry on crop rotation on a larger scale. The latter is a most important part of the general campaign for more intensive cultivation and the plan foresees in fact at least the trebling of the output of root crops. Yet, it is in grain production that the greatest

doubts arise. Cotton, for example, has vast scope in Central Asia and should profit from the irrigation of the Turkmen Canal. Both for cotton and sugar beet the target does not seem divorced from recent progress. But grain output is now probably less than 130 million tons and would require annual increases of not less than 15 million tons to reach its objective.

By contrast the plan for livestock is rather cautious. All the calamities mentioned earlier hit livestock harder than the other branches of agriculture. By 1950 it had only just recovered the prewar level and fell far short of its targets. In fact with the exception of sheep and goats the new objectives are not much higher than was planned for 1950 and substantially lower than was planned for 1942. The relatively modest increase in cattle numbers casts some shadow on the prospects for greatly increasing the supply of foodstuffs. Since, however, numbers in collective farms are to be raised more than total stock, the authorities will find it easier to obtain a large share for the towns.

LIVESTOCK NUMBERS
(Million head)

	1940	1950	1955 target	% Inc. 1955 over 1950	
				Total	Collectives
Cattle	54.5	57.2	67.2-68.6	18-20	36-38
Pigs	27.5	24.1	34.9-36.2	45-50	85-90
Sheep & goats	91.6	99.0	158.4-160.4	60-62	75-80
Horses	20.5	13.7	18.1-15.3	10-12	14-16

Generally, for agriculture as well as for industry, the success of the plan will depend on how much previous policies have really prepared the ground for rapid rises in productivity. In agriculture Soviet planners are particularly justified in trying to get higher yields, since the whole collectivisation programme really had the twofold aim of obtaining a much greater output with a reduced labour force. It has succeeded in freeing manpower for industry; it has failed hitherto to increase output substantially. Now, the planners have decided that output, too, should forge ahead. They seem to have drawn their targets in a rather optimistic mood. After years of relative stagnation Soviet agriculture is to accomplish very much in very little time.

(Concluded)

Norway in Nato—I.

The Scale of Rearmament

[FROM OUR SCANDINAVIAN CORRESPONDENT]

NORWAY'S staunch allegiance to Nato and its almost automatic assumption of the resultant burdens (the use of bases by allied forces in peacetime excepted) tend to obscure both the scale and the peculiar difficulties of Norwegian rearmament. There are no strikes of conscripts or sensational but unrealistic calculations of future American aid to make news. But since the war, and, more particularly, since joining Nato, Norway has embarked on a rearmament programme which compares well with those of its allies and which, having regard to the special conditions in postwar Norway, is a remarkable effort. The war cost Norway about seven years' national income at the 1939 level. It also left it with quite large armed forces, which, however, were too mixed in experience and equipment to have anything like the efficiency their size suggested. But two other legacies of the war more than compensated for such difficulties: first, the knowledge that

Norway was now irretrievably implicated in world events and must rebuild its national defence accordingly and, secondly, the fact that this knowledge was shared by all major political parties. It is the large measure of national unity resulting from these factors that has enabled Norway to go so far and so steadily forward with its defence plans.

In 1946 a three year defence plan was put into operation as an interim measure. Its chief aim was to lay a sound foundation for rebuilding the country's defences on whatever lines were suggested by the report of the Defence Commission established at the same time. The report of this Commission was published in December, 1949.* It proposed a thorough reorganisation of the armed services during the six years, 1950 to 1955. And it is this report, modified particularly by the Harriman Committee and the Lisbon meeting of Nato, which forms the basis of present plans.

Enthusiastic Home Guard

The position now is that Norway aims to have by July, 1954, a somewhat smaller Army than envisaged in the Commission's report (11 "combined regiments" or brigades instead of 12). These forces, however, will be better trained. The period of conscription will be 18 instead of 12 months and there will be more frequent exercises at brigade strength, or over. The Army will also contain more regulars—about 8,000 compared with about 4,500 as at present. Early in 1953 the Norwegian Brigade will return home from Germany and add its quota of trained men. The Navy will concentrate on small units—MTBs, minesweepers and escort destroyers—and forgo the new submarines it originally expected. Its period of conscripted service has already been increased from 15 to 18 months: and it may be reckoned that about 75 per cent of its ships are now manned with reasonably efficient crews. The Air Force is to have more airfields than proposed by the Commission. Most of these will be in the North, and their construction is proceeding swiftly. By mid-1954 each important region of Norway should have one or more fields equipped to handle modern fighters. The first operational jet squadron, of US Thunderjets, has just been formed, and by mid-1954 all fighter squadrons will be equipped with jet aircraft. For practical purposes the Air Force is already up to establishment.

These changes will involve a certain reorganisation in Command areas; and it is probable that the various military districts of Norway, at present controlled by inter-service

*It was discussed in *The Economist* of January 21, 1950, page 144.

Price Indices of Capital Equipment

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committees will eventually each have a local Commander-in-Chief on the pattern now prevailing in North Norway. There is also much work being done on building communications and accommodation of all sorts and on the training of "nucleus" formations. Nor is Civil Defence neglected; under a four-year plan, started in August, 1949, 60,000 air raid wardens and 40,000 industrial defence wardens are being trained. Deep shelters have been blasted into rock at many places and plans prepared to evacuate the larger towns.

The strength of the Home Guard in Norway illustrates how widespread and deep is the Norwegians' determination to defend themselves. They are a pacific people and stoutly (sometimes exasperatingly) impervious to official exhortation or to anything smacking of propaganda. Over 165,000 of them, out of a total population of only 3,240,000 and excluding men subject to military training, are volunteer members of the Home Guard. They must pay all their own expenses, including travel to courses and exercises. The minimum obligatory training period is 50 hours a year. Last year the average attendance was nearly 360 hours and this year it will probably be over 400. The cost of the Home Guard in the 1951-52 financial year was 25 million kroner, as against a total military expenditure of Kr. 868 million.

The cost of all this defence effort has been heavy and is increasing. So, happily, is the national income, although export difficulties are likely to keep it below present estimates this year.

NORWEGIAN NATIONAL INCOME AND DEFENCE EXPENDITURE (Million Kroner)						
	1938	1949	1950	1951	1952*	1952†
National income...	5,828	14,862	16,606	20,150	20,750	22,180
Defence expenditure	57	362	353	644	970	1,000
Defence as % of G.N.P.	1.0	2.4	2.1	3.2	4.7	4.5

* At 1951 average prices. † At end-1951 prices.

Source: Norwegian National Budget, 1952. Annexe I. Table 1.1.

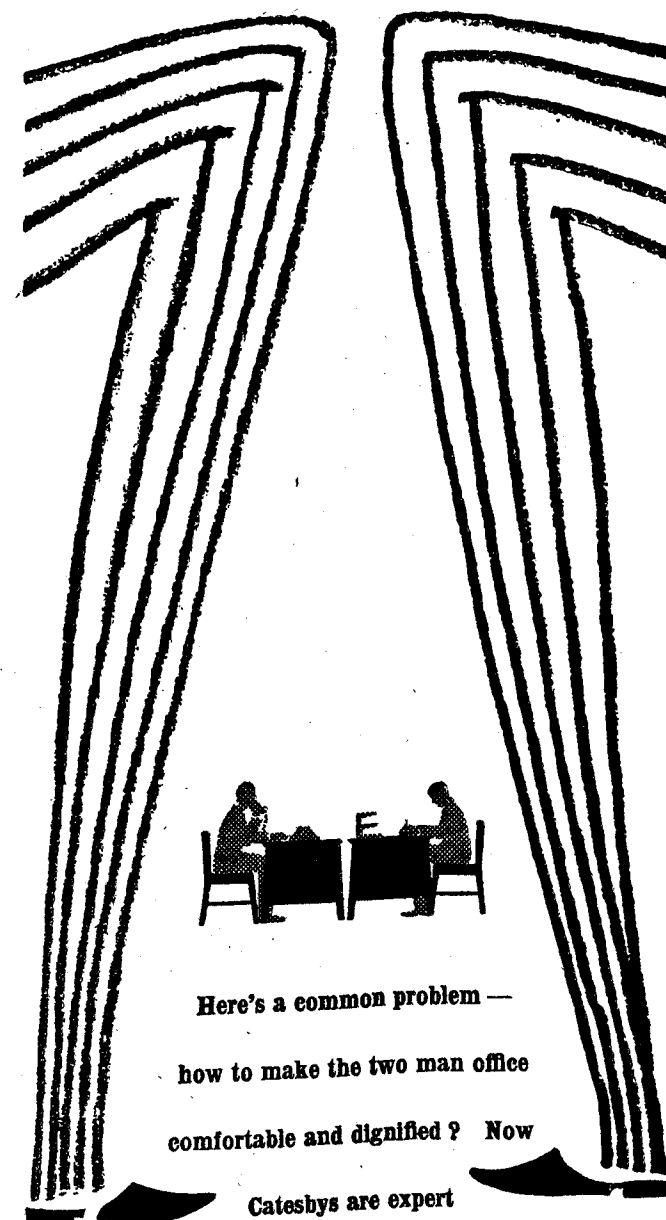
With the aim of achieving the agreed programme by July 1, 1954, the Storting has approved an expenditure of Kr. 3,400 million, of which Kr. 2,750 million will be met by Norway, Kr. 300 million by counterpart funds and Kr. 350 million by allied contributions to Nato's "infrastructure" programme. On the basis of the relevant financial years this will be divided as follows (in million kroner):—

	1951-52	1952-53	1953-54
Total	980	1,290	1,130
Norwegian contribution ..	868	972	910

Based on: Norwegian Official Paper: *Statsproposisjon nr. 111* (1952) p. 43.

On present form, Norway is unlikely to scale down its defence contribution for three reasons. First, it represents, statistically speaking, a smaller part of the national income than, for example, in Britain; but in Norwegian conditions, this statistical yardstick underrates the country's contribution in terms of national effort. Second, the major part of Norway's contribution deals with human and material resources already to hand and is not affected by engineering bottlenecks and time-lags in tooling up. It has quite a different emphasis and thus brings different problems from the British plans. Third, there is no doubt that the presence in Oslo of the North European Regional Command of Nato, under Admiral Brind, has a most important psychological effect. The wisdom of the local commander's advice and the high regard, one might almost say affection, in which he is held by leading Norwegians, undoubtedly consolidate their resolve to do their utmost to make their full contribution to the common cause. In doing so, of course, they are well aware that they have economic and political difficulties to contend with, as well as military. These will be discussed in a concluding article.

(To be concluded)



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THE BUSINESS WORLD

The Anatomy of Crisis

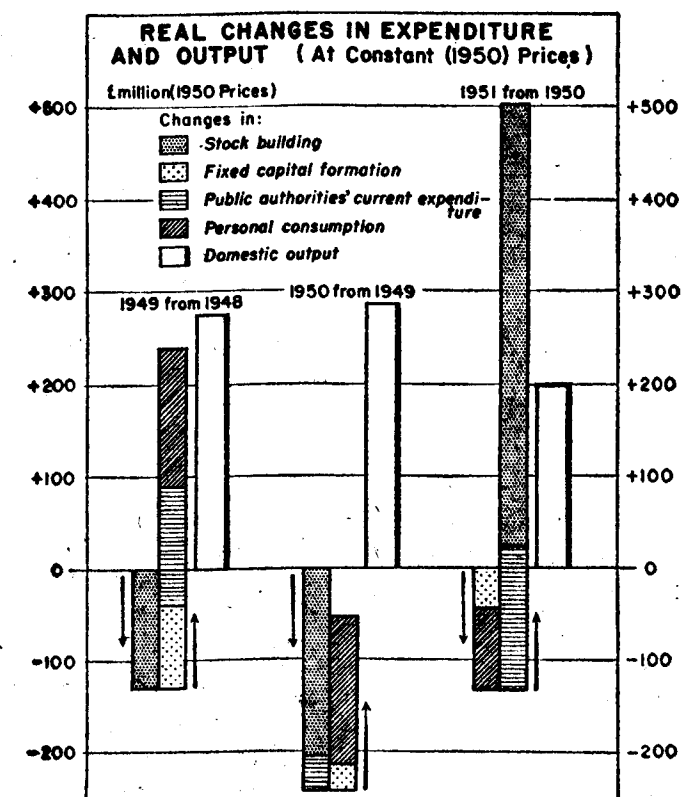
THE British public has been presented this week with the clearest statistical analysis yet of its economic behaviour since the war. The revised estimates of national income and expenditure in 1951, published as a blue book by the Stationery Office*, do much more than bring up to date the preliminary estimates that appeared in Cmd. 8486 last March. There are, as usual, amendments in profusion to the previous calculations—for example, the estimate of gross national product in 1951 is now reduced by £160 million to £12,254 million and that for 1950 by £460 million to £11,447 million. But these amendments—and the obvious implication that even the new figures must be subject to a wide margin of error—should not obscure the fact that the new blue book is a very valuable document. It contains much more detailed information than any previous paper in the series, and, in particular, three very enterprising innovations. The first of these innovations is a tentative official estimate of how far recent changes in income and outlay have been due to changes in the real volume of production, as distinct from changes in prices; the second is an analysis of the sources of funds from which gross capital formation and stock appreciation have been financed since 1948, divided according to the sector (governmental, corporate or personal) undertaking the capital expenditure; and the third is a summary of the transactions between the several industrial groups, showing from which sources each industry secured its raw materials and to whom it sold its final product in 1948. With these three new tools—imprecise and inaccurate though they necessarily are—it is possible to trace more closely than before the estimated movement of funds and real resources within and between different sectors of the national economy. Here, in short, is the best official guess at the anatomy of Britain's economic experience in the past four years—which means, unfortunately, that here is the anatomy of crisis.

The immediate reasons for last year's crisis emerge simply—perhaps too simply—from Chart I and Table I, which are culled from the blue book's estimate of real income. In terms of constant (1950) prices, gross domestic production rose by £203 million last year, or by about £80 million less than in each of the two previous years. But out of this £203 million Britain had to try to find £480 million for increased stock-building and £152 million for increased spending by public authorities (at least four-fifths of it for defence). In consequence, although real personal consumption declined for the first time since the war, and although fixed capital formation also fell, the gap between domestic demands on resources and gross domestic product rose by nearly £300 million, to £445 million. Table I shows the relationship between this inflationary gap of £445 million and last year's balance of payments deficit of £521 million; it is unfortunate that this gap should have widened at a time when

the terms of trade were deteriorating for the second successive year and when income from overseas property was declining from its 1950 peak—but then bad luck often does follow upon bad judgment.

The first lesson that emerges from these new figures is, therefore, that the balance of payments crisis of 1951 was the inevitable consequence of the way in which stability had been attained on the balance of payments in 1949 and 1950. In 1949 stocks increased by less than was needed to support the concurrent increase in production, while in 1950 they actually fell (with the consequence, as is shown in Chart I, that gross domestic demands upon

CHART I



resources also fell in that year); by the end of 1950, therefore, stocks had to be increased again unless production was to be gravely impeded—but, even if the unfavourable swing in the terms of trade in 1951 had not taken place, Britain would have been in no position to finance such an increase. In these matters, history is apt to repeat itself. Today, in the second half of 1952, stocks are again running down and the external account is again being snatched back into balance; but, unless advantage is taken of the breathing spell to put British industry back into better shape to meet foreign competition, the way in which balance is being attained now must carry the seeds of a new crisis for 1953 or 1954.

How should the breathing space be used? The answer that emerges from the blue book seems as obvious as it

* "National Income and Expenditure 1946-51" (H.M.S.O. 91 pages. 6s.).

is likely to be neglected. It should be used for repairing the ravages to Britain's fixed capital. Between the end of 1948 and the end of 1951, £775 millions of new resources (in terms of constant 1950 prices) became available as a result of the increase in real production. Some £145 million of this had to be used for stock building, partly because Government policy allowed stocks to run

TABLE I—PRODUCT AND EXPENDITURE AT CONSTANT 1950 PRICES.
(£ million.)

	1948	1949	1950	1951
Personal consumption	7,465	7,615	7,772	7,688
Public authorities' expenditure	1,920	2,050	2,013	2,168
Fixed investment	1,505	1,595	1,624	1,580
Increase in stocks	170	40	-165	315
Domestic demands on resources	11,060	11,300	11,244	11,745
Gross domestic product	10,525	10,810	11,097	11,300
Shortfall of domestic product	-535	-490	-147	-445
Other overseas income (net)*	+244	+210	+391	+291
Terms of trade factor†	+265	+285	Nil	-367
Balance of payments	-26	+5	+244	-521

* Income from property, war disposals, emigrants remittances, etc.

† Burden (-) or benefit (+) resulting from difference in terms of trade compared with 1950.

down when prices were falling (and thus meant that new purchases of stocks had to be made at or near the top of the market). Of the remaining £630 million, £245 million was absorbed by an increase in expenditure by public authorities, £220 million went in additional domestic consumption, £90 million was devoted to improving the external balance and only £75 million to increasing the rate of fixed capital formation. Furthermore, over 10 per cent of the increase in fixed capital formation in this period took place in the relatively unproductive central government sector, over 15 per cent in the sector of the local authorities, and nearly 45 per cent in that of the nationalised industries. Private enterprise accounted for less than 30 per cent of the increase in fixed investment in these four years. It is true that in this period there was a substantial transfer of industries from the private to the nationalised sector; but some misdirection of Britain's investment effort is certainly suggested by the fact that fixed capital formation by the gas, electricity and water industries in 1951 was equivalent to over 82 per cent of their gross annual product, while that in manufacturing industry was only 11 per cent of its gross annual product. Except in such favoured fields as oil refining and other chemicals, it seems clear from these statistics that the fixed capital of British manufacturing industry is now wasting away more quickly than it is being replaced—and this on top of the very heavy disinvestment in this field during the war.

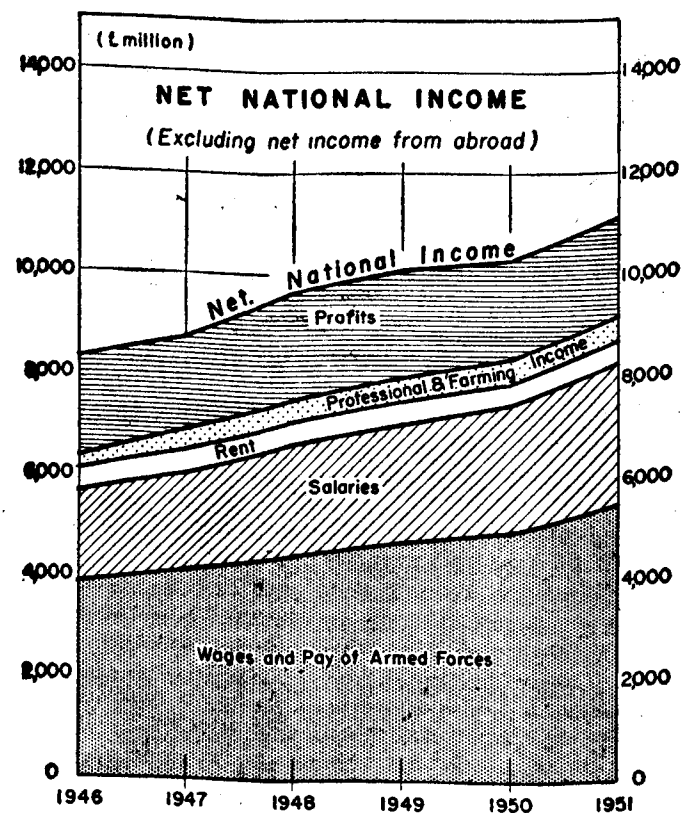
This policy of living first off stocks (until the next balance of payments crisis comes along) and then off fixed capital (thus ensuring that the vicious circle of recurrent crises is not broken by an increase in British competitive efficiency) has been the undeliberate but unsurprising result of the social pressures of the last seven years. Successive national income white papers have shown that each year wages and salaries have risen by far too much, and profits and other funds available for the finance of investment by far too little, for the good of the national economy. The new blue book reinforces this view for 1951, and makes some marginal amendments to previous estimates for other years. It is now estimated that 1951 was the second successive year in which wage and salary earners secured more than the whole of the year's increase in money incomes. While total national income

(excluding depreciation) rose by £709 million in 1951, wages and salaries rose by £742 million. Among the other recipients, whose income suffered consequentially, the biggest proportionate fall, by £135 million to £215 million, was shown in net investment income from abroad (this, incidentally, was largely responsible for the unexpected fall of £80 million in rent, dividends and interest received by persons); as Chart II shows, gross profits (including farming and professional earnings) rose by some £58 million—but this was much more than offset by an increase of £369 million in the tax provisions that had to be made out of corporate profits alone.

*

This pattern is depressingly familiar, even though politicians continue to choose to ignore it. But the national income blue book also contains some new and unfamiliar figures that show the effect that these pressures have wrought in the capital market. The evidence of these figures, summarised in Table II, is extraordinary. They confirm—and more than confirm—previous unofficial prognoses that the private individual is ceasing to be a source of net investible funds for the capital market. Indeed, if the figures in the blue book are even approximately right, this is a gross understatement. In the four years 1948-51 capital formation in the personal sector (including house purchases and capital formation in small businesses or partnerships) is estimated to have been some £804 million in excess of the growth of investible funds in that sector (including the growth of life assurance funds). Even allowing for the large element of guesswork that must be contained in

CHART II



Stock appreciation has been deducted from profits although a very small proportion should strictly be ascribed to professional and farming income.

these figures, there seems to be little doubt that the private individual must have been a heavy net seller of stock exchange securities since the war in order to raise funds on this scale. Other heavy borrowers on the capital market have been the nationalised industries (whose dis-

TABLE II—THE FINANCE OF INVESTMENT, 1948-51.
(£ million.)

	Persons*	Companies	Public Corporations	Central Government	Local Authorities
Savings and undistributed profits†	961	4,949	489	2,268	315
Capital transfers (net)	-467	+221	+39	+761	98
Funds available for investment	494	5,170	528	3,029	413
Increase in stocks‡	478	2,250	156	-50	Nil
Fixed capital formation	820	2,550	1,142	506	1,606
Total investment	1,298	4,800	1,298	456	1,606
Funds borrowed from (-) or lent to (+) other sectors§	-804	+370	-770	+2,573	-1,193

* Including unincorporated businesses and life insurance funds.

† Including depreciation allowances, additions to tax and dividend reserves and provision for stock appreciation.

‡ Including stock appreciation.

§ The net lending of £176 million emerging from the sum of the figures in this line is equal to net British investment abroad in these four years, after taking credit for ECA and other grants.

proportionate share of the fixed investment programme emerges from this table, too) and local authorities. Companies, including banks and the non-life funds of insurance offices, had £370 million net available for outside investment in these four years, although they relapsed into the role of net borrowers (by £33 million) in 1951 itself; since this net borrowing of £33 million took place after the assumed use in industry of £456 million that should have been required to provide for this year's increased tax liabilities, the real drain on industry's capital in 1951 was much bigger than these figures suggest. The sole source of net investible funds in 1951, and the sole major source in each of the past four years, was the central government—which in this context includes the national insurance authorities. These are figures of which the stock markets would do well to take note. But, much more important, they are also

Competition in Fuel

NO sector of the civil economy offers a more attractive *prima facie* case to the advocate of what is called "high-level planning" than the fuel and power industries. Some 96 per cent of the fuel consumed in this country comes from one source, coal. This reaches the consumer by way of three industrial monopolies, two of which make secondary fuels—electricity, coke and gas—from the coal produced by the other, and sell them in direct competition with that primary fuel. These three monopolies also compete for shares of the resources that the country is able to set aside for investment. In doing so, their ownership by the state gives them certain advantages. Both the obligation to balance revenue with outgoings only "taking one year with the other," and the ability to raise new capital at gilt-edged rates either from public funds or with Treasury backing, tend to free their bids for scarce investment resources from the discipline of ordinary capital market forces. Add to these complexities of structure the present urgencies: today not enough of the primary fuel is produced to meet

figures that the country as a whole can ignore only at its peril.

The new style national income statistics contain at least one other enterprising innovation, in addition to the estimates of real product and of the sources of investible funds. This is the table of inter-industry transactions in 1948, which shows whence each main industrial group bought its raw materials (from other domestic industries or abroad) and whither it sold its final product. These estimates (which are reproduced, together with other tables from the blue book, in this week's *Records and Statistics* supplement) provide useful material for those engaged in industrial analysis and market research; they may also, if misused, offer some new temptations to those who believe that the British economy can be poked into shape by a few more import cuts here and a little more raw material allocation there, with each control discriminatorily tightened for those industries that the blue book's figures suggest to be "less essential."

It would be a grave misfortune if preoccupation with this new and interesting—but dangerous—tool were to divert attention from the two main lessons of the national income statistics. Those two main lessons are quite clear. The first is that Britain has never really recovered since the war; it has merely oscillated between periods when it was running down (or adding insufficiently to) its stocks of raw materials, and periods when it was incurring a heavy deficit on its balance of payments. The second lesson is that the country must be in grave danger of slipping back further, as a result of the stunting and misdirection of its fixed investment programme. That stunting and misdirection is the inevitable consequence of the policy of eating into industrial profits and, in particular, of the fact that stock appreciation (£1,100 million of it in 1951) is grouped with genuine trading profits as taxable income. There is no sign that the Conservative Government, any more than its Labour predecessor, is willing to take this lesson to heart. The country must, therefore, derive what satisfaction it can from the knowledge that, thanks to the labours of the Central Statistical Office, it is now marching down a better-mapped and more clearly illuminated road to ruin.

demand, raw coal is allocated or rationed while electricity and gas go free, and there are doubts whether fuel prices properly reflect costs.

It is not surprising, therefore, that the Trades Union Congress, one of the bodies on whose suggestion the Labour Government last year set up a committee on national fuel policy, should feel that a Fuel and Power Council is needed to help the Minister of Fuel and Power in supervising these industries. Nor, perhaps, that the succeeding Conservative Government should feel an overlord is needed with "the co-ordination of fuel and power" as one of his major responsibilities. What is rather surprising, but refreshing, is that the committee appointed last year, under the chairmanship of Viscount Ridley, should have decided that such extra co-ordination or supervision is not really necessary, and that competition in fuel—given certain measures to make it more genuinely effective—can be relied on to bring about the best pattern of use of Britain's fuel and power resources.

Logically, the Ridley Committee began by examining

the present and prospective demand for fuel. Today, that demand is artificially restrained. Coal for domestic consumers is rationed; industrial and commercial consumers probably get as much as they need, but not necessarily the grades they would prefer; and the National Coal Board is not exporting all that it could. The committee estimates, therefore, that at present, at ruling prices, British coal output is some 15-20 million tons below demand. At the same time, shortage of generating capacity necessitates electricity load-spreading and power cuts, and some gas undertakings are unable to supply industrial firms that want gas. The committee, though little better equipped than other forecasters to estimate the demand for coal in ten years' time, has had to do so—with more qualifications, and with a more modest answer, than most of the other volunteer prophets. It suggests very tentatively that in ten years' time the inland demand for coal might be some 230 million tons a year—but says quite candidly that this forecast might be 20 million tons too high or too low. Its estimates are shown in Table I. To this inland consumption it

TABLE I—POSSIBLE ANNUAL FUEL AND POWER CONSUMPTION IN THE UNITED KINGDOM IN THE PERIOD 1959-63
(Million tons of coal and coal equivalent)

Sector	Coal directly used	Coal etc.	Gas	Electricity	Total Coal	Oil Fuels (excl. road transport fuels)	Total fuel consumption
Domestic	34.6	7.4	11.4	12.9	66.3	1.1	67.4
Iron and steel	9.1	26.0	3.9	5.5	44.5	2.7	47.2
Other industry	38.0	6.8	4.0	20.1	69.8	7.1	76.9
Commercial	0.8	5.2	2.6	5.0	13.6	1.0	14.6
Public authorities	4.8	2.9	1.4	3.3	12.4	0.2	12.6
Railways	13.7	0.4	...	1.3	15.4	0.3	15.7
Collieries	7.5	...	0.1	1.8	9.1	...	9.1
Northern Ireland	3.1	...	...	...	3.1	...	3.1
Other	2.1	...	...	...	2.1	...	2.1
TOTAL	113.7	48.7	23.4	50.2	236.0*	12.4	248.4
Total 1951	117.9	34.6	18.4	36.5	207.4*	6.8	214.2

* Including 1.9 million tons of coal equivalent of hydro-electric power (1.1 million tons 1951) and 1.6 million tons of coal equivalent of oil (0.7 million tons 1951) used at gasworks.

adds the Coal Board's estimate that 25-35 million tons a year might be saleable overseas in the early sixties; which makes a total demand of 257-267 million tons of coal in 1959-63. Demand for fuel oil, excluding road transport fuels, it believes might nearly double in this period, reaching 9.3 million tons (the equivalent of 14 million tons of coal); while 3,500 million kilowatts of hydro-electricity (equal to nearly 2 million tons of coal) might be available and could certainly be used.

What are the prospects of supply? The committee has left questions of coal production outside its scope, but it remarks of the Coal Board's planned output of some 230-250 million tons a year by 1961-65, that

It may be desirable that the Board should plan for a greater reserve of mining capacity than might correspond to normal commercial practice, since a shortage of coal supplies at any time can easily mean very heavy losses to the country as a whole.

The Coal Board itself, in evidence, told the committee that its long-term production plans were based on estimates of demand, but remained flexible; in the long run coal output could be raised by delaying the closure of the least economic collieries and adding to capital investment—at correspondingly higher cost. The estimate of future fuel oil demand is based upon what the committee thinks should be available—though the price will depend upon the trends of demand for the other more profitable

petroleum products. The committee expects little—in the next ten years—from other sources of power such as peat, wind, the tides or atomic energy. In the long run it is therefore expecting a serious, though perhaps not unmanageable, gap between fuel supplies and demand. In any case, alterations in the Board's long-term plans could not contribute much coal in the next few years; in the meantime, therefore, the committee does not foresee "any prospect of meeting house coal and export demand in full in this period."

These seem sensible guesses. This year the shortage even of coal has abated, as consumption, after two years of steep increase, has actually fallen. But if production in general is to recover and begin to increase once more, the committee's conclusion looks reasonable:

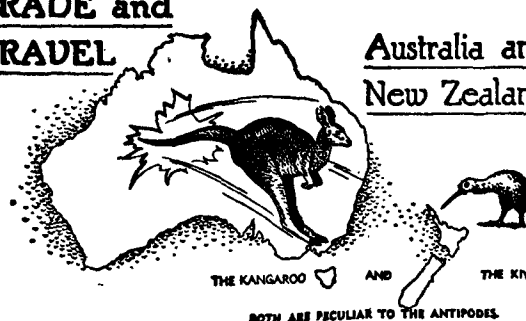
... measures to improve the efficiency of fuel use in the next few years are essential if the fuel needs of the country are to be satisfied, and in the longer run will always be important as a means to economise the country's resources.

In the most important field for economy, these measures are mainly uncontroversial. Industry consumes the equivalent of about 110 million tons of coal a year. In common with most other authorities, the committee feels that, given sufficient incentive, industry might improve its efficiency of consumption of solid fuels (49 million tons of coal and 27 million tons of coke in 1951) by some 15-20 per cent.

What incentives should be offered to industrialists? The present system of coal allocation, based largely upon "topping up" stocks, gives no advantage to the efficient user; Sir Claude Gibb believed, but failed to convince the other members of the committee, that a practical scheme based on fuel efficiency could be worked out. The committee's eventual conclusions are that industry should be offered much more information about fuel efficiency—partly, perhaps, by an independent, non-Governmental body financed by a levy on industrial coals; and that it should be offered a financial incentive—the existing Government loans for fuel-saving equipment, made more attractive by favourable rates of interest.

In considering the domestic uses of fuel, the committee had to enter a field obscured by controversy. Ever since it was set up, individual fuel experts have been attempting to outflank each other's favourite form of fuel with ever more intricate calculations of "thermal, room, and comfort efficiency" in heating. The voluminous appendix of evidence from the nationalised industries shows that their official views have been no less conflicting—and offer the student a rich example of the level of argument in which such bodies indulge. The committee was, perforce, obliged to do the sums over again for itself; it has produced certainly the most carefully-reasoned impartial calculations ever made on the subject. It finds that the advantages it can establish, and the margins of error they incorporate, would not justify the selection of any one fuel or any combination of fuels as the best for domestic use in all or even "normal" conditions. Its calculation of comparative heating efficiencies enables it to make certain tentative estimates of the real cost of different forms of space-heating, compared with the prices at which they are sold; these appear in Table II. In terms of coal consumed, it does not believe that the advantages that gas in most cases does possess over electricity are sufficient to justify any general policy of transferring demand. But it does conclude that the use of electricity for domestic services is expensive in capital

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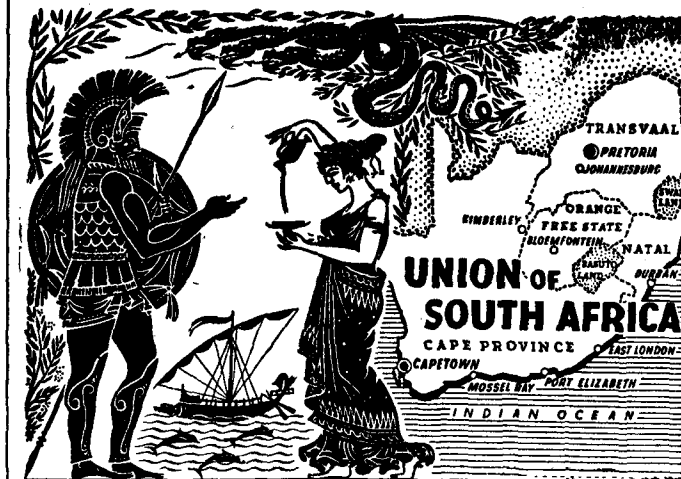
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resources at peak hours, while inexpensive off the peak; a distinction that does not apply to gas or solid fuel.

It does, moreover, agree with most experts that, for continuous room-heating, improved solid fuel appliances are so much more economical than gas or electricity as to deserve special encouragement. It recommends that credit restrictions should be eased to encourage hire purchase of these improved stoves and grates, and that tax and rent concessions should be made to owner-occupiers and landlords to enable them to instal them and to insulate houses better. Subsidies and licences for house-building, it thinks, should be granted only on condition that prescribed insulation and heating standards are met.

★

The Ridley report, in fact, cannot be said to lack specific recommendations; it has in all 40 to make, ranging as wide, for example, as support for the provision of better grades of petrol, and the abolition of purchase tax on fluorescent lighting. But it steadfastly declines to formulate a national fuel policy on the grandiose and arbitrary scale that some—including the National Coal Board—would suggest. It believes that the best pattern of fuel use

will be promoted not by the direct intervention of the Government, but by the exercise of the consumer's free choice of his fuel services—provided that competition between the fuel industries is based on prices, tariffs, and terms of supply which closely correspond to the relevant costs of supply, and that the consumer is enabled to make an informed choice.

But it does not rejoice in the illusion that those essential conditions of free competition exist at the moment.

One of the two central bodies that it believes should be set up to advise the Minister of Fuel and Power, indeed, is a small Tariffs Advisory Committee to keep the tariff policies of the nationalised fuel industries under constant scrutiny (the other is a joint committee of the nationalised fuel industries to study projects on which they may have to work together). Perhaps the most important, and controversial, of the recommendations that it considers particularly important concern electricity tariffs. It con-

cludes from a comparison of electricity prices and real costs (conducted with difficulty) that electricity tariffs should discriminate in charges between peak and off-peak hours; and that immediate steps should be taken to make extensive practical trials of the various methods of measuring or controlling the consumption of electricity at "system" peak hours. These decisive recommendations, from an impartial inquiry, are important and valuable; the British Electricity Authority, which may well count the committee's treatment of it in the matter of space-heating efficiency to have been rather merciful, has been unable to obscure this real issue of tariff policy. The committee examined but rejects "tariff-tilting," the increasing of "follow-on" rates for electricity in two-part or variable-block tariffs, though it suggests that the proposed tariff committee might investigate this. Such alterations are certainly not easy to justify on grounds of relation to real costs; they might serve some indirect purpose in restraining the peak demand of minor consumers for whom tariffs related to peak and off-peak hours are impracticable. But no case has been fully made out for the main argument put forward in advocating them; that electricity consumption in the home should be penalised at all times.

In preferring to use the price mechanism rather than physical controls on fuel consumption, the committee shows good sense. But it has not managed to be consistent. Its discussion of costs and prices for the different fuels is based, in the main, upon the marginal principle; its examination of electricity and gas prices, and indeed its criticism of electricity tariffs, derive from the comparison of price and marginal cost. But this principle has been too much for half of the committee—the chairman and the industrial members—to swallow when it is applied to coal. Professor W. Arthur Lewis and three other members of the committee would apply the marginal cost principle to the price of all fuel: a view that has often been put forward in these columns. Since some 7 million tons of coal today are produced at a loss of about 15s. a ton, and supply is insufficient to meet demand, they propose an increase in the price of coal by £1 a ton (to be levied, perhaps, as an Excise duty); this would add

TABLE II
ESTIMATED HOURLY REAL COSTS OF "CONTINUOUS" ROOM-HEATING IN A NEW HOUSE (a)
(Pence)

	Electricity		Gas		Coke		Coal			
	Peak (a)	Off-peak	Radiant fire	Convective radiant fire	Openable stove	Improved open fire	Openable stove	Improved open fire	Improved convective open fire with restricted throat	Stool-bottomed grate
1. Coal cost (wholesale).....	0.75	0.75	0.73	0.61	0.50	0.63	0.56	0.75	0.56	0.90
2. Capital cost	2.74	0.10	0.43	0.36	...	...	...	...	...	...
(i) Production	0.03	0.01	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01
(ii) Distribution	0.06	0.05	0.27	0.27	0.72	0.47	0.72	0.47	0.45	0.34
(iii) Household installation ..	...	...	...	...	...	...	...	...	...	...
3. Running cost	0.84	0.84	0.89	0.74	0.11	0.15	0.13	0.16	0.13	0.22
(i) Of supplying the fuel..	...	...	0.02	0.02	0.25	0.25	0.25	0.25	0.25	0.88
(ii) Of housework, etc.	...	...	...	...	...	...	...	...	...	...
TOTAL	4.41	1.75	2.36	2.02	1.59	1.51	1.67	1.64	1.40	2.35
4. Costs incurred by supplier (1+2(i)+2(ii)+3(i))	4.36	1.70	2.07	1.73	Not applicable. The costs of distribution and the running costs have been deducted from the retail price, so that there can be no distinction between price and the cost shown above.					
5. Price to consumer at 0.875d. a unit of electricity (b) and 15.5d. a therm of gas	1.75	1.75	2.10	1.75						

(a) Assuming that the service is required throughout system "planning peak" hours on winter working days. (b) It is assumed that for the electricity block tariff the initial high rate block has been exceeded by the consumption of electricity for lighting and minor appliances and that these uses bear the whole of the excess charge for the first block.

some £210 million to expenditure on coal. This would not cover short-run marginal cost, which they think might require an extra £3, but it would cover the gap that they expect to persist between average and marginal costs. Viscount Ridley and three other members of the Committee, however, hold staunchly to the belief that coal prices should be based on average cost; in their opinion coal is so important to the economy that it should be sold at the lowest price at which the Coal Board can cover its costs. Marginal pricing is not perhaps consistently used in industry; and there is one school of economists that might perhaps support Lord Ridley against Professor Lewis. Nevertheless, it is a pity, from the point of consistency, that the committee as a whole having brought itself to accept the marginal principle almost throughout the remainder of the report, was unable to do so on this major point. But its importance may be less in practice; even had this case been made acceptable to industrial experts, it might seem almost impossible to bring politicians who are confident of a fall in the cost of living to accept it.

The Ridley report, then, is a moderate and sensible document on a subject over which controversy has often displayed neither quality. Its rejection of the plea for additional co-ordination is certainly justified on practical

grounds. It is true that the corrective measures to restore competition cannot of themselves guarantee that the fuel industries will obtain the "right" share of investment resources, while these resources remain scarce and subject to allocation; and this point might have seemed more important to the committee had they concerned themselves with questions of coal production. But in practice some new co-ordinator or committee would not be an effective substitute for market discipline upon investment; his "co-ordination" would be reduced to the present attempts to lop off a little here and a little there, with the same jealous watch by each industry upon the projects that their competitors have been able to retain inviolate. Control of the investment policies of public organisations that are guaranteed a privileged position to raise money is a technique that has yet to be mastered by any government; but it is the technique, not the power, that is lacking. In a somewhat acid reference to this question of co-ordinating bodies, the committee says of the Ministry that appointed them

To the extent that co-ordination measures have to be imposed on the Boards, that, in our view, is a matter for the Minister. In fact we look upon this function of co-ordination and control of policy as the main reason for the existence of a Minister of Fuel and Power.

There is not much that needs to be added to that.

Business Notes

Fall in Exports

In August both exports and imports were some £27 million less than in July; since re-exports also fell, the adverse balance shown in the trade returns for the month rose by over £4 million to £73.7 million. These bare figures, however, are somewhat misleading, and for two reasons. In the first place, there were only 25 working days in August compared with 27 in July; this factor might account for as much as £15 million of the month's fall in exports and a substantial slice of the fall in imports. Secondly, about one-eighth of the value of imports recorded in the trade returns—and therefore of any monthly fall in it—is normally represented by freight and insurance payments, many of which are made by British importers to other residents of this country. If allowance is made for this factor, it seems likely that the true adverse balance of visible trade may have risen from somewhere between £30 and £35 million in July to rather over £40 million in August. It is unlikely that net invisible receipts can have been much—if at all—above £30 million in either month, so that last month's figures do seem to indicate some setback to Britain's previous progress towards balance.

It would, no doubt, be a mistake to draw any firm conclusions from a single month's experience, but the accompanying table shows up fairly clearly the trend of Britain's trade problem. Thanks to the brute force of Mr Butler's axe, imports have fallen according to schedule; the August total of £263.4 million was nearly 23 per cent below the monthly average in the second half of last year—and it was fairly well in line with the target that Mr Thorneycroft has set for the second half of this. Against this, however, the August total of exports was some 24 per cent below the monthly average just before the Australian and other import cuts last spring. Moreover, and this is perhaps the most disturbing feature of the latest figures, the fall in exports last month did not occur only in these restriction-ridden soft currency markets. Exports to the United States and Canada in August were only £21.5 million; this is rather above the fairly steady monthly average

between October of last year and June of this, but it is in disappointing contrast to the figure of £25.4 million achieved in July. Some part of this deterioration is accounted for by the lower number of working days, but it should be noted that the month's drop in the daily rate of exports to North

TREND OF BRITISH OVERSEAS TRADE (£ million—monthly averages or calendar months)				
	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Excess of imports over total exports
1951—				
1st half.....	309.4	206.7	10.6	92.0
2nd ".....	343.0	223.3	10.4	109.2
1952—				
1st quarter.....	328.1	239.5	18.3	70.4
2nd ".....	306.3	209.3	10.1	86.8
July.....	290.0	207.8	12.9	69.3
August.....	263.4	180.7	9.0	73.7

America (8 per cent) was rather greater than the drop in the daily rate of exports as a whole (6 per cent). There is an evident danger that the decline in British imports, unaccompanied by a decline in British money incomes, may encourage the diversion of British manufactures from the export drive to the hungry domestic market. This is a trend against which the Government must be even more persistently on its guard.

Sterling and Commodity Arbitrage

The Bank of England announced on Thursday that it does not propose to reopen the facilities for purchase of dollar commodities for re-export to EPU territory, since the applications approved during last month's brief spell of freedom

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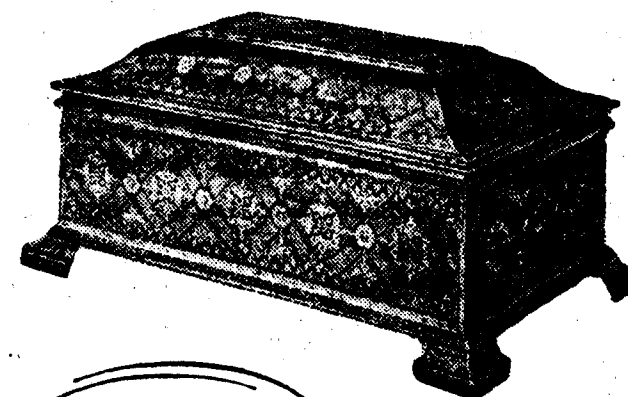
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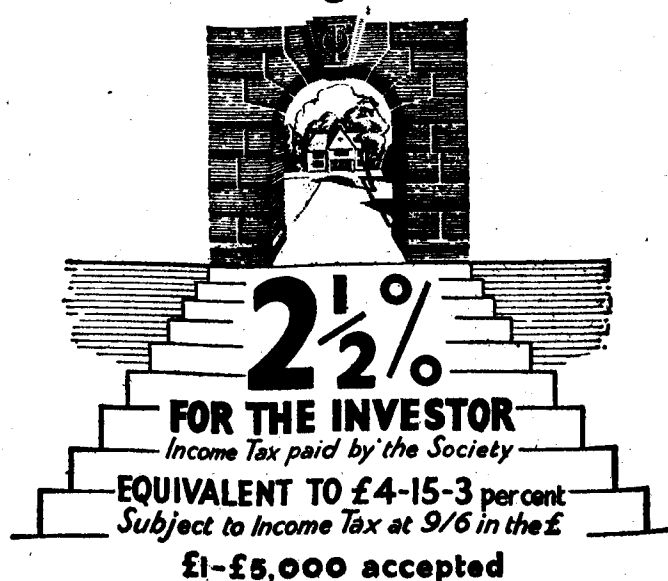
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for arbitrage had proved large enough to achieve the "limited objective." Most of these permits have now either lapsed or have been utilised, since they were valid only for one month. The evidence of the foreign exchange market and of the traders concerned suggests that a fairly large proportion of them have in fact been converted into firm business. The result has been a steady pressure on sterling in the exchange market during this period, to cover dollar commitments involved in the commodity deals placed before the licences lapsed. The sterling-dollar rate thus fell to a level barely above the lower "gold" point of \$2.78. It is generally believed that the authorities have had to intervene on a fair scale in order to prevent the rate from dipping to the figure at which the market would have bought its dollars direct from the Bank of England. The converse of this pressure on the dollar reserve should be a considerable alleviation of Britain's deficit with EPU—possibly even to the extent of converting the small August deficit into a surplus for September.

By the second half of last week it became known that a number of authorisations had lapsed without being used. The sterling rate on New York then recovered to around \$2.784—still within the danger area, but not so near the extreme margin of fluctuation as to require official support—but it has since shown signs of slipping back again. Now, perhaps, it may gain some stiffening from the knowledge that there will not be a renewed bout of strain from additional arbitrage transactions. But the Bank's decision has caused real disappointment among those traders whose previous applications were returned with the advice to re-apply.

Steel Output Grows

Since May this year steel output has been steadily higher than a year before, and in August it has finally made good the amount by which output in the first four months of 1952 was lower than in the same months of 1951. As a result, output in the year so far exceeds that in the first eight months of 1951; from now on any increases over 1951 output can be counted as a direct gain on that year's total. The industry is now fairly hopeful of exceeding the 16 million tons it has been aiming at; the earlier, more cautious estimate of 15½-15¾ million tons this year seems to have been abandoned.

Output in August amounted to a weekly average of 279,500 tons of steel, compared with 273,800 tons a week in July and 266,400 tons in August, 1951. Production of pig iron, however, reached 201,900 tons a week: comparable weekly figures are 201,600 tons in July and 180,900 tons in August, 1951. This extra iron output, from the new blast furnaces, has combined with that the industry has been bringing in, has combined with the lack of imported scrap to bring about a considerable shift in the basis of British steel production. The years of abundant scrap for steelmaking, 1949 and 1950, were years of steadily rising steel output; but based on a pattern of material supplies, that could not last. The shift towards steel made from pig iron has been substantial this year; in addition, much more of this pig has been made from home ores, though recently imports of the higher-grade imported ore have also increased. The whole development has caused some anxieties about the coke to smelt the additional ore; but at the moment lack of coke does not seem to be holding up iron production.

With the American steel and steel-making materials still arriving at an encouraging rate, the gap between steel supply and demand in Britain must already have narrowed considerably, though some industrial consumers are still complaining that it is seriously handicapping their production. It would be interesting to know whether consumers' stocks as a whole have greatly diminished this year; the method of steel allocation used by the Government is not likely to adjust supplies with regard to these stocks, and may even lead to further

accumulation. The real extent of steel shortage during the last twelve months will probably never be measured; some of the relevant figures will have been collected, on behalf of the Ministry of Supply, but since the re-imposition of steel allocation they are no longer being published.

Echoes from Mexico City

The meeting of Governors of the International Monetary Fund and the International Bank have run their expected unsensational course. Most of the work at these gatherings is done in closed sessions and it may therefore be unfair to judge the whole meeting by the material that has been allowed to see the light of day. The evidence of the published reports suggests that the meetings dealing with the affairs of the IMF provided the main issues of conflict and points of interest. The gold problem was raised by the South African representative, Mr Havenga, who based his case less on the supposed injustice done to gold producers by the twenty year stability of the dollar price for gold, than on the argument that an increase in the gold price would make it easier to achieve worldwide convertibility of currencies. Convertibility, he argued, would continue to elude the world as long as countries did not have the external discipline of a gold standard imposed on them, and there could be no question of a restoration of the gold standard without a more realistic price for gold than exists today. The current price, he said, not only makes the existing gold reserves too small to perform the work expected of them; it also diverts to private hoards gold that should be fortifying the monetary reserves and, in so far as it is bought by the United States, should be creating new dollars for a dollar-hungry world. The dialectic is improving and got wider support than has been given to the cause in previous years. But Mr John Snyder remains unconvinced.

Debate on the use of the IMF's resources no doubt played a considerable part in the proceedings, but it was held behind closed doors through which no audible echoes have so far penetrated. On the problem of exchange policy, however, there appears to have been a widespread attack against the policy of certain members to offer dollar export incentives, by allowing their exporters to dollar markets to retain a part of the proceeds of their sales. This practice has been spreading in Europe of late. It runs against the basic object of the IMF because markets have inevitably developed in the dollars created by these incentive schemes and, needless to say, the local currencies concerned have been quoted in these markets at substantial discounts under the official rates. One of the main perpetrators of this system is the Netherlands and one of the victims has been its neighbour, Belgium, which has been robbed of direct dollar exports because Dutch traders have been able to buy Belgium goods, re-export them to the United States and still make a profit by disposing of their dollar "bonus" at a substantial premium. The matter was raised at the IMF meeting by the Governor of the Belgian National Bank, and the board of governors has unanimously approved a resolution ordering the executive directors to make a special study of the system—the first step to taking the necessary action.

The British delegation at the meetings has again played its familiar but very necessary role of "Scrooge" urging the need for maximum economy in the expenditure of the Bank and Fund and suggesting their closer collaboration and the sharing of common services. This demand is not inappropriate in a year in which the IMF budget shows a deficit of \$1,400,000. The matter has been referred to a committee, which is not the best augury for those who hope that something may be done to hold in check the trend towards megalomania, of which the Bretton Woods twins have shown expensive evidence.

Is Coal Too Cheap?

Whether or not the Ridley Committee may feel an excise tax on coal is necessary to make consumers use it more economically, it looks as if the price will soon have to go up. Quite apart from the large wage claim that the National Coal Board has rejected once but will soon have to face again, the Board so far this year has been running into the red. Its second quarterly statement of coal costs and proceeds, published this week, shows that it sustained a deficit—after providing for its interest payments—of £727,000 compared with a surplus of £3,105,000 in the corresponding spring months of 1951. For the whole of the first half of 1952 it has been in deficit to the tune of nearly half a million pounds. The Board's costs during the second quarter of 1952 rose by 1s. 11d. a ton to 56s. 3d.; over the six months they have risen by 4s. 2d. a ton. Labour costs, which rose after last winter's wage increase by about 3s. 4d. a ton, increased by about 6d. a ton in the second quarter: this may reflect the recruiting of new miners, who have yet to make much effective contribution to coal-getting, but it is a disquieting increase that will require scrutiny in future. The major cost increase, however, came in purchases of roof supports, general stores and repairs, where rising prices were largely responsible for an increase of about a shilling a ton. At the same time the average price obtained by the Board for a ton of coal remained steady at about 57s. 6d.

The Board made a gross profit of just over £3 million on the coal, and about £800,000 on ancillary activities, but it had to provide £3.9 million for interest payable to the Ministry of Fuel and Power, and £700,000 for tax provision. This falls due despite the deficit; three-quarters of the coal stock upon which the NCB pays interest is treated as equity capital. The conditions under which these nationalised industries are engaged in paying fixed interest on capital that is taxed partly as an equity and paying that capital back (apart from ordinary provision for depreciation) are part of their facts of life and offer no room for complaint. There would seem no way of avoiding the conclusion, therefore, that coal is too cheap; since some premium is probably still being earned on the larger amounts being exported, the home consumer is probably getting it well below average cost, let alone the marginal cost that half the Ridley Committee have failed to persuade the other half should be covered in the price. With the miners' claim looming ahead—and little real prospect that coal can remain as abundant as it temporarily is now—some increase may be inevitable.

Textiles on the Mend

Now that there is no longer any doubt about the upward turn of textile sales, the principal point of interest lies in how far and how fast the improvement will carry the industry back towards the production level of 1951. In July, rayon yarn output began to rise again with the partial reopening of several of the plants that were closed in June. The improvement of 3.7 million pounds of yarn still left the month's output, at 15.4 million, at considerably less than half the level of which the industry is capable, but the rising trend is likely to have continued during August. More recently producers have begun to take back workers as a preliminary move towards bringing more plant into commission and spinners appear to have run down their stocks of rayon staple to the point at which they are obliged to re-order for immediate delivery; but there is no reason to suppose that the rayon industry will need to raise output to its capacity of 36 to 40 million pounds of yarn monthly in the immediate future.

In Lancashire, the newly-introduced two weeks' holiday has reduced production of cotton yarn and of cotton and rayon cloth even more drastically—but much less painfully—than the widespread short-time working to which the mills

resorted earlier in the year. The holiday season runs from Whitsun (this year early in June) until the end of August and cloth production in July was down to an average of 27 million yards a week, compared with 36 million in June, 42 million yards in May and 63 million last winter. If production proves to have continued at this low level throughout August, as seems probable, the mills' heavy stocks should be cleared by the time the new season starts in September.

Employment in the spinning mills began to rise slightly at the end of July for the first time this year even though, because of the holidays, yarn output is still falling. This trend has since received a check and the extent to which output will recover in the autumn may now depend not only on the combined level of home and export demand, but also on the willingness of workers to return to the mills. Rayon producers do not expect any difficulty here. The cotton industry, however, has experienced a decline in the number of workers on its books from 317,750 to 262,800 since last December. Many of these workers, especially the women workers, will no doubt return; but it may be found that there has been a permanent shift of individual key workers from the mills to the armament industries—or even to "safe" jobs on the railways. Plant will perform remain idle if these men do not come back. Some are certainly lost to the industry for good, and the question before cotton managements now is whether enough of them can be attracted back to meet the new level of demand. This, when it stabilises, is expected to do so about a level well below the 1951 peaks.

Buyers Return

The improvement in both home and export sales of textiles in July—a month in which they would normally have been expected to decline—is the most convincing indication yet of a genuine recovery in the textile markets. Export shipments of wool and cotton piece goods were only a little below the levels reached last July, but those of rayon piece goods, although higher than in June, were still some 30 per cent down on the year. Each industry has been exporting a significant proportion of its output since the war—in the rayon industry, about half the production of piece goods—so the current level of exports has an important bearing on future levels of activity.

It is not easy to relate the figures for wholesale and retail sales of textiles at home to production at the mills, since these figures are expressed only in values of sales; as prices have certainly fallen further in the past year than the value of total sales, the figures evidently conceal an appreciable expansion in physical turnover. During July, however, the wholesale trade in textiles was maintained in value, the index (1947=100) remaining at the June level of 83, compared with a drop of from 117 to 94 in the same month last year. Wholesale stocks continued to decline—from 174 to 162. This time last year their persistent rise was causing widespread disquiet. Between June and July, 1951, the index of stocks rose by 31 points, to 209, and it continued to rise until much later in the year. The trade, which takes a traditionally gloomy view of any drop in money turnover, however caused, now admits that "hope for revival." There is no doubt that the reduction in stocks, some of which were bought at peak prices, has not been made without sacrifice; and there are complaints that reductions in retail prices have not matched those in wholesale prices. To this many retailers can properly retort that falling turnover called for more substantial margins if over-heads were to be covered. The marked improvement in sales at the retail level suggests, however, that this argument may have lost its force. The retail sales index (adjusted to a new base, 1950=100) rose from 114 to 117 during July,

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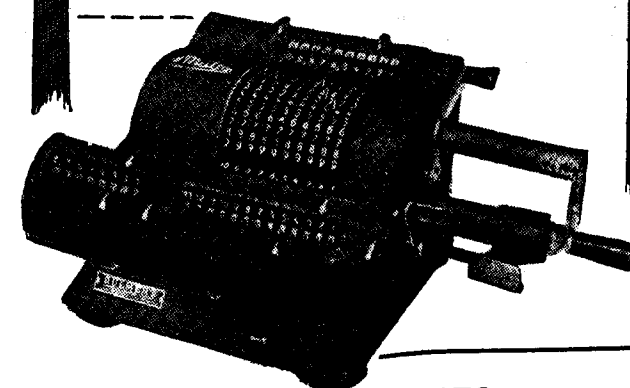


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compared with 106 last July, when the recession was getting under way. Moreover, the recovery was concentrated into the "non-food" category of merchandise. This section of the index rose from 104 to 110 between June and July and stands 8 points higher than it did a year ago. The improvement was apparent not only in sales of clothing and shoes, but in the durable household goods (such as furniture, household textiles and hardware) and the semi-luxuries (such as leather goods, radio and electrical equipment) that are the first to feel the effects of a buyers' strike and the last to share in recovery. Impervious to boom or slump, the trade in chemists' goods continues to expand—sales by large retailers were 7 per cent higher than in the similar month last year.

* * *

Where Manpower is Going

Since April, though hard-pressed industries such as aircraft have been able to obtain a steady trickle of workers, employment in the engineering industries as a whole has been falling; in July it went down by 15,000. The Treasury, in its latest industrial bulletin, is confident that manpower—and overtime—was still growing, at least up to June, in "the engineering industries which produce for a buoyant overseas market, manufacture armaments, and equip home industry." It is to be hoped that it is right, and that these vital industries are still increasing their labour force—though their extra effort will soon be curtailed if the engineering unions' restrictions on piecework and ban on overtime come into effect. Employment in civil work fell by 13,000 in July; and total unemployment rose again, by 10,100, reaching a total of 403,600 (77,700 of these being temporarily stopped). The number of textile workers registering as unemployed fell by 15,600; but employment in textiles also continued to fall, by 5,000 during the month.

The recovery in textile sales on the home market, therefore, had not made itself felt in the textile industries as a whole by July; and the fact that unemployment and employment in these industries was falling at the same time implies that a certain proportion of the dismissed workers are leaving the industry. At the moment, they do not seem to be adding appreciably to employment in any of the other manufacturing groups; it is in agriculture, distribution, professional and financial services, and mining that the latest Ministry of Labour figures show some increase. The Ministry has recently revised its statistics to get rid of a piece of double counting. Employers usually show their labour force as including workers temporarily stopped, which necessarily means that these figures do not accurately measure actual employment in different industries and services. This cannot conveniently be altered; but the Ministry has now begun to reduce the figure for the total working population, obtained from adding such estimates, by the number registered as temporarily stopped, so that this aggregate will mean more precisely what it says.

* * *

Japanese Debt Negotiations

The negotiations in New York for a settlement on the external debts of Japan prove to have duly followed the trail cut by the earlier German debt negotiations, and so have run headlong into the obstacle of exchange clauses. Difficulties between the American and the other groups of creditors have once again provided the main stumbling block. Two types of exchange clauses are involved. On the one hand, there are the fixed exchange clauses such as those embodied in the 5½ per cent 1930 Bonds and the Tokyo Electric 6 per cent Bonds; these clauses follow the normal pattern of post-1918 dollar clauses and were introduced to give a specific guarantee against the risk of depreciation of the currencies in which

the original issues were made. On the other hand, there are the "due-date" clauses, such as those of the 1907 issue, that merely grant an option to receive dollars, instead of the currency of issue, at the rate ruling when payment becomes due. These "due-date" clauses were incorporated in the bonds primarily as a convenience to the holders, and not with any original intention to provide a safeguard against the risk of serious depreciation of the currencies in which the bonds were issued. During the discussions in New York, the representatives of the American bondholders have shown some readiness to recognise the fixed exchange clauses, just as they did, after first putting up a considerable resistance, in the German debt negotiations; but they have so far been unwilling to concede the same validity to the "due-date" clauses.

The dollar clauses have also led to difficulties because of the standpoint naturally adopted by the British Treasury; the British representatives, acting under instructions from the Treasury, have demanded not merely that payments on their bonds should be adjusted to allow for the depreciation of sterling in terms of dollars, but that the payment shall be made in dollars. The British Exchange Control is, needless to say, intent upon purchasing from the bondholders the maximum amount of dollars that can be squeezed out of the debtors. It can exert pressure on the bondholders because, under exchange control regulations, they have no right to waive any of their rights to receive foreign exchange unless the Control authorises them to do so. This is therefore a matter in which the interests of the bondholders clash with those of the Control. If payment has to be made in dollars, the Japanese Government may be unable to accept as generous a settlement as that which would be possible if payment on each bond could be made in the currency in which it was issued. Whether the bondholder is paid in sterling or in dollars is immaterial to him, *qua* bondholder, since he will in any case have to hand the dollars over to the exchange control in exchange for sterling at the official rate; his only interest is to get the maximum sum in his own currency.

A way out of this deadlock may, however, have been opened by proposals made this week on behalf of the British delegation. It has been proposed that the question of the actual currency of payment should be taken out of the agenda of the conference and referred to discussions between the British, American, French and Japanese Governments. This would leave the way open to an arrangement such as that reached in the German debt negotiations. It was agreed there that, for instance, British holders of German sterling bonds, which had a dollar clause attached to them, should receive payment in sterling—but that the actual currency that would pass from the German central bank to the Bank of England should be left to later inter-governmental negotiations. As for the "due-date" exchange clauses, though it is clear that it was no part of the original intention to give them the status of a guarantee against exchange depreciation, there seems to be no way in which its interpretation can be made to vary from that of a fixed exchange clause.

* * *

Decontrolling Timber

This year the importation of softwood from non-dollar sources was once again permitted to private traders. Next year they will be allowed to import from dollar sources as well. Since about half of Britain's softwood imports come from dollar countries, this experiment in freedom would be widely welcomed in the trade—were it not for some justifiable criticism of the mechanism of decontrol. Although the quota system for importers (based on past trading) is to end, import licensing will continue. Many timber importers believe that this is unnecessary, and argue that they should be left free to decide when and how much to buy; the balance of payments position would then be sufficiently

protected by the Government's control of internal consumer demand, through its rigid system of acquisition licensing.

The real trouble, however, is that the Ministry of Materials has announced that, as a first instalment, licences up to only 500,000 standards will be granted against requirements for 1953; this compares with a present annual rate of imports of about 1,000,000 standards (or about £100 million worth at present prices). The fixing of this low and specific—though admittedly only provisional—import total may lead the bigger firms, with larger financial resources, to scramble for most of the import licences. This would leave anything but fair shares for the smaller firms, and the scramble might even force up prices. Importers' fears on this score have been little allayed by the Ministry of Materials' statement that although the level of 1953 softwood imports has not yet been decided, it will be sufficient to maintain stocks adequate for a level of consumption that is not expected to be less than for 1952. This statement obviously does not exclude the possibility that the Government might require stocks, estimated at 5 million standards, to be drawn upon. As far as importers are concerned, the total licensing for 1953 is therefore anybody's guess; in fact it will be the Treasury's guess—and it may not be made until after the next review of the balance of payments.

* * *

Freedom for Linseed

The progressive freeing of the commodity markets was also carried a stage further this week by the Ministry of Food. The Ministry has been the sole importer of linseed and linseed oil since 1939, but it now states that it is to give up buying these commodities on Government account. Full details will be announced later of the arrangements that will permit private imports to be resumed under licence. In preparation for the start of private imports, the Ministry has reduced its selling price of crude linseed oil by £5 to £18p per ton "naked ex works"; this figure, however, is still about £45 above world prices and the Ministry is likely to be confronted with a difficult task in selling its not inconsiderable stocks that were bought before prices declined.

The United Kingdom's chief source of linseed oil is Argentina, which accounted for £18 million out of total British imports of just over £22 million in 1951; British imports of flax or linseed in 1951 amounted to another £2 million. State trading between the United Kingdom and Argentina,

THE NATIONAL FINANCES

MORE DETAILS NOW AVAILABLE

Supplementary information on the National Finances is published in this week's issue of the Records & Statistics supplement to *The Economist*. This completes the annual review of the National Finances that was started in special sections of the issues dated March 15th and April 12th.

Subscription rates: £2.10.0 a year, or together with *The Economist* £5 a year. For a specimen copy please apply to: Records and Statistics Department, The Economist, 22 Ryder Street, London, S.W.1.

in which linseed has played an import part, has been far from harmonious in recent years, and private traders are going to have to search for their oil in troubled waters. Trade in linseed is not, however, a dollar trade; with Argentina—as with Uruguay, the second largest supplier—business is done on a sterling basis. The return of importing to private hands was therefore overdue and the chief users of linseed oil, the paint and linoleum industries, will certainly welcome the prospect of a scaling down of prices to the lower levels prevailing outside this country.

* * *

Four Years of Productivity

When the Anglo-American Council on Productivity was set up in autumn 1948 by Mr Hoffman and the late Sir Stafford Cripps, its newly appointed members were clear enough about its broad purpose—to make American technical information and experience available to British industry. But none of them knew quite how this purpose was going to be carried out. They decided to investigate five different methods; at the time, they did not foresee that the success of one of them, the arrangement of visits by teams from British industries to their American counterparts, would immensely overshadow the rest. In the Council's final report, issued this week, it outlines for the first time what became of the other four.

One committee of the Council, dealing with the maintenance of productive plant and the supply of power for British plant, began to examine the question whether too large a proportion of British machine-tool output and power generation plant was being exported. It produced a report, but decided the full task of making comparisons between investment and output in Britain and the United States was beyond it; in the meantime, the British Government had reduced the export quota of machine tools. Another committee investigated methods of measuring productivity; here again the Council had to conclude that the development of objective bases for comparison was beyond it. A third committee sent a special mission to the United States to report on simplification in industry, and followed this up with a second report on simplification in British industries. The fourth reviewed the two countries' different methods of making economic information available, and made one special study of the trade and technical press (which probably fulfils slightly different purposes in Britain and the United States).

It was clear by 1949, however, that the Council had backed its winner in the productivity team visits. Over the whole period, until the Council was wound up on June 30th this year, 66 teams made up of 911 individuals, visited American industries; some of the reports are still to come. The value of the reports will never be properly measurable; but the Council has probably had a continuing effect upon the younger generation of British managers that will be felt for many years, and has showed many British workpeople a glimpse of American life and work that they could never otherwise have gained. In all, the work of the Council cost £844,500, or \$2,364,000 at the current rate of exchange. Of this, £320,400 was contributed by Britain, some £180,000 by the Government, the British Employers Confederation, the Federation of British Industries and the TUC, and the remainder by firms supplying members for the teams. The Americans contributed \$1,467,480 from ECA and later MSA funds. For both countries, it may in the long run have been cheap at the price.

* * *

The Council's Future

This final report of the Anglo-American council mentions the decision to set up a British Productivity Council

to succeed it in this country, and states that a standby organisation in America with the job of answering queries about productivity from here or other countries is being considered. Not much emerges of the British council's plans; it is to hold a conference of interested organisations and to publish a book on the general experience of the teams. The major justifications for a continuing body in this country are that the trades unions and employers' organisations that set it up are prepared to go on co-operating—and spending their own money—on furthering the progress of British production as a whole, and that the need for higher productivity cannot be urged too often. Nevertheless, it must not be allowed to lapse into one of those estimable, vague "stage armies," overlapping and trying to co-ordinate the field of other bodies, that sometimes exist among industrial organisations. It may need to reach some clear agreements soon defining its scope in relation to those of other institutes in the field of production.

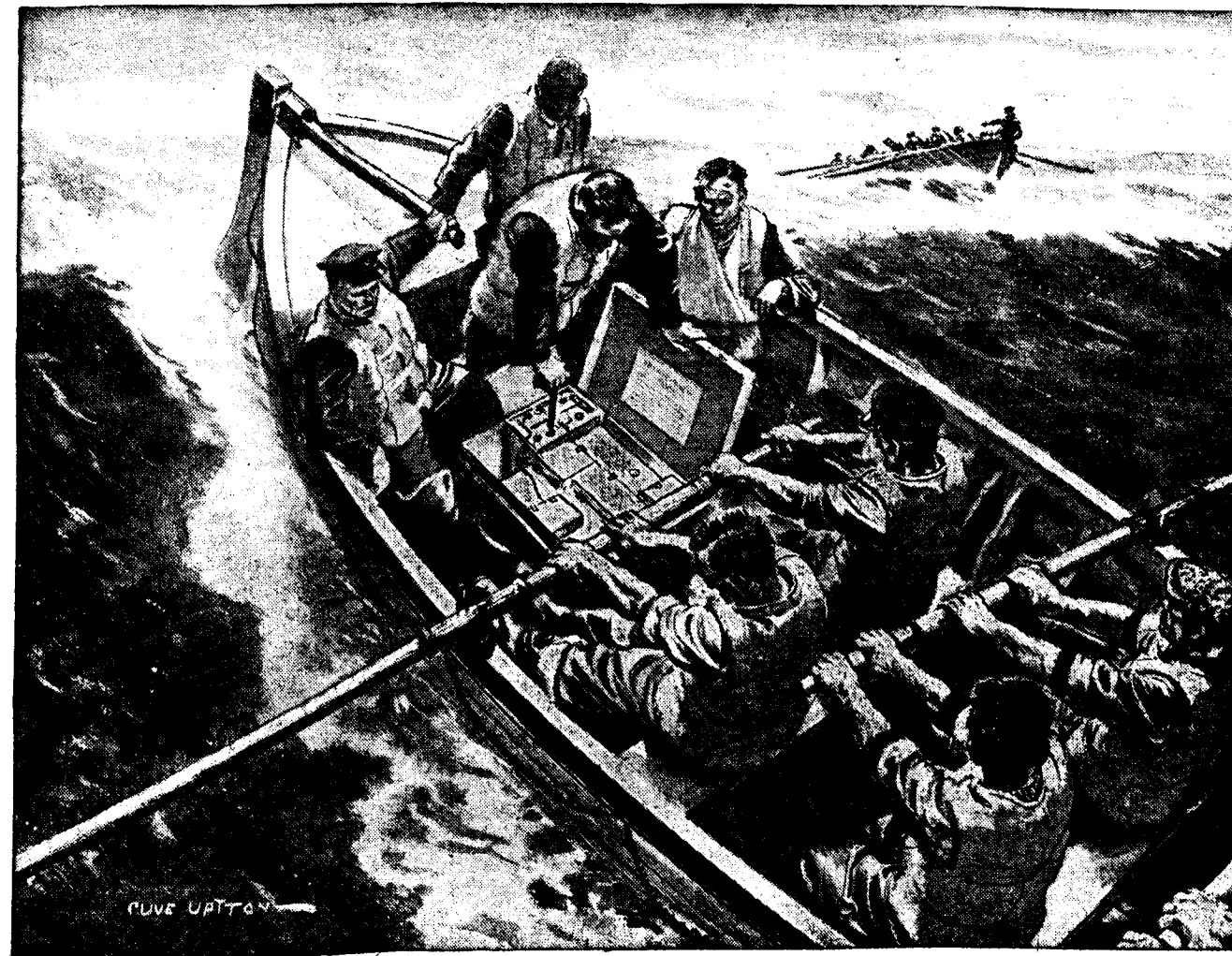
For instance, it might have been expected at first glance that a separate series of "Productivity and Factory Performance Reports," now being offered to industries in this country, would be coming from the British Productivity Council. In fact, they are published in this country by the British Institute of Management. These reports, prepared by the Bureau of Labour Statistics in Washington after consultation with industrial organisations in Britain and other West European countries, offer comparisons in terms of man and machine hours of the actual performance of companies in American industries. They are less interesting to the outsider—and perhaps to the trade unionist—than the general Anglo-American reports; but they may be of considerable value to the production manager, particularly if financial operating ratios are included, as they may be in some of the coming reports. The BIM is duplicating these reports, in the fairly small numbers required (no single "edition" has yet exceeded 50 copies) and selling them at £1 each. They originated from a visit by European statisticians to the Bureau of Labour Statistics in 1950; special case studies have been made, financed under the Technical Assistance Programme, covering the sizes of firm and the particular processes in which European industries said they would be interested. More than a dozen industries have been covered in studies now available from BIM, and many more are on the stocks.

There is no dispute on spheres of influence here: the British Section of the Anglo-American Productivity Council knew at the time that these special reports were being produced, and being heavily engaged itself in arranging industrial visits, was content to leave them to what it calls "other agencies, mainly governmental." The arrangements at this end—which have been quite elaborate—have been carried through by BIM, working with trade associations; the whole field of productivity comparisons between firms is one with which it has long been concerned. But this is an example of the way in which the study of production and productivity is already fairly amply covered by existing bodies. It is to be hoped that from its coming conference the British Productivity Council can evolve, through experience, a new technique as useful in assisting British industry as its Anglo-American predecessor found in the team visit.

* * *

Too Many Cooks in the BRM

There are some fields of enterprise that are not suitable for co-operative venture, and last week's decision to put British Racing Motors Ltd up for sale after eight years have been spent in developing the 16-cylinder BRMs suggests that the design of racing cars is one of them. Towards the end of the war, a trust was formed to sponsor the design of grand-prix racing cars, the cost of which had become too heavy to be borne by any of the small companies previously building them. The trust was from the start generously supported by sections of the motor industry, and in all about



We've solved some problems in our time!

In 1942, peak period of Hitler's submarine campaign, came a request for batteries to operate wireless transmitters in the ships' boats of the Merchant Navy. Batteries that could be relied upon to give immediate service when needed, even if they had been standing by unused for as long as two years.

That was a problem. No such battery existed. Normally a filled battery progressively loses its power when idle and needs periodic recharging; an unfilled battery needs a lengthy first charge before it can be used.

Our answer was to produce the Exide self-priming battery. Its plates were dry charged, and sealed in a compartment separated by a thin diaphragm from another compartment containing acid. When the diaphragm was pierced with a punch attached to the battery, the acid ran on to the plates, and within a few minutes the battery was working at full strength—even after 2 years or more of inactivity.

Thousands of these batteries were supplied; and many a seaman owed his life to them.

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£300,000 has been spent on the project, not counting the value of the fixed assets. The subscribers of this sum, and the lenders of much of the machinery, decided to remain anonymous; the industry as a whole did not take any part in the scheme.

That there was much good in the cars eventually produced by the BRM company is proved by the calibre of the men who accepted commissions to drive them—they included some of the most successful drivers now racing. But the repeated failure of the cars to complete a race—and sometimes to get away at all—by reason of a succession of major and minor faults, also suggests that there was a serious weakness in the organisation of the company that somehow prevented it from learning from these bitter experiences. It suffered most of all, perhaps, from a division of responsibility. Those who directed—or at least advised on—policy did not have the responsibility for putting it into effect, and the very complexity of the design chosen suggested that too many fruitful brains had been brought to bear on a venture that cried out for single-minded direction. The British motor industry is not congenitally incapable of building racing cars; during the BRM era several successful companies have been started and have produced world-beating cars of their class. Other established motor manufacturers, such as Jaguar and—with their gas-turbine—Rover, have produced high-speed cars that might be the forerunners of a new era in British motor racing. A change in the Grand Prix formula means that it may never be known whether the BRM would have eventually proved the success that was once hoped. But whether the company is sold or wound up at the end of the month, it is to be hoped that the team that worked so long on the cars will not be discouraged from starting afresh—even though on a more modest scale.

Stock Exchange Statistics

The initial impact of dearer money on the London stock market can be readily discerned, but cannot, of course, be precisely measured in the latest annual batch of statistics published by the Stock Exchange Council. In the year to March 31st last the market value of all the securities quoted on the London Stock Exchange, the number of which remained practically unchanged at 9,708, fell by £1,548 million to £25,443 million; this fall occurred despite the fact that new capital issues (including bonus issues) and the granting of new stock exchange quotations raised the nominal value of all quoted securities by over £1,271 million to £24,894 million. As might be expected after the two successive increases in Bank rate, the decline in market valuations was particularly marked in gilt-edged stocks and in British commercial and industrial securities. The market value of British government securities fell by £301 million to £11,840 million in spite of an increase in their nominal value (springing directly from the Serial Funding issues of last November), by £1,036 million to £13,771 million; in the same period the market value of nationalisation and other guaranteed stocks fell by £221 million to £2,040 million. Similarly, despite an increase in both the number of securities quoted in the commercial and industrial list and in the nominal value of these securities (from £2,156 to £2,323 million), the market value of British commercial and industrial shares fell by £384 million to £4,304 million. Only seven of the forty groups of securities listed by the council show an appreciation in capital value over the year. These groups were electric lighting and power, diamonds, nitrate, oil, shipping, American railways and Dominion and Colonial railways—a clear indication that British investors have sought shelter abroad from the keen winds that have been blowing at home.

More applications for stock exchange quotations were granted by the council in the year to March 24th last than in the previous year but the total nominal amount of money

involved was smaller; the number of fresh quotations (including all new issues and some issues that were merely made in exchange for existing securities) increased from 896 to 1,033, but their total nominal value was only £1,534 million, against £1,724 million in 1950-51. Once again issues of gilt-edged stocks accounted for by far the greater part of the monetary addition to the volume of quoted securities; in 1951-52, £1,164 million, as compared with £1,388 million the year before, was added to the nominal value of the Funds. Only a very slight amount more therefore went into the tills of the issuing houses from commission and underwriting fees. The number of markings received rose by less than 4 per cent, from 2,004,410 to 2,077,421—which suggests that stockbrokers earned very little more in gross receipts and, as costs were mounting, probably made smaller profits. Clearly if prosperity is to return to Throgmorton Street the Stock Exchange Council will have to attract more investors into the market; one way to do this might be by adopting a more forthright policy upon publicity than it has so far revealed in publishing these rather bare annual statistics.

Canada and American Accounts

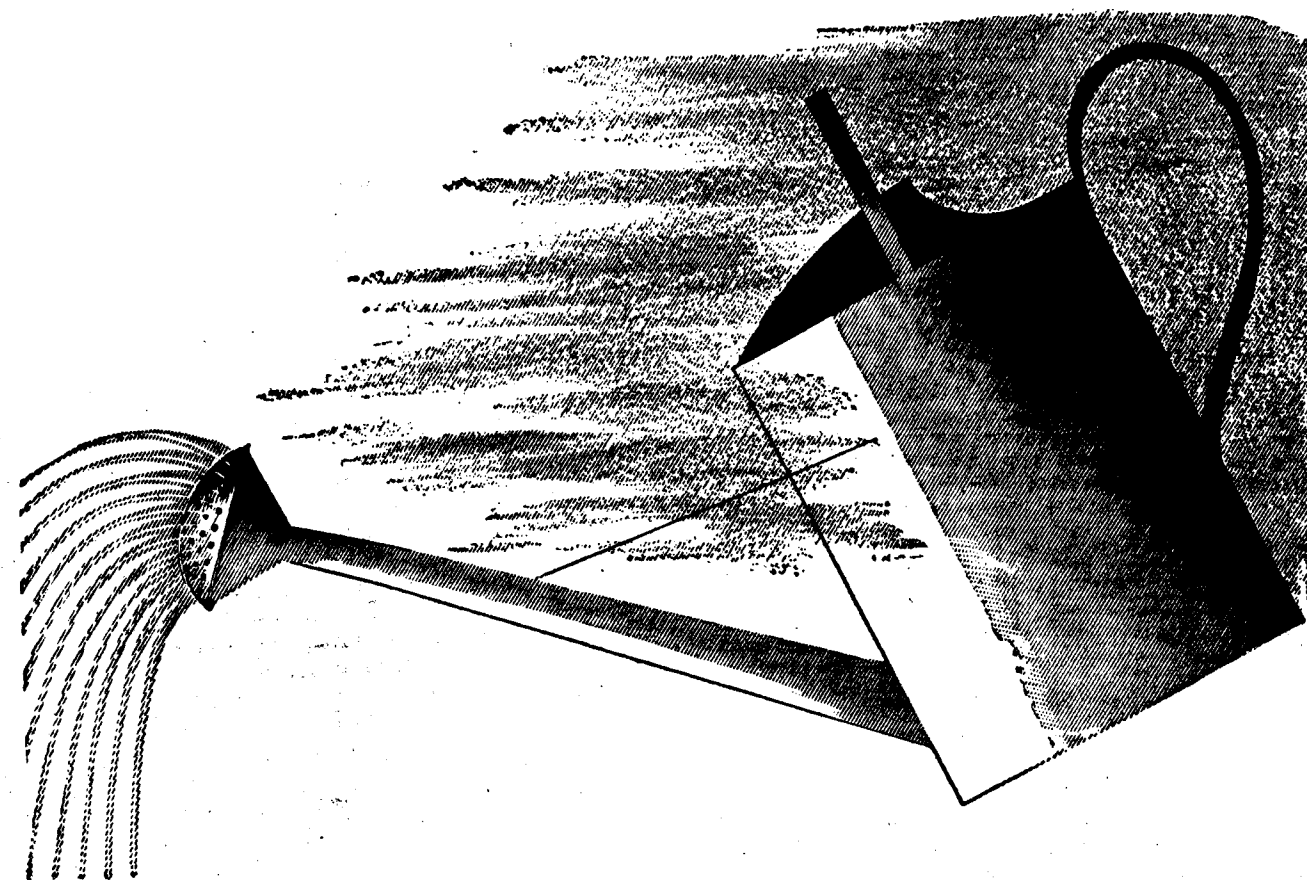
The sterling accounts held for Canadian residents will in future be treated as American accounts. Hitherto transactions between Canada and the sterling area have been governed by bilateral arrangements, which gave currently acquired Canadian sterling full rights of convertibility into Canadian dollars. These rights have now been extended so as to give Canadian sterling rights of transferability and convertibility identical in every respect with those held by American account sterling. Sterling held in Canadian accounts is thus now available to make payments to residents in the scheduled territories, to any other Canadian account, to an American account, to transferable accounts and to all other accounts where administrative transferability obtains. Authorised banks may sell Canadian or US dollars spot against sterling held on Canadian account. Such purchases and sales must be effected at market rates and no forms are required. These changes will have little practical effect since Canadian and US dollars have been freely interchangeable since the re-opening of the London foreign exchange market in December of last year. They will, however, simplify exchange control procedure in London.

Shorter Notes

It was reported this week that a revised agreement had tentatively been reached in Washington between representatives of the Board of Trade and of the American motion picture industry upon the amount of their earnings in British cinemas that the American companies are to be allowed to remit in dollars, and the other methods by which they can spend their "frozen" sterling. Both delegations are taking the agreed proposals back—the British representatives are flying home—and a communiqué setting out the agreement will be published later.

The London Metal Exchange reopens for dealings in lead on October 1st, and the Board of Trade have now announced the relevant import and export arrangements. For the import of unwrought lead in pig, ingots, blocks, bars, slabs or cake (but not for lead alloys) members of the London Metal Exchange who participate in the Bank of England exchange control scheme will be granted open individual licences valid for purchases from any source. Consumers who wish regularly to import substantial quantities will be granted open individual licences for appropriate sources of supply, but other traders will have to apply for a licence for each transaction. Exports will be resumed in refined lead in pig or ingots.

Two ears of corn where none grew before



VAST TRACTS of the earth's surface are barren for lack of water. For lack of water immense populations are semi-starved... and an obvious prey to those who preach the unholy war against which the free world now arms. Irrigation is the most effective method of increasing food production. Well-fed people are more likely to be contented people. High among British exports is the means to ensure this objective. In the diesel engine, exported by THE BRUSH ABOE GROUP, Britain is bringing fertility to the barren lands of the East. More than 20,000 BRUSH ABOE diesel engines are now helping to provide

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Company Notes

Coast Lines.—Recent addresses by chairmen of the Lines companies have all pointed to the same conclusion: the shipping boom is now past its peak. Captain A. R. S. Nutting, the chairman of Coast Lines, now joins the other spokesmen of the industry in warning shareholders that future receipts and profits cannot be expected to be as buoyant as in 1951. In that year the improvement in the group's freight and passenger receipts more than offset the all-round increase in its costs, so that trading profits rose from £1,741,874 to £2,065,693. By far the greater part of this increase was swallowed up by heavier taxation, but the directors felt able to recommend an increase in the ordinary dividend for the first time in seven years—from 5 per cent to 6½ per cent.

The strengthening of the group's financial resources during last year's boom was impressive. A bank overdraft of £505,425 was paid off and the group's cash holdings rose from £572,750 to £772,019. This money will not lie idle for long, for at the end of last year the group was already committed to spend some £1,683,000 on building six new ships. The purchases of these new ships—though necessary if the company is to maintain an efficient service—are not being made in the happiest of environments. Shipbuilding costs are high, the depreciation allowances by the tax authorities are even more inadequate to meet real replacement costs in shipping than in other industries, and

	Years to Dec. 31, 1950	1951
Consolidated earnings:—		
Trading profit.....	1,741,874	2,065,693
Total income.....	1,758,286	2,127,803
Depreciation.....	707,202	695,470
Taxation.....	615,140	959,441
Net profit.....	435,944	398,741
Ordinary dividends.....	52,500	68,250
Ordinary dividends (per cent) ..	5	6½
Retained by subsidiaries.....	80,352	84,438
Fleet replacement reserve.....	150,000	150,000
Added to carry forward.....	26,487	44,648
Cons. balance sheet analysis:—		
Fixed assets, less depreciation ..	6,351,102	6,259,714
Net current assets.....	Dr 189,708	530,972
Bank overdraft.....	505,425	—
Cash.....	572,750	772,019
Reserves.....	3,725,513	4,301,840
Ordinary capital.....	2,000,000	2,000,000
£1 ordinary stock at 15s. 0d. yields 6s. 13s. per cent.		

nearly all shipping companies now face the threat of a decline in earnings. Operating costs continue to mount while, in the chairman's words "the limitation of imports, the diversion of materials to the rearmament programme and the recession in trade" are having their effect on freight carryings.

John Brown.—In spite of the shadow over the shipping industry, most major shipbuilding yards are now fully employed; in the immediate future labour problems, not lack of demand, seem likely to be the yard's main headache. Certainly, the long list of ships completed by the John Brown group last year, ranging from a train ferry for the Railway Executive to a destroyer for the Admiralty, is impressive evidence of continuing high demand for the products of the group's shipbuilding and engineering works at Clydebank. The group's accounts, which exclude the figures relating to Wickman Ltd. and its subsidiaries confirm and strengthen this evidence. In the year to March 31st last the group's total income (including dividends paid by Wickman Ltd.) rose from just under £1.7 million to over £1.9 million.

This advance was made possible by further investment in fixed and working capital. The gross book value of fixed assets has risen by about £210,000 to £4,456,657, while the net value of stocks and work in progress has risen from just under £2.1 million to over £2.7 million; the latter figure is written into the balance sheet after deducting over £7 million received from the group's customers on account of work in progress. This practice of instalment payments, a common one

in the shipbuilding industry, eases the financial strain that has to be borne by the group. Unlike many other companies, John Brown is therefore able to boast of very ample liquid resources and the group should have no difficulty in meeting its outstanding capital commitments of £1.1 million. Some inroads into the group's liquid funds were made last year by the repayment of a debenture stock of £431,203 and of loans of £648,363; there was a reduction from £5,829,393 to £3,710,206 in the book value of the quoted investments held by the group, but this was

	Years to Mar. 3, 1951	1952
Consolidated earnings:—		
Trading profit.....	1,215,228	1,515,538
Total income.....	1,688,792	1,922,234
Depreciation.....	168,739	188,175
Taxation.....	874,814	1,132,612
Net profit.....	589,583	597,361
Ordinary dividends.....	323,083	323,083
Ordinary dividends (per cent) ..	7½	7½
Subsidiary companies' reserves ..	75,000	93,768
Added to group carry forward ..	123,631	107,200
Cons. balance sheet analysis:—		
Fixed assets, less depreciation ..	3,762,711	3,800,799
Net current assets.....	2,608,380	3,087,716
Stocks.....	2,095,523	2,712,177
Cash.....	1,141,799	1,730,771
Reserves.....	764,737	5,677,239
Ordinary capital.....	2,153,893	4,301,787
£1 ordinary stock at 45s. 9d. yields 6s. 5s. per cent.		
* Excluding the figures relating to Wickman Ltd. and its subsidiaries. † Tax free.		

partially offset by a growth in cash balances from £1,141,799 (including £438,203 earmarked for the repayment of the debenture stock) to £1,730,771. The strength of the group's liquid resources, however, does not necessarily imply that shareholders can expect faster dividend warrants in the current year. Whatever happens on the wages front, the company is likely to attempt to expand productive capacity further in order to complete—in the words of the directors—"a considerable number of valuable contracts for the Admiralty and for British and foreign clients."

Neepsend Steel and Tool.—Neepsend Steel and Tool has shared to the full in the prosperity in the engineering industry, and the recent acquisition of new subsidiaries, closely associated with the parent company's own interests in the manufacture of steel and steel products, has clearly stood the group in good stead. These subsidiaries must have made their contribution to the advance in group trading profits from £833,519 to £1,236,901 in the year to March 31st last. The improvement in profits has been followed by its necessary corollary, an increase in the provision for taxation from £417,944 to £701,571. Nevertheless, net profits have risen by almost exactly £100,000 to £446,700, and this has enabled the directors to reinforce the group's reserves on a bigger scale than before and to increase quite substantially the distribution on equity capital. The ordinary dividend has been left unchanged at 15 per cent, but the bonus has been raised from 12½ to 22½ per cent. As last year's white paper on dividend limitation forced the directors to cut back the total equity distribution for 1950-51 from 30 to 27½ per cent, 2½ per cent of the latest total distribution of 37½ per cent represents a payment to make this reduction good; in a sense, therefore, the true increase in equity payments is from 30 to 35 per cent. This increase was better than the market had expected, and immediately after the dividend announcement the 5s. ordinary stock units were marked up 1s. 6d. to 27s. 6d.; later the price rose still further to 28s. 9d., to offer a yield of 6½ per cent. This advance suggests that hopes are already being entertained that the company will be at least able to make a total equity distribution of 37½ per cent for the current year. Apart from the labour problem in the engineering industry, the only obvious snag is the company's liability for EPL; it has already had to make an EPL provision of £57,500 in respect of profits earned in the first three months of this year.

SECURITY PRICES AND YIELDS

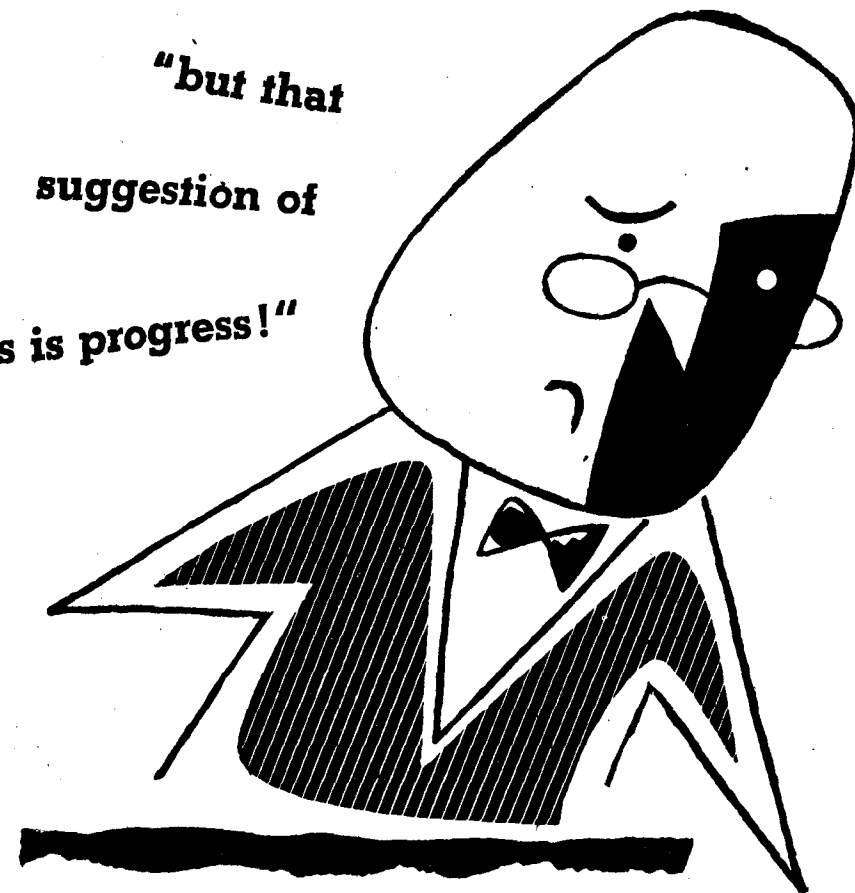
British Funds and Guaranteed Stocks	Price, Sept. 3, 1952	Price, Sept. 10, 1952	Net Yield, Sept. 10, 1952	Gross Yield, Sept. 10, 1952
War Bonds 2½% '51-53	99½	99½	1 13 1	2 18 7
War Bonds 2½% '52-54	99½	99½	1 17 1	3 1 7
Exchequer 2½% 1955	98½	98½	1 18 3	3 0 6
Ser. Funding 1½% '52	99½	99½	0 11 4	2 19 4
Ser. Funding 1½% '53	98½	98½	1 14 1	2 15 0
Ser. Funding 1½% '54	97½	97½	1 15 9	2 15 2
War Bonds 2½% '54-56	98½	98½	1 14 0	2 18 5
Funding 2½% '52-57	98½	98½	1 13 6	3 1 3
Nat. Def. 3% '54-58	99½	99½	1 14 11	3 4 4
War Loan 3% '55-59	99½	98½	1 16 2	3 4 6
Savings 3% '55-65	92½	92½	2 5 6	3 15 7
Funding 2½% '56-61	92½	92½	2 6 3	3 10 10
Funding 3% '59-69	88½	88½	2 10 11	4 1 7
Funding 3% '66-68	88½	88½	2 10 0	4 1 0
Funding 4% '60-90	99½	100	2 4 2	4 4 6
Savings 3% '60-70	85½	85	2 2 7	4 1 6
Savings 2½% '64-67	84½	85½	2 11 8	3 18 8
Victory 4% '20-76	101½	101½	1 19 11	3 17 10
Savings 3% '65-75	83½	84½	2 10 0	4 1 10
Consols 4% (att. 1957)	87½	87½	2 8 2	4 12 1
Conv. 3½% (att. 1961)	77½	78½	2 6 10	4 9 1
Treas. 2½% (att. 1975)	57½	58	2 5 2	4 6 0
Treas. 3% (att. 1966)	68½	68½	2 5 11	4 7 4
Treasury 3½% '77-80	89½	89½	2 7 6	4 3 10
Redemption 3% '86-96	78½	78½	2 7 2	4 0 10
War Loan 3½% att. 1952	78½	79½	2 6 8	4 9 5
Consols 2½%	60½	60½	2 3 6	4 2 9
Br. Elec. 3% '68-73	84½	84½	2 10 4	4 1 8
Br. Elec. 3% '74-77	83½	83½	2 9 7	4 1 5
Br. Elec. 4½% '74-79	99½	99½	2 5 3	4 5 8
Br. Elec. 3½% '76-79	90½	90½	2 6 9	4 3 0
Br. Trans. 3% '78-88	78½	78½	2 9 11	4 3 10
Br. Trans. 3% '68-73	84½	84½	2 10 4	4 1 8
Br. Gas 3% '90-95	78½	78½	2 8 1	4 2 7
Br. Gas 3½% '69-71	91½	91½	2 8 2	4 3 3
Br. I. & S. 3½% '79-81	88½	88½	2 7 8	4 3 8

(a) To earliest date. (f) Flat yield. (b) To latest date. (s) Assumed average life 15 years approx. * Ex dividend.

Last Two Dividends	Ordinary Stocks	Price, Sept. 3, 1952	Price, Sept. 10, 1952	Yield, Sept. 10, 1952
(a) (b) (c)				
20 a	40 Anglo-Am. 10/-	6½	6½	4 13 2
5 a	25 Anglo-Fran. £1	6½	6½	4 17 11
7½ a	12½ Assoc. Elec. £1	71/6	71/6	5 11 11
20 b	14½ Assoc. P. Cem. £1	102/6	102/6	5 7 4
†22½ c	10 a Bass £1	130/-	130/-	6 11 11
20 c	5 a Boots 5/-	20/-	20/-	5 0 0
8½ d	3 a Brad. Dyers £1	25/4	24/9	5 10 0
10½ e	4½ Br. Celanese 10/-	24/6	24/9	5 17 2
...	Br. Motor Cp. 5/-	31/4	31/4	...
12 b	6 a Br. Oxygen £1	53/3	54/-	5 3 8
3 b	3 a Can. Pac. \$25	\$64	\$62	4 9 11
5 a	7½ Coats £1	43/9	44/4	5 12 8
5 a	6½ Courtaulds £1	37/6	37/9	5 19 3
15 c	2½ Cunard £1	37/-	37/-	8 2 2
7½ a	15 b Distillers 4/-	18/3	18/-	5 0 0
17½ c	17½ Dunlop £1	50/-	50/-	7 0 0
12½ c	15 c Ford £1	50/3	50/3	5 19 5
7½ a	15 b Gen. Elect. £1	85/-	85/-	5 5 11
5 a	10 b Guest Keen £1	53/9	56/-	5 7 2
17 b	7 a Guinness 10/-	33/-	33/-	5 1 10
5½ b	4½ Hawker Sid. £1	38/9	38/9	5 3 3
3 a	10 b Imp. Chem. £1	44/9	46/-	5 13 0
18½ b	13½ Imp. Tobacco £1	54/3	54/3	7 7 6
£2 c	£2½ Int. Nick. n.p.	\$84	\$83	5 14 7
17½ c	17½ J'burg Con. £1	51/-	50/3	6 19 3
10 b	5 a Lancs. Cotton £1	40/3	39/9	7 11 0
7½ a	10 b Lon. Brick £1	61/3	61/3	5 14 3
15 a	65 b Marks Sp. A5/-	43/3	43/6	4 11 11
6½ a	15½ Monsanto 5/-	26/10	26/10	4 4 8
8 a	10½ P. & O. Def. £1	50/6	50/6	6 6 9
7½ a	17½ P. Johnson 10/-	37/-	37/-	6 15 2
†85 c	†100 c Prudential 'A' £1	34	34	5 10 6
200 c	50 a Rhokana £1	22½	22½	8 15 10
5 a	10 b Rolls Royce £1	62/8	62/8	4 16 0
15 a	†10 b "Shell" Stk. £1	85/-	83/9	5 9 4
12½ b	13½ Tube Invest. £1	58/-	58/-	4 6 2
15 b	5 a Tur. Newall £1	93/1	93/9	4 5 4
5 a	8½ Unilever £1	46/10	46/10	5 15 2
10 c	12½ Union-Castle £1	22/3	23/3	5 7 6
5 b	5 a Union Disc. £1	41/6	41/-	4 17 7
†6½ a	†6½ Utd. Molass. 10/-	33/-	33/6	5 18 3
50 c	50 c U. Sua Betong £1	37/6	36/10	27 2 1
10 b	2½ Vickers £1	46/3	46/3	5 8 1
27½ b	15 a Woolworth 5/-	42/6	42/6	5 0 0

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 14%. (e) Yield basis 16½%. (f) Yield basis 22-9 gross. (g) Yield basis 16%. (h) Yield basis 12½%. (i) Includes special int. 7%. (j) Yield basis 6½%. (m) Yield basis 13-8%. (n) Yield basis 40%. (o) Yield basis 20%. * Ex div. † Free of tax.

"but that suggestion of yours is progress!"



Protested the chairman to the chief accountant.

"What's going to happen to our accounting routine of hard labour punctuated by panic handed down by Grandfather? You're destroying a tradition". 'Not at all, sir. Issue an announcement that a new tradition will come into force as soon as the new system is ready'. "A capital solution. Let's have those Powers-Samas machines installed, even if it takes the suffering out of work".

There is a Powers-Samas System of accounting for every type of business

POWERS-SAMAS

Powers-Samas Accounting Machines (Sales) Limited

Powers-Samas House, Holborn Bars, London, E.C.1.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 6, 1952, the ordinary revenue was £66,743,000, against ordinary expenditure of £102,181,000, and issues to sinking funds £4,013,000. Thus, including sinking fund allocations of £15,285,000 the deficit accrued since April 1, 1952, was £266,803,000 compared with a surplus of £21,764,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53 (£'000)	April 1, 1951 to Sept. 8, 1951	April 1, 1952 to Sept. 6, 1952	Week ended Sept. 6, 1951	Week ended Sept. 6, 1952
REVENUE					
Receipts into the Exchequer (£ thousand)					
Ord. Revenue	180,422.5	404,021	443,240	10,021	21,652
Income Tax	123,000	32,800	30,000	800	700
Rate, etc., Duties	175,000	87,600	65,200	2,800	1,600
Imposts	57,500	28,200	21,450	1,000	600
Gifts Tax & EPT	452,000	136,300	169,300	7,600	6,200
Excise	5,000	...	...	...	...
Special Contribution	2,000	1,575	880	70	50
Other Inland Revenue	26,187.25	690,496	730,070	22,291	30,802
Customs	104,350	428,163	446,078	21,236	20,513
Excise	772,000	342,800	325,933	3,795	4,640
Other Customs and Excise	181,550	770,963	772,011	25,031	25,153
Port Duties	64,150	11,602	11,763	399	369
Imports from Foreign (Net receipts)	12,000	57,500	...	200	...
Broadcast Licences	15,000	4,000	4,050	...	...
Industry Loans	26,000	18,980	18,758	8,695	10,013
Special (incl. Surplus War Stores)	110,000	34,483	32,701	6,649	406
Other Ord. Rev.	466,137.5	159,424	159,353	63,265	66,743
SELF-BALANCING					
Post Office	209,235	76,700	87,100	2,400	3,200
Income Tax on EPT Refunds	4,900	2,355	2,349	171	127
Other	487,551.0	167,347.9	165,802.2	65,836	70,070
EXPENDITURE					
Issues out of the Exchequer (£ thousand)					
Ord. Expenditure	575,000	231,996	261,631	3,811	38,300
Interest on National Debt	40,000	16,089	17,192	1,361	2,557
Payments to N. Ireland	10,000	4,423	4,538	...	24
Other Cons. Funds	625,000	252,508	283,361	5,172	40,881
Supply Services	355,436.7	111,541	153,751	51,100	61,300
Other Ord. Expend.	417,936.7	156,395.9	182,087.1	56,272	102,181
Sinking Funds	...	8,720	15,285	710	4,013
Other (excl. Self-Bal. Expend.)	417,936.7	157,267.9	183,615.6	56,982	106,194
SELF-BALANCING					
Post Office	209,235	76,700	87,100	2,400	3,200
Income Tax on EPT Refunds	4,900	2,355	2,349	171	127
Other	439,350.2	165,173.4	192,560.5	59,553	109,521

After increasing Exchequer balances by £290,144 to £3,111,293 the other operations for the week increased the National Debt by £45,298,606 to £26,080 million.

NET RECEIPTS (£ thousand)	
and Settlement (Facilities)	8
the Act, 1936, s. 26	30
ation (Centralised Buying) Act, 1947, s. 21(1)	4,500
PU (Financial Provisions) Act, 1950, s. 3	183
	4,721

NET ISSUES (£ thousand)	
and Telegraph (Money) Act, 1950	1,175
Port Guarantees Act, 1949	45
ousing (Scotland) Act, 1950, s. 9(2)	700
ocal Authorities Loans Act, 1945, s. 3(1)	6,000
ew Towns Acts, 1946 and 1952	1,201
erseas Resources Development Act, 1948	500
own and Country Planning Act, 1947, and Town and Country Planning (Scotland) Act, 1947	200
nance Acts, 1946 and 1947, Postwar Credits	303
	10,277

CHANGES IN DEBT (£ thousand)

RECEIPTS	PAYMENTS
Treasury Bills	17,339
Nat. Savings Certs.	150
3½% Def. Bonds	1,625
Tax Reserve Certs.	11,998
Ways and Means Advances	17,145
War Risks Insurance Acts, 1939	25
	48,282
	2,984

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
1951				
Sept. 8	3240.0	2301.5	306.9	290.0
1952				
Sept. 8	3240.0	2301.5	306.9	290.0
June 14	2790.0	1517.9	273.5	0.3
" 21	2830.0	1504.1	301.8	2.3
" 30	4336.6	309.0	2.3	...
July 5	2910.0	1440.5	308.9	...
" 12	2940.0	1462.7	303.0	...
" 19	2970.0	1443.5	327.8	1.8
" 26	3000.0	1459.5	285.5	2.3
Aug. 2	3020.0	1430.3	264.4	...
" 9	3040.0	1403.3	265.4	1.0
" 16	3030.0	1450.6	279.8	...
" 23	3020.0	1462.9	307.0	...
" 30	3040.0	1445.7	292.1	...
Sept. 6	3060.0	1443.1	309.3	...

TREASURY BILLS

Date of Tender	Amount (£ million)	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1951			
Sept. 7	260.0	346.0	267.0
1952			
June 6	240.0	306.5	240.0
" 13	240.0	310.4	240.0
" 20	250.0	301.1	250.0
" 27	240.0	302.4	240.0
July 4	240.0	308.8	240.0
" 11	240.0	315.2	240.0
" 18	230.0	322.9	230.0
" 25	220.0	317.2	220.0
Aug. 1	220.0	320.5	220.0
" 8	230.0	295.1	220.0
" 15	220.0	284.6	220.0
" 22	240.0	301.1	240.0
" 29	250.0	318.9	250.0
Sept. 5	260.0	308.6	260.0

On September 5th applications for 91 day bills to be paid from September 8 to September 13, 1952, were accepted dated Monday to Saturday as to about 79 per cent at 99 7/8. 7d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million were offered on September 12th. For the week ended September 13th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Total 22 weeks ended Sept. 1, 1951	Aug. 30, 1952	Week ended Aug. 30, 1952
Savings Certificates:			
Receipts	77,900	49,400	2,300
Repayments	62,100	61,900	2,900
Net Savings	15,800	Dr 12,500	Dr 800
Defence Bonds:			
Receipts	21,589	11,523	275
Repayments	28,241	31,075	1,405
Net Savings	Dr 6,652	Dr 19,552	Dr 1,130
P.O. and Trustee Savings Banks:			
Receipts	286,049	301,440	12,348
Repayments	362,307	359,745	15,293
Net Savings	Dr 76,258	Dr 41,695	Dr 2,945
Total Net Savings	Dr 67,110	Dr 90,357	Dr 4,675
Interest on certificates repaid	15,118	16,918	798
Interest accrued	53,173	84,518	2,470
Change in total invested	-29,052	-52,759	-3,003

BANK OF ENGLAND RETURNS

SEPTEMBER 10, 1952
ISSUE DEPARTMENT

	£	Govt. Debt	£
Notes Issued:			
In Circulation	1451,994,534	Govt. Debt	11,015,100
In Bank, Department	48,362,289	Other Govt. Securities	1485,750,070
		Other Sec.	722,955
		Gold (other than gold)	2,511,875
		Amt. of Fid. Issue	1500,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1500,356,823		1500,356,823

BANKING DEPARTMENT

	£	Govt. Sec.	£
Capital	14,553,000	Govt. Sec.	324,159,930
Reserves	3,934,546	Other Secs.	21,802,344
Public Depos.	45,567,155	Discounts and Advances	5,785,001
Public Accts.	15,056,468	Securities	16,017,343
H.M. Treas. Special Acct.	30,510,687		
Other Deps.	331,841,280	Notes	48,362,289
Bankers	285,979,035	Coin	1,571,418
Other Accts.	65,862,245		
	395,895,981		395,895,981

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
Issue Dept.:		
Notes in circulation	1352.8	1459.0
Notes in banking department	47.6	41.4
Government debt and securities	1396.8	1496.8
Other securities	0.7	0.7
Gold and coin	2.9	2.9
Valued at s. per fine oz.	248/0	248/0
Banking Dept.:		
Deposits	15.4	16.0
Public Accounts	1.1	2.3
Treasury Special Account	294.6	252.4
Bankers	94.6	64.8
Others	405.7	356.2
Total	327.3	296.9
Securities	24.3	7.2
Government	24.1	27.5
Discounts, etc.	375.7	331.6
Other	48.5	43.0
Total	48.5	43.0
Banking dept. reserve	11.9	12.0
" Proportion "	11.9	12.0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,550 million to £1,500 million on August 27, 1952.

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

	Sept. 4, 1951	Aug. 26, 1952	Sept. 9, 1952
Cereals and meat	169.1	192.5	192.6
Other foods	182.9	191.6	191.4
Textiles	256.8	221.1	219.6
Minerals	363.2	369.7	369.7
Miscellaneous	198.2	186.7	185.4
Complete Index	222.6	221.8	221.2
1913=100	306.3	305.2	304.3

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:

	SILVER	GOLD
1952		
Sept. 4	73.0	83.25
" 5	73.0	83.25
" 6	73.0	83.25
" 7	73.0	83.25
" 8	73.0	83.25
" 9	73.0	83.25
" 10	73.0	83.25

FINANCE CORPORATION FOR INDUSTRY

SATISFACTORY OPERATING RESULTS

SERIOUSNESS OF COUNTRY'S FINANCIAL AND ECONOMIC POSITION

REALISTIC PROGRAMME OF RAW MATERIAL PRODUCTION ESSENTIAL

DEVELOPMENT OF LATENT EMPIRE RESOURCES

LORD BRUCE ON AN INSPIRING TASK

The seventh annual general meeting of Finance Corporation for Industry Limited was held on September 11th in the Conference Hall of The Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

The Rt. Hon. Viscount Bruce of Melbourne, PC, CH, MC, FRs, the chairman, who presided, said:

In presenting the accounts for the past year, it is desirable I should say a few words by way of explanation.

Dealing first with the balance sheet, the principal item is that of investments, which at March 31, 1952, had a book value of £52,836,076. This represents the cost of loans and participations at that date, less amounts written off. During the year there have been substantial repayments of some advances outstanding at March 31, 1951, and other new advances have been made.

The principal repayments have been from the Ultramar Company (where only £350,000 now remains outstanding and this is due to be repaid this month) and from F. Perkins Limited.

New business entered into during the year involves a total commitment of £5,050,000, of which £1,525,000 had been advanced at March 31, 1952, and is included under investments and the balance of £3,525,000 is included in the commitments at that date of £17,125,000.

ADVANCES TO STEEL INDUSTRY

The investments at March 31, 1952, include advances to steel companies, the securities of which became vested in the Iron and Steel Corporation under the Iron and Steel Act (1949), amounting to £39,775,000.

The position with regard to the outstanding £39,775,000 is that under Section 49 of the Iron and Steel Act, 1949, the ultimate responsibility for repayment is imposed upon the Iron and Steel Corporation of Great Britain. Although the Act also provides for the repayment under six months' notice after the expiry of a year from vesting date, your board has not considered it necessary to give such notice up to the present time.

Shareholders will remember that at our meeting last year I informed them that in respect to our advances to the steel industry we were entitled to compensation for conversion rights into the equity of certain of the companies concerned, notably of the Steel Company of Wales.

The question of the amount of compensation due to us for the loss of these valuable conversion rights has been under active negotiation during the past months. I had hoped that a settlement would have been reached and that I would have been able to announce the result at this meeting. For that reason we postponed our annual meeting until this somewhat later date. Unfortunately, the negotiations are not yet completed, but I reiterate to you what I said twelve months ago, namely, that we anticipate that the result will be the payment to FCI of a substantial amount for compensation.

I also repeat what I then said, namely, that the amounts accruing to FCI in respect to our equity conversion rights in the iron and steel industry and the profits we will derive from the transfer to the market of our remaining investment in F. Perkins Limited, will constitute a buffer against any loss that may arise in respect to our existing commitments.

INVESTMENT IN PETROCHEMICALS

The amount of our investments and commitments, apart from advances to the steel industry, at the date of the balance sheet amounted to £30,186,076.

While adhering to the rule which I indicated last year that it was undesirable that we, a Finance Corporation, should discuss the affairs of our clients and give detailed information with regard to our advances at a public meeting, I think it is desirable that I should say a word with regard to Petrochemicals, in which as you all know we have a substantial investment.

Twelve months ago I dealt with this investment specifically and gave to the shareholders an appreciation of the position. During the twelve months that have passed the basic plant has been completed. The capital cost has been higher than was estimated and the period of construction longer than was originally contemplated. This I understand is not a unique experience in relation to chemical ventures.

The company having now passed from the constructional stage to the operational, it has been deemed desirable to make considerable alterations in the management. During the constructional period Drs Kind and Tugendhat were the managing directors and their task was to bring the plant to the operational stage. That having been accomplished, Drs Kind and Tugendhat have retired from their positions as managing directors and the company has appointed Mr. G. H. Owtram to that position.

It is disappointing that a recession in trade in sections of the chemical industry should have occurred at precisely this stage. Although not yet out of the teething period we are hopeful that the company will shortly reach the stage of profitable operation.

Recently, Mr. J. W. Livingston, a well-known Chemical Consultant, was invited to report upon the plant and future prospects. This report indicates that the project is technically sound, that it is a valuable contribution to development in the petroleum chemical field and with efficient management should operate satisfactorily as a commercial venture.

So much for our balance sheet.

PROFIT AND LOSS ACCOUNT

In the profit and loss account you will observe we have this year adopted a somewhat different form.

Last year we showed the interest and dividends from investments and other income, less interest on advances from bankers and

amounts written off investments. This year we have shown the other income and amount written off investments as separate items. We have also included the comparable figures for last year, taken on the same basis.

From these figures you will see that this year we have written off £489,540. Last year we wrote off £418,959, making for the two years £908,499.

The reason for this writing down is the impossibility of assessing the ultimate value of our interests in companies in the development stage—to which attention is drawn in the directors' report.

Having regard to the function for which the Corporation was formed, namely,

successive occasions given to shareholders my impression of the economic position. I have even ventured from time to time to make suggestions as to the policies which I considered should be pursued to meet the increasing difficulties with which we have progressively been faced.

Looking back at the speeches I have addressed to you over the past five years, I find the theme running through them all is that Britain since the war has been facing the most serious financial and economic crisis in her history, the gravity of which has not been recognised by the general mass of the people, and that all the political parties have failed in their duty to bring it home to them.

I also find the view constantly reiterated that once the people realise how dire is our position it will be possible to recreate the national unity of the war years and the way will be open, under wise leadership, to bring about the increased production and lowered costs, on which the maintenance of our standard of living and our very existence depend. These views I still hold.

This, however, is not enough. Assuming for the moment that the people were made to realise the seriousness of our financial and economic position and as a result were stirred to the unity and effort I have suggested, where are we going to obtain the food and raw material that we will require and where are we going to sell the increased exports resulting from our greater production?

FOOD AND RAW MATERIAL

First dealing with food and raw material.

Food. The world's production of major food crops in 1951 was only 11 per cent above the 1934-38 level. During the past fifteen years the world's population has increased by 14 to 15 per cent. It is well known that either through increased internal consumption or reduced production the sources of supply for Britain, the great food importing country, are progressively drying up. Without a spectacular and determined effort to increase food production, particularly within the sterling area, the question of providing for Britain's food needs must cause the gravest anxiety.

Raw Materials. While there have been some spectacular rises in the production of raw materials, the outstanding example being crude oil, the raw material situation, in face of the tremendous increase in industrial production in the world—to which I will refer later—presents a problem of the first magnitude. This is brought out in the report of the US President's Materials Policy Commission (known as the Paley Report) which was made to the President of the United States and published as recently as June of this year. It states that:

"There is a materials problem of considerable severity affecting the United States and the industrialised nations of Western Europe. Unless the problem is effectively met, the long range security and economic growth of this and other free nations will be seriously impaired. The Commission's report is primarily concerned with the United States' problem, which cannot, however, be isolated from the rest of the free world problem."

It then goes on to show:

(a) the astronomical growth of the United States' consumption of raw materials over the past half century and particularly during recent years;

(b) that this growth must go on, whether peace or war is to be the world's portion, if the standard of living of her people and the financial and economic position of the United States is to be maintained;

(c) that the United States has outgrown its "domestic resources base" and has

ceased to be a raw materials surplus nation and has become a raw materials deficit nation;

(d) that the United States must import increasing quantities of raw materials, with the proviso that—

"Where import conditions are unattractive we can always raise domestic output (at a higher cost), develop substitutes or, if need be, do without";

(e) that the demand of the other free nations will be even larger in its percentage increase than the United States demand;

(f) that in the interests of the industrial countries production of raw materials in the underdeveloped countries must be stimulated;

(g) "The resource-rich but relatively undeveloped nations of South America, Africa, South Asia and the Middle East will also profit, for by exporting to us they can obtain the dollar exchange with which to acquire more of the capital goods they need to assist their own economic growth."

Clearly, the world faces a serious shortage of raw materials. New sources of production must be developed, and by doing so the new markets which are essential to the industrial countries—and to which I will refer in a minute—will be progressively provided.

The outstanding facts emerging from this report which we, the British peoples—and in fact the whole sterling area—must realise are—

(1) we must immediately undertake an imaginative but realistic programme of raw material production in our own area and territories;

(2) by so doing we will not only meet our own needs, reduce our dollar purchases and by meeting the ever-growing requirements of the United States for raw materials earn dollars, but at the same time we will be—

(3) increasing the purchasing power of the countries in which the production takes place which, as I now propose to indicate, is so vital to the industrial countries.

MARKETS FOR INDUSTRIAL PRODUCTION

Since 1937 the world's industrial production has increased by at least 80 per cent. In 1951, however, the volume of international trade was only about one-third higher than in 1937. Furthermore, the expansion in capacity and output is continuing, especially under the stimulus of rearmament. The United States alone is increasing its steel capacity by 22 per cent over the tremendous 1950 level and its aluminium capacity by 115 per cent. These increases will be completed by 1954 or 1955. For Western Europe, the OEEC is aiming at a 25 per cent expansion in total production over the period 1951-56. This tremendous growth in production cannot be sustained unless international trade also expands more rapidly than hitherto.

It is true that part of the great increase in industrial production is being consumed internally as a result of greater employment and higher standards. But in spite of this the volume seeking entry into world trade shows a tremendous expansion.

Prewar the United States only exported to the extent of 3,000 million dollars annually. During the immediate postwar period her yearly exports reached the astronomical figure of 15,000 million dollars.

The best opinion that I have been able to find estimates that if the United States is to avoid serious unemployment she must export to a minimum of 10,000 million dollars. This represents a 65 per cent increase in volume compared with the prewar level.

Great Britain has already expanded the volume of her exports over the prewar level by 60 per cent, and must further increase her

exports if she is to maintain her financial and economic stability.

Practically all the other industrial nations are seeking a greater outlet in the world's markets. Added to all this, Germany and Japan—two of the great industrial nations of prewar days—are again returning to the field. Germany's exports recovered their prewar volume in 1950 and are now some 20 per cent higher. Japan's exports have doubled in volume since 1949, and have made great inroads in our overseas textile markets.

In face of these ever-growing supplies flowing into the export market, we have to realise that without a great expansion of world trade there is not room for all.

GREAT OPPORTUNITY FOR BRITISH NATIONS

The vital question today is how world trade can be expanded. The answer is by creating new real wealth and creating it in such a way that impediments to the free flow of world trade can be overcome. There can be no doubt that one of the most effective ways of creating that new wealth is by the development of the latent resources, particularly of the backward countries and, above all, of the countries of the British Empire.

The need for the development of the latent resources of the backward countries is now widely recognised. This is shown by the technical aid activities of the United Nations and the Specialised Agencies, by the Colombo Plan and by the bilateral assistance that is being given to backward countries, particularly by the United States and the UK in her Colonial Development Policy.

All these moves are in the right direction. They must, however, go very much farther and faster if the world is to solve the economic problems that confront it. I believe this constitutes a great opportunity for the British nations. They have already achieved for themselves higher standards of living. They have also in the main accepted the ideal of each man's responsibility for his neighbour as part of their settled political philosophy. The gap, however, between their comparative prosperity and the backwardness of large parts of the Commonwealth in which they are members constitutes a challenge.

Individual effort by each Commonwealth country acting separately is, however, only part of the answer. Joint action will prove far more effective, and I suggest that up to date all the British nations have been acting as isolated units, apart from the Colombo Plan, and acting individually in co-operation with the United Nations efforts. At the forthcoming Economic Conference I trust that real co-operation will be brought about among all the British nations. By this they will help themselves, and through the strength gained be better able to help in the international effort.

This co-operation must be directed to meeting the needs of the industrial countries, as well as furthering the ideal of the Colombo Plan for the assistance of the less fortunate nations to raise their standards of food and of living.

THE REALISTIC WAY

I suggest the realistic way to face this problem at the Conference will be to analyse the basic raw materials entering into industrial production in relation to—

- World requirements;
- Sterling Area requirements;
- British Empire requirements.

Having done this, I suggest the next step would be to examine the resources and production potential of the Empire in relation to demands for these basic materials.

Then the policy to be pursued should be determined in the light of the fundamental problem of today—the Dollar Gap. By this I mean, without going into wearisome detail, we should determine whether our increased production should be directed to meeting our own requirements—thus saving dollars—or by meeting the US demand—thus earning dollars. The programme of dollar saving and dollar earning should be, and I am certain can be, worked out in co-operation with the Americans.

Increasingly it is being recognised in the United States that a prosperous British Empire is of vital interest to their people. A programme which co-ordinates the needs of the Sterling and Dollar Areas and designed to secure balance and expanding trade is the best hope of solving the dollar problem and is a precondition of convertibility.

To enable the Economic Conference in November next to carry out its task in the manner I have suggested, the most complete documentation will be necessary. I would I could feel confident that this was being done as thoroughly as it should be.

HUGE FUNDS NEEDED FOR EMPIRE DEVELOPMENT

If the unparalleled effort to develop the latent resources of the Empire—which is imperative—is to succeed, finance on a scale never previously contemplated will be required and ways and means have to be found of making such huge funds available. In facing this need we have to recognise that if it is to be met additional saving must be stimulated. Additional investment without additional savings spells inflation.

I will not weary you with a repetition of what I have said on previous occasions as to how I believe these savings could be brought about. If these necessary savings can be obtained we have to ensure that our overseas investment is in respect to essential wealth-creating projects.

VITAL STANDARD OF PRIORITY

The tremendous industrial expansion in America is based on an unprecedented increase in the output of basic products—steel, minerals and electric power.

The Russians too, in their successive Five Year Plans, have put so complete an emphasis on basic development that the consumer has been left as a very pinched residuary legatee.

In Australia secondary and tertiary production has so outrun the expansion of the base economy that exports of primary products have fallen away to the disastrous detriment of the import programme and industrial production is hampered at every turn by lack of power.

It is essential that this vital standard of priority should be recognised.

THE CITY'S ROLE

It seems to me that in this gigantic but inspiring task of Commonwealth development the City has an immense part to play and that it should in particular give a lead to the forthcoming Commonwealth Conference.

Already, without any new great policy of expansion, I am convinced from the applications I have received to provide overseas finance for valuable developments, or to protect existing British interests, that there is a gap in the financial facilities, which the City of London can provide.

FCI was an imaginative creation, to meet a gap in our internal financial facilities. It has, I believe, done good work but it is not constituted to cope with the problem I am now envisaging.

If the results of the forthcoming Economic Conference are as fruitful as we all hope

they will be, some new machinery must be created. The International Bank for Reconstruction and Development has reported favourably on the suggestion for the creation of an International Finance Corporation.

I suggest that consideration should be given to the lines on which a Commonwealth Finance Corporation, adapted to the particular requirements of the Empire, could be created.

The steps that are, I understand, being taken by the Colonial Development Corporation increasingly to bring commercial and industrial interests experienced in the operations concerned in association with them, appear to me admirable. I am, however, envisaging something much wider than that. I believe a Commonwealth Finance Corporation should be constituted to assist in the financing of development projects, undertaken and managed by individual firms and associations over the widest field, including of course those that have their origin in other parts of the Commonwealth.

The report and accounts were adopted.

The retiring directors, Sir Charles D. Ellis, FRS, and Sir Ronald M. Weeks, KCB, DSO, were re-elected, the remuneration of the auditors was duly fixed, and the proceedings terminated with a cordial vote of thanks to the chairman, directors and staff.

NYASALAND RAILWAYS, LIMITED

BENEFITS FROM PROGRAMME OF MODERNISATION

MR W. M. CODRINGTON ON A SUCCESSFUL COLONIAL DEVELOPMENT SCHEME

The twenty-first annual general meeting of Nyasaland Railways, Limited was held on September 4th in London, Mr W. M. Codrington, CMG, MC (chairman and managing director), presiding.

The following is an extract from his circulated statement:

During 1951 our operating receipts were £583,594, compared with £473,499 in 1950, an increase of over 23 per cent.

The steady annual increase in tonnages carried by the railways continued: 228,671 tons were carried in the year under review, compared with 208,394 tons in 1950, and gross earnings from this source rose from £375,000 to £446,000.

Expenditure, on the other hand, also continued to rise and amounted to £458,240, compared with £400,027 in 1950. The ratio of expenditure to receipts, however, was lower at 78.52 per cent compared with 84.48 per cent in the previous year.

PROVISION FOR RENEWALS

In the revenue account you will see that the provision for renewals this year is £77,273 compared with last year's figure of £63,843. As our new rolling-stock and other equipment, acquired at present-day high prices, is brought into service, so must this provision grow, based as it is on historical cost and estimated life of the equipment. At the same time we must, whenever possible, make some provision for the increased cost of replacing those of our assets acquired at the very much lower prices which obtained before the war. For this purpose we are glad to say it has been possible this year to provide the sum of £27,885 as against last year's provision of £3,757.

After paying the interest on the 34 per cent first debenture stock, the sum of £63,775

remains for interest on the new 5 per cent consolidated income debenture stock which is equivalent to a payment of 2 per cent.

The bulk of the money represented by these consolidated debentures was lent to the company by the Government some twenty years ago to pay for the construction of the Zambesi Bridge and Northern Extension. Neither of these works, so essential to the progress of Nyasaland, could have been financed on their commercial merits, and represented one of the few considerable "developmental" schemes financed by the Government in the period between the two wars. It would have been easy to buy out the then existing private owners of the railway, and entrust the execution, and subsequent administration, of these improvements either to the Government of Nyasaland, or to some specially created Government controlled corporation, after the manner which has become so fashionable in recent years. The alternative, deliberately chosen, was to utilise our company, under suitable safeguards, as the vehicle or agency, through which public money should be directed to the realisation of these schemes, so that the railway route which they created might subsequently be managed on commercial lines.

INCREASED ECONOMIC ACTIVITY

In spite of the difficulties caused by the last war, and of enormously increased costs only partly offset by increased rates, this money is now earning 2 per cent; and, thanks partly to the through rail route which it created, Nyasaland's economic activity has very greatly increased. As a result, our earnings enabled us, four years ago, to raise new money on the market, at no cost to the taxpayer, to finance further improvements to the line. This is surely a case in which success can be claimed for a partnership between public and private investment under commercial management.

LAKE SERVICE DEVELOPMENT

Development of the lake service has continued: our new vessel, *Ilala II*, sailed on her maiden voyage in June, 1951, and is now making regular fortnightly trips round the lake. This service meets a long-felt need of the lake shore community and the ship shows every sign of being a popular and worthy vessel. I must, however, point out that the provision of our lake services, on which nearly £350,000 of capital has been expended, must be regarded as a long-term development project which cannot be expected to become remunerative for some years to come. The future of this service depends on the intensification of production in the districts surrounding the lake and in our view it is unreasonable to saddle the railway with the heavy loss entailed in providing and maintaining unremunerative services required by the Nyasaland Government for the development of the Protectorate. Representations to this effect have been made to the Governor.

IMPROVED OPERATING EFFICIENCY

In general the programme of re-equipment and modernisation which we planned after the war, though not yet completed, has already reached the stage at which we are deriving considerable benefits, in terms of operating economies, from the money we have invested. It is only by the increased operating efficiency made possible by the new locomotives and other plant now available that we have been able to absorb some of the effects of constantly rising costs of labour and material. At the same time we can justifiably claim that the service we are rendering to our customers is progressively improving as the means at our disposal increase. It is interesting to recall that during the year we moved about three and a half times the tonnage of traffic which we carried in 1939.

The report and accounts were adopted.

GEORGE NEWNES LIMITED

EARNINGS MAINTAINED IN A DIFFICULT YEAR

SIR FRANK NEWNES'S STATEMENT

The fifty-fifth ordinary general meeting was held on September 4th at the company's offices, Sir Frank Newnes (chairman) presiding. The following is an extract from his statement circulated with the report and accounts.

The company is able to report well-maintained earnings notwithstanding a difficult trading year. The gross profits of the group amount to £969,329 as against £928,918 for the previous year. Higher taxation at £462,657 (an increase of approximately £85,000) reduces the net figure to £506,672 as against £551,164.

The earnings of most of the periodicals have been adversely affected by ever increasing costs in general, and in particular by the excessively high paper prices which mounted steeply during the trading year. At short notice the single item of paper used by our businesses rose by over £12,000 per week, or in other words at the rate of more than £600,000 per year. This gives some indication of the problems that had to be faced, and although we were able to meet the new pressures to some extent by increasing selling prices and advertisement rates of certain of the publications, such measures could not wholly bridge the gap, and earnings had to be sacrificed rather than risk losing the support and goodwill of readers. Paper prices are now moving downwards and supplies becoming easier—a timely and essential trend if publishing is to maintain its time-honoured role of enterprise and development.

Our largest subsidiary, C. Arthur Pearson Limited, has had to face an unusually severe setback in the earnings of its publications, mainly due to the heavy rise in costs referred to. Its periodicals are large users of paper in relation to their selling prices and in consequence the abnormal increase in the price of that commodity bore particularly harshly on them. With a lower paper cost already effective and with the promise of further reductions in the near future the company's trading position should begin to regain lost ground.

Due to the policy laid down some years ago, the organisation, to use a well understood term, has "Swings and Roundabouts" in its widely spread interests, so that where we have had to face a recession in one direction we have been able to make good in another. Our book interests have done well; Chambers's Encyclopædia, upon which a vast amount of money and time was expended in providing a totally new post-war edition, is now bringing in suitable rewards for the effort and expenditure; the new Australia company makes good progress. Another factor has helped this year's figures in comparison with those of last year. Temple Press, one of the leaders in the field of trade and technical journals, has had a normal trading year whereas in the previous year their earnings were severely reduced as a result of a dispute in the printing industry. These same circumstances apply also to other of our publications.

THE ACCOUNTS

The results of Newnes, the parent company, show net profits of £346,893 as compared with £320,606 for the previous year. Adding the amount brought forward, and after deducting dividends on the preference shares and interim dividend on the

ordinary shares, there is a disposable balance of £366,151. The directors propose to transfer to general reserve £100,000; to development and reconstruction reserve £50,000; to pension funds £41,500, and to declare a final dividend of 10 per cent on the ordinary shares, plus a bonus of 5 per cent, making in all 20 per cent for the year. With the downward trend of paper prices a previously created reserve of £80,000 in respect of paper cost equalisation has now been transferred to general reserve, bringing that figure to a total of £605,000.

The group accounts show a position of considerable strength. There is a large surplus of assets as against issued capital, even without taking into account the item of goodwill which obviously has a very high value. Capital reserves and general reserves exceed £1,500,000. In addition there is a reserve of over £600,000 created for the development of existing publications and for launching new enterprises, or for acquiring other publishing properties as and when opportunities occur. Stocks at £1,085,199 show an increase of about £150,000 due mainly to higher costs rather than larger quantity. Undistributed profits reach the impressive total of £340,730. Cash stands at £1,183,952. Although substantial, this amount is by no means excessive for the needs of the organisation. Over a period of time considerable sums have to be paid to the new pension funds, an obligation the directors are anxious to meet as quickly as circumstances permit both in the interests of the staff and of the various companies; stocks are likely to rise still higher notwithstanding recent substantial increases; and the large reserves set aside for development can only perform their proper function if they are made available in liquid form as the need arises—a need already arising in plans now being made. Clearly, therefore, adequate liquid resources are of prime importance.

THE SALES POSITION

During the year under review circulations of the publications, more particularly the mass circulations, were subjected to the economic pressures bearing on the family purse—the result being that there was a general falling away in sales. In recent months the downward trend has not only been arrested but with many of the periodicals has turned upwards again, and some have even regained all the lost ground.

Woman's Own, which has proved such a tremendous favourite with the public, still has a circulation well in excess of one and three-quarter millions weekly, and is recognised by advertisers as one of the most powerful media in the women's field. *Tit-Bits*, that old campaigner upon which the Newnes' business was founded, has again passed the half-million mark in its weekly circulation—a remarkable achievement when it is remembered that this old favourite is now in its seventy-first year. *Home Notes*, another long-established family favourite, continues to hold a large readership, and our magazines *Homes & Gardens* and *Modern Woman* steadily expand their already wide circle of readers. *Amateur Gardening* and *Smallholder* maintain their pre-eminent position in their respective fields, and our popular technical papers *Practical Engineering*, *Practical Mechanics*, *Practical Wireless* and *Practical Television* make a wide appeal to those interested in the subjects. These are just a few of the titles in our general

periodical list: there are other important and vigorous members.

Our subsidiary, *Country Life*, Limited, although showing somewhat lower profits, has done well in the face of steeply rising costs. The prestige of *Country Life* itself increases, if that be possible. This beautiful and unique publication has continued to pursue its traditional policy of maintaining the highest standard of content and production whatever may be the adverse factors. It can be said without challenge that in a long and distinguished history there has never been a time when the esteem of both reader and advertiser stood higher.

TRADE AND TECHNICAL PERIODICALS

In the trade and technical publishing field we are powerfully represented through our Associated companies, Temple Press Limited and The National Trade Press Limited.

Temple Press Limited has a long-established reputation as publishers of specialised journals unsurpassed in their respective fields. Their thirteen periodicals are together representative of the wide range of leading industries and special interests indicated by their titles. Five are weekly journals, *The Motor*, *The Commercial Motor*, *The Aeroplane*, *Motor Cycling* and *Cycling*. Monthly journals are *The Motor Ship*, probably the most influential shipping journal of its kind in the world, *Plastics*, *Light Metals*, *The Light Car*, *The Oil Engine and Gas Turbine*, *The Overseas Engineer*, *The Motor Boat and Yachting* and, finally, *Farm Mechanization*, started since the war and already established with a world-wide reputation. *Cycling*, the founder publication of the business, celebrated its Diamond Jubilee last year. This year *Motor Cycling* has achieved its 50th anniversary, and early next year *The Motor* will also be celebrating 50 years of continuous weekly publication. It is indicative of the authority of these journals that the majority have substantial readerships abroad, ranging from 20 per cent to as much as 50 per cent of their total circulations. The international character and extent of their circulations thus prove of the highest value to the export-seeking industries with which they are associated.

The National Trade Press Limited have sixteen journals covering a wide field of trade and industry, six of them having been established for more than fifty years. The monthly magazines, a field of publishing in which the company is particularly experienced, are mainly concerned with the interests of important distributive trades, as indicated by their titles—*Fashions & Fabrics*; *Footwear*; *Style for Men*; *Furnishing*; *Watchmaker*, *Jeweller & Silversmith*; and *Tobacco World*. Two others, *The British Shoeman* and *Laundry Journal* deal with semi-technical services while *The Dyer* and *Laundry Record* are wholly concerned with the technical development of their respective industries. A new quarterly, *Household Textiles & Domestic Linens*, launched by the company during the year, is the first magazine published in Europe specifically devoted to this section of the textile trade. The company also has active interests in the export field and is particularly proud of its four outstanding journals, *Fashions & Fabrics Overseas*; *Style for Men Overseas*; *Furnishings From Britain*; and *Overseas Watchmaker, Jeweller & Silversmith*.

The report and accounts were adopted.

PINCHIN, JOHNSON & ASSOCIATES

RECORD PROFIT AND VOLUME OF SALES

FURTHER EXPANSION HOME AND ABROAD

MR G. R. T. TAYLOR'S STATEMENT

The annual general meeting of Pinchin, Johnson & Associates, Limited, was held on September 10, at the Connaught Rooms, Kingsway, W.C.2, Mr G. R. T. Taylor (the chairman) presiding. The following is the chairman's statement circulated with the report and accounts for the year ending March 31, 1952.

The report of the directors has referred to many of the salient figures for the year ending March 31, 1952, and there are few other matters affecting the past year's accounts which require further comment.

I draw your attention, however, to the parent company's balance sheet which reveals an increase of approximately £670,000 in stocks and debtors and a reduction of approximately £480,000 in cash, Government securities and tax reserve certificates, including a bank loan of £150,000, at March 31, 1952, compared with March 31, 1951. The figures reflect the continued expansion of the company's business during the past year.

THE BURDEN OF TAXATION

The heavy burden of taxation on undertakings domiciled in the United Kingdom is well illustrated by a study of the parent company's results for the past three years.

For 1949-50, the net profit amounted to £933,167, the appropriation for taxation in that year being £490,000, that is, 53 per cent of the net profit.

The corresponding figures for 1950-51 were net profit £1,087,843—taxation £610,000 (56 per cent).

Further development of your company's activities at home and overseas during the past year was responsible for profits increasing by £119,088 over 1950-51 to the record level of £1,206,931. Additional taxation on the past year's profits has appropriated more than the whole of the profit increase, the total tax liability being estimated at £790,000, or 65 per cent of the parent company's net profit for the year.

Thus, over the three-year period, net profits of the parent company have increased by £273,764 and taxation by £300,000, leaving less available for distribution to shareholders and for reserves in 1951-52 than was available in 1949-50.

ISSUE OF 5½ PER CENT UNSECURED LOAN STOCK, 1959-64

In the circumstances referred to above, it became impossible for your company to finance from its own resources the additional working capital necessitated by the progressive increase of sales or to meet from liquid funds the capital expenditures of further acquisitions at home and overseas. It has therefore been necessary to raise further capital.

Your directors considered that in present circumstances the most satisfactory course would be to offer £1,250,000—5½ per cent unsecured loan stock, 1959-64, at £98 per cent, to holders of the company's ordinary and preference shares. The stock was duly allotted in July, 1952.

It is the confident belief of your directors that shareholders will obtain considerable

benefits from the utilisation of the additional finances.

EXPANSION OVERSEAS

Part of the proceeds from the issue of loan stock is being used to acquire a controlling interest, as from September 1, 1952, in the Roxalin Company of Canada, Limited, a progressive and well managed business. The company mainly produces industrial surface coatings, its products having achieved a high reputation in the Canadian market.

Our association with the Roxalin Company will also provide facilities for the manufacture and marketing in Canada of your company's own brands; these are esteemed throughout the world but their exportation to Canada has been restricted by high Canadian import duties.

Canada promises to become one of the foremost markets of the world. It has been the missing link in our world chain of supply.

Since the close of our financial year we have increased our holding, on favourable terms, in *Etablissements Lory*, our French associated company.

During the past year I again visited the plants of our subsidiary companies in Australia, where our group of companies has been reconstructed. I am pleased to record that the progress of our companies in that Continent has been substantially maintained.

EXPANSION IN THE UNITED KINGDOM

We have recently negotiated an acquisition of a substantial interest in *Styrene Co. Polymers, Limited*, a company producing certain types of synthetic resins used in some of your company's products and by other industries.

We believe that our participation will bring considerable benefits to your company.

The replanning of our factories is constantly under consideration with a view to obtaining maximum efficiency. Further installations completed during the past year should lead to increased productivity in the future.

THE PAST AND FUTURE OUTLOOK

During the past year we again achieved a record volume and value of sales; but for the continued shortage of some raw materials your company would probably have established even better results. Cost of raw materials and other expenses of production again increased substantially during the year, while the margin of profit per unit of output further declined.

The record net profits of 1951-52 were created by small returns on a high volume of output, but it is probable that demand was to some extent encouraged in the earlier months of the year by the inflationary conditions then prevailing.

The report of the directors has referred to the decline in the volume of sales which has occurred since the close of the financial year. This decline at the time of writing is so far of modest proportions.

Your company, with its subsidiary and associated companies, provides a vital service to industry, transport and the building trade;

the wide spread of the group's activities, both geographically and commercially, assures a high degree of stability.

We believe that our undertaking will continue to be successful despite temporary setbacks, and reaffirm our confidence in our ultimate future.

In conclusion, I extend our thanks to the management, members of the staff and all other workers throughout the world for their continued co-operation and loyalty.

The report and accounts for the year ending March 31, 1952, were adopted and a final dividend of 17½ per cent (less tax), was declared on the ordinary shares, making 25 per cent (less tax) for the year. The retiring directors were re-elected and the auditors' remuneration was fixed.

A cordial vote of thanks to the Chairman terminated the proceedings.

At a subsequent extraordinary general meeting the proposed alterations to the Articles of Association were unanimously approved.

A. LEWIS & CO. (WESTMINSTER) LIMITED

MULTIPLE TOBACCONISTS

The twenty-third annual general meeting of the company was held on September 10th, and the following are extracts from the statement of the chairman, Mr P. L. Fleming, circulated with the accounts for the year ending March 31, 1952.

During the year the manufacturers were obliged by rising costs to increase the retail prices of cigarettes and tobaccos. This has had an effect on the consumption of all tobacco goods so that, while the individual price of a packet of cigarettes or tobacco is greater, the turnover of the trade has become less. Notwithstanding this, turnover actually increased. The trading profit of the group, however, declined from £225,000 to £197,000. This fall in trading profit is due to further increases in wages, other charges, and to certain expenditure incurred during the year which was exceptional and is unlikely to recur.

In consequence of the fall in trading profit and the fact that we do not benefit by a like reduction in taxation there is no alternative but to recommend a reduced dividend of 25 per cent making, with the interim, 40 per cent in all against 45 per cent last year.

To combat the present slight recession in smoking and in general retail trade, we have lately embarked upon a policy of increasing the range of goods sold in our branches. We serve roughly a quarter of a million customers every day and, judging from the sales made, we feel that this additional service of being able to buy other articles in daily demand is being appreciated by them.

The capital of the company was increased from £350,000 to £399,000 by the issue last October of 49,000 5½ per cent cumulative preference shares of £1 each at 20s. 3d. per share, and the directors are proposing to raise a further £50,000 this autumn, probably in the shape of preference shares.

Shareholders will appreciate that while our attempts to maintain turnover have been successful we are finding, as most other retailers are finding, that the limiting factor is cash. This problem is having our close attention and we anticipate finding ourselves in an easier situation before very long. On the longer view, we are more fortunate than most retailers in suffering very little indeed from violent fluctuations, from changes in fashion or from bad stock.

The report and accounts were adopted.

GOLD MINES OF KALGOORLIE (AUST.)

ENCOURAGING DRILLING RESULTS

The first annual ordinary general meeting of Gold Mines of Kalgoorlie (Aust.) Limited was held on September 3rd in Melbourne. (The figures quoted are in Australian currency.)

Sir Walter Massy-Greene, KCMG (the chairman), in the course of his speech said: Since the formation of this company in October, 1951, to the end of the financial year, the tonnage treated was 77,901 for a recovery of 21,427 fine ounces of gold, equivalent to a grade of 5.5 dwts per ton. The resultant net profit was £79,181.

As the mining operations carried out by the old and present companies were continuous over the year, the report of the directors sets out the results of the financial years ended in 1951 and 1952, respectively. In 1952, as compared with 1951, the tonnage treated shows an increase of 7,003 tons and the gold recovered an increase of 4,069 ozs. The recovered grade in 1952 was 5.5 dwts per ton, as against 5.23 dwts in 1951.

Net gold proceeds at the official price of £15 9s. 10d. per ounce less realisation charges show an increase of £66,416 and in addition the amount of £21,436 has been brought to account in respect of anticipated premium on gold sales. The actual amount which the company received as the premium on the gold deposited in the period November, 1951, to March, 1952, was £24,036. The increased revenue, however, was insufficient to offset the increase in operating expenditure with the result that the net profit for the year was down by £24,194.

Dividend No. 1 of 6d. per unit of stock was paid on April 4, 1952, and the directors on August 29th declared a dividend No. 2 of 9d. per stock unit payable on October 10, 1952.

A NOTABLE YEAR

As you know, we have over many years, in association with our general managers, been endeavouring to increase our understanding of ore depositions in the Kalgoorlie district, and so suggest new areas for exploration.

As a result of these efforts Kalgoorlie Southern Gold Mines NL was formed to drill for a repetition of the Kalgoorlie fields to the south of the productive area. At date only the Northern section of the extensive area of possible interest has been drilled, and the results to date give every encouragement for continuance.

A further consequence was the expectation that a second layer of quartz dolerite under-

lies the calc schist in the producing part of the field. If so, then this layer would be within mineable depth along the eastern side of the field, much of it within Gold Mines of Kalgoorlie's leases.

Drilling was begun some time ago and the first hole has now been completed at a depth of 3,367 feet and has located the second layer of quartz dolerite. This opens a new area for exploration in Kalgoorlie.

The review by the geologists of the operating leases has also shed new light on the prospects in the upper part of the calc schist immediately below the outcropping quartz dolerite, suggesting that the calc schist carries more ore than previously expected in its margins adjacent to the upper quartz dolerite. In consequence of these developments we can take a more optimistic view of our prospects of developing new ore in the upper part of the calc schist.

An important feature has been the consistently high grade of ore which we have been developing in these areas for some time past.

Since the close of the year, 4,095 feet of development have been completed, of which 1,211 feet were in ore averaging 11.8 dwts over 62 ins.

The report was adopted.

WESTERN MINING CORPORATION

PROGRESS OF OPERATING COMPANIES

The nineteenth annual ordinary general meeting of Western Mining Corporation, Limited, was held on September 4th in Melbourne. (The figures quoted are in Australian currency.)

Mr Frank F. Espie, BE, presided in the absence through indisposition of the chairman, Sir Walter Massy-Greene, KCMG, and read the speech prepared by the latter, in the course of which it was stated:

The profit for the year under review was £73,906, as compared with £101,611. Income from dividends at £61,679 was £45,243 less, receipts from Central Norseman Gold Corporation NL being down by £16,406 and from Gold Mines of Kalgoorlie Ltd. down by £28,837. Income from sources other than dividends totalled £24,365 against a comparable figure of £15,893.

The balance brought forward at April 1, 1951, was £487,296. The profit for the year ended March 31, 1952, of £73,906, less appropriation for taxation £2,467, gives a total of £558,735. Deduct dividend No. 9 of 6d. per

unit paid on August 17, 1951, absorbing £69,859, leaves a balance to carry forward of £488,876. Since the close of the financial year dividend No. 10 of 6d. per unit of stock was paid on August 22, 1952.

OPERATING COMPANIES' PROGRESS

At the last annual meeting I informed you that it was hoped that Central Victoria Dredging Company NL would, by way of dividends, contribute to our income during the year under review. Whilst the dredge operating on the Jim Crow area had a satisfactory year, unfortunately the company experienced two setbacks with the dredge at Amphitheatre, which, together with power restrictions, severely curtailed operations, and these facts, together with expenditure of a capital nature, precluded the payment of dividends. These mechanical difficulties have now been overcome, and we anticipate that this company will in future show a substantial margin of profit.

I also informed you at the last annual meeting that it appeared that, subject to delays in the delivery of equipment, Great Western Consolidated NL would be in production in the latter part of 1952. The schedule for construction and mine development has been maintained in the face of many difficulties, and subject to delivery of several major items of plant, the objective is to start operations in October, 1952.

An encouraging feature in the recent report by Gold Mines of Kalgoorlie (Aust.) Ltd. is the prospect of developing new ore in the upper part of the calc schist immediately below the outcropping quartz dolerite. It is now thought that the calc schist carries more ore than previously expected in its margins adjacent to the upper quartz dolerite. An important feature is the consistently high grade of ore which the company has been developing in these areas for some time past.

Kalgoorlie Southern Gold Mines NL is conducting a drilling campaign to investigate the possibility of the repetition of the Kalgoorlie system of ore veins to the southwards along the line of the Kalgoorlie syncline. The results so far obtained give every encouragement to continue the campaign.

The reports from Central Norseman Gold Corporation NL show highly satisfactory results, both from the operating and development angle, and the future of this company appears to be extremely favourable.

PROBLEM OF RISING COSTS

Since I last addressed you the gold industry has been subjected to another twist of the screw of rising costs, which if permitted to go on unchecked, so long as the price of gold remains fixed at the present level, must result in creating serious problems for many mines.

The report was adopted.

The Economist

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September 20, 1952

One Shilling

LEADING ARTICLES

The Public Service - - - -	669
Strasbourg and Luxembourg - - -	671
Sheets in the Wind - - - -	672
Comrade Marshal - - - -	674

NOTES OF THE WEEK - - - - 675

A Moscow Banquet; Korea and the Assembly; Boomerang for Persia; Wage Talks at the Ministry; Mr Shinwell Goes Shrimping; The Right Road Again?; Is it a Slump?; At M. Pinay's Coat-tails; Berlin Calls on Bonn; M. Schuman's Chances; Sweden at the Polls; Dearest Food; Unrest in Kenya; Nato Rides the Waves; The Mouth of the Baltic; Is Greece in the Middle East?; "Neutralism" in Asia; Aluminium School.

LETTERS TO THE EDITOR - - 685

BOOKS AND PUBLICATIONS - 687

AMERICAN SURVEY

The General Capitulates - - -	691
Mountain Politics - - - -	692

Crop Report for Candidates; Hard Bargaining in Soft Coal; Cleaning House under Fire; Getting Out the Vote; Headaches in the Schools; Shorter Notes.

THE WORLD OVERSEAS

Power Factors in Egyptian Politics - - - - -	699
--	-----

Finland Squares the Accounts; Austria and the Four Colonels; Malaya Picks Up; Chilean Come-Back.

THE BUSINESS WORLD

Recovery on the Big Screen? - -	707
Oil and Cartels - - - - -	709

BUSINESS NOTES - - - - 711

Pause in the Markets; Cotton Goods in World Trade; The Big Five; Bank Advances' Biggest Fall; IMF Link with EPU?; Merchant Banks and Canada; German Losses to Brazil; Rank Results Outlined; Surf on the Tideway; Large Premium for London Wool; Dichotomy in Distillers; Fawley's First Year; Ministry and Metals; Freights at Low Ebb; "Switch" Sterling and Scandinavia.

COMPANY NOTES - - - - 720

STATISTICAL SUMMARY - - 722

COMPANY MEETINGS - - - 723

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The Public Service

THE London railway stations are full of children going back to school. Even in the South of France, the season is getting late, and the Prime Minister will be back from his vacation early next week. The holidays are over. Last year a real effort was made to see that the servants of the state, both the elected and the permanent, got their full meed of rest. This year, circumstances have prevented, and many ministers and civil servants have had a busy summer. Public affairs, indeed, have been going at very nearly full speed. In foreign policy, it is true, the myth of a summer lull died many years ago, and this summer, which has at least produced no August crisis, has perhaps been quieter than most, though hardly less active. But there has been little relaxation in the home departments either. The Cabinet has met regularly; the industrial front has been active; and several departments have been working hard getting ready for the meetings of Commonwealth officials next week, which are to prepare the way for the conference of Prime Ministers at the end of November.

It is therefore perhaps an appropriate moment to ask whether something cannot be done—whether something does not urgently need to be done—to relieve the unbearable strain in which the higher servants of the state live their lives. To say that the condition of the senior civil service is alarming is not to criticise a body of men to whose devotion the community owes a great deal. Indeed, the guess can be hazarded that there is not anywhere else in the world (save perhaps at Ottawa) a body of public servants who, with such slender resources, could have accomplished so much in sheer slogging administration as the Home Civil Service has to its credit over the past fourteen years. But the plain truth is that the administrative class of the civil service has been taxed beyond its capacity for a decade and a half. Not only has the volume of work multiplied itself over and over again as the state has assumed duties that nobody ever dreamed of before. The nature of the work of the higher civil servant has changed. Though in form every decision is still the Minister's, in fact it is very often the civil servant's—and must be, for reasons of sheer volume of business. This means that the higher civil servant nowadays has to take a large share of the responsibility from which, in theory, he is excused. And if he is a conscientious man (and the typical higher civil servant is conscientious almost to a fault), that means that he has to worry as well as to work.

Long ago, these conditions clearly began to affect the quality of the work done by the civil service. Everybody who has business with a government department (and who today has not?) knows how long it takes to get even a simple, low-level decision. Anything important enough to have to compete for the attention of a Permanent Secretary, or to require inter-departmental consultation, can sometimes drag on most harmfully. Overload gives birth to the breed of No-men to whom the Duke of Edinburgh made reference the other day, the men who say no to anything new and different. The no bias in our

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present civilisation is strong enough as it is. Far too many decisions now fall to men who stand to gain nothing if a new idea works and to be pilloried if it fails. That creates bias enough; but when the decider is a very tired man, who is consciously or unconsciously aware that to say yes is to open the gate to a whole vast new field of consequential puzzles and dilemmas—then the wonder is that anyone is ever given permission to stray from the paths for whose every grade and angle precedents exist and procedures have been laid down.

Further, overstrain leads men to take refuge in the *ad hoc* expedient when they ought to have a policy. They can see what ought to be done in the next week or two—or, more often, what cannot be avoided—but they have a troubled feeling that it does not point in the direction that policy, if only they had a little time to think it out, ought to be leading. So the decision is given *ad hoc* and all the positions of principle are reserved, so that nobody can guess what will happen next time and the successive steps of a new policy have to be extracted one by one like teeth, not because there is necessarily any opposition to the new line, but because inability to find time to think it through creates timidity. The history of Britain's relations with Europe since the war provides some clear examples of this process at work.

Too gloomy a picture must not be painted; it is extraordinary how much imagination and vigour are left. But probably all those who, not being civil servants themselves, have frequent dealings with them would agree that the country would be better governed if the men at the top were not so tired and so hard driven. Moreover, there is reason to fear that there may be further deterioration. For reasons that probably go back to the first war, there is an unusual uniformity of age in the highest ranks of the service and far too many of the heads of departments will reach retiring age at substantially the same time. There have been two or three resignations of senior men in recent years to take posts in the business world that are probably better paid and certainly provide the boon of leisure. These examples are likely to be followed, especially now that recent changes in the rules enable civil servants to retire while still relatively young without losing all their pension rights. Vacancies at the top mean quick promotion, which can be very good for a service. But they also mean a loss of experience and ability, and vacancies on the scale that is possible in the next few years may be more than the service can stand.

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The only possible short-term remedy for this state of affairs is a deliberate and determined recourse to the wartime expedient of the temporary civil servant—not, or at least not only, at the lower levels of the administrative grade but in the higher ranks. The very highest rank would, no doubt, have to be immune: a Temporary Permanent Secretary (though examples of the species have been known to exist) is a contradiction in more than terms. But an incursion of Temporary Principals and Under-Secretaries would not only share the load; it might even enable some of the best permanents to take sabbatical leaves long enough to recharge their intellectual batteries. The American Government—not previously too well served by British standards—has profited enormously in recent years from its willingness and ability, in peacetime as in war, to call on business-

men, lawyers and university teachers for spells of government service that sometimes extend over several years.

That is what should be done here. But before it can be done, several obstacles will have to be overcome. That of scales of pay is not as severe as is often thought. It is true that the business man of competence who is invited to enter a government department is likely to be deterred, not so much perhaps by the actual rates of pay in the civil service as by the absence of expense allowances and of the tax-free services that private industry has come to provide for its higher salariat. But, as a generalisation, it was not the businessman who adapted himself most successfully to government service during the war but the professional man, the don, the lawyer, the accountant, the surveyor, the consulting engineer. And for the professional man, the salary hurdle is not nearly so difficult to get over. Another obstacle is the fact that many men who leave their present posts for temporary government service do not know whether they will be able to make the reverse journey, and in any case may endanger their pensions. But these are matters that could be overcome if there were a more general recognition of the desirability of a free interchange of persons between the ranks of the governors and the governed.

The greatest obstacle, however, is the attitude of the Civil Service itself. All organised services which are proud of their high standards tend to be close corporations, and by no means all the motives for these instincts of exclusiveness are unworthy. But the Civil Service has seemed to become a closer corporation in proportion to the need for it to be more open. Higher civil servants have become dedicated men and a combination of choice and circumstance has cut many of them off from their fellow-men beyond the pale. They work long hours in their offices; they dine only with their colleagues; and the dreadful wartime habit of sleeping in the office has not entirely disappeared. Some of the Permanent Secretaries and Under-Secretaries live in an invisible Kremlin. The hours they keep have killed their outside interests. The decline in living standards, which they share, though in an acute degree, with the rest of the professional class, has impoverished their social life. The burden of secret knowledge they carry—or, in some cases, the even heavier burden of knowing that they alone really understand the complex issues with which the public besports itself—inhibits the freedom of conversation with the layman. If there ever were country house parties nowadays, and if a senior civil servant were ever invited to one, and if he could find the time to go, he would still (unless he were one of the rare and refreshing exceptions) find it difficult to achieve a meeting of minds with his lay fellow-guests.

Is there an element of caricature in this picture? But caricature is only an exaggeration of recognisable lineaments. It is not good for civil servants to be cut off from the community they serve; nor is it good for the community, especially for one that has no tradition of reverence for the bureaucrat. It has become an urgent matter to establish a circulation between the civil service and the other professions. In much the same way as the change in the nature of war has forced the armed forces—once even closer corporations—to remodel themselves so that they can use the temporary services of amateurs, the civil functions of the state have come to play too large and too intensive a part in the life of the community for it to be possible or wise to leave their execution solely to a small detached elite. The new conception of the state requires a new conception of the public service.

Strasbourg and Luxembourg

THE Council of Ministers and the Assembly set up to oversee the working of the Schuman Plan have decided to race ahead with the work of setting up a central political authority to which France, Italy, Germany and the Low Countries will, presumably, allot specific federal powers and thus establish themselves formally as a federation. A committee has been set up to produce a draft constitution and will report by March next year. Then, unless there are major upheavals in the political life of the six countries, ratification by the parliaments is at least possible in the course of 1953. The fact that M. Spaak, a Socialist, has been elected chairman of the Schuman Plan Assembly and hence of the drafting authority considerably increases the chances of ultimate ratification, since, in the eyes of the French and German Socialists, it may remove some of the taint of excessive conservatism and clericalism from the whole movement towards federation.

If this rapid advance towards federation is maintained, the British people have every reason to welcome the process. The days are past when Britain's historical bugbear—the political union of Europe under one hegemony—could threaten the balance of power in the world. The strength of the Soviet Union will before very long be equal to that of Britain and Western Europe put together, and to maintain a preponderance of power on the side of the peaceful nations, the new world of American strength has to be called in to redress the balance of the old. So long as America plays a role in Europe, Britain has little to fear from Western European federation.

There are, moreover, more immediate reasons for welcoming the fact that the six federalising governments have gone ahead on their own. Hitherto, the political fumbblings of Europe towards unity have all taken place within the Council of Europe, and there the inevitable division between the six nations whose leaders were prepared for federal experiments and the remaining countries whose leaders were not has led to bickering, misunderstanding and a prevailing atmosphere of thick confusion, in which real divergences of ultimate objective masqueraded as differences of opinion on procedure.

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But if the federalists press ahead on their own, there is still the question of working out relations between them and their European neighbours outside the federation. As Mr Eden pointed out in his speech last Monday to the Assembly of the Council of Europe, the federation of six of the Council's members into a single political authority must modify their relations with their non-federating partners. They will forge special links the others do not share. Yet the states outside the federation—the new penumbra of free Europe, fringing a hard central core—will certainly be not less, but probably even more vitally interested than they were before in the doings of the Six. The federation will, after all, represent a formidable concentration of power and influence.

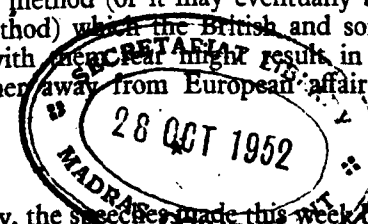
It should be repeated again that, so far as Britain is concerned, this is not a question of "find out what Tommy is doing and tell him not to." If the peoples and parliaments of the six nations conclude that their

prosperity, security and self-confidence require a federal structure, there should be no British quarrel with the conclusion, for prosperity, security and self-confidence in Western Europe are as much a British as a European interest. But the decisions of the new federation in economic and strategic matters so closely affect Britain's own interests and those of the proposed federation's other immediate neighbours that forms of contact and consultation cannot be less intimate than they were before federation began to gather momentum; they should rather be closer still.

For some months past, two distinct lines of approach to this problem of creating suitable forms of consultation have been ardently advocated. Six months ago, Mr Eden proposed that the joint assemblies set up to oversee the work of the various European communities—the coal and steel community and the defence community—should be drawn from the representatives chosen for service on the Assembly of the Council of Europe, who would thus have a double role. It would naturally follow that they should meet at Strasbourg.

To the more ardent federalists, this proposal—which has become known, according to the fashion of the day, as the Eden plan—appeared to limit the speed of federal development to the pace set by the most timid member of the Council of Europe. Some of them professed to doubt the honesty of Britain's intentions and to suspect that insistence on keeping the negotiations for federation "within the framework" of Strasbourg was merely another move in the tactics of delay. They have therefore pursued the idea of separate assemblies, representing the six nations only, and it is a fact that in the Assembly set up to supervise the Schuman Plan—and now also responsible for the work of federal constitution making—only about half the members are at the same time members of the Assembly of the Council of Europe. Moreover, the Schuman Plan assembly has chosen as its chairman, in M. Spaak, one who, since he resigned from the presidency of the Council of Europe last year in protest at the delays in achieving closer union, has been an outspoken critic of British policy. Last week there seemed to be the prospect of a real conflict between the Strasbourg method—which the federalising six suspected to be designed to secure delay and dilution—and the Luxembourg method (or it may eventually be the Saarbrücken method) which the British and some of those who think with them might result in their being pushed further away from European affairs than they desire.

Fortunately, the speeches made this week by Mr Eden, by Signor De Gasperi and by M. Spaak seem to have averted the danger of an open disagreement. The choice of method has still to be made, but the suspicions on both sides have been allayed. There is, indeed, no inevitable clash between these two ways of proceeding. In his speech, Mr Eden denied strongly that he wished the Council of Europe to control in any way the development of the separate communities or indeed of the proposed federation. He made it clear that when the delegates of the Six met to consider their federal projects, others could be present only if they were invited. At the same time, the assembly of the Coal and Steel



Community has voted to invite 13 members of the non-participating nations to attend its deliberations as observers. In principle, both the federalists and the non-federalists agree that observers should observe and that close contact should be maintained. The point at issue has lost most of its real substance, and seems to have become procedural in reality as well as in appearance.

This is the point at which the public might be content to leave it to the experts and the tacticians. It is, in any case, difficult at this stage to make any final judgment. Mr Eden did well to point out the experimental nature of the new communities and while the experiments are still fluid, it would no doubt be a pity to dismantle a framework for consultation which already has its secretariat, its buildings and the beginnings of a tradition. Yet it may be doubted whether, in the longer run, the Council of Europe can be maintained as the instrument of contact between the federating and non-federating states of Europe. In the first place, the creation of a political authority—that is, of a federal Government—will bring into being the apparatus of a central administration, always in session, with full departmental and secretarial assistance and supervised by regular meetings of the federal assembly into which all the separate “assemblies” now planned to supervise separate functional communities will eventually fuse. It is clear that if this imposing edifice is built on the foundations of the Council, the

Council will change out of all recognition and its non-federating members will have virtually nothing to do save consider the acts of the federation, in which the federators might consider them to be interlopers.

Another difficulty lies in the variety of interest and approach which divides the non-federating governments. Western Europe without the Six is not a homogeneous area. It consists of Britain, Scandinavia, Turkey and Greece, Ireland and Portugal. The interests of these countries in the central mass of the Continent are either national—in which case, separate national delegations can do the work—or else they are as wide as the free world. The umbrella of Europe is in reality too small for Britain; that is the chief reason why it has not joined the inner federal group. It follows that if an umbrella is to be given to the new federal group, it should be at least as wide as the Atlantic. Between the prospective federation of the Six and the institutions—still incomplete and imperfect—of the North Atlantic Community, there would be no reality in the functions of a Council of Europe. The Council has done its work by helping forward the work of federation between the six nations and by maintaining the links between them and their immediate neighbours. Once federation begins in earnest, an Atlantic and not a purely European framework will be needed to keep the policies and development of the new federal unit in line with the interests of the free world.

Sheets in the Wind

WASHING dirty linen—the real, not the metaphorical kind—is a universal, tiresome and repetitive necessity whether it be done in public or in private. According to English folk-lore, “dashing away with a smoothing iron” once took a whole week, even though the fair laundress stole someone’s heart away in the process. Nowadays modern methods of washing are needed to match modern standards of hygiene and the desire to wear lighter and brighter clothes. It may be that a fortune is waiting for the Woolworth or the Ford who can contrive to commercialise this necessity more adequately than it is done at present.

There are some 2,250 laundries in Great Britain, employing roughly speaking 142,000 workers, who are mainly women. No laundry is very large, since all are tied to serving homes in a limited geographical area. A turnover of £100,000 a year represents a very big laundry indeed, while there are only a handful of chains with as many as twenty plants each. As factories, the laundries’ distinction is the size of their wages bill. Something like fifty per cent of costs is taken up in wages and salaries, both in big laundries and in small. Yet the industry has always paid low wages, and although subject to a compulsory wages council since the mid-thirties it still ranks as one of the lowest payers among employers of unskilled labour. Part of the explanation is that laundries have been slow to adopt mechanical methods of handling and to rationalise their layout, and this may be beginning to change. There is a good deal of talk now about scientific management and the need to mechanise more operations; through the work of an active trade association and the Laundry Research Association, laundries are beginning to catch up with modern ideas of productivity. Behind all this, however, there remains the plain fact of a couple of thousand separate little concerns—family businesses in many cases,

or one-man firms. They have little financial margin for costly improvements, and they believe in their hearts that they know more about running their own business than any outsider can possibly tell them.

But small-scale organisation and a legacy of once-cheap labour are only two of the reasons why laundries’ labour costs are heavy. The main reason is the nature of the work itself. Laundering, for all its factory organisation and costly machinery, remains a service industry, and as such is bound to be labour-intensive rather than capital-intensive. Production is not organised, as it is in manufacturing industry, about an article under the producers’ control. It must adapt itself to cope with whatever the housewife sends in; no two bundles are alike in size, content or regularity. About one-third of the employees of any laundry plant are therefore engaged not in the business of washing and ironing, but in sorting, checking, marking, classifying, re-sorting, re-checking and re-packing. Again, since the service is an individual one, a laundry is planned to deal simultaneously with sheets which can be ironed at the rate of several hundreds an hour through hot rollers, frilly children’s frocks which need individual hand-ironing by a skilled ironer, and men’s shirts which need something like a combination of the two.

These last, incidentally, are one of the most important, if most troublesome, items in any family wash. In the United States the typical laundry deals with them cheaply and well, a team of three girls using a machine which irons a hundred shirts an hour. But there the coat-shaped collar-attached shirt is highly standardised. In Britain, on the other hand, the closed shirt with loose collars still holds the field; who can afford to wear collar-attached shirts at the rate of one a day when laundering costs so much? Mechanical methods of shirt finishing are therefore expensive and unsatisfactory here—as every

housewife knows who pays well over a shilling to have shirts finished by hand, plus threepence each for the collars—a nice example of the costliness of conservative habits which the individual is powerless to influence. Compared with sorting and ironing, the actual washing process in the laundry uses very little labour. It is, however, costly in fuel; the industry is reckoned to be the third largest user of factory coal in the country. A cold-water washing process is thus the launderer’s dream of heaven, but nothing so far invented looks like becoming a commercial proposition in the near future.

A laundry’s chief competitor is not another laundry, but the housewife herself. Only something like 15 per cent of the country’s family washing is estimated to find its way to laundries at present, although the industry claims that 50 per cent of households send them some washing. In a majority of households, to send out the washing is not seen as a necessity, in the sense in which factory bread or factory dressmaking are deemed necessary. It is an extra which can be expanded or contracted to suit changes in the family budget. Although the number of laundry customers remains fairly constant throughout good years and bad, the size of the bundles they send fluctuates widely with spending power; and the contents vary with the size of the bundles, the unwieldy sheets and tablecloths continuing to come to the laundry even when the “smalls” and shirts are kept back to be washed at home.

*

This variability in the proportions of different articles sent to the laundry was one of the less obvious reasons for the industry’s desire to be rid of price control, which had been in force since the outbreak of war. The Board of Trade this summer released laundry prices from any form of regulation, but trade has been so poor for the last two years that laundries have not, in fact, been able to increase their charges, while they have lost, in the public eye, a useful guarantee of fair pricing. Many laundries were nevertheless glad to see the end of this particular control. It was common in 1939, when bigger bundles of washing were being received, to encourage customers to send their household linen, which was mass-ironed on expensive roller-machines, by undercharging for such work and making up the price by overcharging for personal and hand-finished items. The personal “smalls” were the first things to be withdrawn from the laundry bundles, and control has prevented until now any readjustment in prices to accord with true costs.

The general decline in laundry business has brought it back in the past few years from a postwar boom to about the prewar level. As other things in the shops have become plentiful, and as the purse-strings of the middle class have tightened, they have taken to washing who never washed before; who washed before now wash the more. But it is significant that the public seems readier to dispense with laundry service than with most things. It has become a commonplace of social improvement that, with every rise in the standard of living, more and more tasks have been taken out of the home and done better and more cheaply by wholesale mechanical methods. But washing has never been effectively mechanised, and the economies gained by its wholesale factory performance have only slightly outweighed all the incidental disadvantages that come from working on materials of a varied character and mixed ownership. Laundry service

is therefore for many people very much on the margin; as soon as competitive ways of spending the house-keeping money expand, or as the real standard of living begins to fall, factory-washing ceases to hold its own against the unpaid labour of the housewife.

But the choice is no longer between complete factory service and the kitchen washtub. All sorts of compromises are appearing. Washing machines are one case in point. Some 2,500,000 of them have been sold in Great Britain since the war and as they cost anything from £40 to £120 they probably represent 2,500,000 customers lost to the laundries, in whole or in part. Self-service launderettes are another example. These are shops where for 2s. 9d. a woman “posts” her washing into an individual machine which delivers it half an hour later, washed and semi-dried. So far, there are less than two hundred such shops, but they are still a new experiment in this country, every feature of whose operation is closely controlled by the only firm manufacturing a suitably automatic washing machine. Their popularity shows that they meet a real demand; there is a long waiting list of would-be proprietors of these establishments, who have signified their willingness to lay out the necessary three to five thousand pounds and to comply with the requirements of the manufacturers.

In these “cub laundries,” as they are called, labour charges for cashiers and cleaners are a mere fifteen per cent of turnover; there is no difficulty about finding workers for unpopular jobs and there are no arguments with customers about garments lost or torn by careless employees. It is basically the old “bagwash” idea, in a more respectable guise, and with the washing more quickly done. A few orthodox laundries have taken the lesson to heart, and remodelled themselves to concentrate simply on a washing service, with each customer’s bundle washed separately in a large net and returned without ironing, at prices comparable with those of a self-service laundry and roughly a third of those of a “finished” service.

Is this to be the trend of popular laundering in the future—highly mechanised washing services with the drying and ironing work thrown back into the domestic kitchen? Is the recession in ordinary laundry business a hint that the service of sorting, ironing and finishing a mixed family bundle is becoming too expensive for a nation in which full employment has raised the relative cost of services requiring a great deal of labour? Or has the time come to distinguish between the two kinds of weekly washing and to exploit them separately? There is, on the one hand, personal clothing which will always need individual handling, but which year by year is made easier to wash by synthetic detergents, permanent stiffenings in place of starch, and above all by improvements in nylon and other fabrics which need no ironing.

On the other hand, there is flat domestic linen which is bulky but fairly standardised and lends itself readily to large-scale mechanised treatment. Hotels with bulk orders already get this service cheaply; a specialised linen service for the domestic user would still have to meet the cost of identifying and sorting out each his little bundle. It is hard to believe, however, that popular prejudice would hold out for long against an efficient weekly hiring-out service for standard household linen, whose laundering would present no problems of individual ownership. But to bring to life a potential demand of this sort would need business enterprise of a high order.

Comrade Marshal

MR EDEN was well-advised to visit Marshal Tito this week and make the acquaintance of an outstandingly skilful and courageous political leader. It was time that the Foreign Secretary should assess for himself the casual and undocumented alliance that has grown up between Yugoslavia and this country under the eyes of his predecessors. It was also time that the Marshal and his advisers took the measure of a Conservative statesman and heard British views expounded without the sentimental bonhomie that sometimes seizes Labour politicians visiting the land of Titoism—a sentiment that is the more surprising because there is, in fact, little in common between their ideas of parliamentary democracy and the “democratic centralism” of the Yugoslav Communist, or between Belgrade’s headlong retreat from Stalinist planning and Labour’s cautious disillusionment with Socialism. The claim of the Yugoslav state on the attention and sympathy of Englishmen of any party has little to do with political doctrines; it is rather to be based on Marshal Tito’s success in holding together Croats, Slovenes, Serbs and Montenegrins; in reconstructing a sadly devastated country; and in maintaining its independence of the Soviet empire which adjoins it on three frontiers. The threat that has held the republics together and consolidated Marshal Tito’s position as a national leader—bullying by the Soviet Union and the satellites—is also the factor that has brought him with cautious and sometimes ponderous steps into the purlieu of the free world. The roots of the Anglo-Yugoslav relationship lie in hard facts rather than easy sentiments, and no harm is done by being frank about it.

That is not to say that no other roots are possible or desirable; if that were so, Mr Eden would probably not have visited Belgrade. Many prominent Yugoslavs have grateful memories of the British help, in men and supplies, that helped them to beat the Germans and gain power at the end of the war; although some who have failed to combine discretion with gratitude are still in prison or working in obscurity under official supervision. British aid is eagerly sought and British advice is listened to in private, even if it is sometimes disavowed in public. The British visitor can travel and speak and inquire with a freedom that is withheld behind the iron curtain from all save fellow-travellers. In the conversation of officials and party members he will find scraps of Stalinism that have survived four years of bitter hostility to the Russians and some strange and tattered versions of Marxism; but the idiom of the West is still alive. Among simpler people in the countryside he will find respect for Marshal Tito combined with the traditions of a more liberal age. The conviction that industrialisation is the be-all and end-all of policy for a country rich in grain and raw materials is fading, and few Yugoslavs now believe that to sell maize and metals in exchange for machinery and aircraft is to fall victim to old-fashioned colonialism. There is a growing desire to learn English, study British textbooks, and to allow British ideas to make a gentle and limited impact on the minds of the young. These are all promising if tentative trends, well worth fostering. If the relationship with the Yugoslav government began as a marriage of convenience, that is no reason why cordiality should not break in.

For all practical purposes it must be assumed that Marshal Tito is there to stay; indeed, western calcula-

tions of Yugoslavia’s role as a buffer between the Soviet empire and the Mediterranean must be based on the assumption that he is the only man in sight who can hold the federal state together and carry the people along in a simultaneous effort of economic improvement and costly rearmament. The Marshal probably sees this situation more realistically than his speeches sometimes suggest. He understands, for example, that his methods of exercising power disqualify him for membership of the Atlantic club. For he could not—even if he wanted to—accept all its rules in practice. There are men in the party and in the armed forces—how many no one knows—who resent his retreat from the true faith of Moscow and distrust the West. Many a party boss in town and village has had, in the last four years, to find ways of publicly changing his position on matters of policy without loss of prestige and self-respect. This embarrassing process cannot be hurried. Leading personalities find it necessary from time to time to sound a note of defiance towards the West while accepting from it over £250 million worth of loans, credits, grants or materials. The transition from the doctrinaire to the practical in economic matters is still made by Ministers under cover of pedantic and complicated speeches, from which bewildered peasants learn that the “principle of profitability” has somehow returned to favour with the Communist Party. The western visitor is sorely tempted to smile knowingly at the transition; but he may be brought up smartly by the reminder that his own government has gone through a similar process in the matter of German rearmament—with Russia providing very much the same reason.

It is beyond the power of any western government to hasten the transition directly. With all the decentralisation of planning, the running of factories by workers’ committees, the ousting of party zealots by administrators or technical experts, the growing toleration of discussion and grumbling—with all this, the Communist Party is and intends to remain supreme. From the revised statutes that will be adopted next month it is clear that the party will retain its monopoly of political power and is still guided by “the theory of scientific socialism.” It is to be a highly disciplined élite, rendering all things unto Caesar; for example, membership is “incompatible with the practice of religion and the performance of religious rites.” To pretend that Marshal Tito is leading the way towards parliamentary democracy, personal freedom and the rule of law as those things are understood in this country is to talk nonsense. If Mr Eden decides that Marshal Tito’s Yugoslavia is, to put it bluntly, a good bet, then British policy will be supporting a group of men who are, it is true, indomitably hostile to Soviet imperialism, but who are no less dedicated to the creation of total socialism.

It is through economic and military policy that western influence has been and can be exercised; not through conditions attached to aid—Marshal Tito can have no serious complaints on this score—but through the problems that have to be resolved in common. Yugoslavia wants jet aircraft as badly as Britain needs feeding stuffs; and by planning now increased exports of grain and metals it could in time correct the deficit in its balance

of payments which is now covered by western aid and loans. It is clearly in the Yugoslav interest to increase exports by every possible means; and if that means retreating from collectivisation, restoring some freedom to the economy and seeing to it that doctrinaire ideas and methods do not provoke resistance to the government—then life is made that much easier for people at both ends of the bargain. Likewise, if Yugoslavia is to be treated as a serious associate of the south-eastern partners in the Atlantic Pact, that means that officers and men and officials must increasingly rub shoulders with Americans, British, Greeks and Turks; technicians and generals must travel, read foreign books, and entertain foreign visitors. In fact, implicit in Marshal Tito’s policy of defence against the Russians, trade with the West, and development of his country’s wealth is the increasing cooperation of individual Yugoslavs with colleagues of the free world.

Where this process will lead no one can tell, probably not even Marshal Tito himself. Much will depend on the intensity of pressure from the Soviet Union and the Cominform. Nothing does more to maintain the Communist Party’s hold and to keep the partisan tradition alive than the belief that the country is in danger; and nothing does more to smooth the path for American and British military and economic aid. Should the pressure slacken it would be in Marshal Tito’s interest to conceal

the fact as long as possible. For a revolution conceived and born in war has to be reared in an atmosphere of drama and peril. That is one reason—but not the only one—for the Marshal’s defiant tone over Trieste, for the savage propaganda campaign against the Catholic church, for the ill-tempered manner in which foreign criticism is treated by such papers as *Borba*.

Communist Yugoslavia must have someone to gird at, either at home or abroad. British policy towards it must therefore be based on the calculation that it may be a temperamental and brusque ally, stubbornly independent, but deeply committed—at any rate for the predictable future—to common policies with this country. For overwhelming economic reasons, created by the Soviet and East European blockade, it must work with the West on long-term as well as short-term plans. For obvious strategic reasons it must look westward for modern weapons, technical advice and supplies. For obvious ideological reasons it favours the British rather than the American connection, while wishing to keep both. If Mr Eden decides—as he doubtless will—that he can hold to the British course in company with a ship that may from time to time tack erratically, whose officers might one day signal “mutiny on board,” but whose company is loyal, friendly and brave—then he should order it to be done with more speed and conviction than have been shown hitherto.

NOTES OF THE WEEK

A Moscow Banquet

If the communiqués issued in Moscow this week are to be taken at their face value, the conference held there between the Soviet leaders and a strong Chinese team headed by Mr Chou En-lai, the Prime Minister and Foreign Minister, has been a disappointment. Four weeks of negotiation have so far only produced the announcement that the Russians are to withdraw from the Manchurian railways, as they were committed to do by the 1950 agreement, but that they will remain in the Port Arthur base despite a similar commitment to withdraw. This would seem a poor record of achievement for a conference attended by a massive Chinese delegation including ministers of heavy industry, fuel and machine building, and a glittering array of generals and admirals. It seems just possible that the Chinese really did ask the Russians to stay in the massive stronghold of Port Arthur, which covers the approaches to Peking, owing to fears of possible developments from the Korean war. But it is quite impossible that they sent such a team to Moscow merely to make that request.

Despite the communiqués, however, it is unlikely that this mountainous conference has laboured for a month only to produce such a mouse. The Peking press must have had at least some grounds for stating that the talks were “extremely important” and that they would make a “significant contribution” to Sino-Soviet friendship and to “peaceful construction” in both countries. The Chinese undoubtedly sought not only Russian arms but also Russian capital equipment with which to expand their own arms industry. If they had won any major concessions from the Russians in this direction, would not an announcement have been made at the same time as that on Port Arthur and the Manchurian railways? One possible explanation for their silence might be that further Soviet aid for China will be announced, with suitable trumpet flourishes, as a curtain-raiser for the coming congress of the Soviet Communist Party, and for the Chinese revolutionary celebrations which also take place in October. But the fact that this week’s communiqués did not specific-

ally state that the conference had ended may imply that the really hard bargaining is only now beginning. Mr Chou En-lai has not, apparently, yet returned to Peking, and even if he does so within the next few days he may leave in Moscow some of his formidable team of technical advisers to keep up the pressure. This would be an interesting departure from the normal Communist conference technique, according to which the banqueting and the personal appearance of Marshal Stalin only take place when the agreements are in the bag.

* * *

Korea and the Assembly

There is much to be said for holding a debate in the United Nations General Assembly on Korea, as is proposed for this autumn. The UN forces in Korea, under American auspices, have done their best to carry out the directions of the Security Council. But it has proved impossible to bring the campaign to an end, and every effort to do so has now been frozen for fifteen months at the truce talks. Although there is no obvious solution for the General Assembly to devise, so long as the purely military negotiations at Panmunjom are continued under the direction of the Supreme Commander a general airing of views in the Assembly might yet succeed in creating a more promising political atmosphere. The chances of a shift in the attitudes which have now been struck for so long is also enhanced by the fact that the Russian and Chinese leaders have just been conferring in Moscow.

One rumour has it, however, that these deliberations have cleared the ground for a Chinese declaration of war on America during October. The aim might be to drive a wedge between the United States and its allies, on the argument that London and Paris would not support Washington by declaring war themselves; they would fear the consequences for Hongkong, in Indo-China and on the high seas. This rumour seems unlikely to be true. If the Chinese will not accept peace, the present state of suspended and isolated

war in Korea—even continued indefinitely, would seem to suit both them and the Russians better than a wider conflict which could hardly help but become general. And if, as seems to emerge from what is so far known of the Moscow meetings, Russia in the last resort retains the whip hand over China, the caution which Moscow at present displays elsewhere in the world is likely to prevail in the Far East too. That, on the other hand, does not render it any less necessary for the British and French leaders to make it clear, to the Communists as well as their own people, that if the war bursts out of Korea they stand or fall with America, come what may.

Boomerang for Persia

Dr Mossadegh has caught the occupational disease of dictators. His "patience is exhausted," and he has set forth a last basis for settlement with Britain which runs as follows. First, Persia is ready to pay compensation to the Anglo-Iranian Oil Company only for its installations at Abadan; so it denies the validity of the 1933-1993 agreement on the basis of which the company invested British money on a vast scale. Secondly, Persia's counterclaims must be recognised on the basis of the 1933 agreement for the years 1933-47, and on the basis of the Supplemental Agreement that the company offered, but that the Persians never accepted, for the years 1948-51. In a word, contracts are valid where they benefit Persia though invalid where they benefit Britain. Third, Britain must pay compensation for oil which Persia failed to sell in 1951-2 owing to the British counterclaim thereto. Fourth, the company must advance Persia the sum of £49 million which would have been due to it in 1950 had it signed the Supplemental Agreement.

To a western mind these demands far exceed the limits of reasonable negotiation; yet to a Persian they appear logical. They do so because he considers himself to have been cheated of his rightful earnings over many years, because he is infuriated at the sight of the Anglo-Iranian Oil Company developing alternative sources of wealth by investing profits made in Persia, and because he badly needs funds. His subjective thinking runs no farther. All over the world, Persians are putting these points to anyone who is ready to listen. Their hearers can fairly make the comment that if Persians want to attract funds for their country's development, they are frightening away new investors by the arguments they use against the old.

Wage Talks at the Ministry

These are critical days in St. James's Square. After talks with the leaders of the shipbuilding and engineering unions last week, Sir Robert Gould, the chief industrial commissioner at the Ministry of Labour, met the engineering employers on Thursday. In a statement issued afterwards the employers repeated their contention that in the present state of its markets, the engineering industry could not afford any extra burden on its costs; but they said they would be willing to submit the matter to arbitration. At their conference in York last week the unions rejected arbitration—but no doubt they will reconsider it. The shipbuilding employers are to meet Sir Robert on Tuesday—a separate meeting because, according to an official statement after last week's meeting, "although the decision to impose a ban on overtime and restrict piecework was directed against the employers in both industries, in fact the problems of the two industries are distinct and will need to be discussed separately."

The difficulties of finding a basis for settlement have been increased by the rash statements of the embattled principals before the Ministry of Labour intervened. Both sides took up an extreme attitude—the unions in pressing for such an

excessive increase and the employers in refusing to offer any increase at all. While through the working of sliding scale agreements, wages boards, the arbitration tribunal and the industrial court, wages in several other industries are being raised to meet the higher cost of living, it is unrealistic to expect that such a powerful group as the engineers and shipbuilders should receive nothing. If the employers had made an offer they might well have got off more lightly than they would do by arbitration.

It is true that on the supposition that a dispute will eventually go to arbitration an extreme attitude is sometimes of advantage to both sides. The tribunals so often "split the difference" that it may pay the unions to ask as much and the employers to offer as little as possible. But in this dispute over engineering and shipbuilding wages, both unions and employers have carried these tactics so far that they have stiffened each other's resistance and made compromise impossible without some loss of face to both. It will need all Sir Robert Gould's skill to reach a settlement.

Mr Shinwell Goes Shrimping

The metamorphosis of Mr Shinwell, from champion to assailant of the two-year period of national service, is remarkable. It may appear to be so obviously connected with his loss last year, and his hopes this year, of a seat on the executive committee of the Labour party, as to need no further explanation and merely to stimulate depressing reflections on public gullibility as assessed by a very shrewd politician. But the arguments adduced for his *volte-face* have enough in common with the "new strategic thinking," which even in Mr Churchill's hands has the convenience of lessening the economic burden of defence, to deserve rather closer examination than might be due to a mere political manoeuvre. In sum, the arguments are that the threat of war has receded since the two-year period was instituted, that the aim of building a large trained reserve has been amply achieved, and that time spent in the services after training is largely wasted.

The diminution in the threat of war, even if it is real, must surely be attributed in part to precisely that evidence of a firm will to resist which the lengthened period of service provided. To this extent, reducing the period, just as the defence programme is in some respects getting into full swing, would revive the threat. It would be short-sighted folly. The third argument deserves even less consideration. Waste of servicemen's time may be evidence of faulty organisation; it may also merely be part of that "nine-tenths boredom" which characterises cold wars no less infallibly than it does hot ones. It is no more conclusive evidence of a superfluity of armed manpower than the spectacle of idle trucks on sidings is evidence that British Railways have overcome the rolling-stock shortage.

The real cause, however—and the answer to Mr Shinwell's second and most serious argument—lies in the dual aim of the national service system. The aim of building up a large trained reserve is certainly important, but it does not stand alone; the other, and equally important, aim is to enable Britain to meet current commitments, and to that aim the later months of service are supremely relevant, since it is only during those months that the serviceman is a fully trained and fully disposable soldier. The army is in fact already fully stretched, and it faces the prospect of some fall in strength even with national service continuing at the present span. To meet the obligations assumed under Nato, in the Middle East, in the Far East and in South-East Asia while drastically depleting the supply of trained and disposable national servicemen would require either a revolutionary expansion of regular recruiting—of which there is not the slightest likelihood—or a still more revolutionary stiffening of the terms of Territorial service, causing incom-

parably more dislocation, loss and hardship in civilian life than the earlier freeing of the national servicemen would save. There is no sign that Mr Shinwell contemplates either of these alternatives. Yet the only alternative is a clear-cut breach of agreements for which he wholeheartedly shared the responsibility. On the past record, Mr Shinwell is entitled to enough respect to deserve an answer. But it is hard to avoid the conclusion that he is engaged in a political manoeuvre that destroys his right to such consideration in future.

The Right Road Again?

The "progress report" on the Government's first year, issued this week by the Conservative Central Office, gives at least a remarkable simulation of self-confidence. But its impressiveness perhaps depends too much on the vigour of the title—"We Shall Win Through"—and the lavishness of the production. The standard of the content is somewhat lower. It is significant that the nearest thing to a novel point is the admission that Government spending is out-running the Budget estimates. Though the efforts to economise are continually stressed, the resulting cut of £90 million in spending (other than for defence) is neatly described as "the reduction as embodied in the Budget." "There has since been unavoidable supplementary expenditure."

For the rest, the argument is on familiar lines. It rehearses the warnings about the crisis that Mr Churchill gave before the election, not the gayer promises of benefits that some Conservatives offered to the electors. It makes much of the improvement in the balance of payments and little of the circumstances, many of them probably temporary, on which the achievement rests. Under the general heading of "trade not aid," the Commonwealth conference is to provide "a great opportunity," but there is little attempt to define its value except for a reference to "the whole system of Imperial Preference to which we attach so much importance." On the other hand, among all that is said about economic policy, housing—which does so much to frustrate the efforts to cut Government spending in other directions—is ignored. On this field the attitude to "sound money" is the same as Dr Dalton made famous; the achievement is boasted about in the section of the pamphlet on social policy, and the economic cost goes unreckoned. After all this, the pamphlet's confidence that one year of Conservative government has already put Britain "back on the right road" cannot encourage anything but concern.

Is it a Slump?

Those who are worried by the decline in Britain's index of industrial production will find thought stimulated by the current Economic Bulletin of the Economic Commission for Europe. It reveals that there has been, between the first quarters of 1951 and 1952, a fall in the index of industrial production of all west European countries with the exception of France and Germany. How have these two avoided a setback? Could Britain have done likewise? It is certainly not the case that production has expanded in every branch of industry of these two countries. They, too, have suffered from the general fall in demand for textiles and for some of the lighter durable consumer goods such as footwear, furniture and household appliances.

In France the general index is up because there have been more than compensatory increases in the output of capital goods from the engineering trades (partly for defence purposes) and of automobiles for the home market. During the first quarter of this year, the home market has taken 40 per cent more cars than in the same period last year. This was more than enough to offset the decline in exports of auto-

mobiles. In Germany the rise in the general index was due almost entirely to expanding production of steel and finished capital goods. It is interesting that this expansion was accompanied by an appreciable decline in the building of houses. Presumably in Britain, too, total production could have been maintained if it had been possible to produce automobiles for the home market and if there had been no cut in the production of capital goods. This was not possible because of the steel shortage in the engineering industries, where production was held back by the inability of the British steel industry to adjust itself quickly enough to the fall in supplies of scrap from Germany.

The Bulletin also discusses the persistence of the dollar gap. During the first quarter of this year dollar imports continued at a high level. For Europe they were 25 per cent higher than a year ago, for the sterling area 90 per cent higher. This was allowed to happen at a time when American aid was being reduced and European exports to the dollar world were falling. Of all the European countries only the United Kingdom managed to increase its dollar exports by any significant amount.

At no time have Western Europe's efforts to live within its means included a sustained and effective attempt to cut down consumption of dollar imports. With the spectre of a slump before them, Europeans are now even less disposed to make the attempt. In every country there are people only too ready to attribute the decline in production and consumption to an excess of financial orthodoxy. These critics are unlikely to take as their model Western Germany, where inflation and balance of payments difficulties have been avoided by ensuring that both production and exports increase at a faster rate than home consumption. They will prefer the easy way taken by France—the way of inflation.

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At M. Pinay's Coat-tails

If it is true that the extravagant profits sought by the peasant, the manufacturer and the middleman have been the chief forces menacing the French economy, then the franc should by now be out of danger. M. Pinay has refused to raise the price of wheat and, with an unusual flair for publicity, is waging all-out battle against price rings, cartels and monopolies, a battle worthy of the master trust buster, Teddy Roosevelt. Its climax is a decree fixing prices at the level of August 31st.

In fact the real struggle is one that entirely lacks public appeal and is being fought out far from the microphones. It goes on around the issue of dear money and credit controls. For some time business interests have been pressing the French Government to reduce the discount rate and to liberalise credit policy. At this moment nothing could do more harm to M. Pinay's anti-inflation policy, since the failure to control credit during the Korean boom is now seen to have been one of the prime causes of France's present troubles.

Last autumn, belatedly, the Bank of France raised the discount rate from 2½ to 4 per cent. Presumably the increase was insufficiently supported by other credit controls, for it was not until April of this year that the volume of credit ceased to expand. Moreover, the investment credits in this year's budget, frozen in order to balance accounts, seem to have become partially defrosted. The Economic Commission for Europe in its latest report notes that "ways seem to have been found . . . to prevent the cuts in, and blocking of, credits from having any immediate effect on any major public investment project. . . ."

M. Pinay must be aware that platform appearances, exhortations and even price-fixing decrees cannot by themselves dam the tide of inflation. They must be accompanied by energetic steps to drain off the floodwaters. Recently, however, there have been signs that both note circulation and bank credits are again beginning to rise. Is the French Government weakening because it fears setting in motion a decline in employment that would be politically dangerous? This is difficult to believe since the volume of employment is now higher than at any time since the end of the war. It is more likely that the government may be giving way to the demands of the businessmen among its supporters that credit controls should be relaxed. If so, there is serious political as well as economic trouble ahead.

Berlin Calls on Bonn

The visit this week to Bonn of a deputation from the People's Chamber of Eastern Germany may start more than one lively hare. Its members have been selected to suggest that democratic parties with reassuring names survive under Herr Ulbricht's regime; but in fact Dr Ehlers, the president (or Speaker) of the Bundestag, will be receiving a carefully prepared Communist mission. As he is considered a likely successor to the Chancellorship, if anything happens to Dr Adenauer, his decision to do so without consulting Ministers is important and has been criticised from many quarters, including the Social-Democratic Party. It is probably significant that Dr Ehlers is a prominent Evangelical churchman; for it is well known that Protestants are more inclined than Catholics to run risks with the Russians in order to regain the Protestant areas of the east.

In both churches, of course, there are men who hope to learn from the Communist visitors what these risks might be. That is not to say they are interested in German unity at any price; but they are influenced by politicians and journalists who say the Russians cannot be expected to abandon their zone of Germany without the West paying some price. Recognition of the Oder-Neisse line in return for a Russian withdrawal is one favourite rumour.

It has also been suggested that the Russians might be interested in a limitation of German commitments to the European alliance—in other words the abandonment of the European Defence Community and rearmament. But the suggestion gets no organised backing among Germans and no support from the western governments. Its sponsors therefore feel discouraged, and are heard to say that the French—except for M. Schuman and his circle—want neither the EDC nor German unity, that the Americans are interested only in German divisions, and that the British are quite ready to see nearly twenty million Germans submerged in another Sovietised state.

M. Schuman's Chances

The future of the European Defence Community is, of course, still in doubt; although the giant strides that M. Schuman and Dr Adenauer are taking towards European federation may strengthen its chances of ratification. Indeed, Dr Adenauer seems likely to get the agreement of the Bundestag next month; but the same cannot be said of the French Assembly. Whatever may be thought of suggestions that M. Schuman's position is weakening, the future of M. Pinay's government is clearly, for domestic reasons, most uncertain. If it should fall, it is doubtful whether any man could be found ready to go as fast and as far as M. Schuman has gone—with great courage and skill—towards reconciliation with Germany.

This is a situation that Soviet diplomacy is bound to exploit, if it has not already started doing so. The last Soviet Note about Germany was baited to appeal to waverers in France and elsewhere, with its blatant suggestion that the arming, sealing off and Sovietisation of Eastern Germany might yet be reversed if a four-power conference could agree on a peace treaty over the heads of the Germans.

The western reply to that Note will doubtless counter those tactics; and its effect will be strengthened by the knowledge that Dr Adenauer has again been consulted about its contents and that members of Nato have also had a chance to express their views. It is worth noting, incidentally, that this is the first time that Nato has been formally associated with an act of policy towards the Soviet Union. It should be the precedent for regular consultation within the Atlantic Community on major matters of foreign policy.

Sweden at the Polls

A strengthening of the government—a coalition between Social Democrats and Agrarians—is the most probable result of the Swedish general elections tomorrow. The Socialists at present have 112 of the 230 seats in the Second Chamber and are allied with the Agrarians (30 seats) to provide a majority. It is a foregone conclusion that the Communists, after the recent spy trials and Russian actions in the Baltic, will, in spite of their somewhat comic attempts to pose as patriots, lose most of their eight seats. These will go to the Socialists; and the question is whether there will be a corresponding loss of Socialist seats on their right wing, either to the Liberals (*Folkpartiet*) or to the Conservatives (*Högeren*). The Liberals, with 57 seats, are now the second largest party in the Second Chamber; but most observers expect them to lose one or two seats. This is partly because there has been a certain disillusionment with the Liberals since the previous elections in 1948, partly because the new Conservative leader is proving unexpectedly effective.

With a gain of four seats, which they are pretty certain to get, the Social Democrats would once more be in an

absolute majority. Even so, it is generally believed that they would still share office with the Agrarians, at least until the pending annual negotiations on wages were concluded.

The election, as usual in Sweden, has been fought almost entirely on domestic issues. The recent attacks on the Socialist Foreign Minister, Hr Undén, are a personal, not a political, matter, and do not imply any significant increase in opposition to the country's "neutral" foreign policy. It is worth noting, however, that as early as June the Socialists started attacking the Communists as tools of a foreign power. In June also, at their party conference, it became clear that the preservation of Socialism as it is, rather than the intensification of radical measures, would be the Socialists' aim. The Communist suicide has freed the Socialists from the need to compete with them, so that a more moderate policy may also gain votes from the left wing of the opposition. But the Social Democrats' trump card is the fact that, while they have been in office, the lot of most Swedes has greatly improved, and this, rightly or wrongly, is identified with the government's policies.

Dearer Food

The cost of living index fell a point in August for the first time for two years—mainly because apples and potatoes were cheaper. But the net rise in the index this year, from 132 in January to 137 in August (June 1947=100), was due almost entirely to the higher cost of food; other items in the index increased by less than 1 per cent. And dearer food prices may well raise the index by another point or so in October, with the second instalment of subsidy cuts—delayed until higher family allowances and benefits were all in force. This adds another 4d. to the weekly cost of one person's rations; with the earlier cuts the total extra cost per week is now 1s. 4½d., compared with 1s. 6d. forecast by the Chancellor at the time of the Budget. The reason why it is less than he forecast is, presumably, that food rations are lower than was expected—especially, perhaps, for eggs; but it is enough to bring the food subsidies down by £160 million to the annual rate of £250 million at which the Budget aimed. The actual expenditure for the financial year—as opposed to the rate at which the subsidies will run in the last five months of it—will be £310 million.

The subsidy cuts will not cause the last rise in food prices because higher prices have just been agreed for several

RETAIL FOOD PRICES AND SUBSIDIES

Commodity	Retail Prices			Estimated average un-subsidised prices 1952-53
	Oct. 24, 1951	July 24, 1952	Oct. 5, 1952	
Bacon, lb.	s. d. 2 7*	s. d. 3 5*	s. d. 3 10*	s. d. 4 2½*
Butter, lb.	2 6	2 6	3 0	3 6
Cheese, lb.	1 2	2 0	2 2	2 2½
Cooking fat, lb. . .	1 4	1 4	1 6	1 8½
Shell eggs, doz. . .	5 0	5 0	5 0	5 3½
Margarine, lb.	1 2	1 2	1 4	1 6½
Meat, lb.	1 8*	2 0*	2 0*	2 0*
Sugar, lb.	6	6	7	7½
Tea, lb.	3 8*	4 0*	4 0*	...

* Average for all cuts or grades.

imported foods. The Ministry of Food is to pay 1s. 3d. per lb. more for Australian lamb—the beef price has yet to be agreed—and an average of 12½ per cent more to New Zealand; Argentina is asking for a large increase; Australia, New Zealand and Denmark are to get 7½ per cent more for

their butter. But bacon at least is cheaper. In the negotiations just concluded with Denmark a price of 252s. 6d. per cwt. was agreed, compared with 262s. 5d. last year. The increase in home supplies, besides improving Britain's bargaining strength, has made it possible to allow, from October 5th, the sale of cooked gammon off the ration. Its controlled price of 8s. a lb. will cut into the profits that have been made on tinned ham, sold to the public at 12s. Indeed, if it is removed from the tin it will have to be sold at not more than 8s.

This, however, is a small point. In general, food cannot be expected to become cheaper. A few extra pence on the weekly food bill do not, however, herald still larger wage claims; the unions have allowed for them with a vengeance. Indeed, one might almost conclude that for every rise in the weekly food bill they want to be compensated many times over.

Unrest in Kenya

It may be as easy to belittle the importance of the present outbreaks of crime in Kenya as it is to exaggerate them. The imposition of the curfew, a demonstration of force by the Kenya Regiment and the summoning of an emergency meeting of the Legislative Council have encouraged fears that the colony may be becoming another Malaya, as do also the reports of intimidation of Africans and their reluctance to give the police information about the criminals.

The crime wave is, in fact, largely the work of the Mau Mau secret society, an organisation which is virulently anti-European and pledged to achieve the eviction from Kenya of all races other than the African. Yet membership of the society is virtually confined to the Kikuyu tribe, which,



Overcoats

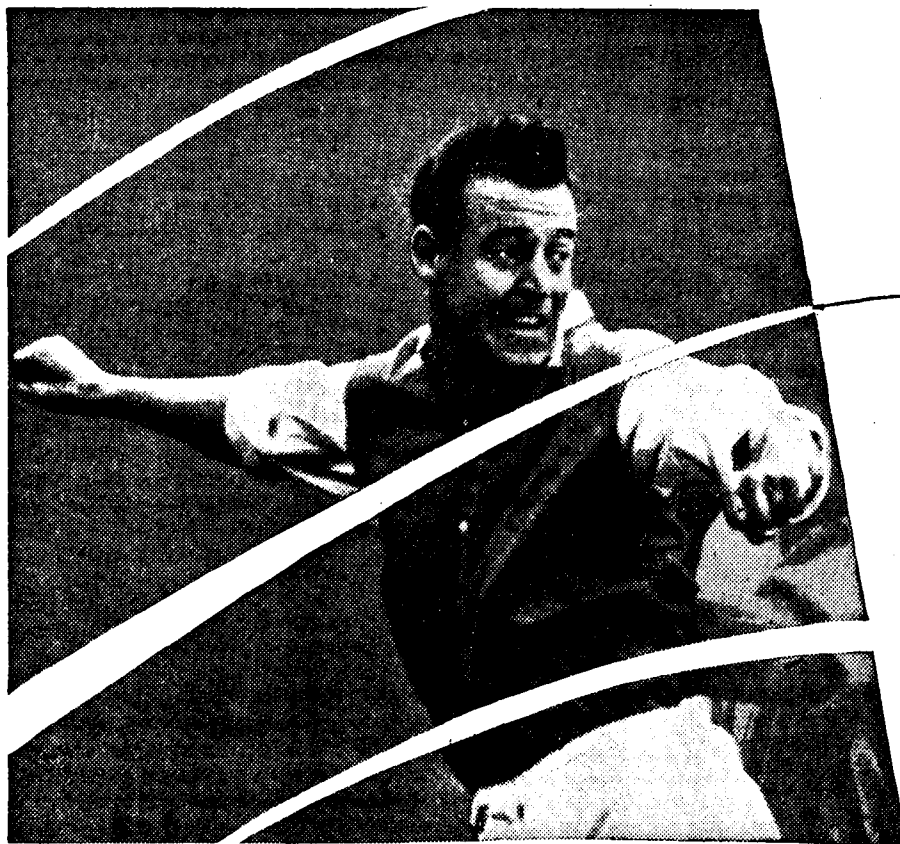
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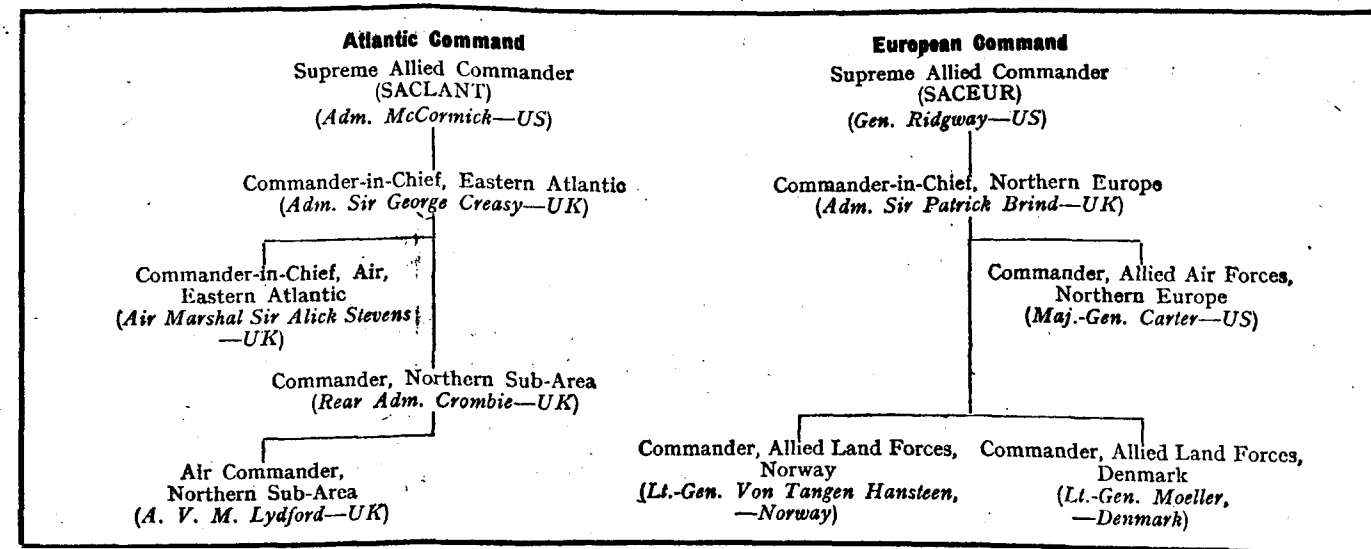
though the largest tribe in Kenya, only comprises one-fifth of all the colony's Africans, and most of the tribe is loyal and law-abiding. One of the two members of the Kenya Government who have arrived in London to discuss measures to restore law and order with the Colonial Secretary has said that the activities of the Mau Mau have been greatly exaggerated.

What is important is that the agitators have genuine discontent to work on. For many years the Kenya Government has been confronted with the problem of an increasing African population trying to obtain a living from an eroding soil. For years it has been trying to solve it by patiently persuading the African to adopt modern farming methods and take steps to prevent soil erosion—with a considerable measure of success. Neither problem nor solution is peculiar to Kenya. But there the Africans are made to feel more deeply about it by the existence of the White Highlands, farmed by Europeans and containing some of the richest land in the colony. As Mr Griffiths said in the colonial debate last July, here are all the makings of "an explosive racial situation"—Europeans each farming 2,000 acres surrounded by Africans for whom the land available per person is steadily getting less. Neither he nor anyone else could see a clear way out. But sporadic outbursts of crime are always likely to recur so long as the Africans' land hunger is unappeased. Mr Lyttelton stated in the same debate that a "far-reaching inquiry" into the land problem was urgently called for. The present unrest should stimulate him to hurry it up.

Nato Rides the Waves

Of all the autumn manoeuvres now in swing in various parts of Europe, none has caught the public imagination as much as the naval exercise in Norwegian and Danish waters in which ships and aircraft from eight Nato nations are taking part. Commentators have had to go back to the Battle of Jutland to find a parallel for Exercise Mainbrace, involving nearly 200 ships. But it is not a rehearsal for unlikely new battles; the main emphasis is on the role of naval and air forces in support of troops resisting invasion on land. It provides a stiff test of co-ordination between all arms, including wholly amphibious operations. Even more important is the testing of co-operation between the eight participating countries; for although much has already been done to standardise both equipment and procedures in Nato, only full-scale operations of this kind can reveal what weaknesses remain.

In addition to practising international liaison from ship-to-ship and from ship-to-air levels, Mainbrace will test, on an unprecedented scale, the practical working of the higher Nato command structures. The principal standing commands involved are shown in the accompanying diagram.



Thus, for the first time, the newly organised Atlantic Command of Nato is joining its European counterpart in a large-scale operation, for the duration of which Admiral Brind has been entrusted by both supreme commanders with overall authority. The fact that an exercise of these proportions could be mounted at all is an impressive reflection of the growth of Nato's defensive power during the past eighteen months; but it is to be hoped that the time is not far off when troops can be got to Norway and Denmark in fast transport aircraft.

* * *

The Mouth of the Baltic

A writer in the Moscow paper *Red Star* this week declared that everything about Exercise Mainbrace was aggressive, even its name. But its purely defensive character is apparent. It does not even envisage opposed landings, although these would be a legitimate part of any defensive plan which assumed that Allied territory might be overrun by an early enemy offensive. Precautions have been taken to ensure that the modest part of the operation which involved entry into the Baltic should give the Russians no grounds for claiming provocation. No American ships will enter the Baltic, and the light British forces which have done so were under Danish command. All ships kept at a distance of fifteen miles from all Baltic coasts except the Danish, and the exercise area extends no further than thirty miles east of the Danish island of Bornholm. Soviet press claims that its inclusion in the exercise was "provocative" have been firmly rejected by the Danes, who justly point out that the island is part of the national territory.

Denmark, indeed, has shown in recent weeks a praiseworthy steadiness in the face of violent Communist propaganda attacks on the proposal to make bases available to Allied air forces. Taking their cue from a *Pravda* article in which this proposal was denounced as "aggressive and provocative," and which warned the Danish government that it would be held responsible for the consequences, the Danish Communists have built up a campaign which culminated last week in a demand for a special meeting of parliament. The Radical-Liberal opposition, while more moderate in its tone, has also demanded full parliamentary consideration of the question. The Prime Minister, Hr Briksen, and his Foreign Minister, Hr Kraft—who has just assumed the chairmanship of the Atlantic Council—have handled the situation discreetly and firmly, reaffirming their loyalty to parliamentary decisions but making clear their belief that Denmark needs to play a full part in Nato if it is to secure full protection. All the evidence indicates that the first-hand sight of western power provided by Mainbrace is further stiffening Danish resolution.

Is Greece in the Middle East?

How well-founded is the request of the Greeks, made last week in Athens, to join the Middle East Defence Organisation? Clearly, they can claim vital interests in the Eastern Mediterranean, for they live there. Further, their ownership of the Dodecanese, the size of their merchant colony in Egypt, and the part which their navy, in particular, played in the war all reinforce their case as staunch allies. Yet Greece is a poor country, and is already stretched to the limit by the burdens inherent in its membership of Nato. To assume commitments that might range as far east as the Persian Gulf and Pakistan would be beyond its means. Greece, unlike the rest of Europe, is still costing the United States nearly as much in military and economic subsidies as it did in 1948; additional subsidies would probably be needed were it to fulfil its ambition in anything but name.

This desire to extend Greek commitments eastward was not heard of when western defence planning was based on expectations of the British staying on for some years in the Suez Canal Zone. It took shape last month when a British memorandum to the seven powers at present sponsoring Middle East defence suggested that, pending better news from Egypt, a planning organisation might be set up in Cyprus. The Greek claim to the island is well known; it would get a fillip if Greek generals visiting a headquarters guarded by British sentries were received with popular shouts of *enosia*. To achieve this, the Greek Treasury and War Office seem prepared to bite off far more than they can chew and to cock a furtive snook at this country.

A Literary Event

Uncle Tom's Cabin, or *Negro Life in the Slave States of America*. By Harriet Beecher Stowe.

Some books may be said to be events, and this is one. They come opportunely on the world, like a promised revelation, and are believed in as soon as read. . . . We may quote as an instance of such books as we mean Malthus's "Essay on Population," which had no charms for the multitude, but which came at a time when the world was seeking, almost distracted with doubts, and was at once received by many leaders of the nation as a revelation of a great truth, if it found, as all such books do, many opponents and cavillers. . . . Mrs. Stowe's book, like that of Malthus's, supplies a great public want, or touches a chord of universal sympathy; it serves a great purpose, and leads forward a great crusade against an acknowledged wrong. As she says more than once, there is an upheaving of the masses, a desire for liberty, a yearning for freedom, a growing hatred against oppression, an indignation ready to break forth against wrong throughout society, and of that universal sentiment, Mrs. Stowe's book is an expression. . . . The book makes us acquainted, too, with the domestic manners of the Americans, and we are struck at every page, whether we read of the little woolly heads rolling on the floor round aunts Dinah and Chloe, or of the Mas'r Georges and Miss Evas who play about the verandahs and in the parlours, with the freedom which children enjoy in the States. Neither slaves nor free are found to be an incumbrance; they are all easily raised, they are not sources of painful anxiety like children in crowded Europe and like children in savage life, and they seem to be loved more, tolerated more, found much less in the way, and are probably happier, on the whole, than children in Europe. . . . From the general freedom and well-being of the children in the United States the generations of men should grow up improved, not perhaps in the sense of us old Europeans—but improved in that manner, whatever it may be, which Nature is preparing for the future of mankind.

The Economist
September 18, 1952

"Neutrality" in Asia

The British may not particularly like the fact that the newly independent nations of Asia tend to seek neutrality in the division between the Communist powers and the free world, but they can nevertheless understand the point of view. It is only in the last decade that direct European rule has been withdrawn from large areas of Asia and the memory of the old imperialism is still strong enough to blind their peoples to the danger of the new Soviet variety. "A plague on both your houses" may not be a constructive approach, but there are clear historical reasons for it.

To Americans, on the other hand, it is bewildering. The United States has a long record of vocal anti-imperialism, and such states as Indonesia undoubtedly owe their independence in some measure directly to American support. How then, they say, can Asia refuse to take sides? The fight against Communism is the fight for freedom. How can people be neutral in such a crusade?

This reaction has undoubtedly been made more bitter by the debacle in China. Communist propaganda battered on the American assistance given to Chiang Kai-shek, and branded the Americans throughout Asia as "imperialist interventionists." In a mood of combined disillusion and irritation, Congress wrote into the Mutual Security legislation clauses laying it down that nations receiving aid should actively contribute to the defence of the free world. These clauses, applied in Indonesia, brought down the government.

Now, however, there is some indication of a more flexible American approach. Mr George Allison, Assistant Secretary of State, dealing with the Far East, has warned Americans to expect "neutrality" in Asia, but also to recognise that the new states are ready to preserve their independence at all costs. The advice is wise. Nations determined to preserve their independence are already on the side of the free world.

Aluminium School

At Coventry a new type of school has been erected with less than half the number of building man-hours needed for a comparable school of traditional construction. It is the first school to be designed by the Ministry of Education in collaboration with a local authority, and is built from standardised prefabricated components. The manufacturers are the Bristol Aeroplane Company, who have turned over to schools the resources they once used to make the aluminium temporary house. But their aluminium unit construction for schools is not temporary, and the components can be assembled in a great variety of ways.

It is to be hoped that local authorities will not prove irrevocably wedded to traditional construction, for the new project has several advantages. One is that it is a good proposition for export—about three-quarters of the present output is exported. Another is that its use of steel is negligible. A third is that its cost is within the Ministry's limit of £140 per place, and although greater than that of the average traditional school, is no more expensive than one of comparable quality. It should appeal to those local authorities who find that their school building is held up because local housing is taking more than its fair share of bricks and bricklayers.

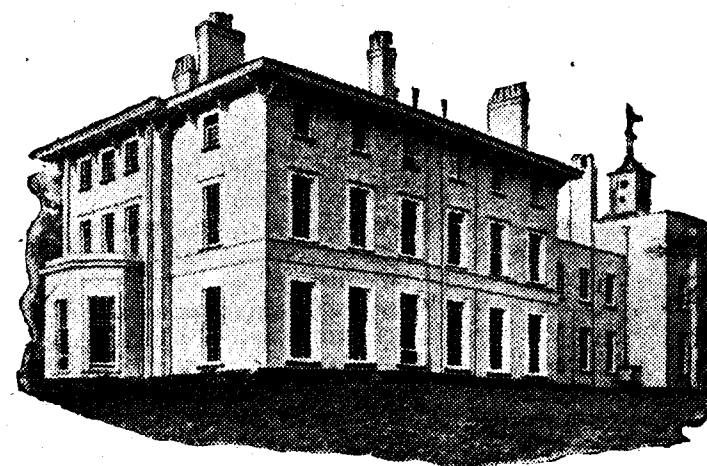
The principal problem of local authorities remains unsolved, however. It is that they can plan only from year to year, within the limits of one year's capital investment programme and one year's allocation of steel. Plans have to be made now for schools that will be under construction in 1954; and if conditions are suddenly changed months of work by designers and planners can be entirely wasted. The Ministry of Education gives as long a notice as it can by announcing programmes for one year with a provisional or "reserve" list for half the following year. But the only satisfactory answer for the local authorities is that they should know how much school building they can do for two or three years ahead.

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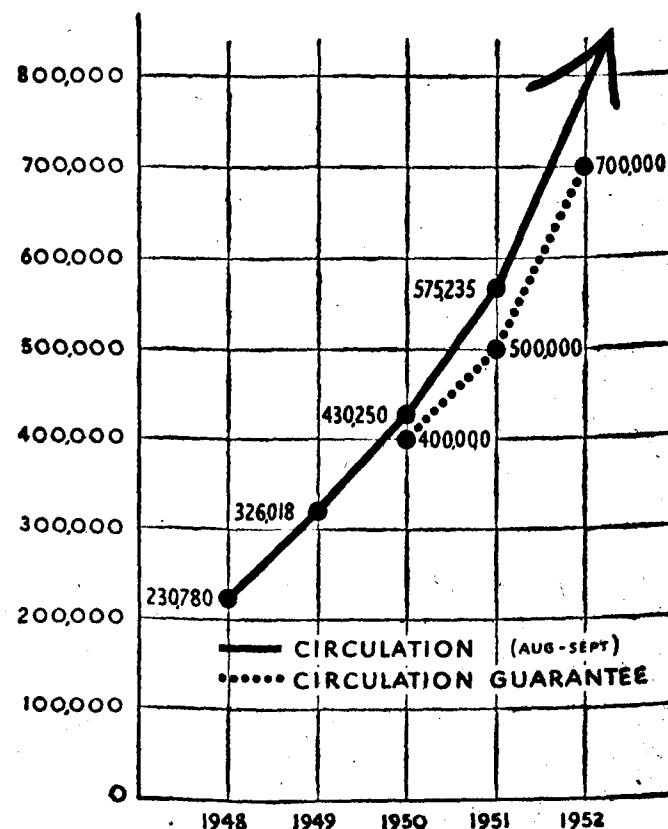
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Thrifless Britain

Sir,—It is an arguable point whether "additions to tax reserves" should be treated as part of private or of public saving. But the contention of your leading article this week is that they are neither—which is surely taking an unnecessarily gloomy view of things. It is true, of course, that "additions to tax reserves" appear as an item only when the taxes chargeable on a year's income exceed the taxes actually paid in the year. But this does not mean that the disappearance of this excess would automatically cause this particular source of saving to disappear—it would only mean that it would become converted into a correspondingly larger budget surplus. Hence, taking private and public savings together, this item should certainly not be excluded from "savings."

Actually, the national savings of each year can be derived from table 31 of the new national income estimates, by adding net overseas investment (or deducting disinvestment) to domestic capital formation; adjusting the former item for grants, etc., received from abroad (as shown in Table 7) and adjusting the latter for stock appreciation (as shown in Table 1 *et al.*). With these adjustments gross national savings (public and private) appear as £1,541 million, £1,640 million, £1,746 million and £1,707 million in each of the four years 1948 to 1951, or 14.9, 14.9, 15.1 and 14.0 per cent respectively of the gross national product. Net national savings (after deducting depreciation provisions) appear as £971 million, £932 million, £964 million and £876 million in the same years. The difference in the trend shown in the two sets of figures is due to the rapid increase in depreciation provisions (from £570 million in 1948 to £870 million in 1951) which in turn partly reflects the increasing amounts paid in respect of initial allowances. If initial allowances are excluded from depreciation (as they should be) net savings appear as 10.8, 10.8, 10.9 and 9.6 per cent of the net national income (= gross national product minus depreciation) in the years 1948 to 1951. Thus on either showing, savings were a steady or slightly rising proportion of the national income or product until 1951, but suffered an appreciable reduction in that year.

It is interesting, however, to inquire into the causes of that reduction a little more closely. The estimates of real national expenditure given on page 13 of the new publication show that the increase in personal and in the public authorities' consumption (thus including defence) amounted to less than half of the increase in domestic output both in 1950 and 1951. Hence as far as the balance between domestic production and consumption is concerned, national savings should have shown an increase in 1951—both in real terms, and as a percentage of output—and not a reduc-

Letters to the Editor

tion. However, the deterioration in the terms of trade in that year, combined with the large reduction in net income received from abroad meant that, for the first time for a number of years, the national income in real terms showed an appreciable fall. On the basis of the new national income estimates, the effect of the change in the terms of trade between 1950 and 1951 can be put at some £330 million in terms of 1950 factor cost, and the reduction in net income from abroad (due, I presume, to Persian oil and the interest payments on the American and Canadian loans) at £130 million. The two factors combined thus caused a reduction of £460 million in terms of 1950 output prices while the increase in domestic output was only £203 million. Hence the real national product in 1951 was some £260 million lower than in the previous year. A similar calculation for 1949 indicates a rise in real income by £330 million and for 1950 a rise of £170 million (all measured in 1950 output prices). There can be little doubt that the fall in real national savings in 1951 was due to the sudden fall in real income—in contrast to the trend in earlier years—rather than to any new factor operating in the domestic field; although the large increase in the volume of stocks carried in that year (partly the result of speculative influences) has made the adverse changes in the terms of trade and in foreign income more spectacular in their effect on the balance of payments.

In all this I do not differ from your contention that in relation to long-run requirements, the level of saving in post-war Britain (though nothing like as low as the 2 per cent of income suggested in your article) has been too low. But your leading article also gave the impression that in addition to being low, savings were steadily diminishing in recent years, so that the aggravation in Britain's economic position could be directly attributed to internal causes. This was not, in fact, the case.—Yours faithfully,

NICHOLAS KALDOR
King's College, Cambridge

[We did not deny that "taxation reserves" were properly available for investment in the year in which they arise. Our contention was that something that might be non-recurrent should not be treated as a reliable constituent of the permanent level of national savings. We cannot find anything in our article to justify the "impression" to which Mr Kaldor refers in his last sentence. Savings in 1951 were below the average of recent years, but we nowhere said or implied that there had been a continuous fall. We should rather say that, throughout the post-war period, they have been steadily too low. It has never been our contention that "the aggravation in Britain's economic position could be completely attributed to internal causes," or that the effect of the shift in the terms of trade could be ignored. Our view has been that not nearly enough was done internally to adjust the economy to the changing impact of external forces.—EDITOR.]

Britain Puzzles Canada

Sir,—In your issue dated September 13th, your Ottawa correspondent pointed out that Britain was being slow in promoting sales of defence equipment in Canada, and that some unnamed Government department was actually hindering. May I, as one who has had some experience in trying to sell defence equipment to Canada point out some of the difficulties which arise? Canadian defence departments may desire to place business with this country, but they give as their reason for not doing so the uncertainty of being able to get spares in the future. They are encouraged in this attitude by vigorous American salesmanship from across the border.

This objection is lessened if the British firm has a manufacturing subsidiary in Canada, but there is a good reason making it hard for new Canadian subsidiaries of British firms to expand and prosper. For some reason which is not clear to those of us used to defence contracts in the United Kingdom, the Canadian Government does not pay any progress payments. A new firm must be necessarily short of liquid assets and unable to carry the load of perhaps a million dollars' worth of work in progress whilst it is producing and delivering rearmament orders. It is natural that the Canadian banks cannot advance sums of this order whilst firms are in their early stages of development and whilst they are manufacturing specialised equipment for which there is only one customer. If the Canadian Government really wants to encourage the development of British firms with British engineers in its own territory, then it should provide progress payments forthwith. If it insists on continuing on present lines, then only the largest Canadian firms can finance the Government's business, and in most cases these firms are off-shoots of their American equivalents.—Yours faithfully,

C. T. ORR-EWING
House of Commons

Sir,—Your Ottawa correspondent, in the article published in your issue of September 13th, gives a most misleading picture of relations in the television field between the Canadian Broadcasting Corporation and the BBC.

He speaks of forceful Canadian requests for British programmes and this section of his despatch is printed under the heading "Vain Appeals to the BBC." There have been no such forceful requests and no vain appeals. At the recent Commonwealth Broadcasting Conference there were general discussions of a most friendly character with the representatives of the CBC about the provision of BBC television programmes to Canada. Early this month when the CBC was placed in a difficult position, shortly before the opening of its television service, by the breakdown of negotiations with United States television interests, the BBC offered what help it

could in the way of the provision of available films. The CBC has, in fact, ordered two BBC films so far and it is hoped that other orders will follow.

Your correspondent seems to make light of the difficulties connected with the recording of "live" television programmes including artistes. In point of fact such recordings, which are in any case very expensive, are at the moment completely out of the question owing to the opposition of the artistes' unions to any form of recording of television programmes. The BBC is opening negotiations with certain of these unions to see if any arrangement can be made which will allow for the provision of recorded television programmes to the CBC to assist them in their present difficulties.

In taking this action the BBC is putting aside its misgivings about the provision for overseas use of telefilms or kinescopes, as recordings of "live" television programmes are known. At present such recordings are of variable technical quality and often unsatisfactory, and the viewer is bound to notice a great difference between them and "live" programmes or ordinary films. In the case of Canada quality will be further impaired by the need to reduce any telefilms which may be provided from 35 mm. to 16 mm.

Finally, your correspondent states that the BBC is getting an appropriation of £250,000 to make half a dozen elaborate films for television. In fact the BBC has not received and does not know whether it will ever receive, any such appropriation for the production of television films. The sum of £250,000 is the estimate given recently by the BBC in evidence before the Select Committee on Estimates for the annual expenditure of an overseas television service. If the BBC ever receives such an appropriation it will not make "half a dozen elaborate films" but a very large number of inexpensive films which would enable Canadian viewers, if the films were taken by the CBC, to see a regular flow of British productions week by week.—Yours faithfully,

HUGH CARLETON GREENE
(Assistant Controller)
Overseas English Services,
BBC, London, W.1

"Liberation Not Containment"

Sir,—The distinction drawn in your issue of August 30th, between the Acheson policy of containment and the Dulles-Eisenhower attitude towards what you call "Russia's conquests," seems to me to be too strong.

Containment, as defined by Mr Acheson, is an effort to make "negotiation from strength" possible. But, as you have noted yourself some time ago, one must know what to negotiate for once strength is achieved and the balance of power is restored. Mr Acheson has faced this problem too. In one of his great policy speeches he outlined the points at issue between the Soviet Union and the West; he gave as one of them the Soviet military and police control

over the "satellite area," and expressed the hope that "the progress of the free world" may change Soviet conduct.

It is now becoming more generally recognised that Soviet domination of Eastern Europe is one of the basic causes of the cold war, and that the threat to Western Europe which the presence of Soviet armies on the Elbe presents must be eliminated before Europe can feel secure again. Neither General Eisenhower nor Mr Dulles calls for war to achieve this object, but they do realise that Russia's power in Europe is not an eternal phenomenon, and they certainly do not intend to make it more permanent by recognising its legitimacy. What, it seems to me, General Eisenhower was talking about when he said that "the conscience of America can never know ease" was the Yalta agreement, concluded by a Democratic administration, which is now generally taken as having sold Eastern Europe over to the Soviets and is widely condemned in the United States.

For these reasons, there is no contradiction between the containment policy, which is now accepted in the West, and the policy proposed by General Eisenhower and Mr Dulles. But neither the word "containment" nor "liberation" does justice to the policies it is supposed to stand for. While the withdrawal of Soviet power from Eastern Europe must be one of the long-term aims of containment, "liberation," though a catching phrase, seems to exaggerate the length to which even General Eisenhower and Mr Dulles are prepared to go to achieve Soviet withdrawal.

Since you yourself do not wish "to accept or condone Russia's conquests"—which must mean that you, too, stand for the repudiation of the Yalta agreements, and that you, too, are willing to risk provoking Soviet hostility on this account—and since you do not want the lessening of contact with the "enslaved," by radio or by "any other means," there are really no grounds on which you can justly criticise General Eisenhower.—Yours faithfully,
London, W.11 J. A. MODELSKI

The Right To Work

Sir,—Your article of September 6th and its conclusions are hardly warranted by the facts you are able to give. The closed shop is not widespread and I know of no case similar to *Abbott v. Sullivan*. This one is, of course, disturbing. Before it can be registered a union must have its rules approved by the Registrar of Friendly Societies. May not some safeguard be injected here?

You at least mention the professions, where the closed shop is much more widespread and effective than in the unions. Very few professional organisations, however, are regulated by statute as is the Law Society; and the difficulty of establishing appeals machinery uninfluenced by the official attitude is not confined to trade unions. In the newer professions, all of whose members are not yet in the appropriate associations, some freedom of choice and movement still exist. But under the pretext of rais-

ing standards (in itself a commendable and perhaps necessary objective) entry is becoming increasingly restricted.

While conscious self-criticism—a product of intellectualism and a concomitant to doctrine—does not come naturally to trade union leaders, are you really justified in writing of the sacred cow? The Transport and General Workers' Union apparently gave every facility for Dr. Goldstein's researches, and Mr Deakin even contributed a foreword to a book very critical of his union.—Yours faithfully,

GEORGE SPRINGALL
Shortlands, Kent.

Export Markets for Cars

Sir,—“Colonial Civil Servant,” in his letter about British cars published on August 23rd takes a great deal on himself when he extends his complaint to “other colonies.” While no one will claim that everything to do with the British motor trade is beyond reproach in Malaya, British cars have established here an excellent reputation for reliability and value for money and in general the servicing arrangements have been the best possible taking into account the size and quality of the local firms dealing in cars.

Nor is it true that British cars can be sold only while American cars are excluded by a shortage of dollars. At the present time in Singapore there are several hundred American cars which have been in stock for months which are almost unsaleable. The more economical British cars continue to sell like the proverbial cakes, which although not so hot now as during the rubber boom in 1951 are still decidedly warm.—Yours faithfully,

K. E. MACKENZIE
United Kingdom Trade Commissioner
Singapore

Spare Parts and Service

Sir,—In the letter published in your issue of August 23rd, Mr T. W. Stanier states that the oil companies are largely responsible for their spare parts trouble by insisting on placing all their orders in London. As far as this company is concerned, this is far from the case, and we have continually urged on manufacturers the necessity for setting up adequate spare parts service overseas.

In this connection a distinction must be made between spare parts for automotive vehicles, for which it is reasonable to ask for local spare parts service, and the many thousands of specialised pieces of equipment which are used in oilfields and refineries. Since these are usually far from large centres of population, it would be utterly unreasonable to expect all the hundreds of manufacturers involved to set up spare parts stocks and “factory-trained service engineers” in such locations. In most cases we have to provide them ourselves.—Yours faithfully,

L. H. J. HERSCH
Shell Petroleum Company,
London, E.C.3

Books and Publications

Boom and Slump in Strikes

Strikes. By K. G. J. C. Knowles. Basil Blackwell. 330 pages. 42s.

This detailed and valuable analysis of strikes in Britain breaks new ground. Mr Knowles's book begins with a study of the changing background of strikes, particularly of the influences which, over the past forty years, have made the trade unions less militant. The real turning point was the General Strike. With the exhaustion of funds and of morale, the leaders of the Trades Union Congress were willing to discuss ways in which they could co-operate with the employers to avert strikes, and although the resulting proposal for a National Industrial Council was rejected by the employers, the effect of the Mond-Turner discussions on the outlook of the union leaders was lasting. Other influences were also at work to make them less belligerent. Unions which were friendly societies as well were unwilling to dissipate their funds in strike pay. The amalgamation of smaller unions into larger ones lessened the sort of unanimity of purpose that is liable to lead to strike action. The typical union leader became a professional negotiator instead of a local fire-eater. The increasing organisation of employers also tended to remove a cause of strikes in so far as it led to the general observance of nationally agreed rates.

Mr Knowles shows that as a result of all this the number of days lost in strikes has gradually fallen in the course of the past forty years. Strikes have become less severe both in the number of workers involved and in duration; but he also makes the point that they have become more frequent because unofficial strikes have increased as the union leadership has become more remote from the rank and file.

Mr Knowles makes a valuable comparison of the incidence of strikes with various indicators of the trade cycle and finds no very close correspondence. Strikes, he points out, are influenced by many factors that have nothing to do with economics. On the whole it is the number of strikes, rather than their severity or duration, which seems most sensitive to economic fluctuations; and the correspondence is closest, as one would expect, with the level of unemployment—inversely. It is interesting to learn that there is little evidence that rising prices cause a strike wave; the critical time, it appears, is the transition between boom and slump.

A study of the seasonal frequency of strikes shows that for all industries taken together, and in several of the main industries, strikes reach a peak in May and fall in December. Mr Knowles thinks the explanation is economic rather than climatic—

due above all to the fact that a number of industries work more, or even exclusively, during these seasons [spring and early summer] which increase the prospects of a successful fight for the workers.

Evidence on the causes of strikes is

uncertain because the immediate cause may not be the underlying cause. A mood of resentment, due to a sense of inferiority, boredom or fatigue, or dissatisfaction with working conditions, may find its expression in a strike about wages or perhaps about something quite trivial. But accepting the Ministry of Labour's classification of causes of strikes at its face value, Mr Knowles finds that if the yearly numbers of workers striking for wage increases are compared with the number of workers actually receiving wage increases, the correspondence between the two curves is remarkable. But the number of strikers was only a fraction of the number who received wage increases, and the importance of strikes—as opposed to threatened strikes—as levers for higher wages is slightly declining.

Strikes are taking place less and less on basic questions of wages and hours, and more on apparently minor questions of working arrangements.

Other interesting and important facts are brought to light by Mr Knowles's researches, which have made an important contribution to the study of labour relations. In addition, his book is very readable and refreshingly free from the jargon which sometimes adds weight to major works of research.

Social Security for Grain Growers

The Canadian Grain Trade, 1931-1951. By D. A. MacGibbon. Toronto University Press. (London: Geoffrey Cumberlege.) 227 pages. 36s.

In this volume Professor MacGibbon carries forward his earlier study (1932) of the Canadian grain trade. Combining theoretical insight with twenty years' practical experience on the Board of Grain Commissioners for Canada he traces with lucidity and balance the intricate and controversial sequence of events in the past twenty years.

These have been momentous. They witnessed the fantastic collapse of wheat prices between 1929 and 1932 at the beginning of the Great Depression; drought and crop failure and, at the opposite extreme, bumper crops and “burdensome surpluses”; the triumph of economic nationalism in wheat importing countries; the second world war; the emergence of bulk importation by governments and of the dollar gap and exchange controls. These developments evoked drastic changes in the organisation of the trade, changes which are important not only to Canada but to Great Britain as a heavy importer of Canadian wheat, and to the international wheat market as a whole. In the twenties a highly organised futures market still dominated the Canadian grain trade, despite the challenge of strong farmers' co-

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operative marketing pools. Now it is dominated by a central government buying and selling agency, the Canadian Wheat Board, and, internationally, by the Wheat Agreement, though there is still "great uncertainty over what direction the marketing system will ultimately take."

The story of the transition is an illuminating account of an "experiment in stability." The wheat growers of the Canadian West were vulnerable to the whole violence both of harvest vagaries and of fluctuations in price on an international market. To meet their insistent demands for security the Canadian Government found itself drawn into buying wheat to support prices and negotiating long term selling agreements first with Great Britain and then on an international scale. The problems inherent in such a programme stand out in sharp relief. They range from control of production when price is maintained above the market level to the sacrifice of possible high returns as the cost of a guaranteed price in an unpredictable future.

Crises of crop failure and of over-production are characteristic of primary staple export industries. Since 1931 they have had a special significance in the Canadian grain trade in that they have marked the end of that rapid expansion of wheat growing in Western Canada which from the turn of the century to the twenties dominated Canadian economic development. Professor MacGibbon indicates the existence of this deeper problem of readjustment but leaves it to "future scholars . . . to judge and assess the significance" of the events which he so authoritatively chronicles.

The Great Imperialist

Lord Milner and the Empire. By Vladimir Halperin. Odhams. 256 pages. 21s.

Of all the prominent figures in British politics at the turn of the last century, Milner was one of the most important. He devised the death duties which have transformed the social structure of this country; he was the architect both of the South African war and of the generous reconstruction that followed it; he was the principal, though hidden, inspirer of the Unionist party in the years before the war of 1914; in the darkest days of that war it was he, even more than Lloyd George, who drew up the main lines of British policy, and he never lost his nerve. Yet, because he was a shy man who disliked self-advertisement, preferring to "do right and damn the consequences," and because no one has written an adequate life of him, his importance has been far too little recognised. The studies of him which have so far appeared all concentrate on his career in South Africa, for which alone there is much published source material.

The latest monograph has "The Evolution of British Imperialism" as its sub-title, but does not do justice to its ambitious theme. It can serve as a useful introduction to the whole of Milner's work, not only in South Africa—there

is an appreciative chapter, for instance, on his work in Egypt, unusually appreciative considering that the author is a French citizen. But the book contains little more than 200 pages of actual text, and too much of the text is barely relevant; great themes are introduced, only to be set aside in favour of points of secondary importance. There is a portentous bibliography, but Dr Halperin should surely have made much more use of the unpublished Milner papers now at Oxford, and of Milner's own diary; these are the two cardinal sources on which any fresh judgment of Milner must draw. Nevertheless he has made good use of conversations with Mr L. S. Amery and other members of the "Kindergarten," and a short introductory memoir by Mr Amery forms the feature of the book which contains most points of genuine interest.

Special Force in Burma

Prisoners of Hope. By Michael Calvert. Jonathan Cape. 303 pages. 16s.

Although a latecomer to the company of writers on the Chindit expeditions into Burma, Brigadier Michael Calvert deserves attention, for he took a leading part in both operations and on him perhaps more than on any other of his fellow-officers fell General Wingate's spiritual cloak after the latter's death in March, 1944. His account of the second campaign fought by Wingate's Special Force behind the Japanese lines in the spring and early summer of that year is a soldierly rather than a literary work, written in a colloquial style often bordering on the naïve, which makes one realise with what accomplishment others—Brigadier Fergusson in "The Wild Green Earth" for instance—have dealt with the same episodes. But once this limitation is accepted the reader will find in "Prisoners of Hope" a full share of the successes and failures, excitements and controversies which are a part of every military operation.

The object of the Special Force, as agreed at the Quebec Conference in the autumn of 1943, was to cut all communications south of the Japanese troops opposing General Stilwell's Chinese-American force and to help capture the airfields of Mogaung and Myitkina, thus allowing a road to be built which would link up with the Burma road to China. To this end Brigadier Calvert's force of 4,000 men with mules, guns, stores and equipment, were flown 150 miles into the heart of Burma, where they made a spectacular glider landing at "Broadway" and established a fortified "stronghold" which, supplied from the air, withstood Japanese attacks for four months. Finally Mogaung was captured, but the whole operation had cost casualties totalling over fifty per cent of the entire brigade and a good deal of uninformed criticism from Stilwell and his staff. The author is still very resentful of this criticism, but it seems clear that he could have avoided much of it by ensuring that some reliable system of liaison and communications existed between the two forces from the outset of the campaign.

Austria-Hungary in Full

The Hapsburg Monarchy, 1867-1914. By Arthur J. May. Harvard University Press. (London: Geoffrey Cumberlege). 532 pages. 40s.

Professor May, of the University of Rochester, is the latest scholar to attempt the proverbially impossible task of writing the history of the Austro-Hungarian monarchy. Moreover, he has done so on the most ambitious scale; he has tried to include, along with a political narrative, an account of the social, economic and cultural situation in each part of the monarchy. And he has been partially successful.

As far as the political story goes, his book lacks the clarity and edge of Mr A. J. P. Taylor's narrative, but the account is full, balanced and painstaking. The economic sections are useful, with some interesting material from United States consular reports. The cultural sections, on the other hand, are almost useless: they consist of lists of names, with few dates (the ignorant reader might be led into thinking Bartok a contemporary of Bruckner); and there is no attempt to assess the relative importance of persons. The author does not try to account for the extraordinary intellectual flowering of Vienna in the last years of the monarchy when so many new trends that were to cause a revolution in Western culture were appearing: among them psycho-analysis, the first presages of logical positivism, and the twelve-tone system in music.

The style throughout is better than in much American historiography, though the English reader will jib at phrases like "the episode out of which World War I cycled," or "Machinofacture . . . was attended by the growth of the Czech bourgeoisie." In general, however, Mr May arranges a lot of information well, and he has provided a useful textbook.

The greatest problem any historian of Austria-Hungary has to face is one of judgment: for in writing about a period where so many passions were aroused it is impossible not to become engaged. Professor May is a rather naïve observer. On social matters his judgments are straightforward enough: in Vienna, "there was much marital infidelity and unconventional licentiousness"; "moral laxity was rather prevalent among rural churchmen." Politically, he is torn between dislike for Magyar methods of oppressing the subject nationalities, a sentimental regard for Francis Joseph and an awareness of the advantages conferred by the existence of the Empire. Like most liberal writers he fails to see that in Hungary oppression and Magyarisation were, in fact, solving the national problem, and that (as Andrassy realised in 1878 and Stephen Tisza in 1914) it was only when the monarchy became internationally involved that there was real danger. It was in the Austrian half of the monarchy, where liberalism and nationalism, indissoluble partners, were given more rope, that the problems were unanswerable. Perhaps therefore all liberal schemes for reconstructing the empire were a dream, and only force and skilful diplomacy could have kept it in being a little longer.

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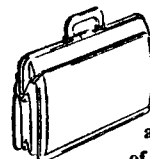
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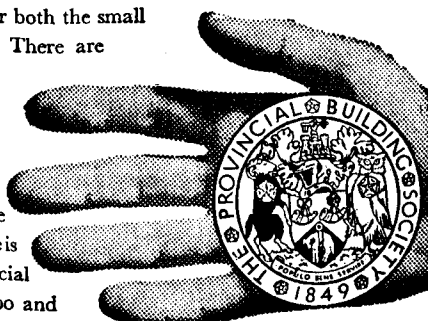
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AMERICAN SURVEY

The General Capitulates

Washington, DC.

"WE find it difficult to be in two places at one time, however well intentioned we may be," said Mr Arthur Summerfield, the chairman of the Republican National Committee, apologising for being late, as he appeared alone at a press conference which had been advertised to include Senator Taft, with whom he had spent the morning. Unconsciously, he stated with precision the peculiar problem of his party, still, eight weeks after choosing a candidate, unable to make up its mind. And, until it made up its mind which of the two places it would rather be in, General Eisenhower, who, in June, was lecturing delegates on the dangers of half-truths and slogans, had to fall back on "kick the rascals out" because, as Mr Stevenson has said, "that is the only issue in this campaign that the two wings of the Republican party can agree upon."

It is not easy to remember now, in mid-September, the mood just after the General was nominated, when the old guard seemed to have been decisively defeated and the faces and the words of the young Republican state governors were uppermost in the public memory. Things have not gone well for those who worked so hard for General Eisenhower before the convention and who were probably quite unprepared for the stubborn refusal of Senator Taft and his embittered supporters to help in the campaign unless their demands were met. Certainly the General's friends had no strategy ready with which to counter this refusal and, when it came to a contest in patience, the Senator could sit quietly in Murray Bay while the General had to try to build a campaign of national unity on the base of a disunited party. And, when he failed, as he could not help failing, the Scripps-Howard press took the opportunity of his first big speech in New York to announce that, in the view of its editors all over the country, he was "running like a dry creek." They forgot to mention that the creek was not being filled by the normal springs and tributaries; a candidate needs money, as well as good intentions, to make his campaign flow.

In desperation, the high-level approach was forgotten and, on his southern tour, General Eisenhower concentrated on corruption in all his talks. The result was so satisfactory that, since then, everything else has been forgotten and most or all of every speech—except that on farm policy in Minnesota—has been devoted to the one subject. And, when he was in Washington last week, the General told the staff of the Republican National Committee that he had thought that peace would be the most important issue but instead he had found that it was "the desire for a change." There is nothing surprising in his discovery that attacks on "the mess in Washington" evoke more enthusiasm among his audiences than talks about peace; they are the normal weapons of partisanship.

And General Eisenhower has had no luck at all with his serious speeches. His troubles with the teleprompter robbed him of the applause he might have expected from the American Legion and his one attempt to find an issue with which to make a fight over foreign policy—Mr Dulles's "liberation" idea—blew up and frightened even his faithful

supporters. Moreover, something, which has not yet been fully explained, went wrong when the General spoke on farm policy. It was not so much the mere shortage of applause—Mr Stevenson, though doing appreciably better, did not light any bonfires—as the meaningful silences which greeted what were intended to be his most telling passages. When he told his audience that they had been hoaxed by the Democrats in 1948 over the shortage of storage bins for grain, he got no response. The farmers clearly thought they knew better than his speech-writers and did not enjoy being told they had been fooled when they were pretty sure they had not.

But there is a deeper and more disturbing reason for the failure of General Eisenhower's serious speeches. He does not seem to be making much progress in learning about the various subjects which never troubled him as a general but on which he must, at some point, have an opinion of his own. Mr Stevenson has pulled his leg about the unfortunate day when he displayed to some labour leaders his ignorance of the difference between the closed shop, the open shop and the union shop. A discovery of the same sort was made at Kasson. There were no cheers when he announced that "a fair share for the farmer is not merely 90 per cent of parity—it is full parity." There was something in the way he spoke these words which made reporters suspect that he had only the haziest idea of what parity meant—and that the farmers knew it. Their suspicions were confirmed at press conference later in the day.

*

The poor rewards the General has won from attempts to be reasonable and discuss issues and the rich ones which have come from the simpler tactics, which Senator Taft considers the right ones for winning an election, put a number of valuable cards into the Senator's hand. And then came the disastrous blow of Senator McCarthy's devastating victory in the Wisconsin primary. At once Mr Taft, who had refused until then to set a date for his meeting with the candidate, took off for New York and emerged, as far as can be seen at present, triumphant. Except on foreign affairs where their differences were, he said, "differences of degree, he had found that the General agreed with him all along the line. And he was particularly pleased to be able to report that "those who have been the most active workers for Republican principles in recent years" would not be discriminated against when the time came for making appointments.

The fact that Mr Taft also seemed to have laid down the main line of the speech which General Eisenhower made before the American Federation of Labour a few days later was probably more important than the line itself. No Republican candidate could, at this moment, try to win labour votes by approving the repeal of the Taft-Hartley Act and nobody expected the General to try to outdo Mr

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

Stevenson in his Labour Day speech at Detroit—or even, as he did with the farmers, match the Democratic platform. But it is probable that the AFL would have preferred to hear his policy from the General himself and not have his opposition to repeal announced ahead of time by the author of the Act.

Many of those who have most faithfully supported General Eisenhower hitherto fear that the result of last week's jockeying for position—and of Senator Taft's ability to choose the right moment, from his own point of view, to extract the greatest possible advantage from the meeting—will be a decision to forget the high hopes of July and fight a Taft campaign for Taft policies. Such a decision was probably unavoidable, given the evidence of the strength of McCarthyism provided by the Wisconsin figures and the evidence of the depth of the bitterness of Taft supporters throughout the country.

Even two months ago most political observers would have said that General Eisenhower was courting certain defeat by abandoning the independent voter, who was supposed to be the backbone of his support, and turning to the "real Republicans" for help—and not even being too fastidious about the reputation of some of the "real Republicans." But today the same judges would say that he is grasping the best chance of success. He may have lost some of the independent voters—Governor Stevenson has an overwhelming attraction for intellectuals. But he has a long way to go before he can overcome the Eisenhower personality and the Eisenhower myth among the public at large.

Were the election to be held today the General would, no doubt, win easily—though perhaps not as easily as Mr Dewey would have done in September, 1948. It is normal for the Democrats, as the party in power, to gain strength during the last weeks of the campaign, but it is by no means certain whether they can do so this year. General Eisenhower has much of the appeal of Mr Truman among small crowds and on the back platform of a train, and there is no reason why he should lose support as Mr Dewey did. As his staff seems to have decided that it is better to avoid making policy speeches and debating issues, he will be able to bend all his energies to making friends and influencing people. It seems to depend on whether the electorate wants, at some point in the campaign, to know what a candidate is for or whether it is enough to know what he is against—the "mess in Washington."

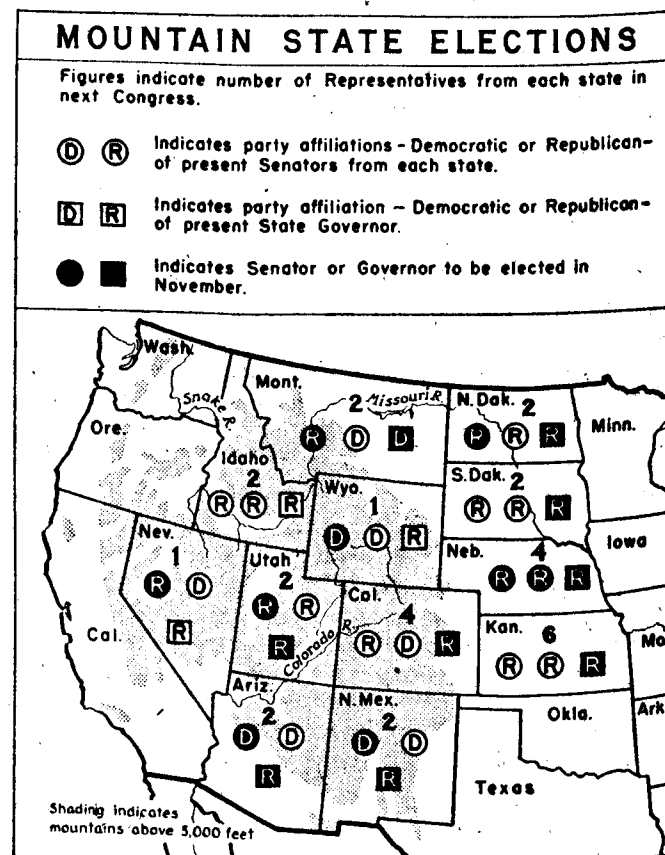
Mountain Politics

[FROM A CORRESPONDENT IN COLORADO]

THE twelve states which contain the Rocky Mountains and the Great Plains are the most sparsely populated in the country and they have only 54 of the 531 votes in the electoral college where a presidential candidate must obtain a majority if he is to win; New York State alone has 45. But as a rule these states get more attention at election time than seems justified by the number of voters in them. This is partly because the candidates' campaign trains and airliners must pass through or over the plains and mountains to get to California from the eastern industrial centres; it is partly because the region provides one quarter of the 96 members of the Senate, since each state sends two Senators to Washington, however few its inhabitants; and it is partly because the political allegiance of the eight mountain states is variable and in a close race, such as there is this year, not even the three electoral votes of Nevada can be ignored.

The four plains states—the two Dakotas, Nebraska and Kansas—are among the few on which General Eisenhower can rely, but the mountain states are much less set in their political ways. These are the states which unexpectedly gave the Republicans a majority in the Senate in 1946, yet in 1948 they voted for Mr Truman. However, in that year or in 1950 all but Montana elected a Republican Governor, and General Eisenhower therefore has reason to hope for most of the region's electoral votes, especially since he spent the first weeks after his return from abroad in Colorado fishing for local support as well as for trout. But he is being told that he lost Arizona, and probably New Mexico, Utah, Colorado and Wyoming as well, on the day that Senator Nixon of California was chosen as vice-presidential candidate.

The people of these five arid states are prejudiced, whether or not with reason, against a Californian in or near the White House. For between them and California there is a deadly feud, in which the dividing lines are state boundaries not



party affiliations, over the waters of the Colorado River, which the five states provide and which California consumes—and California is constantly asking for more. The depth of this distrust is not generally appreciated in the rest of the country, but past elections have shown its importance. In 1944 Mr Dewey, with an Ohioan as his vice-presidential candidate, did better in these five states than over the nation as a whole, and carried two of them; in 1948, with a Californian running mate, who was generally much better liked than his 1944 companion, Mr Dewey did less well in these states than elsewhere, and all of them were for Mr Truman.

Other election issues special to this region also grow out of its natural resources, its only source of wealth. There are still some 45 million kilowatts of hydro-electric energy to be developed, a task which rests with the federal government because the rivers cross state boundaries. The private power companies oppose such development, unless they are allowed to distribute and make a profit on the electricity. The present law gives public users, such as rural electricity

schemes and municipally-owned power plants, first claim on the electricity from dams built with public money. Mr Stevenson has embraced this doctrine wholeheartedly, but General Eisenhower's sympathies seem to lie with the private power companies, to judge from his remark in Idaho that the government wants so much power that it will soon be telling the housewife when to turn her lights off.

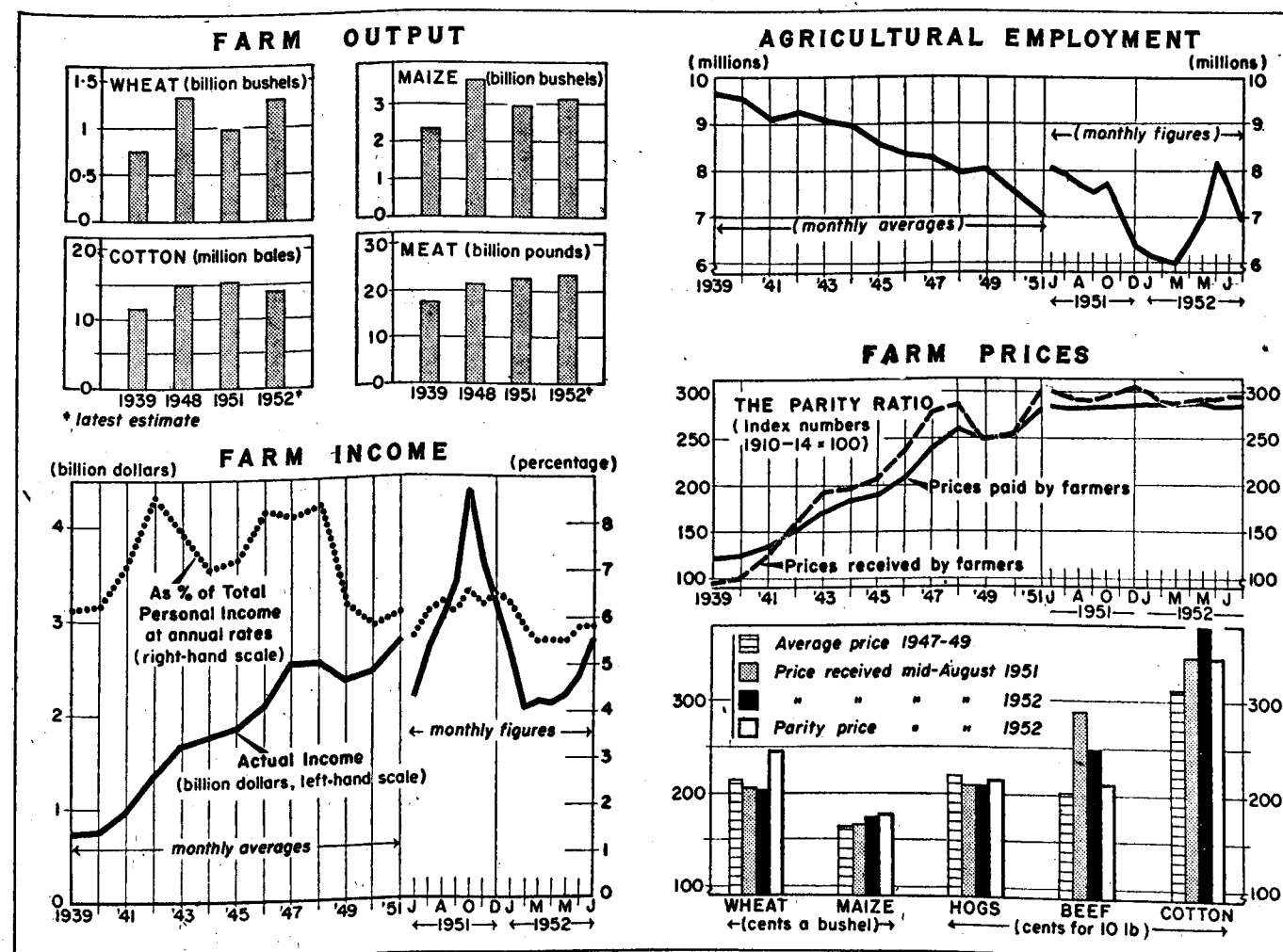
The need for pure water supplies for cities like Los Angeles and Denver is one of the reasons why grazing has been restricted in the national forests and other federally-owned lands, which lie on the mountain slopes from which the water comes. But a more important reason is that reckless overgrazing had led to soil erosion and exhaustion of fodder, so that the livestock-carrying capacity of the western ranges had been halved. These restrictions for the sake of conservation make the western ranchers see red; Republicans are inclined to look at the question in the same light, while Democrats take the opposite point of view, but neither party platform was specific on this issue. Another special interest that carries weight in the western states is that of the metal mining industry, which at the American Mining Congress in Denver next week will be bludgeoning the Democratic Administration for having restricted mining profits, by its policy of encouraging metal imports and keeping down metal prices for the sake of the economic strength of the nation as a whole.

The mountain mining industry's pet politician is Senator McCarran, the most hide-bound representative of a region that is notorious for its conservative Senators—but the other conservatives are Republicans, while Mr McCarran is a Democrat. The region owes its disproportionate influence in Washington to its twenty-four Senators, a number quite

out of balance with its comparatively small contribution to the national wealth. Nine of the twenty-four are up for re-election this year. The three Democrats are among their party's best Senators, although Mr McFarland of Arizona has not been conspicuous for his courage as leader of the upper house. His Republican opponent is Mr Barry Goldwater of Phoenix. Senator O'Mahoney of Wyoming is fighting the state's present Governor, Mr Frank Barrett, while in New Mexico Senator Chavez will have a close battle with the dashing and voluble General Pat Hurley, who nearly won a Senate seat in 1948 and has been an outspoken critic of the Administration's China policy.

Senator McCarran himself is not up for re-election this year, but his machine has just been routed in the primary election in which Nevada's Democrats chose their candidates for the state's other Senate seat. His protégé, Mr Alan Bible, was defeated by a hard-working young amateur, Mr Thomas Mechling, who claims to have shaken hands with over half the state's voters—there are only 91,000 of them. He had the support of the metal miners' trade union and it seems safe to say that, even if Mr McCarran and his machine do not work for the present Republican Senator, Mr Malone, they will do little to help Mr Mechling defeat him.

Mr Malone is one of the least admirable of all the low-level Republican Senators who go to Washington from these high-altitude states. He is more isolationist than Senator McCarthy and as extreme in his domestic views, although he has not made so much demagogic hay out of them. The other Republican Senators from this region who are standing this year—Senator Langer of North Dakota, Senator Ecton of Montana, Senator Butler of Nebraska and Senator Watkins of Utah—are all nearly, if not quite, as isolationist and nearly,



if not quite, as undistinguished as Mr Malone. However, Nebraska Republicans have chosen a better candidate, Mr Dwight Griswold, a former Governor, for the seat left vacant by the death of Senator Wherry.

An unsuccessful attempt to wrest the other Republican nomination in Nebraska from Mr Butler was made by the present Governor, Mr Val Peterson, who will therefore return at least temporarily to private life next year. He has been the most outstanding of the Republican Governors in this region, nearly all of whom, in contrast to the Republican Senators, are young and able and all of whom joined the protest against the methods of the Taft machine which did so much to secure the Republican nomination for General Eisenhower. Most of these Republican Governors face an election this year. One of the safest of them, and one of the least competent, is the picturesque Mr Thornton of Colorado, who has lost no opportunity of pushing himself and his cowboy costume before the television and press cameras beside General Eisenhower.

Senator Watkins is another candidate who has tried to turn General Eisenhower's popularity to his personal ends in the fight, which he has now won, for the Republican nomination in Utah against Mr Marriner Eccles, the former head of the Federal Reserve Board. Mr Watkins managed by cunning footwork to get himself photographed with General Eisenhower and on the front page of the local papers three days before Mr Eccles. The voters of Utah were thus given the impression that Mr Watkins was closer to the General and to his point of view than was the experienced and internationalist Mr Eccles, although the opposite was the truth.

Similarly there can be little doubt that the General would find himself much more sympathetic, if he could allow himself to be, to some of the talented Democratic candidates in the mountain and plains states rather than to the present Republican Senators, to Representative Mike Mansfield in Montana rather than to Senator Ecton, for example. Several of these Republicans would almost certainly be beaten if he refused to let them cling to his coat-tails; and there is no doubt that they are clinging just for the sake of the ride back to Washington and will abandon him as soon as they get there. But on these isolationists depends the Republican chance of a majority in the Senate, with the control over committees that goes with it, and for this reason General Eisenhower dare not repudiate them.

American Notes

Crop Report for Candidates

With General Eisenhower and Governor Stevenson both promising the farmer all the price supports he now has, and the heaven of price supports for perishable commodities too (although they have not decided how the pearly gates are to be opened) agriculture has been taken out of the election campaign; there is no difference between the candidates on this issue. Yet farmers will have to choose, and the result of the election will probably depend on their choice; this at least is the view of those who blame Mr Dewey's defeat in 1948 on the defection of the midwestern agricultural states to the Democrats. That defection is believed to have been caused by the sharp drop in farm prices in the autumn of that year. The farmers apparently felt that they could rely on the Democratic Administration to save them from the depression they feared was coming, as it had saved them from the depression of the nineteen-thirties which the Republicans had been unable to cope with.

In 1948 this distrust of the Republicans was confirmed by the Republican Congress's attack on the price support

programme; it weakened the Administration's power to provide adequate storage space for crops under loan at a time when prices were falling. The Republicans are still trying unsuccessfully to explain away this mistake, but at least they have not repeated it. Some of their representatives in Congress have, however, advocated modifications in the present price support system for the sake of economy and more efficient farming. Sound as this proposition may be in theory, it is not one which will inspire confidence in farmers and their families. And this year they need confidence, if they are to vote Republican, as much as they did in 1948, for the agricultural pattern of that year seems to be repeating itself this autumn.

The September crop report forecasts that, in spite of the July drought, this year's harvest will approach 1948's peak and with record quantities of meat animals and livestock products going to market, the total output of American farms may be greater than ever. This is hardly reassuring for the farmers. The Department of Agriculture does not expect any troublesome surpluses, but it is already issuing warnings against planting too much wheat for next year. And already the price of wheat is below the level (\$2.21 a bushel) at which the government is required to support it, while maize and hogs are other important commodities which are selling below parity (which is the sum, based on the ratio between the prices of the things the farmer sells and those he buys, which is intended to ensure him a fair return for his labour). At the moment the parity ratio for all products combined is just above 100, supposedly the fair level, but it is not so far above as it was at this time in 1948. Farm income, on the other hand, is higher than it was in that year, when it dropped sharply. Farmers are almost as well off as they have ever been, and better off than they could possibly have expected to be twenty years ago. Nevertheless the latest crop report will make them think twice, or even three times, before they take the risk of voting for a Republican President, however disgusted they may be with the general administration of the Democrats.

Hard Bargaining in Soft Coal

Unless something unexpected turns up, Mr John L. Lewis will take his soft coal miners in the northern states out on strike on Monday. Hard times have made the northern operators determined to strike a hard bargain, and in their view a shut-down at the mines would help to reduce the unprecedented stocks of coal which are depressing its price. Mr Lewis is still unexpectedly shy about revealing his terms; in the northern soft coal mines he is believed to be asking an increase of \$1.80 in the basic wage of \$16.35 a day; a reduction of 15 minutes in the eight-hour day; and an increase in the royalty of 30 cents a ton that the coal companies pay to his miners' welfare fund. An increase to 50 cents a ton is the major concession made by the anthracite operators, who for once seem nearer to a settlement than the soft coal companies. The anthracite miners' welfare fund is deeper in red ink than that of the soft coal miners, because so much less hard coal is dug by each miner, but even in the bituminous coal fields benefits have had to be reduced as production has fallen. Mr Lewis, who quite rightly regards the welfare funds as the best memorial he could leave, and who hopes to see ten miners' hospitals built in the south, is anxious to remedy this.

The southern soft coal contract does not expire until September 30th, and Mr Lewis may use these extra days to press a new "share-the-work" scheme which is more attractive to southern operators, whose mines are working only two or three days a week, than to busier northern ones, particularly the "captive" mines of the steel companies. Premium wage rates would be paid by any company working more, say, than three days a week. Such a scheme, if industry-wide, might force the steel companies on to the

open market for coal, and keep high-cost mines, and their miners, in existence.

But it is a counsel of despair for an industry which today provides only about 45 per cent of the nation's fuel needs instead of the 72 per cent it did in 1920. More enlightened elements in the industry stress research, which up till now has been starved of funds, as a means of making coal a more attractive and cheaper fuel, and of expanding the uses of coal, particularly as a raw material. Production of synthetic liquid fuel from coal by hydrogenation may still be, as a new independent report suggests, too costly for private enterprise, but the Union Carbide and Carbon Corporation, using a similar process to turn out chemicals from coal in an experimental plant, has high hopes of rivalling the chemical industries built on gas and oil. More mechanisation and cheaper transport, perhaps including the Pittsburgh Consolidation Coal Company's experimental pipe-line for crushed coal, may win back industrial markets lost to gas and oil. The same company has developed a process, as yet untested on a large scale, for making electricity almost directly from coal, conserving most of the energy now lost. Coal interests have joined with electric power producers to develop and push the use of electrical furnaces in making steel from low-grade iron ore. Smaller projects include a portable crop drier and completely automatic stoker, which even carries out the ashes, but, as yet, is too expensive to turn the tide of oil and gas heaters in the home.

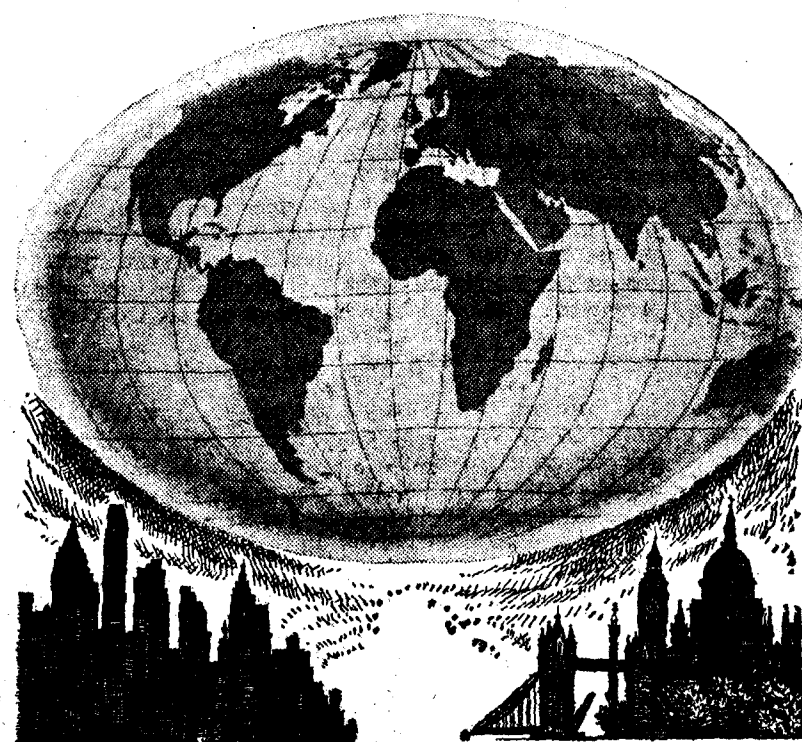
Cleaning House under Fire

The steady swish of brooms cleaning the rascals out of government no doubt sounds to General Eisenhower like proof that his attacks on corruption have found their mark, though to Governor Stevenson it may merely show that the

Democrats can be counted upon to do their own housework. The Chelf subcommittee of the House, which seems to have taken on a new lease of life, is this week to hear, in open session, the reply of the former Attorney General, Mr McGrath, to the testimony of Federal Judge Moore that the Department of Justice tried, unsuccessfully, to obstruct a grand jury investigating tax frauds in Kansas City. Mr Lamar Caudle, the head of the tax division whom Mr Truman sacked, may soon make it clear whether a Republican member of the committee was justified in saying that Mr Caudle's secret testimony showed that the department was under pressure from the White House, though not the President, to go slow at times.

The department is giving unusual co-operation to the committee. It has even opened its files on the celebrated Kansas City vote fraud case of 1946, in which dynamite was used to destroy the alleged evidence of trickery employed to nominate Mr Truman's favourite candidate. Mr McGranery, the Attorney General, seems as convinced as the Chelf committee that more tightness is needed in the singularly ineffective "conflict of interest" statutes which are supposed to prevent government servants from putting their inside information and associations to private use when they leave.

Corruption, as Mr Stevenson is fond of pointing out, is the monopoly of neither party. Rock-ribbed Republican Maine less than a fortnight ago forfeited its chance of giving an electrifying lift to Republican hopes for November; a scandal in the state liquor authority moderated the usual Republican landslide. But post offices, where patronage is traditionally dispensed along with stamps, and party contributions collected as well as letters, are in Democratic hands. Mr McGranery has hastened to instruct grand juries in New York and Chicago to investigate charges that post office jobs are being sold for party profit. Congress, which recently turned down Mr Truman's suggestion that all postmaster-



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ships be put on a pure merit basis, took the plunge where the Bureau of Internal Revenue was concerned and, coupled with the dismissal, in the past year, of 100 of the Bureau's 57,500 employees for such serious offences as accepting bribes, embezzlement, or extortion, this may mean the dawn of a new era. A former assistant tax commissioner—one of three high officials in whom the Republicans are particularly interested—has now been indicted for cheating on his own income tax returns, though the indictments do not go into the question of how Mr Bolich managed to obtain so much more than his official salary.

* * *

Getting Out the Vote

One of the best-known breakfast cereals now comes in a package with photographs of both presidential candidates, urging buyers to "vote as you please, but remember to vote," while a dog-food company offers its clients blankets stamped with "vote as you dog-gone please, but vote." In Illinois people enquiring about the weather from the telephone company are reminded that they must register now and vote in November, and no radio listener can avoid hearing the same message. All this is part of a campaign sponsored by numerous non-partisan public service organisations, and by business groups and trade unions, to reverse the disquieting decline in the number of votes cast in presidential elections. The figure has fallen from 79 per cent of those of voting age in 1880 to 51 per cent in 1948, which compares unfavourably with other democracies.

There is no expectation of getting back to 1880 this year, but it is hoped to return to 1940, when 63 per cent of the electorate voted. That was the year when Wendell Willkie was the Republican candidate: this year the Republicans are again offering the voters a fresh face. So are the Democrats, but the frequent defeats of the entrenched party machines in primary elections have led to the belief that the electorate is in a mood to rebel against all "ins." For this reason, and because General Eisenhower is better known than Governor Stevenson, it is argued that this time the hoped-for heavy poll would be to the advantage of the Republicans. It has usually been held that most of those who do not bother to vote are by nature Democrats, since it is among the poorer and less well-educated sections of the population that the vote is lightest—and among the women.

But apathy is not the only explanation of the habitually light vote in the United States. This year's official estimate of civilians of voting age (21 except in Georgia where it is 18) is 98.4 million, 3.4 million more than in 1948. To this must be added about 2½ million members of the armed forces, but from it must be subtracted nearly 3 million aliens and an unknown number of citizens who are insane, criminals or paupers. Voting disqualifications of this kind vary from state to state; in some it is enough to be an "immoral person." So do residential qualifications; to vote in almost any state a person must have lived there for at least a year, and sometimes more. There are only five states where the payment of a poll tax is still required, but registration is not automatic and the regulations on this also differ, so that people who want to vote have to prepare in advance.

At present those who are trying to get out a big vote are concentrating on seeing that all potential voters know when and how to register, and actually do it. Only a third of the states allow registration by post, although most of them make some provision for absentee voting, a matter of special importance to residents in the voteless national capital. But such provisions are frequently unsatisfactory, particularly as regards members of the armed forces overseas. And Congress has failed to renew the legislation passed during the last war which provided for a federal ballot, when necessary, so that all servicemen might have an opportunity of voting for their President.

Headaches in the Schools

Schools opened last week all over America with too many pupils and too little of everything else. Parents are becoming accustomed and, unfortunately, almost resigned, to the tale of shortages of teachers, classrooms, money and materials they hear each autumn. The shock of realising that one out of every five children goes to school in a fire-trap has worn off. Rising prices are one cause of the trouble. More money is spent on education than was spent five years ago, but it buys less. Teachers' salaries buy less, too, so the teachers go into industry or business. What makes the situation worse each year is the relentlessly rising tide of children. There are nearly 35 million students enrolled this year, an increase of nearly 1,600,000 over last year. Virtually all this increase is concentrated in the primary schools, where teachers are the scarcest. It is the largest increase ever experienced in a single year, and may not be reached again, but the high postwar birthrate promises, in the four years to the end of 1955, to bring 5 million more children to the school doors.

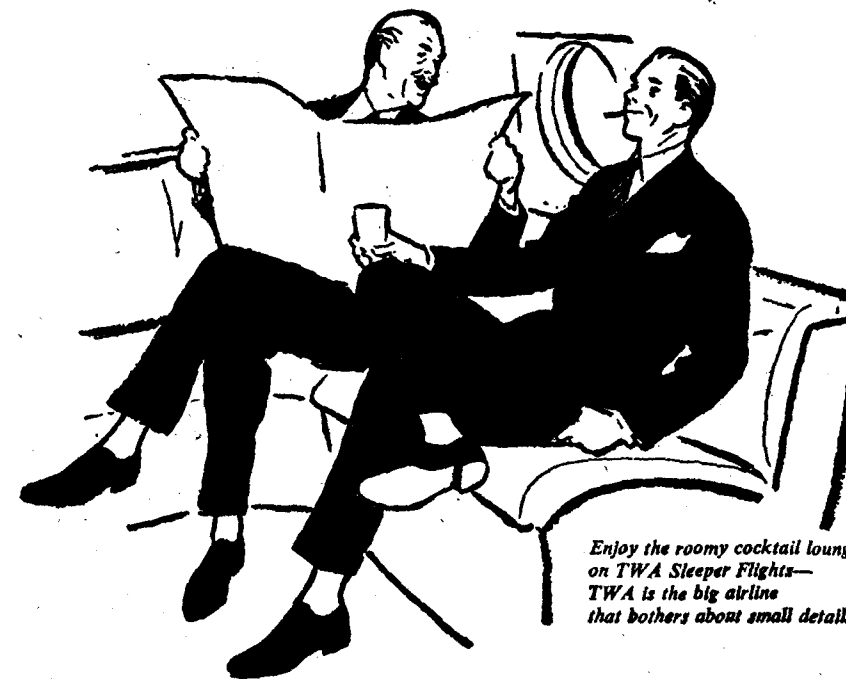
By the time 1955 arrives, during the term of the President to be elected this November, it may no longer be possible to evade the problem of federal aid. The nation is spending less than 2.5 per cent of its income on education, compared with 3.2 per cent in 1930, when both the national income and the need were so much smaller. The cost of publicly supported schools is met, with tiny exceptions, by the cities and states, whose resources are already strained. This is particularly true of the poorer states of the south, and was one reason why Senator Taft, two years ago, gave his name to a federal aid Bill which would have done something to equalise educational opportunities. But this went ashore on an old shoal: the problem of whether federal money should be given to the Roman Catholic schools. Last year no attempt was made to float it off, except Senator Hill's proposal that off-shore oil resources should be made a sort of endowment fund for the schools of the whole nation, not just those in Texas. This came to nothing, and teachers are afraid that Congress, in a period of budget deficits, will turn thumbs down on new appeals unless some similarly unexpected source of income can be found.

Senator Taft, on the schools, is more progressive than most of his party, including General Eisenhower. The Republican platform said firmly that education is the responsibility of the states and local communities, and the General, fearing, as many Americans do, that federal control is the inevitable companion of federal money, has opposed any central educational fund. The Democratic platform, on the other hand, pledges immediate study of federal aid for school construction and for teachers' salaries and promises that the federal government's role will be restricted to writing the cheques.

Shorter Notes

A wage bill of \$9.5 billion was paid by America's largest employer, the federal government with its 2.6 million employees, in the year ending on June 30th, the highest in the nation's history and 24 per cent above the government's wage bill for the previous year. Pay increases averaging 10 per cent and additions to staff during the year accounted for the rise in the total; the military establishments hired 32 per cent more civilian workers and now have 1,339,501 employees, over half of the total number of government workers.

New England, once proud to call itself "the workshop of the nation," has lost a long-sought opportunity to regain its old position. The government authorised rapid amortisation for tax purposes on a \$228 million steel plant to be built in Connecticut as part of the defence expansion of the industry. But after various towns, with what some would call the lack of enterprise which explains New England's economic decline, had refused the honour of having the new plant, the authorisation, twice renewed, finally expired.



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THE WORLD OVERSEAS

Power Factors in Egyptian Politics

(From a Correspondent)

MAJOR-GENERAL MOHAMED NEGUIB, Prime Minister, Minister of War and Marine and Commander-in-Chief of the armed forces, is maturing swiftly in the role of leader. His strength in the country has increased, if only because he has recognised and been willing to exert it at necessary moments but without extravagance. He has developed a sense of public reaction which transcends the gaucheries of some of his earlier public statements. He acts the part of the boss more openly, but does not forget to avoid those acts of social precedence and privilege which clearly stamped the "pasha." His rugged, honest face helps. Perhaps the pipe, somewhat out-of-date hall-mark of the Englishman, will become a symbol of Egypt's would-be benevolent dictator. At the outset his power was derived from a *junta* of officers, on some of whom he still leans and all of whom still exert influence, but as his hold on the country develops his pre-eminent position in the *junta* increases.

General Neguib and his army caucus have attacked, and possibly destroyed, the power of the topmost, over-privileged stratum of Egyptian society. It is in this light that the land reform law must be seen: it is a political action as much as an economic reform. The reform will barely provide 700,000 acres for distribution among the mass of peasants which includes 1,500,000 landless people, of whom only about 140,000 will benefit.

The ignorant fellaheen have already shown their susceptibility to ideas of agrarian reform which promise them land, the possession they most dearly prize. They had to be warned against refusal to pay rents nearly two weeks ago. They are going to be gravely disappointed in that the distribution of land over five years in two to five-acre plots to a tiny fraction of their number will seem a small matter. The problem of who shall benefit is immense; the Moslem Brotherhood suggested drawing lots to decide. Furthermore, there are extremist elements in the army and among the up-and-coming effendi class in the town who will demand more and more attacks on privilege and benefits to themselves. The Government is already promising a law to restrict the freedom of employers to dismiss labour. As General Neguib intends a restricted and controlled revolution—a bourgeois reform based on the maintenance of private property—he will almost inevitably be driven to oppose many people who consider themselves the inspiration of the movement and a mass who consider themselves the natural beneficiaries.

Models for Land Reform

This potential clash is a real danger ahead. It may prove even greater than the obvious danger inherent in any swiftly moving land reform—the threat to the country's economy. Egypt will not easily muster enough trained officials to organise smoothly the complicated problems of water distribution, village rights, co-operative buying and selling and hard set peasant prejudice. Further, its new law makes woefully little provision for the quality of the farming to be practised by the new owners; the country is therefore exposed to the risk that the peasantry as a whole will be worse off than hitherto. Before proceeding further, General Neguib would do well to examine the schemes whereby other countries have turned land into small holdings without detriment to farming

quality. The famous Sudan Gezira method is probably most suitable where new land is being reclaimed. A closer parallel to Egypt's immediate problem is available in Ceylon, where the government is buying the large estates, is itself working them up into good condition, is establishing machinery for co-operatives and is only then parcelling the land. This it is doing on nearly, but not quite, freehold terms; the state as landlord retains a right to forbid alienation, subdivision and mortgage. The clause in the new Egyptian law whereby landlords are permitted to sell direct to peasants might handicap the quality of production for a generation. The law, which is to be tackled progressively over five years, leaves room for many improvements, yet it has its good points. It bears the stamp of Abdel Gelil el-Emary's careful calculations at the ministry of finance for, given the five years' grace, he can issue government bonds for compensating the dispossessed landowners in instalments which he thinks the country can support.

Two Lines of Attack

Just as the land reform is something more than an economic reform, so the arrest of about fifty prominent politicians and their associates was more than just an attack on corrupt elements in the political parties. The arrests fell into three separate groups. One is the hard core of the three main political parties, the Wafd, the Saadists and the Liberal-Constitutionalists; the second is the residue of people associated with ex-King Farouk; and the third, influential independents such as Hafez Afifi, Neguib el-Hilali, and Mortada el-Maraghy, who have no crimes laid at their door but who offer a rallying point for the best elements in the political old guard and therefore a potential challenge to the regime. Some of the people arrested, such as the honest functionary of the Palace, Hassan Youssef, will be released shortly. Some, like Fuad Serag el-Din, the ex-secretary-general of the Wafd who resigned this week, Osman Moharram and Soliman Ghannam, his party associates, and Ahmed el-Wakil, the brother of Mme. Mustapha Nahas, will be held until the Parquet has time to determine definitely whether it can have them convicted on charges of corruption. Others, such as Ibrahim Abdel Hadi, the Saadist who withdrew his resignation from the presidency of the party, and Abdel Hahman Ammar (who has been detained for some weeks) are in danger of the vengeance of the Moslem Brotherhood, because the former was Premier and Minister of Interior and the latter Under-Secretary of the Minister of Interior in 1948 and 1949 when the Brotherhood was smashed by the Government.

The arrests were basically an attack on the top ruling group and complementary to the agrarian reform law. The subsequent law for controlling parties, with its insistence on the supervision of party funds and regulations concerning policies and administration, confirms the policy evident in the arrests, as the reconstruction of the parties will take place while the old leaders are still in detention. It therefore hands the parties to the younger elements who, to a large extent, come from the same social group as the old elements but are more diluted by less privileged people.

What will be the effect of this change in the parties? It is early to analyse the present situation, and the political programmes which the parties will produce under the new

law will hardly help to do so. Hints that have already appeared suggest an eagerness to support the revolution which will make differences between the programmes a matter of detail and emphasis rather than of ultimate aims. The "bourgeois revolution" through which Egypt is now passing, with its continued emphasis on private property and its insistence on a better distribution of it, is not something which the ordinary Egyptian will oppose. The more important development will be the splintering of parties as new personalities emerge, and these are likely to coalesce under conditions in which power rests and is likely to stay with the army, for the latter is bound to modify the ambition for personal power which was the dominant characteristic of Egyptian party politics.

Two forces are still of major importance: the Moslem Brotherhood and the Wafd. The old Wafd was not a party. It was an amalgam of two elements diametrically opposed to each other but held together by the leader's innate sense of street politics and control of the party funds and machine. The first was the extremely reactionary and corrupt leadership with its large satellite group which benefited from the funds and nepotism of the leaders; the second, the popular movement led by men who were nationalists and radicals. The army's action is intended to smash the first group, and the emergence of Dr Mohamed Salah el-Din, Foreign Minister in the recent Wafd government, means the dominance of the second. Salah el-Din will almost certainly become the new secretary-general of the Wafd.

The Moslem Brotherhood is politically immature, but under the late Hassan el-Banna became a political force which probably transcended the power of the Wafd machine. For that reason, the Wafd leadership bitterly opposed the Moslem Brotherhood and only began to seek a rapprochement when the government of Ibrahim Abdel Hadi had broken the power of the Brotherhood. An interesting facet of the present situation is the natural affinity which exists between the Salah el-Din wing of the Wafd and the Brotherhood, and it is in this combination that a new power may grow in Egypt. It would very easily be reinforced, by nationalists from other parties such as the present Minister of State, Fathy Radwan.

Finland Squares the Accounts

[FROM OUR SCANDINAVIAN CORRESPONDENT]

A FEW days ago a small ship sailed east from the Finnish harbour of Turku and made history. It was the last of Finland's reparation deliveries to Russia. It also typified them. For it was a small wooden schooner which, although not impressive to look at, was nevertheless a special design, a non-magnetic survey ship. Its official cost, the cost, that is, which will be credited to Finland in the reparations account, was but a fraction of its real cost: it was locally known as "the golden ship." And it had to be delivered on time to avoid stiff fines. It was built in a yard created from nothing in a few months, regardless of cost, to produce ships which, owing to their uneconomic specifications, could be supplied only to Russia as war reparations, to the payment of which, however, they contributed much less than their real value.

Such illustrations could be multiplied a hundredfold to depict in detail what the payment of reparations has meant to the Finns in sum. But they have done it. In the eight years up to September 19th they have worked off war indemnities which seemed beyond their capacity. They have, it is true, been aided by a rare Russian display of reasonable cooperation so that the final payments amounted to \$226.5 million spread over eight years, instead of the original \$300 million in six years. As the dollars concerned in these calcu-

lations are arbitrary "reparations dollars" equivalent to 1938 dollars (with certain small adjustments for some categories of goods), it is clear that the cost of reparations at present day prices is considerably above this figure. Professor Suviranta, who has made a special study of the economic effect of reparations, estimates that the cost at today's prices is about \$570 million.

But this is not the whole story. The reparations payments that have just been concluded were only one of a series of burdens imposed on Finland by the peace treaty. About 13 per cent of Finland's national wealth was lost by the cession of territory to Russia. Russian property removed from Russia had to be restored. German arms in Finland had to be delivered to the Russians (at a cost of about \$7,000,000) and German property given up. Similarly all German claims against Finland (mainly for delivery of war material) had to be renounced in favour of the Russians. Nor should the substantial economic loss involved in the scrapping of Finnish weapons to a value of several thousand million marks be overlooked. Finally, the whole process had to be administered by the Allied Control Commission at a cost of about \$3 million a year, and by SOTEVA, the Finnish reparations supervisory committee, at a cost of a further \$1 million a year. The total burden has been estimated at \$949 million in 1944 dollars.

A Distorted Economy

So much for the figures. They are impressive enough testimony to the Finnish effort. But, as output rose again, the fixed amounts due as reparations payments became a comparatively smaller burden on the national income and on exports. In 1945, for example, when the volume of trade was a mere 18 per cent of the 1935 figure, reparations deliveries accounted for 61 per cent of total exports. In 1948 the corresponding figures were 67 per cent and 17 per cent, and last year 110 per cent and 6 per cent. In the same year reparations payments as a percentage of national income were estimated (probably on the low side for 1945) at 7.3 per cent, 5.2 per cent and about 2 per cent respectively. These figures apply only to reparations payments and do not include the value of German assets and so forth. Expressed statistically they are not as large as, for example, the British rearmament effort at present. But such criteria fail to show the terrific distortion of Finland's economy which the pattern of reparations has caused. For example, the engineering and shipbuilding industries accounted for 58 per cent of all reparations; but before the war they contributed only 2 per cent of Finnish exports. The forest industry, responsible for about 90 per cent of Finland's exports, paid only a third. Finland is thus left with uneconomically large engineering and shipbuilding industries. There are now, for example, 82 shipbuilding berths compared with 15 before the war. The market for the staple forest exports is poor. Consequently the importance of other exports, particularly machinery and ships, is enhanced. But Finnish costs are so high that these products cannot compete on the world market. Internal demand will partially replace reparations orders. But the main reliance is on increased and steady normal sales of these goods to Russia, and the Russian satellites, under the five year Russo-Finnish trade agreement of June, 1950.

Openings for Russian Pressure

To the pessimists, therefore, the structure of Finland's economy, as modified by reparations, gives Russia good opportunities of exerting political pressure even after the last reparations have been delivered. Just now the tendency is for Finnish Communists to compare the harm done to Finland by reduced British imports and prices with the benefit resulting from continued Russian support of the engineering industries. Furthermore if, as rumours of Russian interest in large tankers indicate, the Russians increase their orders for ships, Finland, like Denmark, may run

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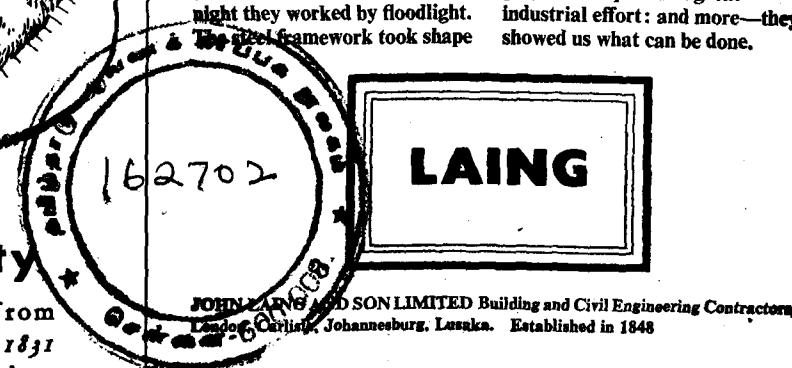
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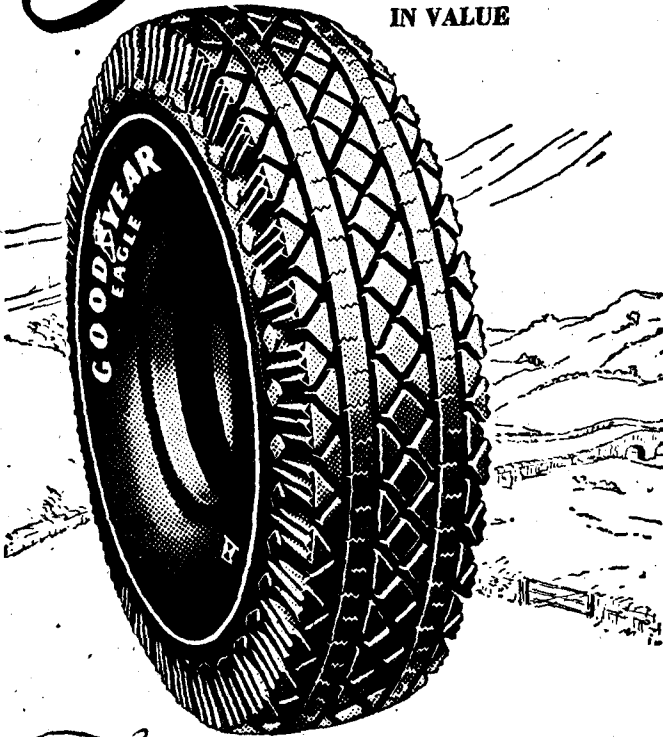


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into difficulties with the United States. For the United States, by various loans, played a great part in strengthening Finland's economy sufficiently to pay off reparations. If Finland now begins to produce on an appreciable scale goods which Russia is denied from other countries on strategic grounds, there might be difficulties. There thus seems a case for giving Finland special treatment by Britain, which takes 21 per cent of all Finnish exports, compared with the 15 per cent which go to the Soviet bloc. In so far as British import restrictions aim at reducing indebtedness to EPU, smaller imports from Finland are irrelevant, since Finland is not a member of EPU. On both economic and political grounds, therefore, it would seem desirable to increase trade with Finland, since its sterling receipts could be used only for buying British goods and could not indirectly incur gold payments by Britain.

Finally, is there any possibility that with the end of reparations Finland will move towards closer ties with the West? No doubt an intelligent American policy, directed by the new ambassador to Helsinki, might improve Finland's bargaining position, but with its skeleton army, its common frontier with the Soviet Union, and the Russian bases on the outskirts of its capital, Finland can hardly hope to translate its pro-western feelings into action. The end of reparations will mark a new psychological stage and may entail a new economic situation, but it is unlikely to produce any new directions in Finland's cautious and ascetic foreign policy.

Austria and the Four Colonels

THE three western powers have invited the Russians to resume the Austrian peace negotiations in London on the 29th of this month, but prospects for a final settlement seem as barren as they were two years ago. After more than two hundred and fifty sessions, agreement had been reached on the major part of the eighty-six clauses comprised in the original treaty draft, but a deadlock ensued over the problem of reparations and over certain property assets which the Russians defined as German war loot. In March of this year the western powers submitted to Moscow an abridged version of the treaty in which the essential areas of agreement were emphasised. The Soviet reply was not forthcoming until August 14th. It amounted to a rejection of the "skeleton treaty" and claimed that the latter contained no guarantees for the denazification of Austria, for the existence of "social democratic" parties and for the establishment of an Austrian army.

With the possible exception of the denazification issue, on which the western powers have often shown a rather diffident approach, these were mere points of rhetoric. The Austrian constitution explicitly guarantees political liberties, and the maintenance of armed forces (which the draft treaty set at some 50,000 men) is included in the very concept of national sovereignty. Nevertheless, in order to unmask Soviet intentions, the western powers, on September 6th, accepted the objections advanced by Moscow and duly amended their treaty proposals. There has, as yet, been no reply but it is generally felt that the Russians, whatever their strategy regarding the resumption of negotiations, are by no means prepared to initial a treaty and evacuate Austria.

Cloudy Western Motives

Even on the part of the West there appears to be a perplexity of motives with respect to the Austrian stalemate. It is not clear why a "skeleton treaty" was put forward in the first place. There is, in addition, an element of simple

truth in the Soviet propaganda claims that American tactical interests are increasingly involved in the Austrian position. The militarisation of certain areas in the Salzburg zone and the possibility of jet-fighter bases within comfortable range of the Balkans are factors which it would be foolish to disregard. The recent visit of M. Schuman to Vienna and certain trends in the Austrian economy, moreover, suggest that Austria may find a place prepared within a larger framework of Atlantic defence. The western position in Austria offers a good example of gradual involvement in what had at first been taken to be a temporary and unstable state of affairs. At this stage it would be difficult to deny that an evacuation of Austria entails significant drawbacks. There are vested interests in a stalemate.

Jokers in the Russian Pack

The motives behind Russian obstructionism, on the other hand, are quite plain. The Soviets are deriving important economic benefits from their zone of occupation and are keenly aware of the military advantages of having forces in Austria. If the latter (which may amount to some forty divisions) had to be quartered in the satellite countries, there might arise the type of friction which the Russians are especially anxious to avoid. There are, moreover, unmistakable signs of an Austrian-Yugoslav rapprochement under Western sponsorship, and a link between a free Austria and a hostile Tito is not calculated to allay Soviet fears of encirclement. General Sviridov knows that no more than five per cent of Austrians are Communists, so there is little prospect of recovering by election or a disguised coup d'état what might be lost by evacuation. What is perhaps most important is the fact that Austria is a bargaining point. The Russian Note specifically demanded the inclusion of Trieste in the London agenda. In return for concessions on the Trieste issue the Soviet negotiators might take a more flexible view of the Austrian question and vice versa. When sitting down at a conference table, the Russians feel better if there are several jokers in the pack.

The Austrian economy is trying to adjust itself to the country's ambiguous position and the process is not altogether an easy one. The dominant fact is a shift from consumer goods industries to the export of raw materials and semi-finished products. But this shift, particularly in its incipient stages, means an increase in the import both of coal and iron and of foodstuffs. The productivity of Austrian agriculture remains inadequate; as compared with 1937 the import of wheat has nearly doubled, and that of sugar and fats has increased fivefold. Import of machinery and machine tools has attained six times the total of 1937. Up to now, however, Austrian exports have not kept pace and the demand created by stockpiling after the outbreak of the Korean war is tapering off.

The Best of Two Bad Worlds

In the last quarter of 1950 exports had reached 133 per cent of the 1937 total, but they are now down to 96 per cent. The decrease (by 175 million schillings) of the trade deficit between June and July was not due to higher exports but solely to import restrictions. Two factors have tended to disguise the seriousness of the problem. The release of large sums from counterpart funds have stimulated investment goods industries and absorbed some of the unemployment in textiles and leather. Secondly, owing to the tourist trade, Austria's EPU account for the first time showed a favourable balance (\$6.1 million).

What makes the Austrian position something of a planner's nightmare is the fact that its demand and supply factors can be geared neither to eastern nor to western conditions. In some ways, of course, the Austrians are trying to make the best of two rather bad worlds. A recent trade agreement with Poland should ensure cheaper coal to the extent of

some 2 million tons a year. The Viennese trade fair, which opened on September 7th, shows that the people's democracies and their Soviet masters are prepared to compete extensively on the Austrian market, and presumably the reverse will be true. The need for strategic materials for the Nato countries, on the other hand, has given an essential boost to Austrian iron and steel exports. The latter have been increasing monthly by an average of 50,000 tons, and the production of coal has risen by 7 per cent as compared with the first half of last year. None the less, Austria has suffered from the general downward trend in prices. Although the volume of total exports rose from 347,300 tons in June to 356,600 in July, their value declined by 57 million schillings.

The idea that Austria might serve as a kind of economic neutral ground or quarantine zone between east and west is not entirely unattractive. Whether or not this is a result of Vienna's celebrated atmosphere, relations between the Allied and Soviet occupation powers have always shown a somewhat lighter aspect, a greater susceptibility to humour than has been evident in Germany. None of the four colonels wishes to leave the enchanted land, and Austria may have to resign itself to being their host for some time to come. This seems to be the essential fact on which any realistic thinking about Austria's economic future must be based.

Malaya Picks Up

THE entry into force this week of a new citizenship code in the Federation of Malaya marks the welcome end of a long and slow political chapter which has covered the last three years. It has taken many discussions in the Communities Liaison Committee and new laws in all the nine Malay states as well as the central federal government to bring this about: many of the 1,200,000 Chinese and 180,000 Indians who are now citizens of Malaya may well be excused if they doubted whether the ramparts of Malay privilege would ever open up to let them through. Now that they have and that sixty per cent of the Chinese in the Federation have become its citizens, efforts must equally be made to improve the position in Singapore.

Coming now, this new Malayan citizenship rightly emphasises the importance of political development at a moment when the spotlight is being turned on the favourable progress of the war. In August, 101 Communist guerrillas were killed, 18 were captured and 24 surrendered. These figures were second only to those of June, the record month since the emergency began: during the last six months 648 Communists have been killed, compared with 1,025 in the whole of last year, 639 in 1950 and 618 in 1949. It is also significant that casualties have lately included more of the Communist leaders, such as heads of district committees, against whom the security forces are making a special drive, and that the heavier guerrilla losses have been accompanied by a decline in the number of serious incidents. At the beginning of this month, it was a symptom of the turn for the better that the night mail between Kuala Lumpur and Singapore started running again for the first time for over a year and a half.

Confidence Reborn

The improvement is a reflection of the impact which the High Commissioner, General Sir Gerald Templer, has been able to make on the scene. He has resurrected confidence from the grave in which the mounting toll of the Communist onslaught was burying it, particularly after the murder of Sir Henry Gurney nearly a year ago. This greater confidence is shown in the better co-operation being given to the government by the public and in the vital flow of information which follows from it. Confidence also springs from the rising

efficiency and wider security coverage of the police jungle squads and General Templer's Home Guard.

The improvement does not, however, bring the emergency within sight of an end, and recent over-optimism from the Colonial Secretary in Singapore does nothing but harm. That the Communists can still terrorise whole villages into submission is being proved every day. Last month, when a particularly bad incident took place at Permatang Tinggi and a Communist gunman shot a Chinese resettlement officer in full view of a dozen people in a chophouse without any one of them being prepared to give evidence of any sort afterwards, the High Commissioner once again tried to meet the challenge by collective punishment. Abroad and in cold blood, this has an alien ring of ruthlessness which may seem hard to justify. But when people lose their individuality under mass terror the only way to help them is to deal with them collectively. So far this type of measure has been used only in extreme cases and after other steps have been tried and failed. Judged by the greater willingness of the people to come to the government with information—the most precious commodity in the fight against terrorism—these means when adopted sparingly by General Templer do appear to be justifying themselves.

In spite of a change in national morale, no one could claim that political progress in Malaya is what it might be if the pressure of the emergency were really slackened off. At the same time the main alarm signals are now to be seen on the economic front. In the first six months of this year the fall in the prices of rubber and tin led to an adverse trade balance of £5,000,000 compared with a favourable balance of £115 million during the same period last year. This is but one aspect of a development which has cut like a sword into the recently booming prosperity of Malaya and which has created a political problem full of ugly possibilities in the dispute about wages on the rubber estates.

For the second time in six months the employers feel justified in invoking the sliding scale agreement, whereby the unions have contracted to accept falls in wages when the price of rubber moves below certain specified levels, just as they are entitled to claim rises when it moves up. Unfortunately theory and practice are two very different things: and it is an unwritten economic law that wages go up but not down. The workers now claim, and accurately, that many Malayan estates are still making profits at the present level of production costs. Their leaders also point to the danger to the existing moderate trade unions of the obvious Communist charge that, in seeking to stand by the agreement, they are traitors to the workers' interests. Yet, if the wage agreement is not kept and the price of rubber falls further, many estates will have to lay off considerable numbers of men—and in the last resort that could be as dangerous in the present fight against the Communists as attempting to call the 370,000 estate workers out on strike. In this, as in every other aspect of Malayan life, employers and trade unionists have a common interest in working together at almost any cost until the guerrilla movement is beaten. It is to the new High Commissioner's credit that the improvement in general morale which he has brought about makes this better understood than it would be in an atmosphere of defeatism. But nothing that has so far happened in Malaya warrants any let-up whatever in the new spirit of resolve which is just beginning to get results.

Chilean Come-Back

SOME surprise, and even a little alarm, has greeted the victory in Chile's presidential election of General Carlos Ibáñez. Best known for the autocratic methods he used during his earlier presidency, General Ibáñez conducted his electoral campaign on a basis of nationalistic emotion and pledges to "fumigate" the administration, rather than on any defined policies. His candidacy was warmly supported by the

Peronista press in Argentina, and at one point seriously compromised by the action of Argentine consular officials in Chile. His victory has had an equally warm welcome in Buenos Aires, where it has been described as "a triumph of all the Latin American nations over imperialism." Señor Lira Merino, one of the General's chief supporters, declared on the day after the polling that the new government would denounce the mutual aid agreement recently signed with the United States, and would nationalise copper and other foreign-owned interests.

Peronismo on the March?

In a year which has already seen the seizure of power by a military dictator in Cuba, the overthrow of the Bolivian government by the followers of Señor Paz Estenssoro (formerly an exile in Buenos Aires), and the electoral victory of the demagogic Dr Velasco Ibarra in Ecuador, the turn of events in Chile might easily be taken as further proof that democracy is in retreat in South America, and Peronismo on the march. But the pattern is not so simple. Unlike General Batista in Cuba, General Ibáñez has obtained power by constitutional means, as he did a quarter of a century ago. Although, like Dr Velasco Ibarra, he has enjoyed Peronista support, he will have to deal with a people who are fully alive to the danger of pressure from their big neighbour across the Andes. And while Señor Paz Estenssoro—like General Perón himself—has been hailed as the bringer of social reforms long overdue, General Ibáñez cannot offer so much in this direction to a country where labour is already a powerful force and "new-deal" legislation a reality.

What he claims to offer is stability and order. Chile has long been plagued by splinter politics, and in recent years an interminable series of labour disputes has half paralysed its economy. President González Videla seems to have seen the problems clearly enough, but he lacked the authority to solve them. During his term of office the coalition of the centre and left on which he based his government has steadily disintegrated; and, since constitutional provisions prevented him standing for re-election, he was forced to cast his mantle upon the uninspiring Señor Pedro Alfonso, who got only 184,000 votes against General Ibáñez's 433,000 and the 252,600 cast for Señor Matte Larraín, the conservative-liberal candidate.

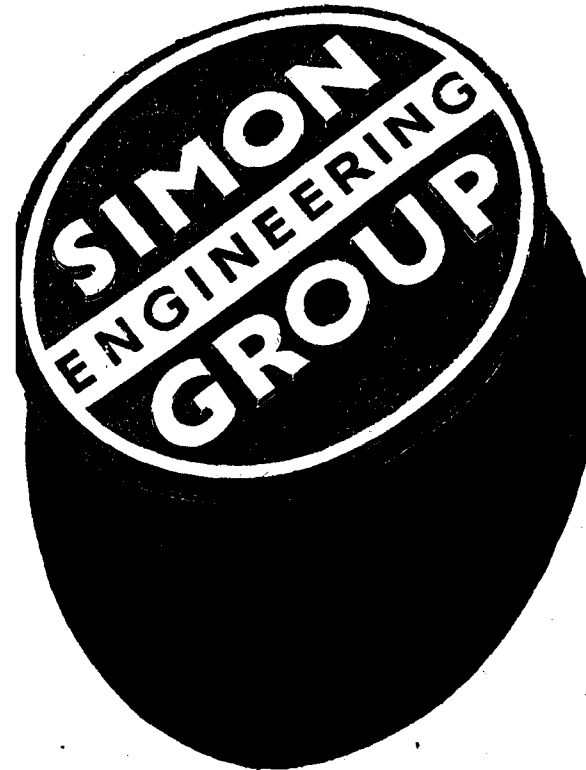
No Meek Vassal

General Ibáñez's victory thus certainly reflects the failure of conventional political methods to solve Chile's present problems. But it does not necessarily imply a return to autocracy. At 74, the man who acquired dictatorial powers in 1927 and yielded them in 1931 seems somewhat mellowed, and the Chile of today is a very different country from that of 1927. In Brazil, President Vargas has shown that a former dictator can both gain power and govern by constitutional means; General Ibáñez may well seek to follow suit, if he can curb the more headstrong among his supporters. Nor is it at all probable that General Perón can now count Chile as a meek vassal. Natural rivalry between the two countries, Chile's more liberal traditions, and the new president-elect's independent personality make such a development unlikely. General Ibáñez is a hard bargainer, and he will no doubt keep his promise to ensure that foreign capital is allowed no favours in Chile. But he has already discounted Señor Lira Merino's talk of sweeping nationalisation, and categorically denied that the mutual aid agreement will be immediately revoked. In spite of all the sound and fury of the election campaign, it is far too soon to write Chile off as a new recruit to the Peronista bloc.

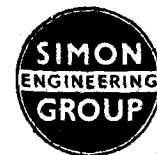
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Correction.—The second column of Table I in last week's article entitled "Dutch Lessons for British Chancellors" should have been labelled price, not value.

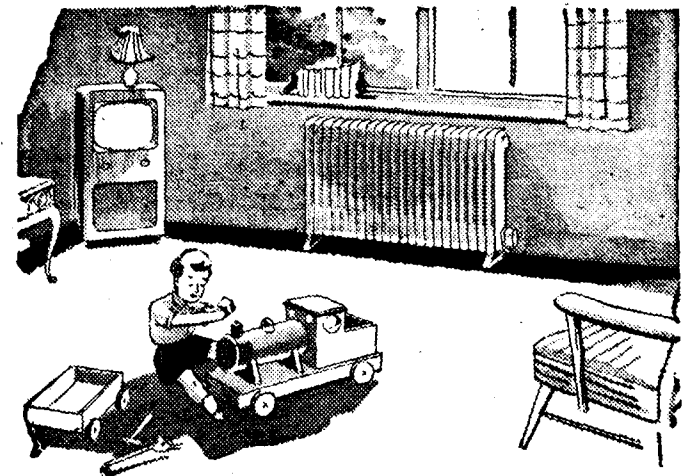
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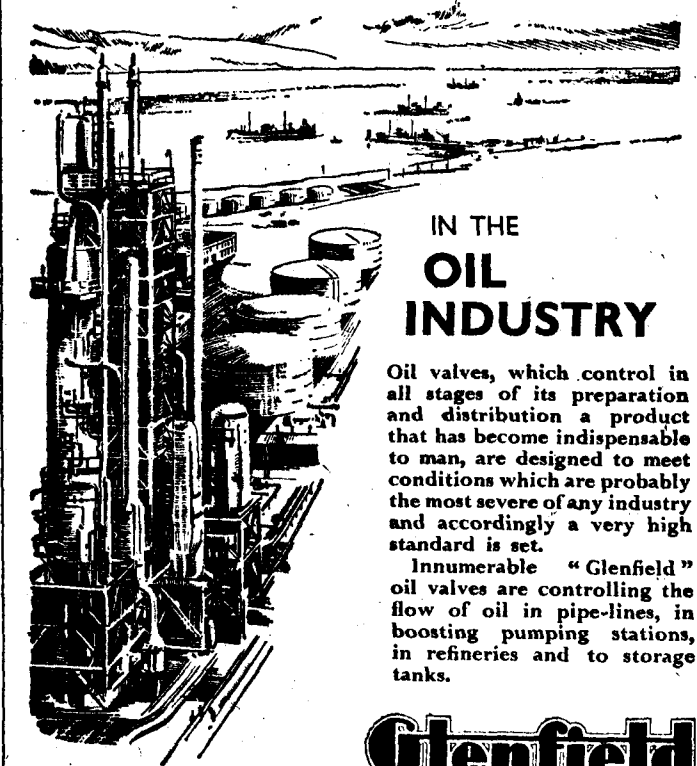
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THE BUSINESS WORLD

Recovery on the Big Screen?

STRICTLY speaking, Anglo-American negotiations over film dollars are concerned with a detail of currency transfer, not with British film policy; and this year they seem to have been accepted as such not only in Hollywood but in Wardour Street. The Board of Trade officials who reached an agreement with the Motion Picture Producers' Association of America in Washington last week had been sped on their mission with rather less domestic advice than usual about the exact degree of protection for British film production for which they ought to be bargaining. Their brief from Mr Butler was simple—to reduce the \$25.2 million a year that Britain was spending on American films at the beginning of 1951—and they carried it out. Under the revised agreement announced this week, the American producers can still transfer unconditionally \$17 million of their films' earnings in Britain, and can still use their frozen sterling in the other ways that have up to now enabled them to transfer annually about \$8 million more. But their additional right, granted last year, to transfer earnings due to them from the Eady levy for films they financed or distributed in Britain, is curtailed: over the two years, 1951-52 and 1952-53 by \$5.9 million in all. This would suggest that the rate of total dollar remittances on behalf of the American producers may fall to about \$23 million a year. This is a modest change, but perhaps as much as the Government could expect from the American producers—for whom overseas earnings have become much more important since they have been divorced from exhibition and are meeting increased competition from television.

The seeming indifference with which these negotiations were regarded by the British film business was one current indication, among several, of an unwonted placidity in that mercurial trade. All sections, from exhibition to production, have perhaps found the past year more comfortable than they might have feared. It is true that the graph of cinema admissions, the real temperature chart of the industry, has continued to fall; in 1951, 1,365 million admissions were recorded, compared with 1,396 million in 1950 and with the peak of 1,635 million in 1946, and in the first quarter of this year admissions were again 3.6 per cent fewer than in the first three months of 1952. Nevertheless, the cinema exhibitors gained some freedom to increase seat prices, both last summer and this, though not all of them have followed the main circuits, Rank and Associated British, in the latest increase. Thus gross box-office proceeds in 1951 rose to £108 million, compared with £105 million in 1950; net takings, at £69 million, were nearly a million pounds higher than the year before. The Associated British circuit, in the year to March 31, 1952, showed a slight increase in its net takings over the previous year. In the same way, the Odeon and Gaumont-British circuits, in the year to the end of June, show an increase of about 4 per cent in net box-office takings. Entertainments duty, the exhibitors' main source of

complaint, in 1951 still took 36 per cent of all that the public paid for admission to cinemas; but after paying film hire and the special Eady levy to support British production, the exhibitors' share of the box-office receipts—some £45 million—was still slightly higher than in the previous year. These results do not add up to general prosperity among exhibitors, but they need to be considered against the trade association's expressed fears early in 1951, that some hundreds of cinemas might be forced out of business in the following twelve months.

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On the production side of the British industry, the improvement is rather more marked. Three years of attempts to reduce production costs have brought about much greater economy, as producers have gradually learned to make films within budget; and two years of larger producers' shares in the eventual box-office receipts on those films have made it reasonable to hope for a profit from at least the aggregate earnings of a group of, say, six films. The National Film Finance Corporation estimated some months ago that of the 34 films it released last year, perhaps 21 would have made a profit under present conditions, and that the earnings of about 28 would have covered the 70 per cent of costs that distributors generally guarantee. In his annual statement this week, one of Mr Rank's remarks bore much the same implication:

A year ago it was necessary to make provision for losses on unreleased films. I am happy to say that at the 28th June, 1952, we have not considered such a provision necessary.

Production within the Rank group has admittedly been much curtailed; but its loss on production and distribution has been reduced from £1,182,000 in 1950-51 to £25,000 in the current year, which suggests a striking improvement in economy in the studios. Repayments to the National Film Finance Corporation from independent producers have now reached the level at which it may not need to exceed the £6 million of borrowings directly available from the Government; up to March this year, it had lent £5,300,000 for film production, and expected to get all but £1,610,000 back. The trade is awaiting with considerable interest the latest financial results of the main film group unconnected with cinema exhibition, British Lion, to which the Film Finance Corporation has lent £3 million.

This steadying of finance has enabled the producers to maintain a fairly steady output of creditable films. They are now turning out about 50 first features a year, on which full-time employment seems fairly steady at about 3,500-4,500 people. Comparing this level with the figure of about 7,700 attained in 1948, the technicians' and actors' unions still complain bitterly that the industry deserves yet more protection from the competition of the American product, by higher quotas or import limitations. But even if this plea for greater

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protection were to be accepted, the public could not be compelled to see British films they would not choose, and it is difficult not to agree with Mr Rank that

the basic factor which must always control the volume of British film production is the availability of creative talent . . . (which) cannot be manufactured; it must be developed gradually through experience and practice.

Some exhibitors now fear that production economies have now gone so far as to limit British films to a "utility" type lacking the colourful "big screen" qualities they believe will become more necessary as time goes on to meet competition from television's little screen. Nevertheless, the British films produced in the last two years, on a budget of less than £150,000 compared with perhaps £250,000 in the palmy days of 1947-48, include a number that are already doing good business in specialised American theatres. British technicians and actors would also complain about the films being made here with American money, stars, and directors. Their criticism of the description of some of these films as "British" is understandable. But the American producers are using their own money, withheld from them by *force majeure*, to make films of a kind that they are sure will appeal to their primary market at home. And they are also providing a proportion of employment, often at high rates, that few British film workers seem aggrieved enough to decline.

*

Neither exhibitors nor producers, however, find their future prospects reassuring. The downward trend in cinema attendances may well continue for at least a year ahead. Four television stations are operating today, against only one for the whole of 1951; and even the major circuits would argue that the prices of cinema seats are now becoming too high, certainly for family patrons. Nobody knows how big a place in entertainment television will eventually command, nor quite what the cinema industry can do to meet this challenge. The technique of large-screen television to cinemas—though not its entertainment value—is already proved. The industry would probably prefer a really new technique for celluloid; but so far stereoscopic films show no signs of becoming a practical proposition. Meanwhile, costs have been rising faster than net box-office receipts, and the exhibitors are now faced with a wage claim of formidable dimensions from cinema employees. All exhibitors are united in the belief that the solution to their problems lies in a reduction in entertainments duty; but the particular formulas proposed differ with the varying incidence of duty on their cinemas. In the first three months of this year, cinemas with a seating capacity of less than 1,000 retained 6 per cent more money, after paying duty, Eady levy and film hire, than they did in the first quarter of 1951; but for cinemas with more than 1,000 seats, the "exhibitors' share" fell by 2.7 per cent. Duty and levy represented only about 20 per cent of the takings of the smallest cinemas, but some 39 per cent for the Odeon and Gaumont-British circuits, and 42 per cent of box-office receipts for cinemas seating over 2,000 people. These figures would not seem to support the constant requests for special treatment made by the "small men" in the Cinema Exhibitors' Association; if these smaller exhibitors really have a good case, they have never yet produced figures to prove it. There may well be a large number of cinemas that do no better than break even on film exhibition itself, and rely for their margin on the proceeds of advertisements, ice-

cream and other refreshments; but it is not clear that the smallest are in the most strained financial circumstances. The industry's case for a general reduction in duty has weight, despite the assumption too often implied that tax increases that were passed on as they occurred to the public are in some way the exhibitors' property.

Better fortunes in production, too, rest on two supports that cannot be counted on to last, the Eady levy and the NFCC. The levy, made possible by increases in admission prices, forms an addition to the producer's normal revenue from film hire; at the higher rate that has been operated since last summer, it increases those normal earnings by roughly 40 per cent. Without the levy, production in 1950 cost about £8 million a year and brought in about £7 million; the levy now brings in a further £3 million. It has, undoubtedly, been the most important factor in bringing the production of groups of films at a profit within the bounds of possibility. But it is a voluntary payment from box-office receipts by exhibitors (though it was made possible by higher prices without a proportionate increase in duty, so that exhibitors are strictly only collecting it on behalf of producers). Some exhibitors—two or three hundred small cinemas—are already refusing to pay it; and, in any case, the voluntary agreement is due to come to an end in August, 1954. A British film of reasonable quality would now require perhaps eight months' extra receipts from the levy, plus its normal revenue from hire, to cover production costs. Film production requires plans and commitments well in advance, and there may be three months between completion in the studio and release. That being so, no film planned much after early summer next year could hope for enough extra revenue by August, 1954, to break even. The Rank Organisation has announced this week that it will "materially curtail" film production in August next year unless it knows by then that the levy scheme is to continue after August, 1954, and Sir Philip Warton of Associated British some time ago supported the continuance of the levy on a statutory basis. These major groups are thus beside most other producers in supporting extension of the levy, though Sir Philip has said that the amount handed over under it by his group's cinemas exceeds the amount received from it by its production organisation. Other exhibitors are less convinced, though opposition to extending the levy scheme may be more vociferous than it is powerful. Most producers are hopeful, as is the Government, that the levy will be extended with the voluntary agreement of exhibitors as a whole; but they are not sure that it will be done in time to avoid a sag in production.

Mr Rank this week put "availability of finance" second to talent as a limiting factor on the expansion of British production. He personally believes that continuance of the National Film Finance Corporation, with its partial public support for British film production, is less necessary to the industry as a whole than extension of the levy. Other producers might be less sanguine that by mid-1954 British film production will look so good a bet as to attract the money from private sources to support a steady level of production; and other exhibitors might care less. Neither party in Parliament has committed itself to this form of Government subvention for British films beyond its original five-year term. Some producers and technicians are confident that any British Government can always be counted upon to support some level of British film production, and on postwar experience they may be right. But the division between the

two sides of the industry, in spite of the major groups that bridge it, remains a deep one. The circuits might argue, even as exhibitors, that they need a stable if modest British production industry to save them from facing a foreign seller with a monopoly of the product that they need to present to the public. But many exhibitors count the British market as important to the American producer today as Hollywood is to them. The attitude of the two sides of the industry even towards its most powerful new competitor, television, is beginning to

Oil and Cartels

FIVE American and two non-American oil groups are now involved in grand jury proceedings in the American courts. This process will determine whether a *prima facie* case is established against them for engaging in commercial practices that are in violation of the anti-trust laws. The grand jury proceedings, when they get under way, will be held behind closed doors and they may prove bitter and lengthy. A mass of documentation has been demanded of the seven groups, and it seems probable that out of this the grand jury will find a true bill and thus set in motion the even lengthier processes of trial. A similar case against the investment bankers has been going on for two years and the prosecution has not finished its opening argument.

The substance of the case against the groups is to be found in a report prepared by the staff of the Federal Trade Commission headed "The International Petroleum Cartel," which, after much delay, was published last month by the US Senate Committee on Small Business. In a preface to the report, Mr John Sparkman (who is chairman of the committee and is also Democratic candidate for Vice-President) declares that this is "a factual report" and as such "subject to a variety of interpretations." But it is significant that he also emphasises the need to hold in check the power of great organisations and that he reaffirms "the determination of the American people that American companies, whether at home or abroad, shall so conduct themselves as to promote the interests of all people everywhere." These are standards not consistently attained by sovereign states, and they import a wider philanthropic purpose to American anti-trust legislation than many observers outside the United States—and not a few inside—would be prepared to concede. The charges concern the operations of the

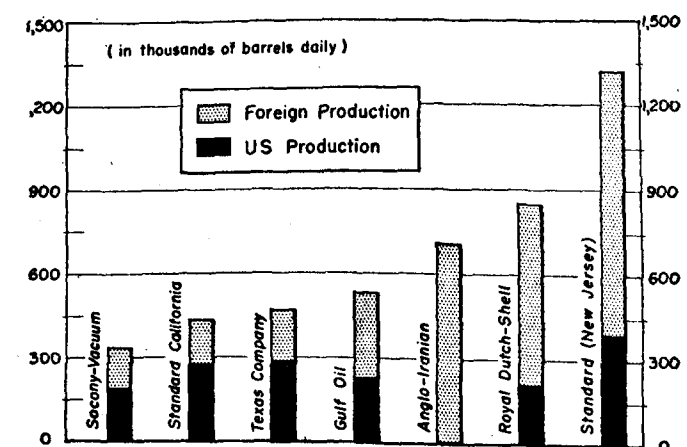
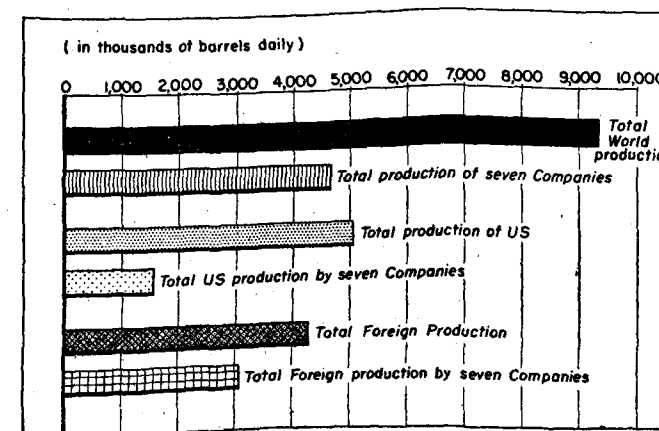
be divided; a few producers are perforce beginning to consider making special short films for television, while the Cinema Exhibitors' Association has proclaimed a ban on business with any producer—in Britain—who does this. Agreement on broad issues has been reached before in the British film industry, sometimes under Government pressure, and it may be this time. Unless it is, Mr Rank's description of the coming years in his annual review this week as "a transitional period . . . with many new problems" may be an understatement.

seven groups (two of them wholly or partly British) outside the United States; some delicate issues of jurisdiction may therefore ultimately be involved in the legal proceedings in Washington.

The report itself is a mine of information and contention that does not lend itself readily to summary, much less to the drawing of "a variety of interpretations." It is concerned with the acts and agreements of the seven groups since the late twenties, which appear to infringe (in the judgment of the Federal Trade Commission) the canons of the anti-trust laws. It is concerned scarcely at all with the economic background of the groups' actions; nor does it examine whether the development of oil outside the United States (which has some connection with "the interests of all people everywhere") would have been undertaken on any other terms. Bigness is a fact in the oil industry, and it was already a fact when the companies began their development of Iraq, Arabia, Kuwait and Venezuela. A worse crime than exploiting bigness would have been not to exploit it.

The dominance of the seven in non-American oil production—and their important contribution to American production—is shown by the two charts reproduced from the report. It submits to meticulous examination their joint ownership of subsidiary and affiliated companies in the Middle East, Europe, South America, the Far East and Canada, and the exchange directorates that exist between them. Four of them—Socony-Vacuum, Standard Oil (New Jersey), Royal Dutch-Shell and Anglo-Iranian—own more than 70 per cent of the shares of Iraq Petroleum. Jersey Standard, Socony-Vacuum, the Texas company, and Standard Oil of California together own all the shares of Arabian American Oil. Gulf and Anglo-Iranian are equal partners in

OIL PRODUCTION—THE WORLD AND THE SEVEN IN 1949



Kuwait Oil, and Standard of California and Texas equal partners in Bahrain. Three of the seven, in partnership and separate operations, control most of the oil resources of Venezuela. And with this control of crude oil supplies there goes similar control of refining, transport and marketing. All this is set down in detail at the outset of the inquiry and the conclusion follows: "The concentration of an industry into a few hands may be regarded as the *sine qua non* of effective cartel operations."

Joint control over non-American oil, the report argues, developed from two presumed facts in the early twenties. There was a widely held fear that the United States was running out of oil, and a no less general fear in the United States that foreign groups (Royal Dutch-Shell and Anglo-Iranian in particular) were cornering oil reserves outside the United States. Shell had a long start in Venezuela, whereas Gulf and Jersey Standard had to buy their way in later in the twenties. In the Middle East, in the same period, the prospects of large and cheap reserves attracted the seven groups, using the twin techniques of joint ownership and long-term contracts for the sale of crude oil for their development. The conclusion, painful to the Federal Trade Commission, has less sting for the reader outside America:

The long period of the contracts, the great quantities of oil involved, the unusual nature of the pricing methods and the conditions of sale, and the inclusion of provisions restricting the marketing of oil suggest that these contracts extend far beyond the ordinary business transaction.

Indeed they do. Perhaps the physical development of these resources in the Middle East and elsewhere could have been undertaken by a multitude of "ordinary business transactions" conducted by many smaller, less resourceful and more competitive companies. Perhaps, on the other hand, the economic, technical and political risks were themselves so great that only an effective joining of the power of the already large in the oil industry into even larger new cooperative forms was enough to match the tasks and the risks.

The reader of the cartel report will not, indeed, find any sympathy for this point of view. And it is one that the oil industry, feeling itself vulnerable to legal attack—oilmen have, after all, suffered prison because their ideas of competition did not match the judicial interpretations of the anti-trust laws—has great diffidence in putting forward. It is no answer to an indictment under the Sherman Act to admit a technical offence and to argue that from the offence positive benefit has accrued to the world at large. The offence, technical or not, is of the essence. It is this fact that gives the account in the report of the development of the Iraq Petroleum Company by the four American and British partners, together with the French and Gulbenkian interests, such a deadly lucidity. First, there is the resistance of the British to any intrusion of outside interests in Iraq; then the American campaign for the "open door" successfully won, and before the twenties were out discarded because of over-production of oil; then the "red line" agreement, by which the participants in IPC were won over by the French and Gulbenkian to the principle of not competing with each other for concessions. Yet, even so, competition persisted in breaking out; Standard of California obtained concessions in Bahrain and Saudi Arabia, and the four leading partners in IPC tried for seven years to alter the red-line agreement that they had made to protect themselves in order to keep pace with the competitive effects of Standard of California's advance. Even the report is

forced to describe the agreement as a millstone round the necks of the participants.

There are inevitably many facts and episodes in the history of IPC (including the incredible complications arising out of the war when the French and Gulbenkian interests were adjudged to be under enemy control) that could by no means be described as "ordinary business transactions." Many were serpentine, and some not entirely creditable. The development of Saudi Arabia and Kuwait had the merit, initially at any rate, of competitive endeavour, which the report is fair enough to concede; but by a series of agreements for purchase of crude oil and the protection of existing marketing facilities, these newcomers presently became part of the family of wrongdoers. The report manages to suggest, indeed, that Anglo-Iranian and Shell got the better of the bargaining, for example, with Gulf over the provision and marketing of oil from Kuwait, thus "carrying forward into the post-war period, the 'as is' principle, preserving the historic position of participants in each market."

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"As is" is oil industry shorthand for describing the principles underlying the agreement reached in 1928 between Jersey Standard, Shell, and Anglo-Iranian, sometimes known as the Achnacarry agreement. These principles, the report explains, embodied seven main heads: acceptance by the participants of their 1928 level of business ("as is") and keeping the same proportions of any future increase in consumption; the joint use of existing facilities; no new construction except to meet increased demand; identical values for products at all points of origin; the drawing of supplies from the nearest producing area; the shutting in of excess production; and the elimination of competitive expenditures that would materially increase costs and prices. The principles emerged from a price war between Shell and Standard Oil, and they were re-affirmed, though in the form of different and more complicated agreements, through the thirties when depression and competition from Russian and Roumanian oil led to further instability in the world oil market. The report draws a somewhat curious contrast between what was happening in the world oil market during these years and the steps that were taken in the United States to secure "lawful ways of controlling production and exports." These latter resulted in a system of inter-state oil compacts, sanctioned as a conservation measure. But, declares the report, "conservation became the cartel's slogan at a time when a rising flood of international production threatened to depress world prices." The legal implications of this line of argument seem clearer than the distinction between the economic forces that were impelling American oil producers to seek sanction for "conservation" and those that were driving the non-American producers into policies with the similar objects of protecting themselves. Nor does the report accept any argument that cartel cooperation came to an end just before the war as a result of the withdrawal of Jersey Standard from the agreement in 1938. The British and Dutch interests continued to co-operate and the British Government sponsored a pooling arrangement during the war "modelled closely on 'as is' principles"—not the only betrayal of competitive principle with the enemy at the gates. But, war apart, the observance of "as is" principles had become "practically a custom of the

trade" and was fostered by "the intricate maze of contractual and other relations developed over the years among the small number of large international oil interests."

Simplicity is perhaps hardly to be expected in the relations of the dominant groups of a highly technical and rapidly expanding industry serving world markets. Perhaps the two questions that the lay observer would put first in determining whether such relations were good or bad (as distinct from legal or illegal under American law) would be these: Has it delivered the goods? And are its prices rapacious? With the first question the report is not concerned, but the general verdict would surely be that the industry has been more successful than any other in expanding its resources to meet growing demand since the war. If a cartel is found to exist today, it can scarcely be motivated by prewar principles of restricted output. On the much more complicated question of prices, there may well be room for discussion. The most difficult chapter in the report is concerned with price determination in the industry which, as is well known, rests largely on an international basing point system known as "Gulf-plus." The report argues that Gulf prices as used in this system are high and unrepresentative of the bulk of world trade in oil. But apart from the relevance of the particular prices used, the system itself has "the ultimate effect upon any given buyer of eliminating price differences as among the various sellers." The Gulf price, plus the freight charges from the Gulf to particular markets, give an identical delivered price for all sellers, irrespective of their location. Sellers who are located nearer to the buyer than the basing points thus get an advantage of "phantom freight" and those further away have to "absorb" freight since their actual costs are higher than freight from the basing point.

The application of this system, the report shows, has been modified from time to time. During the war, the Persian Gulf was made a basing point (using prices equal to those at the Gulf) and thus eliminating the element of "phantom freight" that would otherwise have been in-

cluded in the price charged for oil delivered to the British Navy in the Persian Gulf. There were other changes in basing points after the war—in 1949, for example, when Persian crude was moving in quantity to the eastern seaboard of the United States, New York was made the point of freight equalisation. The report examines the changes in tanker freight rates, actual and notional, that have played their complicating part in the application of the price formula and notes the concessions "largely as a result of government pressures" that the companies are declared to have made. But the burden of the charges it makes is clear. The effect of the system has been to keep the price of Middle East oil higher than it should be; it is oil produced at low cost, and the result has been substantial profit for the companies.

It is possible to have misgivings about these pricing arrangements, and to suggest that they call for objective examination, without following the report too closely in its criticism that the companies have made good profits. There is no general feeling among the public that the companies (as distinct from the tax gatherers) have cynically exploited them. The movement of petroleum prices (ex tax) compares distinctly favourably with the movement of many other primary materials, and if in the process of meeting expanding demand at relatively stable prices the major oil companies have been able to make a lot of money, that presumably formed part of their intention in going into new fields, and provides the major financial resources for further expansion in future. Changes in the balance of world oil production and consumption must no doubt in time lead to changes in the way that prices are determined; but if it is a fair conclusion that "Gulf-plus" and its various modifications carry less conviction than they might have done in former years, it might equally be an optimistic conclusion for the European consumer to suppose that a pricing system based more specifically on actual costs of production and transport would inevitably be to his advantage. It is here, perhaps, that the major companies could usefully explain their purpose.

Business Notes

Pause in the Markets

The stock markets in this past week have taken their first real pause since the breath-taking climb began three months ago. A rest was in any case long overdue; and some would say that the climbers are now finding—or at least ought to find—the rarefied air of these heights rather exhausting. The first consideration, however, is in itself quite sufficient to account for this week's modest relapse: there is no need to assume that more subtle influences lie hidden beneath the obvious one. In the equity markets, however, the buoyancy of mood had already been damped down a little by the engineering wages dispute, and the alternation of fear and hope about this has been an important influence. It certainly explained the first slipping of prices from the peak reached early last week, when the ordinary share index of the *Financial Times* reached 117.6, or fourteen points above the midsummer trough; the slither became rather more pronounced on Wednesday last, when the index dropped by 0.8, carrying it to 115.8.

In the gilt-edged market the rising tendency was sustained until last Monday. The three months' climb in this market, though proportionately smaller than in industrials—it has ranged up to 9 per cent, or a little more—has been even

more remarkable. What is surprising now is not that there has been a pause, but that it should have been so long delayed. The short-run profits shown by operators who bought in the early summer far exceeds anything that could ordinarily be hoped for from gilt-edged securities; yet such profit-taking as has occurred has been comfortably absorbed; the reaction on Tuesday and Wednesday did not exceed $\frac{1}{2}$ point. It marks, however, the realisation that the autumn season for new issues is now opening and must soon resolve the most immediate question in the market's mind—the question whether the authorities are to assail it with a large and genuine funding issue, or whether they will remain content to see the banking system glutted with liquid assets. The arrangements last week for a £4,500,000 issue of the East Africa High Commission brought these discussions to a head, though they do not really throw any light on the main problem. The loan takes the form of £7,135,000 of $4\frac{1}{2}$ per cent stock, 1964-69, of which £1,635,000 has been placed privately and £1 million is reserved for residents in East Africa. At the issue price of 99 $\frac{1}{2}$, this trustee stock should appeal to investors interested in the gross income yield—provided that the market does not subside further before the lists open (and close) next Tuesday.

Cotton Goods in World Trade

At the invitation of the Cotton Board business men representing the cotton industries of the chief textile exporting countries have assembled for the international cotton textile conference which opened in London on Wednesday and subsequently continued its meetings at Buxton. The conference, planned more than a year ago, meets when the severe textile recession which this year affected the industry in all parts of the world, appears to be less formidable. But basic problems remain. Two things in particular have changed in the pattern of the world trade in cotton textiles compared with before the war. First, there is less trade; secondly, the two biggest exporters, the United Kingdom and Japan, are getting smaller shares of that trade and two countries, India and the United States, formerly relatively small exporters, have greatly increased their shares. Before the war international trade in cotton textiles amounted to about 7,000 million yards a year; in 1951 it was about 5,600

EXPORTS OF COTTON PIECE-GOODS FROM THE FOUR
CHIEF PRODUCING COUNTRIES
(Million sq. yards)

	1937	1950	1951
United Kingdom.....	1,921	822	865
Japan.....	2,644	1,088	1,082
United States.....	227	564	811
India*.....	221†	1,109†	776†

* Exports by sea only; excludes land trade, in particular to Pakistan. Total for 1937 excludes exports to Pakistan. † Million yards.

million yards or about 17½ per cent less. The share, by volume, of world trade of the four leading exporting countries has shown impressive, and conceivably permanent, changes between the years 1937 and 1951. The United Kingdom's share fell from about 28 per cent to 15 per cent and Japan's fell from about 38 per cent to 19 per cent; by contrast the Indian proportion rose from a mere 3 per cent of world trade to 14 per cent and the United States proportion also rose from 3 per cent to 14 per cent. Apart from political reasons, such as the closing of the Chinese market to Japan, both the United Kingdom and Japan have lost trade in textiles largely because a number of consuming countries have increased their own production, but also because the new growing competitors have captured part of their markets. But the countries with increasing exports are also aware of obstacles and difficulties, and their presence at this international conference shows an anxiety to exchange facts and views, even if positive decisions cannot be reached.

The Big Five

The opening session of the conference fairly clearly set out the common problem of the world's "Big Five" cotton goods exporting countries. They also furnished a foretaste of the special interests—and pleas—to be expected from these countries—Britain, the United States, India, Western Europe and Japan. Although the public speeches were wreathed in amity, they were also candid enough to promise more forthright discussions in private at Buxton. But no hints were allowed to emerge of just what "joint action to increase world consumption of cotton goods" these competing producers might have in mind.

Sir Raymond Streat, Chairman of the Cotton Board, who presided, gave a warning for those who always see boundless possibilities in the so-called under-developed countries. When the very poor enjoy their first rise in income, he pointed out, up goes their consumption of cotton goods, but with each subsequent rise in their standard of living their additional consumption of cotton goods becomes smaller. He

added that the first forms of industrialisation to which a developing country turns is the cotton mill, and the second a tariff to protect it. This original sin among the under-developed countries also roused the ire of Mr Stevens, the American delegate, who declared that the United States has been steadily reducing its Custom duties since 1935 and that import of cotton goods into the USA is "not encumbered by quotas, exchange restrictions, exchange taxes, sales taxes at port of entry, or by any other form of hidden tariff."

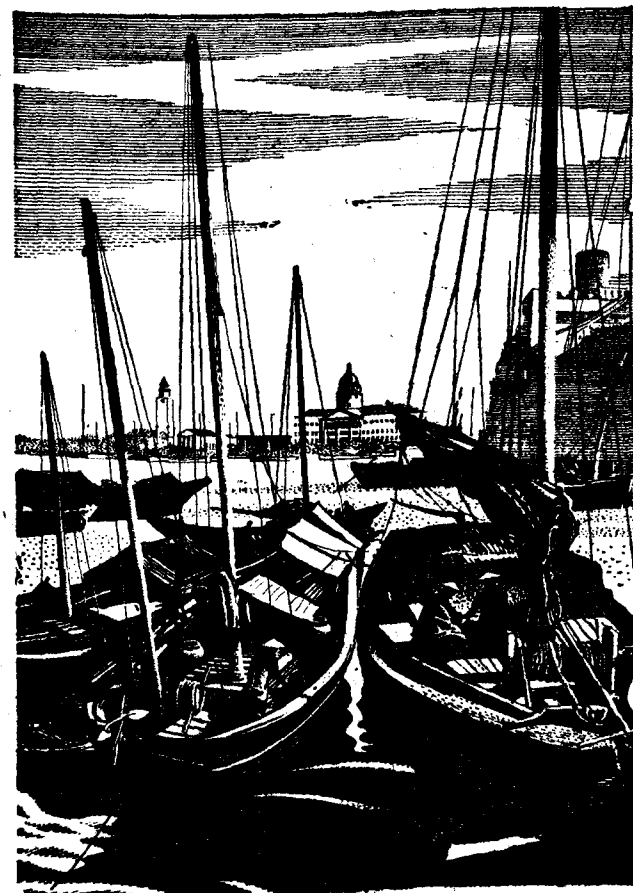
Sharper differences in view-point became apparent when the other delegates spoke—the West Europeans anxious to maintain their extra-European trade which they saw passing into the hands of India and the United States, and the Indians concerned to nurture their growing textile industry. But the main interest, of course, lay in what the Japanese had to say. Mr Abe emphasised that the export of cotton piece goods was vital to the Japanese economy. Japan, he said, had now to feed 12 million more people than before the war from the disorganised resources of a smaller territory. In 1951 raw cotton accounted for 22.9 per cent of Japan's total imports and cotton textiles for 27.8 per cent of total exports, even though these exports were less than before the war. Clearly the Japanese are in no mood to curtail their export drive.

There are no government representatives at the conference, which is a gathering of business men responsible for 90 per cent of the world's cotton textile trade. Whether the British chairman's hope will be fulfilled that they can find the way towards an enlargement of trade in cotton goods "without coming into a form of conflict which would be wasteful of national resources, injurious to general prosperity and restrictive to the expansion of world trade," remains to be seen. Not the least interested observers from afar will be the world's main importers of cotton textiles.

Bank Advances' Biggest Fall

The latest quarterly analysis of bank advances in Great Britain gives by far the most striking, as well as the clearest, picture yet furnished of the contraction that has been taking place in the supply of bank credit to the private sector of the economy. The decline in total advances between May and August proves to have been even larger than had been suggested by the monthly figures of the clearing banks; it amounted to £156 million, easily the biggest ever shown, reducing the total to £1,848 million. Of this decline, a large part must have been due to repayments of advances made to the British Electricity Authority, although the total calls on the £150 million BEA loan during the quarter exceeded the reduction—by some £56 million—shown in advances to public utilities (excluding transport) during the quarter. The decline of £100 million in advances to all other domestic borrowers follows one of £22 million in the previous quarter, when seasonal influences were still tending to maintain demands for credit.

The question raised by these figures is how far this big contraction in advances to the private sector—it is the first substantial decline since the war—is due to the present monetary policy and how far to other major influences. There is no doubt that the delayed effect of the recent decline in commodity prices has been an important factor reducing the demand for credit; and, in textiles especially, there has been the further effect of a decline in physical stocks, which cannot be wholly attributed to the credit discipline. It is notable that the two biggest declines in individual categories of borrowers, other than the utilities, have taken place in food, drink and tobacco (by £39 million) and in retail trade (by £27 million). These groups, with textiles (a decline of £11 million) and leather, rubber and non-ferrous metals (one of £5 million) have together accounted for four-fifths of the fall in advances to domestic borrowers apart from the utilities; and these are the very categories whose credit



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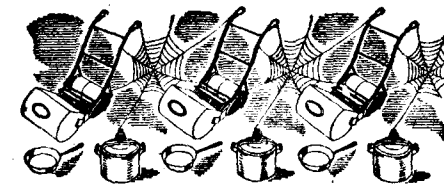
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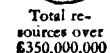
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requirements would be most responsive to a fall in commodity prices. In the nine-month period since the launching of the new monetary policy in November, 1951, total advances (again excluding the public utilities) fell by £123 million, whereas in the corresponding period a year before, they rose by no less than £253 million, a much bigger increase than that shown in earlier years. It is reasonable to infer that a substantial part of this year's contraction has been due to a reduction in credit demands by reason of the reversal of this boom. But in one category, that of "personal and professional" loans, where there was a substantial fall (of £18 million) for the second quarter in succession, pressure from the side of the banks must have been the main factor (even though this category includes some small businesses that may likewise have experienced a decline in the cost of carrying stocks).

The major increases in advances during the quarter were to industries generally considered as high in the scale of national priority. Iron and steel, engineering and ship-building each increased their borrowings by some £2 million, whilst the chemicals group secured nearly £5 million, after the repayment of some £12 million of advances in the previous quarter. The expansion of loans to local authorities (by nearly £4 million) and to agriculture (£3 million, against £18 million in the same quarter of 1951) were less than has been usual at this time of year. Agriculture's share in bank advances as a whole has been only slightly raised during the past year, from 10.3 to 11 per cent—a high proportion that is now almost equalled by the engineering and steel groups, which together account for 10 per cent of the total, compared with only 6.4 per cent a year ago.

IMF Link with EPU?

The meetings of the Governors of the International Bank and Monetary Fund at Mexico City have closed without bringing to light any unexpected or untoward developments—but it is clear that there has been some searching discussion of the future of the Fund. This debate has left the general impression that if the Fund is to survive as a live and effective institution, it will have to adopt much more flexible policies than hitherto. Some modest signs of increased flexibility have, indeed, been seen in its policies in recent months. The first of these was the redefinition, issued by the managing director, Mr Rooth, in the earlier part of this year, of the rules for making the Fund's resources available to its members. This suggested that the Fund is to be regarded more as an automatic provider of foreign currencies, and less as a severe critic of any application for assistance, than it has been in the past. But this redefinition of its relationship to member countries still has to meet the test of action. A more significant and practical illustration of greater elasticity was the readiness of the Fund last June to give its assistance to Belgium in order to make possible the partial mobilisation of Belgium's EPU surplus. The "stand-by" loan of \$50 million granted to Belgium by the Fund on that occasion was an operation for which the articles of agreement provided no clear sanction; it was made possible only by an extremely loose and generous interpretation of them.

It is, however, in the Fund's relation with regional institutions, and more particularly with the European Payments Union, that the biggest test of its flexibility will emerge. Under the leadership of the French Governor, M. Mendes-France, a widespread demand was made at Mexico City that the Fund should follow the precedent of its operation with Belgium, and should grant increased assistance to EPU. M. Mendes-France argued that EPU was the only realistic alternative to strict bilateralism in payments between western European countries and pointed out that the good work it was doing in this respect was in no way invalidated

by the fact that the members of EPU should for the time being find it necessary to discriminate against the dollar. The need for such discrimination might, he said, be lessened if EPU received greater support from the Fund; in any case it was the Fund's duty to support multilateralism on the widest possible regional basis. This thesis met sharp criticism, in particular from the Canadians, who questioned whether a further extension of regional arrangements was the best way to achieve multilateral trade and general convertibility of currencies. Aside from this questioning of the general logic of the argument, it must be admitted that a closer practical collaboration between the Fund and EPU would create some important technical problems. The Fund at present has no authority to make its facilities available to international institutions. It can do so only to member countries. This, however, would be no insuperable bar, as the loan to Belgium has shown. If the Fund can bring itself to make its facilities available to strong creditor countries in EPU, it would have the effect of strengthening the whole EPU membership. If creditors within EPU found it possible and advantageous to discount part of their surplus with the Fund, the strain on EPU's convertible resources would be correspondingly eased. The problem deserves further investigation than it could receive at Mexico City.

Merchant Banks and Canada

British merchant banks are showing a somewhat belated, but nonetheless welcome, awareness of the opportunities for participation in Canadian economic development. Last week, Baring Brothers and Morgan Grenfell and Co. announced that they were taking an interest in a Canadian finance house, Harris and Partners; they are associated in this venture with W. C. Harris and Co., of Toronto. This week Messrs N. M. Rothschild and Sons announced that they are arranging for a small group of British and Canadian technical experts to visit Newfoundland, to report on the possibility of substantial United Kingdom participation in the exploration and development of the natural resources of Newfoundland and Labrador. On his visit to Britain last month, the Prime Minister of Newfoundland had suggested to the Federation of British Industries that the investment of some £2 million by a British syndicate for prospecting in Newfoundland and Labrador would yield abundant rewards.

These two initiatives from London merchant banks, coming in quick succession, suggest that the United Kingdom exchange control may now be looking with a more benevolent eye on applications for conversion of sterling into Canadian dollars for investment in that Dominion. It is unlikely that any really substantial participation can be envisaged; this is the inevitable consequence not merely of the shortage of dollars but also of the shortage of real resources out of which Britain could ensure massive collaboration in Canadian or other overseas development. There is, therefore, probably little to be gained by the creation of new institutions (even with the ambitious name of Commonwealth Finance Corporation) or by exhortations to the City such as that made recently by Lord Bruce "to do its duty in the realm of Commonwealth development." But some bread cast upon the waters of Canada's boom should bring back a worthwhile return to the British economy.

German Losses to Brazil

German exporters have lately burned their fingers very badly in Brazil, and it is possible that their experience there may lead to a significant alteration of Germany's "easy credit" export policy. Under the German-Brazilian trade agreement, the Bank Deutscher Länder and the Banco do Brasil allowed certain definite credit limits to each other, and it was laid down that any balances accumulating in excess of

this "swing" should be settled wholly in dollars. Lately Brazil has run a heavy bilateral deficit with Germany, and, although German exporters were not acquainted with the fact, the Banco do Brasil's debt to the German central bank ran up well above the permitted sum—reputedly to \$70 million.

The news that Brazil could not, as agreed, settle the outstanding balance in dollars, created consternation in Germany. A German delegation went at once to Rio de Janeiro to find some way in which trade could continue. After its return, the Bank Deutscher Länder issued new regulations for imports and exports that have roused strong criticism from German exporters, some of whom are now faced with heavy losses on contracts. The new regulations take as a basis the fact that imports from Brazil are too expensive owing to the over-valuation of the Brazilian currency, while Brazilian traders are making large profits out of comparatively cheap imports from Germany. The German authorities have therefore ordered that payment demands made by the Banco do Brasil shall in future be settled by crediting the Brazilian bank in Brazilian currency, instead of in D-marks. German exporters who receive this Brazilian currency can sell it to German importers at a free exchange rate that has gone to a heavy discount. The importers in Germany can pay 80 per cent of the value of their imports from Brazil with the currency obtained at this free exchange rate, but the remaining 20 per cent must be bought at the official rate from the Bank Deutscher Länder. Moreover, the arrangements are partly retrospective. For contracts concluded before September 4th, the Bank Deutscher Länder will convert only 50 per cent of the total amount at the official rate, and the remaining 50 per cent must be sold at the free rate.

This retrospective measure means that German exporters are faced with heavy exchange losses—according to some reports, as much as \$10 million. As things stand at the moment, the insurance granted by the "Hermes" credit insurance company does not cover losses through measures taken internally by German authorities, and German exporters certainly seem justified in feeling that they were first encouraged to make a big export drive in Brazil, and then were not warned when that country's payments position passed the danger mark. It is not surprising that one of the big German commercial banks has publicly—and tartly—declared that the central bank's experiment with Brazil must not be made into a precedent for other countries that are involved in payments difficulties.

* * *

Rank Results Outlined

Although film exhibition in Britain is the major source of profits earned by the Rank Organisation, it has not been responsible for the advance in the consolidated trading profit of Odeon Theatres from £5.1 million to nearly £6.4 million in the year to June 28th. Gross profits from film exhibition in this country have in fact fallen, from £4,155,379 to £3,848,283, despite an increase in gross box-office receipts at Odeon and Gaumont British cinemas from £27,918,192 to £30,018,278. Admittedly £11,808,831 of this sum, against £10,527,761 in 1950-51, has been drained away in Entertainment's duty; but obviously the group has not been able to hold down costs, and particularly labour costs, as much as it might have wished. The decline in earnings from exhibition in Britain has been more than offset by an increase in the profits from film exhibition overseas and from the group's manufacturing and ancillary operations. Even so, the principal cause of the advance in trading profits is the substantial reduction in losses on film production and distribution from £1,182,099 to £25,094.

This continued recovery in the fortunes of the Odeon Theatres group, together with the receipt of a substantial surplus from the sale of the group's minority interest in Universal Pictures, has enabled the company to pay off two

years' arrears of dividend on its preference shares. These preference dividend payments, according to Mr Rank's statement, should be brought up to date this year, but the directors have no intention of paying an ordinary dividend until "the reserves of the group have been still further strengthened and the liquid position further improved." It is to the strengthening of the balance sheet of the Gaumont-British group that the increase in that company's equity dividend from 5 to 7½ per cent, despite a slightly smaller net surplus on the year's trading, can be ascribed.

The financial resource of Odeon Theatres have also been materially reinforced. Its revenue reserves have risen by £375,691 to £1,421,645, partly as a result of the ploughing back of profits and partly from the sale of the shareholding in Universal Pictures. At the same time, following the repayment of one loan and the switching of part of the group's holding of unsecured loans in British Optical and Precision Engineers to the Gaumont-British group, the loan capital of Odeon Theatres has been reduced from £18,644,718 to £16,733,443. The indebtedness of the group to the banks

ODEON THEATRES GROUP
Gross Operating Profits Years to end-June

	1949-50	1950-51	1951-52
Exhibition in Britain.....	3,487,613	4,155,379	3,848,283
Exhibition overseas.....	619,741	562,081	721,348
Manufacturing.....	432,954	974,365	1,213,643
Other activities.....	758,333	615,504	639,098
TOTAL.....	5,298,641	6,307,329	6,422,372
Less: Production and distribution losses.....	2,005,215	1,182,099	25,094
Trading profit.....	3,293,426	5,125,230	6,397,278

has also been reduced by a further £2,437,008, to £6,776,738; of this balance only £2,265,882 was owing at the end of June by companies concerned with film production and distribution. But Mr Rank added that in the future bank loans would not be reduced at the same rapid rate. This guarded statement, taken together with the slowing down of the rate of increase in trading profits, suggest that further progress in the Rank group can hardly be expected to continue at the pace of the last three years. Cinema attendances seem still to be falling, and whatever the hopes offered by the group's progress with the technique of large-screen television, growing competition from television in the home must be expected in coming years.

* * *

Surf on the Tideway

For some months the detergents market in this country had been waiting for Unilever's next move; and this week it came. A new all-purpose synthetic detergent called "Surf," which the company has been marketing in the United States for some time, was formally introduced to Britain in a speech from the chairman of Lever Brothers, made appropriately at a Thames-side ceremony. "Speeches apart, the detergent was this week made generally available to 30,000 grocers throughout an area stretching roughly from the Wash to the Isle of Wight that contains about a third of Britain's population. In this area some 6 million housewives simultaneously received a coupon enabling them to buy their first packet of "Surf" for about a third of the marked price.

This elaborate marketing operation has followed intensive "consumer research" on the product: Lever Brothers describe their tests, in which 6,000 housewives co-operated, as the largest ever undertaken in history for any household article. Part of the technique consists in "blank package" tests of the new detergent against existing soap and synthetic washing powders. In recent months Lever Brothers has

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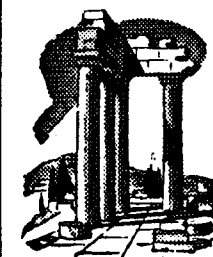
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22/PA/52



The fifth of the twelve Labours of Hercules was to cleanse the stables of King Augeus's 3,000 oxen; this he achieved by diverting the river Tiber through them.

The Nickel Organisation, too, uses water to perform a Herculean task. Each day 1800 tons of ore, crushed to powder and mixed with water, are carried by pipeline across 7½ miles of rugged country to the refinery at Copper Cliff, Ontario. A further 8,200 tons of waste are removed each day by the same means. This pipeline, mounted on trestles sometimes as much as 65 feet high, is the longest pipeline in the world for transporting mining concentrate. Such an installation is typical of a progressive policy designed to provide more and more nickel to meet the ever-increasing demands of industry.

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devoted little publicity to its other domestic detergent, Wisk; and when the new detergent becomes generally available throughout the country, the company may decide that the older one should be withdrawn.

The domestic washing powder market in this country offers scope for a new detergent to establish itself in three ways; through some growth (even if temporary) of the total market, at the expense of soap powders, or at the expense of existing detergents. Though both Lever Brothers and the other heavyweight in the field, James Hedley and Sons of Newcastle, a subsidiary of the American company Proctor and Gamble, have this week been at pains to mention the growth of the market, there seems little doubt that the public expectation of a trial of strength between Surf and Hedley's general-purpose Tide will be fulfilled. Hedley's at present seem entrenched in command of the field; but the initial momentum that the combined resources of modern marketing technique can give a sufficiently attractive new product, in a field where most housewives are inveterate experimenters, must not be underestimated. This "coupon sales" technique in a limited area—which Hedley's employed with tremendous success in introducing Tide—has the virtue in terms of publicity of being elaborately "keyed"; the sales technicians can follow the success of their advertising and promotion schemes round by round. Both of the two main companies have much at stake in this lively and competitive period of expansion in detergents. Apart from the success of their powders against strictly competitive products, these manufacturers have to estimate the prospects of these synthetic products against their own soaps. Soap still probably holds 60 per cent of the market in Britain, though the detergents have surpassed it in the United States. This progressive transformation of the washing powder market must offer manufacturers of both types of product some of the most intricate calculations about policy that any industry has had to face in recent years.

Large Premium for London Wool

After some initial falls wool prices now seem to be standing up to the seasonal increase in supplies. At this week's London sales prices were only a little lower than at

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the close of the July auctions: good merino wools fell on average by less than 5 per cent and other qualities dropped by some 7½ per cent. There were insufficient greasy crossbreds offered to establish a quotation. Most of the demand came from home mills whose stocks are in many cases insufficient to last until the new season's Dominion wool arrives. As the need for spot supplies is particularly keen this year, London prices are showing an unusually high premium of 10d. to 20d. a lb over those offered for equivalent grades in Australia. In London the home and continental spinner is able to buy for immediate delivery, whereas the wool he buys in Australia takes some three to four months to reach him.

On the other hand, because the Australian market is less influenced than London by temporary stock considerations, its prices offer a better guide to the trend of wool values. When selling began in Australia and South Africa during the first week of September there were some sharp falls in value for the finer grades of wool. At Brisbane a week ago merino prices recovered by 5 per cent and the improvement was fully maintained at Melbourne this week. There was keen competition for crossbred wools and prices advanced by 8 per cent at Melbourne between Monday and Tuesday. The firmness of prices is particularly striking in view of the large quantities scheduled to reach the market during the current fortnight. No less than 140,000 bales are being offered in Australia at sales in Melbourne, Sydney and Perth. Meanwhile in London 50,000 bales are being auctioned at the four sales extending over a similar period.

The outlook for wool prices this year remains generally firm. World output of raw wool is likely to be somewhat smaller than in the 1951/52 season and commercial stocks are at a low level in most countries. Even if consumption remains at about last year's level, there will be very little to spare for government and commercial stockpiling, but if the recent improvement in the textile trades continues consumption of wool may in fact rise. Crossbred wools may provide an exception. Good supplies are expected from New Zealand this year and the heavy stocks still held in South America continue to exert a depressing influence on the market. Only small quantities of Argentine wool have in fact been sold since the incentive of special exchange facilities was granted to growers in August: export licences are apparently causing the delay. The New Zealand selling season does not open until November and for the time being there is strong competition for crossbred supplies as little has been offered since the New Zealand sales ended in April.

Dichotomy in Distillers

The boom in the whisky trade continues but the boom in the industrial division of Distillers, Ltd., is now over; at the annual general meeting of the company this week, the chairman, Sir Henry Ross, warned shareholders that "the heavy recession" in this younger branch of the business "is bound to reveal itself in the results of the current year." The trading setback appears to have been particularly marked in the alcohol and plastics divisions. The Distillers group's own sales of resins and moulding powders have apparently been particularly curtailed, although its subsidiary, British Geon, Ltd., has not received quite so hard a knock owing to the ever-widening uses to which Geon polyvinyl chloride is being applied. There has clearly been considerable consumer resistance to the high price of molasses and consequently of alcohol and its derivatives. Distillers have been quick to apply the only remedy for this—a reduction in the price of industrial alcohol, in advance of any fall in the price of molasses. But this reduction has only been made possible by writing down large stocks of molasses and alcohol by drawing a considerable sum from reserves that had been specifically created for this purpose. This step may mark the turning point of the recession in the plastics

industry and in the other industries using industrial alcohol. A similar turning point is not, however, in sight for Distillers (Biochemicals), Ltd., the subsidiary engaged in the production of penicillin and streptomycin. Technical improvements by all major producers and the installation of new plants overseas have led to a startling increase in the rate of production of these drugs in the last few months. For the first time, world production of them now exceeds current demand.

Sir Henry does not make it clear in his address whether the slowing down of the group's capital development programme followed the recession in trade on the industrial side of the business, or whether it arose from such other causes as the high costs of equipment and the difficulty of finding the funds needed to finance development. Whatever the cause, the curtailment of the capital programme and the recession in trade is a hard blow to those investors who believed the issue of the convertible loan stock would usher in a period of massive development, buoyant profits and expanding dividends. A welcome light might be thrown on these prospects if Distillers issued financial accounts revealing the split between the industrial and the potable spirits divisions of its business.

Fawley's First Year

Since the Esso refinery at Fawley was opened twelve months ago, it has processed some 6 million tons of crude oil from the Middle East into a volume of refined products equal to about 30 per cent of the total oil consumption in Britain during the period. In fact, about 16 per cent of the refinery's output was exported, so that the Fawley share in the British oil trade in 1951-52 would be about a quarter; it is the largest single refining unit in the country, though the dispersed units of both main British groups exceed it in total capacity. During this first year Fawley turned out 1,750,000 tons of motor spirit, 300,000 tons of kerosene, and 3,500,000 tons of gas and fuel oils. During the coming year the throughput should exceed 6½ million tons; additional units are still under construction, including a polymerisation plant that is almost ready and a sulphur recovery plant due for completion next June, but all the major units should come into operation by September, 1953.

By that time Fawley will have cost about £37½ million. Its output in the past year was valued at £60 million, plus about £75 million in taxation on the motor spirit and diesel oil it produced. After deducting the dollar component in the cost of the imported crude oil from the value of the refined products produced—assuming all of these would have been purchased from dollar sources—Esso puts Fawley's "dollar saving" at \$80 million, and expects this to reach \$100 million during 1953.

Esso has so far produced about 100 million gallons, or 325,000 tons, of motor spirit from its catalytic cracking unit at Fawley, the first to come into operation in this country. In common with the other oil groups, it is anxious to sell the high grade motor spirit such units produce to the motorist in Britain, instead of blending it with lower octane fuels to bring it down to "pool" standard. During the last fortnight the companies' arguments received perhaps unexpected support in the Ridley Committee's report; on the grounds of making the best use of available fuel, the case for higher-octane spirit is unshakeable. This week hints from official sources suggested that the Government might be relenting, and that the companies might hope for their "premier petrol" in the spring. The resumption of sales of higher-grade motor spirit would bring a real meaning back into the brand names on the pump. It would therefore enable the companies to enter upon the elaborate sales promotion campaigns for which they have been preparing their dealers with the "tied garage" agreements, to sell only one, or a given range of, motor spirit.

Ministry and Metals

The metal market is preparing for the resumption of private trading in lead on October 1st. The Ministry of Materials announced at the end of last week that it does not intend to release more than a relatively small tonnage of lead for sale during the early months of the operation of the London Metal Exchange, but it appears to be satisfied that this tonnage will be adequate to meet the requirements of consumers. Given the facts of high Government stocks and a lower continental price than the prevailing Ministry price for lead, the tone of the announcement was hardly surprising. During the twelve months to last August, stocks in consumers' hands fell steadily, while Government stocks increased. At the end of July they were estimated by the Bureau of Non Ferrous Metals at about 102,600 tons, compared with about 12,700 tons in July, 1951.

The market, meanwhile, is wondering whether the Government will lower its present selling price of £131 per ton towards the continental price of about £115, but so far there is no indication that there will be any change before October 1st. The Ministry of Materials has appointed a well-known broker to act for it on the Metal Exchange. The Bank of England will make foreign exchange available for the purchase of lead to dealers approved by the committee of the London Metal Exchange on the lines of the tin and rubber arrangements.

This week the Ministry of Materials raised its selling price for zinc from £122 a ton to £126 a ton following a corresponding increase in the American smelter price from 14 cents to 14½ cents a lb. American consumption of zinc, which had fallen sharply during the steel strike, recovered in August. But as there was little reduction in commercial stocks—they remained at about 97,000 tons—the increase in price seems to have been a little premature. Moreover, it contrasts sharply with the experience of the continental free markets where prices have recently eased to about £105

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to £110 a ton for refined zinc. Consumption of zinc in the United Kingdom is believed to have increased slightly during the last few weeks, but this may be merely a seasonal movement after the holidays.

Freights at Low Ebb

There is a certain amount of confidence among tramp shipowners that the Chamber of Shipping tramp freight index for August represents the low water mark of 1952. The month's fall to 79.2 was rather sharper than most shipowners expected, but the index is still slightly higher than it was when the tide went right out in July, 1950. At that time ships were being laid up, and the same thing has been happening in the last month or so, although many more are being broken up altogether. Then the flood tide came in with great rapidity, under the influence of the Korean moon. This time there is no such exceptional phenomenon to exert an influence on freight rates, and today the shipowners are basing their hopes on more normal economic influences.

The steep dive of rates in the last six months or so has served to "precipitate out" some of the less efficient tonnage (not excluding the 500-odd ships that the American Government had unsealed from its reserve fleet). Charterers have not been slow to take advantage of the situation, but, once more they seem to be having to compete with one another for vessels in certain trades. The Ministry of Food charterers, for example, have been refusing to fix vessels at 75s. for grain from the north Pacific coast; but German charterers have been taking vessels at some 10s. more, and lumber and general cargo charterers are also looking for ships in the same area.

Here and there shipowners are becoming less willing to accept low rates, with some effect. As it happens, most of the hardening of rates that has begun in the last few weeks has been in dollar fixtures, so that the Chamber of Shipping index, which takes into account only fixtures in

sterling, may have over-accentuated the general movement of freight rates in August. Meanwhile, the lower level of sterling rates has been somewhat offset by slightly lower bunker prices and improved turnaround in many ports. These are factors that benefit the earning power of the more efficient ships, the owners of which have not yet had seriously to consider the possible advantages of laying up.

"Switch" Sterling and Scandinavia

The British Exchange Control authorities, acting within their discretionary administrative powers, have recently curtailed the freedom with which sterling securities and "switch" sterling can be transferred from "non-residents" outside to those within the Scandinavian countries. No official reason for this decision has been given but it seems probable that it is due to a recent expansion in the volume of sales of sterling securities by Scandinavian holders who, under the Uniscan agreement, are entitled to repatriate the proceeds of these sales to their own countries. Until recently such sales and repatriations had been kept down to modest proportions, but within the last few weeks it became evident that switch sterling and sterling securities were being transferred to Scandinavian accounts for the purpose of sale in London and repatriation of the proceeds. The result was an undesirable addition to the volume of cheap sterling deals and a general frustration of the spirit of the Uniscan agreement. In the normal course the British Exchange Control sanctions transfers of security sterling and of sterling securities between non-residents, provided these do not convert a commitment to transfer interest in soft currencies into a commitment to make interest payments in hard currencies. This continues to be the procedure, but Scandinavian countries will be excluded from its provisions. Meanwhile, the right of genuine existing Uniscan holders of sterling securities to sell them in London and repatriate the proceeds remains unimpaired.

Company Notes

Great Universal Stores.—In the year to March 31st Great Universal Stores was able to record yet another advance in group trading profits, by £1,846,405 to £10,007,555, enabling the directors to raise the ordinary dividend from 40 to 50 per cent. Over half of this increase in profits—in fact £930,292 of it—represented profits earned by recently acquired subsidiaries; but, even so, the achievement was a remarkable one in a year of almost general recession in the retail trades. In contrast to some other retail groups, GUS increased its sales in Britain by 15 per cent and in South Africa by 24 per cent. In Canada, however, its sales fell by 4 per cent; this reduction followed on restrictions on consumer credit, and since the lifting of these restrictions last May sales in Canada have again increased. In the consolidated balance sheet the book value of hire purchase debtors, before deducting provisions for unearned interest and collection charges, has risen from £28,386,636 to £31,390,165. Mr Isaac Wolfson, the chairman, attributes this increase to "the normal course of trade and the consolidation of shops acquired or opened during the year," but the figures certainly suggest that—outside Canada—the hire purchase business was buoyant last year.

The group has been able to finance this increase in its business and at the same time to supplement its liquid resources; cash balances have risen from £3,168,707 to

£4,140,888, while bank overdrafts and loans have been reduced from £8,687,403 to £7,498,555. Mr Wolfson describes the stocks held by the group, valued in the balance sheet at £16,528,803, as being "extremely low," and outstanding commitments for supplies of merchandise show a substantial reduction.

	Years to Mar. 31, 1951	1952
Consolidated earnings :—		
Trading profit	8,161,150	10,007,555
Total income	8,218,461	10,066,554
Depreciation	658,483	740,654
Taxation	4,489,415	5,365,365
Net profit	2,318,595	2,999,076
Ordinary dividends	284,631	353,853
General reserves	633,534	1,840,909
Added to group carry forward...	1,164,535	494,986
Cons. balance sheet analysis :—		
Fixed assets, less depreciation	11,946,135	12,133,446
Net current assets	17,976,178	21,542,261
Stocks	15,971,735	16,528,803
Hire purchase debtors	20,651,570	22,422,555
Cash	3,168,707	4,140,888
Bank loans and overdrafts	8,687,403	7,498,555
Reserves	10,980,358	13,843,534
Ordinary capital	1,335,513	1,348,013

5s. ordinary stock at 15s. 6d. yields 8 1s. per cent.

The rate of stockturn is improving and sales in the first months of the current financial year are in excess of those secured in the corresponding period of 1950-51. But Mr Wolfson adds the warning that "difficult conditions may continue for some time and it would be unwise to make any forecast as to future results."

Watney Combe Reid.—The statistics of beer production in the first seven months of this year suggest that the long decline in beer consumption has been checked. But in his statement accompanying the full accounts of Watney Combe Reid, Mr S. H. Combe strikes a sober, indeed almost pessimistic, note. He doubts whether a point has yet been reached in the South of England "where no further decline is likely." The consumption of beer may be increasing in the North of England, but many brewers are still feeling the pinch of falling sales in the London area, where their trade suffers with each shift in the population towards the new towns and housing estates. The brewers cannot readily counter this decline in trade in London by building licensed premises in these new centres of population; building costs are high and sites for licensed premises and building permits are difficult to obtain. Exports are also suffering as a result of these restrictions. Without a permit the Watney group cannot adapt a factory to the needs of the export trade, so that "in spite of inquiries for considerable quantities of beer, the company is not in a position to quote, let alone promise, delivery in a reasonable period of time." Meanwhile, costs have been rising so rapidly that "any benefit derived from the increase in the price of beer to the public last year has long since disappeared." As some protection against the difficulties still being experienced by the brewing industry, the

Watney group has acquired a half interest in the manufacture of Coca-Cola in this country; but Mr Combe points out that "some years must elapse before any great benefit can accrue to the company from this new venture."

	Years to June 30, 1951	1952
Consolidated earnings :—		
Trading profit	1,528,369	1,733,469
Total income	2,093,361	2,306,665
Depreciation	205,407	250,478
Taxation	788,966	982,132
Net profit	778,782	643,973
Ordinary dividends	293,935	289,876
Retained by subsidiaries	17	17
Contingencies reserve	350,000	200,000
Added to group carry forward...	Dr 23,809	Dr 4,761
Cons. balance sheet analysis :—		
Fixed assets, less depreciation	16,907,374	18,237,970
Net current assets	2,666,309	3,927,626
Stocks	2,429,054	2,871,813
Cash	948,742	1,153,175
Debtors	7,229,132	8,280,146
Reserves	6,173,477	6,620,798
Ordinary capital	3,247,910	3,247,910

£1 deferred ordinary stock at 55s. 6d. yields 6 3s. per cent.

Preoccupied with these problems Mr Combe appears to draw little comfort from the growth in business and in trading profits—from £1.5 to £1.7 million—achieved by the group in the year to June 30th last. The advance in profits seems to have sprung mainly from a further increase in the sales of bottled beers, but some new British markets have apparently been opened up for the sale of Watney's draught beers as well. Presumably the group has been able to make further arrangements with other brewers to sell its beers in their tied houses. Competition among the larger brewers to secure these new outlets seems, however, to be growing keener—as is competition in the bottled beer trade. The odds, therefore, appear to be weighted against any increase in equity dividends by Watney or other London brewers. It is, perhaps, on the smaller breweries trading in the North of England that investors' main hopes for dividend increases should be pinned.

Davy and United.—Gross profits earned by the Davy and United group fell from £675,179 to £584,455 in the year to March 31st, but this was almost entirely due to the fact that the number of major contracts maturing in that year was less than in 1950-51. The directors attribute the increase in the net book value of stocks and work in progress, from £895,437 to £1,293,702, to the fact that deliveries of completed major contracts were lower than last year, and there have been substantial increases in materials and other costs. The gross book value of stocks and work in progress actually increased from £2,332,522 to £3,148,579, but payments in advance and on account also increased, from £1,437,085 to £1,854,877. These figures suggest that the number of completed contracts may increase once more this year, bringing a corresponding benefit to profits.

	Years to Mar. 31, 1951	1952
Consolidated earnings :—		
Trading profit	675,179	584,455
Total income	691,446	584,737
Depreciation	53,624	76,438
Taxation	265,460	335,829
Net profit	278,933	221,302
Ordinary dividends	49,415	51,824
Retained by subsidiaries	10	10
Replacement reserve	24,000	24,000
General reserve	80,000	80,000
Added to group carry forward...	100,000	60,000
Ordinary capital	Dr 5,082	14,478
Cons. balance sheet analysis :—		
Fixed assets, less depreciation	1,217,503	1,282,434
Net current assets	1,062,899	1,194,801
Stocks	695,437	1,293,702
Cash	40,588	36,457
Reserves	1,155,783	1,323,103
Ordinary capital	941,250	987,132

£1 ordinary stock at 34s. 4d. yields 15 16s. per cent.

In his statement to shareholders, however, Mr D. F. Campbell makes it clear that though the group's order book is still "very large," the nature of these orders is changing. The British steel industry is now concentrating its capital expenditure on coke ovens and blast

furnaces; no major rolling mill installations—the manufacture of which is the heart of Davy and United's business—have been ordered by the British industry for more than two years. The new programme to increase British steel production should eventually lead to new orders for rolling mill equipment, but in the meanwhile the Davy group must depend upon foreign orders, which have to be secured in the face of keen competition from overseas manufacturers. If the Davy group—and the engineering industry generally—is to continue to secure contracts from foreign buyers, Mr Campbell insists that two conditions must be fulfilled. One is that firms should be allowed to plough back sufficient profits to keep their plant up to date; this would mean that the taxation authorities and the accounting profession would have to adopt a different basis for computing depreciation allowances. The other is that there must be a period of reasonable stability in costs; in securing this the chief responsibility rests with the engineering unions.

International Tea.—In common with many other enterprises, International Tea experienced a sharp increase in its sales and an even sharper increase in its costs in the year to May 3rd. Although sales in all sections of its business reached a new record level in the first six months of its financial year and were well maintained thereafter, profits earned by the group fell from £1,817,917 to £1,695,497. This decline was due to a reduction in profit margins on high tonnage lines and to increases in wages and other costs. The increase in sales offset the increase in costs in the first half of the financial year, but in the following six months further increases in expenses began to eat into profits. In the year as a whole, therefore, group net profits were reduced from £652,653 to £592,189, a figure which the chairman, Mr Frank Wilson, considers is "inadequate in present conditions to finance the increased cost of stocks or to permit reasonable and necessary development." The directors therefore insist that as much as possible should be ploughed back into the business; and for some time to come shareholders will presumably have to remain content with an ordinary dividend of 16 per cent—and even this rate might be in danger if profits were again reduced.

	Years ending April 28, 1951	May 3, 1952
Consolidated earnings :—		
Trading profit	1,817,917	1,695,497
Total income	1,820,963	1,697,643
Depreciation	203,730	215,066
Taxation	878,306	791,453
Net profit	652,653	592,189
Ordinary dividends	132,138	130,200
Ordinary dividends (per cent)	16	16
Replacement reserves	140,000	13,000
General reserve	153,483	303,816
Added to group carry forward...	11,427	6,538
Cons. balance sheet analysis :—		
Fixed assets, less depreciation	5,161,305	5,347,039
Net current assets	4,305,299	4,484,361
Stocks	4,651,767	5,674,955
Cash	399,300	296,308
Reserves	4,812,537	5,244,639
Ordinary capital	1,550,000	1,550,000

5s. ordinary share at 12s. 6d. yields 8 8s. per cent.

The increase in stocks (by £1 million to nearly £7.5 million) has imposed a considerable strain on the group's liquid resources. In order to finance this increase, £300,000 of tax reserve certificates has been used up, the group's cash balances have been run down from £399,300 to £296,308, and £208,648 has been borrowed from the banks. As the increase in the book value of stocks is due in the main not to increased quantities but to higher prices, it is not surprising that the chairman warns shareholders that retained profits will be insufficient for the company's needs if the upward trend in prices continues. There is a clear need for fresh capital but this might be difficult to obtain at a time when a further fall in profits could put the equity dividend in danger.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Sept. 10, 1952	Price, Sept. 17, 1952	Net Yield, Sept. 17, 1952	Gross Yield, Sept. 17, 1952
War Bonds 2½% '51-53	99½	99½	1 10 11	2 17 6
War Bonds 2½% '52-54	99½	99½	1 16 11	3 1 8
Exchequer 2½% 1955	98½	98½	1 17 1	2 19 6
Ser. Funding 1½% '52	99½	(f)	0 6 9	3 0 9
Ser. Funding 1½% '53	98½	98½	1 12 11	2 14 9
Ser. Funding 1½% '54	97½	97½	1 15 9	2 15 4
War Bonds 2½% '54-56	98½	98½	1 12 11	2 17 5
Funding 2½% '52-57	98½	98½	1 12 7	3 0 5
Nat. Debt 3½% '54-58	99½	99½	1 14 4	3 3 11
War Loan 3½% '55-59	98½	98½	1 15 8	3 4 2
Savings 3½% '55-65	92½	92½	2 5 8	3 15 10
Funding 2½% '56-61	99½	99½	2 6 5	3 11 0
Funding 3½% '59-69	86½	86½	2 11 1	4 1 10
Funding 3½% '66-68	88½	88½	2 10 3	4 1 4
Funding 4% '60-90	100	99½	2 5 0	4 5 6
Savings 3½% '60-70	86	85½	2 11 4	4 2 8
Savings 2½% '64-67	85½	84½	2 12 1	3 19 2
Victory 4% '20-76	101½	101½	2 0 0	3 17 11
Savings 3½% '65-75	84½	83½	2 10 3	4 2 3
Consols 4% (aft. 1957)	87½	87½	2 8 4	4 12 3
Cons. 3½% (aft. 1961)	78½	78½	2 6 8	4 8 11
Treas. 2½% (aft. 1975)	58½	57½	2 5 4	4 6 3
Treas. 3% (aft. 1966)	68½	68½	2 6 1	4 7 9
Treasury 3½% '77-80	89½	89½	2 7 7	4 4 0
Redemption 3½% '86-96	78½	78½	2 7 3	4 0 11
War Loan 3½% aft. 1952	79½	79½	2 6 9	4 9 7
Consols 2½%	60½	59½	2 3 10	4 3 4
Br. Elec. 3½% '68-73	84½	84½	2 10 9	4 2 2
Br. Elec. 3½% '74-77	83½	83½	2 9 9	4 1 8
Br. Elec. 4½% '74-79	99½	99½	2 5 3	4 5 9
Br. Elec. 3½% '76-79	90½	90½	2 7 0	4 4 0
Br. Trans. 3½% '78-88	78½	78½	2 10 0	4 4 0
Br. Trans. 3½% '68-73	84½	84½	2 10 9	4 2 2
Br. Gas 3½% '90-95	78½	78½	2 8 0	4 2 6
Br. Gas 3½% '69-71	91½	91½	2 8 0	4 3 2
Br. I. & S. 3½% '79-81	88½	89	2 7 7	4 3 8

(e) To earliest date. (f) Flat yield. (i) To latest date. (s) Assumed average life 13 years approx. (d) £99 15s. 10d. Ex dividend.

Last Two Dividends	Ordinary Stocks	Price, Sept. 10, 1952	Price, Sept. 17, 1952	Yield, Sept. 17, 1952
(a) (b) (c)				
20 a	40 Anglo-Iran 10/-	6½	6½	4 14 1
20 a	25 Anglo-Iran 11/-	6½	6½	4 19 0
12 a	7½ Assoc. Elec. £1	71½	71½	5 11 1
20 b	7½ Assoc. P. Cem. £1	102/6	101/10	5 8 0
22 c	10 a Bass £1	130/-	129/4	6 12 6
20 c	5 a Boots 5/-	20/-	20/-	5 0 0
8 b	3 a Brad. Dyers £1	24/9	24/-	9 11 8
10 b	4 a Br. Celanese 10/-	24/9	23/-	6 6 0
...	... Br. Motor Cp. 5/-	31/4	31/10	...
12 b	6 a Br. Oxygen £1	54/-	53/1½	5 5 0
3 b	3 a Can. Pac. \$25	62½	62½	4 10 6
5 a	7½ Coats £1	44/-	44/-	5 13 8
5 a	6½ Courtaulds £1	37/9	36/-	6 5 0
15 c	24 a Cunard £1	37/-	36/-	6 8 6
7 a	15 a Distillers 4/-	18/-	17/6	5 2 10
17 c	17½ Dunlop £1	50/-	48/1½	7 5 6
12 c	15 a Ford £1	50/3	50/3	5 19 5
7 a	15 a Gen. Elect. £1	85/-	84/6	5 6 6
5 b	10 a Guest Keel £1	56/-	55/9	5 9 7
17 b	7 a Guinness 10/-	33/-	33/-	5 1 1
5 b	4 a Hawker Sid. £1	38/9	39/3	5 1 1
3 a	10 a Imp. Chem. £1	46/-	44/-	5 18 2
18 b	13½ Imp. Tobacco £1	54/3	55/3	7 4 10
2 c	2½ Int. Nick. n.p.	83½	83½	5 14 7
17 c	17½ J. Burg Con. £1	50/3	49/-	7 2 10
10 b	5 a Lancs. Cotton £1	39/9	39/-	7 13 10
7 a	10 a Lon. Brick £1	61/3	61/3	5 14 3
15 a	65 a Marks & Sp. A 5/-	43/6	43/-	4 13 0
6 a	15½ Monsanto 5/-	26/10	26/10	4 4 8
8 a	10½ P. & O. Def. £1	50/6	50/6	6 6 9
7 a	17½ P. Johnson 10/-	37/-	37/-	6 15 2
18 c	100 c Prudential 'A' £1	34½	34½	5 10 6
200 c	50 a Rhokana £1	22½	22½	8 15 10
5 a	10 a Rolls Royce £1	62/6	61/10	4 16 9
12 a	10 a "Shell" Stk. £1	83/9	83/9	5 9 4
12 b	13½ Tube Invest. £1	58/-	57/9	4 6 6
15 b	5 a Tur. Newall £1	93/9	93/9	4 5 4
5 a	8½ Unilever £1	46/10	47/6	5 14 5
10 c	12½ Union Cast £1	23/3	23/3	5 7 6
5 b	5 a Union Disc. £1	41/-	40/-	5 0 0
16 a	16½ Utd. Molass. 10/-	33/6	33/-	6 0 0
50 c	50 a U. Sia Betong £1	36/10	36/10	27 2 1
10 b	24 a Vickers £1	46/3	44/9	5 11 8
27 b	15 a Woolworth 5/-	42/6	42/-	5 1 3

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 14%. (e) Yield basis 16%. (f) Yield basis 22-9 gross. (g) Yield basis 16%. (h) Yield basis 12%. (i) Includes special int. (j) Yield basis 6½%. (k) Yield basis 19-8%. (l) Yield basis 40%. (m) Yield basis 20%. Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 13, 1952, total ordinary revenue was £48,748,000, against ordinary expenditure of £79,168,000, and issues to sinking funds £770,000. Thus including sinking fund allocations of £16,055,000 the deficit accrued since April 1, 1952, was £297,994,000 compared with a deficit of £8,970,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53, £'000	April 1, 1951 to Sept. 15, 1951	April 1, 1952 to Sept. 13, 1952	Week ended Sept. 15, 1951	Week ended Sept. 13, 1952
REVENUE					
Receipts into the Exchequer (£ thousand)					
ORD. REVENUE					
Income Tax	180,422.5	414,101	453,139	10,080	9,899
Sur-tax	125,000	33,900	30,500	1,100	500
Estate, etc., Duties	175,000	90,100	66,900	2,500	1,700
Stamps	57,500	29,300	22,500	1,100	1,100
Profits Tax & EPT	452,000	142,300	176,800	6,000	7,500
Excess Profits Levy	5,000	...	...	...	...
Special Contribution	2,000	1,625	880	50	...
Inland Revenue					
Total Inland Rev.	261,872.5	711,326	750,769	20,830	20,699
Customs	104,350	447,944	468,784	19,781	22,706
Excise	772,000	346,900	330,023	4,100	4,090
Total Customs and Excise	1,815,500	794,844	798,807	23,881	26,796
Motor Duties	64,150	11,756	11,763	154	...
Surpl. from Trdg.	12,000	57,500	...	...	...
P.O. (Net receipts)	15,000	6,800	...	400	...
Broadcast Licences	15,000	4,000	4,050	...	...
Sundry Loans	26,000	18,980	18,758	...	...
Miscell. (incl. Surplus War Stores)	110,000	34,503	33,954	20	1,253
Total Ord. Rev.	4,661,375	16,397,091	16,181,011	45,285	48,748
SELF-BALANCING					
Post Office	209,235	79,100	90,100	2,400	3,000
Income Tax on EPT Refunds	4,900	2,462	2,408	107	59
Total	4,875,510	17,212,171	17,106,509	47,792	51,807
EXPENDITURE					
Issues out of the Exchequer to meet payments (£ thousand)					
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	236,226	265,990	4,230	4,359
Payments to N. Ireland	40,000	16,089	17,192	...	...
Other Cons. Funds	10,000	4,543	4,547	120	9
Total	625,000	256,858	287,729	4,350	4,368
Supply Services	354,367	1,382,750	1,612,311	71,300	74,800
Total Ord. Expd.	4,179,367	16,396,088	19,000,400	75,650	79,168
Sinking Funds	...	9,070	16,055	350	770
Total (excl. Self-Bal. Expd.)	4,179,367	16,486,778	19,160,955	76,000	79,938
SELF-BALANCING					
Post Office	209,235	79,100	90,100	2,400	3,000
Income Tax on EPT Refunds	4,900	2,462	2,408	107	59
Total	4,393,502	17,302,440	20,086,633	78,507	82,997

After decreasing Exchequer balances by £19,696 to £3,091,597 the other operations for the week increased the National Debt by £40,247,196 to £26,120 million.

NET RECEIPTS (£ thousand)

Housing (Temp. Accom.) Act, 1944, s. 8 151

NET ISSUES (£ thousand)

PO and Telegraph (Money) Act, 1950 1,175
EPT Refunds 73
Local Authorities Loans Act, 1945, s. 3(1) 4,100
Development of Inventions Act, 1948 75
Cotton (Centralised Buying) Act, 1947, s. 17(1) 3,000
Miscellaneous Fin. Provs. Act, 1946: s. 2(1) War Damage: Board of Trade 500
Finance Acts, 1946 and 1947, Postwar Credits 305
9,228

CHANGES IN DEBT (£ thousand)

RECEIPTS	PAYMENTS
Treasury Bills 46,854	2½% Def. Bonds... 680
Nat. Savings Certs. 3,050	3% Def. Bonds... 1,124
3½% Def. Bonds... 5,820	3% Ter. Annuities 1,878
Tax Reserve Certs. 1,243	Ways and Means Advances 20,560
Other Debt:—	
Internal 7,523	
64,490	24,242

FLOATING DEBT (£ million)

(₹ million)						
Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bk. of Eng-land		
1951						
Sept 15	3240.0	2368.4	328.2	...	265.0	6201.6
1952						
June 21	2830.0	1504.1	301.8	2.3	...	4638.2
" 30	4336.6		309.0	2.3	...	4647.8
July 5	2910.0	1440.5	308.9	...	...	4659.5
" 12	2940.0	1462.7	303.0	...	...	4705.7
" 19	2970.0	1443.5	327.8	1.8	...	4743.0
" 26	3000.0	1459.5	285.5	2.3	...	4747.3
Aug. 2	3020.0	1430.3	284.4	...	...	4714.7
" 9	3040.0	1403.3	265.4	1.0	...	4709.7
" 16	3030.0	1450.6	279.8	...	...	4760.4
" 23	3020.0	1462.9	307.0	...	...	4789.9
" 30	3040.0	1445.7	292.1	...	...	4777.8
Sept. 6	3050.0	1443.1	309.3	...	...	4812.3
" 13	3070.0	1479.9	288.7	...	...	4838.6

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Min. Rate %
	Offered	Applied For	Allotted		
1951					
Sept. 14	250.0	332.1	250.0	10 3.07	67
1952					
June 13	240.0	310.4	240.0	48 0.36	72
" 20	250.0	301.1	250.0	48 8.25	77
" 27	240.0	302.4	240.0	49 0.44	74
July 4	240.0	308.8	240.0	49 0.45	73
" 11	240.0	315.2	240.0	49 4.20	68
" 18	230.0	322.9	230.0	49 3.88	69
" 25	220.0	317.2	220.0	49 3.88	56
Aug. 1	220.0	320.5	220.0	48 11.99	58
" 8	230.0	295.1	220.0	49 0.41	68
" 15	220.0	284.6	220.0	49 0.39	70
" 22	240.0	301.1	240.0	49 4.31	73
" 29	250.0	318.9	250.0	49 4.42	72
Sept. 5	260.0	308.6	260.0	49 8.58	79
" 12	260.0	308.9	260.0	49 8.61	80

On September 12th applications for 91 day bills to be paid from September 15 to September 20, 1952, were accepted dated Monday to Saturday as to about 80 per cent at 99 7/8. 7d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million were offered on September 19th. For the week ended September 20th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Total 23 weeks ended Sept. 8, 1951	Sept. 8, 1952	Week ended Sept. 8, 1952
Savings Certificates:—			
Receipts	80,500	52,300	2,900
Repayments	64,300	64,650	2,750
Net Savings	16,200	Dr 12,350	150
Defence Bonds:—			
Receipts	22,799	13,173	1,650
Repayments	30,085	32,539	1,464
Net Savings	Dr 7,286	Dr 19,366	186
P.O. and Trustee Savings Banks:—			
Receipts	301,048	317,866	16,426
Repayments	375,984	375,944	16,199
Net Savings	Dr 74,936	Dr 58,078	227
Total Net Savings	Dr 68,022	Dr 89,794	563
Interest on certificates repaid	15,668	17,674	756
Interest accrued	55,573	56,986	2,470
Change in total invested	Dr 117	Dr 488	2,277

BANK OF ENGLAND RETURNS

SEPTEMBER 17, 1952

ISSUE DEPARTMENT

Notes Issued:—	£	Govt. Debt...	£
In Circulation	1446,805,078	Other Govt. Securities ...	11,015,100
In Bank, Department...	53,551,745	Other Sec. ...	1485,725,852
		Coin (other than gold) ...	745,597
		Amt. of Fid. Issue ...	2,513,451
		Gold Coin and Bullion (at 248s. per oz. fine) ...	1500,000,000
			356,823
			1500,356,823

BANKING DEPARTMENT

	£	Govt. Sec. ...	£
Capital	14,553,000	Other Secs. ...	317,714,930
Rest	3,952,931	Discounts and Advances ...	30,940,949
Public Depts. ...	43,041,015	Securities ...	14,975,000
Public Accts. ...	18,868,000		15,965,949
H.M. Treas. Special Acct. ...	24,175,015		
Other Depts. ...	342,243,600	Notes ...	53,551,745
Bankers ...	276,937,394	Coin ...	1,582,922
Other Accts. ...	65,306,206		
	403,790,546		403,790,546

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
	Sept. 19	Sept. 10
Issue Dept.:		
Notes in circulation	1348.4	1455.5
Notes in banking department	44.9	48.4
Government debt and securities	52.0	48.4
Other securities	1396.7	1496.8
Gold and coin	0.8	0.7
Valued at s. per fine oz.	248/0	248/0
Banking Dept.:		
Deposits	18.4	10.7
Treasury Special Account	1.1	30.5
Bankers	294.7	257.7
Others	67.2	65.9
Total	403.6	358.6
Securities:		
Government	326.6	301.3
Discounts, etc.	18.4	12.7
Other	24.2	16.7
Total	369.2	330.7
Banking dept. reserve	52.8	46.5
" Proportion "	13.0	12.9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,550 million to £1,500 million on August 27, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

	SILVER	GOLD
	London per ounce	Bombay per 100 tolas
1952		
Sept. 11.	73.0	83.25
" 12.	73.0	83.25
" 13.	73.0	83.25
" 14.	73.0	83.25
" 15.	73.0	83.25
" 16.	73.0	83.25
" 17.	73.0	83.25

COMPANY MEETINGS

THE DISTILLERS COMPANY, LIMITED

RESULTS AN ALL-TIME RECORD

REPUTATION OF COMPANY'S BRANDS STRENGTHENED

SIR HENRY J. ROSS ON FUTURE PROSPECTS

The seventy-fifth annual general meeting of the company was held in the North British Station Hotel, Edinburgh, on Friday, September 12, 1952, when the chairman, Sir Henry J. Ross, presided.

The following is an excerpt from the chairman's speech:

I am sure you will agree that it is a matter for congratulation that the results of the past year's working constitute an all-time record in the annals of the company. The manufacturing and trading profits of the company and its subsidiaries for the year to March 31, 1952, reached £21,265,450. Adding to this the income from investments, the total revenue for the year was £21,729,345, an increase of about £3,300,000 over the previous year. From this had to be deducted the necessary provisions for depreciation, etc., the charge for interest on debentures and loan stocks and the interest of outside shareholders, leaving £18,918,909. The charge for United Kingdom taxation, covering Income Tax, Profits Tax and Excess Profits Levy, came to nearly £11,750,000, leaving £7,170,450 as the net profit attributable to the group. It should be emphasised at once that of the increase of £3,300,000 in revenue, only a little over £300,000 remained as net profit although the charge for Excess Profits Levy was for a three month period only, being based on the profits for the three months from January 1st to March 31, 1952. This was in effect a smaller figure than would have been required if it had been based on one quarter of the profits for the year.

Adding the balances brought forward at the start of the year, there was available £13,615,615. The directors agreed to transfer to general revenue reserves £1,679,824 and to stock contingencies reserves £1,561,274, while it was considered desirable to write down certain investments by £238,252. The dividends paid or proposed to be paid absorb £2,737,716, leaving to be carried forward the substantial sum of nearly £7,400,000, an increase of about £950,000.

It will be seen that, of available net profits for the year under review, the amount of £4,194,482 was "ploughed back" into the company.

The board views with great concern and anxiety the demands for taxation made on companies generally at the present time. In your company in particular, because of the large expansion programme undertaken, and to a large extent carried through over the past few years, and the consequent reward now coming to the company by way of profits, we have to face charges for considerable amounts by way of Excess Profits Levy, in addition to income tax and profits tax. To "plough back" over £4 million in a year is reasonably satisfactory, but by no means excessive, having regard to the total requirements of the Group mainly for future developments and the building up of whisky stocks.

SUCCESS OF NEW ISSUE

Heavy taxation and the increased cost of stock replacements led to the board making

an approach to the Capital Issues Committee of the Treasury with a view to borrowing a further £10 million. The necessary permission was granted. After close consideration they decided to issue at par on May 13, 1952, £10 million 5 per cent unsecured loan stock redeemable in 1964 but convertible into ordinary stock units between 1952-57. The issue was heavily over-subscribed, and in making the allotment the board had regard to the preferential claims of the stockholders and of the staffs, only a small percentage going to non-stockholders. It is hoped that a large majority of holders of this unsecured loan stock will avail themselves of the opportunity to convert their holdings into ordinary shares at some time before this right is lost in the year 1957.

In view of present market conditions and the fact that the Group held at March 31, 1952, large stocks of raw and other materials which were valued at the lower of cost or market, the board considered that when these stocks were used the values put on them might well prove to be inflated, and it decided to add generously to the stock contingencies reserves held within the companies. After deducting the proportion applicable to outside stockholders the aggregate of these reserves available to the Group amounted to a little over £2 million at March 31, 1952. If the general level of prices should fall and these reserves were applied, the values of the stocks of materials held would, in the opinion of the board, be in the inventories at safe and satisfactory figures.

SCOTCH WHISKY SALES—HOME AND EXPORT

Once more I have to report that our sales policy, both at home and abroad, has been governed by considerations of national interest and will so continue until we attain a stock position capable of meeting all demands. As already mentioned, our stocks of maturing whiskies have been substantially augmented during the year under review, but a return to conditions of free supply consistent with maintenance of our high standard of quality and age is not yet possible.

The board is determined to continue the policy of supplying a quality article at a reasonable price. Although it might well have been possible at times in the recent past to obtain higher prices for our whisky brands, we are satisfied that to have taken advantage of the temporary conditions would not have been in the long term interest of the industry. In like manner, the successful efforts made to maintain the well-established quality of our brands have strengthened the reputation we have held for many years throughout the markets of the world.

During the year, considerable publicity has been given to the existence of a traffic in immature whisky which has been shipped in substantial quantities from this country to certain export markets where no restriction as to age is in operation. I can only repeat here the views which I have expressed at various trade meetings and in discussion with government departments, namely that this traffic is detrimental to the goodwill and high reputation which has been built up for Scotch whisky over a long period of years.

It is our considered opinion that the export from this country of immature whisky is diametrically opposed to both trade and national interests and this opinion I know is fully endorsed by the vast majority of the trade. I profoundly hope that in the national interests and in the interests of the good name of Scotch whisky, the responsible government department will shortly decide to impose a complete embargo on exports of immature whisky.

Following the pattern of previous years and in accordance with the dictates of our national economy, the dollar markets have again received prior consideration. Because of this and the continued shortage of whiskies of our prescribed standard of age and quality, many other important markets have perforce had to go short of supplies.

We are still experiencing obstacles and difficulties in connection with our general export trade. One of our more important markets — Australia — recently imposed a drastic cut of 80 per cent on importations of Scotch whisky, followed shortly afterwards by New Zealand with a cut of 20 per cent. On the other hand, it is satisfactory to report that the position as regards South Africa has shown a marked improvement and import licences issued for 1952 have been substantially higher than in 1951.

GIN

Our sales for the year showed a reduction compared with the previous 12 months. This was due to abnormally heavy pre-Budget buying at home in the first three months of 1951.

In the United States also our gin sales showed a slight recession due to the fact that the previous year included the commencement of the war in Korea, followed by heavy stock-piling at all levels of the trade.

Nevertheless, results were most satisfactory and consumer acceptance of our proprietary

wide demand to which I referred at our last meeting. Towards the end of the year, however, a sharp recession developed in the industries we serve and this still continues. A large contributory factor to this sudden change in the state of trade is undoubtedly the heavy liquidation of stocks and at present there is no clear indication when normal buying will be resumed.

Supplies of molasses remained costly throughout the period, with resulting high prices for alcohol and its derivatives. There is no doubt that these high prices have acted as an aggravating factor in the present recession. Indications are that supplies of molasses are becoming very much easier and a fall in price is anticipated shortly. It is our intention to apply the reserve created for this purpose in writing down the cost of our stocks, in order to reduce selling prices at the earliest possible opportunity.

The Plant of British Petroleum Chemicals Limited at Grangemouth, in which we hold an equal share with the Anglo-Iranian Oil Company Limited, has, after some teething troubles, produced a steady output of industrial alcohol. Had this source not been available, the supply position would have been even more difficult and the price yet higher.

The supply of isopropyl alcohol from Grangemouth, together with the new capacity of other companies in the United Kingdom and some reduction in demand, has completely eliminated the shortage of acetone, which is now in very free supply.

In common with most construction programmes, there has been some delay in completing the styrene plant of Forth Chemicals Limited at Grangemouth, but it is still hoped to start commissioning this by the end of the year.

RECORD SALES OF PENICILLIN AND STREPTOMYCIN

The Distillers Company (Biochemicals) Limited at Speke enjoyed a record year in the sale of penicillin and streptomycin. Technical improvements of a very marked character, and common to all major producers have, however, brought about a startling increase in the rate of production in this industry during the last few months. In addition, new plants in Europe and elsewhere have come into operation, and for the first time since penicillin was discovered in this country, world production exceeds the current actual demand. Our own technical progress has been maintained and we believe that the efficiency and scope of our operations will assist us greatly in meeting the intensive competition—particularly in export markets—which has been in evidence during recent months.

New discoveries, variations in the trend of medical thought and other imponderable factors all combine to make the production of antibiotics a very exacting business in which the capital investments are also substantial. In this young industry, our policy has been to "plough back" most of our profits and, by keeping abreast of the latest developments and diversifying our activities, we believe we are creating a solid foundation for our future developments in this field.

PLASTICS

With regard to our Plastics Group, the shortage of critical raw materials, to which I referred last year, showed signs of improvement towards the end of 1951, and this has continued to date. Unfortunately, however, the recession to which I have already made general reference has been very severe in most branches of the plastics industry, and in the current year our sales of resins and moulding powders have suffered accordingly. The trading operations of British Geon Limited did not

decline to the same extent. This can be explained by the ever-widening uses to which Geon polyvinyl chloride is being applied.

MAGNESIUM METAL INTERESTS

Our magnesium metal interests have made notable progress during the period under review. Last year I referred to the introduction by Magnesium Elektron Limited of special new alloys developed by that company to meet the requirements of jet engine producers. With the continued progress of design, the demands of the engineering industry for light alloys with still further improved properties and able to withstand ever higher temperatures, has again been met by the development and introduction of new alloys of magnesium containing zirconium and thorium. Further licences have been granted to magnesium fabricating companies overseas.

The programme of capital expenditure in the United Kingdom in improved methods and new industrial products, which we have steadily pursued since the end of the war, has had to be curtailed, although I hope this is temporary. I should again emphasise—and it cannot be repeated too often—that the cost of new equipment, together with the excessive rate of taxation on profits, make it increasingly difficult to provide funds out of our resources for such investments. Reductions in capital investment for production which would contribute to the national economy can only in the long run adversely affect the competitive position and trade of our country. It is imperative that the Government should take early action to improve this position.

FUTURE PROSPECTS

From what I have already said, stockholders will appreciate that, although we are reviewing a financial year which has been outstandingly successful we have since entered upon a phase which in certain respects is less favourable.

So far, the Potable branch of the Company's business does not show any material change, and I see no reason to doubt that it will—in the main—so continue. Our industrial group, however, has reflected sharply the prevailing economic conditions in the United Kingdom, and, although a general improvement is looked for in the near future, the heavy recession which has taken place is bound to reveal itself in the results of the current year.

The company is built on solid lines and has strong reserves, and having regard to our great variety of interests it is reasonable to assume that, with our risks thus spread, we can at least look forward to producing results which will be satisfactory to our stockholders.

The report was adopted.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

The Economist Intelligence Unit

22 Ryder Street, St. James's, London, S.W.1

CONSOLIDATED TIN SMELTERS, LIMITED

BENEFITS OF AMERICAN AGREEMENT

The twenty-third annual general meeting of this company was held on September 11th in London, Mr Ernest V. Pearce, AMIMM, the chairman, presiding.

The following is an extract from his circulated statement:

The net revenue of the parent company for the year ended March 31, 1952, is £286,626, compared with £309,125 for the year to March 31, 1951. Your directors have decided to recommend for approval a dividend of 2s. 6d., less income tax, on the Ordinary stock.

The burden of taxation will be evident from the figures, which show that from a net profit of £1,311,492 income tax, profits tax and excess profits levy take no less than £847,873. The imposition of excess profits levy is a further burden with which industry is faced in this country. It can in general only result in destroying incentive at a time when enterprise, initiative and maximum production are of vital importance to the country.

World production of tin in concentrates for the calendar year 1951, as disclosed by the Statistical Bulletin of the International Tin Study Group, totalled 164,500 tons, compared with 166,500 tons in 1950. Of the countries from which we draw the major part of our supplies for smelting, Bolivia and Nigeria registered small increases in their production, while both Malaya and Thailand showed a decrease. The aggregate tonnage of concentrates treated in our works during the year under review was approximately 9 per cent less than that treated in the preceding year.

World consumption of tin, according to the Statistical Bulletin, is shown at 136,000 tons for the calendar year 1951 against 147,000 tons for 1950, a decrease of 11,000 tons. The same source shows the USA consumption to have declined by approximately 15,000 tons, from 71,774 tons in 1950 to 56,542 tons in 1951.

ADVANTAGE TO PRODUCERS

While the United States of America refrained from purchasing tin on the Singapore market during the period under review, it is pleasing to record the arrangement for mutual assistance in the supply of steel, aluminium and tin which was made between the Prime Minister and President Truman when Mr Churchill visited Washington in January, 1952.

I think it can be fairly stated that this arrangement has been beneficial, not only to the United States of America and the United Kingdom in supplying them with the commodities of which they were in great need, but also to the tin producers of the world in establishing what was in effect a guaranteed floor price during some part of the term of the agreement.

At the time this statement is being written there is as yet no indication of when normal trading in tin in the United States of America is likely to be resumed. Various statements have been made, mainly in the technical Press, to the effect that dealings in tin by the New York importers may be resumed in August, but other reports tend to place the date later in the year.

Recent reports from Malaya are much more encouraging. The number of casualties inflicted on the terrorists and the fact that voluntary surrenders are becoming more numerous and frequent show that progress is being made.

The report was adopted.

LONDON & OVERSEAS FREIGHTERS

CHANGES IN INTERNATIONAL TRADING CONDITIONS

HIGH REPUTATION OF TANKER FLEET

MR B. M. MAVROLEON'S CONFIDENCE IN THE FUTURE

The fourth annual general meeting of London & Overseas Freighters, Limited, was held on September 15th at The Baltic Exchange, St. Mary Axe, London, E.C.

Mr Basil M. Mavroleon, chairman and managing director, presided.

The secretary, Mr Stanley Sedgwick, ACA, read the notice convening the meeting and the report of the auditors.

The following is the chairman's review which had been circulated with the report and accounts for the year ended March 31, 1952, and which was taken as read:

In the course of my review accompanying last year's accounts I referred to the boom conditions in the tramp shipping industry which existed at the time. It is common knowledge that shipping freights commenced to fall early this year and that today the position has deteriorated to such an extent that many tramp owners are laying up tonnage rather than operate at a loss. The changes in international trading conditions which have brought about this state of affairs have come at a time when the operations of your company are undergoing a switch of emphasis from dry-cargo ships to tankers as the building programme materialises. The prevalence of long-term time-chartering in the tanker field, as opposed to the customary "day to day" trading of dry-cargo ships, smoothes out the effects of what may be termed relatively short-term fluctuations in market conditions. It is the policy of your board, at any rate during the early years of building up a fleet, generally to secure employment for the company's tankers on a long-term basis in advance of availability.

SUMMARY OF TRADING RESULTS

At this stage I feel it will be helpful to give some figures relating to the trading of your fleet during the last two financial years and at the present time. The position is summarised at the bottom of the page.

The results of the current financial year ending on March 31st next will, in the absence of unforeseen circumstances, reflect the results of the trading of the two dry-cargo ships and the four tankers referred to above for a full year, together with that of three further tankers totalling 48,750 d.w.t. which have come into operation during the last four months. As I informed you last year, these tankers are all fixed for several years and you will not be surprised, there-

fore, that I look forward to the future with the utmost confidence in the prospects of your company.

THE YEAR'S TRANSACTIONS

I turn now to the transactions which have, during the year under review, played their part in the building up of a capital reserve in excess of one-half of the issued share capital of your company. I mentioned in my review last year that contracts had been entered into for the sale of the three remaining tramp steamers, thus reducing the company's dry-cargo tonnage to two 10-year-old 10,000 d.w.t. motor ships. In addition to the above sales and the s.s. *Mill Hill*, to which I also referred last year, the company purchased and, after a short period of trading, sold another dry-cargo ship, the s.s. *Bisham Hill*. The sales of these five vessels realised a surplus of £881,259 over the values at which they stood in the company's books, of which sum £109,175, representing the depreciation written off to the date of sale, has been credited to profit and loss account. The balance of £772,084, being realised capital appreciation, has been added to capital reserve. The latter has been further augmented by the sum of £110,871 in respect of the excess of the liquidator's distributions to date over the book value of the company's holding of 5,993 ordinary shares of £1 each in *Mill Hill Steamship Company, Limited*. The cash which flowed from these transactions has been applied towards the cost of new ships under construction.

Four tankers were in service at the balance-sheet date and three more, the *London Majesty*, *London Endurance* and *London Spirit*, having a total carrying capacity of 48,750 d.w.t., have come into operation since. Thus the company's tanker fleet now comprises seven ships totalling almost 115,000 d.w.t. A further tanker, the first of the 24,750 d.w.t. class, is to be launched next month, and it is probable that the accounts for the current financial year will include the earnings of this vessel for two or three months. The keel has been laid for another 18,100 d.w.t. tanker due for delivery in the middle of 1953. The shortage of steel which exists at the present time is unlikely to delay the delivery of our first big tanker, but, unless some unforeseen improvement takes place in the supply position in the very near future, it is difficult to see how the shipbuilding industry in general can recover the time now

being lost. Consequently, it would be unwise to rely upon our own building programme being fulfilled exactly on schedule.

No additional vessels have been ordered during the year under review, but your directors, having regard to the prevailing trading conditions and to the relatively high cost of construction of dry-cargo tonnage, have ordered an additional 24,750 d.w.t. steam-turbine tanker in place of the 10,000 d.w.t. dry-cargo vessel which was already on order. The tanker is for later delivery than was visualised in the case of the dry-cargo ship, thus the additional actual cost will not upset your board's plans for financing the building programme.

The sum of £55,000 is charged in the accounts in respect of the estimated profits tax liability for the period, and you will observe that the sum of £350,000 has been set aside out of the accumulated surplus to tax equalisation reserve. In so far as your company is concerned, the incidence of initial allowances on new buildings very much reduces the liability to taxation during the year under review and during the next few years. This arrangement is of considerable assistance to the company at a time when every penny is needed to finance the construction of new ships, but is by no means a free gift or a remission of tax.

The board, adhering to the dividend policy declared at the time the company secured a Stock Exchange quotation, recommends the payment of a dividend of 5 per cent (less tax) for the year ending March 31, 1952, and reaffirms its intention to limit dividend payments on the shares of the company to that rate for the two succeeding years.

WORLD-WIDE REPUTATION

The company's fleet of tankers is establishing for itself a world-wide reputation and widespread interest is expressed in their appearance, efficiency, and accommodation. In return for adequate remuneration, generous conditions of employment, and excellent prospects, we demand efficiency and loyalty from our masters, officers, and crews. We aim to build up a staff comprising the best type of men in the Merchant Service and to retain their services throughout their working lives. During the year we have initiated a scheme in conjunction with a life assurance company whereby officers, at no cost to themselves, are assured a pension on retirement, commensurate with their years of service and salary grades, in addition to anything to which they are entitled from the Merchant Navy Officers' Pension Fund or from previous employers. The scheme also provides for the payment of a lump sum in the event of death.

To the men who sail our ships and to those who direct their movements I express my appreciation of their efforts in the past year and I am sure that you will all join me in these sentiments and in the wish for the continued goodwill, co-operation, and well-being of all concerned.

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

The retiring directors, Mr J. E. G. Kulukundis and Mr A. E. Hodgkins, MC, were re-elected, and the directors having been authorised to fix the remuneration of the auditors, Messrs Moore, Stephens and Co., the proceedings terminated.

YEAR ENDED MARCH 31, 1951		YEAR ENDED MARCH 31, 1952	
Revenue-Earning Fleet	Operating Surplus	Revenue-Earning Fleet	Operating Surplus
Dry-Cargo Ships— 5 throughout the year 4 for an aggregate trading period of 591 days	230,824 67.5%	Dry-Cargo Ships— 2 throughout the year 5 for an aggregate trading period of 694 days	269,558 50.6%
Tankers— 1 (16,325 d.w.t.) for a trading period of 6 months 1 (16,325 d.w.t.) for a trading period of 4 months	110,879 32.5%	Tankers— 2 (of 16,325 d.w.t. each) throughout the year 1 (of 18,100 d.w.t.) for a trading period of 34 days 1 (of 15,347 d.w.t.) for a trading period of 29 days	263,370 49.4%
	£341,703 100.0%		£532,928 100.0%

PYE LIMITED

TELEVISION NO LONGER A LUXURY

The twenty-third annual general meeting of Pye Limited was held on September 17th in London.

Mr C. O. Stanley, CBE (the chairman), in the course of his speech, said: Our turnover expanded considerably during the year and although our profits were increased from £541,000 to £611,000, the amount left after taxation was less by £21,000.

Immediately following the close of our financial year we suffered a recession in the home market, and this has been publicised in the press. I am glad to tell you that we are more than satisfied that we have made adequate provision for any obsolete or non-current stock which we held on March 31, 1952. The recession that was so clearly existing in the domestic market after the close of the accounts has, I am glad to say, lifted to some degree.

In the export market I sometimes wonder if the Government realises the very determined attack which Western Germany and other European countries are making on the export radio market. There is possibly no other market that is attracting as much attention from German salesmen at this moment as the British radio export trade. In one country where we have a substantial trading position there are 110 importers—two of these are American, two British, one Swedish and the balance German. As well as this, it appears to be completely forgotten that we can only maintain our export trade in radio and television if we have a stable market at home.

PURCHASE TAX AND WAGES

The incidence of the restriction of hire purchase and the continuance of the 66½ per cent purchase tax are not only crippling the market, but creating the worst possible state of instability. The United States, Canada and Australia learned by experience that extreme hire purchase restriction was fatal and consequently changed their policy, but we in this country have failed to profit by their example.

Television is no longer a luxury; it has become essential and is one of the highest priorities in popularity for the working man. This country is trying desperately to keep wages down in order that we can maintain our export markets, and, as television is essential, would it not be better to sell sets at a more reasonable price without the crippling burden of purchase tax?

We have, either in partnership with others or on our own responsibility, established important companies during the last few years in Australia, New Zealand, Ireland and Canada. It costs a lot of money to go into a new country, start from scratch and build a business. We feel that this is one of the ways in which England can earn money to pay for its food imports but we have been limited in our efforts by the resources we have had available. We have been told so many times by our politicians that the development of industry in Commonwealth countries must be left to other nationalities. However much we have felt that this was completely wrong, we had to accept.

Your directors have now decided to apply to the Capital Issues Committee for permission to raise approximately £300,000 in the form of a rights issue of deferred ordinary shares to our existing deferred ordinary shareholders.

The report was unanimously adopted.

MUREX LIMITED

CONTINUED PROGRESS

CAPITAL INCREASE FORESHADOWED

The thirty-third annual general meeting of Murex Limited was held on September 17th in London, Mr George P. Joseph, the chairman, presiding.

The following is an extract from his circulated statement:

The substantial increase in the value of sales for the year is attributable, in general, to higher selling prices necessitated by increases in raw material costs and operating expenses. The company's products are, however, diverse, and although the overall increase in the value of sales was due to higher selling prices, there was a satisfactory increase in the volume of those products not dependent on raw materials in short supply.

The effect of rising prices is reflected in the continued high level of trading profits of the year, which are only £56,000 short of the record figure achieved in the previous year. I am glad to say, however, that the proportion of the trading profits which arose fortuitously on the turnover of stocks purchased at prices below replacement cost was considerably less than in the previous year.

The company's business has expanded progressively over the past fifteen years; during that period the board's policy has been to plough back into the business the major portion of the profits and to maintain a conservative rate of dividend distribution. The directors consider that the results of the year under review merit an increase of 2½ per cent in the ordinary dividend, making this 15 per cent before taxation.

HEAVY DEVELOPMENT PROGRAMME

During the past three years your company has expended over £1 million on capital development at home and overseas, and there is still a heavy programme ahead; expanding business and rising costs have added more than £1,500,000 to the working capital requirements. Notwithstanding the steady and continued progress which your company has made, expenditure of this magnitude has placed a considerable strain on the liquid resources, and there are heavy commitments for taxation which are due for payment over the period to January, 1954.

It is probable, therefore, that in due course it will be necessary to raise additional capital. In preparation for such a step the board recommend the stockholders to pass a resolution increasing the authorised capital by £1,800,000 to £4,450,000. At this stage this is purely a formal measure designed to place additional authorised capital at the disposal of the board.

AVAILABLE SUPPLIES

The gradual improvement in the availability of raw materials which became apparent towards the end of the year under review has continued. The overall demand for your company's products in the opening months of the new financial year has been satisfactory, although there has been some falling-off in the home demand for certain products; in consequence it has been possible to increase somewhat the volume of exports, but in spite of this overseas demand continues to exceed available supplies.

The report was adopted, and a resolution increasing the company's capital from £2,650,000 to £4,450,000 by the creation of 1,800,000 shares of £1 each was approved.

THORN ELECTRICAL INDUSTRIES

RECORD PRODUCTION AND SALES

The sixteenth annual ordinary general meeting of Thorn Electrical Industries, Limited, was held on September 17th in London. Mr Jules Thorn (chairman and managing director), in the course of his speech, said: The net profit amounts to £500,004, as compared with £379,961. Taxation requires no less than £303,185. Out of the total profit of half a million pounds, less than one-tenth is paid in dividends to shareholders, more than three-fifths is taken by taxation and the balance of £150,000 is retained to augment the financial resources of the group.

The increased trading profit is the result of record production and sales, but unfortunately taxation has a crippling effect on any expanding organisation.

The lighting division has continued to make good progress and our achievements, particularly in the fluorescent field, have been quite outstanding.

The Ferguson radio and television division has enjoyed another record year. Our ability to offer outstanding value and reliability has further enhanced our reputation and attracted more business than ever before.

Spectacular though our achievements were in television, they were matched by achievements in the field of sound reproduction.

Exports in the past year have advanced satisfactorily and progress has been substantial. Your company has been successful in securing a contract from the United States Government for aircraft communication equipment to the value of 2½ million dollars.

The report was adopted.

A. C. COSSOR LIMITED

ORDINARY DIVIDEND PAYMENT RESUMED

The fourteenth annual general meeting of A. C. Cossor Limited was held on September 16th in London, The Rt Hon Lord Burghley, KCMG, LLD (chairman), presiding.

The following is an extract from his circulated address:

We again had a satisfactory year's trading. As a result, we have been able to pay off the whole of the arrears of dividend on the preference shares, and to recommend to you a dividend on the ordinary shares, the first since 1947.

The sales turnover for the year was the highest in the company's history, but the net profit was less than that for the previous year.

Like many other companies at the present time, particularly those with successful and expanding businesses, we are finding our working capital inadequate.

We expect the current year to be somewhat less good for us than the last. The rearmament programme is of the utmost national importance, but it does not provide us, as manufacturers, with a sufficient rate of profit to enable us to finance our business, to support an enterprising research programme, or to incur the risks of attempting to force our way through the obstacles which hedge so many export markets against our products. Television is important to us, and naturally our results next year must be considerably affected by the buoyancy of this market. Subject to that reservation, however, we shall hope for results which will again be a credit to us.

The report was adopted.

THE CONSOLIDATED SISAL ESTATES OF EAST AFRICA

PERIOD OF EXCEPTIONAL PROSPERITY

The sixteenth annual general meeting of the Consolidated Sisal Estates of East Africa, Limited, was held on September 16th in London, Mr N. C. S. Bosanquet (the chairman) presiding.

The following is an extract from his circulated statement:

We meet this year in a very different atmosphere as regards the buying and selling of sisal fibre, and in examining the accounts I should like to analyse the figures with the object of seeing how far we are equipped financially to meet perhaps low selling prices and certainly competition. In speaking of the low selling prices I am not suggesting that the selling prices of 1939 are returning in the near future, for that would mean the disappearance of large quantities of East African fibre from the market. It must be remembered that while selling prices have been rising and the industry enjoying exceptional prosperity, the costs of production have also increased though not in the same ratio as the rise in prices. Compared with the increased costs in some other primary commodities the increases in this industry have been very modest, and I question whether lower selling prices can be followed by much relief in the expenditure column. Before the war in 1938 we managed to survive with sisal fibre selling at £18 10s. 5d. per ton and a cost of production of £15 17s. 7d. I question whether the average estate today would find it economic to continue production with the selling price of fibre averaging £60 per ton.

THE YEAR'S TRADING

We harvested 6,440 tons of fibre which realised £1,139,294, and after adding interest and sales of by-products, the credit side of the account shows a total of £1,147,039. Taxation takes £424,335, and the profit taken to the appropriation account is £309,091.

We propose a final dividend of 50 per cent, making 60 per cent for the year.

The estimate of crop for the current year is 6,900 tons of fibre, and stockholders will note the steady increase which has taken place in output since 1949-50.

In the balance sheet current assets amount to £943,052 and liabilities, including future income tax £727,987. Our net current assets at the date of this balance sheet were therefore £215,065.

We start, therefore, upon a new period of the sisal industry with a strong financial position and with equipment which promises to make us a more efficient producer in the future than we have yet been in the past. I look forward to the time when we shall be offering the market an artificially dried fibre of better colour and quality than anything which we have so far been able to achieve.

It has been my custom in my annual statements to give stockholders some idea of what they may expect in the current year. In the circumstances ruling today I shall not be expected to attempt such a task. All I can say is that our crop is coming in well, and that we may expect to reach our estimate for the year, subject to weather and labour conditions during the remainder of the year. I do venture the suggestion that we sisal producers are in a much happier and safer position today than has been the case for some time.

The report was adopted.

INTERNATIONAL TEA COMPANY'S STORES

RECORD TURNOVER

The annual general meeting of The International Tea Company's Stores, Limited, will be held on October 7th in London.

The following is an extract from the annual review by the chairman, Mr Frank Wilson, circulated with the report and accounts:

Turnover in all sections of the business reached a record high level. There were, however, various adverse factors. Reductions in profit margins took place while costs in all sections increased, particularly wages. Prior to this increase of wages there were in the Mason company a number of branches producing losses. To prevent further losses we closed down a number, and it may be other small branches will need to be closed. In addition to heavily increased wages, we had to meet heavier expenses in transport charges, a very considerable item of cost in our business. The additional turnover enabled the Group to cover the increased expenses in the first half of the year, but failed to maintain that position in the second half.

A SATISFACTORY RESULT

These various factors have resulted in a fall in the Group trading profits of £122,000 and a reduced Group net profit (after tax) of approximately £60,000. In the circumstances, therefore, I hope you will consider that the results are satisfactory.

We, in common with other industrial and commercial undertakings, find that very largely increased sums of working capital are now required to finance our operations. The amount of the stock has increased by approximately £1 million since last year. This is due, in the main, not to increased quantities of stock, but to the higher prices which have to be paid for the goods we hold. Our stocks are not in excess of our requirements.

There are certain people rather vociferous, who seem to think that it is a sinful thing that profits should be made. No trading undertaking can survive unless it makes profits. I would like to point out that it is the Group net profit upon which attention should be focused. This net profit presents a very disturbing picture, and I cannot say too strongly that it is inadequate in present conditions either to finance the increased cost of our stocks or to permit reasonable and necessary development.

During the year we have explored still further the field of self-service trading. We now have self-service branches in the International Company, the John Quality Company and the Payantake Company. All the results of self-service trading have been satisfactory. We shall continue to extend this method of trading.

DIVIDEND AGAIN 16 PER CENT

We are proposing to pay the same final dividend of 11 per cent, making 16 per cent for the year. Stockholders will, very naturally so, be hoping for more, but I emphasise again we must plough back the maximum sums available for this purpose.

We have transferred the major part of the profits remaining after the proposed dividend to general reserves. A regular dividend distribution is preferable to fluctuations from year to year. We shall endeavour to maintain our position in this matter.

To make any forecast in these times is difficult, but, as I have said, our turnover is being maintained at record high figures. We must, however, feel a degree of apprehension as to further wage advances and further advances in general day-to-day expenses of running our business.

HICKING PENTECOST & COMPANY, LIMITED

MR LEONARD S. PENTECOST'S STATEMENT

The sixth annual general meeting of Hicking Pentecost & Company, Limited, was held on September 18th at the Victoria Station Hotel, Nottingham, Mr Leonard S. Pentecost, the chairman, presiding.

The following are extracts from his circulated statement:

We are pleased to report that we have again been able to achieve a satisfactory figure of profit, in spite of some deterioration in trading conditions during the later part of the period.

The first six months showed an increasing turnover, but the general recession in the textile trade towards the end of 1951 had some effect on your company. Certain branches of our business felt this more severely than others, which are still extremely busy, but the company as a whole is not at present fully maintaining the high output of last year. However, owing to the wide variety of the products we process, the general effect on us was not so severe as in many other sections of the textile trade.

As regards the immediate future, there is no doubt that the boom conditions of the past few years have passed for the time being and that trading will be keener, more difficult and more competitive. I am satisfied with the position of your company under these conditions, but it does not at present appear that we shall attain during the current year the standard of profits of the past two years.

The reports and accounts were unanimously adopted and the dividend of 12½ per cent was approved.

YORKSHIRE FINE WOOLLEN SPINNERS

SIR FRANK BINNS ON TRADING CONDITIONS

The fourth annual general meeting of Yorkshire Fine Woollen Spinners, Limited, was held on September 15th at the George Hotel, Huddersfield, Sir Frank Binns (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The profits for the group for the year ended December 31, 1951, are £137,291. After charging depreciation, directors' remuneration and providing £72,700 for taxation, the net trading profits amount to £33,695. The fall in net profits is regretted, but taking into consideration the unprecedented fall in wool values and the continuing recession in the industry during the last eight months of 1951, it is considered that the figures are not unsatisfactory.

At the present time trading conditions throughout the whole of the textile industry are exceedingly difficult. Short-time working in mills is prevalent and there is a general feeling of uncertainty as to future prospects. It is quite impossible to arrive at any definite conclusion as to the immediate future of the industry. As a result of strong sales efforts, our mills are fully employed, with some night-shift working, and a good percentage of our production is assisting the rearmament drive. I would add a note of warning that boom period profits having ceased, we must rely upon increased machinery production per unit, combined with greater efficiency, for our profits and we are concentrating on these.

The report was adopted.

DAVY AND UNITED ENGINEERING COMPANY, LIMITED

EXPORT PROGRESS IN FACE OF SEVERE FOREIGN COMPETITION

NEED FOR COST STABILITY

MR D. F. CAMPBELL'S STATEMENT

The seventy-ninth annual general meeting of Davy and United Engineering Company, Limited, will be held at the Royal Victoria Hotel, Sheffield, on Friday, October 3, 1952.

The following is the statement to be made by the chairman, Mr D. F. Campbell:

The directors' report and accounts set out the results for the year ended March 31, 1952, and you will note that the net profit, after providing for depreciation and taxation is £221,302. In comparing this with the corresponding figure of £279,333 for the previous year, stockholders should bear in mind what I have said repeatedly, that in a business of this kind some fluctuation in the results from year to year is quite normal. Some of our large contracts take two years or more to execute and we do not normally bring the profits on them into account until they are completed. Thus the profit in any financial year is dependent to a large extent upon the major contracts actually completed in that year. The average profit before taxation for the last three years is £533,559.

PLANT AND MACHINERY REPLACEMENT RESERVE

The most important appropriation of profits made by the directors is that relating to the plant and machinery replacement reserve. While the transfer of £80,000 which we are again making this year from profits to reserve is described as an appropriation of profits, it is in reality a charge on profits because we shall be unable to replace and maintain our plant in an efficient and competitive state unless considerable sums are set aside for this purpose.

The directors have again decided to make a small increase in the issued capital in the same terms as last year and Letters of Rights will be posted on October 17, 1952.

APPALLING WEIGHT OF TAXATION

Taxation, as you will see, is relatively higher than ever. Company chairmen are constantly raising their voices in complaint at the appalling weight of taxation which industry is made to bear, but each year the load increases. In 1948, taxation accounted

for 35 per cent of your company's so-called "profits" and each year since then has seen a heavier burden, until in 1951-52 it has reached 51½ per cent. Even then, we have suffered the Excess Profits Levy in respect of only three months of the year.

We are told that we must export, and that engineering capital goods are to provide an important part of the national export programme. But how can this be done unless funds can be conserved to keep our works up to date, particularly in relation to an industrially resurgent Germany, stripped after the war and now rebuilding with the most modern machinery. The situation is further aggravated by the fact that our taxable profits are assessed upon an obsolete system of depreciation allowances which are inadequate. This is of particular significance to your company whose plant is expensive and which must look to foreign trade in the future for a large part of its livelihood.

TRIBUTE TO MANAGEMENT, STAFF AND WORKPEOPLE

Your company, being makers of heavy machinery for metallurgical works, depends for success on a careful appreciation of the rapidly changing technique of engineering and metallurgical science. The skill and energy of the Davy and United personnel is of the utmost importance and the stockholders are fortunate in having enterprising and inspiring leadership, ably supported by a strong team of engineers, designers, planners, office staff and erectors, working in close touch with the highly skilled craftsmen in our foundries and workshops. All of these are to be congratulated on the excellent machinery produced during the last financial year.

Whilst the results and the financial position of the Group are satisfactory and we still have a very large order book, the character of our future commitments has changed markedly since our last meeting. It is more than two years since any major rolling mill installation was ordered by the British Steel Industry, which has concentrated its capital expenditure on coke ovens and blast furnaces to relieve the shortage of scrap steel. As a

result of this, our large home contracts are rapidly approaching completion although the new British programme to increase steel production should improve the home demand for rolling mill equipment during the next few years.

EXPORT CONTRACTS

The bulk of the work now before us is for export and some of these forward contracts have been obtained in the face of severe foreign competition in a buyers' market. We have met and overcome this competition and I am satisfied that we can continue to do so if we are allowed to retain enough money to keep our plant up to date and if some stability in costs can be achieved and maintained.

It is, however, becoming increasingly difficult in the export markets of the world to fix prices and agree contract conditions. Foreign customers are frequently unwilling to enter into commitments in which they have to bear the unknown cost of rapidly increasing wage rates and material prices, or are unable to do so owing to the difficulty of obtaining sterling for contracts of indefinite magnitude. A period of cost stability is clearly essential if current overseas demand for heavy capital goods is to be satisfied by British engineers.

PARTICIPATION IN STEEL COMPANY OF WALES PLANT

No review of our activities in 1951-52 would be complete without a reference to your company's participation in the vast Steel Company of Wales plant at Margam which is now in production. Almost the whole of the rolling mill machinery was furnished either by our American associates, United Engineering and Foundry Company, or by ourselves. The contribution of Davy-United amounted to more than 7,000 tons of machinery and I am glad to say that it is giving excellent results. The ability of Davy-United to undertake the engineering and construction of big strip-mill plants is the result of many years of patient endeavour; and the help of our American friends, so freely given, has been of the highest consequence.

Although it is not strictly relevant to the year under review, it is appropriate to mention that Mr F. B. Findlay retired on August 31, 1952. Mr Findlay gave no less than 49 years of devoted service to your Glasgow subsidiary, Duncan Stewart and Company, Limited, and for the last 13 years has been general manager there. Stockholders will no doubt wish me to record their gratitude and offer their best wishes to Mr Findlay in his well-earned retirement.

NATIONAL COAL BOARD invite applications for the post of Manager of their London and Southern Counties Marketing Office in London.

The Manager will be responsible to the Director-General of Marketing at the Headquarters of the National Coal Board for surveying the demand for coal in the London and Southern Counties area and for co-ordinating generally the supply of coal sent in to the area by the several NCB Divisions. Applicants should have considerable personal and capacity for leadership. An extensive practical knowledge and experience of the coal trade, particularly in this area, and of the coals of the various coalfields is most desirable.

The post, which is pensionable, will carry a salary of not less than £2,500 per annum depending upon the qualifications of the successful candidate.

Write, giving full particulars, (in chronological order) of age, education, qualifications and experience (with dates) to National Coal Board, Establishments (Personnel), Hobart House, Grosvenor Place, London, S.W.1. marking envelope TT/531. Closing date October 4, 1952. Original testimonials should NOT be forwarded.

PROPRIETORS AND DIRECTORS with controlling interest in Private Companies manufacturing and selling proprietary lines through Grocery and/or Ironmongery Trades are invited to communicate with large London Manufacturing and Selling Concern with a view to discussing working arrangement and eventual sale of shares thus avoiding possible difficulties at retirement or death.—Write in confidence Box 74.

MEN'S WEAR.—Export Manager, very well introduced Continental markets, travelled extensively, fluent French, German, notions Italian, Dutch, seeks change.—Box 70.

NUFFIELD COLLEGE proposes to elect an Official Fellow who will be required to devote himself to research (with some teaching) in Economics or in recent Economic or Social History, and invites applications from men and women to be received not later than October 21, 1952. The stipend will be according to age. Further particulars may be obtained on application.—September, 1952.

CHIEF EXPORT EXECUTIVE.—A leading firm, specialising in a wide range of high electrical and mechanical products, invites applications for the post of executive direction and control of its export subsidiary. Consideration will be given only to applicants of director calibre, who can prove successful ability, and the knowledge of industrial markets overseas and personal contacts with leading industrialists abroad, needed to develop further the company's extensive export trade in supply industry with its products. The retail and wholesale trades are not involved. Applicants should hold a good Honours Degree (preferably in a branch of Science) or an equivalent qualification, and should have a background of administrative and control within the light engineering industry. Salary and other terms, which will in any case be commensurate with the responsibilities involved, will be a matter of agreement.—Letters, which will be treated in strict confidence and which should contain details covering the above points, should be sent to Box 64.

SALES EXECUTIVE seeks change of position. At present Sales Manager London and Southern England. Experienced commercial and domestic selling through distributor and trade outlets, including organising a training of sales staff.—Box 69.

TOP Market Research Man seeks change. Four-figure salary.—Box 56.

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LEADING ARTICLES

- Farewell to Arms? - - - - 729
- The Public Schools - - - - 731
- Bridging the Adriatic - - - - 733
- Replanning the Black Country - 734

NOTES OF THE WEEK - - - 736

Party Preparations; The Wages Deadlock; No Diktat for Germans; Americans Think of Development; Bradley Breaks the Ice; ANZUS Pledge or Pacific Council? Labour and the Social Services; Airborne Yeomanry; The Farmers' Patience; In Stalin's Corsica; Mongols in Moscow; The Microbe Hunters; Visitors to the Enemy; Ireland Moves Towards Solvency; Stately Homes Still Decay; Intellectual Investment; Implications of the Schuman Pool; Joint Venture in Burma; Worlds Within Worlds; Faith and State in Israel.

LETTERS TO THE EDITOR - - 747

BOOKS AND PUBLICATIONS - 749

AMERICAN SURVEY

- Delivering the Arms - - - 753
- Caesar's Running Mate - - - 754
- Stevenson's Seminars; Locked Out; Coal's Next Hurdle; Trimming Sails in Massachusetts; Wolf in Wool's Clothing.

THE WORLD OVERSEAS

- Kashmir Seen from Karachi - 759
- Blue Print for Europe's Constitution; Towards Sudanese Self-Government; Norway in Nato—II; Hands Across the Atlantic; Czech Trade Unions Reorganised.

THE BUSINESS WORLD

- European Export Subsidies - - 769
- Machine Tools over the Hump - 771

BUSINESS NOTES - - - - 773

Gilt-Edged Take a Header; Fear of Funding; BOAC's Success Story; The Battle for Traffic; Relief for Consumer Goods; Export Stocktaking; Import Cuts in Action; Benefits from the Terms of Trade; New Issues Season Opens; Saving Skill for Export; New Money for Hire; Better "Small" Savings; More Freedom for Fibres; Taxation and Private Companies; Report from Australia; British Steel Remains Cheap; Responsibility at Easington; Decline of the British Tramp Steamer?; Everyman's Guide to Whitehall; Shorter Notes.

COMPANY NOTES - - - - 787

STATISTICAL SUMMARY - - 788

COMPANY MEETINGS - - - 789

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Farewell to Arms?

THE tactics of Communism in its dealings with the West are now clearly in a phase of change and adaptation. To call it new is to ignore the continuity of the strategy that directs the Party's work everywhere; to call it old is to ignore the importance and difficulty of the transition that is being made. There is no question of active comrades being ordered to turn about; but they are being told to dress smartly by the right, a movement that is both painful and conspicuous. Just what the new rules of the united front are to be will not be made explicit until the Soviet Party Congress in October—if then; but they can be deduced from a number of recent events, including the interview between Stalin and Signor Nenni, the Italian left-wing Socialist.

Stalin expects the present situation in the West to stabilise, with tension between the free world and the Communist block at a more or less constant height. Both camps will dig in on established positions, the diplomats following the example of the soldiers in Korea. The men in the Kremlin are probably persuaded that time works in their favour and that their empire is better placed than the Atlantic alliance to withstand a long period of strenuous alertness. They probably calculate that the United States is moving in its development of atomic weapons towards a point of diminishing returns, beyond which the technological gap between American and Soviet power can be gradually narrowed by research and increased productivity. They must reckon, too, that all the seeds of grave crisis are present in the defence plans of the comfort-loving West; whereas their own regime can safely maintain only modest standards of living, while military and industrial development continue side by side. That, certainly, is the picture suggested by the current five-year plan.

To this diagnosis Communist parties outside the Soviet Union have to adjust themselves. They have to master the theory and practice of "peaceful co-existence" between socialism and its capitalist enemies. Marxism, they argue, will—indeed must—triumph eventually; but the final onslaught is best postponed for a time. Recent gains are to be consolidated, while the forces of natural decay continue their work within the capitalist system. For the militant Communist in Europe this means a temporary farewell to arms, to be justified by reference to the texts of Lenin and Stalin. It is significant that on September 9th *Pravda* marked the anniversary of Premier Stalin's statement 25 years ago to a group of visiting American workers that "peaceful co-existence" was possible.

Five years ago, however, things looked very different, at least to the mettlesome mind of Andrei Zhdanov. He believed, when the Cominform was founded, that Communist victories were still possible in Europe because of the prestige gained by the party during the resistance. It was, therefore, to plan a victorious role in the inevitable struggle against the Americans by preparing underground and militant action. There was to be sabotage of arms deliveries, violent strike action, infiltration of wreckers into public services and communications.

and so on. But as the backbone of the democracies stiffened, and as the risks of provoking the West became more apparent from such happenings as the air lift that broke the Berlin blockade, the alternative analysis began to find favour, especially after Zhdanov's death in 1948. From it proceeds the long-range view that it would now pay to have a pause in the battle of Marxism *contra mundum*—a view that Stalin himself may never have given up, even while allowing his lieutenants to make all the mischief they could short of war.

Twenty-seven years ago—after the Communist failure to cause revolution in Weimar Germany—Stalin announced a similar decision, the terms of which are worth recalling. In his report to the 14th Congress in December, 1925, he said:

What is fundamental and new, deciding and permeating all events for this period in the sphere of foreign relations, is that a certain temporary equilibrium of forces has been established between our country which is building socialism and the countries of the capitalist world, an equilibrium which has determined the present phase of "peaceful co-existence" between the land of the Soviets and capitalist lands. That which we at one time thought of as a brief breathing space after the war has changed into an entire period of respite. Hence a certain equilibrium of forces and a certain period of "peaceful co-existence" between the world of the bourgeoisie and the world of the proletariat.

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If Moscow sees—or wants to see—another static period in the offing, then armed insurrection and mob violence must until further notice be rejected by the party in favour of parliamentary activity and joint action with parties, groups and individuals on certain issues. For the last year or more this necessity must have become apparent in the higher counsels of the party and reactions to it—both in eastern and western Europe—have revealed two different types within the Communist élite. On one side stood the partisan leaders, whose finest hour came with Nazi occupation, the veterans of the Spanish civil war and the *Maquis*, the mutineers of 1917-18—an entire generation of Marxist fighters who shoot and talk their way through the novels of Hemingway and Malraux. For them politics and violence were inseparable. On the other side stood the astute parliamentarians, the trade union tacticians, the intellectuals who wielded bourgeois weapons. These are the two factions, the wolves and the foxes, the partisans and the back-room boys, who have been locked in combat.

Since the beginning of 1951 it has been increasingly evident that the foxes would come out on top. Now, with the overthrow of Marty and Tillon in France, the conflict has probably reached its epilogue. In the campaign against General Ridgway three months ago they made a last gesture to assert their view; the fiasco in the streets of Paris showed them to be wrong. There will be no more rattling of sabres under bourgeois windows, but rather invitations to join hands in common enterprises.

The realignment is well timed. There will be no lack of planks for the united front platform. Any relaxation in international tension will make people question, even more than they do now, the need for arms programmes and high taxation. It will not be difficult to conjure up the spectres of unemployment and deflation around the corner. The western democracies are only

too prone to doubt, self-scrutiny and impatience. If their voters are led to believe that the danger of real war has receded, they will start questioning the cost of what is called the cold war. Moreover, there are plenty of people in Europe who are genuinely frightened of Fascist resurgence and German revival. Communists will make a speciality of organising opposition to such happenings as the success of the MSI in Italy, the re-appearance of old familiar faces in the Bonn Defence Ministry, and the movement to amnesty war criminals. They can appeal to the nationalism of Frenchmen against the European defence community and to the nationalism of Germans against the division of their country. Above all they can mobilise and intensify anti-American feeling along a wide political front.

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It may be, of course, that the Communists are too discredited by the experiences of the last five years for the united front tactic to succeed. Certainly their manoeuvres are better understood than they were, say, in the middle thirties. With the Soviet armies in central Europe and with fighting going on in Korea, Indo-China and Malaya it will not be easy to persuade people that there is much difference between peaceful co-existence and cold war. So long as Moscow continues to reject reasonable terms for a postwar settlement, the picture of Stalin as the peacemaker will remain blurred and unconvincing. But there is a real danger that those who try to lead public opinion in the free world may suddenly find themselves, as it were, out of date. So intense has been the effort to develop military strength and to restore Western Europe's confidence in the possibility of defending itself that the statesmen and the fighting men, the newspapers and the newsreels may find themselves still describing American hydrogen explosions, British atomic bombs, German recruit training and large-scale manoeuvres to audiences whose thoughts have been diverted in other directions—by the suggestion that for the time being peaceful co-existence, whatever that may mean, is what the Russians want.

In what form the idea will reach the western public is still uncertain. It may be the central feature of the Party Congress in Moscow; or it may become apparent in new Soviet moves over Korea or Germany. It may be presented in one striking set piece; or there may be a constant flow of informal suggestions taken up and spread around by the Communist Party. Whatever the method, the western foreign ministries should start thinking now what is to be said when the moment comes for comment and retort. This is, perhaps, a task for the Atlantic Council, which has given so much thought to military defence and so little to political initiative. A considered statement on the whole idea of peaceful co-existence, agreed by fourteen nations and issued in the name of the Atlantic alliance, would be a valuable and salutary act of statesmanship. For it is as certain as anything can be in the field of foreign relations that allied determination to match Soviet power by organising the political, economic and moral strength of free Europe will be exposed in the months ahead to sustained and ingenious propaganda. The task of the Communist Party is to induce a lull, to prepare a situation in which the West will relax its defensive effort while the Soviet empire increases its economic strength for a fresh challenge later.

The Public Schools

THE public schools are starting another year with every place filled and with hundreds of disappointed applicants turned away. Yet in spite of these continuing evidences of buoyancy, there are apprehensions among the governing bodies, and renewed discussion of the place that the public schools—by which, it is always necessary to explain to foreigners, is meant the private, and mainly boarding, schools to which the professional and business classes and the remnants of the landed gentry send their children—should occupy in the educational system of the country.

It is some seven years since the subject was last in the forefront of public discussion. Those were the days when the Education Act of 1944 was new and when the Fleming Report had come out with its proposals for sending boys from the state schools to the public schools at public expense. The Fleming proposals were given a trial; but it was clear long ago that they were not a success. Most of the schools—not all of them—did their best to give the Fleming scheme a fair trial, and there are many instances of individual successes. But the real difficulty has been the unwillingness of the local authorities to send more than a handful of acceptable candidates. Very few councils have been willing to operate the scheme as the public schools understood it.

Perhaps greater efforts would have been made to court the local authorities if the public schools had not been overwhelmed with applications from parents willing to pay the fees. The last seven years have continued the boom of the later war years. Nearly every school is larger than it was, and the waiting lists are still long. What every governing body would like to know is how far this sustained pressure of demand has been due simply to inflation—in which case it may disappear—and how far to more permanent causes. As a result of the abolition of fee-paying places in all schools that are financed by public money—except for the relatively few direct-grant schools—parents who aspire to a secondary education for their children must either stake everything on their passing through the Caudine forks of the selective examination at the age of 11, or else send them to a school which will charge in fees the full cost of the education it gives. The old alternative of getting a place at a local secondary school by paying a fee has very largely disappeared. Moreover, the parents' dilemma is heightened by the fact that the great majority of the good privately financed schools are boarding schools and therefore expensive. That so many parents, faced with

this dilemma, have found the money to send their sons to public schools is eloquent evidence of the determination of the English middle classes to give their children the best education they can.

Every public school has had to make two or three, or even more, increases in its fees since the end of the war. Indeed, the process has recently seemed to be so continuous that it is virtually impossible to compile a table of fees without some of the figures being out of date. Broadly speaking, however, the prewar range of fees for boarders in the boys' public schools was from about £150 a year to about £250 a year, with a large concentration of the famous schools between £175 and £200. Today the range is from about £250 to £350, with much the same concentration between £275 and £300. The representative increase has been about £100, which is about 50 per cent, or a little more, of the prewar level. Compared with nearly anything else, this is very moderate, and it has been the general experience of the schools that the increases have been well received by the parents.

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Nevertheless, bursars and governing bodies wonder how much further fee increases can go. Such economies as are possible have already been reaped—as the moderation of the average increase demonstrates. Indeed, the fees would have had to be pushed much higher if the schools had not been so full. The greatest rise in costs, that of domestic labour, has been met by reducing the amount of such service—the public schoolboy was never exactly feather-bedded, but never less so than to-day. Food costs are largely beyond the control of the schools, though quite a number have found an economy in central feeding. The only other large item in a school's accounts is masters' salaries. Most of the public schools have scales somewhat above the Burnham scale of the state schools, and their ratio of staff to pupils is high. In both respects they have been forced to make concessions; but they cannot go very far, since it is on the quality of their staff and the small size of their classes that their reputation is built. As it is, the greatest long-term anxiety of most governing bodies is whether they can pay their staffs sufficient to attract and keep good enough men. There is a widespread tendency to ease the master's lot by providing him with a house, but that can only be done within the limits that the Inland Revenue will permit.



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So far, the position has been held; few schools are operating at a deficit. But the steady rise in expenses is not ended. Boarding schools were hard hit by this year's reductions in food subsidies—without gaining anything directly from the countervailing reductions in taxation—and they fear that they may be hit again. The first moves for the next increase in the Burnham scale have already been taken, and though the public schools are independent of the Burnham scale, they would have to follow it up. Some schools will have to find money for the redemption of tithe, and heavy increases in rates are threatened both by recent legal decisions and by the prospect of a new valuation. Repairs cannot be deferred for ever; the great period of school building was almost a century ago and the school that has in the past made adequate current provision for the obsolescence of its buildings is a great rarity—if it exists at all. Over-shadowing everything else is the possibility of a fall in numbers, which would sharply increase the cost per boy.

Faced with all these possibilities, bursars wonder aloud where on earth the money is going to come from. To keep a boy at an average public school already costs £350 a year, when clothes, holidays and half-term visits are included. If a family has two children away at school at one time, it has to find £700. How many professional people, salaried employees or small businessmen can do that out of income today? Every school sees the evidence of fees being paid out of capital—which certainly shows how much the parents care. But how long can it go on?

There is perhaps a certain tendency to cry out before any real hurt has been felt. Year by year the tide of entrants comes up to, and sometimes beyond, last year's high-water mark. If money for boarding school education were beginning to run short, it would be reasonable to expect the earliest signs to appear in the girls' boarding schools or in the boys' boarding preparatory schools, neither of which are perhaps quite so high on the parents' scale of essentials as the boys' public school. But few such signs are yet visible. Moreover the cost is not in reality so stupendous as it appears to be when one year's fees are set against one year's net income. A boy stays at a public school for only five years; the total cost per boy is about £1,750, and this is not so large a sum that the average professional man cannot hope to set it aside, for each of his sons (provided he does not have too many), in the course of his working life. Many of the lump-sum payments of fees which seem to the schools to be coming from capital are in reality the savings of a period longer than five years, but shorter than a lifetime.

Similarly, much of the talk of the public schools becoming the preserve of the wealthy and losing the professional men's sons is premature, to say the least. No doubt there is a change in their *clientèle*—there always has been, from generation to generation, and the proportion of boys drawn from business (i.e. non-professional and non-land-owning) families has been steadily rising for at least forty years. The public school class has always recruited itself from outside; even a hundred years ago the sons of the *novi homines* were probably in a majority. But these are guesses; nobody knows. If the public schools feel that they are being driven out of touch with the professions, they should collect the evidence. Ordinary observation suggests that it is not so.

These arguments suggest that there should be no

urgency about the apprehensions that the public schools feel. But they do not suggest that the apprehensions are unfounded or that no thought need be given to the future of these unique and—in the passionate view of a large body of people—uniquely valuable institutions. Seven years ago there was a very general willingness to see their future developing along Fleming lines—that is to say, solving their financial problem by a steady and growing stream of boys paid for by local education authorities. There is very much less willingness to think along these lines today. Rightly or wrongly, the public schools have come to distrust the intentions of most local authorities towards any schools that they do not control. The old direct grant system, by which a capitation fee was paid direct from the Exchequer to the school, without passing through the local authority, could have been extended to—and would perhaps have been accepted by—the public schools. But the direct grant system was another of the victims of the 1944 Act (or of its administration) and in its present form gives the local authorities too close a control over the schools and their pupils for it to be acceptable to the public schools except as a last resort. Nevertheless, a revised direct grant system will perhaps some day prove to be politically and financially possible.

Thought in the public schools themselves, however, is turning increasingly to the idea that any assistance that the state can be induced to give should be given directly to the parents in the form of tax relief in respect of expenditure on school fees. The argument is that every parent who sends his child to a privately financed school is directly saving the state money. The measure of the saving to the state is the cost of providing one extra place in a tax-financed secondary school, which is variously estimated at figures from £50 upwards. It is agreed that every citizen should bear his fair share of the overhead costs of the state educational system, but that those who contract out of the system should have repaid to them the running cost that they save the state.

This is too large a subject to receive a full discussion here. Clearly, no state could long endure if individual citizens were allowed at will to contract out of the burdens and benefits of such of its activities as they chose. But, equally clearly, the modern conception of the welfare state, providing costly services for its citizens, is something different from the old conception of the state whose "services" did not extend much beyond justice, defence and sanitation. Nobody can contract out of law and order; but those who do not use nationalised gas do not pay for it.

Whatever the method by which assistance is sought, this at least can be said about the object—that there is a large class of deserving citizens, who have shown by their actions that they attach more importance to a particular sort of education for their children than to almost anything else, and who may be in danger of losing it because—in part—they are compelled by the majority to pay a share of the cost of providing another sort of education for other people's children. Unless the welfare state is to pay no attention to minorities—even large and worthy ones—unless it is always to give people what the party in power thinks they ought to want and not what they clearly and urgently do want, the attachment of the middle classes to the public schools ought not to be ignored.

Bridging the Adriatic

MR EDEN has had a successful visit to Belgrade. The warmth of his reception from crowds in the street, as well as from Marshal Tito and the members of his government, has opened a fresh chapter in relations between Britain and Yugoslavia. By making this visit, however, Mr Eden has taken on certain commitments and responsibilities which should now be neither overlooked nor misunderstood. The purpose of the visit was a *tour d'horizon* with the Marshal. Yet, standing up in the foreground, large, forbidding and almost blocking the view, was the problem of relations between Yugoslavia and its biggest neighbour, Italy. Since the key to this problem is Trieste, Mr Eden has spent a good deal of his time during the past ten days talking and thinking about it, and his intervention must be reckoned a new factor in the fickle history of that disastrous dispute.

During the past few months Marshal Tito has revolutionised his relations with Greece and Turkey: exchanges of one friendly mission after another have led the three countries to the brink of discussions about common defence problems that would have been unthinkable a year ago. In the north a similar goodwill has replaced the suspicions which existed between Yugoslavs and Austrians. Only with Italy has the clock stood still, until today the leading powers of the Atlantic alliance find themselves helping to arm and aid two neighbours who give almost more thought to the possible dangers of having to fight each other than to common defence against Soviet imperialism. Moreover, Rome and Belgrade, in a state of hostility at arm's length, represent a relatively poor return for the aid being passed to them. Although the western alliance is dependent on both for the bulk of the effort needed to defend their own sector of Europe, it is not a practical proposition to build up their armed strength without regard to their mutual antagonism.

Earlier this year, after unsuccessful attempts to find a solution last winter, the Trieste dispute looked as if it would have to go into cold storage until after the American and Italian elections. Nothing, that is to say, could be done with any hope of success to improve Italo-Yugoslav relations for perhaps a year; it was argued that Washington could not at present be expected to play an active role as mediator and that no Italian government could risk concessions for an agreement which might be used by extremists against it in the elections. A new situation, however, has arisen with the development of Marshal Tito's friendship for his other neighbours and with a change of mind in Rome. There, Italy having secured a new status in Trieste itself through the London agreement in May, Signor de Gasperi, as head of the government as well as Foreign Minister, has made it clear that he would, after all, welcome a fresh attempt to reach agreement. If successful, the hope is that such an agreement would be at least as useful to the government in the electoral campaign as it would be to the extremists of the right-wing opposition. Mr Eden, having met Signor de Gasperi in Strasbourg on the eve of departure for Belgrade, knew this; and he is the first senior statesman of a third power to have the two opposing arguments presented to him, with the implication that his mediation would be well received.

With this unique opportunity, what has he found? On the Yugoslav side there are four main difficulties in dealing with Italy. If they could be overcome, even the

passionate and elaborate arguments about Trieste itself might be settled relatively quickly. The first is distrust, based on memories and legends of the past. The Yugoslavs cannot forget or forgive the deeds of Italian troops in their country during the last war. They also genuinely fear that, if agreement over Trieste were reached, Italian revisionists would simply move a step forward to claim Fiume, and eventually other historically Italian settlements on the east Adriatic coast. Thirdly, Yugoslavs are convinced that the Vatican, working hand in glove with the Italian government, seeks by every means to make trouble for Marshal Tito's Communist regime. Last, but not least, Yugoslavs do not have so high an opinion of Italian capabilities that they are prepared to make any sacrifices to ensure Italian friendship.

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On the Italian side, the grievances are more pedestrian and specific, though no less deeply felt. Italians profoundly resent the Yugoslav attitude to territory which has been regarded as traditionally Italian since it was colonised by the Venetians several centuries ago; much of it formed an integral part of Italy right up to the defeat in the last war. They protest that thousands of Italians have been victimised, humiliated and driven from their homes by Marshal Tito's Yugoslavia; that this more than makes up for anything Mussolini may have done; and that there has never been any real sign of sincerity in Belgrade's approach to the question of a settlement. In the Italian view, the depth of the division between the two countries has been proved once again by the recent Yugoslav proposals for a condominium, whereby the governor of the Free Territory of Trieste would alternately be a Yugoslav and an Italian. The Italians, on the other hand, in practice stand out for partition, provided agreement can be reached on an ethnic line, although in theory they still claim the whole territory. To Italians the idea of alternating governors in an area where racial feeling runs so high is so unrealistic as to be insincere; they would argue, indeed, that the many "offers" which the Yugoslavs claim to have made are not in reality "offers" at all, since everyone in Belgrade must know that no Italian government could accept them and survive.

This, then, is the background of a problem of which Trieste is as much the expression as the cause. For many months attempts have been made to reach a solution by trying to get the Italians and Yugoslavs to meet and thrash out an agreement between themselves. But nothing whatever has emerged. Today, if the defences of Southern and Western Europe are to be planned effectively, the western powers have a right to consider whether anything more can be done to bring about a settlement; unless it is, no proper steps can be taken, for instance, to guard the Ljubljana Gap, the route through Croatia from the plains of the Danube to those of northern Italy. There can be no question, it is true, of putting any serious pressure on either side to make concessions. To attempt to do so would, for one thing, provoke strong resistance and preclude the very improvement in the general atmosphere which it is the main object of any settlement to promote. For another, the western powers cannot afford to cut down their aid to

either side; nor are strings to aid particularly effective, however judiciously they may be attached.

But if outside pressure is ruled out, why not some positive inducement to agree? There would seem to be two things that the leading western countries—America, Britain and France—have it in their power to offer: a positive increase in aid if a settlement is reached over Trieste—especially to Marshal Tito, who already receives tripartite assistance—and an international guarantee of any such settlement. There is much to be said for both. From the point of view of the Atlantic alliance, proper staff planning of the defence of Northern Italy cannot take place without genuine Italian and Yugoslav co-ordination and without adequately equipped forces in both countries. From the point of view of both disputants, an international guarantee of the terms of a Trieste settlement should remove many of the present doubts about the wisdom of concluding it.

Replanning the Black Country

THE rearmament programme has brought new prosperity to one of the most prosperous parts of the country. The West Midlands region, comprising the five counties of Warwickshire, Worcestershire, Staffordshire, Shropshire, and Herefordshire, contains a high proportion of the expanding industries, such as vehicle manufacture, electrical engineering, metal goods and manufactures. The region is well protected against unemployment by the great diversity of its industries; and its population has increased between 1931 and 1951 by 18.1 per cent, a rate about twice the national average.

As with London, however, the region's very prosperity creates problems in planning the use of land. The most difficult of these problems relate to the densely populated area consisting of Birmingham and the adjacent Black Country. This central area is recognised by the 1951 Census to be a single industrial conurbation containing 2½ million persons, over half the population of the region. Local planning powers are shared between three county councils and six county boroughs, a division which inevitably adds to the difficulties of effective planning. The local authorities are also ill-matched. Birmingham, with a population of over a million, is the largest and richest county borough in the country, whereas the industrial sprawl of the Black Country is administered by 23 local authorities in all.

The rate of growth of this central conurbation has been faster than that of the region as a whole. For twenty years there has been a steady movement of young workers into the area, matched by an exodus of older persons to enjoy retirement in quieter surroundings. Thus the population is comparatively youthful and the birth rate is high. Since the war many industries have had a large unsatisfied demand for labour; and if houses were available there is little doubt that more workers, and the families of many workers already there, would pour into the conurbation. Unless strong preventive measures are taken, it will continue to swell in size and population.

The local planning authorities are in agreement that the conurbation is already large enough. This conclusion is based on the familiar Barlow doctrine that an industrial concentration may get too large both for its own wellbeing and for the economic health of the rest

Even if this course were agreed upon, it may be argued that there remain the problems of making the first move and then of actual negotiation between Italy and Yugoslavia. Here Mr Eden's visit first to Strasbourg and then to Belgrade may already have broken some ice. After this the next move must surely lie with Marshal Tito. Not only has he now been told on the best authority of Italian willingness to negotiate; but it really is true—as has often been suggested—that his political position at home is stronger than that of Signor de Gasperi, who must soon face a most difficult election. At the same time, Rome would greatly help to clear the air if it made a declaration in advance that, once Trieste were settled, no further territorial claims would be made. As for the method of negotiation—why should not the heads of the two governments meet? There is at present no reason to assume that if either proposed this privately, the other would necessarily turn it down.

of the country. There comes a point when the social and strategic disadvantages outweigh the economic gains of industrial concentration; and this point has certainly been reached in the West Midland conurbation. As it is, the first task of the planning authorities is to relieve the urban and industrial congestion that already exists. The problems of traffic congestion, of crowded living conditions, and of excessive journeys to work would all be intensified, and vulnerability to air attack increased, if any further growth were to take place.

The local planning authorities have recently completed, under the Town and Country Planning Act, the development plans that are intended to guide the region's whole course of development, both public and private, for the next twenty years. These plans follow in the main the general strategy, laid down in the West Midland plan of Sir Patrick Abercrombie and Mr Herbert Jackson, of diverting the inevitable further development to a large number of towns outside the main conurbation. The conurbation itself would be strictly confined within an "urban fence" and surrounded by a green belt permanently reserved for agriculture and recreation.

This approach has a resemblance to Government policy for the London region, except that no new towns are proposed in the West Midlands. The London and Birmingham areas are the two parts of the country in which the Board of Trade is striving, as yet with limited success, to discourage any further growth of industry. But there is one important difference. The West Midland conurbation has a much lower average density of population than has Greater London. It contains less overcrowding and congestion and much more vacant land—although a great deal of it consists of derelict industrial sites in the Black Country. The problems of the area revolve as much around the wasteful use of land as its absolute shortage.

A voluntary survey by the West Midland Group, published under the title "Conurbation," reached the conclusion that satisfactory provision could be made for the re-location of the whole existing population of the urban area within its boundaries and without further outward growth. The present official development plans, however, make it clear that this was too optimistic. The redevelopment of derelict land for housing and other purposes will

accommodate some, but not all, of the people who are at present overcrowded. But in any case the real difficulty lies in the rapid rate of natural increase. The official planners considered that some 250,000 persons, who otherwise would be living in the conurbation in 1962, should be provided for in other parts of the region; and there certainly will have to be large movements of population between different parts of the region. All the county boroughs in the central conurbation, except for West Bromwich, have almost exhausted their reserves of building land. They already have, or will have shortly, a problem of surplus population, due partly to their own redevelopment schemes and partly to natural increase. Altogether, the "overspill" of population over a period of twenty years has been estimated at perhaps as many as 196,000 from Birmingham and a further 80,000 or more from the other county boroughs. It would be the line of least resistance to allow Birmingham to expand eastwards and Wolverhampton westwards, but the result would be the further sprawl of the conurbation as a whole as well as a wasteful use of land resources. Wolverhampton failed to persuade Parliament of its case for an extension of its boundaries and Birmingham has now declared that it does not desire one.

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The adjacent county councils have therefore the responsibility of providing for a very large influx of population over the next twenty years. Staffordshire has led the way in working out a comprehensive "overspill" scheme. Altogether, houses will be provided for about 137,000 persons from overcrowded county boroughs, including Stoke-on-Trent in the north of the county. There will also be considerable movements of population within the administrative county itself—mainly from the congested county districts of the Black Country to those parts of it with vacant land. No less than 28 county districts in Staffordshire will act as reception areas, while six are "exporting" areas. The Staffordshire county development plan envisages many minor changes, mainly extensions to existing towns, rather than any spectacular development such as a new town. But their effect on the distribution of population will be considerable.

This overspill scheme is already in operation, and the cost of the new houses is being shared, in roughly equal proportions, between the county council itself and the district councils of the reception areas. The actual development is carried out by the county districts, but the county provides highly necessary technical and administrative assistance. The Town Development Act will enable both the Exchequer and also the "exporting" county boroughs to make contributions to schemes of this type. But it is significant that this particular scheme has been started successfully without outside assistance, partly because of the resistance of the other authorities to the further growth of the county boroughs. If reception areas can be chosen which are attractive to private as well as public development (as they seem to be in Staffordshire), then the local authorities are much better able to cover the cost of the additional services they have to provide.

The Staffordshire scheme is only a start towards a general redistribution of population within the region. The other counties chiefly concerned, Worcestershire and Warwickshire, have not produced comparable schemes as yet. They accept the general principle of expanding certain towns as a means of relieving the pressure inside

the conurbation; but the Worcestershire plan seems to assume that these changes will come about by voluntary migration and that there is no need for public schemes of overspill housing within its area. Many gaps in the development plans are due to the fact that the treatment and destination of Birmingham's large surplus population has still to be worked out.

The notion of developing other existing towns, which will act as counter-attractions to the main conurbation, has a very good chance of success in the particular conditions of the West Midlands. Several of these towns, such as Stafford and Rugby, are industrially flourishing and at present short of labour. Their rapid development is thus justified on economic as well as on planning grounds. Other towns, such as Tamworth and Lichfield, are well suited for receiving an influx of industry as well as of population. Some of the towns selected for expansion—such as Coventry, already growing fast and rather close to Birmingham—seem less suitable. But in general this part of the plans is feasible.

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What is more doubtful is whether the industrial growth of the central conurbation can be successfully curtailed. The West Midland plan recognised the folly of disrupting what it called this "industrial machine *par excellence*." The many linked metal trades of the Black Country, for instance, ought not to be denied the scope for some further development on the spot. Yet there are many industries, such as textiles and chemicals, whose diversion to other parts of the region, or out of the region altogether, would do no economic harm. Some linked industries, again, could profitably establish themselves within 20 or 30 miles of the main conurbation.

But to achieve such results is beyond the powers of the local planning authorities. Their role is confined, essentially, to the provision of adequate industrial sites in the right places. They can, for instance, lay out attractive industrial estates in the reception towns to which firms on congested sites may be persuaded to move. This is the policy followed by the Staffordshire plan, which altogether provides an additional 2,000 acres for industry on major sites. But they cannot, nor probably should they, exercise more than a persuasive function on major aspects of industrial location. More drastic action, so far as it can wisely be applied by anyone, is the prerogative of the Board of Trade, which has the power to ban new industry in the conurbation and, if it chooses, to squeeze out some existing firms by denying them scope for expansion. It is obvious that these powers must be used with skill and moderation, if they are not to cause serious economic damage. But they will also have to be used more effectively than at present if planning policies are to be realised. A much closer co-ordination of policies between the Board of Trade and the local authorities is clearly necessary.

The West Midlands seem assured of a prosperous future. Gradually the development plans should ensure that their population will live and work in satisfactory conditions. The great task of "tidying up" the Black Country, of converting its derelict sites into schools, houses, and parks, will be tackled on a large scale in the next twenty years. The chief danger is lest, in concentrating on measures to create a better environment, the plans may be swimming too strongly against the economic currents of industrial growth.

NOTES OF THE WEEK

Party Preparations

The autumn political season, which opens this weekend with the Labour Party conference at Morecambe, brings to an end the two months' respite which Mr Churchill and his ministers have enjoyed during the summer recess. These two months, free from alarms and excursions, have placed the Government in a more favourable political situation than at any time since they took office. Though the unsolved economic situation and the engineering dispute loom dangerously on the horizon, ministers can go before the Tory conference at Scarborough next month with some achievements in hand to satisfy their supporters. They can point to the improvement in the balance of payments, to the increased number of houses, and to the hopes of long term improvements which they pin on the Commonwealth Conference.

The resolutions tabled for Scarborough show that the rank and file of the Tories are not dissatisfied with the Government in most fields. Defence, foreign affairs and even the economic situation come in for little criticism, while there is a chorus of congratulation for the housing drive. Back-bench criticism of the transport levy finds an echo in at least one important resolution, and there are demands for repeal of the Rent Restriction Acts, restoration of corporal punishment, a revision of Gatt, and higher Imperial Preference. Protection for British horticulture is again urged.

Against this must be set an outburst expressed in some twenty-five resolutions, attacking the failure of the Government's public relations. But the attack is misdirected. It is not the public relations officers, either of the Tory Central Office or of the Government, who have been at fault. The weakness in presenting the Government's case has been on the Treasury bench and nowhere else. Mr Churchill himself was responsible for two of the biggest publicity gaffes—the fares bungle and his trumpeting of alarm in July when Mr Butler was piping a more optimistic tune. If the Tories at Scarborough go off hunting their publicity experts, they will be after the wrong hare.

The Tories are hoping that a real row at the Labour Party conference next week will allow them to make capital of Labour's dissensions. Whether the Bevanite dispute will flare into a major public argument at Morecambe depends largely on the outcome of the voting for the party executive on Monday, the results of which will not be known until noon on Tuesday. If the Bevanites gain ground in the constituency section, their supporters on the floor of the meeting are likely to press with great vigour for the adoption of the Bevanite resolutions tabled by a number of constituency parties. A Bevanite reverse in the voting would equally well open up a counter-attack from the orthodox wing of the party. It is true that the party managers will have some opportunity for blunting the discussions; the composite resolutions which they will draft to cover groups of resolutions having the same theme can be framed in wide and vague terms. But some hard words will certainly be spoken from the floor.

This, however, will be due to mutual hostility accumulated in the past rather than to existing bones of contention. Events in recent months have greatly narrowed the gap between left and right in the party. Reduced rearmament is a fact, and even Mr Gaitskell has endorsed the party line that all charges in the health service must be abolished as soon as possible. Indeed, the greatest problem which Mr Bevan and his supporters face at Morecambe is that their line is now the party line. If there is nothing left to quarrel about, how can they make it clear that they, and not the present leaders, should be the cabinet ministers of the future?

The Wages Deadlock

In the dispute about wages in the engineering and shipbuilding industries the ball is now back in the employers' court. On Tuesday the shipbuilding employers, like the engineering employers the week before, rather grudgingly agreed that the matter should go to arbitration, while reiterating their statements that they could offer nothing. On Wednesday the executive council of the unions' confederation retorted by announcing that the ban on overtime and the restriction of piecework would start on October 20th. Next morning, after further talks at the Ministry of Labour, the confederation's reasons for not accepting the offer of arbitration were amplified:

the confederation took the view that the employers were refusing opportunities for further discussion which would enable the normal process of collective bargaining to operate. Whatever had been the position when the claim was made, they had, since their executive meeting at Southsea, been in a position to negotiate freely on the merits of their case.

The unions, it appears, had made it perfectly clear that they were prepared to negotiate on the basis of something less than £2 a week if the employers would agree to resume negotiations. But they did not have a mandate to accept arbitration, which was expressly rejected at the conference at York three weeks ago.

Their answer is not a sign of weakness. If the employers still refuse joint talks by the ordinary process of collective bargaining, the ban will be enforced with all its disastrous consequences to production. It is true that the general unions may not agree to it, but whether they do so or not they will in fact have to restrict their work to the same extent as the skilled workers whom they serve. The Ministry has three weeks in which to try to bring the two sides together. So far the unions have shown themselves flexible on the substance of their claim but uncompromising in their methods of pursuing it, while the employers have exactly the opposite attitude. It should not be impossible to work out a compromise.

No Diktat for Germans

When Herr Nuschke and his fellow-travellers from Berlin-East visited Bonn last weekend they were using the technique of the door-to-door salesman who badgers housewives. If he gets a rude reception from most of them he does not mind; his object is to get a foot inside some doors so that he can demonstrate his wares. Then it is only a matter of time before some wife has involved her husband in weekly payments on the never-never system. The East German salesmen did not expect much of a welcome and took the precautions of bringing their own bouquets of flowers with them, so that press photographs and newsreels for the Soviet world should give a cordial picture. The hostile reception organised for them was too feeble to be effective and the public was on the whole more curious than antagonistic. Much the worst *faux pas* made by Herr Nuschke was his admission, in answer to questions about the outrageous kidnapping of Herr Linse, that the People's Police in Soviet Germany are beyond the control of the government.

In spite of everything, the gain on balance was Moscow's. Herr Nuschke has his foot in the door. He left behind proposals for joint discussions between the two assemblies in Bonn and Pankow and indicated that the Russians would be prepared for elections and the peace treaty to be negotiated in committee simultaneously. The feeling in Bonn political circles is that the East German proposals are quite unacceptable. But the onus will be on Bonn to refuse them, and

all the to-do about the personal delivery of a message that might quite well have been sent by post means that the maximum publicity will be attached to the Bundestag's reply. The only way in which the tables can now be turned on Pankow is if the Bundestag were to make counter-proposals that the People's Chamber would be compelled to reject. The pattern of a possible reply to some extent already exists in the latest Western reply to Russia on the matter of four-power negotiations. This Note makes it more clear than ever before that the Western Allies stand firm on the subject of free elections, and are not prepared to negotiate a *Diktat* to be imposed on the all-German government that would emerge from such elections.

Americans Think of Development

In spite of the American public's absorption in the election, the signs multiply that thinking about future plans goes forward on many sides and is even acquiring a certain pattern. A fortnight ago Mr Adlai Stevenson, in a campaign address given at San Francisco, expressed the ideas of liberal Democrats when he pointed out that the struggle against Communism is "not a hundred-yard dash," but "a test of endurance," and went on to argue that in the Far East this sustained effort should be based upon American support for Asian development, upon the encouragement of agriculture and upon creating "new sources of the products we need to import."

More recently the Committee for Economic Development—an influential, private and largely Republican body of industrialists, economists and publicists—has issued a statement of policy which declares that political and economic stability in Asia and the Middle East must be backed by "administrative assistance and foreign capital on a large scale." The capital would in the main come from American sources. At the same time the Administration itself, now armed with at least three impressive reports on future economic development—the Gray Report followed by the Rockefeller and then the Paley Report—is drawing up extensive plans for investment and expansion in Asia. (Next week an official conference on President Truman's Point Four plans for backward areas is to be held in California.) Outside the diehard wing of conservatives, a reasonable degree of agreement upon the direction in which policy should aim appears to be taking shape.

There are, however, at least three unsolved riddles ahead of all the planners, whatever their good will. The first is the difficulty of investing anything like a sufficient flow of capital in what are truly underdeveloped areas. The term "underdeveloped" may have to be extended to cover not only the agriculture of India but that of Australia, and even of France. The second is the fact that sufficient capital will not be forthcoming from private sources, and American opinion moves very cautiously in the matter of massive government grants financed out of taxation. The third and possibly most difficult point is the attitude of the recipients—their administrative competence, their nationalism, their racial resentments—and also of America's potential partners in development. The liaison between Point Four and the Colombo Plan is still shaky. The role of Germany and Japan has not even been sketched in. The movement of American ideas is sound and encouraging; but here, too, the "hundred-yard dash" is not the answer. Much thought and more work lie ahead.

Bradley Breaks the Ice

It was brave of General Bradley to point out publicly the obvious disadvantages of giving to American commanders full information about the potentialities of atomic weapons which is denied to the distinguished British and European

officers working with and under them. He might have added—if it would not have given offence in many quarters—that American policy in this matter is one reason why the Exercise Holdfast just completed in Germany looked and sounded so old-fashioned. How are men like Marshal Juin and Lord Montgomery to insist on a fresh and thoughtful approach to tactical problems by their junior commanders if they cannot judge the power, quantity and disposition of atomic weapons to be made available to American—and presumably only American—forces in Europe?

Quite apart from the unrealities which marked Holdfast, there is a political issue involved. The time is not far off when British scientists working on new methods of defence will have valuable new ideas to communicate to—or withhold from—their allies. Nothing could be more unfortunate for Anglo-American relations than a disposition to bargain confidence in one matter against confidence in another. If there is not to be a wasteful and rancorous competition where there should be a real sharing of burdens and information, Congress should look again at the McMahon Act.

ANZUS Pledge or Pacific Council?

When, last year, Australia and New Zealand signed the Peace Treaty with Japan they did so only because they had obtained a specific guarantee of their security from the United States. This Australian-New Zealand-United States (ANZUS) pledge did not take the form of a regional defence arrangement; indeed, it could not do so, for any such arrangement would need to include not only Britain, Canada, France, Holland, South-East Asia and the Philippines, but also Japan. Japan the Australians would not even consider, and they still continue to regard the ANZUS pledge as safeguarding them more against an aggressive revival in Japan



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than against any conceivable Soviet-backed Chinese expansion. It was its special non-regional character that explained, however inadequately, the exclusion of Britain, in spite of Mr Herbert Morrison's protest.

Yet even this limited guarantee requires implementation, and the meetings between America, Australia and New Zealand in Honolulu have been designed to fill in the practical details of mutual defence. In the course of them the phrase Pacific Council has crept in, replacing the old limited ANZUS concept; this has naturally rendered more suspect the original reasons for excluding Britain and more unacceptable the decision taken, under American initiative, to exclude even British observers. If this meeting did in fact represent a genuine Pacific Council, then a wider circle of powers, Britain first among them, and Canada only next, should clearly have been invited. Since it is no more than the ANZUS group, the misleading title should be dropped at once.

Even then the question remains whether it is right to exclude this country from the smaller grouping. Britain is the oldest and most intimate partner of two direct participants; much of their defence strategy must be—indeed, has been—worked out in close co-operation. Britain has naval forces in the area, guards its western approaches, and also carries direct responsibility for the great naval base at Singapore. To place it on a par with the Philippines is one of those specious and unmannerly arguments that look well enough—until they get outside certain offices in the Pentagon; but it contributes nothing to the general security and confidence of the free world which is, or should be, the first consideration.

* * *

Labour and the Social Services

The Labour party's discussion pamphlet on "The Welfare State" is a curious blend of self-justification, criticism and caution. The party that has hitherto been the most ardent champion of higher old age pensions, and which in 1940 was responsible for lowering the pensionable age for women to 60, now recognises that there is a case for raising the retiring age all round. The party that was responsible for virtually all the social service legislation of 1944-48 and never stopped to count the cost now recognises that a limit has to be set. The social services

are not the only charge [on the community] and consequently the money which can be spent on them is limited. We must also face our commitments in the field of defence; the colonies and the undeveloped countries need our aid badly; our own industry needs plant and machinery; houses, power stations and factories must be built besides schools, clinics and hospitals; our export trade must be expanded.

Welcome as this new outlook on the social services is, it is not nearly revolutionary enough. Moreover, the pamphlet's attempt to reconcile the need for priorities with social justice produces some odd results. The new charges in the health service are unfair, and all charges will be abolished by the Labour party as soon as is practicable.

This means that the development and expansion of some parts of the service may slow up. But we consider that free treatment is more important both from a moral and economic standpoint.

It is a curious concept of social justice that considers the provision of free spectacles and medicine for everyone more important than the opening of more beds for sufferers from tuberculosis who cannot afford private treatment. Health service charges, it may be pointed out, are considered so wrong that they are not even "questions for discussion."

A more fundamental weakness of the pamphlet is the authors' refusal to admit that the present proportion of the national income allotted to the social services may be too high. Estimates showing that some other countries are spending a larger proportion "effectively dispose of the argu-

ment that social services are swallowing up an unduly large part of the [British] national income." By some means, the pamphlet implies, Britain has hit on a proportion which is just right in present economic circumstances. If those circumstances become more favourable, the proportion may be increased. But there is not the slightest hint that economic circumstances are such that expenditure on social services should be reduced or that the present high level of expenditure and British insolvency are in any way connected—indeed national solvency is not even considered.

* * *

Airborne Yeomanry

One of the most extraordinary episodes of Exercise Holdfast was the intervention of the 46th Parachute Brigade, TA, which made a drop over Germany on the afternoon of September 21st. The paratroopers were drawn from companies centred at Liverpool, Cardiff and Renfrew. They were called from their daily jobs with a bare minimum of warning and left England at teatime on Saturday; they jumped a few hours later and were flown home the next day. By Monday morning the men were back at work in factories, mines and offices. This is the first time that paratroopers of the Territorial Army have carried out this kind of mission. Very few of the men involved were ex-national service.

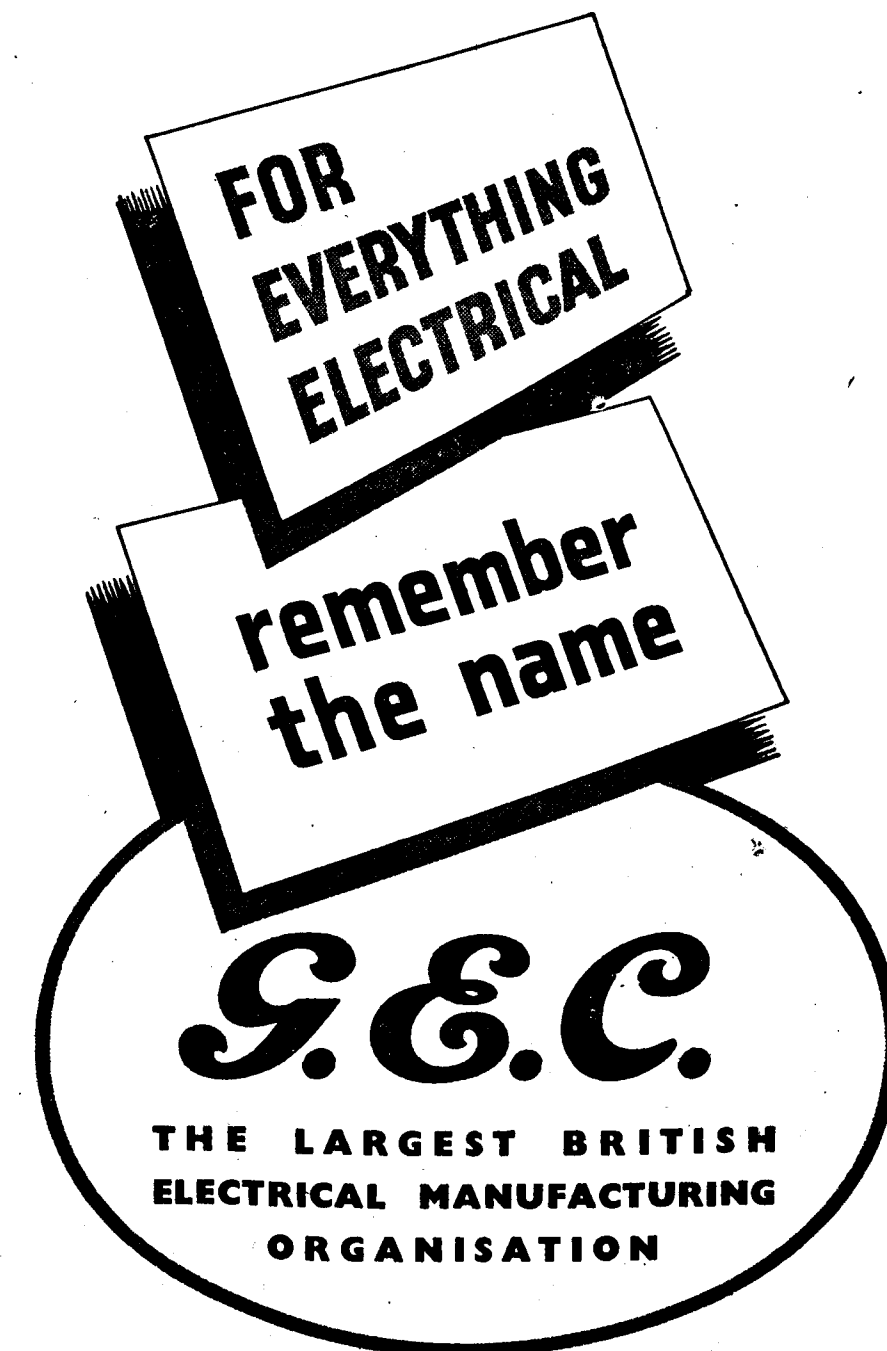
The tactical importance of this exercise is obvious, and it served as a brilliant example of high-speed mobilisation. The quality of performance shown by the paratroopers during and after their jump, moreover, proves the efficacy of what could be described as "part-time training." But this display of military virtuosity also shows how thin the line between civilian and military life has grown. This instantaneous transition from factory or farm to battlefield is characteristic of warfare at a rather primitive and parochial stage; preparedness is once again a matter of the backyard—as Lord Montgomery persistently points out. It is interesting, moreover, that brusque interruptions of everyday activities by military needs should come to be accepted as normal. The psychology behind the success of this Territorial Army exercise is something new in British national life, or rather something which had tended to disappear during the nineteenth century—with disastrous consequences in 1939.

* * *

The Farmers' Patience

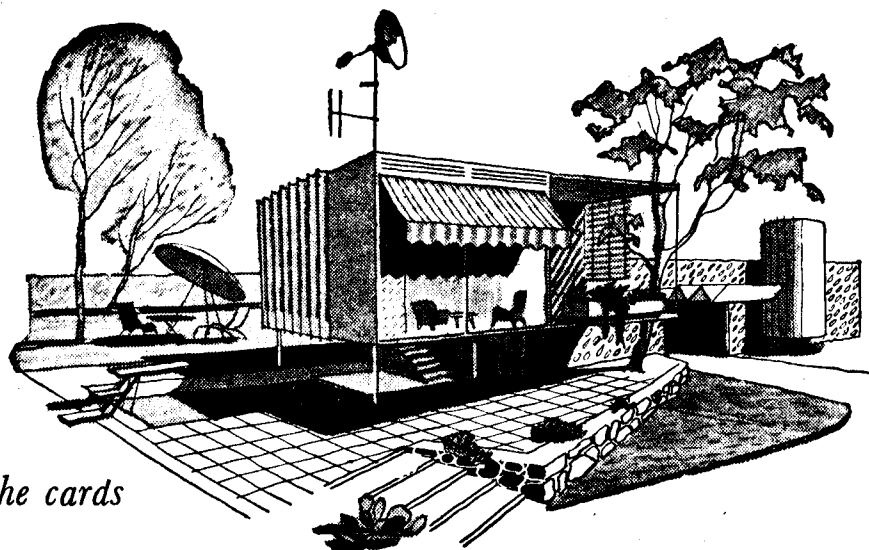
The council of the National Farmers' Union has, by the two decisions unanimously taken last week, demonstrated both a considerable talent for diplomacy and a common sense deserving congratulation. The first decision was an endorsement of Sir James Turner's request for an interim review of the farming industry after last month's increase in the agricultural minimum wage; the second was an agreement not to press this request in face of the Minister of Agriculture's initial refusal. Thus a major gesture, even if only a negative one, towards stabilising the cost of living is made without prejudice to the usual negotiations in February, and without too much outrage upon the feelings of the NFU's constituents.

Not all these constituents, however, are feeling equally contented with this policy of patience. The line between resignation and indignation corresponds less to that between the prosperous and the struggling farmer than to the distinction between the mixed or arable farmer on the one hand and the milk or egg producer on the other. Sir James Turner's application was rejected not only on the familiar grounds that everyone must share the pinch of national emergency but on the argument from costs themselves; wages, indeed, were up, but binder twine, fertilisers, and



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equipment were all cheaper than last year, leaving no more net increase in the cost burden than the farmer could reasonably be expected to absorb for himself. With some justice, the specialist producers now point out that this relief affects them less, while the increase in wage costs affects them more, than the arable farmer; gain on the roundabouts cannot counterbalance loss on the swings if one happens to be a swing specialist. In a free market economy, of course, the result of such a shift in the pattern of costs as has marked the last few months would be a corresponding shift in the relative prices of milk and eggs and arable crops. The penalty of that escape from the uncertainties of the free market, which farmers have so long claimed as the essential foundation of sound agricultural policy, is precisely the sort of anomaly which has now arisen, not for the first time nor for the last.

In Stalin's Corsica

The fact of being Stalin's Corsica has not rendered Georgia immune from criticism or purges. On the contrary, Stalin's interest in the affairs of his home country, and subsequently the interest shown by his fellow Georgian and assistant, Beria, have made this small Caucasian Republic of some four million inhabitants rather more liable than others to attacks from the centre. Now, once again, the campaign of criticism which received official blessing as soon as the new All-Union Congress was announced seems to have hit the Georgian party particularly hard. Indeed, the congress it held last week revealed that purging in Georgia had already started and has been conducted on an exceptionally large scale.

The first two blows were dealt last November and in April this year. On the latter occasion Beria himself came down from Moscow for the meeting of the Georgian Central Committee in order to admonish the culprits and show the road to be followed. The whole committee was sacked and a new one elected. This cleansing at the top, however, was not considered sufficient and has now been supplemented by a reshuffle in the lower ranks of the party. On the eve of the present Congress most of the 9,450 primary organisations in factories, offices and farms held special meetings and over one-fifth of these cells chose entirely new executive organs.

What has made necessary such a thoroughgoing reorganisation? To judge from the report of the First Secretary Mgeladze, most of Georgia's "crimes" are shared with the other regions of the Soviet Union: the now fashionable sins of nepotism, intolerance of criticism, lack of vigilance, slackness and corruption. Georgia was, apparently, particularly guilty of corruption, and wholesale appropriations of communal land and stock for private use were tolerated—indeed, indulged in—by party officials. Also emphasised time and time again are the tolerance of nationalism, the fostering of separatist tendencies and the "insufficient appreciation of Georgia's links with Russia." This may well have been the main cause of Moscow's wrath. In education insufficient stress was laid on Russian language and literature; novelists, playwrights and historians failed to grapple with new problems and, influenced by bourgeois trends, looked back to Georgia's past and felt too much reverence. Encouraged by the progress of Russian nationalism, the Georgians probably thought it safe to indulge in their own brand; but now they have burnt their fingers.

It may seem unnatural that Stalin or Beria should impose Russian nationalism on their fellow Georgians. Yet, as architect of a monolithic centralised state, Stalin has never tolerated, nor will tolerate, any centrifugal forces. He will help his home country to produce more tea or wine, to extract more oil or manganese, or to develop its steel industry; but he cannot tolerate any Georgian aspirations to greater independence.

Mongols in Moscow

The Mongol Peoples' Republic, which covers the territory formerly known as Outer Mongolia, has sent a delegation to Moscow concurrently with the visit of the Chinese representatives. Although no part of the published report of the conference deals with that state, it was probably involved in the secret political, economic and strategic decisions reached by the Russians and the Chinese. As a large, though sparsely populated, country lying between them, Mongolia must play a part in any joint strategic plan of Moscow and Peking for a possible future war, not only because it is able to provide troops, but even more as a zone of communications set further back in the interior of Asia than Manchuria and less accessible to air attack from the Pacific. It is possible that discussion may now be revived about the old project, going back to the last decade of the nineteenth century, of a direct railway link between Irkutsk and Peking following the former caravan route across Mongolia. The Chinese claim to be already working on construction of a railway along the old silk route through Sinkiang which will eventually link up with Soviet Central Asia. Such development of short-cut communications between the Soviet Union and China could have considerable economic, as well as strategic, importance.

Politically it may be even more expedient than before for the Russians to flatter the Mongols and play the part of their champion, because there is now a certain possibility of rivalry between Moscow and Peking for influence in Ulan Bator. As long as China refused to recognise the *de jure* independence of the Mongol Republic—that is to say, down to 1945—the Mongols were dependent on Russian support against any renewal of the attempt to assert Chinese authority. Meanwhile China had no official representation of any kind in Outer Mongolia. When, by the Sino-Soviet treaty of 1945, China agreed to recognise Mongolian independence, it was a Russian diplomatic victory; but it also meant that henceforth China would have an embassy in the Mongolian capital, which would no longer have diplomatic relations exclusively with Moscow. When the Communists replaced the Kuomintang the ideological opposition between Mongolia and China was also eliminated, so that the Communist rulers of Mongolia are able to strengthen their position to some extent by balancing between the two Communist great powers. The economic dependence of Mongolia on the Soviet Union and the fact that its army is equipped by the Russians are still, however, probably decisive factors in favour of preponderant Soviet influence. The proceedings in Moscow, whatever other results they may have had, have served to emphasise that there is the proper place for the Chinese to negotiate with their former subjects.

The Microbe Hunters

Peking is preparing to release yet another report on "germ warfare," with 46 appendices, numerous illustrations and some 300,000 words of text. It is based on the investigations of a so-called commission of foreign observers, including such "unbiased" members as Dr J. Needham, president of the British-Chinese Friendship Association and member of the London Peace Council, and Dr Peossa, who was a Communist Party candidate in the Brazilian elections. It was hand-picked by the Communists and those parts of the report already released border on the ridiculous. Nevertheless, the propaganda campaign launched last March has succeeded in disturbing liberal opinion by sheer weight of shouting.

It is important to restate certain aspects of the western case which have been obscured. Both the International Red Cross, the United Nations, and numerous neutral countries have offered time and again to examine the evidence collected in Peking. They have even suggested setting up a commission

of whose members a half or a third could be recognised as independent. The Communists have rejected all proposals of this nature, contending that the Red Cross and the World Health Organisation were mere tools of American imperialism and propaganda. If authentic evidence were on hand the Communists should be most eager to reveal it to western observers, as the United Nations would then stand totally discredited in its own eyes. The entire fabric of lies about bacteriological warfare can be exploded by common sense. "Germ weapons," like poison gas, cut both ways with devastating speed; there is no way of containing disease and epidemic in a given strategic area, and cholera especially spreads in a quickly widening circle. The UN command in Korea is highly sensitive to the danger of disease to its own troops, and tries to protect them in every way possible. Evidence gathered behind enemy lines by intelligence officers attached to the medical corps shows that typhoid and symptoms of bubonic plague are prevalent among the uprooted civilians and soldiers of North Korea.

One aspect of the whole matter that is grotesque is the unscrupulous use of the word "scientific," and the duping of honest scientists, with dishonest evidence. Has nothing been learned from the Lysenko case? Why do not scientists of repute all over the free world say—what they must suspect to be true—that neither the evidence offered by the Chinese nor the method used to investigate is scientific? Even M. Joliot-Curie was reduced last year to a period of shameful silence when appealed to by a group of Nobel Prize-winners.

Visitors to the Enemy

The recent eruption of Dr Needham is yet another consequence of the negligence of successive governments in failing to restrain collaboration by British civilians with the enemy against whom British soldiers have been fighting in Korea for the last two years. It appears to be the official view that there is no war because there has been no formal declaration. Common sense rejects such a quibble about a campaign that has cost the lives of many British national service men sent out on active service. There is also the august authority of the Nuremberg Tribunal to sustain the view that even undeclared war must be regarded legally as war. If a British soldier refused to serve in Korea on the ground that Britain is not at war with either North Korea or the Chinese People's Republic, what would the Law Officers of the Crown say? How would they reconcile the full wartime application of military law with the view—implied in official inaction—that British civilians may give as much assistance as they please to the British soldier's enemy in the field?

It may be wise and prudent politically to keep an official in Peking supplicating for diplomatic relations and to allow established businessmen to carry on in Chinese ports whatever remnant is left to them of former trade; but the comings and goings of British Communists and fellow-travellers between this country and the Far East are quite another matter. There have been the journeys of Mrs. Felton, the Dean of Canterbury and now Dr Needham, who assist enemy propaganda in this country by their claim to have studied evidence which persons not specially invited by the Communists have no possibility of seeing. There has also recently been a delegation of the Britain-China Friendship Association, including two MPs, visiting Peking as if it were the capital of the friendliest country in the world. In no case has there been any attempt by the British Government to prevent such activities or any suggestion of a prosecution.

It would surely have been possible to proclaim (obtaining parliamentary sanction if there were any doubt about legal powers) that for the duration of hostilities in Korea a special permit would be required for a British subject to travel to

China or North Korea, and that anyone going without it would be regarded as making the journey for a treasonable purpose. It is not too late for some action to be taken. The present situation is an abuse of liberty.

Ireland Moves Towards Solvency

The state of Ireland's external trade and payments promises to improve out of all recognition before the end of 1952. Normally, there is a heavy deficit on visible trade which is partly offset by invisible earnings. In 1951, there was a deficit of £123 million on visible trade which was reduced to £62 million by invisible earnings. This deficit formed the subject of much political controversy during the winter. Mr de Valera's government claimed that so unprecedented an excess of imports was due to the unwise financial policy of its predecessor while the Opposition claimed that it was due to Government stockpiling.

Including the provisional returns for August, the first eight months of the year show that the adverse balance of trade has been reduced from £92 million a year ago to £56 million. Imports have fallen by £20 million and—much more gratifying—exports have risen by £16 million. It is a new feature of Irish trade for exports to show such expansive powers; and the achievement is all the greater because it owes little to changes in price. The expansion has come mainly through the development of what is practically a new trade, the export of carcass meat and processed foodstuffs. Altogether the trade returns give better promise of solvency than they have done for many years.

There will be a good deal of political argument about who should get the credit for this improvement. At any rate, it provides a favourable background for the 5 per cent new loan, by which the Minister for Finance hopes to find £20 million for domestic investment.

Stately Homes Still Decay

The National Trust is still making vain appeals that something should be done to save Britain's historic houses. Its annual report for 1951-52, published last week, tells a story of desolation.

Buildings on which our greatest architects, sculptors and painters have lavished their genius, and which stand high among the country's achievements, are today literally falling down; their irreplaceable contents brought together by successive generations, are being dispersed; their gardens are overgrown; and the surrounding parklands of which they form the central and essential feature are becoming derelict.

Of 320 houses which the Trust and the Ministry of Works classified in 1939 as being of the first importance, about a dozen have been abandoned or destroyed and many more are in danger.

To prevent this destruction the National Trust can do nothing. The houses are continually offered to it, but as the owners cannot also provide endowments to maintain them, the Trust is compelled to refuse them. Its resources are very limited. They consist of the annual subscription of 33,000 members, amounting to less than £20,000 in 1951; a few legacies, totalling £58,000 last year; the Jubilee Fund raised in 1946 to pay for repairs accumulated during the war, of which only £9,000 now remains; various gifts—often, unfortunately, tied to some particular use; and the admission fees charged to visitors. Although its work benefits the whole nation, present and future, the National Trust gets nothing from the Exchequer.

Two years ago a committee under the chairmanship of Sir Ernest Gowers recommended that the cost of maintaining historic houses should qualify for income tax relief. The Labour Government rejected this solution and proposed

instead that the Ministry of Works should make grants or loans towards approved expenditure on historic houses; but the election came before legislation could be introduced. The present Government is as loth as its predecessors to grant new discriminatory tax reliefs, but certainly anxious that something should be done. The difficulty is to find time for the legislation that would be required. But time must be found, for each month that passes brings losses that can never be made good.

Intellectual Investment

The seventh report of the Nuffield Foundation demonstrates once again the peculiar value of an organisation which can, within limits much wider than those circumscribing the financial behaviour of universities, Government departments and industry, back its fancy in matters of research. Industry must watch for reasonably immediate and measurable money returns; Government organisations and universities must constantly weigh the claims of new and pioneering projects against those of the routine activities, or the teaching and administration, which absorb the bulk of their funds. The private trust is, initially at least, free of these bonds. It can throw its resources wholeheartedly behind the gifted individuals, the single schemes, which appear (in the words of the report)

to be important, to contribute to the general objects laid upon it, and to be comparatively backward or neglected and therefore in need of special encouragement, or to be in a specially favourable state for advance.

Whether this freedom can be permanently preserved is another question. One serious threat, noted in last year's report, has been averted; there has been no reduction in the "total of State support for learning and research," such as might have produced an irresistible pressure upon the private trusts to divert their support from particular individuals and projects to the general purposes of the universities. Another danger to practical freedom of action is internal rather than external. Particular schemes launched or expanded by the foundation's funds may either need more time and money to reach fruition than was originally calculated, or prove less capable than expected of attracting the support which would maintain them as going concerns. Either miscalculation confronts the foundation with the alternative of spoiling a number of useful ships for a ha'porth of tar or of becoming, indistinguishably from any other source of academic funds, the quasi-permanent patron of a particular set of continuing research activities. The essence of a banker's expertise, it used to be said, is the ability to distinguish between a bill and a mortgage. Much the same sort of ability is demanded of the Nuffield Foundation's trustees in their long-term task of building up and maintaining a sound portfolio of intellectual investment.

Implications of the Schuman Pool

The British delegation to the Schuman Pool High Authority seems to be taking shape with greater speed than the Authority itself. Now that advisers have been chosen from the coal and steel industries, the British team is complete; but so far the names of their counterparts on the staff of the pool have not been announced. The comment has been made that the two most powerful bodies on the scene are the British delegation and the German coal selling agency which was supposed to disappear as an obnoxious cartel. For Britain the immediate aims at Luxembourg are to safeguard its continental market for coal and steel and to assure supplies of those raw materials controlled by the six nations. Much will depend on what kind of commercial policy they evolve. It is their declared intention, while setting free the coal-steel trade among themselves, to erect a common tariff wall against the outside world.

The natural tendency will be for this wall to creep up to the level of a high-tariff nation like France instead of falling to the low level maintained in Benelux. However, in order to form what amounts to a customs union in coal and steel, the Luxembourg group must seek a special dispensation from the General Agreement on Tariffs and Trade (GATT) releasing them from their obligation to extend most-favoured nation treatment to all GATT members. It is possible that consent will be given only on condition that the common tariff wall is of moderate height.

However this question is resolved, the hard fact remains that Britain as a seller to Europe will from now on face an association of six countries speaking with one voice. Ultimately, too, it will face in non-European markets the competition of a large-scale steel and coal industry, highly modernised and rationalised. Potentially the High Authority wields enough control over investment to achieve this, and may also acquire enough financial resources.

Mr Black, president of the International Bank, has hinted firmly that the pool should expect little dollar help from this source, but he has promised the Bank's aid in "mobilising European capital" for the community. It is also reported that M. Monnet has plans for imposing a one per cent levy for investment purposes on all coal and steel production of members. It is thought likely that in addition the Authority will assert its right to a decisive voice in the use of "counterpart funds"—that is, the counterpart in local currencies of American aid.

Hitherto, Britain has had as much say in the heavy investment plans of its neighbours as an outsider could hope for. In OEEC committees it has periodically reviewed all West European investment plans, probing them in detail and either approving or opposing them on the grounds of economic soundness. What happens now? Since committees rarely die, they will probably continue to function and so will the coal allocation group at Geneva. But Britain's voice is unlikely to carry the influence it once did in these informal councils, and the real centre of decision will tend to shift to Luxembourg. Compared with these realities, the oratory at Strasbourg about political links is of secondary importance.

Joint Venture in Burma

The world's attention is easily focused on the destruction or paralysis of great economic ventures by violent nationalist reaction against foreign capital. Attempts to solve this problem are less exciting, and therefore less well known. But it is time credit was given to all parties involved in the present attempt to transform one major British investment overseas into a shape suited to new political conditions. This concerns the oilfields of upper Burma. Since Burma became independent, its government has discussed the future of this industry with the oil companies at great length, and last December a provisional agreement was reached on what has become known as a "joint venture."

It is proposed that the companies' assets in Burma shall be transferred to a new company, that the Burmese Government shall buy from them, initially, a third of this company's shares, and that it may later buy further shares and thus acquire a controlling interest. Burma's initial one-third share has been valued at £5 million but, as U Nu, the Prime Minister, recently pointed out, his government will not have to find this sum from its meagre budget, nearly 60 per cent of which has to be devoted to defence. The British Government have undertaken to lend Burma half of the price, and the remaining half will be offset against profits and taxation.

This solution has not been reached without much negotiation and delay. The delays, indeed, are not yet at an end, for it became known in Rangoon this week that opposition

criticism had compelled the government to ask the High Court whether the "joint venture" was constitutional. It is also true that the disorders in the interior of Burma, which still restrict the domestic oil industry to supplying only the needs of the north-central area, have permitted the negotiations to proceed in a rather academic atmosphere. But these negotiations have been marked by unusual good will and patience, and their ultimate significance may prove to be great, not only for Burma, but for countries facing similar problems.

* * *

Worlds Within Worlds

This week a number of members of parliament from various countries have met in London to discuss methods of bringing the whole world—repeat whole world—under one government. Such a gathering is inevitably in danger of being used as a platform for cranks and devotees of particular causes, and these have not been lacking. Moreover, the decision to allot part of the conference's limited time to a debate on developing backward areas, which resulted in the reappearance of Mr Harold Wilson's well-known project for a world development authority, started the parliamentarians turning up some odd stones. But the most substantial task set to the delegates was to frame suggestions for amending the United Nations Charter. The Minister of State, Mr Selwyn Lloyd, said in his speech of welcome that this is a topic on which it is important that there should be the widest discussion, for the Charter itself provides that its amendment must be considered not later than 1955.

There is no reason to suppose that amendment will be any easier to achieve in 1955. The Charter cannot be altered, now or then, without the consent of all five Great Powers. The Soviet veto will almost certainly be imposed on any proposal that would significantly increase U.N.'s authority over national governments. This is not to say that to discuss desirable amendments is futile; but it is a reminder that such discussions should be realistic and should take into account, first, the possibilities of strengthening the United Nations without altering the Charter (as has already been done through the "Uniting for Peace" machinery) and, secondly, the influence and efficiency of non-universal organisations such as Nato. It may be—indeed, it is envisaged in the North Atlantic Treaty itself—that development of such organisations will eventually make possible the creation of a world authority capable of maintaining peace. It is in this direction that public attention should be urgently directed. The unreal and legalistic tone of much of this week's debate provokes the reflection that the best is too often the enemy of the good. There are some people who, if world government were on the point of achievement, would begin agitating for inter-planetary union.

* * *

Faith and State in Israel

As a result of the resignation of two rabbis from the Israel cabinet, the ratio between government supporters and opposition in the Israel Parliament (*Knesset*) is reduced to 60:60. Yet Mr Ben Gurion need not resign; his Labour party (*Mapai*) may even, in the lull before parliament meets, be able to muster another vote or two from its left or its right. At worst, he could continue to govern on the 60:60 basis, for there is no conceivable issue on which both left and right would vote together against him. But though slight in its effect upon immediate politics, the quarrel that lost him the support of two members of the religious bloc is profound, recurrent and important, if viewed in the light of Israel's need for peace of mind. It is a struggle between an old religion and a new state about how far the observances of the

former—many of them archaic—need be imposed by law upon the whole population of the latter. The classic battleground is in the schools, where four "trends"—two of them religious—compete for the youth of the nation.

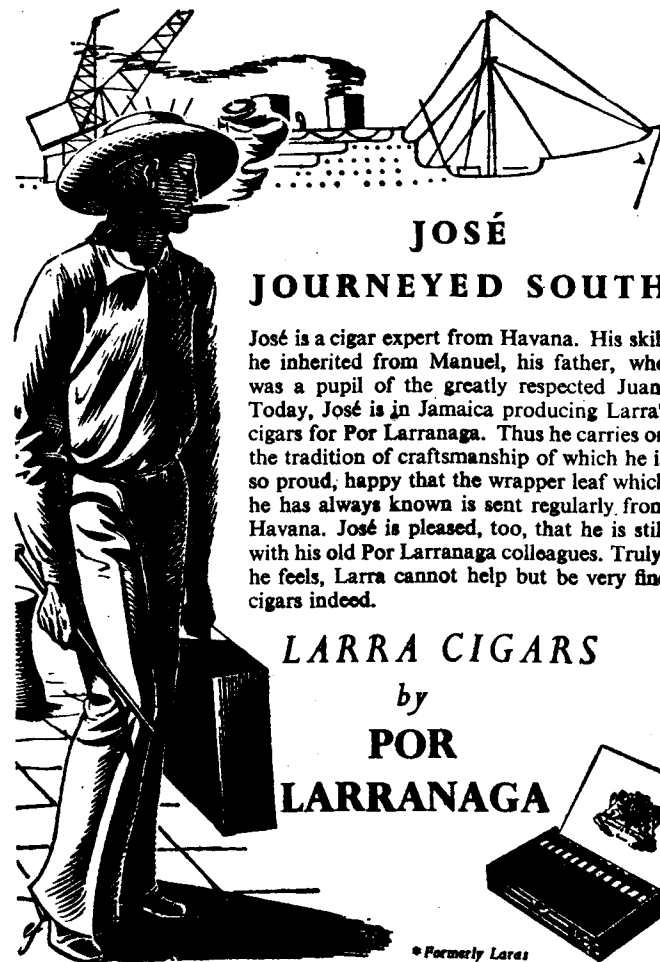
Already, Israel has been shaken politically by the dispute as to who is to teach the children in the immigrant camps; this time the cause of controversy was national service for girls. They used to be able to claim exemption on grounds of religious law and could either perform their service in agriculture or evade it. Mr Ben Gurion, claiming that full freedom to exercise all religious observances exists in the army, cancelled the right to exemption. With good reason, he sees in military service the best method of welding together the extraordinarily various elements among immigrants and *sabra* (literally, cactus, or hardened resident). The rabbis objected on grounds of religious law.

A problem of the future is here apparent. Will old laws and forms and rituals, many of them connected with the Dispersion, continue to hold attention now that the Return has been achieved? If they were revised what would be the effect on the synagogues of the diaspora? What group, or even, what generation, is qualified to undertake such revision? The religious group inside Israel has to grapple with a problem that has faced many faiths seeking to remain a living force. Are they to meet new circumstances by formal revision of their laws or, more weakly, by tacit acceptance of new practices?

As the Duke Would Have Done

It is, perhaps, too early to speculate on the political consequences of the death of the Duke of Wellington, but some results are so plain, that they are already beginning to attract attention, and we may, therefore, advert to them. We pointed out last week that the Duke had, by his influence over the aristocracy, saved them from themselves, and been for more than forty years like a guardian angel to his class, his party, and the monarchy. From his first entrance into life he stood up as a bulwark against violence and wrong. . . . He fought against them in the field, and always made head against them in the Cabinet. . . . Who is henceforward to guide the House of Peers? Lord Eldon preceded the Duke of Wellington in the office, but who is to succeed the Duke? There is no other living peer of equal or similar influence, and the House is likely . . . to "wander without a shepherd," and to give the Minister of the day, instead of the profit of a peaceful and obedient flock, the trouble of an unruly one. Instead of being the steady ballast of the State, as under the guidance of the Duke, it seems likely, from many jarring political and religious elements within it, to become the top hamper that may endanger its safety. . . . To avoid such evil consequences, the House must follow the Duke's example, and continue to show the respect it entertained for him in life by doing after his death as he would have advised them to do. His first principle was to make himself thoroughly acquainted with facts. It was by being a slave to them that he became the master of other men, even of the peers. Let them, therefore, now go to facts for guidance as facts guided him. Let them study society; let them read Blue Books, and the daily records of all men's actions; let them discard, as he discarded, all respect for mere traditional maxims, all veneration for party shibboleths, and look on the face of Nature and in the eyes and hearts of men as far as they can, to learn what they have to do; and then they will do as the Duke would have done, and he would have recommended them to do.

The Economist
September 25, 1952



JOSÉ
JOURNEYED SOUTH

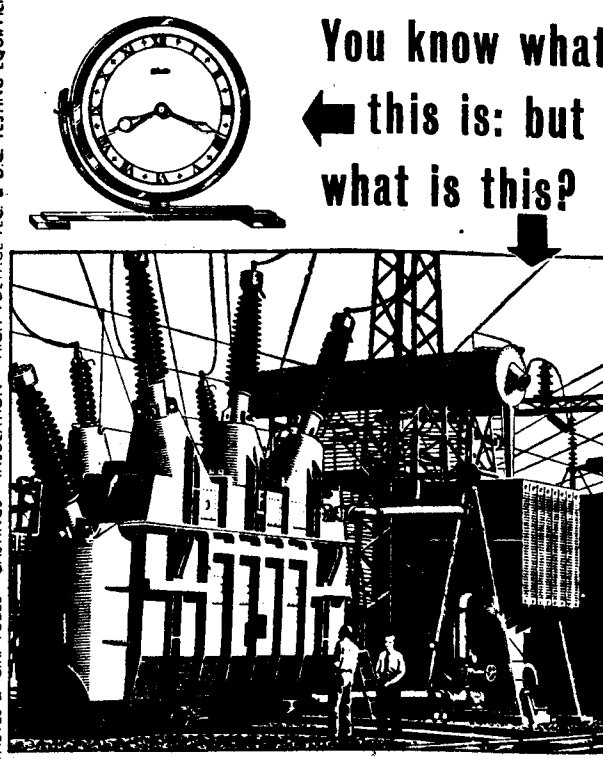
José is a cigar expert from Havana. His skill he inherited from Manuel, his father, who was a pupil of the greatly respected Juan. Today, José is in Jamaica producing Larra* cigars for Por Larranaga. Thus he carries on the tradition of craftsmanship of which he is so proud, happy that the wrapper leaf which he has always known is sent regularly from Havana. José is pleased, too, that he is still with his old Por Larranaga colleagues. Truly, he feels, Larra cannot help but be very fine cigars indeed.

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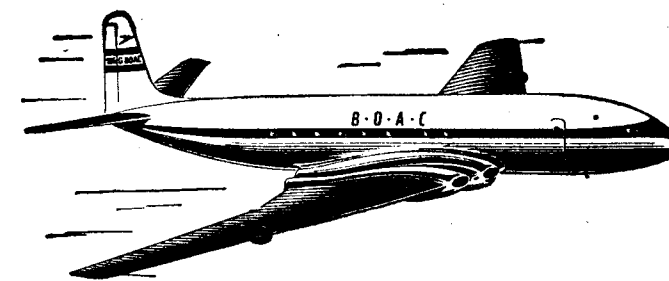
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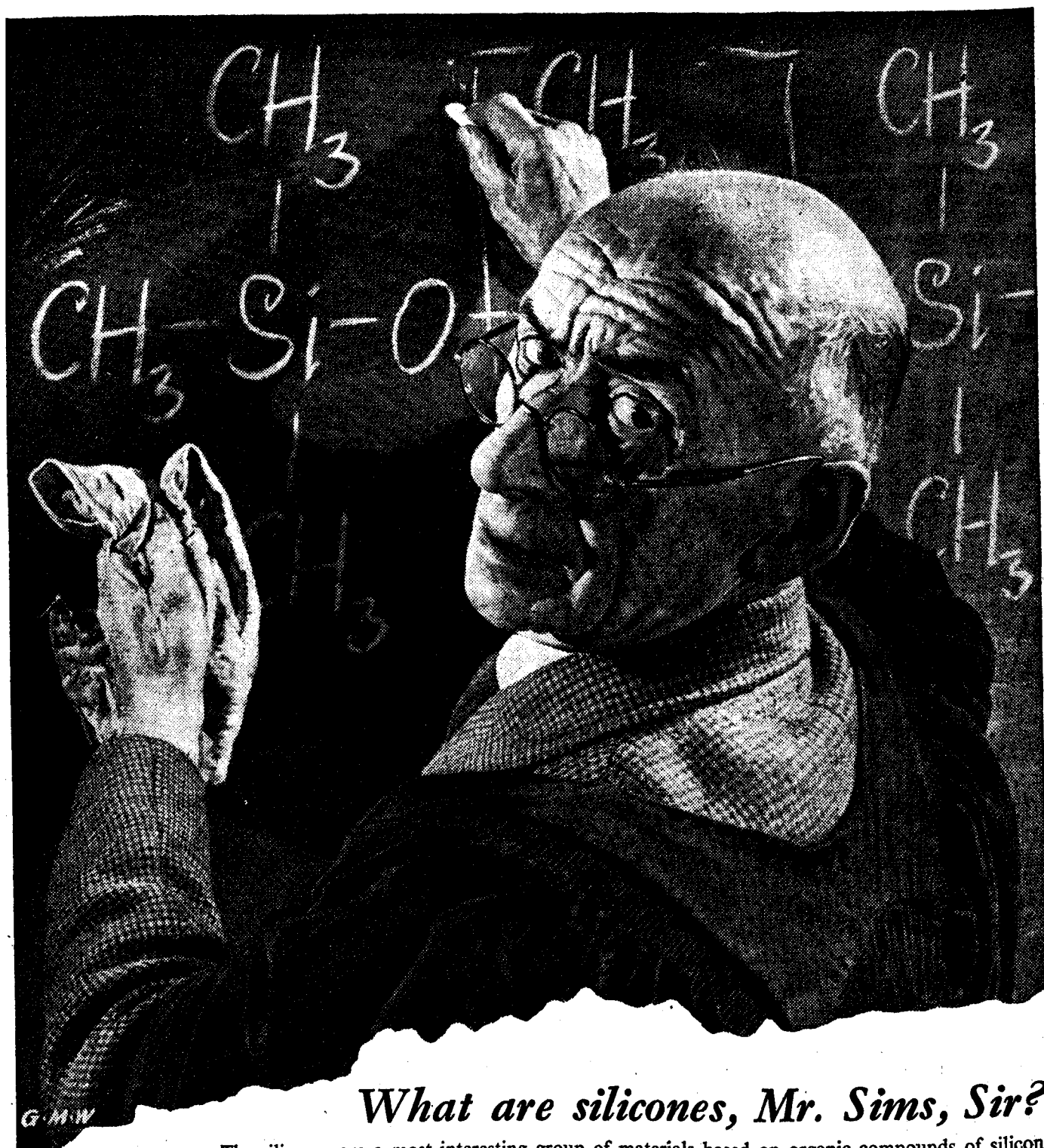
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Letters to the Editor

The Public Service

Sir,—I should like to say how strongly I agree with the article in your issue of September 20th. I am hopeful that it will be a spring board from which we can move forward, though the practical difficulties are formidable, and while the Treasury is so preoccupied it will be an uphill business.

There are, however, a few additional points that, it seems to me, ought to be made:

(a) What troubles me most at the moment is not the pressure on the civil servants at the top, but the pretty continuous pressure on a number of people in the middle roads of the administrative class—say, senior principals or youngish assistant secretaries of 35 or so, especially in the "economic" departments. They work very long hours; they have not the compensations (such as they are) which come to those of us actually at the top; and (though efforts are made to move them round to easier assignments) there is little prospect of any early relief. Most of them are married and have children (they have tended to marry younger than civil servants of my own generation) and are troubled by domestic and financial anxieties. Civil servants like myself had a relatively easy and, by present standards, comfortable life before the war, and have therefore a good deal of energy in the bank. But one has to ask oneself "will these men make old bones?" The answer, I fear, is that many of them will be played out before they are 50.

(b) Your article did not refer to civil service wives. But the general pressure—particularly the long hours—is, of course, peculiarly unfair on them, and they usually cannot share the compensations (e.g. official travel abroad) which some of us enjoy. The sense of unfairness in this sphere is, as I well know, a potent factor in inducing officers to leave the civil service, and it is noteworthy that in many such cases those concerned are at pains to make special terms with their new employers about such things as the payment of wives' fares, etc. on business journeys abroad.

(c) You rightly refer to the loss of experience which is suffered when a particular Permanent Secretary leaves the civil service. But what troubles me much more is the tendency of much younger men—of the rank of under secretary or at most deputy secretary—to leave before they have given the state anything like a full measure of service. (Personally I hold the old fashioned view that in most cases it is wrong for people in their position to leave, but that is really neither here nor there.) There have been losses of this kind in recent years which the service and the state will, I fear, feel for years—and there is no sign that the losses will stop.—Yours faithfully,

SENIOR CIVIL SERVANT

Sir,—It is gratifying that you should have discussed the grave problem created by the constant overstrain in the higher ranks of the civil service. Your references are directly to the administrative class. I imagine, however, that you would not dissent from the view that they could be applied to the whole range of the higher civil service.

May I suggest that your proposed remedy would not really help. To introduce temporary officers at various levels does not meet a problem which derives in part from chronic understaffing in certain grades and partly from wrong staff organisation. So far as chronic understaffing is concerned, the only answer is to increase the number of officers in that grade. If there were not competent officers at lower grades in the service able and willing for promotion, there would obviously be no reason at all why persons should not be brought in from outside the civil service. There has been no real suggestion that able people are not available for promotion in the civil service.

In organisation in the civil service a serious problem is created by the complete misuse of administrative officers by placing them in charge of professional sections which they are not adequately trained to cope with and where their contribution is at a minimum. In the Admiralty, for example, there is at least one important committee on which professional men from the Admiralty serve together with ship-building contractors and engineers. This committee is presided over by an administrative officer. This work could be more efficiently and usefully done by a professional officer. Examples of this kind could, unfortunately, be multiplied in a number of departments.

There have, in the last year, been two reports from committees presided over by Sir Thomas Gardiner, which have directed attention to the fact that all too little use has been made of professional officers in the civil service in any save the higher administrative jobs.—Yours faithfully,

STANLEY MAYNE,
General Secretary
Institution of Professional
Civil Servants,
London, S.W.1

Keeping up the Pressure

Sir,—Your article on the new Russian Five-Year Plan in your issue of August 30th ends with the grim warning that the Russians will probably bank on General Time. It is a well known dictum amongst Communists that "time" is on their side. We must never forget that Communists are ruled in their thoughts and actions by a fanatical and historically fatalistic creed that to them is divine law and *a priori*. The final triumph, according to them, of dialectical materialism is inevitable and the bourgeois liberal democracies are doomed to be overthrown into the melt-

ing pot of the so-called classless society. Thus, although we might avoid war in the near future, we are fated to a ceaseless struggle against Communism until either side gives way.

The western democracies are both complacent and optimistic. They refuse to recognise that they are facing a force like the Turks of old, though infinitely more subtle, which is determined to convert the world, the cost and means regardless. Yet few people seem determined to face the horror of the situation. It is not just a question of rearmament now, or in 1955 or in 1960 even, but of unceasing and absolute preparedness until the final *dénouement* arrives, which may be far into the future.

Yet no recognition seems to be made of the fact that the cold war must be planned on the assumption that it is going to last practically indefinitely, unless a war intervenes. Little honest attempt has been made to drive home to the people that their present anxieties, trials and tribulations are not just transitory events, but are probably the hall-mark of this century. Nor is it sufficiently realised that to keep pace with Russia's rapid increase in industrial potential and provide a minimum of aid to the backward countries must lead to a temporary lowering of our standard of living.

This is the dilemma. The western democracies wish to preserve their freedom, but are not really prepared to make all the sacrifices necessary to do so. The solution is for people to be really conscious of what they are defending, of the way of life they are trying to preserve. If we see that it is worth the cost, then logically the full sacrifice to defend it must be made. It is only by being fully conscious of our faith that we can set aside our complacency and indifference and at the same time prevent the deprivations of our liberty that we shall have to endure from dragging us down to the Communist level.—Yours faithfully,

K. R. H. ALLEN
Lincoln College, Oxford

Sheets in the Wind

Sir,—Your article makes the point that hotels with bulk orders get a flat rate service from laundries very cheaply.

As chairman of a multiple company operating a group of hotels I would like to say that before the war we contracted with at least eight laundries in the eastern counties to carry out all hotel laundry of every type required by a country hotel at the flat rate of just under one penny per piece; it was a penny per piece, less a small settlement discount.

Since price control came in and a sellers' market developed, all these laundries abandoned their special hotel services and the majority of them started charging hotels the same rate as their family domestic customers. At one time they were charging in effect almost as much as five times the prewar figure.

A little competition has fortunately recently developed, and this alone has enabled hotels, which are now hard pressed to make ends meet, to arrange slightly better contracts; but in a recent survey carried out in connection with a number of laundries in this area it was found that in June, 1952, prices had risen as follows:—

Article	Price range available.	Prewar price.
Sheets	3d. to 5½d.	1d.
Tablecloths	3d. to 6d.	1d.
Turkish towels	2d. to 3d.	1d.
Glass cloths, etc.	1½d. to 3d.	1d.
Porters' white coats	4½d. to 1s.	1d.
Roller towels	3d. to 3½d.	1d.
White overalls	6½d. to 1s.	1d.

The best flat rate obtainable in this area is at the rate of about 3d. per article against 1d. before the war, but in the majority of cases a flat rate is not accepted, and the most serious increase is for sheets, which are the main constituent of hotel laundry. In view of the fact that the small country hotel usually caters for one-night visitors, it means that for sheets alone the visitor's bed has cost somewhere in the neighbourhood of 10d. or 11d. with another 2½d. or 3d. for pillow cases, to which must be added towels, serviette, tablecloth, and so on.

From the hotel industry's point of view laundries have taken the fullest possible advantage of the sellers' market and really have only themselves to blame if a number of hotels are now contemplating the installation of suitably sized home laundries, which are, fortunately, being offered in increasing numbers by specialists in this class of machinery.—
Yours faithfully,
H. B. PATEN
Paten and Co. Hotels,
Peterborough

South Africa Makes Crime Pay

Sir,—I have no wish to offer general comment on what your Johannesburg correspondent wrote about South African farm jails in your issue of September 6th, but may I point to a number of minor but significant inaccuracies and misleading innuendoes that disfigure his article?

First, please consider the juxtaposition of the following statements: "... in the gardens and fields of Kroonstad a familiar sight is red-jerseyed African convicts ... hired out to private employers" and: "The South African Government has in the past year or two pursued a deliberate policy of building 'outpost' prisons in rural areas and allowing farmers to hire convict labour from them." Anybody, I am sure, will read this to mean that the "letting out" of convict labour is a development of the past two years, and the title of the article confirms the interpretation. The facts are different. Farm jails may be new, but for many decades all South African governments have followed the practice of "letting out" convict labour in towns and villages, and red-jerseyed African convicts could be seen working in gardens and fields forty years ago. The system may be quite wrong, but so is the innuendo that it is recent.

Secondly, your correspondent suggests that incomes of individual maize farmers reach £40,000 (a year, I assume). If this is so, then I do not think it can be proved to be the result of "cheap black labour," or even of maize-farming; doubtless the incomes "plausibly mentioned" to your correspondent were those arising from the mercifully short-lived rocketing of the world price of wool.

Thirdly, to say that "the new prison was called 'Geneva'" is to betray ignorance of the fact that it is located on or near a farm and railway station which have been called Geneva for the best part of fifty years.

Fourthly, deplorable as the festivities outside the jail may have been (I was in England at the time, and unaware of them), the fact that "the South African flag flew from a tall white flagpole" can have had nothing whatever to do with the "gala day." The South African flag flies every day on every jail in South Africa.

Fifthly, it is strictly correct to say that "Kroonstad ... is now the second largest town in the Free State," but this state of affairs has existed for thirty years, and use of the word "now" is thus a little remarkable.—Yours faithfully,
W. J. VAN ROOIJEN
Bloemfontein

How Full Employment?

Sir,—I was surprised to find, in the article in your issue of August 23rd, only a passing reference to the obstacle against full mobility of labour which is, I think, next in seeming insuperability to the housing situation.

On present day costs the outlay in moving from one house to another any great distance away must amount, at the least, to about £30; apart from the removal contractor's charges, an appreciable expenditure on the installation, replenishment and adaptation of fittings and furnishings is bound to be incurred. The worker must be very rare indeed who has such an expendable sum available, especially at a time when (perhaps for some weeks or months) he and his family have been forced to rely upon an unemployment allowance only just commensurate with, if not substantially below, the cost of bare subsistence. And although some of the expenses of removal may be met out of future income one cannot, as far as I know, pay removal contractors by instalments.

This being so, can even the incentive of an ascending step on the ladder of promotion avail anything? There is, besides, the sheer physical effort entailed in establishing oneself in a new home, which, for the busy housewife with children to care for, must amount to two or three months of unpaid overtime and for the man (very often) an even longer back-breaking period of redecorating the house or working in a virgin or neglected garden.

There is need for a detailed, factual survey of those bristling difficulties to which you refer, and of the ways in which they might be overcome. It might provide some very approximate estimates

of the cost to recruiting industries of various kinds of "transfer" grants.—
Yours faithfully,

VERNON BLANCHARD
London, W.C.2

Power Stations

Sir,—In your issue of August 16th Mr R. M. Wynne-Edwards expressed the view that the screen walls surrounding our modern power stations are quite unnecessary and he commended what seemed to him the more rational and economical arrangement exemplified in oil refineries where the industrial plant is exposed.

The two cases are in one important respect not comparable. In an oil refinery, as a highly inflammable material is being processed, the fire hazard is exceptionally great. The fire fighting services could not operate effectively if the units of oil refining apparatus were enclosed in buildings. Moreover, power stations are often situated in built-up areas and need to take account of an existing urban environment or, alternatively, when electric power is being provided for the benefit of an agricultural community, the stations should be harmoniously related to the landscape.

The comparison between power stations and cathedrals is irrelevant because the question at issue is not one of "architectural glory," but one of architectural good manners. The screen walls which help to enable a power station to be a dignified and reposeful composition represent but a minute fraction, perhaps less than one per cent, of the total capital expenditure involved in the undertaking. In insisting that all power stations erected under its auspices should have a decorous appearance the British Electricity Authority in my opinion has shown itself to be an enlightened patron of the art of architecture and has done much to raise the standard of industrial building in this country.—Yours faithfully,

A. TRYSTAN EDWARDS
Merthyr Tydfil

Thrifless Britain

Sir,—The reason why we are a thrifless nation stands out a mile. There are only two ways of saving, one is forced saving and the other voluntary saving. Forced saving can only be really successful in the slave state such as exists in Soviet Russia; free citizens by hook or crook will escape being taxed to death for the benefit of the state. On the other hand, how can you expect to get voluntary savings unless you encourage them? No citizen either individually or as a shareholder will save if his savings are taken away from him or are under threat of being taken away. In the past when we accumulated our great internal reserves, now being recklessly spent, a citizen who saved was regarded as a man to be admired, now he is regarded as a knave or a fool. The answer to successful voluntary saving lies in the hands of politicians of all parties.—Yours faithfully,

C. L. OVERTON
Burton, Cheshire

Books and Publications

Studies in Delinquency

The Young Delinquent in His Social Setting. By Thomas Ferguson. Oxford University Press. 158 pages. 10s. 6d.

Approved School Boys. By John Gittins. Her Majesty's Stationery Office. 126 pages. 4s.

The literature on delinquency among the young must be increasing even faster than delinquency itself. The first of these two books has grown out of an earlier study, also made for the Nuffield Foundation, of 1,349 Glasgow boys, who left school in January, 1947. This study, published under the title of "The Young Wage-Earner," assessed the experience of "ordinary" boys at work and the relation between this experience and their home and school background. The incidence of delinquency was one yardstick used in assessing the boys' well-being. In Professor Ferguson's new work the social and environmental circumstances associated with that delinquency have been studied in detail, together with the similar circumstances of a group of physically or mentally handicapped boys.

Mr Gittins's book is an account of the first classifying approved school (whose principal he is) to be set up in this country. He himself describes it merely as a workshop note-book. But his first chapter, giving a subjective description of the approved school boy, is remarkable for its insight and sympathetic detachment. He has contrived to incorporate just the right amount of detail to make his description ring true without overloading it.

Unlike Dr Ferguson's Glasgow boys, the boys at Aycliffe school are selected, for only a small minority of young delinquents are sent to an approved school by the courts. It would be wrong, therefore, to expect Mr Gittins's description to coincide in every respect with the picture of a delinquent built up from Dr Ferguson's statistics. For instance, delinquency was much more common among the Glasgow boys of stunted growth and underweight than among the average, whereas Mr Gittins finds the physique of his boys to be about normal. Similarly, Dr Ferguson finds a high association of blind alley jobs among his delinquent boys; indeed, he appears to regard this sort of unskilled work as a contribution to delinquency. Mr Gittins regards it rather as a symptom. An approved school boy, successfully trained for a trade, may disappoint all hopes for his future by insisting on a blind alley job, "because he is scared of the effort needed to progress in his trade."

Where, however, both agree is on the association of low intelligence and backwardness with delinquency. Dr Ferguson shows that a high incidence of juvenile crime will be found where low scholastic ability is combined with another adverse social factor. About 40 per cent of his "ordinary" boys who

were in the lowest tenth in scholastic ability were found to have been convicted between their eighth and eighteenth birthdays when they lived or worked under bad conditions.

But why do the remaining 60 per cent steer clear of crime? The danger of this sort of analysis is that people will label as causes of delinquency what are no more than factors associated with it. The danger is particularly great today because people are so worried about the increase in juvenile crime that they want to be given a clear-cut explanation of it. They expect the cause to be stated in black and white so that it can be identified and removed. For instance, someone who thinks that juvenile delinquency could be reduced if adolescents went to church or joined youth organisations may cite in support Dr Ferguson's findings: that the incidence of crime was appreciably higher among the non-churchgoers and those who were not Boy Scouts or members of similar organisations. But do these findings really prove anything more than that the good boys go to church and the bad boys do not?

Dr Ferguson is, of course, fully aware of the limitations of his analysis. He says, apropos of poor performance at work and delinquency, that it is often difficult to say which is cart and which is horse, and that a bad work record may simply reflect the innate personal qualities of the boy. But there are times when he, too, appears to believe that removal of an adverse environmental factor would of itself reduce juvenile crime, although on his own showing the delinquency rate among rehoused former slum-dwellers was as high as among boys still in the slums.

It would be quite wrong to discuss the causes of delinquency as another aspect of the old argument of nature versus nurture. Most people today recognise that both are inextricably interwoven. Dr Ferguson's analysis, and others like it, appear to be biased towards nurture simply because environmental factors can be assessed more objectively than innate qualities—other than intelligence, and even in this respect Mr Gittins shows that unmodified standard tests may not give an accurate assessment of a delinquent's intelligence. In the context of the backward child, he says some wise things about the prevention and treatment of delinquency:

A bright boy can cope with difficulties: a dull boy can succeed in a stable home. What of the very dull boy who is not mentally defective but who comes from the very unsatisfactory home? By returning him we are setting him a task

beyond his powers. . . . We have gradually developed at Aycliffe the conviction that certain boys must be permanently regarded as wards of state. . . . Some of our boys achieve it in a most undesirable way by becoming regular inmates of prisons. There is no reason why wards of state should be regarded as useless or unproductive. . . . Given a village community (e.g. on the Papworth principle) and opportunities of factory or rural employment suited to their capacity, most of these lads would probably settle down and make useful citizens. . . . The problem is not great in extent and could be solved by determined action. It must be remembered that these boys are the potential parents of the approved school children of tomorrow.

Film Personality

Mr Rank. By Alan Wood. Hodder and Stoughton. 288 pages. 20s.

In its recent and useful survey of the British film industry, PEP apologised at one point for an inevitable weakness of its approach:

It is a fault of this short chronology that in concentrating on the men and mergers—the "kings and battles" of film history—there has been neither space nor mood to bring these men to life and let them be seen as individual personalities.

This was an important proviso. Any historical and economic account of an industry that ignores the personal element is the weaker for doing so. But in the film industry, the personal factors have not infrequently been so strong as to chase ordinary economic considerations right out of the room.

Mr Wood's readable story goes some way towards filling in these essential personal considerations. In form, it is a smoothly written, enlarged magazine profile—in the tradition of *Colliers*, perhaps, rather than of the *New Yorker*—amplified with the anecdotes of which the film business supplies so flamboyant a stream. Many of the people whose names, themselves often exotic, have flashed in and out of public view in the turbulent swirl of film fortunes are here shown, if not in the round, at least in bas-relief. Without some understanding of them the odd complex of artistry, commercialism, and national expression that lies behind British film production would indeed be incomprehensible.

Mr Wood is to some extent handicapped in discussing the financial history of the Rank Organisation by his own exuberantly admitted political prejudices. As a vigorous Australian-born socialist, he likes Mr Rank personally, while disagreeing with him on "almost every conceivable point." This disagreement, but probably not the same liking, he extends to the City of London; and on points where the City has taken issue with Mr Rank, Mr Wood blithely confesses himself "peculiarly unfitted to

discuss questions of business ethics." This unfitness makes his analysis of the economic pattern of the industry less convincing than his profile of Mr Rank—though equally entertaining.

Picturesque Biography

Alexander of Tunis. By Norman Hillson.
W. H. Allen. 252 pages. 18s.

The one good thing that can be said of the blundering wastefulness of the military methods of the first world war is that those younger battalion officers who survived their years in the trenches were to provide some of the most skilful and determined British commanders of the second war. Alexander, like Montgomery and Freyberg, was one of the few who were young enough, strong enough and lucky enough to emerge from the ordeals of the Western Front with their strength and resolution unimpaired. After Loos and the Somme, the ordeal of Dunkirk or the Western Desert or the retreat from Burma were relatively light burdens to suffer personally. Even though the consequences of defeat would have been so much the greater, Lord Alexander carried his responsibilities in them with an imperturbability and calm which won admiration from Mr Churchill and from the ranks of the armies he commanded.

The course of Lord Alexander's life, from his boyhood in the County Tyrone mansion built by his great-great-grandfather out of a fortune won in the East India Company's service, through Harrow, to service with the Irish Guards in the first war, in the Baltic, Turkey and India in later years, and then to his great command—all this is faithfully set out. None of the picturesque details is omitted—such as the presence of Walter Monckton behind the stumps for Eton in the Eton v. Harrow match in which the future Field Marshal bowled with success in 1910. But there is little else beyond this faithfulness for which one can commend the book. Mr Hillson makes no attempt to delve below the surface virtues of his hero, to examine the characteristics which made Lord Altrincham speak of "something inscrutable" about him, the "life of his own beyond his career," which very few are allowed to enter. Nor does the author pose or examine the crucial decisions which it fell to Lord Alexander to make throughout his campaigns. He is, perhaps, very much a conventional figure; but he is an outstandingly able one, and he surely does not merit quite such conventional biography as this.

The Recovery of Man

The Conduct of Life. By Lewis Mumford.
Secker and Warburg. 342 pages. 21s.

In this summing up of a philosophy that has evolved through the last twenty years, Lewis Mumford offers the programme of a new humanism for the recovery of man, the unfinished animal; the final stage of whose growth rests with himself—not solely determined, like that of other animals, by his biological

past, but also controlled by his own plans for the future—and who in his realisation of death has added a new dimension to his life. For Mr Mumford does not agree with the prevalent view that man is an insignificant speck in a depersonalised universe, but believes that the universe itself is insignificant until the emergence of man, who interprets it.

He further declares that by the false logic of religions God has been placed at the wrong end of the cosmic process, and instead of an all-powerful, all-knowing providence, he opposes a God who in the long process of time emerges from the universe "as the far-off event of creation and the ultimate realisation of the person towards which creation seems to move." Thus he makes the Kingdom of God latent in nature, and man's goal the enlargement and projection of the province of the divine.

Mr Mumford believes that the curse of the modern world is a monomaniac concentration on a limited order of truth; that acceptance of the scientifically verifiable as the only basis for action, and insistence on quantitative rather than qualitative benefits, have led to the tuning of men's lives to the movement of a production belt over which they have no control, until they are faced with the paradox that their efforts after total security are propelling them towards total extermination.

We have heard this before. No one who is able to read and hear can remain in ignorance of the worldwide disintegration of society. Most writers on the subject, whether erudite or popular, content themselves with warning and admonition, but here a cure is proposed—the re-establishment of the primacy of the person. The grand human imperative is to foster life, to select higher forms of life, and to project further goals for life's development: "As a species, man has a moral obligation to be intelligent, as well as an intellectual obligation to further his own moral and aesthetic development." Man is not born free; his education is a slow induction into the possibilities of freedom. The new age will begin when a sufficient number of men and women in every land assume the burden they once sought to transfer to a single God-like man. This, for Mr Mumford, is the ultimate lesson of democracy.

It is curious that his suggestions for the rebuilding of the self bear a close resemblance to the prospectus of an English public school, where character-building through co-operation, versatility, self-reliance, initiative and manual dexterity are considered on a par with scholarship; so that the traditional education of the "historical ruling classes" whose lives Mr Mumford castigates as "vapid, boring and flavourless" embodies most of the points in his schema, while his regimen for autonomous development in the adult, by means of avoiding undue dependence on others, is so like what obtains in the normal household in Austerity Britain as to be almost a parody.

This book is stimulating for its enthusiasm and conviction, and the force-

ful presentation of old truths in a guise that might well arrest the present generation. There can be little doubt that if the one-tenth of the world he postulates would accept his programme and consciously apply it, world morale would be immeasurably raised; for Mr Mumford, its acceptance means the advance of mankind to a future of hitherto undreamt fulfilment, and its rejection means annihilation. Perhaps he is right.

Educational Broadside

Freedom and Authority in Education.
By G. H. Bantock. Faber. 212 pages.
18s.

It is a pity that Mr Bantock's symposium of his earlier magazine articles belies the portentous title he has given them, for the subject is one well worthy of serious study. Exasperated by much contemporary educational theory and, in particular, by what he regards as an undue consideration for the varying needs of the human personality, he has discharged a ragged broadside of quasi-philosophical criticism. This is all very well in its way and is, indeed, a healthy example of the dialectical swing from excessive formalism to an overdose of freedom but its effect is marred by an apparent lack of contact with children—except as found in the text books studied earnestly by students in Departments of Education. Moreover his mentors, Newman, Arnold and Lawrence, are an odd trilogy; for the first two knew about as much about small children as Aristotle knew about atomic physics and the last was an exhibitionist with a strong sense of social inferiority whose practical experience of the class-room was extremely limited. Even if it be argued that their views were based on *a priori* assumptions or that—in Newman's case—he spoke for the accumulated wisdom of centuries, it was surely unwise to ignore the social and economic conditions that provided the setting for their educational thinking.

It is, perhaps, unfair to Mr Bantock to complain that his views are largely negative. His criticism of the current concentration on means rather than ends is not only valid but written with a sprightly vigour and, occasionally, his rolling periods are interrupted by asides with which, like all competent lecturers, he enlivens an otherwise polysyllabic discourse. But the reader who endures to the final pages will be disappointed to discover that the only authority Mr Bantock can quote as a sanction is the authority of the subject and the authority of the teacher, and the latter is described both as "a representative of the human heritage and the human tradition" and as "the representative of something beyond himself." Mr Bantock must have been fortunate in his contacts with the profession. And what does he mean by asserting that there is "an authority inherent in the various aspects of human knowledge" except possibly in mathematics and the more elementary stages of natural science? Let him listen to the conflicting "authorities" in any one school when anything requiring opinion rather than a recital of facts forms the subject matter of the pupils' labours.

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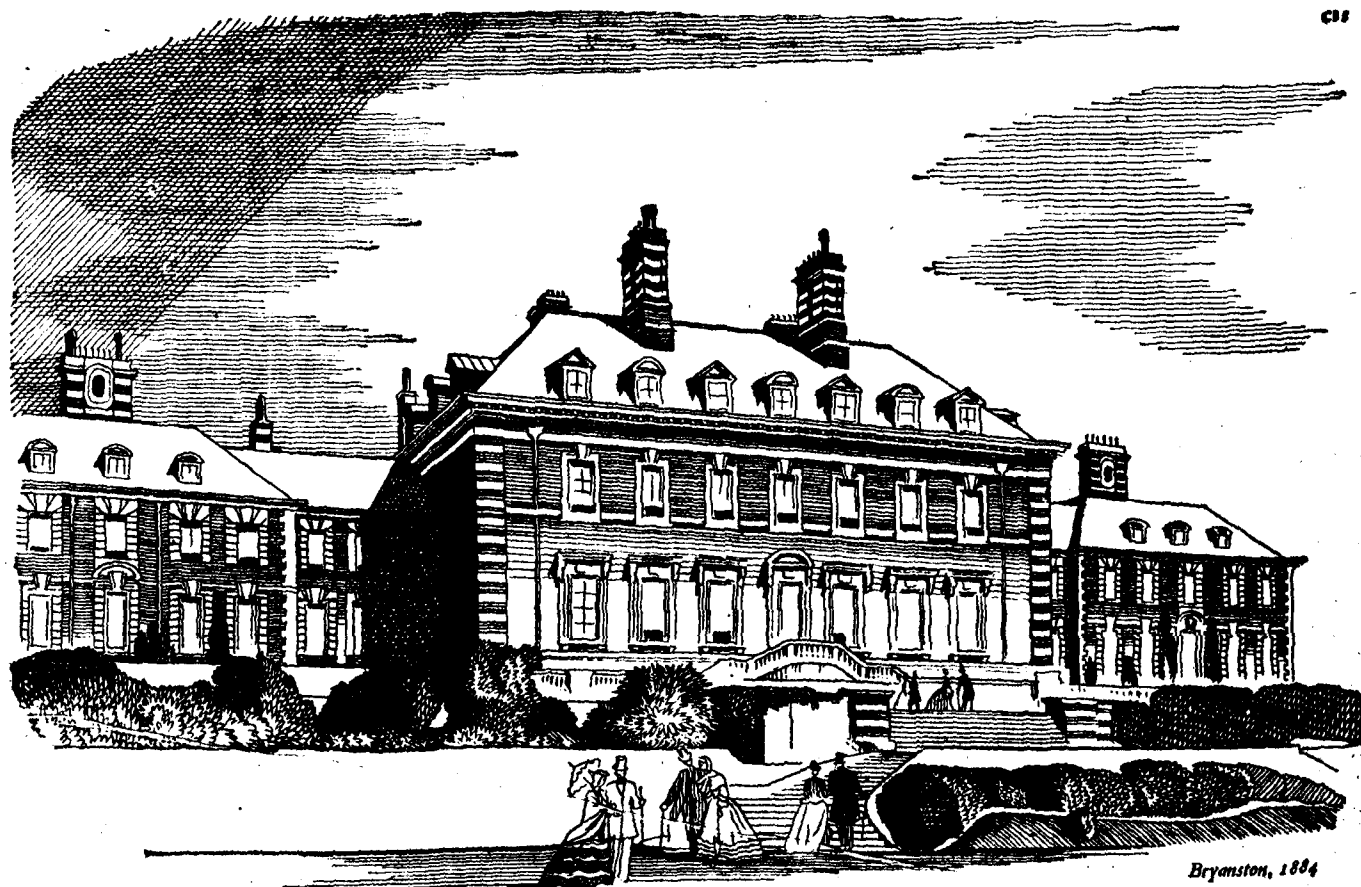
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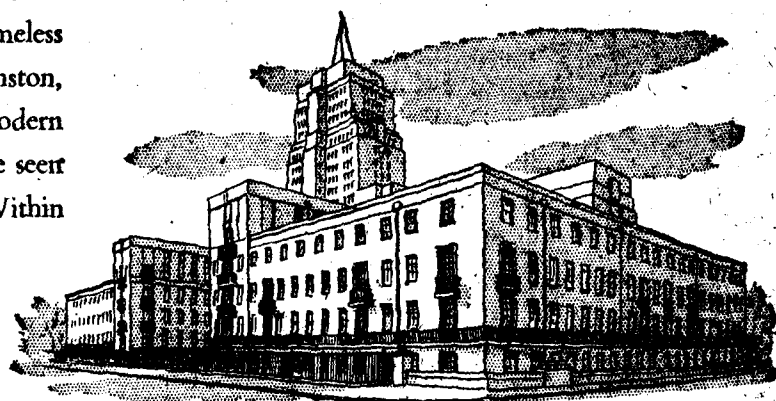


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AUTUMN is no longer only the "season of mists and mellow fruitfulness." It is now also the time when officials of the North Atlantic Treaty Organisation get down to some sharp fighting on the size and weight of the military burdens which their various countries can be expected to bear during the coming year. This year it is also the season when the politicians and the generals must decide once and for all whether the military goals set at Lisbon for 1952, for 50 divisions and 4,000 aircraft in Western Europe, will in essence be reached before the year is out. It is a time not of mellow but of nervous reflection, for it involves something far more difficult than resolute opposition to a common enemy—an almost Marxist degree of self criticism and justification on the part of the fourteen members of the Atlantic Council.

Caught between the demands of the generals for the forces that, on military considerations alone, are considered essential for the defence of Europe, and the complaints of finance ministers and Cabinets that rearmament is imposing too heavy a burden on their countries, the natural tendency for European officials in Nato is to look for a whipping-boy in order to excuse the failure to meet the Lisbon goals fully this year, and to explain why it will be difficult, for some countries at least, to achieve as large forces next year as they had hoped. The natural tendency is to blame the shortcomings of American military aid to Europe. If the United States had made good on its promised deliveries of aircraft and equipment, it is argued both officially and in discreetly inspired articles in the European press, the European members of Nato would have been able to fulfil their commitments.

Like many arguments, this one suffers from displacement in time: what was true a year or more ago is advanced as being true today. The Military Assistance Programme got under way at the beginning of 1950 as a trickle of arms which became increasingly erratic as the demands of the Korean war burst upon the Department of Defence later in the same year. Even in November, 1951, Senator Lyndon Johnson's Preparedness Committee could report (with greater accuracy than has been contained in most of its windmill attacks on the Defence Department) that

requirements for military aid to European countries were established and schedules for deliveries adopted even before the outbreak of the Korean war. Actual deliveries, however, fell far short of these schedules. . . . When the original schedules broke down, the Office of Military Assistance found a simple solution to the problem. It merely established new schedules which provided for smaller shipments to Nato countries.

This is no longer true today. Until about six months ago defence officials at the Pentagon were labouring to balance, mostly out of stocks left over from the last war, the demands of the Korean fighting with America's obligations to its Nato allies. Thanks partly to the fact that supplies are at last beginning to flow steadily through the rearmament pipeline, and partly to the fact that the Korean theatre has not lately been consuming large supplies of equipment, the rate of delivery to the Nato countries has increased sharply. For instance, by the end of March the United States had shipped

only 9,000 tanks and 34,000 other vehicles under the military aid programme, but by the end of July it had shipped a cumulative total of 13,400 tanks and nearly 70,000 other vehicles and the rate of delivery in August and September has risen more steeply still. In the last quarter of 1951 \$356 million worth of equipment was shipped to Europe, which receives about 70 per cent of all military aid; in the second quarter of 1952 \$610 million worth was shipped.

With the output of aircraft now running at 800 a month and expected to rise to over 900 a month by the end of the year, there is little reason to question the judgment of Pentagon officials that there are now more aircraft available for delivery to European air forces than there are trained aircrews to receive them. Similarly, now that a defect in the turret mechanism of the M47 tank has been rectified, there is a substantial flow of tanks. There are still, however, many gaps in the programme. Electronic equipment is short, since no way has been found of speeding up its manufacture, and there is a long lag between the time a Nato country requests a certain kind of radio or radar set and its delivery. For reasons of morale, certain weapons and aircraft have been delivered without all the accessories needed if they are to be used. The true effect of the steel strike last summer will begin to show in the middle of the coming winter when the stocks of components manufactured before the strike have been used up.

★

But the Pentagon is prepared to maintain against all comers that in none of the 25 divisions which the Lisbon plan envisaged as being fully mobilised by the end of this year is there now a first-line unit which cannot reach its full strength because of lack of equipment which the United States has contracted to supply. If the Lisbon target is not reached, and it will not be, it is for other reasons. It is true that this assertion from the Pentagon is slightly disingenuous, since it does not cover the case of the 25 reserve divisions which are also supposed to be in a position to mobilise within three to thirty days of an emergency. For these, there is still considerable leeway to be made up in the provision of American equipment. But personal observation shows that there is probably more equipment for training purposes available to a British territorial battalion or division than to its equivalent in the National Guard of the United States, where many units have been reduced almost to the "broomstick and pike" stage in order to meet the demands of Korea and Europe.

The need to put flesh on the bones of Nato's skeleton army is at present concerning the planners in both Washington and Paris. There is no virtue in having 25 or nearly 25 mobilised divisions in Western Europe if there is nothing to fall back on. Not only must the reserve divisions in Europe

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

be adequately equipped but a network of corps, army and theatre reserves of equipment must be built up in Europe to keep the existing forces in action in the event of war. It is to this purpose that a large proportion of the next year's supply of American military aid must be devoted. For this reason it is clear that, when it has completed its autumnal wrestling with next year's military targets, the Atlantic Council will not need to demand nearly as great an increase in the number of divisions and airwings for 1953 over 1952 as it had to do for the Nato forces this year compared with last year. The public statements made by Generals Bradley and Ridgway during the past week, that progress in atomic weapons has not diminished the need for foot soldiers, seem designed to counteract any false sense of relaxation which might arise from this change.

In a sense, Britain and Europe have reason to be grateful for the fact that American military aid got off to a slow start since otherwise it is doubtful whether the idea of "offshore procurement," which is coming to play a more and more important part in the whole idea of American aid, would ever have been born. Conceived originally as a plan for manufacturing spare parts and accessories to American equipment, it is now being used to broaden the "mobilisation base" and to manufacture tanks and aircraft which could not have been financed out of domestic budgets. But if American tanks had been more readily forthcoming earlier this year, Britain would not have been able to sell its Centurion tanks to Holland and Denmark for dollars and, if the American programme for fighter aircraft had been up to schedule, the British Swift and the French Mystère would have been regarded with a less sympathetic eye by the Pentagon's purchasing experts. Yet offshore procurement, which will amount to about \$1 billion in the current fiscal year, is the largest and most direct contribution to the concept of "trade rather than aid" that the American Government is capable of making at the moment, and it has the added advantage that it can be applied with most emphasis to the two countries, Britain and France, which have the worst dollar problem of any of the European countries.

Cæsar's Running Mate

[FROM A CORRESPONDENT IN CALIFORNIA]

DILEMMAS which might baffle the most accomplished politician have been the lot of General Eisenhower ever since he stepped on the political stage four months ago. The latest is the discovery, just as his crusade against corruption was reaching its climax, that his own running mate, Senator Nixon of California, has, during the last two years, supplemented his substantial expense allowance as a Senator from a fund established by businessmen in his native state. Senator Nixon may have done nothing illegal. But many supporters of the Republican cause were as dismayed as the Democrats were delighted to find that one of their crusaders had been imprudent enough to incur even a shadow of suspicion. Some felt he should resign from his candidacy, unprecedented though this would be. This has widened the gulf between General Eisenhower's own supporters and the professionals of Senator Taft, who loudly insist that Senator Nixon has done nothing wrong. Some \$75,000 was spent this week to enable him to put his case to the country on television and radio, which he did so effectively that there is apparently no longer any question of his resignation.

Senator Nixon's defence, apart from his indignation at a "leftist smear," is that none of the money went into his own

pocket, but that all of it went on postage, clerical expenses, and other costs of keeping his name before the voters in the second largest state. Senators from big states are given handsome official allowances—Mr Nixon's was over \$60,000 a year—and are not encouraged to regard politics as a part-time occupation, as are members of the House of Commons. In fact many Senators and Congressmen do supplement their government incomes in one way or another. Mr Nixon contends, furthermore, that there is a distinction between official and political expenses, and that the tax-payer should not be asked to meet the latter. The politically fastidious may not feel that this argument quite meets the difficulty that those who pay the piper often expect to call the tune. But Senator Nixon's case is certainly not unique, and the law on political contributions is so unrealistic and out-of-date that it is often difficult to draw the line between proper and improper conduct.

A more experienced and self-reliant politician than General Eisenhower might have acted, in this crisis, without waiting for the response to Mr Nixon's broadcast, and thus avoided the appearance of putting political expediency before the merits of the case. But to the professional politicians, the main question is whether Mr Nixon's usefulness has been impaired and, in particular, whether he can still be relied upon to carry the important state of California for the Republicans. This was one of the reasons why he was chosen, though his youth, the fact that he is one of the new generation of ex-servicemen, and his vigilance and success on the anti-Communist front at home all helped. With Senator Nixon on the team, General Eisenhower had not expected to have to do much campaigning in California.

Although California has a Republican Governor and both its Senators are Republican, it has gone Democratic in the last six presidential elections. Even before his present troubles, therefore, Mr Nixon laboured under handicaps. One is the fact that registered Democrats outnumber registered Republicans in the state by about 1 million. Even so popular and bi-partisan a leader as Governor Warren failed to win it for the Republicans when he was their vice-presidential candidate in 1948, although the Wallace Progressives deprived the Democrats of 190,000 votes. The Republican total was 1,895,000, the Democratic 1,913,000. Another of Mr Nixon's difficulties is the split within his own party in the state, roughly between the conservatives of the south, from which the Senator comes, and the Warren progressives in the north. Mr Nixon himself lacks experience in state politics.

Party lines are not solid in California, where local offices are filled on a non-partisan basis and candidates for national state offices are allowed to seek, and often secure, the nominations of both major parties. Governor Warren and Senator Knowland, both of whom came up through the Republican ranks, have only succeeded in remaining in office by winning the support of registered Democrats through this practice of "cross-filing." Mr Nixon must also attract Democratic votes, but he must keep his Republican following intact too, and what supporters of Governor Warren consider the Senator's disloyalty before the Republican convention has cost him a voice of authority in the Republican state organisation. Mr Nixon, an ardent supporter of the General although he was a member of the Warren delegation, questioned 20,000 of his constituents about their second choice for the presidential nomination. The results, strongly favouring the General, were allowed to leak out and damaged

Governor Warren's chances as a compromise candidate. Such tactics still rankle, but Governor Warren has supported Mr Nixon in the campaign, and national attacks on their Senator may help to close the Republican ranks in California.

To develop a state-wide following, and make himself better known, Senator Nixon has resorted to short-cuts. He has relied on an extensive public relations programme, to an extent never before used; lavish posters, extensive mailings to individual voters, and well-timed feature stories in the national glossy magazines have emphasised the Senator's homespun background in the citrus belt section of southern California, his Quaker faith, his success in college, and his career in the Navy. Such personal campaigns require heavy financial backing. Senator Nixon, who is now only 39, entered politics by becoming the hand-picked candidate of a group of business leaders in his home town of Whittier, to run against a New Deal representative, Mr Voorhis. The personable and eloquent young lawyer and ex-serviceman won the committees' immediate approval, and went on to win the election. He was re-elected to the House in 1948, and in 1950 ran for the Senate, defeating the Democratic candidate, Representative Helen Gahagan Douglas.

In all of these campaigns Senator Nixon's managers have stressed his role as a pursuer of subversives. His success, as a member of the House Un-American Activities Committee, in bringing Mr Alger Hiss to justice has been told over and over again, and recorded for broadcasting with full regard to all the dramatic and bizarre details of the case. In each campaign it has been insistently implied that Mr Nixon's opponent was indifferent, if not actually sympathetic, to Communist infiltration. The instances in which Mrs Douglas's votes in Congress coincided with the Communist line were stressed; those in which they did not were overlooked.

This year, Mr Nixon's campaign managers, who include some of the most successful public relations counsel in the most public relations-minded part of the country, hope that their candidate can continue to run against "Communism and corruption," and make it unnecessary to air his rigidly conservative voting record, which might alienate independent and Democratic voters. Senator Nixon was a framer of the Mundt-Nixon anti-subversive Bill of 1948, later incorporated in the McCarran Act. On corruption, he has favoured freeing grand juries from political control and he advocated the resignation of the chairmen of both the Democratic and Republican National Committees last winter when both were under scrutiny for using their influence to secure government loans for favoured clients—a precedent now being brought to his attention.

On other issues, Mr Nixon and his managers are reticent, though his voting record contrasts sharply with that of Mr Sparkman, the Democratic vice-presidential candidate, and the voters are thus offered a clear-cut choice. In the foreign field both are internationalists, though Mr Nixon has adopted the orthodox Republican attitude of accusing the Administration of "losing" China and bringing on the Korean war without being willing to win it. At one time he advocated Atlantic Union and he has supported the United Nations. But on domestic issues he has almost unfailingly represented the conservative element in California, voting for exemption from the anti-trust laws for railways, against forcing businessmen to accept lower prices, to limit public housing programmes, against government development of hydro-electric resources, and for ownership by the states,

rather than by the federal government, of underwater oil. He was one of the original framers of the Hartley Bill, which became part of the controversial Taft-Hartley labour law. With justice, the organiser of Mr Nixon's fund commended him as the "best salesman against socialism . . . and government control."

Mr Nixon's strongest financial support comes from industrial, utility, and oil interests in southern California, most of which find the brand of Republicanism popular in the north and symbolised by Governor Warren too liberal. His problem is to capture the independent and centre vote. Seasoned observers think he will do this in southern California, but that his chances in the rest of the state are not bright enough to warrant any confident claims. Only if the campaign is centred on the Communist issue is it likely that Senator Nixon can deliver to the Republicans any substantial number of votes from the trade unionists, young voters and habitual "floaters" who make up so much of the electorate in the valley towns and bay cities of the state.

American Notes

Stevenson's Seminars

Governor Stevenson's treatment for the voters—a few witty exercises at the Republicans' expense to limber up his audience, followed by deep massage of a particular political issue—has the rival doctors worried. They are claiming that the Governor's light touch shows him to be a quack unable to take politics seriously. It is an argument that would carry greater weight if the Republican candidate were offering more effective prescriptions, but General Eisenhower seldom recommends specific cures for the critical national illnesses he diagnoses. Vague generalities are well suited to short talks at the railway whistle stops where the



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General has been received with great enthusiasm, but something more detailed is needed in major speeches.

The only occasion recently on which the General has provided something more was when he addressed the American Federation of Labour. But he had no hope of winning this audience, however constructively he might discuss its complaints and however attentively it might listen, unless he repudiated the Taft-Hartley Act, and he could go no further than to agree that it should be amended. This was once Mr Stevenson's position, but now he is for complete repeal, one of the few concessions he seems to have made to political expediency, and one which has gained him the formal endorsement of the AFL, the first time that its convention has supported a presidential candidate officially.

So far in his series of seminars for voters Mr Stevenson has dealt, in an open-minded and creative way, with foreign policy, Communism, atomic problems, inflation and the South. In picking up this, his party's hottest potato, at Richmond, Virginia, he gave one of his most effective displays of courage and imagination. Refusing to yield an inch on the question of federal guarantees for Negro civil rights, Mr Stevenson recommended that the question be dealt with by reason, not by recrimination. Reason showed that minority tensions were basically an economic and cultural problem and one that had been fostered by Republican prejudice and pride. It was the Republicans, he insisted, who had turned the South into a colony of the North and it was the Democrats who were reuniting it with the nation, which as a result was seeing "the richest flowering of a great region" it had ever witnessed.

In his effort to induce the South to turn this resurgent vitality to the political as well as the intellectual and economic benefit of the rest of the country, Mr Stevenson paid special tribute to southern statesmanship and talents for government. One southern statesman, however, Governor Byrnes of South Carolina, once a leading member of both Mr Roosevelt's and Mr Truman's Administrations, had just shown that with him personal resentment came first, by declaring that he would vote for General Eisenhower. He had been dithering for a long time and South Carolina is unlikely to follow his lead. The Republican chances are better in the other states, Texas and Louisiana, whose Democratic Governors have also deserted to the General.

Locked Out

Mr Charles Chaplin, who has made generations laugh and cry, and has often been locked out on the screen, is in danger of being locked out in real earnest. No sooner was he on the high seas, on his way to visit England, his native country, than the Attorney General, Mr McGranery, announced that there would be an investigation to determine his fitness to be readmitted to the United States. As an alien, despite his forty years' residence, Mr Chaplin has no automatic right to re-enter the country. The re-entry permit granted to him is merely proof of residence.

Mr Chaplin, who is well provided with expensive legal advice, can hardly have walked into the trap with his eyes shut. For years there have been murmurs of resentment at his refusal to become a citizen of a country which has treated him handsomely. He has often been accused of subversive associations, though he has always denied being a member of the Communist party. The paternity suit he lost in 1944 left an ugly taste in many mouths—moral turpitude is a cause for exclusion, though apparently not the one on which Mr McGranery expects to rely.

If the Department of Justice has the evidence its spokesmen claim of Mr Chaplin's association with Communist-front organisations, it need not have waited for him to turn his back before launching its thunderbolt. Indeed, under the

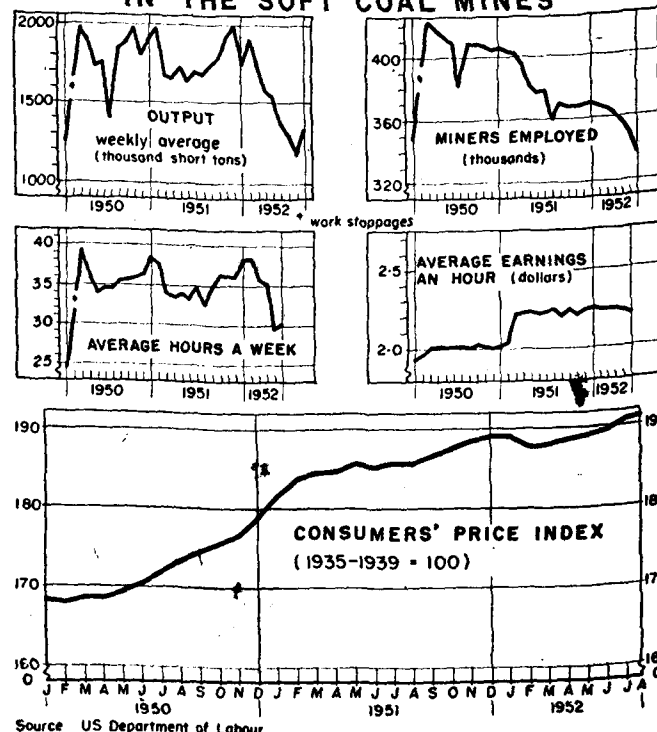
McCarran Internal Security Act it is mandatory for the Attorney General to deport any alien who at any time has joined a "subversive organisation." Mr McGranery himself quite possibly relishes bringing to a head a long investigation, proving himself a new broom after Senator McCarran's heart, and providing an answer of sorts to the Republican charge that the Administration is sympathetic to subversives. It is more difficult to imagine that Mr Truman would have any enthusiasm for such a case, unless he imagines that the attention it would command might help to rally public opinion and halt the wearing away of the rights of resident aliens by the Security Act and the more recent Immigration Act. Most liberals consider that the powers of deportation and exclusion of aliens given by these laws to the Attorney General are a serious danger to civil liberties. The inquiry may come to nothing, or be dropped by the new Administration. If it is not, Mr Chaplin, who has friends and wealth to fight his battle, and a welcome elsewhere if he loses, may yet have an opportunity to strike a blow for the dispossessed with whom he has such sympathy.

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Coal's Next Hurdle

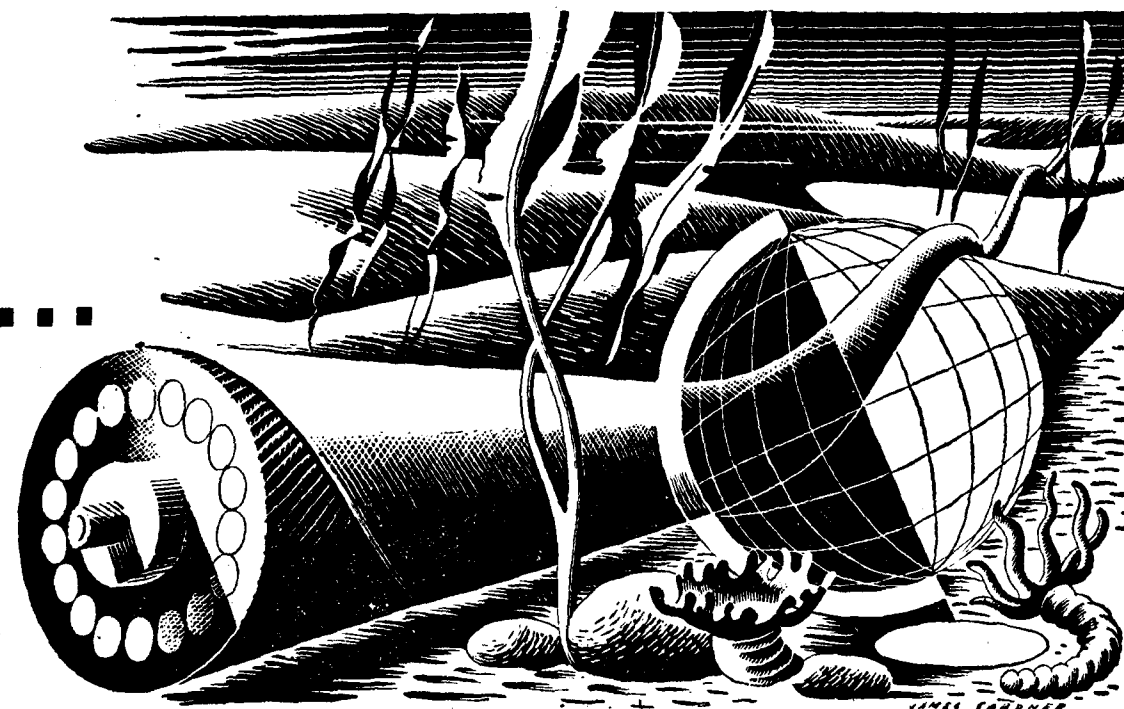
Where Mr John L. Lewis is concerned nothing ever happens as expected, at least not as other people expected. Last week's unexpected development was the settlement of the coal dispute just as a work stoppage was about to begin in the northern fields, which produce nearly half the country's soft (bituminous) coal. The northern operators, it had been reported, had little objection to a strike which would reduce the excessive stock of coal above ground, but at the last moment they seem to have decided that, since they would have to accept Mr Lewis's terms sooner or later, it might as well be sooner. The terms in their turn were unexpectedly straightforward, without the complication of a share-the-work scheme or even of shorter hours. There were two main clauses: an additional 10 cents for every ton mined to go to the welfare fund, bringing the total contribution up to 40 cents a ton, and an increase of \$1.90 in the basic daily wage of \$16.35.

IN THE SOFT COAL MINES



This works out at 32 cents an hour, and will take average hourly earnings above \$2.50; on an hourly basis it is half again as much as Mr Murray got for his steel workers and is far more than Mr Lewis has ever won before. It is also far more

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than the coal operators in the south, where the industry is doing even less well than in the north, say they can pay without being forced out of business altogether; nevertheless it seems likely that they too will come to an agreement before October 1st, the deadline for a strike in their area. But Mr Lewis has another hurdle to get over before he has won this year's wage race: the agreement must still be approved by the new Wage Stabilisation Board. It will also be a hurdle for the board, its first, and the decision will be nearly as important for its future as was the steel ruling which brought its predecessor down.

The new board has power only to make recommendations, not to intervene in labour disputes, but if it decides against the coal settlement and if its recommendation is accepted by the Economic Stabiliser, it will be responsible for a labour dispute—a coal strike. For this reason the board will try to find reasons, as it is permitted to do, why the coal miners are entitled to special consideration. The board can hardly approve the increase if it adheres strictly to the standards it has set for itself. Its basic regulations permit a wage rise of 10 per cent over January, 1950, and a further cost-of-living rise, about 6 per cent at the moment, equal to the rise in the consumers' price index since January, 1951. The miners had an increase of about 4 per cent in March, 1950, but they had been striking for it off and on for months and, for stabilisation purposes, it will probably be regarded as having been granted in 1949. But in January, 1951, coal miners' wages went up another 20 cents an hour, just about the permitted 10 per cent. This leaves Mr Lewis with only 6 per cent in hand, a good deal less than the latest rise.

Trimming Sails in Massachusetts

A gust of indignation swept Massachusetts, the Bay State, early this month, just before the primary elections in which members of both parties chose their candidates. The Federation of Taxpayers Associations, poring over the statute books, discovered an amendment to the Retirement Act, adopted this year by a Republican Senate, and Democratic lower house, and signed by the Democratic Governor, which increased pensions for state legislators. It also related them to the highest salary earned in public office of any kind, a provision which would have entitled the controversial Mr James Curley, who sat in the legislature fifty years ago and has since sat in the Governor's chair as well as the federal penitentiary, to a pension of \$12,000 a year. The scandal was a much-needed windfall for Mr Herter, the Republican who is running against Governor Dever for the governorship. He forced Mr Dever to call a special session and the legislators sat up into the small hours of election morning to repeal their ill-advised generosity.

In the primary, not many more than the usual quota of sitting members were turned out, but the incident seems to have damped the enthusiasm of his own party for Governor Dever. He could not be defeated, as he was running unopposed for the nomination, but he did not do nearly as well as Mr John Kennedy, the Democrat who is hoping to displace Senator Lodge. It is for Mr Kennedy's sake, rather than for the virtually certain sixteen electoral votes of Massachusetts, that Governor Stevenson recently campaigned in the state, twitting General Eisenhower, where Irish Catholic votes are so important, with his admiration for Cromwell. Massachusetts has faithfully supported the Democratic candidate for the Presidency ever since 1928, although its two present Senators are Republicans.

General Eisenhower is expected next month, and there is talk of his winding up his campaign in Boston, though it is the most solidly Democratic of the big cities. This would be a pleasant expression of his gratitude to Senator Lodge, whose efforts helped to win the General the nomination at Chicago. Until General Eisenhower's reconciliation with

Senator Taft, there had been fears that Senator Lodge would pay for his enthusiasm; diehard Taftites were threatening to vote Democratic, or not to vote at all. Senator Lodge, a liberal, has long been at odds with Senator Taft on foreign and domestic issues, but he was reduced to promising that, if he were re-elected, he would not make a second effort (he failed in 1949) to take the chairmanship of the Senate Republican Policy Committee away from Mr Taft. He has explained that he was not "against Taft, only for Ike."

Senator Lodge is too progressive for Mr Kennedy's New Deal record to tell and, unless there is a Stevenson landslide in the state, Mr Lodge may hang on. But Mr Kennedy has the advantage that, as the son of a prominent Catholic family (his father was once the Ambassador to Great Britain), he may win away some of the Catholic votes which Senator Lodge, though a Protestant, has secured in the past.

Wolf in Wool's Clothing

American wool growers, alarmed by the inroads which the new man-made fibres threaten to make in their traditional markets, have asked the Federal Trade Commission to examine their rivals' claims that the new fabrics "outwear and outperform" wool. They do not even concede that imitation is the sincerest form of flattery; they would like to prevent the makers of the new synthetics from using names such as worsted, a practice which they consider deceives and confuses the public. Some spokesmen for the synthetic industry are willing to admit that enthusiasm for the new "miracle" fibres has, on occasion, out-run the facts. But on the whole they feel that their claims, particularly for the "engineered" blends of synthetics with wool and cotton, are well justified.

Wool has yet to share the reviving demand for textiles, which, as retailers and consumers exhaust the stocks accumulated in 1950 and 1951, is encouraging rayon and cotton plants to reopen and work longer hours. The Department of Agriculture believes better times for wool are also coming. But the wool growers are afraid that in the long run the new fibres will establish themselves in the carpet and men's clothing fields as firmly as they are now settled in women's clothing. Blends of Orlon and cotton appeared this spring on Fifth Avenue in light-weight men's suits, which it was claimed kept their sharp crease through innumerable tubbings and needed only the occasional touch of an iron. Blends of wool and Orlon, the du Pont Company's latest test-tube fabric, are on the market this autumn in men's suits. The American Woollen Company, the last great stronghold of all-wool, revealed, after a disappointing fall in earnings, that it has surrendered and will make blends of wool and Orlon for the civilian clothing industry; it has long done so for the military.

Competition from the new fibres is restrained today by their cost and limited supply. But commercial plants are replacing the pilot-plants of yesterday. The government, which is giving tax concessions to encourage the expansion of nylon, the only man-made fibre which the armed forces want in quantities greater than can be provided at present, turned down virtually all applications from makers of the "miracle" fibres. A government spokesman noted that most of the \$177 million worth of new plants concerned were already under construction in any case.

Wool growers are not only threatened from one direction. This autumn "all-the-year-round" cottons, which have the appearance, though not the warmth, of wool and the brightness and washability of cotton, are making headway in the shops. And the invention of a tufting machine has produced cotton carpets which look like wool, even though they may not wear so well, and are considerably cheaper. It is not surprising that wool growers, in a year when military demand has fallen off, are anxious to exploit every advantage which the tariff and the "Buy American" Act give them.

THE WORLD OVERSEAS

Kashmir Seen from Karachi

(From Our Correspondent in Pakistan)

THE Kashmir dispute, nearly five years old, now returns again to the agenda of the Security Council with Dr Graham's report of his failure to achieve an agreement. His patient—perhaps too patient—attempts at mediation broke down for the same reasons as before: India would not agree to his proposals on either the strength of the forces to be maintained on both sides in the state or the induction of the plebiscite administrator. Eighteen months have been wasted, for it is evident that no progress whatsoever has been made since Dr Graham was appointed by the Security Council resolution of March 30, 1951. Moreover, the delay has been detrimental to Pakistan, for during the intervening period India has continued to consolidate its hold over the better part of the state. The so-called Constituent Assembly of Kashmir has, in defiance of the Security Council, resolved on accession to India, Mr Nehru has been able to claim that that accession is complete, and Sheikh Abdullah has had time to enhance the popularity of his administration by social reforms.

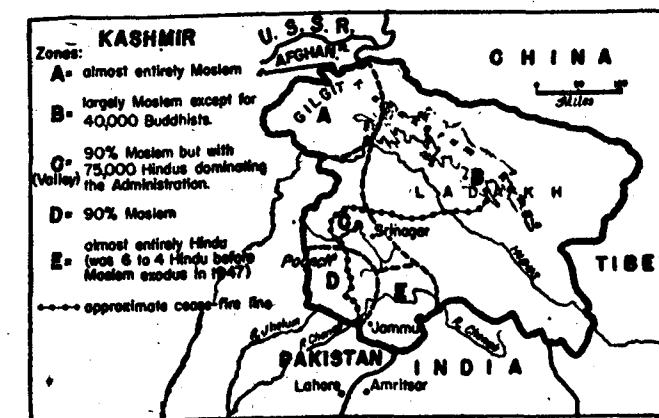
It has of course been clear, to Pakistan if not to the world, that playing for time has been an integral and important part of India's whole policy in regard to the dispute. Mr Nehru, or those speaking to his brief, said "No" to the United Nations Commission's arbitration proposal of August, 1949, though it was endorsed by President Truman and Mr Attlee and accepted by Pakistan. He said "No" to General McNaughton's proposals of December, 1949, which Pakistan again accepted. He said "No" to Sir Owen Dixon's scheme in July, 1950, though Pakistan was at least prepared to discuss this. He said "No" in January, 1951, to the three alternative proposals put forward by the Commonwealth Prime Ministers at the London conference, all of which were accepted by Pakistan. And now he has said "No" to Dr Graham.

Counsels of Despair

One thing at least is now certain, and that is that there is no place for any further attempts at negotiation or mediation. The Security Council can no longer postpone the evil day of decisive action. It has become fashionable, both in Karachi and elsewhere, to say pessimistically that the Security Council can and will do nothing. A pronouncement by Mr Daultana, the young and ambitious Chief Minister of the Punjab, is typical of the Pakistani attitude. He urged that the Pakistan Government should sever its connection with the United Nations without further ado, on the ground that that body is dominated by the Anglo-American bloc which will never see justice done at the expense of India.

But is there need for any such counsel of despair at this stage? After all, very substantial headway was made by the deliberations of the Security Council in March, 1951; the resolution adopted on that occasion committed it to call upon the parties to accept arbitration upon all outstanding points of difference in the event of their discussions with the United Nations representative failing to result in full agreement. Presumably the Council will not retreat from this position, and there is no reason to believe that the governments of the great powers intend to change their tune. During that memorable debate Sir Gladwyn Jebb, the representative of the United Kingdom, urged, with the support of the repre-

sentative of the United States, that arbitration in the form proposed could not in any way act to the detriment of the Government of India's rights and responsibilities. "Indeed," he added, "in a matter such as this, where an international agreement exists between two governments, it seems to us to be the only right course to accept arbitration on differences concerning its interpretation and application." Assuming, therefore, that the Security Council proceeds according to plan, we must expect Pakistan to agree to the proposed arbi-



tration (for it has always welcomed the idea) and India to refuse. What comes next? The general belief seems to be that the Security Council will simply fold up, as far as this dispute is concerned, and lapse into impotence. The ultimate result might well be war between Pakistan and India.

As a matter of fact, this must be one of the simplest disputes ever to come before the Security Council. No question of the merits of the claims of India and Pakistan is, properly speaking, at issue, for both sides have accepted, and repeatedly declared themselves in favour of, the proposition that the future of Kashmir shall be decided by a plebiscite. All that the Council has to do is to perform the mechanical task of ensuring a fair plebiscite under United Nations' supervision. This involves, as Sir Gladwyn Jebb emphasised in the March, 1951, session, the removal or disbandment of the military forces of all interested parties and their replacement by United Nations' forces which can have no interest to sway the vote either way. "As a principle," he said, "this seems to us so axiomatic that we can hardly believe that it will not be accepted by the Council and by those immediately concerned."

Mr Nehru's objection that, if Indian forces are withdrawn, the country will lie open to invasion by Pathan tribesmen can surely have no validity if the peace is to be kept by the United Nations' forces, which would take the place of the Indian and Pakistani forces on both sides of the cease-fire line. Pakistan in any case could hardly be expected to take the opportunity of invading Kashmir just when it had achieved its objective of securing fair conditions for a free plebiscite. If India refuses to accept arbitration on these comparatively minor disagreements on matters leading up to the plebiscite, the Security Council will have to prove its worth and act firmly.

Blue Print for Europe's Constitution

THE *ad hoc* constituent assembly that is to draw up a federal constitution for the six European countries belonging to the Coal and Steel Community and the proposed Defence Community met this week for the first time and appointed a small working group to get down to business immediately. In drafting a constitution for a European political authority, it will be breaking new ground; but as the accompanying chart shows (in simplified form) the road to European co-operation and integration is already thickly studded with organisations of different shapes and sizes, and of various capabilities and potentialities. They range from the Council of Europe, with its purely advisory functions, to the Defence Community (not yet actually in being) whose proposed common budget will—quite apart from its military provisions—make a definite inroad into the national sovereignty of member-states.

The relations between these organisations are equally varied. In the case of the Atlantic Council and the organs of the Defence Community, for instance, close links are formally provided in the treaty setting up the EDG. In other cases, more informal links are provided by the submission of reports from one body to another; and in other cases, still more tenuous links are formed by partial or wholly common membership. Between the Atlantic Council and the OEEC quite an important connection exists through the provision of background information for the Council by the OEEC's economic experts.

In adding yet another to the multiplicity of European organisations, the constituent assembly has no very specific brief on which to work. The Foreign Ministers of France, Italy, Germany, and the Benelux countries have defined its objective as

the establishment of common bases of economic development and a merging of the essential interests of the member states. And they have instructed the constituent assembly to study the constitution of a new assembly

elected on a democratic basis in such a way as to be able to form part of a subsequent federal or confederal system based on the principle of separate powers and, in particular, on a bicameral system of representation.

The constituent assembly also has before it the report of a committee of jurists headed by Professor Dehousse, of Liège University, which was asked by the Council of Europe to explore the legal problems of European federation. This

report is cautious and tentative in many of its conclusions and for some problems provides alternative solutions. But, unlike the six Foreign Ministers, it comes down firmly in favour of a federal (as opposed to a confederal) community, to which member states will make a real surrender of sovereignty.

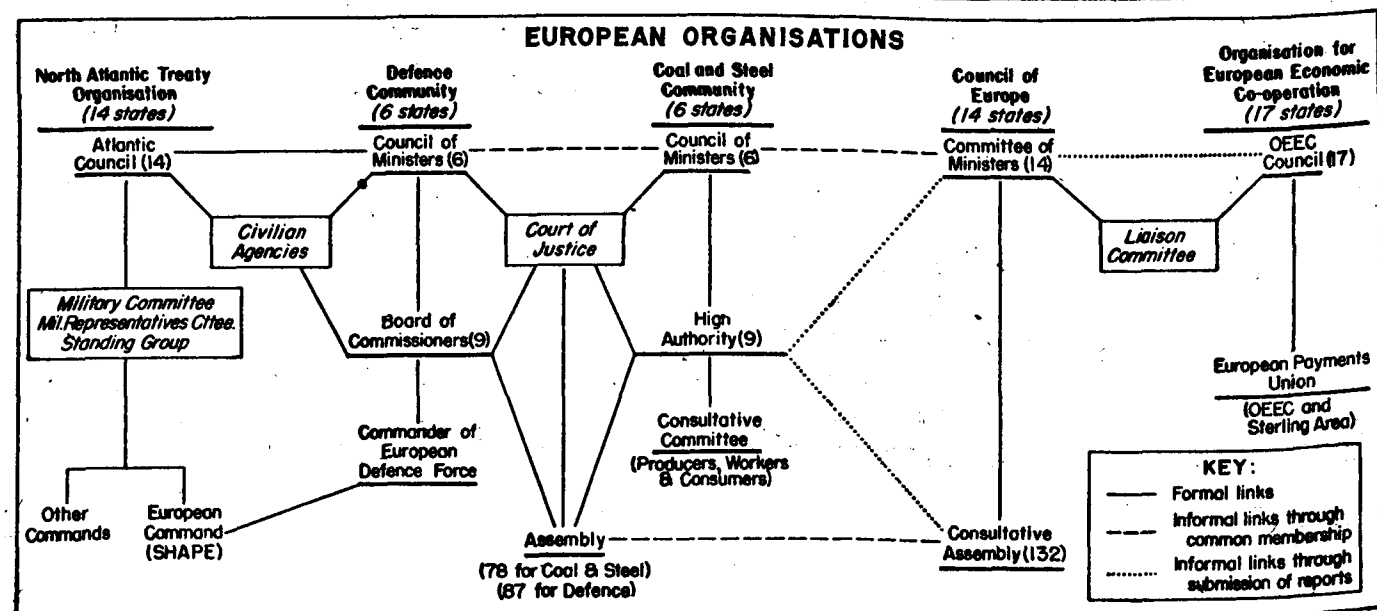
The Dehousse report suggests a bicameral legislature. The first Chamber should be elected by direct popular vote and its members should regard themselves as the representatives of Europe, not of their own countries. The second Chamber,

MEMBERSHIP OF EUROPEAN ORGANISATIONS

	OEEC	Nato	Council of Europe	Defence Community	Coal and Steel Community
Austria	★	...	...	...	...
Belgium	★	★	★	★	★
Denmark	★	★	★	...	...
Eire	★	...	★	...	...
France	★	★	★	★	★
Germany (Western)	★	...	★	★	★
Greece	★	★	★	...	...
Iceland	★	★	★	...	...
Italy	★	★	★	★	★
Luxembourg	★	★	★	★	★
Netherlands	★	★	★	★	★
Norway	★	★	★	...	...
Portugal	★	★	...	...	...
Sweden	★	...	★	...	...
Switzerland	★	...	...	...	...
Turkey	★	★	★	...	...
United Kingdom	★	★	★	...	...
Canada	...	★	...	...	...
United States	...	★	...	...	...

The Free Territory of Trieste belongs to the OEEC, and the Saar belongs to the Council of Europe. Canada and the United States are closely associated with the work of the OEEC.

which will represent the member-states, should be appointed by the national governments or by the governments and parliaments jointly; it should have no unanimity rule or right of veto. The executive, elected jointly by both Chambers, could, it is suggested, be modelled on either the Swiss or the American models, but the jurists show a preference for the former in which no one person plays the dominating role of the American President. They also believe that there will have to be a strong court of justice on the lines



THIS EXAMPLE of one of Honoré Daumier's famous caricatures of bourgeois society first appeared in the French comic journal *Charivari*. The title of the picture is a pun on the name of the subject, Baron Joseph de Podenas.

Daumier, who was born at Marseilles in 1808, often modelled his subjects in clay before drawing them on lithographic stone. His satirical drawing of King Louis Philippe as "Gargantua", which was published in *La Caricature* led to his imprisonment for six months.

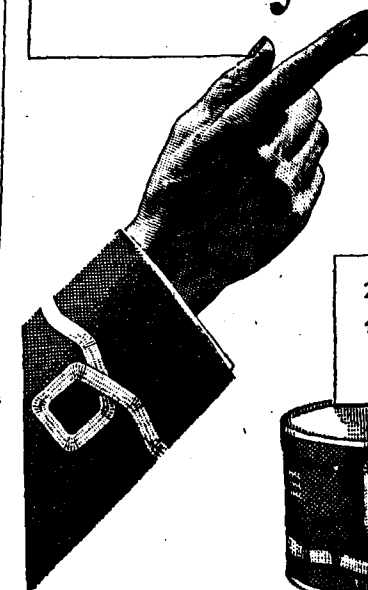
That Daumier's work continued to appear even after his imprisonment epitomises the traditional freedom of the Press in a free world. In contemporary times the caricaturist continues to satirise public figures with no hindrance except the censorship of good taste exercised by the Press itself.

Today the newspapers and journals of the free world, with their immense facilities for obtaining news and information, bring the searchlight of knowledge and comment to bear on world-wide affairs which otherwise might be conducted (and in countries where news is censored are so conducted) behind a curtain of secrecy. With a free press at his disposal no literate person need today be ill-informed.

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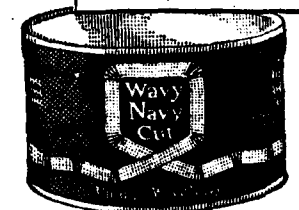
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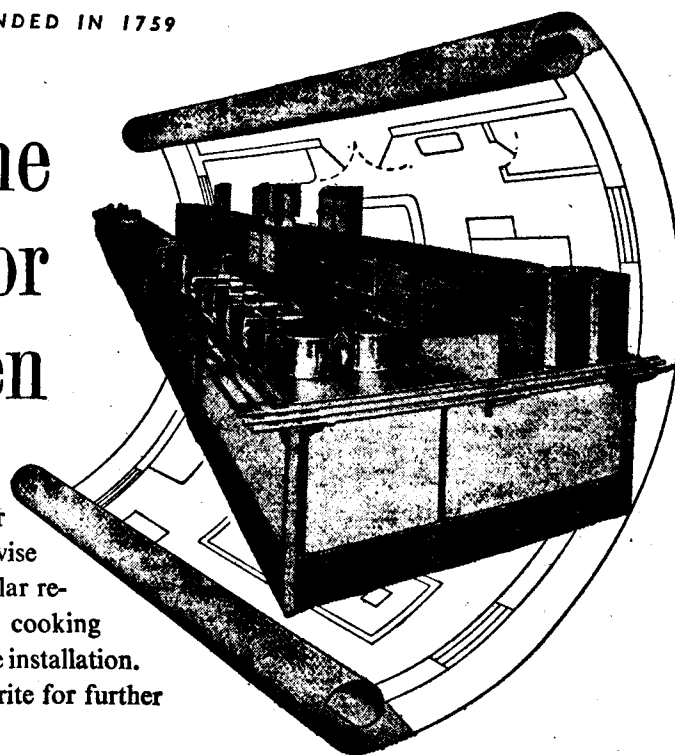


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of the American Supreme Court, to decide on any conflicts of authority between the community and the constituent states.

The Dehousse report suggests that the new community should not try to embrace too much power at once. Since the need for security against external aggression is the overriding common interest of the six nations, it proposes that the community should at first confine itself to defence. This would to a large extent involve control of foreign policy and the right to raise an appropriate revenue. The jurists consider that it would be wiser to postpone integration in other fields such as customs, foreign trade, currency and communications, but that the community should be given authority gradually to bring about integration in these and other spheres, subject in each case to the approval of the national parliaments concerned. In view of the immense complications involved in any economic or financial integration, this approach is probably right. But if the community is going to eschew all economic powers at first, it is not easy to see how the Coal and Steel Community is going to be fitted in. And in the field of defence, not the least difficult part of the constituent assembly's task will be to fit the new community into the wider Nato set-up. Nato has no supra-national powers, but it is already in the middle of a comprehensive task of defence planning. Similarly, at a later stage, the community can hardly move on to economic integration without forming some stout link with the OEEC which has already studied closely the problems involved.

Towards Sudanese Self-Government

WHEN the Sudanese Government Statute was drafted in Khartoum in the spring of this year, a schedule of dates was laid down for its amendment and passage into law. From the date of its communication by the Governor General to the co-dominion—Britain and Egypt—six months were to elapse. If in that period neither had objected, the Statute was automatically to become law. The date of communication was May 8th, and the six months are therefore up on November 9th. No answer or comment has yet been made by either government. It is not difficult to guess that their answers are the topic which General Nguib and the British Ambassador in Cairo are discussing during their conversations this week.

Egypt's position has somewhat altered with the recent change of regime. In the first place, ex-King Farouk's claim to sovereignty over the Sudan is no longer actual; in the second, the reserve displayed by the champions of Sudanese independence who talked with the Hilaly and Sirry governments in the summer revealed to Egyptian politicians a fact that most did not know before—that many Sudanese do not want to be politically linked with Egypt and that if the Egyptians want a connection, they must pay more respect to Sudanese aspirations than they have been wont to do. General Nguib knows the Sudan better than any of his predecessors did. Yet he is in a difficult position. If he delays an answer to Khartoum, a Sudanese constitution that Egypt does not like will become law. Yet if he offers amendments to it he flies in the teeth of much past Egyptian policy that was popular with the crowd; he admits to a status as co-dominus that his predecessors of the Wafd abrogated when they denounced the condominium agreement of 1899 and the Anglo-Egyptian treaty of 1936. Neither the British nor the Sudanese governments recognise this unilateral denunciation. In their eyes Egypt is still co-dominus. In the interest of good Egyptian relations both with the Sudan and with Britain, it would be as well, therefore, if the General can be helped to devise some association of Egypt with the new

arrangement—that is, for the period between November 9th and the Sudanese pronouncement on self-determination which is likely to take place in 1953.

Since *The Economist* last told the tale of the draft constitution in its issue of November 24, 1951, that document has undergone vicissitudes. It will be remembered that the Sudanese Constitution Amendment Commission, its work almost completed, broke down on an irrelevant issue. Its British chairman subsequently produced a report that served as a basis for discussion in both the Sudanese Executive Council and Legislative Assembly; the outcome of this was the document sent to London and Cairo in May. This draft statute, which is intended to cover the period until the Sudanese "decided freely for themselves the time when, and the method by which, their right to self-determination shall be exercised," provides for the following apparatus of government: a fully self-governing parliamentary democracy with a cabinet system of government; an all-Sudanese cabinet; a two chamber parliament of which the lower house is to be wholly, and the upper house three-fifths, elected; and a British Governor General as head of the State. This last will have powers less than at present, since he is entitled to act only upon the advice of his ministers except on four reserved matters; these matters are foreign affairs, civil service contracts, the affairs of the Southern Sudan and "in time of crisis," when he is empowered to act "either constitutionally or financially or if law and order are gravely menaced." Naturally, these last provisos furnish all those who are opposed to continuance of any British influence in the Sudan with plentiful arguments about disguised maintenance of British imperialism. Egyptians, though they said nothing official because of the legal stand they had taken, let it be known privately how greatly they objected to the suggestion that the Governor General would be, even temporarily, "head" of the state. Elections for the new chamber are due to take place as soon as the electoral lists are completed; these are not yet quite ready, but will be soon after the rains which are now coming to an end. Before the rains began, several parties had started electioneering.

Confused Party Scene

The party scene in the Sudan, always confusing, has become even more so as a result of this year's vicissitudes in Egypt which have somewhat altered the views of pro-Egyptian and even of anti-Egyptian parties. At one time the Umma party, standing for independence and following Sayed Sir Abdel Rahman el-Mahdi Pasha, was the only important group favouring complete severance from Egypt, while the Ashigga was the chief of the unity parties. (Ashigga vehemence used to wax and wane with the volume of financial assistance it received from Cairo.) The folly of the Wafd in claiming complete dominance over Sudanese affairs altered this picture, and called forth groups which, while not wanting Egypt, did not for sectarian reasons want Mahdist leadership either. The instability of Egyptian politics in 1952 accelerated this trend; at the same time, Sir Abdel Rahman's willingness to talk with a succession of Egyptian governments confused many minds in the Sudan. He had always been regarded as an adversary of the Egyptian crown; suddenly, his adversaries were faced with the fear that he might, while abroad, do some deal whereby sects other than his own would find themselves worsted.

A situation has therefore arisen in which the Umma is not the only party favouring independence; others of that mind are a Sudanese Republican party and a group of Khatmia—that is, orthodox Moslem and anti-Mahdist sectarians; it is an open question whether these two groups, if they were to join forces, would outnumber the Umma supporters. All combined now certainly outnumber the groups favouring union with Egypt, though not necessarily the groups which are simply anti-British, and would prefer to conduct their march towards self determination under international, not

British auspices. The chief of these last is a body that calls itself the United Front for Sudanese Liberation, which consists of organised labour, some unions of officials, the Ashigga and the Unionists; it stands for non-co-operation with any Sudanese government that works upon British suggestions, and is therefore bound to boycott the elections when they occur. The Umma party, which has the great merit that it has taken part in the government at every stage, in the years of progress towards autonomy, will certainly take part in them. Whether or no other parties do so may well depend on how much they suspect—a wholly mistaken suspicion—that Sayed Sir Abdel Rahman el-Mahdi Pasha has undertaken his present grand tour to London and elsewhere in order to fix matters in his own favour. In the interests of a workable democracy it would be a good thing if all were to go to the polls.

Looking ahead, therefore, there are grounds for anxiety both as regards Anglo-Egyptian relations and as regards internal peace in the Sudan. If General Neguib cannot see his way to offering or accepting some participation in future arrangements (such as a seat on an international commission of the kind that has been several times suggested for supervising matters during the elections and after) Anglo-Egyptian relations are bound to suffer. And if Sudanese self-government is born lopsided because most parties boycott the elections, democracy is bound to fail. No one can regard its chances as rosy. In almost every neighbouring underdeveloped state, it has failed, and given place to dictatorship. Yet since all Sudanese want it, and since they cannot, for sectarian reasons, agree upon a monarch, there is no alternative but to try it.

Norway in Nato—II

The Economic and Political Background

[FROM OUR SCANDINAVIAN CORRESPONDENT]

SINCE the war Norway has been spending on defence an average of 3 per cent of its national income each year. At first sight this seems rather a small percentage, but the comparative poverty of the country and the peculiar difficulties and high cost of making good the heavy war damage, especially in the far northern county of Finnmark, make the Norwegian contribution somewhat larger in real terms than its statistical rating might suggest. Norway has no idle resources, no surplus industrial capacity to devote to rearmament. Most important, it must for practical purposes get all its weapons and equipment from abroad. Thus the Norwegian effort is designed primarily to produce men and facilities capable of putting to their best use the arms and equipment it receives as a member of Nato.

Norway's chief contribution to Nato is, strategically speaking, the provision of important air and naval bases and of the forces to guard them. Economically speaking, therefore, the strain is twofold. There is the increased cost of larger forces and, secondly, there are the claims on labour and resources made by the military construction programme. Some idea of the size of the first of these components was given in a previous article. The effect of the second must now be considered.

It can be said straightaway that the military construction programme is within Norway's capacity and does not impose a particularly large strain on its resources. But it does mean that cherished schemes for rehousing many people will have to be postponed for several years. As the Finance Minister said in his Budget Speech on January 13th:—"Broadly speaking, defence will be the central task in the next two or three years." The very competent white paper issued

by the Defence Department to explain the present programme estimates that in 1951-52 about 3.7 per cent of the total working population was engaged in defence work of all kinds, while the figure for 1952-53 will be about 4.6 per cent. The numbers of military personnel and civilians employed by the Services will rise from 46,400 to 53,000. Corresponding figures for both civil and military employees working on defence construction are 9,209 and 15,359 respectively—which means that in 1952 defence needs will take about 7.8 per cent of the available building labour. Nor are the claims on building materials much higher—8.3 per cent of the building timber, 10.7 per cent of the cement and 6 per cent of the building stone produced. There have, it is true, been reports that with the aim of completing certain projects in North Norway, particularly airfields, as soon as possible, wages were being offered which upset the labour market and caused difficulties for local firms. Investigations by the Defence Ministry, however, showed that there was little substance in such accounts: and, in any case, military construction work in North Norway is welcomed to offset local unemployment.

On a broader view, and overlooking any benefits arising out of the improved communications which military needs have created, Norway's economy—its production and its trade—is little affected by defence plans. It is estimated by the Defence Ministry that, in the three years ending in July, 1954, present plans will call for an expenditure of Kr. 343 million in foreign currency, of which just over Kr. 29 million will be in dollars. Against this must be set payments by the Mutual Security Agency for the expansion of the country's two small ammunition factories, the reconstruction of the main naval dockyard, the establishment of an ultra-short-wave link between Stavanger and Bergen, the construction of five minesweepers and various similar projects.

Anxiety Over Exports

The general trend of Norway's trade, however, gives more cause for concern. Recent developments are hitting the country in its three most important exports—fats and oils, pulp paper and timber, and shipping services. Revenues from these items account for about 60 per cent of the country's total export income: and in the last few months they have all fallen. In the first six months of the year, it is true, there was a surplus of Kr. 250 million in Norway's balance of payments compared with a deficit of Kr. 40 million in the first half of last year. This was due mainly to the increased earnings from ore and base metal exports and from sales of fish and paper pulp. But the decline in income from the three important items mentioned above is now making itself felt.

It is against this background that far-reaching proposals for increasing state control of economic activity are being debated. Early in July a committee produced (in three volumes and some 600 pages) its recommendations for a price control and rationalisation law. They have been criticised heavily and, in some quarters, likened to the strict controls imposed in Nazi Germany. In brief, they would give the state complete and detailed control of the country's economy. They have now been reviewed by interested departments and the draft law based on them will certainly be much less severe than the committee's original proposals. Even so, until the law is passed, which may not be until Christmas or even until the Storting's 1953 summer recess, there will be a period of unusually lively and heated discussion on Norway's economic affairs.

This indeed is likely to be the main focus of political interest. But, from the point of view of Norway's position in Nato, there are two other political factors of some importance. The first is the extent of "Bevanism," or the "third force" idea. There are about 18 members of the Storting who might be classed as "neutralists" and they have a small but vocal following in intellectual circles. They represent

partly the old pacifist traditions of the Norwegian Labour Party, partly the understandable, if unrealistic, attempt to rationalise a natural dislike at being compelled to spend money on defence when there is so much else to spend it on. But as a political force they are negligible.

The second political factor is the delicacy of Norway's relations with the Soviet Union. It has withheld permission to station permanent Nato forces in its bases largely in order to deprive Moscow of valid grounds for complaint. But if one recalls the Norwegian attitude in the crucial days of 1949 before the die was cast, one must concede that national honour *propre* also plays its part. The Norwegians are determined, so far as they can, to make the defence of their country a Norwegian affair, even if it is fitted into the framework of Nato.

(Concluded.)

Hands Across the Atlantic

At times, the North Atlantic Treaty Organisation gives the impression of an entity without visible means of support. Remote, impersonal and complex, it scarcely involves the emotions of any of the hundreds of millions of people to whom it holds out the hope of peace and security. Its secretary-general, Lord Ismay, told a conference in Oxford earlier this month that, when he assumed his post:

I set out to inquire, and I got no evidence of any considerable popular support for Nato. On the contrary, I got the impression of a general lack of knowledge, of interest and of faith. Accordingly I formed the conclusion, and the Council agreed, that one of our first tasks should be a crusade against ignorance and apathy.

The international study conference on the Atlantic Community which Lord Ismay was addressing was already dedicated to precisely such a crusade. Although it heard speeches on general themes by such personalities as Senator Kefauver, Mr William Draper, and the permanent representatives on the Atlantic Council of Canada, Greece and Italy, it did not involve itself in analysing the nature and aims of the Atlantic partnership. Instead, taking the value of that partnership for granted, it applied its time to suggesting how public support for it could be developed and maintained.

Despite Lord Ismay's efforts, Nato itself has not as yet found means to publicise its objects and activities on any large scale. Its information staff, numbering less than forty, are neither adequate nor authorised to conduct educational campaigns throughout the fourteen member countries; and if they were able to do so, they would inevitably run into the same difficulty as their counterparts in the United Nations—the impossibility of producing lively material and at the same time satisfying the susceptibilities of all the governments to which they are responsible.

Recognising these limitations, the Oxford conference concentrated on discussing the best methods of encouraging the growth of popular support for Nato by unofficial action. The result was the evolution of a number of sensible proposals in the fields of adult and ordinary education, radio, films and publications. If at times the conference tended to take on the appearance of one of Unesco's endless debates on "mass media," it also displayed a streak of shrewd realism. The idea that new student societies should be formed to propagate Nato was played down in favour of working through existing student bodies, of which there are undeniably enough already. It was suggested that people might be able to attend holiday courses on Nato in other Atlantic countries without using up their foreign currency if their expenses were cleared against those of people moving in the opposite direction. The need for international courses for civil servants was stressed, and it was hoped that representative military units could be sent on exchange visits between member countries. As to the matter of the various educa-

tional programmes envisaged, it was agreed that special pleading must be eschewed and objective fact stressed, but that no full understanding of the necessity for the Atlantic alliance could be imparted unless the facts about recent Communist policies were also outlined.

Teachers and government departments alike may groan at the prospect of adding to their responsibilities in the ways recommended by this conference. Some of the recommendations stand no chance of fulfilment at any early date—for example, the issue of "Atlantic identity cards" to permit free movement between Nato countries without passport or visa. But many of them, such as the publication of school handbooks on Nato, an increase in broadcasting on Atlantic themes, and better preparation of soldiers and airmen before they are stationed in allied territory, are perfectly practicable, given a modest amount of energy, imagination and expenditure. Member governments should take the Oxford conference's suggestions seriously.

Czech Trade Unions Reorganised

[FROM OUR VIENNA CORRESPONDENT]

THOSE interested in the rake's progress of trade unionism in a state which is "building socialism" may derive much profit from examining the present position in Czechoslovakia, where the "Revolutionary Trade Union Movement" (ROH) and its governing body, URO (corresponding roughly to the British TUC), are now in process of "re-organisation."

The changes in the functions of the unions began when the Communists seized power in February, 1948. At that moment, which coincided with the nationalisation of nearly all industrial undertakings, the workers had, theoretically, won their victory against capitalism and the original *raison d'être* of the unions—the protection of the workers against capitalist exploitation—came abruptly to an end. But instead of dissolving the unions, the Communist party skillfully incorporated them into the state organisation and gave them the new task of "educating" the workers into being worthy of the hire meted out to them by the politicians who have taken over from the dispossessed private capitalists.

The "new look" given to, and by, the trade union officials at once brought them into conflict with the rank and file of the movement, and already in June, 1948, less than four months after the Communist *coup d'état*, Comrade Zapo-

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tocky, who was then Chairman of URO as well as Premier, launched a bitter attack on the workers whose leader he was supposed to be. Their output, he complained, was not enough to warrant the continuance of the high wages they were getting. The workers, he went on, wanted to get everything and give as little as possible in exchange. There were too many missed shifts, too many people who pretended to be ill, too many fires, too much movement of labour from one factory to another, too much stealing, too much carelessness in handling machinery. Comrade Zapotocky has been saying the same thing at intervals ever since, always stressing, however, that the fault lies with the trade union officials and the management.

During their first two years of power, the Communist rulers of Czechoslovakia went on trying to make the trade unions change their spots. Having failed, they decided to effect a complete separation between the unions and the politicians. In the summer of 1950, Mr Zapotocky, at a meeting at which he was reported to have broken down and wept, resigned all his trade union functions and called upon all others holding both union and political jobs to choose that day whether they would henceforward serve a political god or an industrial mammon. But still the new look remained unfashionable, and within a year talk of "reorganisation" began afresh. The pot finally boiled on July 18th last when a special meeting of URO sacked (but without purging) the Slovak chairman, Mr Zupka, who had taken over from Mr Zapotocky, put Mr Kliment, the Minister of Heavy Industry, in his place and brought back the Premier himself into the presidium of the new URO. At the same time the whole trade union movement was pulled to pieces and put together again. The number of unions was increased to 25. The new general council, though it also consists of 25 members, no longer represents the individual unions but is "a politically directive organ" the object of which is "to guide the trade union movement in fulfilling the tasks for the building of socialism." The process has, of course, been accompanied by the usual weeding out of political undesirables.

Examination of Comrade Zapotocky's speech on this occasion shows that many trade union officials, unlike Comrade Zapotocky, have been unable to accustom themselves to the changed duties they are now expected to perform. There is, in fact, more than a suspicion of "social democracy" still left in their make-up. Either they secretly sympathise with the workers to whom they are expected to impart the new look in the interests of state capitalism or they get busy not merely with the whips of private enterprise but with the far more effective scorpions of a completely nationalised industrial system. They have also been known, not infrequently, to use their new powers to enrich themselves.

Unsatisfactory Officials

The Prime Minister's speech also threw a vivid light on other worries facing the unions. He was especially bitter about the trade union functionaries who are sent to the "new look" training courses. In some trade union schools, he said, "10,000 crowns are paid to students in addition to board and lodging. Then, when they go back to their factories, these students take up no union function at all." In other words, either they are afraid to put into practice what they have been taught or they still have too much of the old trade union spirit left to be willing to do so. Meanwhile they have at least had a nice holiday at the State's expense.

The three principal functions of trade unions in a "people's democracy" are given by Mr Zapotocky in his speech on July 18th, are: to reduce production costs, to consolidate working discipline and to develop socialist competition. At present, he added, "the unions definitely are not fulfilling these tasks. That is why they must be reorganised." In spite of the fact that the meeting he was addressing had just voted

to establish a political directorate in place of the old professional one, he went on to say:

The trade unions are a unified organisation of the working people and therefore are not Communist. . . . The Communist party of Czechoslovakia has never dictated to the trade unions and those who, like Slansky and company, tried to do so pursued a bad, un-Communist policy.

Six days later, Lubomir Subrt, writing in the trade union journal, *Prace*, said:

The trade unions must subordinate themselves to the leadership of the Communist party if they do not want to depart from the right path. . . . The Communist party is the decisive factor in all problems which occur during the building of socialism. . . . Many trade union functionaries cannot adjust themselves to their new tasks such as political activity among the masses.

These two totally contradictory pronouncements suggest that the reorganisation now in progress is going on in an atmosphere of complete muddle. Mr Zapotocky maintains that there should be no Communist dictation to the trade unions. He stands in fact for a policy in which the union officials "persuade" the workers instead of dictating to them. Mr Subrt, on the other hand, instructs the same officials to do only what they are told by the Communist party to do. The new URO presidium of which Mr Zapotocky is the leading member evidently agrees with the latter. At a meeting on August 21st, it complained about the political level of union functionaries and ordered them to receive political education outside working hours. The object of political education, of course, is to enable the union leaders to bring the workers into a state of mind when they really will "produce more today than yesterday."

"Persuading" the Workers

The workers, in short, must be "persuaded" by hook, crook, whips or scorpions to give up the old eight hour day in favour of a system under which they must go on working with no extra pay until their "norm" has been fulfilled. They must be "persuaded" to welcome the introduction of arbitrary and often unpaid extra weekend shifts and to give up their "Bolshevik Saturday" which the miners won in 1921, at the whim of the Government and for the benefit not of themselves but of the socialist fatherland, the Soviet Union. When they do not close the gap between output and wages, the real wages are cut by raising either norms or prices or both alternately; in addition, the hardly-won privileges the workers fought for against private capitalism are taken away or transformed into a machine for keeping their noses well down on the nationalised grindstone. Thus when a Soviet trade union delegation visited Czechoslovakia this summer, one of its members, Comrade Osipov, pointed out that the existing method of basing the payment of relief on the amount of subscriptions and the length of membership "is not an incentive to work." When granting relief, he went on, "not only should the social conditions of the union member be taken into consideration but also the results of his work." Commenting on this, the trade union fortnightly *Odbor* said ominously that the standpoint of Comrade Osipov "is certainly right. The existing formula for paying relief is becoming out of date."

In such circumstances it can be surmised that however much the trade unions are reorganised, the workers will not be best pleased. The object of the reorganisation is clearly to bring pressure on them to work harder still and harder for the benefit not primarily of themselves and their families but of "socialism." Nevertheless, the very fact that reorganisation is again considered necessary is proof that so far the Communists have failed either to win over or to subdue the Czech workers.

Correction.—The statement about the number of Russian divisions in Austria in last week's article entitled "Austria and the Four Colonels" was erroneous. The forces in question may amount to some four divisions.

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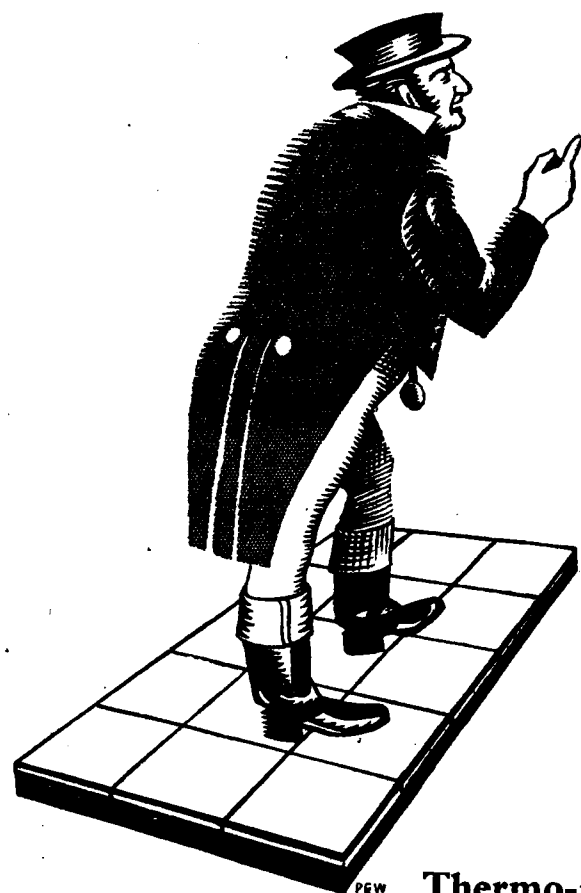
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THE BUSINESS WORLD

European Export Subsidies

MOST of the major trading countries of Western Europe—except Britain, Belgium, Switzerland and Sweden—now subsidise their exports in one way or another. The oldest and most familiar forms of subsidy are by way of tax rebates. The newest bear a strong family resemblance to the Schachtian devices that gained such notoriety in the 'thirties. They are the so-called "currency retention" schemes, which came under heavy criticism at the meeting of Governors of the International Monetary Fund in Mexico City earlier this month. An IMF committee is now enquiring into these schemes, and presumably it will try to exorcise them; since the Fund lacks any weapons more potent than the traditional bell, book and candle, however, it must remain to be seen whether exorcism will have much effect. Certainly the fact that these schemes are now under investigation does not mean that this country can expect any immediate respite from the unfair competition that they generate. It is not surprising, therefore, that some voices have recently been raised to urge that these dubious weapons of selective devaluation should be added to Britain's own armoury. Imitation, it is argued, is not always a sincere form of flattery; it is sometimes merely the best available means of self-defence.

The first step in any discussion of this problem must obviously be to find out how far these various sorts of subsidy have been allowed to spread in continental Europe. The complexity of European tax and exchange control systems means that even this preliminary task is not an easy one; and it may be that the IMF committee will be able to unearth more systems of export subsidy—especially disguised ones—than can any private hunt. The export subsidy schemes that are known to be in operation in Western Europe are, however, summarised at the end of this article. It will be seen that three countries—Germany, France and Austria—now openly give tax rebates to exporters; and that Italy has already decided to follow them, while Holland seems to be on the verge of doing so. The French tax rebate system can amount, on some products at any rate, to a subsidy on export prices of as much as 10 per cent. The German and Austrian tax rebate systems are not quite as effective as this; but each of these countries operates a more virulent form of currency retention scheme than that in force in France.

All the countries that operate tax rebate systems have also set in hand facilities for the provision of cheap credits to exporters. In these, Germany has led the field. Until it exhausted its resources at the end of 1951, the German Reconstruction Credit Institute granted credits of up to four years' maturity to exporters, at a maximum interest rate of 5½ per cent; German exporters have also benefited from the fact that 90-day export bills and export drafts (credits advanced against firm export orders) have been discounted by the German central bank at the rates

ruling in the markets to which the goods are to be exported—which are usually much lower rates than those current in Germany. In addition, German exporters can insure themselves on favourable terms against foreign risks—other than foreign exchange and price risks—through the officially sponsored Hermes Insurance Company and the Deutsche und Treuhand A.G. Now that the Reconstruction Credit Institute has exhausted its resources (which came mainly out of the "counterpart funds" to American aid) the whole system of export credits in Germany is in a state of flux; but the new finance company, the Ausfuhrkredit A.G. (set up by a consortium of private banks), is expected to work along much the same lines as its predecessor—certainly so far as long-term credits are concerned. Like France, Italy and Austria, the German Government has also intervened to ensure that manufacturers receive sufficient credits to enable them to buy raw materials that are essential for export production; the French Government, indeed, guarantees bank loans to potential dollar exporters for this purpose, and the Italian and Austrian Governments provide part of such credits themselves at specially low rates of interest.

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These credit facilities have not been included in the summary of export subsidies at the end of this article, for in some cases they can fairly be regarded as necessary bridges across the void of local capital markets, rather than as devices to steal a march on foreign competitors; the Germans, for example, would strongly oppose any suggestion that their export credit and insurance schemes contain any significant element of subsidy. It is obvious, however, that no such disclaimer can be made on behalf of the currency retention schemes now in operation in six countries of Western Europe. These retention schemes are weapons of competitive and selective devaluation of the worst kind. The first important scheme was introduced by Holland in the early autumn of 1949; since then Dutch exporters have been allowed to retain 10 per cent of their dollar earnings and sell them in the free market at a premium that has hovered around 70 per cent (in other words, they have obtained a premium of about 7 per cent on their dollar exports as a whole). The object of offering this premium was to induce Dutch merchants to search diligently in North American markets to find what Dutch products they could sell there; but the premium has inevitably induced them also to search diligently to find what foreign goods they can shunt there. The spread of currency retention schemes in five other European countries—Germany, France, Denmark, Norway and (to a limited extent) Austria—has been partly due to their reaction to this shunting by Dutch merchants. In each of these five countries, however, as will be seen from the summary

below, the dollars that can be retained by exporters do not carry with them automatic rights to purchase every sort of product in the dollar area; in consequence, the premium they have accorded to local dollar exporters has usually been less than the Dutch merchants' 7 per cent.

There seem to have been three phases in Britain's reaction to the spread of these schemes. At first, the authorities were merely concerned to see that the schemes did not lead to increased shunting of sterling area commodities. The Bank of England has negotiated some not entirely ineffective "gentleman's agreements" with the central banks of the countries concerned. In the course of these and similar negotiations the British authorities probably expressed strong and sincere convictions about the commercial immorality of currency retention devices—thus making it difficult for Britain later to embrace them itself without a severe loss of face. In the second phase—beginning, broadly speaking, at the turn of this year—the British Government seems, however, seriously to have considered taking a leaf out of other people's bad books. But it soon became apparent that the introduction of any export bonus scheme in this country would entail much administrative inconvenience and many glaring inequities; many leading British industrialists, although bitterly critical of subsidised German competition, were opposed to schemes that would benefit merchants more directly than they would benefit manufacturing industry. In the third phase, therefore, the British Government, speaking through Sir Arthur Salter at Mexico City, threw its weight behind the Belgian crusade against these schemes. Since the

Government believes that many European countries have resorted to currency retention devices only in defence against themselves, it hopes that an IMF attempt at exorcism might be more widely obeyed than past history—for example, the history of the IMF's injunctions against premium gold sales—would suggest.

There, at the moment, the matter rests—another manifestation, perhaps, of the present era of uneasy equipoise. In most cases where administrative convenience pulls one way and immediate economic advantage seems to pull the other, outside observers are wise to try to prod Whitehall into action. But this instance is the exception that proves the rule. If Britain were once to take the plunge into the morass of this soggy neo-Schachtianism, it would find great difficulty in extricating itself ever again. There are, it is true, certain hypotheses on which the case for the introduction of a currency retention scheme in Britain would have to be conceded. They are: if it were accepted that European currencies must always be inconvertible and overvalued against the dollar; if it were considered that demand at home and in soft currency countries will always be so excessive that only discriminating devices will divert sales to hard currency markets; and if it were conceded that the long age of multilateralism is over and that countries that live in the shadow of dollar shortage will always bend their main effort to stealing marches from each other in the dark. But the week in which an army of Commonwealth officials has gathered in Great George Street to plot the strategy of long-term advance is not the time to sound over their heads such a wail for tactical retreat.

European Export Subsidies Summarised

Tax Rebates to Exporters

(1) **Germany.** When calculating their profits for purposes of income tax (but not for purposes of the 12½ per cent trade tax on profits) manufacturers may deduct 3 per cent, and export merchants 1 per cent, from their export earnings; deductions of from 6 to 10 per cent may also be made from earnings on transit trade and of from 1 to 4 per cent on income from services rendered abroad. In addition, manufacturers may set aside another 3 per cent, and export merchants another 1 per cent, of their export earnings into a special reserve; tax payments on earnings transferred to this reserve can be spread over ten years. Export transactions are exempt—or partly exempt—from the tax on bills of exchange (normal rate DM 0.15 per DM 100) and on transport insurance (normal rate 5 per cent of premium), while rebates are allowed on the turnover tax (normal rate 4 per cent of turnover), amounting to 2½ per cent for exports of finished goods, 1 per cent for exports of semi-manufactures, and ½ per cent for other exports. In all cases export earnings must exceed DM 5,000 per business year before deductions are allowed.

(2) **France.** Exporters of a wide range of goods may claim reimbursement of a proportion of their social security charges and salary taxes, dependent upon the proportion of these charges that they can attribute to their production for export. Exporters of some (but not all) of these goods may also claim reimbursement of from one-third to eight-fifteenths of the production and turnover tax that they can attribute to these exports. Exports to Argentina and iron curtain countries do not qualify for any of these rebates.

(3) **Austria.** Turnover tax (normal rate 1.2 per cent) is refunded on certain exported goods, excluding goods that are "easy to sell abroad."

(4) **Italy.** A scheme is being brought into effect by which the general trading tax will be refunded on certain exports to hard currency areas.

(5) **Holland.** Tax allowances and accelerated depreciated provisions for exporters are under consideration.

Currency Retention Schemes

(1) **Germany.** Two schemes are in operation: (a) Exporters may set aside 4 per cent of their net export earnings into a special non-transferable bank account, out of which payments can be made for the purchases of certain scheduled raw materials and auxiliary goods. American dollars are separated from other currencies in this account and may be

used for the purchase of the scheduled goods from any area. Earnings from exports of food and other scarce goods do not qualify. (b) Exporters receive transferable "import drawing rights" equivalent to 40 per cent of their earnings of US dollars or Swiss francs. These drawing rights, which can be sold for a substantial premium on the free market,

permit the holder to import a wide (but not all-embracing) range of consumer and other goods from dollar countries.

(2) **France.** Exporters may retain 12 per cent of their hard currency earnings and 10 per cent of other foreign currency earnings for purposes related to their business—e.g., purchases of foreign raw materials, selling expenses abroad, etc. In addition, they may retain another 3 per cent of their hard currency earnings for the purchase of any kind of imports.

(3) **Holland.** Exporters can retain 10 per cent of their dollar earnings for the purchase of any kind of imports. These dollars are freely transferable, and have recently fetched around Fl 6.50 to the \$ on the free market, compared with the official rate of Fl 3.80 to the \$.

(4) **Denmark.** Exporters receive "import licence promises" equal to 10 per cent of their earnings of U.S. or Canadian dollars. These import licences are available for purchases from Western Europe and sterling area countries only, but they can be sold for substantial premiums.

(5) **Norway.** Exporters can retain 10 per cent of their dollar earnings for the import of certain essential goods and equipment, mainly those designed to promote dollar exports.

(6) **Austria.** Exporters of goods that are difficult to sell abroad can retain a percentage of their foreign exchange, the exact retention from each transaction being agreed with the Austrian National Bank. This foreign exchange can be sold to merchants for the purchase of certain imports that are not otherwise allowed.

Machine Tools over the Hump

ONE of the main objects with which the Machine Tool Trades Association was founded in 1911 was to stop machine tool exhibitions being held too often. The exhibition that the Association is now holding at Olympia is its first for four years; even so, it is perhaps traditional that some in the industry should have argued that an exhibition in 1952 would be one too many. To put on a show of this kind costs a lot of money and effort in bringing together a company's latest machines and sometimes in producing prototypes, and it diverts some of the company's best technical staff from their most pressing job, in 1952, of satisfying a backlog of orders. This exhibition, it was argued last year, would interfere with the industry's heavy responsibility of tool production for defence. It is also not entirely a coincidence that three days before the exhibition at Olympia opened a European machine tool exhibition began in Hanover. Though the British exhibition is named the International Machine Tool Exhibition, and, in fact, more than 400 of the thousand or so tools to be seen on British manufacturers' or importers' stands are foreign made, few foreign makers have their own stands; at Hanover, while there are French, Belgian, Dutch, Italian, Swedish and Swiss exhibitors as well as German, there are hardly any British exhibitors and few British tools.

Formally, the main reason why Britain is not represented at Hanover is that the "European Committee for the Co-operation of Machine Tool Industries," which was set up in October, 1950, restricts its annual exhibitions to machine tool manufacturers showing their own equipment. In Britain many of the companies are traditionally merchants as well as manufacturers of machine tools; the Machine Tool Trades Association, which includes importers, therefore decided it could not take part. But the tool requirements of British defence, and the recent growth of European machine tool output, and the British industry's desire to show its best products in its own shop window, are rather more closely connected.

At a time when most British defence industries are still several months or more away from feeling the full weight of their rearmament work, the machine tool industry is probably "over the hump" of its defence task. Some 36,000 tools were ordered for defence. More than half of these have been delivered, and by next spring almost all the rearmament demand should have been cleared, apart from repeat orders and certain special tools of which production is tiny. This timing is logical enough in any defence plan; the tools must be on hand before the other defence industries can begin to make armaments with them. It is a credit to the industry and to foreign tool makers that the operation has gone according to plan. But it has been mainly achieved by a deliberate policy of holding the full weight of defence demand off the British machine tool industry and going abroad for half the tools: a successful policy that has at once preserved the British position in the export markets for machine tools and, perhaps, hastened the advent of serious competition.

The tool problem of defence planning in 1950-51 was not simple. The British industry was already extended; it was sending overseas about a third of the 45,000 tools

it was producing each year, and increasing its export commitments. In particular, it had just achieved a successful penetration of the Canadian market for machine tools, hitherto an American preserve, and the Canadians, already afraid that their deliveries might be cut, were warning the British tool industry that if it should pull out of Canada, even for defence, it would do so for the last time. In any case, not more than three-fifths of the British tool output was of any use for defence, and a third of this was mortgaged for export orders. If the British industry had been called upon to provide all the defence requirements (except certain special tools unobtainable here in sufficient numbers), it would have involved the whole of its capacity for making these classes of tool, the turning away of export orders, and the postponement of deliveries for civil customers for years. Indeed, it would also have needed the diversion to tool manufacture of perhaps 80 per cent of British printing equipment manufacture, half of fine textile equipment manufacture, and part of the diesel engine industry. On the other hand, Britain seemed well off in overseas purchasing power, with the hope of defence credits from America and an accumulation of EPU credits in Europe. The Ministry of Supply decided to use this to buy a large proportion of the tools overseas.

The Ministry began by placing orders for more than 9,000 tools in the United States, where the machine tool industry was facing slump conditions and welcomed the orders. That looked very well until about five months later the American authorities discovered that their own vast defence programme would also need some tools. They were good enough to grant Britain about \$120 million to pay for American tools; but at the same time Britain had to agree to cut its orders down to some 6,000 tools, mainly of types not readily available or not made at all outside the United States. The Ministry had to lay off the balance of its requirements in Britain and in Europe. It placed orders for 12,000 tools in Europe; at the same time, it revised its demand on the home manufacturers from about 15,000 to 18,000. That demand represents, over the two years of the planned programme, about half the output of the types of tool concerned that would be available for British industrial customers. For certain special tools and certain high-capacity sizes of tool, it represented much more; Mr. S. W. Rawson, who came from industry to the Ministry's Machine Tool Directorate, has said that the number of big turret lathes available in Britain and the United States, for example, would have been about 25 per cent less than were needed for the British and American aircraft programmes plus less than half the American land armament programme, while supplies of some other tools were even more hopelessly inadequate.

The British machine tool industry was left to satisfy about half of the defence needs. This involved diversion of tools from British customers for whom they were being custom-made, but less diversion than was expected, because the industry has achieved a remarkable increase in production. Last year its total output rose to about 54,000 tools, worth £47 million, an increase of about 20 per cent on its static volume of output in recent years, and in the first four months of this year it was producing

at the rate of some 62,000 tools a year. There has been very little diversion of tools ordered by overseas customers.

Today about half the foreign tools, and probably rather more of the British, have been delivered. Delivery periods for most of the European tools have been shorter than here, but these orders were mainly supplementary to British and American orders, and thus placed later; most of the tools have arrived on schedule, though the Italian makers ran into some difficulties. By the spring of next year, defence demand should have fallen back to a number of special tools, and the filling of the unsuspected gaps that always appear: much defence work is now being done by main contractors and subcontractors on existing tools that are being driven hard and wearing out fast. A few makers of particular types of machines, of course, will remain preoccupied with defence for another two and a half years.

Today, looking at this official tool policy from the other end, some disadvantages have emerged; but it is fair to say that in spite of them it seems a strikingly successful example of co-operation between Government and industry. The cost of the tools, certainly, may have been multiplied. The £48 million worth of tools that have been imported since the middle of 1951 (at about seven times the rate of imports in 1949 and 1950) have cost far more than the British tools being sent overseas; though it is not easy to compare them type for type, there is no doubt that the Ministry has paid dearly for certain tools of types that British makers were at the same time sending abroad at much lower prices. The dollar tools, admittedly, have come largely free, financed by American military aid; but owing to the swing in Britain's EPU position since early 1951, many of the European machine tools—also generally costlier than British—have had to be paid for to a large extent in gold. Moreover, it is true that British defence orders have enabled the German industry to recover a little faster than it might otherwise have done, and perhaps fostered the growing tool industries in other countries. But this policy has delivered Britain's defence tools requirements probably 12-15 months earlier than complete reliance on home manufacture would have done, and its success is not affected by the subsequent decision to take some of the weight of defence off the engineering industry—which it indeed anticipated. Most important of all, it has left the British industry healthily abreast of its export commitments and able to seek further export orders.

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At Olympia, therefore, the British machine tool makers are looking beyond defence to the export tasks that they have fortunately never needed wholly to neglect. The market prospect, even for this most vital capital equipment, is not entirely clear. It is difficult, in all countries now rearming, to know how far extra tools for defence production are additional or complementary to the normal replacement demand of the engineering industries concerned; and in other countries, as in Britain, curbs on credit are liable to tighten the rein on re-equipment. This replacement demand will have been dammed up for two years (some American civilian manufacturers, for example, have been forced by it to buy British in the last 18 months). In Britain, on the other hand, the decision to end initial allowances will perhaps have abnormally increased civil demand last year and

may now be depressing it. World production of tools has considerably increased, with less increase in capacity (the American industry, in particular, has relied heavily on sub-contracting). But some eventual slackening in the rate of industrial re-equipment, and hence in demand for machine tools, must be counted as likely when the special effects of rearmament subside—though this will not necessarily occur immediately the defence orders for tools are fulfilled.

It is natural and sensible, therefore, that Britain should now be displaying its tools in a British shop window; and with about 40 per cent of the exhibits at its current show coming from abroad, it cannot be accused of shirking comparison. The foreign buyer visiting Olympia, or both exhibitions, can inspect a remarkable array of equipment from the countries now competing for his favour. The West German tool industry is now nearly as large as the whole German industry before the war; in design and quality, its tools are first-rate, comparing with the other two leading producers, Britain and America. France is showing some fine machines, particularly advanced in design, though it does not approach the British or American standard for general-purpose tools. The Italian tools display the excellent craftsmanship to be found in Northern Italy, though they are often slightly less robust than a British engineer would choose. Outside these industries on show, of course, there is the massive American industry (of whose machines about 90 are to be seen at Olympia), and a growing Japanese industry producing about 12,000 tools a year—mainly good copies of British, American or German types. Britain's machine tool industry, therefore, is certain to encounter heavy competition as it passes from the assured demand of defence to a less predictable civil market at home and abroad. But at least it is probably in better fettle to do so than at any time since the war; indeed, so far this year it has managed to increase its exports by 30 per cent to some £15½ million, despite defence preoccupations.

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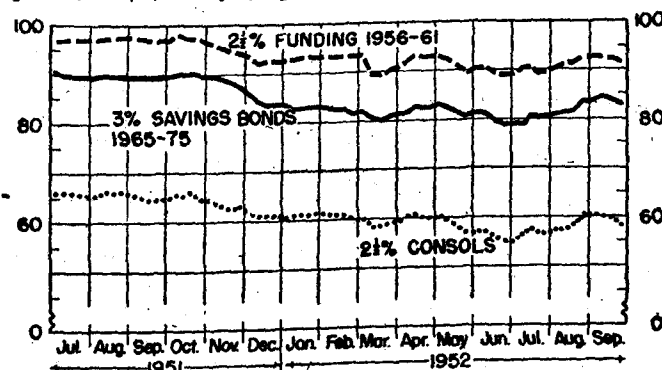
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Business Notes

Gilt-Edged Take a Header

Last week's pause in the gilt-edged market, at the crest of its long summer climb, became a slide, and this week the slide has become a headlong tumble. The shock has been the most violent since the morrow of the increase in the Bank rate to 4 per cent last March, and rather worse than that experienced in June. On Wednesday, the worst day, prices dropped by a full point or more, the biggest movement being shown in War Loan, which lost 1½ points. From the peak reached early last week, this stock has dropped by 3½ points, to 76, or by 4½ per cent. The other irredeemables



have fared almost as badly, but prices of the long-dated stocks have naturally shown a slightly better resistance—the falls from the peaks here have ranged from 2.7 per cent in Savings Bonds, 1965-75, to 3.3 per cent in Gas Stock, 1990-95. One section only has escaped this landslide; the short bonds have firmly held their ground. On the other hand, the reverberations have naturally been felt through the equity markets, which had already begun to slip back under the influence of the dispute about engineering and shipbuilding wages. In the past week the ordinary share index of the *Financial Times* has dropped by just over 2 points, to 113.6, and is now 3.4 per cent below the peak reached on September 9th.

The force of this sudden break in the gilt-edged market, like that of its previous extraordinary climb, has, of course, drawn much from psychological factors. The actual movement of prices, especially on the fall, has been out of proportion to the volume of business. The summer's rise, dating from midsummer, had raised prices of stocks in the long-term market by 9 per cent or more in about 2½ months, reducing the flat yield on 2½ per cent Consols by fully ½ per cent to 4½ per cent, and the redemption yield on Savings Bonds, 1965-75, by more than ½ per cent, to 4½ per cent. In this short period these stocks had made good three-fifths of the whole rise in yields that took place between last November and midsummer. A movement of this magnitude inevitably attracted, especially in its later stages, widespread speculative buying, so that the market was particularly vulnerable to any abrupt change in sentiment. The upshot is that the yield basis on the longs has risen in ten days by more than half the remarkable reduction achieved in the previous dozen weeks. Consols on Wednesday showed a flat yield of 4½ per cent, and Savings Bonds, 1965-75, offered just over 4½ per cent to final date.

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Fear of Funding

The rock on which the tiring market first stumbled was the £4,500,000 East African loan announced last week; and this unfortunate stock (70 per cent of which was taken by the underwriters) showed a discount of 1½ points on its

opening day. But the significance of this small issue lay in the fact that it gave point to fears that had been spreading among the more thoughtful investors for some time—fears about the impact upon the market of the Government funding and refinancing operations that lie ahead. The possibility of such operations has not, of course, suddenly dawned on the market. The maturities to be faced are not optional but final maturities—£450 million of Serial Funding stock on November 14th, £60 million of yearling Transport stock (held by the National Debt Commissioners) in the following month, and £522 million of National War Bonds next March. During its buoyant phase, however, when the market saw every factor through rose-tinted spectacles (and was apparently encouraged by the Government to do so), it was actually disposed to regard these maturities as a "bull" point—on the ground that the Government itself would be anxious to keep the market strong.

But in the past few weeks attention has been increasingly drawn to the growth of the Exchequer deficit, now £605 million (taking both "above-line" and "below-line" items together), or £316 million worse than at the corresponding date last year, whereas the budget assumed that in the year as a whole there would be an improvement of some £60 million. This disquieting trend has upset the market much more than has one of its secondary consequences—the rise in the liquidity ratio shown by the banks because of their huge intake of Treasury bills to finance this Government deficit. This ratio is now almost back to the level at which

GROSS REDEMPTION YIELDS

	Nov. 7, 1951	Mar. 11, 1952	June 24, 1952	Sept. 15, 1952	Sept. 25, 1952
2½% Nat. War Bonds, 51/53	10 13 9	11 16 2	11 11 1	12 18 9	12 17 9
1½% Serial Funding, Nov., '52	2 1 3	2 3 5	3 3 11	2 18 9	2 17 9
1½% Serial Funding, Nov., '53	1 14 10	2 17 5	3 1 8	3 1 8	3 4 1
1½% Serial Funding, Nov., '54	2 5 2	3 5 1	2 15 4	2 15 4	2 14 11
2½% Nat. War Bonds, 54/56	1 14 7	2 14 10	3 12 10	3 4 9	3 5 8
2½% Exchequer	2 0 10	2 12 9	3 12 8	2 17 5	2 17 10
3% Savings Bonds, 55/65	1 17 5	2 9 6	3 12 1	3 0 0	2 19 1
3% Funding, 56/61	4 5 9	5 16 11	6 2 8	5 16 9	6 5 10
3% Funding, 66/68	3 8 2	3 16 9	4 8 3	3 15 3	3 17 10
4% Funding, 60/90	3 9 2	4 12 2	5 19 10	4 15 10	5 3 0
3% Savings Bonds, 65/75	2 19 7	3 10 2	4 2 0	3 10 3	3 13 4
3% Elect., 74/77	3 12 5	4 5 6	4 14 2	4 3 2	4 7 0
3% Transport, 78/88	3 11 3	4 0 1	4 10 10	4 0 10	4 1 0
3% Steel, 79/81	3 10 8	4 3 1	4 6 8	4 1 7	4 3 9
3% Gas, 90/95	5 16 7	4 3 1	4 6 8	4 1 7	4 3 9
3% War Loan, after '52	4 1 5	4 17 2	5 8 6	4 13 2	4 18 9
2½% Consols	3 14 3	4 4 7	4 11 11	4 1 7	4 5 3
2½% Treasury	3 15 7	4 6 6	4 13 9	4 3 3	4 6 10
	3 14 4	4 4 4	4 10 11	4 1 3	4 4 7
	4 1 11	4 10 11	4 17 5	4 8 4	4 13 1
	3 18 3	4 5 9	4 11 2	4 3 5	4 7 6
	3 17 1	4 6 4	4 12 11	4 3 11	4 7 8
	3 16 9	4 5 9	4 12 0	4 3 4	4 6 8
	3 18 7	4 6 7	4 11 1	4 3 7	4 7 0
	3 17 6	4 5 2	4 9 5	4 2 3	4 5 1
	4 2 2	4 9 1	4 16 2	4 9 3	4 13 8
	3 18 0	4 2 5	4 10 7	4 2 10	4 6 10
	3 19 7	4 5 3	4 13 10	4 6 11	4 9 10

† March 1, 1952. * September 1, 1952. (e) Earliest date. (f) Flat. (l) Latest date.

it stood before its deliberate reduction by the enforced funding operation of last November, a change that may tend to loosen the banks' squeeze on advances. But, so long as the authorities seemed indifferent to the rise—and their day-to-day tactics in the gilt-edged market have certainly not implied any concern—the market regarded the movement as yet another indication that monetary policy would not be tightened. The first maturity, it was said, could and would be dealt with easily by "persuading" the banks to take a replacement stock (ignoring the fact that at least £200 million is held outside the banks), and there was no need



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affected by falling consumer demand or by import restrictions abroad began with the introduction of the "D" scheme into purchase tax on textiles and clothing, and was continued with the return to free sales of coloured pottery at home. The tax changes that were granted last weekend are less sweeping. Purchase tax comes down from 66½ per cent to 33½ per cent on pianos and most other keyboard instruments; from 100 per cent to 66½ per cent on cut glass and certain leather goods such as trunks, suitcases and purses; and a few minor objects such as walking sticks, nylon pot-scourers, and "Australasian red opossum fur skin, undyed, in strips not more than nine inches long and one inch wide, used as linings in textile shuttles" become free of tax.

The main industries that have been given relief have all suffered severely from import restrictions imposed by the Commonwealth and other countries. In January the piano makers exported about 95 per cent of the 1,900 odd pianos they delivered, the bulk of the exports going to Australia, New Zealand, South Africa and Brazil. All these countries have now drastically restricted their buying, and trade with Argentina, the only other big customer, is at a standstill pending a new trade agreement; as a result output in the 30-odd North London companies that make pianos has dropped by about two-thirds and they have had to dismiss many of their skilled craftsmen. Cut glass, like pottery, has suffered particularly in the Commonwealth market; and neither business has been able to redress the balance with home sales to any considerable extent.

Near the head of the queue pleading for similar treatment come the jewellery and cutlery industries, with radio and some domestic equipment not far behind. Not all of these can put forward with equal justification the favourite argument that export success must be based on a thriving home market; some are simply seeking relief from the shrinkage in export markets. The Treasury will have considerable difficulty in sorting out the various degrees of relief that are being sought. It is one thing to keep alive stricken industries such as piano-making; or to enable others to withdraw to some extent from the temporarily unequal struggle in the export markets. But where the plea is for underpinning of full employment in industries on the fringe of engineering such as radio—or in major engineering exporters encountering similar difficulties, such as the motor-car industry, where the same argument may soon be heard—relief might tend to defeat the major aim of Government policy, that of transferring resources to the sections of industry most useful for defence and future exports.

* * *

Export Stocktaking

Although engineering exports have been slipping during the last few months they have been the biggest single factor in the increase in exports during the first eight months of this year compared with the corresponding months of 1951. This basis of comparison, adopted in this and the succeeding note, may give some indication of the degree of success of the Government's trade policy and of the effort that is still required to fulfil it. Engineering exports indeed have been sufficient to offset the losses on textiles and leave something to spare. United Kingdom exports from January to August this year totalled £1,735 million, some £46 million more than in the corresponding period last year. Exports of metal products amounted to nearly £920 million and were £118 million higher than for January to August last year; while textile exports, at £263 million, were lower by more than £100 million. Such figures stress the dependence of the British trade effort on the metal-using industries, and the frustration of official planning calling for an increase in exports of textiles because defence needs would divert engineering output from export markets. To some extent, however, the eight months' totals conceal a small but distinct

improvement in exports of wool textiles and other consumer goods in recent months.

Exports of machinery have not been affected by cuts in exports imposed by the Dominions early this year; the total for the eight months has risen to £286 million, an increase of no less than £52 million over the total for the same period last year. Australia has remained the biggest market taking £33 million in the eight months compared with £26½ million twelve months earlier, but the increase in machinery exports has been widely distributed among the different markets. Total vehicle exports have risen from £309 million last year to £333 million in the first eight months of the current year, but experience in the leading markets has varied greatly. Australia took 7,560 British cars a month during the first quarter of this year but import restrictions have cut shipments to some 1,100 a month since then. Yet exports to Australia so far this year have been larger than to any other country and their total to date of £11 million is less than £1

THE TREND OF SELECTED BRITISH EXPORTS
(£'000)

	Total, Jan. to Aug., 1951	Total, Jan. to Aug., 1952		Total, Jan. to Aug., 1951	Total, Jan. to Aug., 1952
Coal: total	16,933	35,158	Cotton goods: total	140,343	105,606
Of which:—			Of which:—		
Main European countries	14,741	30,615	Br. West Africa	11,070	15,715
Argentina	872	1,705	Australia	21,761	12,582
Canada	697	1,193	South Africa	17,060	7,912
			New Zealand	6,613	7,760
Machinery: total	234,080	286,421	Wool goods: total	127,537	82,101
Of which:—			Of which:—		
Australia	26,493	33,035	Canada	21,674	10,321
India	22,518	24,890	USA	9,565	9,507
New Zealand	20,513	23,563	New Zealand	6,055	5,134
South Africa	9,183	12,826	South Africa	9,466	3,895
Brazil			Sweden	7,347	2,511
Motor cars (completed): total	67,220	75,517	Silk and rayon goods: total	42,957	28,695
Of which:—			Of which:—		
North America	13,463	12,845	Australia	11,347	5,484
Australia	11,823	11,153	Br. West Africa	2,161	3,774
New Zealand	4,249	7,208	New Zealand	4,003	3,527
Belgium	2,158	5,634	South Africa	8,085	2,433
Sweden	4,588	3,093			

million smaller than the corresponding figure a year ago. Exports of other types of vehicles to Australia have, however, fallen more sharply. To some extent, the eclipse of Dominion markets has been compensated by a sharp increase in car sales to North America during the summer. Shipments to Canada and the United States in July represented a third of the total number of British cars exported and one-third of the total value. Exports to most European countries have increased, with Sweden as an important exception. Coal exports so far this year have reached £35 million, double the rate during the same period of 1951. Shipments to most European countries have risen proportionately but exports to Denmark, the biggest market, have increased even more steeply.

Compared with the first eight months of 1951, cotton exports have fallen by £35 million, silk and rayon goods by £14 million and wool manufactures by £45 million. But contrary to the appearance of these totals, import restrictions imposed by the sterling area countries have had a more marked effect on cotton and rayon than on wool exports. The reason is that whereas Australia and South Africa are the principal destinations for cotton and rayon goods, North American countries (which have not imposed restrictions) are the largest markets for wool textiles. Part of the fall in exports of cotton and rayon goods to Australia and South Africa has also been offset by an increase in shipments to British Africa. Wool exports have shared in the general recovery in exports to the dollar area in the past few months, but the improvement in Canadian business is too recent to make its mark on the eight months figures. Exports of pottery this year have amounted to £49 million—an increase of £6 million.

Import Cuts in Action

Mr. Butler has to thank the textile recession for most of the saving in the import bill this year. Imports of textile materials in the first eight months of 1952 cost nearly £190 million less than in the same period last year, whereas total imports fell by only £132 million. Lower prices largely account for the fall in value of textile imports and of many other raw materials. But the physical cuts in the volume of imports projected for this year have also played their part in reducing the total spent on raw materials from £1,129 million in the first eight months of last year to £979 million this year and in lowering the bill for imported foodstuffs by £11½ million to £865 million. Imports of manufactured goods as a class have increased this year compared with 1951 because of heavier imports of metals and machinery for the rearmament drive which have only been partially offset by reductions in other commodities.

The reduction in imports of wool to £117 million—little more than half their value in January-August last year—results entirely from the fall in wool prices; indeed, 60 million lb more wool has been imported this year than in the first eight months of last year. Imports of wool from Australia have fallen sharply from £119 million to £58 million in the eight months, and imports from New Zealand from £45 million to £34 million. Although lower prices partly account for the fall in raw cotton imports a significant drop in imports of medium and short staple cotton is recorded. As a result imports from Egypt declined from £41 million

THE TREND OF SELECTED BRITISH IMPORTS
(£'000)

	Total, Jan. to Aug., 1951	Total, Jan. to Aug., 1952		Total, Jan. to Aug., 1951	Total, Jan. to Aug., 1952
Wheat: total	90,859	95,146	Raw wool: total	212,454	117,135
Of which:—			Of which:—		
Canada	40,324	65,764	Australia	119,393	58,294
USA	36,550	11,753	New Zealand	44,732	33,987
USSR	...	9,031	South Africa	17,291	10,394
Fresh fruit and vegetables: total	85,412	75,806	Non-ferrous metals and mfrs.: total	103,259	143,379
Of which:—			Of which:—		
Spain	12,645	10,661	Canada	28,640	46,447
Canary Islands	10,293	10,289	Northern Rhodesia	24,637	34,266
Italy	9,727	4,896	USA	14,868	21,751
			Belgium	4,925	10,972
Wood & timber: total	119,345	115,517	Machine tools: total	7,689	35,348
Of which:—			Of which:—		
Canada	27,763	44,750	USA	4,036	15,494
Sweden	18,717	16,707	Germany	937	7,568
Finland	17,944	14,103	Switzerland	1,077	2,750
France	12,503	4,085	Belgium	431	2,200
Raw cotton: total	180,492	97,446	Iron & Steel mfrs.: total	22,340	86,695
Of which:—			Of which:—		
Sudan	39,774	24,893	USA	1,781	21,645
USA	14,126	24,625	Belgium	4,898	13,463
Egypt	41,300	9,132	Canada	2,330	7,087
Brazil	21,135	598	Germany	1,086	6,405

to £9 million this year, and from the Sudan from £40 million to £25 million. Imports of Brazilian cotton have fallen from £21 million to the astonishingly low figure of £500,000. On the other hand, more has been spent on imports of American cotton—which have increased from £14 million to £25 million. The fall in the value of rubber imports also reflects the sharp reduction in prices. Imports from Malaya have dropped from £76 million in January-August, 1951, to £60 million this year. "Seeds and Nuts for Oil, Oils, Fats, Resins and Gums" have increased by no less than £69 million to £273 million this year because of increased imports of crude petroleum.

The most striking feature in food imports has been the sharp increase in imports of grain and flour. Bigger imports of grain from Canada and the Soviet Union have been offset by reduced supplies from the United States. Imports of dairy produce have cost £16½ million less, because of smaller supplies of butter from Australia and Denmark and of cheese from the United States and New Zealand. The effects of the Chancellor's cuts are clearly shown by reductions of £10½

million in fruit and vegetables and of £12 million in other foods.

Supplies of iron and steel manufactures have cost £87 million this year—more than £64 million above the level for the corresponding period of last year. Imports from the United States have increased from £1.8 million to £21.6 million and from Belgium from £4.9 million to £13.5 million. Here the hurriedly concluded arrangements for extra steel for defence are translated into hard currency costs. The rise in imports of nonferrous metals this year has come mainly from a sharp jump in aluminium imports from Canada, copper from Rhodesia, and zinc from Canada, United States and Australia. A steep increase in imports of machine tools for defence needs accounts for almost the whole of the increase in machinery imports from £33 million to £71 million.

* * *

Benefits from the Terms of Trade

The terms of trade continued to move favourably in August. According to the Board of Trade index (1951=100) there has been an improvement of some 7 per cent since the beginning of this year. The improvement has resulted mainly from a lowering of import prices rather than increased prices for exports, though the lower cost of imports has been chequered by rises in some raw materials such as wool. Raw material import prices fell, nevertheless, by as much as 3 points in August. Food prices remained unchanged

UNITED KINGDOM IMPORT AND EXPORT PRICES
(Index Numbers, 1951=100)

	Imports			Exports				Terms of Trade*
	Food, Drink and Tobacco	Raw Materials	Total	Articles Wholly or Mainly Manufactured	Metals and Engineering Products	Textiles	Other Manufactures	
1951—								
September	101	102	102	104	108	106	105	97
October	103	96	101	106	107	107	105	96
November	105	97	102	107	106	108	106	96
December	103	99	103	107	106	109	106	97
1952—								
January	104	100	103	107	103	108	105	98
February	104	101	105	108	102	109	106	97
March	105	100	103	110	99	110	107	96
April	106	97	102	112	97	110	107	95
May	107	94	101	112	95	109	106	95
June	107	92	99	113	90	110	106	92
July	105	90	97	113	86	109	105	83
August	105	87	96	114	86	108	105	91

* The ratio of import prices to export prices. A fall indicates a favourable movement.
Source: Board of Trade.

from the July level, but increases granted recently to overseas suppliers have not yet affected the food bill.

Prices of textile exports ceased to fall in August for the first time since September, 1951. During the last few months the deterioration in textile prices had been particularly steep and combined with a slight fall in prices of "other manufactures" had more than offset the continued rise in the price of metal exports. Last month's movements left the index for export prices unchanged compared with July.

* * *

New Issues Season Opens

Under the present regime of EPL, profits tax and high interest rates, it was inevitable that the fashions introduced by Distillers and Rugby Portland Cement would be flattered by imitation when the autumn season for new issues opened. The Bowater Paper Corporation has now followed the example set by Rugby Portland Cement in offering an un-

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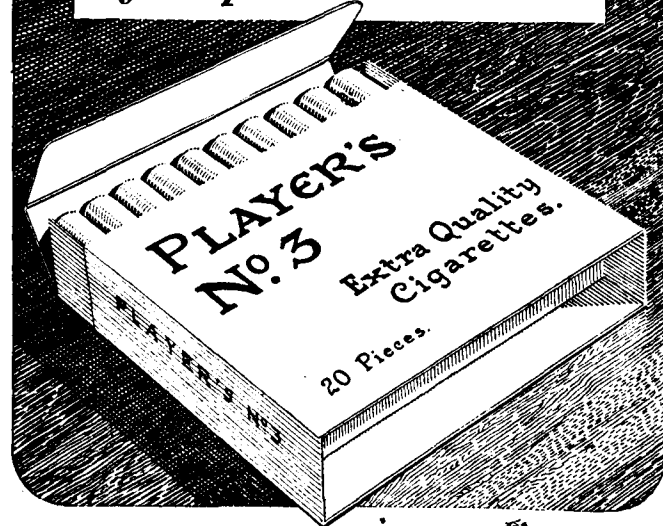
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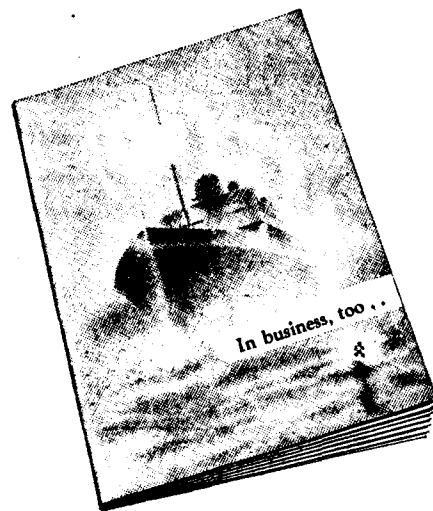


PLAYER'S
No. 3

The Quality Cigarette



[3P 112]



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secured loan stock, complete with an option to buy ordinary shares later on; it is one of the numerous oddities of EPL that borrowing on such a loan stock need not have an adverse effect on the amount of profits available for equity distribution, and in some cases may actually increase them. Bowaters have successfully raised £5,400,000 on a 5½ per cent unsecured loan stock, 1963-67, issued at par by way of "rights" to ordinary shareholders in the ratio of £3 of loan stock for every £2 of ordinary stock held. Every £3 of loan stock allotted will give the owner the option to take up one new £1 ordinary share between March 31st and May 31st, 1954. This means that Bowaters full accounts for the year to September 30, 1953, will be available to shareholders before the date on which the options can be taken up. The question arises, however, whether if present trends continue, this report will make such cheerful reading; the chairman's disclosures this week about stock losses may have relevance here, and in any case the period of option is a narrow one.

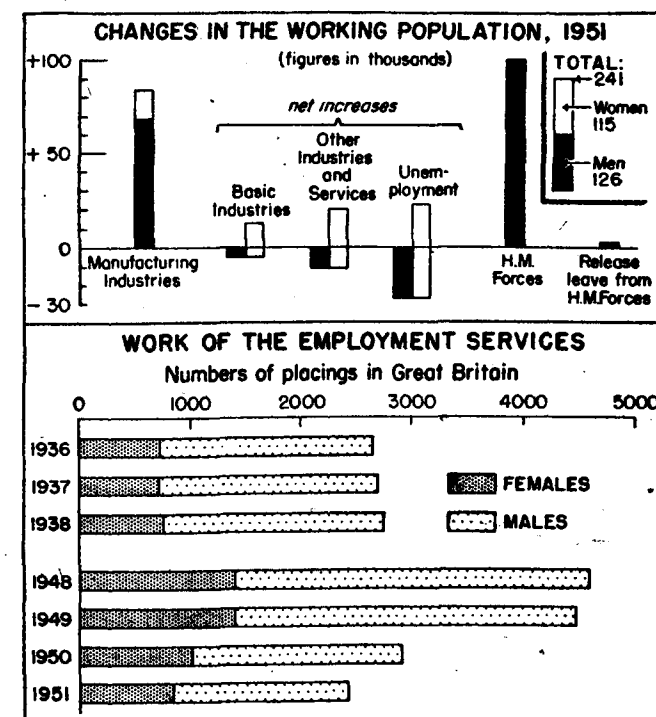
The offer by the General Mining and Finance Corporation is less novel than that made by Bowater, but it has the distinction of being the first for a good many years to be made by the publication of a prospectus in London by a South African finance house. The corporation is offering for public subscription 750,000 6 per cent cumulative redeemable £1 "A" preference shares at par. The holder of these shares has the right to exchange them into ordinary shares at varying prices in the next seven years. These conversion rights, which are a more common feature in the Kaffir market than in the industrial share market, are not immediately profitable to exercise as the existing ordinary shares are currently quoted below the conversion prices. But the taking up of the preference shares at par may ultimately offer a cheap entry into the corporation's equity; in any case the preference shares are well secured and offer an adequate yield. Both this offer and that made by Bowaters have their attractions—as was proved on Thursday when dealings began in the Bowater stock at 4½ premium, and pushed up the price by a further 3 points before the close. But the new issue season was sent away to a bad start by the fate of the 4½ per cent East African stock. Seventy per cent of this stock, offered at 99½, was left in the hands of the underwriters, and by the end of the first day's dealings it was quoted at 1½ discount.

Saving Skill for Export

The extension of arrangements for the deferment of call-up for skilled men completing engineering apprenticeships to favoured industries outside the super-priority class of defence work—in particular to engineering firms largely engaged on exports and to merchant shipbuilding—is a logical corollary of the greater emphasis on exports as distinct from defence. The scheme allows the men to delay their national service for two years after they come out of their time; it will cover men in most skilled engineering grades and draughtsmen, except where the Service need is considered paramount. About 2,000 men a year are expected to be affected out of the 23,000 called up each year on completion of engineering and metal-working apprenticeships: deferment will be granted only to individuals whose importance to their employer for export work can be proved, and need not be accepted. The industries concerned include most of the more important engineering exporters and a number, such as precision chain, pumps and valves, and ball-bearings, which are important indirect contributors to engineering exports.

The measure should at any rate plug one important leak of skilled labour from these industries, and it may have some importance in helping them to recruit young workers. The larger problem of shifting sufficient people into these industries remains; the flow into engineering as a whole has been disappointing in the last six months, though there has been

some shift within engineering into defence work. The Services have recently taken a substantial share of the increase in civil employment, as is illustrated by the chart, taken from the annual report of the Ministry of Labour. The work of the Ministry's employment services,



measured by the number of placings, was last year down to about its prewar volume. Given a larger working population, this presumably indicated much less mobility of labour; but many people changing jobs in the years illustrated did so without using the exchanges—a freedom ended this year by the Notification of Vacancies Order.

New Money for Eire

On Monday subscription lists open in Eire for the biggest—and most attractive—public issue yet made by the Republican government. The Irish authorities are seeking to raise £20 million for a wide range of capital developments, on a 5 per cent National Loan, 1962-72, issued at par. The loan is clearly intended to serve as a maid of all work. The high interest rate attached to it should serve as another weapon in the fight against internal inflation (especially if it attracts genuine new savings); and the government hopes—with some reason—that the terms of the loan should be sufficiently attractive to induce Irish investors holding assets outside the country to reinvest in the Republic. The stock, which is an Irish—but not a British—trustee stock, therefore carries the high coupon rate of 5 per cent; it will have a sinking fund larger than has been applied to other government issues; and it will be accepted at its face value in payment of Irish death duties.

Almost every branch of the public sector of the Irish economy is scheduled to benefit directly from the loan. A large part of the £20 million will finance the extension and development of the electricity supply system, while another part of it will finance the further exploitation of the country's peat resources. Some of the proceeds will also be used in the development of the industrial activities of the state, ranging from afforestation to harbour works and airport construction; and some will finance capital expenditure for social purposes—such as houses and schools. To investors on both sides of the Irish Channel this is likely to be attractive Irish butter, even if the intention does seem to be to spread it rather thinly on a large slice of bread.

Better "Small" Savings

The flow of funds into National Savings has responded sharply to the improvements in terms that took effect on September 1st—improvements that were evidently timed to coincide with the end of the main period of holiday spending. From that date the issue of 3 per cent Defence Bonds was discontinued and offerings began of the new issue of 3½ per cent Bonds announced last June. Simultaneously, the limit upon individual holdings of the current series of Savings Certificates, (the terms of which are not being altered, although the series dates from February, 1951) was raised from 500 units costing £375 to 700 units costing £525. Thanks to these inducements, the gross receipts from all forms of National Savings have this month exceeded repayments for the first time since last spring, and in the week to September 13th the net credit amounted to £5,330,000, the best figure for more than two and a half years. This is in very sharp contrast to the deteriorating trend of recent months. In the first five months of the current fiscal year, aggregate receipts, at £362 million, fell short of repayments and encashments by no less than £90 million, compared with £67 million in the similar period last year; moreover, £24 million of Defence Bonds were this year redeemed at maturity.

The recent improvement has naturally been wholly attributable to a spurt in demand for certificates and bonds. Sales of bonds, which in the previous five months had averaged only £500,000 a week and had dropped to as little as £20,000-£30,000 towards the end of August, shot up to £6,070,000 in the first full week of the new campaign, while sales of certificates rose to £6 million, compared with an average of only £2 million during August and under £3 million over the five months. Although withdrawals from post office and trustee savings banks rose simultaneously, it does not appear that any large proportion of these gains was attributable merely to switches from one branch of national savings to another. But it does seem probable that the sudden rush arose very largely from purchases by people of more substantial means who were acquiring their maximum permitted holdings forthwith. This interpretation finds some confirmation in the weekly Exchequer return, which discloses figures for Defence Bonds and Savings Certificates (but not, of course, for savings deposits) a week ahead of the regular return from the National Savings Committee. The Exchequer statement shows that in the week to September 20th sales of Defence Bonds relapsed to £4.8 million and those of Savings Certificates to £3.8 million—still, however, well above the levels of earlier weeks. At September 13th, the net excess of repayments over receipts from all national savings for the current fiscal year had been reduced to £84.5 million (plus £25.5 million of Defence Bonds redeemed at maturity) compared with £66 million (plus £1.3 million) in the similar period last year.

More Freedom for Fibres

Last week the Ministry of Materials announced the ending of controls on the use of jute and sisal (the import of jute will remain in government hands). The new Order for jute came into effect on September 16th, that for sisal will operate from October 1st. In practice the restrictions had been nominal since the world shortage of both commodities ended some time ago. Jute consumers are now free to buy imported or home-produced jute goods without getting a certificate of approval from the Control and licences are no longer needed to process raw or waste jute. Control over purchases of raw jute and yarn for delivery abroad has also been removed. It was in any case purely a formality but the delay in getting a licence often put the British merchant at a disadvantage with his overseas competitor. In spite of these relaxations jute has still only attained partial freedom. Import of raw jute and goods remains in the hands of the Jute

Control. Some sections of the trade feel that the Ministry is being unnecessarily cautious in refusing to let go this last strand of red tape. They argue that although the Control's release prices are mostly in line with world levels, there are some exceptions: some of the Control's prices are higher and others lower than world prices. However, the majority of the trade take a more tolerant view. There are indeed several reasons that may have influenced the Minister in his decision to keep jute buying under the government wing. Memories of earlier difficulties in getting supplies—particularly since the partition of India and Pakistan—undoubtedly die slowly. Moreover, although there is likely to be ample jute to meet world needs this year the prospects for 1953-54 are much less reassuring. Pakistan has already announced its intention to cut the jute acreage next year to three-quarters of the current level. Whatever the reasons for its decision the Ministry will undoubtedly gain from a continuation of government trading if there is an increase in prices. In the light of the recent firmness in the market this cannot be ruled out. The resultant increase in the value of the Control's stocks would go some way to offset the heavy losses sustained earlier this year.

From October 1st there will be no control on the use of sisal and other hard hems with the exception of manila and true hemp. The ending of the restrictions on sisal means that merchants will no longer have to obtain firm orders from spinners before they can import the hemp, thus, the trade will be thrown open to all comers. Demand for sisal is not likely to increase. On the contrary, the market during the last ten days has tended to be steady rather than continue the upward previous movement. The price of BEA No. 1 sisal is now at £108 a ton compared with the low point of £90 a ton reached during August. There are signs of a more confident feeling in the market as spinners are reported to be placing orders further ahead. But so long as world production of hard fibres remains far in excess of requirements there is not likely to be any prolonged upsurge in prices.

Taxation and Private Companies

The revelation in the recent national income blue book that fixed capital formation in the private but non-corporate section of the economy has fallen significantly in the last four years—and this despite heavy sales of financial assets and a sharp increase in borrowing by non-corporate businesses—mirrors a state of affairs that is almost certainly true of small private companies as well. In every recent year the number of private companies on the Board of Trade's register has increased, but in every year, too, it has become clearer that the real capital of such businesses is being eaten away by the heavy—and in at least two instances discriminatingly heavy—burden of taxation upon them. The two discriminating burdens that most obviously need to be alleviated are those laid by the distributed profits tax on director-controlled private companies and those laid by death duties on business assets (especially where such assets are assessed under Section 55 of the Finance Act 1940) far above their realisable value.

A special committee of the Institute of Directors last week approached the Chancellor of the Exchequer and the Royal Commission on Taxation, and submitted five specific recommendations on these problems. Two of these recommendations will command wide approval: first, that all executive directors should be allowed to participate in company pension schemes in the same way as ordinary employees; secondly, that the amount of directors' remuneration chargeable as an expense against company earnings should be raised to £10,000 or 25 per cent of profits (with a limit of £5,000 for any one director). Safeguards against abuse of such proposals would be needed but they should not be impossible to devise. The special committee's recommendation on the knotty problem of gifts *inter vivos* may be more open to debate. The committee believes that the

arbitrary limit of five years should be abandoned in favour of a system of gradation "so that where the deceased survives the gift by four years, only one-fifth of the duty should be payable, and should he survive only by three years, then two-fifths of the rate would be the rate payable"; there are the germs of a more logical system here, although the different rates payable on each step of the ladder might need to be less evenly phrased.

The committee's other two recommendations go to the heart of the main problems now facing small private companies. The first of these recommendations is that "all direct taxation of companies including profits tax and distributed profits tax should be at half rates for those business men earning £12,000 a year or less, and should reach the full rate only when profits are £25,000 a year or more, the rate of tax being graded in appropriate stages between these two figures." There will be a widespread feeling that in applying this recommendation for special alleviation to "all direct taxation" the committee may have risked spoiling a good case, for their proposal would certainly seem to be wide open to abuse. The committee's final proposal is, in effect, that Section 55 of the Finance Act 1940 should only be applied to those companies for which it was originally intended when this hasty and ill-considered legislation was brought in under the shadow of Dunkirk—namely to baulk those companies that might be formed expressly for the purpose of avoiding estate duty. "Subject to satisfactory safeguards," the committee argues, "the basis of valuation of the shares of the deceased director shareholder should not exceed the normal stock exchange valuation and there should be the right to appeal to a tribunal." There is no doubt that there is a real problem here; under the present system of inland revenue assessment many small businesses are being restricted or ruined because of their subjection—sometimes through pure accident—to this clumsy Estate Duty axe. But the difficulty of devising the necessary "suitable safeguards" should not be underestimated; it is for this reason that some experts have recently suggested that the best way out might not be to tackle Section 55 of the 1940 Act directly, but to grant relief from the full rate of estate duty to certain business assets, perhaps along the lines of the relief already granted on assessments of agricultural land.

Report From Australia

In the last few months Australia's current external accounts seem to have regained a precarious equilibrium, and the continued private outflow of short-term capital no longer exceeds the net inflow of capital for genuine long-term investment. Its international reserves are therefore no longer falling. But it seems clear that there will have to be considerable further internal adjustments before the dominion can safely ease its stringent import restrictions. That is the implication that emerges from the report of the Commonwealth Bank of Australia for the year ending on June 30th last. The report reviews the vicissitudes of a year in which Australia's balance on current account fell from a surplus of just under £A100 million to a deficit of approximately £A575 million. While Australian exports fell by £A308 million in the year, and imports rose by exactly the same figure—in response to the higher incomes created by the wool boom of 1950-51 and despite the import controls imposed in the second half of 1951-52. These misfortunes, coupled with some deterioration on invisible account and with an outflow of speculative capital (owners which had presumably become convinced during the year of the improbability of revaluation) caused Australia's international reserves to fall by nearly £A500 million, to £A362 million. The bank points out that the dominion's terms of trade are now no more favourable than in the late thirties. The probable favourable trend in the terms of trade of food-exporters will fail to

benefit Australia unless the fall in its food production is halted; the recent boom in wool prices served to conceal the necessity for doing this.

There is, however, some evidence in the report of a long overdue diversion of resources away from the less economic secondary industries last year. The price rise in Australia during the first nine months of 1951-52 was greater than in any other major trading nation, except France and Japan: this rise in relative costs led to increased competition from imports for many Australian secondary industries, which therefore suffered some increase in unemployment. Consequently, basic industries have at long last been able to fill long-standing vacancies and their production has begun to increase. But the secondary industries may benefit from the protective effect of general import controls, once Australian demand has consumed the large stocks accumulated during the last nine months of 1951-52. Australia, in short, still has a persistent demand-inflation superimposed upon the cost-inflation that seems to be inherent in its system of basic wage adjustments. Such a situation, if permitted to continue, is virtually certain to lead to persistent balance of payments difficulties, and therefore to persistent import controls, or even devaluation.

British Steel Remains Cheap

To hear a motor manufacturer assailing the steelmasters sounds like an echo of the thirties; but Sir William Rootes's complaint this week that at a time when the motor industry needs to cut costs the steel industry "has now again raised prices" has not as much weight in it as Lord Nuffield used to wield. Sir William spoke a week after the British Iron and Steel Federation had published comparisons showing that Britain still sells its steel at home much more cheaply than most of the other main producing countries. Whatever a British motor manufacturer has to pay for the limited quantities of various steels that go into a passenger car his American competitor pays 30 per cent more and the French and German makers even more than that. The table, produced by the British Iron and Steel Federation, compares home trade prices, mainly delivered at consumers' works; it shows that comparable steel products sell in Britain at roughly 30 per cent less than in America, while French and German prices are even higher. Belgian steel (of Bessemer quality, compared here with Britain's open-hearth quality prices) is not quite so much above the British price.

The comparison shows that the two increases in the price of British steel have still left it thoroughly competitive in the world market. Export steel still sells at a premium, and

HOME PRICES FOR STEEL IN MAIN PRODUCING COUNTRIES

Product	UK	* USA	France	Germany	Belgium
Angles	£ s. d. 27 19 6	£ s. d. 36 16 0	£ s. d. 36 0 5	£ s. d. 38 3 6	£ s. d. 31 9 11
Joists	28 0 6	36 8 0	33 18 11	36 1 6	31 12 10
Plates	31 16 6	37 4 0	41 8 2	44 15 0	37 8 3
Strip	32 14 6	39 16 0	34 6 5	43 18 0	35 11 2
Rails	28 12 6	32 0 0	36 15 11	35 13 3	38 2 0
Sheets	40 2 6	42 12 0	49 10 8	51 17 6	52 5 0
Tinplate (per basis box) ..	2 15 10½	3 2 10	4 12 5a	(b)	(b)

The general basis of comparison is tested steel, delivered to consumers' station (rails and tinplate—F.O.T. makers' works). The prices are for open-hearth quality, except in the case of France and Belgium where they are for basic Bessemer quality. The extra for open-hearth quality is approximately £3 per ton in France and £10 per ton in Belgium. (a) Delivered consumers' station. (b) No comparable price available. Production is relatively small.

in the international market the competing exporters price their products more closely; but the home price offers at least a yardstick of the producers' strength should steel become abundant on the world market. It is the home price, too, that concerns steel eventually going abroad in indirect

exports such as cars. Steel prices in Britain are controlled by the Ministry of Supply; no major change has taken place in them since February, though recently there have been small changes in the prices of certain alloy steels following rises in the cost of alloying metals. It is true that steel-using exporters, after some years of selling abroad too cheap on the basis of steel prices that were kept low partly by subsidy, are now meeting price competition abroad; but if they find difficulty in competing they can hardly blame it on their steel suppliers.

* * *

Responsibility at Easington

Of the 81 men who were in the Duckbill district of Easington Colliery at about half-past four in the morning of May 29, 1951, all are dead; so there remains no direct evidence of what caused the explosion that cost them—and later two rescue workers—their lives. In his report on the disaster, published last week, Mr H. C. W. Roberts, Chief Inspector of Mines, concludes that the picks of a coal-cutter, striking pyrites in the coal-face, ignited firedamp that had seeped into the working from the waste area behind it. The seam was being cut by the "longwall retreating" method, leaving behind the path of the cutter as it took 54-inch slices off the coalface a widening gap from which supports were being withdrawn, allowing the roof that was left to cave in. The layers of rock above this cavity seem to have sunk downward on to the piles of rock that had fallen from the roof, forcing out from the cavity in between a large volume of firedamp into the working. The cutter struck pyrites with a spark, as it may well have done before during the cutting; but this time it set off a flame that surged through 16,000 yards of the pit workings. All the men in the two shifts that were there at the time died almost immediately, except one who lived a few hours; but so large and dangerous an accumulation of "afterdamp" was left in the working that it took some 350 rescue workers 257 hours to recover all the bodies and restore the ventilation system. Two of these workers were overcome by the gas remaining in the area.

Mr Roberts finds that in planning to use the "longwall retreating" system and "caving," the management and the area planning staff paid insufficient attention to the likelihood that "caving" might not occur satisfactorily and to the consequent risks of firedamp accumulation and "roof weight." The explosion began in firedamp, but after a point it was continued in coal dust; he finds that there were defects in the system of dust sampling and the measures taken to prevent, suppress and treat coal dust. Insufficient consideration, also, had been given to ventilation, and "as a result of weaknesses in the organisation, there was a lack of effective supervision and control." The blurring of actual, as distinct from legal, responsibility in colliery planning and management that has resulted from the inevitable growth of specialist services before and since nationalisation is now under review within the National Coal Board. But another lesson of Easington must be that however its organisation at various levels may be clarified and strengthened, the most important need in the coal industry is for more men of the right calibre in management.

* * *

Decline of the British Tramp Steamer?

The high level of freight rates last year may temporarily have postponed the breaking up of obsolete British tramp dry-cargo ships, but it did little to encourage owners to contract for new tonnage to replace them. With freight rates at present levels, more ships are being broken up, and the high costs of shipbuilding are continuing to deter many owners from ordering replacements. Attention to this trend

is drawn in the annual report of the Council of the Officers' (Merchant Navy) Federation, which states that the amount of tramp tonnage on the British register has dropped from 3.4 million tons in 1939 to 3 million tons in 1950 and to 2.8 million tons in 1951. The Federation is naturally concerned with any reduction in the number of berths available to its members, but it also points out that without an adequate number of modern and efficient ships Britain will be unable to retain its position as a leading maritime nation, particularly in the face of increasing competition from foreign flags. The Federation, like other sections of the shipping industry, attributed this mainly to the burden of taxation on shipping profits. Its "hope that the inevitable consequences of Government failure to leave sufficient profits in the shipping industry to finance essential rebuilding will not be used at some time in the future as an excuse to advocate the nationalisation of the Merchant Navy," however, seems an early answer to a threat that observers outside the industry have not yet visualised.

* * *

Everyman's Guide to Whitehall

The "Directory of Board of Trade Departments and their work" that appears in the latest issue of the *Board of Trade Journal* is an innovation that other Ministries in Whitehall might well copy. This 16-page supplement, which lists the separate sections of the Board, in London and the regions, and the work they do, and then directs the inquirer about particular subjects to the right section, should be of considerable value to the businessman groping round Whitehall in search of just the right planner. For good measure, the *Journal* adds a summary of the other "production departments" of the Government and the manifold responsibilities they bear concerning industry. There is probably a need for similar directories of the Ministry of Supply and the Ministry of Materials and perhaps of the Ministry of Works. The industries that come under other main departments with industrial responsibilities are more easily identifiable—though it would not perhaps immediately occur to the outsider that questions concerning optical glass should naturally be addressed to the Admiralty, nor that the manufacture of life-saving appliances comes logically under the aegis of the Ministry of Transport.

Shorter Notes

The owners of 3 per cent Defence Bonds maturing in the first six months of next year will be invited by the Treasury to continue to hold their bonds until July 1, 1953. On that date a full six months' interest, at the rate of 3 per cent a year, and the maturity premium of £1 per cent will be paid, and the bonds will be exchanged into the same amount of 3½ per cent Defence Bonds (Conversion Issue). The terms of these Conversion Bonds will be the same as the 3½ per cent Defence Bonds now on sale.

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The International Materials Conference has dissolved the Pulp Paper Committee because of improved world supplies of newsprint. The Cotton and Cotton Linters Committee has also been dissolved.

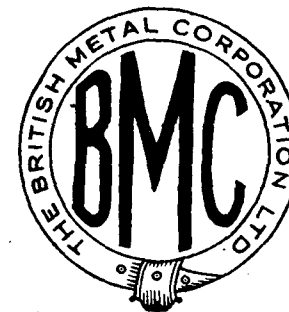
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The estimate of softwood stocks given in the note on decontrolling timber in the issue of September 13th was inadvertently given as 5 million standards, owing to the intrusion of an extra nought. Current softwood stocks in this country are in fact estimated at a little over 500,000 standards.

JIGGER IN THE WOODPILE



IMPORTANT jetties in Swansea Docks were being damaged by marine borer shipworms, which had gnawed their way into the wooden piles under water, honeycombing and weakening the entire structure. Immediate action was needed to save the jetties. The owners took their problem to the technical service organisation of I.C.I., and a representative of the Company's Nobel Division in Glasgow was sent to make an investigation. He began by experimenting with small charges of gelatine explosives fired at known distances from the piles. The shock wave from these underwater explosions had to be strong enough to kill the borers in their holes, but not so powerful as to weaken the jetty piles. After each shot a diver went down to look for signs of damage, and small sections of the wood were removed to assess the killing effect on the borers. The work went well and a local man who had studied the technique took over. These unorthodox methods were completely successful. The borers were killed and at low cost to the owners the safety of the jetties was ensured for another season.



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Associated Banks: Royal Bank of Scotland
Williams Deacon's Bank Ltd.

SAFETY-FIRST
INVESTMENT

2½% per annum

Income Tax paid by the Society

Equal to 4.15.3 per cent to investors
subject to income tax at the standard rate

The current rate of interest on share accounts is 2½%,
and on ordinary deposit accounts 2%, with income tax
paid by the Society in each case. Sums up to a total
holding of £5,000 are accepted for investment in Abbey
National. For further particulars apply for a copy of the
Society's Investment Booklet.

Total Assets £136,630,000

ABBEE NATIONAL
BUILDING SOCIETY

HEAD OFFICE: ABBEE HOUSE, BAKER STREET, LONDON, N.W.1
For address of Local Office see Telephone Directory



CVS 295

Gestetner

LIMITED
TOTTENHAM, LONDON, N.17

The Company manufactures the world-famous "Gestetner" Duplicating Machine and accessories. It has branches throughout the United Kingdom and subsidiary companies or representatives in all parts of the British Commonwealth, in the Americas, the Far East, and many countries in Europe. Extensive servicing facilities are available throughout the organisation.

SUMMARISED CONSOLIDATED BALANCE SHEET OF GESTETNER LIMITED & SUBSIDIARIES,
based on figures as at 31st August, 1952.

	£		£
Issued Capital	1,824,170	Fixed assets, at cost	1,815,335
Capital Reserves	370,908	Less: Accumulated Depreciation	962,714
Revenue Reserves and Unappropriated Profits	1,101,609		852,621
Outside Shareholders' Interests	1,437	Patents and Goodwill	1
		Subsidiary Companies not consolidated	105,629
		Excess of Current Assets over Liabilities and provisions	2,339,873
	£3,298,124		£3,298,124

SUMMARISED APPROPRIATION ACCOUNT OF GESTETNER LIMITED.

	£
Profit for year, after providing for Taxation, Staff Insurance Schemes, etc.	185,981
Net Distributions for year:	
Preference Dividends	16,847
Ordinary Dividends	84,591
	101,438
Retained in the business	£84,543

Extracts from the Chairman's Statement are appended:

"During the past year the number of Gestetner duplicators produced was higher than ever. The volume of sales of all products created a fresh record.

"The majority of duplicators exported from this country are of your Company's manufacture. Your Directors regard this distinction as proving conclusively that the outstanding quality and reliability of your Company's machines are recognised everywhere.

"Our position as the world's leading duplicator specialists is maintained by continuous technical progress. The Gestetner system of reproducing Braille was demonstrated at the British Industries Fair and has attracted great interest at home and abroad; we are proud to have made this contribution towards the welfare of the blind in the centenary year of the death of Louis Braille."

Copies of the Accounts and Chairman's Statement may be obtained from the Secretary, Gestetner Works, Tottenham, London, N.17.

Company Notes

British Celanese.—The precipitate switch from boom to slump in the textile trades is vividly shown in the preliminary statement by the directors of British Celanese for the year to June 28th. In the last six months of 1951 earnings before tax by the British Celanese group were higher than for any corresponding period in its history; by the last quarter of the financial year the company was trading at a loss. For the year as a whole, therefore, the group's profits before tax slumped from £7,291,578 to £2,546,233. Turnover in the last six months of 1951 was higher than that in the corresponding period in 1950 although trade began to fall off both in the home and export markets in November and December; thereafter, as the recession deepened, output had to be progressively reduced, adding very considerably to production costs. Since the end of the financial year there has been a definite improvement in trade, but it is not yet known whether the recovery has progressed sufficiently to replace trading losses by profits.

The slump in trade naturally led to heavy losses on stocks. The figure of £2,546,233 for profits before tax is struck after making a "special write-down of approximately £900,000, mainly on raw materials." The decline in profits has been cushioned to some extent by the reduction in the provision for taxation from £4,137,486 to £1,612,611, but, even so, group net profits have fallen from £3,154,092 to £933,622. Of this sum £217,098 will be absorbed by a total ordinary dividend for the year of 11 per cent; this payment has been recommended on the equity capital of £3,759,267, as increased from £2,211,333 by the "rights" issue last November. Last year's total dividend (on the old capital) amounted to 16 per cent; it included the special dividend of 7 per cent (requiring £81,267 from the latest appropriation account) which was paid last December, when it was recognised that the white paper on dividend limitation had been killed by the General Election. The latest dividend payment presumably reflects a belief by the directors that the recovery in the rayon trade will not falter. But it means, inevitably, that very little has been ploughed back into the business. Nothing has been appropriated to general reserves (compared with £1 million in 1950-51), and the appropriation to plant replacement reserves has been reduced from £1 million to £100,000. Moreover, the amount to be applied in redemption of the group's prior charge funding certificates has been reduced from £556,571 to £131,125. A year ago it seemed that shareholders could look forward confidently to the total repayment of these certificates in the financial year 1951-52; this hope has now been deferred, and a call of about £225,000 for redemption will have to be made on future earnings. At the current price of 22s. 3d. the 10s. ordinary shares yield £4 19s. per cent.

British Lion Film Corporation.—A year ago, answering a question at the general meeting of British Lion Film Corporation, the chairman, Mr Harold C. Drayton, said that "next March" would show whether there was a future for the company or not. The accounts of the company for the year to March 31st last have now been published, but the question of the future of the company remains unanswered. Last year the company plunged deeper into the red. Gross profits, after deducting office expenses, fell from £215,745 to £62,151. This profit was turned into a net loss of £148,422 by the deduction of various charges, including £156,161 set aside for loan interest and a provision of £94,317 for estimated future losses on films. In the upshot the company had to carry forward a loss of just

over £2 million. A delay in the completion of film productions, and disappointing receipts from film hire both played their part in this gloomy story. In the three years to the end of last March films made by the company earned about £12.6 million in British cinemas, but after the payment of Entertainments Duty and exhibitors' fees, only £3,240,000 of this sum came back to the company. Payments from the Eady Fund should ensure that the company will receive a bigger share of box-office receipts in the future. The Eady scheme was in existence during the year under review, but the company, owing to delays in completing its film productions, did not receive the full benefits from it. Mr Drayton suggests that in the future the company can expect to receive well over £500,000 a year in additional revenue from the Eady Fund. This figure might have to be revised downward if the fall in cinema attendances continues.

Having pointed out that the company has to pay out over £150,000 a year in loan interest, Mr Drayton makes the odd statement that "had this interest been paid out in the form of dividends the status of the company would be somewhat different." But could the company have found the money it needed to keep in being in any other way except on loan? The company's very existence seems to depend upon the loan of £3 million made by the National Film Finance Corporation and upon the £1.3 million borrowed from the banks.

Gestetner.—The full accounts of Gestetner for the year to August 31st tell the now familiar story of an increase in sales, an increase in costs, and a fall in profit margins. In spite of further increases, both in production and the volume of sales, trading profits fell from £1,199,740 to £1,151,330. But the decline in distributable earnings, from £367,951 to £340,408, was not sufficiently serious to prevent the directors from recommending the same distribution on equity capital as had been paid in the six previous financial years; the actual dividend rate was reduced from 18½ to 15 per cent, but this did no more than allow for the one-for-four scrip bonus made a year ago. Although the appropriation to the parent company's general reserve has had to be cut from £121,218 to £75,000, lower profits have not been accompanied by a weakening in the group's financial resources. In fact, follow-

	1951	1952
Consolidated earnings:—		
Trading profit	1,199,740	1,151,330
Total income	1,208,475	1,155,479
Depreciation	175,442	177,560
Taxation	574,271	568,761
Net profit	367,951	340,408
Ordinary dividends	84,591	84,591
Ordinary dividends (per cent)	18½	15
Retained by subsidiaries	152,165	154,427
General reserve	121,218	75,000
Added to carry forward	Dr 1,327	9,543
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	684,767	852,621
Net current assets	1,922,564	2,359,841
Stocks	1,392,451	1,513,400
Cash	589,977	1,019,225
Reserves	1,438,354	1,472,517
Ordinary capital	859,336	1,074,170
5s. ordinary stock at 14s. yields £5 7s. per cent.		

ing the £250,000 preference issue, the group's cash holdings have increased from £589,977 to £1,019,225.

In his statement to the shareholders, the chairman, Mr S. Gestetner, emphasises that the company, like many other exporters, were hard hit by overseas import restrictions in the last months of its financial year. The fall in export sales has already been followed by a reduction in output in the company's factories. In view of this fall in sales and the continuing increase in costs, shareholders should be prepared for a further decline in profits. But profits would have to fall quite sharply to put the equity dividend in danger.

SECURITY PRICES AND
YIELDS

British Funds and Guaranteed Stocks	Price, Sept. 17, 1952	Price, Sept. 24, 1952	Net Yield, Sept. 24, 1952	Gross Yield, Sept. 24, 1952
War Bonds 2½% '51-53	99½	99½	1 10 0	2 17 9
War Bonds 2½% '52-54	99½	99½	1 15 5	3 0 6
Exchequer 2½% 1955	98½	98½	1 16 6	2 19 1
Ser. Funding 1½% '52	(u)	(u)	0 2 5	3 4 1
Ser. Funding 1½% '53	98½	98½	1 11 9	2 14 0
Ser. Funding 1½% '54	97½	97½	1 15 2	2 14 11
War Bonds 2½% '54-56	98½	98½	1 13 2	2 17 10
Funding 4½% '52-57	98½	98½	1 11 11	2 19 10
Nat. Def. 3½% '54-58	99½	99½	1 14 0	2 3 8
War Loan 3½% '55-59	98½	98½	1 15 5	3 11 1
Savings 3½% '55-65	92½	91½	2 7 5	3 17 10
Funding 2½% '56-61	92½	91½	2 8 7	3 13 4
Funding 3½% '59-69	86½	84½	2 14 2	4 5 4
Funding 3½% '66-68	88	86½	2 12 10	4 4 4
Funding 4½% '60-90	99½	96½	2 12 9	4 11 0
Savings 3½% '60-70	85½	84	2 4 11	3 9 1
Savings 2½% '64-67	84½	82½	2 16 4	4 2 8
Victory 3½% '20-76	101½	99½	2 2 9	4 1 0
Savings 3½% '65-75	83½	82	2 12 9	4 5 3
Consols 4½% (aft. 1957)	87½	84½	2 9 11	4 15 4
Consols 3½% (aft. 1961)	78½	75½	2 8 8	4 12 8
Treas. 2½% (aft. 1975)	57½	55½	2 7 2	4 9 10
Treas. 3½% (aft. 1966)	68½	66½	2 7 8	4 10 10
Treas. 3½% '77-80	89½	87½	2 9 8	4 6 8
Redemption 3½% '86-96	78½	76½	2 9 5	4 4 0
War Loan 3½% (aft. 1952)	79½	76	2 8 9	4 13 6
Consols 2½%	59½	57½	2 5 8	4 6 10
Br. Elec. 3½% '68-73	84½	82½	2 13 5	4 5 4
Br. Elec. 3½% '74-77	83½	81½	2 12 1	4 4 7
Br. Elec. 4½% '74-79	99½	98½	2 7 10	4 7 11
Br. Elec. 3½% '76-79	90½	88½	2 6 10	4 7 7
Br. Trans. 3½% '78-88	78½	76	2 12 7	4 7 5
Br. Trans. 3½% '68-73	84½	82½	2 13 5	4 5 4
Br. Gas 3½% '90-95	78½	74½	2 10 9	4 5 5
Br. Gas 3½% '69-71	91½	89½	2 10 7	4 6 2
Br. I. & S. 3½% '79-81	89	87	2 9 9	4 6 6

(e) To earliest date. (f) Flat yield. (g) To latest date.
(s) Assumed average life 13 years approx. (h) £99 15s. 10½d.
(u) £99 15s. 11d. * Ex dividend.

Last Dividend	Ordinary Stocks	Price, Sept. 17, 1952	Price, Sept. 24, 1952	Yield, Sept. 24, 1952
(a) (b) (c)				
20 a	40 Anglo-Am. 10/-	61	61	4 16 0
5 a	25 Anglo-Iran £1	6½	5½	5 2 0
12½ b	7½ Assoc. Elec. £1	71/6	71/6	5 11 11
20 b	40 Assoc. P. Com. £1	101/20	100/-	5 10 10
+22½ c	10 a Bass £1	129/4	126/10	6 15 1
20 c	5 a Boots 5/-	20/-	20/-	5 0 0
8½ b	5 a Brad. Dyers £1	24/-	23/6	9 15 9
4½ a	6½ Br. Celanese 10/-	23/-	22/3	4 18 11
...	Br. Motor Co. 5/-	51/10	51/3	...
12 b	6 a Br. Oxygen £1	53/2½	50/7½	5 10 7½
3 b	3 a Can. Pac. \$25	\$62	\$62	4 10 4
5 a	7½ Coats £1	44/-	43/6	5 14 11
5 a	6½ Courtaulds £1	36/-	35/-	5 8 7
15 c	2½ Cunard £1	36/-	35/6	8 9 0
7½ a	15 b Distillers 4/-	17/6	17/-	5 5 11
17½ c	17½ Dunlop £1	48/11	45/7½	7 13 5
12½ c	15 c Ford £1	50/3	49/9	6 0 8
7½ a	15 b Gen. Elect. £1	84/6	83/-	5 8 6
5 a	10 b Guest Kren £1	54/9	53/3	5 12 8
19 b	7 a Guinness 10/-	33/-	32/6	5 3 5½
5½ b	11½ Hawker Sid. £1	39/3	38/9	5 3 3
3 a	10 b Imp. Chem. £1	44/-	42/9	6 1 8
18½ b	13½ Imp. Tobacco £1	55/3	54/3	7 7 6
17½ c	\$2½ Int. Nick. n.p.	\$83½	\$84½	5 9 9
...	17½ c J. Burg. Con. £1	49/-	47/3	7 8 2
10 b	5 a Lancs. Cotton £1	39/-	37/6	8 0 0
7½ a	10 b Lon. Brick £1	61/3	61/3	5 14 3
15 a	65 b Marks & Sp. A 5/-	43/-	41/9	4 15 10½
6½ a	15½ Monsanto 5/-	26/10	26/10	4 3 9
8 a	10½ P. & O. Del. £1	50/6	50/-	6 18 0
17½ c	17½ P. Johnson 10/-	37/-	36/-	6 18 10
+85 c	+100 c Prudential 'A' £1	34½	34	5 12 0
200 c	50 a Rhokana £1	22½	22½	8 15 10
5 a	10 b Rolls Royce £1	61/10	60/-	5 0 0
15 a	+10 b "Shell" Stk. £1	83/9	82/6	5 11 0
12½ b	13½ Tube Invest. £1	57/9	55/9	4 9 8½
15 b	5 a Tur. Newall £1	93/9	89/4	4 9 6
5 a	8½ Unilever £1	47/6	47/6	5 13 8
10 c	12½ Union Castle £1	23/3	24/-	5 4 2½
5 b	5 a Union Disc. £1	40/-	39/6	5 1 3
16½ a	16½ Utd. Molass. 10/-	33/-	30/6	6 9 10½
60 c	50 c U. Sna Betong £1	36/10	36/10	27 2 4
10 b	2½ Vickers £1	44/9	44/-	5 13 8
27½ b	15 a Woolworth 5/-	42/-	41/3	5 3 0

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 14%.
(e) Yield basis 16%. (f) Yield basis 22.9 gross. (g) Yield basis 16%. (h) Yield basis 12½%. (i) Yield basis 6½%.
(m) Yield basis 19.8%. (n) Yield basis 40%. (o) Yield basis 20%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 20, 1952, total ordinary revenue was £47,805,000, against ordinary expenditure of £68,998,000, and issues to sinking funds £240,000. Thus including sinking fund allocations of £16,295,000 the deficit accrued since April 1, 1952, was £319,436,000 compared with a deficit of £30,976,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate 1952-53 £'000	April 1, 1951 to Sept. 22, 1951	April 1, 1952 to Sept. 20, 1952	Week ended Sept. 22, 1951	Week ended Sept. 20, 1952
REVENUE					
Receipts into the Exchequer (£ thousand)					
Ord. Revenue	180,422	425,883	462,145	11,782	9,006
Income Tax	123,000	34,800	31,800	900	1,300
Sur-tax	175,000	92,600	69,900	2,500	3,000
Estate, etc., Duties	57,500	30,100	23,550	800	1,000
Stamps	452,000	146,700	184,500	4,400	7,700
Profits Tax & EPT	5,000	...	...	...	...
Excess Profits Levy	2,000	1,655	910	30	30
Special Contribution and other Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,872	731,738	772,805	20,412	22,036
Customs	104,350	468,906	489,192	20,962	20,408
Excise	77,000	351,700	333,553	4,800	3,530
Total Customs and Excise	181,350	820,606	822,745	25,762	23,938
Motor Duties	64,150	11,756	11,763	...	...
Surpl's from Tradg. PO (Net receipts)	12,000	57,500	...	...	...
Broadcast Licences	15,000	4,000	4,050	...	...
Sundry Loans	26,000	18,980	18,758	...	...
Miscell. (incl. Surplus War Stores)	110,000	46,868	35,785	12,365	1,831
Total Ord. Rev.	466,137	1,693,548	1,665,906	53,839	47,805
SELF-BALANCING					
Post Office	209,235	86,600	93,000	7,500	2,900
Income Tax on EPT Refunds	4,900	2,484	2,489	22	81
Total	479,367	1,724,525	1,761,395	61,361	50,786
EXPENDITURE					
Issues out of the Exchequer to meet payments (£ thousand)					
Ord. Expenditure	575,000	237,651	270,304	1,426	4,314
Int. & Man. of Nat. Debt	40,000	16,089	17,192	...	...
Payments to N. Ireland	10,000	4,552	4,550	9	4
Other Cons. Funds	...	...	...	...	...
Total	625,000	258,292	292,046	1,435	4,318
Supply Services	355,436	145,715	167,691	74,400	64,680
Total Ord. Expd.	419,367	171,543	196,907	75,835	68,998
Sinking Funds	...	9,080	16,295	10	240
Total (excl. Self-Bal. Expd.)	419,367	172,452	198,532	75,845	69,238
SELF-BALANCING					
Post Office	209,235	86,600	93,000	7,500	2,900
Income Tax on EPT Refunds	4,900	2,484	2,489	22	81
Total	439,350	181,360	208,082	83,367	72,219

After increasing Exchequer balances by £79,831, to £3,171,428 the other operations for the week increased the National Debt by £35,277,440 to £26,155 million.

NET RECEIPTS (£ thousand)	
Tithe Act, 1936, s. 26	17

NET ISSUES (£ thousand)	
PO and Telegraph (Money) Act, 1950	1,175
EPT Refunds	98
Export Guarantees Act, 1949, s. 3 (2)	197
Local Authorities Loans Act, 1945, s. 3 (1)	4,500
Miscellaneous Fin. Provs. Act, 1946, s. 2 (1)	2,000
Northern Ireland Exchequer	5,491
Coal Industry Acts, 1946 to 1951	310
Finance Acts, 1946 and 1947, Post-war Credits	13,771

CHANGES IN DEBT (£ thousand)			
RECEIPTS.		PAYMENTS	
Treasury Bills	10,545	2½% Def. Bonds . . .	635
Nat. Savings Certs. . .	1,900	3½% Def. Bonds . . .	1,644
3½% Def. Bonds	4,780	Other Debt—	
Tax Reserve Certs. . . .	1,782	Internal	6,262
Ways and Means		External	3,189
Advances	27,900		
	46,907		11,730

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bk. of Eng-land		
1951						
Sept. 22 1952	3240.0	2364.7	354.6	...	265.0	6224.4
June 30		4336.6	309.0	2.3	...	4647.8
July 5	2910.0	1440.5	308.9	...	...	4659.5
" 12	2940.0	1462.7	303.0	...	...	4705.7
" 19	2970.0	1443.5	327.8	1.8	...	4743.0
" 26	3000.0	1459.5	285.6	2.3	...	4747.3
Aug. 2	3020.0	1430.3	264.4	...	...	4714.7
" 9	3040.0	1403.3	265.4	1.0	...	4709.7
" 16	3030.0	1450.6	279.8	...	...	4760.4
" 23	3020.0	1462.9	307.0	...	...	4789.9
" 30	3040.0	1445.7	292.1	...	...	4777.8
Sept. 6	3050.0	1443.1	309.3	...	...	4812.3
" 13	3070.0	1479.9	288.7	...	...	4838.6
" 20	3090.0	1470.4	316.6	...	...	4877.0

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Min. Rate %
	Offered	Applied For	Allotted		
1951					
Sept. 21 1952	240-0	335-9	240-0	10 4-87	23
June 20	250-0	301-1	250-0	48 8-25	77
" 27	240-0	302-4	240-0	49 0-44	74
July 4	240-0	308-8	240-0	49 0-45	73
" 11	240-0	315-2	240-0	49 4-20	68
" 18	230-0	322-9	230-0	49 3-88	59
" 25	220-0	317-2	220-0	49 3-88	56
Aug. 1	220-0	320-5	220-0	48 11-99	58
" 8	230-0	295-1	220-0	49 0-41	68
" 15	220-0	284-6	220-0	49 0-39	70
" 22	240-0	301-1	240-0	49 4-31	73
" 29	250-0	318-9	250-0	49 4-42	72
Sept. 5	260-0	308-6	260-0	49 8-58	79
" 12	260-0	308-9	260-0	49 8-61	80
" 19	260-0	331-1	260-0	49 8-12	61

On September 19th applications for 91 day bills to be paid from September 22 to September 27, 1952, were accepted dated Monday to Wednesday and Saturday as to about 61 per cent at 99 7/8, Thursday at 99 7/8, 9d., and Friday at 99 7/8, 6d., and above in full Treasury Bills to a maximum of £260 million were offered on September 26th. For the week ended September 27th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Total 24 weeks ended Sept. 15, 1951	Sept. 13, 1952	Week ended Sept. 13, 1952
Savings Certificates			
Receipts	82,500	58,300	6,000
Repayments	56,700	67,600	2,950
Net Savings	15,800	Dr 9,300	3,050
Defence Bonds			
Receipts	24,224	19,243	6,070
Repayments	31,346	34,099	1,560
Net Savings	Dr 7,122	Dr 14,856	4,510
P.O. and Trustee Savings Banks			
Receipts	313,888	332,010	14,144
Repayments	388,608	392,318	16,374
Net Savings	Dr 74,720	Dr 60,308	Dr 2,230
Total Net Savings	Dr 66,042	Dr 84,464	5,330
Interest on certificates repaid	16,268	18,485	811
Interest accrued	58,003	59,493	2,507
Change in total invested	Dr 3,977	Dr 43,456	7,026

BANK OF ENGLAND RETURNS

SEPTEMBER 24, 1952

ISSUE DEPARTMENT

Notes Issued:		
In Circulation	1444,102,141	
In Bankg. Department	56,254,682	
Govt. Debt	11,015,100	
Other Govt. Securities	1485,750,145	
Other Sec.	722,076	
Coin (other than gold)	2,512,680	
Amt. of Fid. Issue	1500,000,000	
Gold Coin and Bullion (at 248s. per oz. fine)	356,823	
	1500,356,823	

BANKING DEPARTMENT

Capital	14,553,000	Govt. Sec.	317,784,930
Res.	3,974,942	Other Sec.	20,900,532
Public Depts.	35,323,739	Discounts and Advances	5,215,200
Public Accts.	11,148,724	Securities	15,685,332
H.M. Treas. Special Acct.	24,175,015		
Other Depts.	342,682,559	Notes	56,254,682
Bankers	275,654,419	Coin	1,594,096
Other Accts.	67,028,140		
	396,534,240		
	396,534,240		

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
	Sept. 26	Sept. 10
Issue Dept.		
Notes in circulation	1348.8	1452.0
Notes in banking department	51.5	48.4
Government debt and securities	1396.7	1496.8
Other securities	0.8	0.7
Gold and coin	2.9	2.9
Value at s. per fine oz.	248/0	248/0
Banking Dept.		
Deposits		
Public Accounts	16.6	15.1
Treasury Special Account	1.1	30.5
Bankers	289.9	266.0
Others	91.2	65.9
Total	398.8	377.5
Securities		
Government	319.6	324.2
Discounts, etc.	19.0	5.8
Other	26.1	16.0
Total	364.7	346.0
Banking dept. reserve	52.4	49.9
" Proportion "	13.1	13.2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,550 million to £1,500 million on August 27, 1952.

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

	Sept. 18, 1951	Sept. 9, 1952	Sept. 23, 1952
Cereals and meat	170.1	192.6	192.9
Other foods	182.4	191.4	190.9
Textiles	249.3	219.6	218.0
Minerals	361.7	369.7	369.4
Miscellaneous	199.1	185.4	185.6
Complete Index	221.5	221.2	220.8

* Provisional.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

	SILVER		GOLD	
1952	London per ounce	New York per ounce	Bombay per 10 tolas	Bombay per tola
Sept. 18.	d. 73-0	c. 83-25	Rs. 161 4	Rs. 89 7
" 19.	73-0	83-25	160 14	89 13
" 20.	Markets Closed		160 15	90 1
" 22.	73-0	83-25	159 0	89 14
" 23.	73-0	83-25	158 12	90 1
" 24.	73-0	83-25	159 3	89 15

COMPANY MEETINGS

LONDON TIN CORPORATION

CHAIRMAN'S SPEECH

The twenty-sixth annual general meeting of London Tin Corporation, Limited, was held on September 19th at the Chartered Insurance Institute, Aldermanbury, London, E.C.

Mr J. Ivan Spens, chairman of the corporation, who presided, said:

ACCOUNTS

The feature of the accounts this year is the marked increase in the taxation payable on the year's profits which more than offsets the satisfactory increase in the gross income.

GENERAL RESERVE

The successful rehabilitation of the mines in Malaya and Siam has rendered no longer necessary certain provisions against investments and loan, which were made in previous years, and the sum of £183,500 has accordingly been transferred to General Reserve. This sum, together with an appropriation from profit and loss account of £41,500, brings the General Reserve from £500,000 to £725,000.

DIVIDEND

In order to pass on to shareholders some benefit from the corporation's increased income, the directors have recommended a bonus of 2 per cent, payable with the final dividend of 13 per cent, making 20 per cent for the year, against 18 per cent last year. It must not be assumed, however, that the current year's accounts will permit a similar distribution.

TAXATION

The heavy increase in taxation on the profits for the year under review is partly due to the fact (explained in my speech last year) that the corporation's taxation "losses forward" were to all intents and purposes exhausted; and partly to the appropriate provision for Excess Profits Levy for the four months to April 30, 1952.

For taxation purposes the Corporation is treated as a finance company. Our investments in the years 1947, 1948 and 1949 were almost entirely in the tin-mining industry overseas—of which more than two-thirds was in the Far East in countries which had been in enemy occupation. Moreover, firstly, dividends received from investments are received a considerable time after they are earned and the basic years for Excess Profits Levy are unrealistic as regards this Corporation and, secondly, over 60 per cent of our income from investments in the tin-mining industry is received from companies registered abroad.

On this basis representations were made by this Corporation to the Chancellor of the Exchequer for some measure of relief from the Excess Profits Levy, but, unfortunately, without success. Consequently the relief extended to mining companies registered in this country and operating abroad (including the choice of an additional basic year for companies operating in enemy occupied territory) does not appear to apply to us. In addition, when this Corporation holds less than 25 per cent of the share capital of a Malayan tin-mining or any other company ordinarily resident in the United Kingdom, even despite the fact that such companies are liable to Excess Profits Levy, the dividends received called "franked investment income" are not excluded for the purpose of

computing this Corporation's liability to Excess Profits Levy. While "franked investment income" is excluded for Profits Tax, I do not understand why all "franked income" (as in the case for Profits Tax) has not been excluded for Excess Profits Levy since clearly double and unfair taxation is involved.

INVESTMENTS

In my speech last year I advised members that it was the Board's intention to use some of the Corporation's funds for investment other than in gilt-edged or in tin-mining projects in order to broaden the basis of the Corporation's portfolio. This has been implemented to some extent during the year but clearly it is necessary to consider carefully, with the charge for Excess Profits Levy computed as it is at present, what alternative policy might be more in the interests of our shareholders.

PRICE OF TIN

The average price of metallic tin during the year under review was approximately £968 per ton. The price of tin, however, must be considered in relation to the economic situation of the producer and it has to be remembered that the provision necessary for maintenance and replacements, and for prospecting and development of fresh ore reserves has greatly increased. As compared with the period prior to 1939 the yield has tended to decrease disproportionately to the risk involved. Moreover, it must be stressed that the shallower, richer and more easily worked deposits of tin ore, to which we had become accustomed in the past in the Far East and in Nigeria, are becoming exhausted. The problem under present conditions is how economically to continue to mine

moving equipment has been installed and a new ore treatment plant came into operation. The output of Columbite has continued satisfactorily and every effort is being made further to increase it.

GENERAL PROSPECTING

In Nigeria on behalf of this corporation a preliminary investigation of possible lead-zinc deposits was made in the last dry season and work will be resumed shortly. The indications at present are that no large-scale production from one substantial ore body is anticipated but a number of ore shoots may be proved from which a satisfactory production might be obtained.

A decision as to whether the prospect might prove worth developing must await the result of the work now to be undertaken.

During the year our chief geologist and mining engineers have visited South Africa and British Honduras on behalf of this corporation.

In regard to South Africa, it was decided not to proceed in taking an interest in a company already operating there.

The results of the examination for the possibility of tin ore deposits in British Honduras did not warrant any further action.

On behalf of this Corporation engineers from the staff of Anglo-Oriental (Malaya), Limited: (1) prospected in Borneo without success; (2) did some preliminary work in the Solomon Islands, and their reports are now being studied.

DIRECTORATE

Mr Warren retired from the board of this Corporation on April 30th this year. He is relinquishing the chairmanship of Anglo-Oriental (Malaya), Limited, as from October 1, 1952, because for reasons of health he should not reside, as formerly, in the East.

Shareholders, I am sure, will be glad to know his services will still be available to the Corporation and that he will visit Malaya, Nigeria or any other future sphere of our operations from time to time, as appears desirable.

I cannot express sufficiently strongly my own and my co-directors' appreciation of all Mr Warren has done throughout his service with your Corporation's organisation.

We all deeply regret that Mr H. A. Coates, until recently chairman of AO (Australia) Proprietary, Limited, to whom I referred last year, died in July this year.

On his appointment as Speaker of the House of Commons, Mr W. S. Morrison resigned from the board of the Corporation and we shall miss his wise counsel. Sir Kenneth Harper has accepted a seat on the board and his appointment will be submitted for confirmation at the meeting.

STAFF

I have again to express my own and the board's appreciation of the loyal service rendered by the management and staffs throughout the organisation. Conditions nowhere are easy and call for constant diligence and resourcefulness.

The report and accounts for the year ended April 30, 1952, were adopted and the retiring directors re-elected.

The chairman informed the shareholders that Mr Douglas T. Waring would become chairman of Anglo-Oriental (Malaya), Limited, on October 1, 1952, and the board of London Tin Corporation had at their meeting before this annual general meeting elected Mr Waring a director of London Tin Corporation, Limited, as from the date of his appointment as chairman of Anglo-Oriental (Malaya), Limited.

BRITISH CELANESE LIMITED

The Report and Accounts for the year ended 28th June, 1952, contain the Directors' recommendation for the payment on 15th November, 1952, to Stockholders registered at the close of business on 7th October, 1952, of a final dividend of 6½% (less tax) making, with the interim dividend of 4½% already paid, a total of 11% (requiring £217,098), on £3,759,267 Ordinary Stock in respect of the year ended 28th June, 1952. In addition a dividend of 7% (requiring £81,267) was paid in December, 1951, on the £2,211,333/10s. Ordinary Stock outstanding prior to the issue of the new shares in November, 1951, to compensate Stockholders for the fact that the final dividend paid in respect of the year ended 30th June, 1951, was limited to 3%, making 9% for that year (requiring £104,486), owing to the implications of the White Paper on Control of Dividends.

The following details are extracted from the Report of the Directors and audited Accounts for the year ended 28th June, 1952, which will be posted to Stockholders on or about 14th October, 1952.

ABRIDGED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28th JUNE, 1952

Year ended 30th June, 1952	£	£
	Consolidated Net Profit for the Year before Taxation (after special stock write-down at 28th June, 1952, of approximately £900,000, mainly on raw materials)	2,546,233
7,291,578	Deduct: Taxation thereon—	
	Profits Tax	497,738
959,583	United Kingdom Income Tax	877,019
2,892,311		
3,851,894	Transfer to Taxation Equalisation Account	237,854
285,592		1,612,611
4,137,486	Net Profit for the Year after Taxation	933,622
3,154,092	Add: Dividends payable by Subsidiary Companies out of balance brought forward	39,576
— 40,446		
3,113,646	Net Profit dealt with in the Accounts of British Celanese Limited	973,198
574,188	Balance brought forward at 30th June, 1951	649,455
3,687,834		1,622,653
	Deduct: Fixed and Participation Dividends on Preference Stocks and Interest on Funding Certificates paid (less Income Tax)	369,806
377,222	Amount to be applied in the purchase or redemption of Funding Certificates	131,125
556,671	Dividends (less Income Tax) paid and recommended on Ordinary Stock	298,365
104,486		799,296
1,038,379		823,357
2,649,453	Deduct: Transfer to—	
	Reserve towards increased cost of replacement of Property and Plant	100,000
1,000,000	General Reserve	—
1,000,000		100,000
2,000,000	Balances carried forward at 28th June, 1952—	
649,455	British Celanese Limited	723,357
47,345	Subsidiary Companies	7,769
£696,800	Consolidated Balance carried forward at 28th June, 1952	£731,126

Turnover for the half-year to December, 1951, was in excess of that for the corresponding period of the previous year, although in November and December there was a falling off in trade both in the Home and Export markets. The second half of the year showed a serious decline in all sections.

Earnings before tax for the first six months of the financial year were higher than for any previous corresponding period, but during the second half of the year, as the recession developed, production had to be progressively reduced, which added very considerably to production costs and the third quarter's earnings were very greatly reduced. The last quarter's operations resulted in a loss.

Since the end of the year there has been a definite improvement in trade which is referred to in the Statement by the Chairman annexed to the Report and Accounts.

LONDON, W.1. 19th September, 1952.

UNITED DAIRIES, LIMITED

MILK SUPPLIES: POSITION NOT VERY SATISFACTORY

ADVERSE EFFECT OF RELATIVE BEEF PRICES

POSSIBLE SHORT PERIOD OF SCARCITY

MR LEONARD MAGGS'S VIEWS

The thirty-seventh annual general meeting of United Dairies, Limited, was held on September 19th at The Connaught Rooms, Great Queen Street, London, W.C., Mr Leonard Maggs, chairman and a manager director, presiding.

The secretary, Mr Ernest Evanson, ASAA, read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman to the members, which had been circulated with the report and accounts for the year ended March 31, 1952, and was taken as read:

In the interests of many members who are unable to attend the annual general meeting on September 19 I am again circulating my remarks with the directors' report and accounts.

It is with deep regret that I have to report the death, on July 16, 1952, of Colonel A. S. Barham, CMG. Colonel Barham was appointed a member of the board on the formation of the company in 1915, his company, The Dairy Supply Company, Limited, being one of the companies which amalgamated with others to form United Dairies, Limited. Although he retired from active management in 1923, he served as a director until his death, and his great experience and wise guidance were of inestimable value to the company.

I do not think the accounts call for much comment, as the consolidated statements published give a clear and concise picture of the financial position of the whole group. As mentioned in the directors' report, of the group net profits of £784,233 there has been brought into the parent company's accounts £776,587, the balance of £7,646 being left with the subsidiary companies as an addition to their undistributed profits.

PROVISIONS

(a) £1,801,157 for Taxation: This amount, which is provided in conformity with the latest Finance Act, is, in my opinion, out of proportion to the balance of profits left for other purposes, including replacement of assets, as well as dividends. The present rates of taxation are an intolerable burden on industry. While I realise that the campaign for the reduction of the costs of running the country cannot proceed quickly, it is disappointing to find that taxation of industry has been increased.

(b) Depreciation on Commonwealth Loans: The parent company and the Australian subsidiary company invested funds in Australian Commonwealth Loans so as to realise them as required to meet expenditure in connection with the company's development in Australia. In Australia, as in this country, the market for gilt-edged securities has fallen sharply, and it was considered prudent to reserve, out of the profits of the year under review, £20,000 against the parent company's investment which is repayable at par in 1962, and £20,000 against the Australian subsidiary company's investment which is repayable at par in 1964, making £40,000 in all. You will notice that the book value is now less than the market value at March 31st, but, as you will know, there has been further depreciation since that date.

Investments in home gilt-edged securities were realised two years ago.

RESERVES

The following are the reserves of the group at March 31, 1952:—

The share premium account	£5,814
Capital reserves:	
Profits, less losses on realisations of:	
Properties	165,243
Investments in sub. cos.	99,157
Revenue reserves:	
General reserve	3,000,000
Insurance fund	100,000
Depreciation not required on properties sold	46,368
Future income-tax	1,327,001
Profit and loss appropriation accounts	3,111,492
	£7,855,075

The total of these reserves at March 31, 1951, was £7,550,233.

CAPITAL REPLACEMENT

At March 31, 1951, there was standing on the books of the group an amount of £130,690 in connection with plant and machinery, fixtures, fittings, transport vehicles, churns, rail tanks, and other assets acquired prior to March 31, 1945: the whole of this has been written off as depreciation in the year under review.

Owing to the present high prices of equipment the charges for depreciation are increasing as new equipment is installed. In the year under review the charge for depreciation on plant, machinery, etc., in respect to the subsidiary companies was £753,964, against £613,323 in the previous year. Depreciation funds being insufficient to meet the higher costs of new equipment the balance has to be found out of retained revenue.

Considerable progress has been made in modernising the buildings and machinery of United Dairies (London), Limited. The bottling plants at Ilford and Willesden have been re-equipped, and progress is now being made in repairs after war damage at Vauxhall: this depot suffered from three bomb attacks during the war, one of which resulted in temporary closing. In Scotland, three complete new milk plants have been installed at the premises of Edinburgh and Drumfrieshire Dairy Company, Limited. The new milk-collecting depot of United Dairies (Wholesale), Limited, at Attleborough, in Norfolk, is now in operation, and is a fine example of modern dairy engineering practice. I have mentioned before the Standard Yeast Company's factory at Harwich: this is now complete, and we are hoping for good results from this enterprise.

DEFERRED REPAIRS

This provision remains at the same figure as last year—namely, £1,132,203. During the five years ended March 31, 1952, £758,120 has been expended on deferred repairs and charged against current trading, leaving the provision in the balance sheet intact. This fund remains available tem-

porarily as working capital. It is expected that a settlement of the claims will be made this year, and this will enable us to deal with the balance of the provision in the next accounts.

DISPOSAL OF GROSS REVENUE

The following statement shows how every pound sterling received by the group in respect to sales of milk, milk products and other products was absorbed during the year under review, with comparative figures for the previous year:—

	1952	1951
	s. d.	s. d.
Cost of milk, goods for sale, and raw materials for production of other goods	15 0	14 8
Salaries and wages	2 3½	2 4½
Other expenses, including containers, depreciation, rent and repairs	1 10½	1 11
Taxation	0 7½	0 8½
Paid as dividends	0 1½	0 2
Retained in business for development	0 1	0 2
	20 0	20 0

The relation of the various items, in the comparison with the previous year, has been disturbed by the increase of 8d. per gallon in the purchase and selling price of milk during the year under review, and by increased costs in all directions. The foregoing statement covers the whole of the operations of the group.

On the milk side of the business, including subsidiary activities difficult to segregate, such as goods purchased for resale in the 693 shops, and (in Scotland) the bakeries, the net profit was only 0.9045 per cent of the turnover: in 1951 it was 1.043 per cent and in 1950 it was 1.135 per cent.

COSTS AND PROFITS

Costs have continued to rise, and applications to the Ministry of Food for a review of margins have to be made at regular intervals. Although the Ministry of Food is not unsympathetic in such cases, there is always a time-lag, which means that the notional target of net profit is not, in practice, obtained.

The notional margins of net profit on milk distribution services are those which were obtained in February, 1948, at the time when the Government issued the White Paper, "Statement on Personal Incomes, Costs and Prices." They were based on the experience for the year 1946-47, which was an unfavourable year to the trade, and an application for an increase in these notional profit margins is now with the Ministry of Food.

In connection with milk products which are acquired by the Ministry of Food, prices are fixed retrospectively, and the true weighted average costs of the industry are, in the main, recovered. The unit margins of profit allowed on costs are substantially those which were obtaining immediately before the war: in view of the reduced manufacture, and the changed conditions of to-day, these are inadequate, and an application is now before

the Ministry of Food for these margins also to be increased.

MILK SUPPLIES

The year under review was not a very satisfactory one as regards milk production, which is still being adversely affected by the relative prices for beef and milk fixed by the Government. It seems that the importance of an adequate supply of milk, and of home-manufactured milk products, is eclipsed by the significance attached to the meat ration.

It is very doubtful whether there will be enough milk available during the later months of this year always to meet the full demand. It is now probably out of the question to bring back consumer registration, but in the absence of such a scheme equitable distribution is most difficult. The burden of complaints falls on the unfortunate salesman, and it is sometimes forgotten at these times what excellent service he gives during the rest of the year. I am sure, however, that the Ministry of Food, with the full co-operation of the trade, will do everything possible to ensure fair distribution of what is available during what I hope will be a short period of scarcity.

Sales of liquid milk are now receding, reflecting the three latest increases in the price to the public, each of 1d. per quart—the first on July 1, 1951, the next on December 1, 1951, and the latest on July 1, 1952.

I feel I should point out that, except for relatively infinitesimal awards to the trade on account of increasing costs, the whole of the amount accruing from these increases goes to the Government to reduce the amount of subsidy, and as a contribution towards the cost of free and cheap milk to priority consumers.

The Minister of Food—I think quite rightly—decided this year not to permit the manufacture and sale of cream. I say "quite rightly" having in mind the national interest, and disregarding the interests of the industry, which for many reasons would have welcomed a resuscitation of the cream trade.

We are, however, doing our best to fill the gap by selling by retail synthetic cream manufactured by our subsidiary company, The Farma Cream Product Company, Limited. Sales of this product are expanding, and it is giving general satisfaction.

ENGINEERING AND TRANSPORT COMPANIES

The operations of The Dairy Supply Company, Limited, manufacturing dairy utensils, and of The UD Engineering Company, Limited, manufacturing dairy machinery, were, during the year under review, severely hampered by shortages of raw materials. Now, however, the recession in demand is a bigger limiting factor in restricting sales than the shortage of raw materials. As regards export trade, currency and import restrictions operating in many countries of the world are seriously curtailing trade.

Mickleover Transport, Limited, in addition to work for other subsidiary companies, is expanding its business in the building and mounting of special bodies for lorries for commercial and Government undertakings.

OVERSEAS INTERESTS

Australia—The position is more or less the same as I reported to you last year, except that slower progress than I then expected is being made with the building of the new factory to be equipped for the reception of liquid milk and the manufacture of milk powder and condensed milk. Great difficulties have been experienced with labour and in getting materials for this building, and its erection has been hindered by exceptionally bad weather. All these delays postpone

the time when we can hope for results from the investment.

New Zealand—Our subsidiary company again had a good year's trading, and earned a satisfactory profit.

CONCLUSION

I feel it is my duty to say that the results of the subsidiary companies are not so favourable since March, 1952, as they were in the corresponding period last year. The factors influencing the profits are: increased wages; lower demand; higher prices of all consumable stocks such as petrol and coal; and the greater working capital required to finance the businesses. To illustrate this point I call attention to the figure of stocks at £4,161,950: a comparable figure before the war was under £1 million.

Although the various businesses have expanded, and new enterprises have been acquired, this figure shows the effect of inflation: we can now, perhaps, hope that the spiral of inflation, of which we used to hear so much, has ended.

APPRECIATION OF THE STAFF

I am sure all shareholders would like to join with the board and myself in expressing thanks to the officers and staff of the company for their loyal and devoted services during the past year.

The report and accounts were unanimously adopted and a final dividend on the ordinary stock at the rate of 10 per cent actual, less tax, making 15 per cent for the year, was approved.

The remuneration of the auditors, Messrs Peat, Marwick, Mitchell and Company, was fixed.

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

GEO. BASSETT AND COMPANY, LIMITED

RECORD EXPORTS

The annual general meeting of this company was held on September 25th, in London, Mr E. M. Mott, chairman and managing director, presiding.

The following are extracts from his circulated statement:

The accounts for the year ended March 31, 1952, show a net profit of £66,632 (£56,438) after deduction of taxes. Your directors recommend a final dividend on the ordinary shares of 17½ per cent, less tax, making 22½ per cent for the year, the same as for the five previous years. The trading profit shows an increase of more than £35,000. I make no apology for describing the increase as satisfactory since it is due entirely to a substantial increase in sales, the rate of profit as a percentage of turnover being slightly lower.

Our sales in the home market continue to be governed entirely by the supply of sugar and not at all by demand or production capacity. Our exports during the year were 36 per cent higher and established a record in the history of the company.

As to the prospects for the current year, it is gratifying to be able to report that the demand for Bassett's Allsorts seems higher than ever. Consequently the prospects of your company are largely bound up with the possibility of derationing and the decontrol of sugar supplies. In my opinion the time is rapidly approaching when sweets could be taken off the ration and a free market restored.

The report was adopted.

POWELL DUFFRYN LTD.

DIVIDENDS MAINTAINED

SIR HERBERT MERRETT'S STATEMENT

The annual accounts to March 31, 1952, were presented at the annual general meeting held on September 24th. The following is an extract of the statement of the chairman, Sir Herbert Merrett:

Dividends are maintained at the same rate as for the past eight years and the carry-forward further increased.

After six years' concentrated work some progress can be reported towards a settlement of the compensation to be received for the nationalised assets. In South Wales 97 per cent of the owners have reached voluntary agreement on the division of the district's share of the global sum, and the value of all short workings has been agreed. The company and the Coal Board have agreed to appoint an independent person to value the main ancillary assets. Final settlement of compensation will not result in any return of capital.

Although coal output has increased, coal exports are still only 35 per cent of 1938 quantities. With home demand overtaking production and foreign markets demanding better quality coal, what of the future? Exports have only been maintained because of lower freight rates and scarcity of dollars.

PROGRESS AT CORYTON

Most satisfactory progress has been made at the Vacuum Oil Company's refinery at Coryton, and great credit must be given to the supervising Socony-Vacuum technicians. Crude oil is now being received at Coryton and refined products will be available in a few months, and by midsummer, 1953, the refinery should be in full production.

The coastwise colliers of Stephenson Clarke, Ltd., have been fully employed, and the fleet is being further increased. Its subsidiary and associated companies operated satisfactorily at home and abroad.

Cory Brothers and Co., Ltd., has extended its Tank Farm at Barry, storing edible oils for the Ministry of Food and fuel oils of all kinds for ships and inland consumers. Another Tank Farm is planned for Ipswich. Further investment has been made in Tunisia where we have a refining company as our partners, and prospects are good. Cory Brothers recently acquired the whole of the share capital of Chellev Steamship Management Co., Ltd., which manages the ships of Chellev Navigation Co., Ltd.

The scope of Cambrian Wagon and Engineering Co., Ltd., has been extended to include mine cars, oil tanks and other items. Negotiations are on hand for a large new contract for mineral wagons.

Powell Duffryn Carbon Products, Ltd., are now producing chemical engineering plant of first-class quality as well as electrical and mechanical carbons. These are finding new markets in various parts of the world.

Our increased investment in the Tractor and Engineering Co. in Egypt has shown gratifying results. In Spain record profits have been made by our company. Our partners, Duro-Felguera, have given us much assistance in providing coal for our customers when suitable British coals were not available.

In today's trading conditions continued and concentrated effort and initiative are still needed, and I am confident that the management of your company is well balanced and will continue to overcome, so far as is humanly possible, all obstacles which we will have to face.

The report and accounts were adopted.

THE CONTINENTAL AND INDUSTRIAL TRUST

A SATISFACTORY YEAR

THE PROSPECTS FOR INDUSTRY

MAJOR ALBERT PAM'S VIEWS

The annual general meeting of The Continental and Industrial Trust, Limited, was held on September 25th at 146, Leadenhall Street, London, E.C.3, Major Albert Pam, OBE (chairman of the company), presiding.

The Chairman said:

The directors' report and accounts of your Trust have been before you for the necessary period and I am glad to be able to say that the past year has been a satisfactory one, although owing to the rise in the Bank Rate, which is part of the monetary policy of the Government, the prices of most securities have fallen.

INCREASED FINAL DIVIDEND

The revenue account is very similar to that for the year 1950-51, but your directors have felt able to increase the final dividend from 5 per cent to 6 per cent, making 8 per cent for the year. The balance sheet of the Trust and the consolidated accounts are so simple and clear that I have no comments to make about them.

You will find on page 10 of the report and accounts a list of the distribution of the Trust's investments on May 31, 1952; this shows that over 88 per cent of the total is in British Commonwealth countries. In the early years of its life your Trust had substantial investments and other interests in Germany, but our holdings in German securities are now relatively unimportant.

VALUE OF THE £

As the future prospects of every industry, every commercial undertaking and mining venture, every public utility concern, and thus of every investment trust company, depend on the value of the £ sterling and on our power to build up sufficient reserves of gold and of hard currencies to stand on our own feet without help or aid from other nations, you will, I hope, allow me to say a few words on these most important subjects.

Within the past few days we have had a forecast from the Prime Minister about the prospects of the sterling area. He stated that in the second half of this year the whole sterling area will be in balance with the rest of the world and that we in this island, after taking credit for defence aid, will be in general balance with the non-sterling world. This is certainly a great improvement in our position and shows that we are for the moment supporting ourselves.

MORE FREEDOM TO TRADE AND COMMERCE

The periodic publication of the figures by the Treasury causes much confusion by the policy of showing our actual outgoings and receipts of gold and dollars without any allowance being made for the variation in the quantities of stocks, the so-called "stock-piling," held in this country on national account. Clearly without some guidance on this point the figures may be entirely misleading, and I can see no good reason why the aggregate should not be published without the specification of the products. This "stock-piling" was a necessity during the

war, and for some commodities it may be a necessity still. The government is giving trade and commerce more and more freedom, which is an excellent policy; it is to be hoped that, in proportion to the rise in trade stocks of commodities, the need for governmental stock-piling will be greatly reduced, although it will now probably never be completely abolished.

Whatever modification is called for in the published statement of our position, however, Mr Churchill warned us that we were by no means out of the wood and that further efforts must be made by the whole nation to export more and to import less. This is, we should realise, a long-term need called for by our war losses, especially the loss of the overseas investments which contributed so much before the war towards meeting the cost of our imports. To export more and to import less, therefore, is a sound policy. But it is not an easy policy to adopt. If all the world's markets were open to us, we could increase our exports considerably. But the world is a different place from the world of my youth; even our own market is now far from being open to the goods of other countries.

A PROTECTIONIST POLICY

Quite apart, therefore, from the difficulty which our exporters are now meeting in finding customers in the markets open to us, as the prolonged re-stocking boom which followed the war exhausts itself, we have to face the fact that protectionist policy now conditions all foreign trade. It is time that we recognised this and adapted our policy to the need of buying our imports, so far as possible, from countries which are willing to admit our exports in payment. Such a policy would be a second best but currency difficulties and deep-seated protectionist prejudices render it unsafe to base our policy on the assumption of unrestricted exchange of goods throughout the world.

But first we must recognise that we ourselves have some blame for our position. I believe that a considerable part of our trouble has been caused by the inflationary conditions which have been allowed to continue in this country and the Commonwealth since the war, and I think that the Government took the first and most important step to cure our ills when the weapon of the "restriction of credit" was once more brought into use. There is no doubt that, with a high and largely illusory standard of wealth, enormous quantities of unnecessary dollar goods have been imported and it is to be hoped that this will now gradually be stopped.

AN ADDITIONAL TAX BURDEN

The Government has rightly insisted not merely on a balanced budget, but a budget surplus. Unfortunately, one of the measures to this end has been the institution of an Excess Profits Levy. Were this a levy on excess profits resulting from the armaments programme, there could be no complaint. It is in fact a substantial additional burden upon ordinary shareholders, levied upon "profits" which are inflated by the fact that no adequate provision for the replacement of fixed assets or stocks in trade can be made under existing tax rules. This

must be changed and the whole burden of taxation must be reviewed to make it fit modern conditions and the reduced purchasing power of the currency.

In the realm of industrial activity we are being pressed for more production, greater efficiency and a larger and better use of machine tools. There are without doubt industrial concerns in this country which are not efficiently run and where labour is not provided with sufficient mechanical help. This should be taken in hand at once by the managements and the trade unions concerned. But we have many industries spread all over the country, of which we can be proud, where management and labour work hand in hand, where production is good and pay runs into high figures for the employees. It would be a mistake if the view were spread about that we are generally industrially inefficient, even compared to the United States.

BETTER USE OF MANPOWER NEEDED

However, we could surely make better use of our manpower: there are now over 1,400,000 persons classified as employed in Government Ministries and Departments, and in Municipal offices; most of these perform no directly productive work, and many seem to hamper and frustrate the efforts of those who produce or are engaged in the distributive trades. These are the bureaucrats who demand returns in triplicate and who complicate the life of the rest of the community. The ministries of Health, Food, Fuel and Power, Labour and National Service and National Insurance, are represented in the smallest towns by an office with a manager, clerks and a telephone. The staff of every municipality has grown to much above its prewar strength, and it is the public which pays for all these officials, not only in money but in worry, and loss of time. If only half these bureaucrats were sent to productive occupations, where they are badly needed, it would greatly help industrial output. These suggestions deal of course mainly with available manpower but the cheapness and efficiency of production are of equal importance if we are to compete in the world's markets.

INDUSTRY'S LABOUR SHORTAGE

We pride ourselves since the war in having eliminated the evil of unemployment in this country. It is true that in recent years the volume of unemployment has been very small. If, however, we compare the recent position with 1939, using the classification in force then, the decline in the number of registered unemployed is just over a million. If then we look at the numbers employed in central and local government administration (leaving out of account those employed in industry by Government authorities) we find there is an increase of over three-quarters of a million, to which must be added 330,000 additional in the armed forces. Although there has no doubt been some change in the size and character of the working population during this period, it is broadly true to say that the reduction in unemployment has been absorbed into central and local government services instead of providing additional labour to industry.

As I have said above, industry is still short of labour, although there may occasionally be temporary unemployment in some branches or localities. But I do not

mean to imply that there is any likelihood of the nation being able to pass out of the period of austerity which has been our burden for too long. Trading conditions, as I have said, are becoming more and more unfavourable, and foreign markets will tend to be more difficult and competitive. Added to the points which I have already mentioned in this speech, there is the ever-present dollar gap, which brings about one crisis after another. It is therefore to be hoped that there will be the utmost possible co-operation between the Government, the trade unions and the leading commercial and industrial concerns to prevent unrest and labour troubles. Nothing could be worse for the whole nation in its present plight than labour disputes and strikes.

The report and accounts were unanimously adopted.

ARTHUR BALFOUR & COMPANY, LIMITED

A SUCCESSFUL YEAR'S TRADING

LORD RIVERDALE'S STATEMENT

The fifty-third annual general meeting of Arthur Balfour & Company, Limited, was held on September 23rd in Sheffield. The Rt Hon The Lord Riverdale of Sheffield, GBE, LLD (the chairman), presiding.

The following is the chairman's circulated statement:

This is the second annual general meeting since this organisation became a public company and covers the first full year's operations as such. I am glad to be able to present a favourable report. We have achieved a very successful result from the year's trading. This substantially exceeds the figure for the year 1950 which we considered to be a good year, and has surpassed our expectations, due to a combination of circumstances, many of which could not have been foreseen. We were fortunate in that shortage of alloys did not curtail our production. Overseas trade, which might well have been reduced, was, in fact, increased, while a brisk demand from normal markets at home continued. It is, of course, difficult to determine to what extent our products contribute to rearmament, as they do so both directly and indirectly, but it is apparently only in recent months that the influence of the rearmament programme has had any appreciable effect on our operations.

TAXATION A MATTER OF CONCERN

The accounts of the group show a profit, before taxation, of £1,150,636. This satisfactory result carries with it, however, a feature not so satisfactory. The tax due next January will be the highest ever recorded in the history of the company. The monetary value (not the volume) of materials in stock, or even more important work-in-progress, rose further during the period. It is all too obvious that this leaves us vulnerable in the case of a fall in material values.

I referred last year to the rate of taxation. This drain on our resources is common to all successful British undertakings, but it does give us even greater cause of concern in the current year. If taxation at the present fantastic levels is continued, it must involve, in our opinion, a decline in the volume of our operations, or an ultimate decline in our manufacturing efficiency, due to the depletion of our resources, unless fresh capital is forthcoming. It is surely unrealistic that a company in a strong position,

and after a successful year, might be placed in the position of having to incur substantial overdrafts to meet tax liabilities, in spite of the adoption of a most prudent and conservative financial policy. The position is even harder to contemplate when we consider that tax is levied, and must be paid on profits arising overseas, which owing to currency restrictions, are frozen and cannot be remitted to this country.

BOARD'S CONSERVATIVE POLICY

It follows from the above that we must adopt a cautious policy in an endeavour to conserve our resources. After careful consideration the board feel justified in recommending an increased distribution to a total for the year of 20 per cent, made up as follows: Interim dividend 6 per cent (already paid) final dividend 10 per cent bonus dividend 4 per cent. Similarly, we consider it prudent to place to the special stock reserve the sum of £100,000 and to the general reserve £325,000.

The contribution to the results of the year derived from subsidiary companies has been satisfactory at a slightly higher rate in spite of taxation.

THE OUTLOOK

Turning now to the current year, I am able to report that we have held our own and have achieved a comparable rate of turnover during the first six months of this trading period. This has been accomplished in the face of increasing difficulty, and it may not be possible to maintain this state of affairs throughout the year. Expenditure in general has risen, and I would refer to the fact that the considerable wage awards which became effective in November, 1951, will apply to the whole of the present trading period and will have a marked effect.

Export trade is an important part of our operations and many markets overseas have applied financial or economic restrictions which are bound to hamper our trade. Export restrictions imposed by this country are an additional handicap, and at this time when increasing competition is being encountered it is of the utmost importance that we should enjoy freedom and flexibility if permanent damage is not to be done to our markets overseas. We are, nevertheless, energetically exploring opportunities in overseas markets and feel confident that we shall maintain our share of the available trade. As I have already indicated, we should derive some help from the rearmament programme in this country. Within the financial limitations imposed by taxation, we shall endeavour to continue our policy of expansion overseas and re-equipment at home. Existing buildings and plant are being adequately maintained and numerous improvements have been effected since my last report. Every effort is being made to preserve the quality and service on which our reputation has been built and upon which we rely to overcome more difficult trading conditions in the future. It may be necessary to increase our holding of fully finished stocks to give the service required, and this may involve a further call upon our resources.

Despite the uncertainties and difficulties ahead, I take no gloomy view of present trading or of our future. I am confident that we shall hold our own.

I should like to conclude with a tribute to the management, staff and all employees at home and overseas. Their loyal service is greatly appreciated and has contributed effectively to the results which are shown in the accounts now placed before you. I am sure you would wish me to convey your thanks and appreciation to all concerned.

The report and accounts were adopted.

CELLACTITE & BRITISH URALITE

RECORD TRADING RESULTS

The twenty-fourth ordinary general meeting of Cellactite & British Uralite, Limited, was held on September 23rd at Gravesend, Mr George V. Parker (the chairman) presiding.

The following is an extract from his circulated statement:

The accounts for the year ended March 29, 1952, disclose a trading profit of £61,139 a record in the history of your company, both measured by production and by sales in spite of the considerable increases in manufacturing and distribution costs and the inflationary movement of prices in general. The most disheartening item in the accounts is the deadweight of £37,418 taxation, which in simple words means that during the last year we have been working over three days out of every five for the Government.

We look upon "Nuralite" as of major importance, its low cost compared with zinc or lead being an advantage. We have even heard that in some cases the salvage value of old stripped metal is more than enough to pay for the purchase and application of "Nuralite" which is in abundant supply and free of all restrictions.

On the sales side there is a falling off in demand. This falling off in demand, has, I understand, been the experience of other manufacturers of asbestos cement products. We often experience a seasonal lag in demand, but not to the same extent as at the present time.

The report was adopted.

GORDON (MALAYA) RUBBER ESTATES

CONDITIONS AFFECT OUTPUT

The twenty-ninth annual general meeting of this company was held on September 24th in London, Mr T. J. Cumming, chairman, presiding.

The following is an extract from his circulated statement for 1951:

The results of the year's working show a profit, before providing for taxation, of £154,660. The balance brought forward was £12,816, and after adding provision for taxation in previous years no longer required and the sum of £1,633 in respect of payment received under the war risk insurance scheme, the amount to be dealt with is £172,648. Taxation is expected to absorb £97,870. We recommend the payment of a final dividend on the ordinary stock of 10 per cent (less tax) making 20 per cent (less tax) for the year.

The crop for the year amounted to 2,221,688 lb, a disappointing figure by comparison with 2,752,047 lb in 1950. The fall in output can be attributed almost entirely to the conditions prevailing in the country. Adequate labour was difficult to recruit, and when obtained was subject to repeated interferences and intimidation by the terrorists. Complete stoppage of tapping on one or other of the estates was enforced on several occasions. Crop to the end of July this year, from the Negri Sembilan estates, was 1,207,960 lb compared with 1,174,400 lb in the same period last year, and crop for the month of July was the best for nearly eighteen months.

The crop estimate for 1952 is 2,100,000 lb, mainly, of course, from the Negri Sembilan properties.

The report was adopted.

DICTAPHONE COMPANY, LIMITED

RECORD SALES AND PROFITS

WARTIME EQUIPMENT

SUCCESS OF DICTAPHONE TIME-MASTER

MR C. KING WOODBRIDGE'S ADDRESS

The fortieth annual general meeting of the Dictaphone Company, Limited, was held on August 26th, at the registered office of the company, Kingsway, London, W.C., Mr C. King Woodbridge (chairman of the company and president of the Dictaphone Corporation) presiding.

The chairman, in the course of his speech, referred to the remarkable progress that had been made, since the last meeting, with the manufacturing of the Dictaphone Time-Master at the company's London factory resulting in record sales and profits for the year under review, the profit amounting to £125,799, being an increase of £90,176 over the previous year after taxation.

Mr Woodbridge in moving the adoption of the report and accounts said: The first electronic dictating machines were produced in 1936. A group of them was placed in the hands of one of our large companies to find out how they would operate in everyday use. Interestingly enough, they operated so well that the company purchased these experimental machines. The Dictaphone electronic dictating machine was placed on the United States market for general sale in 1939.

RESEARCH AND EXPERIMENTAL PROGRESS

In the meantime, research and engineering were experimenting with other types of recording media. The basic design of cutting a helical groove on a cylinder has unquestioned superiority. The cylinder is rotated at constant speed. The recorder travels along the cylinder at constant speed. There is no problem of a change in tone line speed. In considering all recording media, Dictaphone has always come back to the scientific principle of a helical groove on a cylinder or a belt, which is really a flexible cylinder.

Experiments were started in 1937 and 1938, using a plastic belt as a recording medium. The result of this experimental work was the introduction and sale, in 1940, of the belt recording machine. This machine uses a plastic belt, five one-thousandths of an inch thick, twelve inches long, and three and one-half inches in width. Many of these were sold in 1940 to the Civil Aeronautics Authority and to other Government agencies. Large numbers of these machines were built for the Government during the war years.

WARTIME EQUIPMENT

During the second world war, the manufacture of office equipment was suspended and inventories were ear-marked for Government use. Dictaphone devoted its entire effort to the winning of the war. Having the machine tools, the supervisory force, and the trained personnel to manufacture instruments requiring the highest degree of precision, very logically, Dictaphone was asked by the government to make fire control apparatus. The remote control system which connects the 40 mm. anti-aircraft gun with the director was first produced by Dictaphone Corporation.

Telescopic sight mounts for tanks, gunners' quadrants, computing sights, which automatically calculate the amount the anti-

aircraft gun has to lead the plane in order to score a hit, were produced in quantity by Dictaphone Corporation.

With the release of wartime restrictions, the production of machines for civilian use was once again our prime objective. The electronic cylinder dictating machine, introduced in 1939, was re-designed using the vastly improved components developed during the war. New models were introduced in late '45 and '46, the most efficient wax cylinder machines ever produced.

CURRENT PRODUCTION

The new recording machine with plastic belts, used by the Civil Aeronautics Authority and the Signal Corps during the war, commenced to supplant the Telecord using wax cylinders. When restrictions were removed, many were purchased by fire departments, police departments, doctors, societies, and other groups who had occasion to record meetings, conferences, and the like.

Experimental dictating machines using the plastic belt were made in 1941, but the war prevented their development. At the war's end, development work was resumed and dictating machines of this type were tested in our laboratory, tested in the hands of consumers, and finally offered for general sale in 1947. This new machine, the Dictaphone Time-Master, with its sensational development, the Dictabell, has shown itself to be the outstanding equipment in the dictating machine field. The Dictaphone Time-Master has rapidly supplanted the very excellent electronic cylinder machine. Today, more than 90 per cent of our present production is of this new model.

The heart of this new model machine is the recording medium, the plastic Dictabell. Dictaphone Corporation produces the Dictabell, by the extrusion process, a method which many claimed was impossible.

Again, in 1952, Dictaphone Corporation is contributing its part to the defence effort. We again are making computing sights for anti-aircraft guns, sub-assemblies for range finders for use in tanks, sub-assemblies for aircraft, and special research and development work for the Government.

COMMUNICATION

The industry's place in our economic and social complex needs identification. Our function lies in the field of communications. The very life blood of business, the professions, and Government, is the communication of information and ideas.

This, then, is the history of an industry born only 66 years ago and the part played by Dictaphone. Its life span from inception to its present adolescence is within the lifetime of many of us here. What its maturity may bring, no one knows, but I can assure you that it has a colourful past, a sparkling present, and an intriguing future.

The report and accounts were adopted and the retiring directors were re-elected.

The proceedings terminated with hearty votes of thanks to the chairman for his informative address and to the managing director for his services.

SALTS (SALTIRE) LIMITED

BURDEN OF TAXATION

The twenty ninth annual general meeting of Salts (Saltire) Limited was held on September 24th at Saltire.

Sir Frank B. Sanderson, Bt, the chairman, said that the profit on trading of the group before charging depreciation of fixed assets, £92,572, and auditors' remuneration, £1,908, amounted to £517,156. After making provision for those items there remained a profit on trading of £422,676, compared with £1,872,662 for the previous year. The board recommended payment of a dividend on the preferred ordinary shares of 1s. 3d. per share and a dividend on the ordinary shares of 6d. per share.

He made no apologies for again referring to the crushing burden of taxation. That it should be necessary to increase taxation during a period of so-called "peace" was really alarming and left no reasonable margin in times of serious trouble. It was most certainly in the interests of the country that taxation should be drastically reduced without delay.

The whole business and industrial world was alarmed at the present rate of increased and increasing Government peacetime expenditure. It paralysed the industrial development which would become increasingly essential if they were to compete profitably in the markets of the world in future years. Their directors were constantly striving to expand and develop the sale of their products abroad but it must be appreciated that the difficulties in their path were legion. They were continually facing new impediments by reason of quotas, licences or even total restriction from one country after another, in which the ultimate consumer was only too willing to purchase their products were he permitted to do so. That at a time when their exports amounted to nothing less than the life blood of this country. Here indeed there was a wide field for energetic action by Her Majesty's Government.

FUTURE PROSPECTS

It was difficult—one might almost say hazardous—to venture an opinion as to the prospects for the future, when world conditions were so unstable and affected the prosperity of the textile industry in the same way as all other industries. Although wool values had declined some 75 per cent from their peak prices, they were today some four to five times higher than the average prices prevailing before the war.

It would be idle to deny that the wool textile industry was passing through a serious recession in trade which had to be faced and which they hoped might prove to be only temporary. The current year was likely to prove a difficult one, but when more stable conditions prevailed in the wool markets and a recovery in the wool textile trade commenced, they were in a position to take full advantage of it. Although recently some of their mills were working short time, today their machinery activity had increased, but it remained to be seen whether that improvement was of a temporary or permanent character.

Stability in the price of wool would contribute greatly to a promotion of confidence and the risk of loss on stocks carried was much reduced at the lower prices now prevailing. Despite the difficulties which they had encountered, he felt that in view of the abnormal conditions which prevailed the result of their year's activities might be regarded as not unsatisfactory.

The report and accounts were adopted.

AMALGAMATED ANTHRACITE COLLIERIES

DEVELOPMENT OF ACTIVITIES

The twenty-eighth annual general meeting of Amalgamated Anthracite Collieries, Limited, was held on September 24th in London, Mr John Waddell, the chairman, presiding.

The following is an extract from his circulated statement:

At last our general position arising from the Coal Industry Nationalisation Act has become reasonably clear. The net amount which we have been awarded is somewhat below the average of the district, but, having regard to certain long-term contracts and the general anthracite background, there seems little doubt that we would have done no better by going through the valuation procedure and we might have done very considerably worse.

Our overall capital is £4,186,770; our sole future asset is the share capital of the British Anthracite Co., which is a large operating concern making good profits. The saleable value of this asset might be such that one could realise somewhere near two and a half millions for the parent company. The British Anthracite Co., Ltd., has earned before taxation more than 10 per cent on the entire capital of the parent company. Subject to completing the payment of Funding Certificates and were it not for the penal effect of profits tax on equity shareholders, it is clear that the earnings available to ordinary stockholders are really substantial, because the maximum the preference stockholders are entitled to in any year is £179,000 gross; therefore, were it not for that tax there would be about £300,000 of earnings available for the ordinary stockholders, who therefore are very substantially interested.

RE-DEPLOYMENT OF RESOURCES

I think members will realise that although we have had to face up to a terrible situation arising from the Coal Industry Act, which could not have come at a worse moment for South Wales, and in particular for anthracite collieries, and although we have had to face up, even on our operating companies, to further effects of nationalisation in respect of the loss of our wagons and our business as sales agents, we have, by careful re-deployment of our resources, done a great deal to offset the ill-effects of the Coal Nationalisation Act and to provide our stockholders with a real future which I hope will become a future reflected in dividends when two conditions can be complied with.

One of these conditions is a need for more liquid cash. The effect of inflation over the last few years has meant that our cash resources have not been adequate to meet our requirements for stocks, debtors and things of that kind, and that we can do with half a million more of liquid cash.

We propose, as soon as the opportunity is right, to raise this by means of notes or something of that nature so as to put our liquid position right and thus enable us to start a policy of increased dividends on the preference stock and some dividend on the ordinary stock of the parent company.

The Anglo-French Trust, Ltd., and our industrial group of investments have also made an exceedingly substantial contribution to our profits. Our activities generally are showing normal development. In the meantime I am pleased to say that for the first half of 1952 practically all of our activities are as good or slightly better than for the first half of the previous year. With regard to dividends, I feel these should be a possibility immediately we have finally settled up all the

colliery matters and have put our liquid position right by obtaining some half a million of further funds.

The report was adopted.

SILENTBLOC LIMITED

STEADY PROGRESS

The seventeenth annual general meeting of Silentbloc Limited was held on September 24th in London.

Mr H. Vezey Strong (the chairman), who presided, in the course of his speech said: Once again I am able to report steady progress inasmuch as the net profit for the year ended May 31st last, before providing for taxation, amounted to £211,263, an increase of £24,027 on the previous year.

Combined sales rose by nearly 37 per cent—a record turnover—but the profit margin fell by 17 per cent, reflecting the policy pursued by your board of keeping prices steady in a period of sharply fluctuating costs of material. Even so, had taxation remained at the previous year's level, our provision of £140,523 under this head would have been reduced by £15,878, turning our net profit, after providing for tax, also into a record.

According to plan, your company has been actively engaged in developing new proprietary components within its own especial field—in short, those products designed to redress any adverse trend should changes take place in present demands or fashions, and which will serve to flank and buttress the company against any trade recession should this occur.

In regard to the current year, combined sales to the end of August keep pace with the high level achieved during the corresponding period of last year, and combined orders in hand exceed in value £1 million.

The net profit amounts to £70,740. Your board proposes a final dividend of 3d. per share, less tax, making 6d. per share, less tax, for the year.

The report was adopted.

ALLIED INDUSTRIAL SERVICES, LIMITED

RECORD PRODUCTION AND OUTPUT

The eighteenth annual ordinary general meeting of this company will be held on October 17th at Bradford.

The following is an extract from the circulated review by the chairman, Mr W. H. Rhodes, CBE:

During the twelve months ended June 30, 1952, the steady progress achieved in previous years has been maintained and your factories and servicing departments have in total, by reason of the consistent demand for the materials we sell and for the services we provide, achieved a higher production and output than ever before. The net profit amounts to £188,468, which, added to the balance brought forward and taxation adjustments, gives a total of £214,360.

It has been the endeavour of your board during the year to take delivery of all outstanding orders as quickly as possible and accordingly it will be noted that the amount of the stocks held by the company, at values on which no loss has occurred to date, is slightly higher than at June 30, 1951. Present commitments for raw materials have practically all been entered into since June last and are moderate in quantity and price.

Towards the close of the year the board capitalised reserves to the extent of £42,187. This brings the issued ordinary share capital a little more comparable with the amount of capital employed in your company. It is the

board's recommendation that a final dividend of 18 per cent be paid on the capital so increased.

Concerning the present year, of which almost three months have already passed, whilst our output has again been in excess of the same period last year, extended summer holidays generally have prevented us from maintaining quite the same rate of increase as before, but should the level of industrial output of the United Kingdom remain as during the last twelve months I anticipate that the demand for our products and services will be maintained. With this in mind I am hopeful that this year's results will again be satisfactory.

RUBBER PLANTATIONS INVESTMENT TRUST LIMITED

The annual general meeting of the Rubber Plantations Investment Trust, Limited, will be held on October 17th in London.

The following is an extract from the circulated address of the chairman, Sir Eric Macfadyen:

The postwar constitutional changes in Indonesia, now independent and self-governing, may we all hope in time bring contentment and prosperity to its peoples: at present the labour situation, in Sumatra especially, is creating conditions quite inconsistent with economic production and destructive of capital values.

As to the position of Sumatra Tea in particular, you have been very fully advised from time to time. It was the prospect of that company having to cease operations—as it did, in fact, on July 24, 1952—which led to the directors' decision to postpone the annual meeting this year. We are now placing before you our proposals for dealing with the balance sheet losses incurred on our Indonesian investments as a whole.

In the accounts before you, our issued capital is shown in the balance sheet, as previously, at £2,469,384. The adoption of the proposals to come before the extraordinary general meeting, of which you have received notice, will give the more realistic figure of £1,728,569. Stockholders' holdings will be written down by 6s. in the £, thus reducing the nominal value of each stock unit to 14s.; each stock unit will then be divided into seven stock units of 2s. each.

During the fifteen months now under review, our revenue for the period rose to £307,431. Of this, £136,175 went in taxation, and the 10 per cent dividend paid on July 22nd cost £135,816. The dividend was declared as an interim to avoid the delay in payment which the postponement of this meeting would otherwise have involved. The carry forward at £149,313 is higher by £23,524.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

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The Economist

October 4, 1952

LEADING ARTICLES

The Meaning of Morecambe - - -
Private Lives of Nations - - -
Correspondence Colleges - - -
Germany in Proportion - - -

NOTES OF THE WEEK

Belligerent Comrades; America Riles Mr Bevan; Decision for War in Korea?; Neguib versus Nahas; Maisons Tolérées; East African Inquiry; The Strange Case of Mr Zukas; The Eden Plan Goes Forward; Problems of M. Pinay; Entertaining and Instructive; Planners versus Objectors; Survey of the Health Service; Big Brother Economics; Held Fast for Europe; Marshal Juin's Repeat Performance; Bonn's Defence Arithmetic; Education in Africa; The Newspapers Opportunity; All-Purpose Films.

LETTERS TO THE EDITOR

17

BOOKS AND PUBLICATIONS

18

AMERICAN SURVEY

Professionals in the Saddle - 21

Negroes for Stevenson - 22

Off with the Gloves; Fewer Cities in Distress; Battle of the Funds; Full Cry After Communists; Gas Among Good Neighbours.

THE WORLD OVERSEAS

Uncertainty at Strasbourg - 30

From Cell to Kremlin; Kashmir Seen from Delhi; Exercise Holdfast; Heirs of Schumacher; Signor de Gasperi Holds His Own; The Lebanon Follows the Fashion.

THE BUSINESS WORLD

Markets for Heavy Vehicles - 41

Buxton and After - 43

BUSINESS NOTES

44

Conversion Only?; The Absent Blotter; Liquidity Ratios Up Again; The Exchequer Deficit; Expenditure Unchecked; Rise in the Gold Reserves; Japan Settles Its Debts; The Market's Reaction; Output Below 1951; "Lead, Gentlemen, Lead"; Firm Finish to Wool Sales; Is Coal Output Rising?; Longer Export Credits; British European Airways' Loss; Investment in Coal; A Leak in the Wellington; Rayon on the Offensive; More Alloy Metals; Changes in Bolivian Tin?; Cutting Building Costs.

COMPANY NOTES

60

STATISTICAL SUMMARY

62

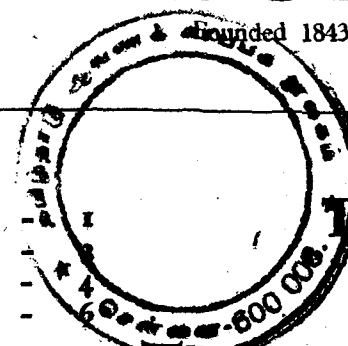
COMPANY MEETINGS

63

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The Meaning of Morecambe

The Labour Party had been nervous about the Morecambe conference for weeks before it opened on Monday, and both wings of the party had been making uneasy protestations about their basic unity. But the constituency parties thought otherwise. Whether as a result of Bevanite caucus-tactics (as Mr Deakin alleged) or by spontaneous combustion (as Mr Bevan declared), the constituency delegates blew unity sky-high by electing six Bevanite rebels out of seven representatives on the Party Executive.

The announcement of the poll provided only the first of a series of melodramatic scenes. Nor was it the only one to give an impression of bitterly conflicting attitudes amounting, for the party as a whole, to something like dissociation of personality. Speeches breathing the maximum of sober good sense and realism were followed, in strikingly regular sequence, by blasts of emotional auto-intoxication ranging from Mr Bevan's bravura performance on unemployment and American iniquity to Mr H. M. King's demand that the public schools be "re-nationalised without compensation" (whatever that might mean). The audience deprived itself by its own ecstasies of applause of Mr Bevan's full prescription for socialist planning, leaving only a whiff of syndicalism for the record; no one now will ever know whether some of his sentences would have contrived to make their way back to solid earth. Even when full allowance is made for that heightening of party sentiment which conferences of all colours are largely intended to achieve, it is evident that very little stimulus is needed to produce in a body of Labour delegates an atavistic revulsion from reason to shibboleth and from public spirit to class prejudice. The Old Adam will out.

The Old Adam is certainly rampant in the election returns. The first reaction of official Labour, and of optimistic sympathisers outside the party, has been to minimise their importance. The triumphant Bevanites remain a small minority on the Executive—six out of twenty-seven. Mr Morrison, however sensational his defeat at Morecambe, remains Deputy Leader in the House of Commons, and it is in the House of Commons, not at Morecambe, that the party's real work is done; the Parliamentary Labour Party, in which Mr Bevan's strength is even less than it is on the executive of the whole party, continues to frame practical policy and tactics. If, as is possible, he and one or more of his associates now win places in the shadow cabinet, then they will be automatically barred from simultaneous leadership of a cabal or cave. Both the real strength of the Bevanites in the country, and any decline in popularity of such stalwarts as Mr Morrison and Mr Dalton or the white hope Mr Gaitskell, are grossly exaggerated by the accidents of a complicated party constitution. The movement as a whole will not tolerate rebellion. In the view of the most sanguine, Mr Bevan, dizzy with success, has shot his bolt and overshot his mark. Having "organised himself in," he has aroused enough antagonism to

organise him out. So the Morrisonians console themselves as they lick their wounds.

The fact remains that Morecambe is a misfortune for the party, and for the country. However the dimensions of the Bevanite triumph may be whittled down, it remains a triumph. Delegations drawn from the active and articulate party workers in the constituencies are, by an almost inevitable process of self-selection, naturally extremist. They do not represent the many millions of Labour voters—in particular, they do not represent the million or two who make the difference between victory and defeat. Nevertheless, the conference is the governing body of the party and what happens there has a great influence. After Morecambe, the constituency tail is going to wag the party dog. Labour's obsessive preoccupation with unity, dating back to 1931, has muted rebellions in the past; but once rebellion refuses to be muted, that obsession works on the rebels' side. In any alliance that is becoming uneasy, from the military to the matrimonial, it is always the partner who values unity most highly who has to make concessions, whether reasonably or unreasonably. It follows that no Labour policy can, in the near future, be framed in terms or stated in ways which ignore Bevanite opinion.

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There is much talk of a counter-offensive by the moderate wing; the big trade unions are out for Mr Bevan's blood. But the effect on the policy of the party of smashing the rebels is likely to be much the same as that of conciliating them. To discredit Mr Bevan, it will be necessary to give him no opportunity of levelling at the leaders the most damaging accusation that one Labour politician can bring against another—that of timidity and lukewarmness in the socialist faith. The formula will be that of the last twelve months, only more so—Attleeite men but Bevanite measures. Whether they aim at counter-attack or at conciliation, the moderate leaders of the party from now until the next election will be constantly distracted from their vitally necessary job of constructing a coherent and genuinely national policy by the need to appease or—as the case may be—to outbid Mr Bevan and his friends. In the course of doing so, they will have to commit themselves to promises of extremism which will prove to be millstones round their necks when next they face the responsibilities of office. The process started at Morecambe, with the passage by acclamation of a resolution committing the party to the preparation of a list of further industries to be nationalised. The sober leaders of the party, the members of the next Labour cabinet, know that this is foolishness. But they make no effective protest, and when they are again in office they will find themselves bound. The history of the Steel Bill will be repeated over and over again; moderate and realistic Labour ministers will find themselves compelled to do what they know to be wrong, simply because in opposition they had to follow the tradition of the party that regards all moderation as a preparation for treachery.

This might matter less to the nation, in the short run at least, were electoral realities closer than they are to democratic theory. Labour discredits itself, in the eyes of the uncommitted voter who swings elections, by a reversion to irrationality: very well, say the text books, Labour stays in the wilderness until it returns to its senses. While only the most uncritical Tory supporter could welcome the prospect of a semi-paralysed Labour

Party doomed to a generation in opposition, this would at least be preferable to the return, in two or three years' time, of the sort of government foreshadowed by the Bevanite display at Morecambe and the response which it evoked; and this remains true whether Bevanite policy is carried out enthusiastically by Mr Bevan himself or half-heartedly by Mr Attlee. Elections, however, do not work like that. They are decided by the view the electorate has formed of the government. Within wide limits, the attitude that the opposition strikes matters relatively little. If the Tories are thought by public opinion to have done well, not even the most perfectly sensible Labour party will win the verdict. If the performance of the Tories has disappointed, not even the widespread distrust of Mr Bevan will count for much against the desire for a change.

On the present evidence, the odds are heavily on a Labour government next time. The general election, it is true, may still be four years off, and anything is possible. But parties in office always tend to lose ground unless they have great external good fortune or show themselves exceedingly competent. Twelve months have been enough to rule out the second possibility, and external events, so far as they can be foreseen, offer more promise of difficulty than of triumph for those who bear responsibility in Britain. It must, therefore, for the present be the working assumption of British politics that the electorate will be less pleased with the Tories after four or five years of their rule than they were in the autumn of 1951. This, after all, is not to say that Mr Churchill and his colleagues are an unusually bad government, but simply that they do not look like proving themselves to be fortunate or competent above the average. But if the Tories lose any electoral ground at all, they will be out of office—and Labour's relative merits will have very little to do with it. A Bevanite Labour party might, in those circumstances, get a somewhat smaller majority than a Morrisonian Labour Party; but it takes a very great deal of optimism to believe that distrust of Mr Bevan will arrest the swing of the pendulum or keep the Tories in office. The verdict will be pronounced on the government; and if the verdict is adverse, the opposition will automatically get office.

Here is, prospectively, a lamentable state of affairs indeed. The policy, and perhaps the membership, of the next government will most probably be determined by a minority of opinion whose unstable constituents are personal ambition, class malice and a burning desire to escape from reality and responsibility. Such a government will lack that wide, popular support which can often make second-best measures work better than a theoretically preferable policy driven through against the grain of opinion; it will have lost the hard-won contact with reality which the Bevanite mind finds so uncongenial, but which national circumstances so urgently require. In class relationships it will most probably revert—with what ease the record of 1945-51 makes clear—to that policy of two-hoots-and-a-tinker's-curse which is the cheapest and easiest way of gaining extremist support. Worst of all, its foreign policy will be shot with ideological distrust of Britain's allies and with starry-eyed illusion about its enemies, to the detriment, if not to the complete undoing, of the western alliance on which the free world depends.

Can anything be done to fend off this catastrophe? Not under the present electoral system.

Private Lives of Nations

THE seventh General Assembly of the United Nations opens in New York on October 14th. It will face problems ranging from Korea and disarmament to technical aid and refugees. But over a dozen of the items on its agenda have one thing in common: they raise the question of the United Nations' right to concern itself with the internal affairs of member states. On the eve of this Assembly, there is perhaps no question to which it is more urgent that serious thought should be given. The friction and frustration generated by it are steadily mounting, and the rift between Uno's member nations on this issue becomes clearer every year. It is surely time for a review of the facts and arguments involved.

This is primarily a political, not a legal, issue. Although the Charter forbids the United Nations to intervene in matters "essentially within the domestic jurisdiction of any state," it does not attempt to define "essentially domestic" affairs. Nor does it assign to any organ of the United Nations the right to decide whether any particular matter is domestic or not. It can, indeed, be plausibly argued that any conceivable question ceases to be "domestic" as soon as it is raised before an international body; but common sense demands that a line be drawn somewhere. If no line is recognised, the United Nations must be dragged into the most intimate affairs of its member states, with intolerable results both for them and for itself. If, on the other hand, each nation is left absolutely free to decide for itself the limits of its domestic jurisdiction, how can the United Nations hope to carry out its aims? It is, for example, argued by Communists that the conflict in Korea originated as a civil war between south and north, in which Uno had no right to intervene.

The men who drafted the Charter at San Francisco could not resolve this dilemma. They fell back on compromise and confusion. Having given each member state the right to lay before the United Nations "any situation which might lead to international friction," and having pledged the organisation to promote economic and social progress and observance of human rights, they went on to declare that "nothing contained in the present Charter shall authorise the United Nations to intervene" in essentially domestic matters. The results of these contradictory undertakings have been as unfortunate as might have been expected. A series of complaints have been laid before the Assembly or the Security Council, only to come up against the argument, put forward by the accused nation, that the issue was a domestic one. Lacking any coherent body of law or doctrine on which to rely, the United States has taken decisions influenced by expediency as much as by principle. Thus, the Dutch claim that the conflict in Indonesia was a domestic one was dismissed with all the more ease because it was clear that the Netherlands was in no position to resist international pressure. In the case of the Indians in South Africa, the Assembly at first preferred not to pronounce on South Africa's plea of domestic jurisdiction, but later declared itself competent to make recommendations—which have had no result. As to Spain, in 1946 the Assembly considered the nature of the Franco regime sufficient grounds for a recommendation that all ambassadors should be withdrawn from Madrid; but in 1950 it quashed this decision admitting that its intervention in Spain's domestic affairs had been unjustified.

The logic of this situation is plain. Only when the accused nation is exceptionally altruistic or exceptionally weak and friendless can Uno hope to impose its will in a matter that involves domestic jurisdiction. The system penalises virtue and weakness, while setting a premium on ruthlessness and obstinacy. Totalitarian states are particularly invulnerable; sealed off from the world, they can blandly deny the existence of any evils alleged against them; and however hotly their sins are denounced in the Assembly no whisper of this criticism will reach their own peoples. Moreover, a premium is also set on irresponsibility and malice. A state that wants to make trouble has nothing to lose by accusing another of infringing human rights; the spotlight is turned on the accused, not on the plaintiff. Countries such as Afghanistan or Yemen can denounce France for giving inadequate voting rights or health services to the people of Morocco, without the least regard to the possibility that the Moroccans are better off in this respect than their own peoples.

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Nations responsible for dependent territories are an obvious target for such attacks in an age in which "colonialism" is a term of abuse. In this respect the United Nations has fallen victim to the aptly named "salt water fallacy"—the idea that any country that has expanded overseas must submit to a degree of international criticism from which nations whose conquests have been overland are immune. Today there are at least as many primitive tribes in need of protection, as many minorities without political rights, and as many peasants held in virtual serfdom, in the territories of those Asian and Latin American states that term themselves "anti-colonial," as there are in the dependencies of European countries. Yet, while the scarcity of doctors in West Africa and the conditions of labour in the South Pacific are regularly subjected to the scrutiny of representatives of Asian and Latin American governments, those governments face no awkward questions about the slow extermination of Amazonian Indians or the armed repression of South East Asian minorities who claim their right to self-determination. Such questions would be regarded as an intolerable interference in the private affairs of sovereign states.

This lop-sided development has produced its inevitable results. The nations most subject to attack have come to regret the liberal attitudes which have led them into so much embarrassment, and some of them are on the verge of retreating into less co-operative positions. As the rift widens, the prospects of any particular case being discussed on its own merits diminish. Every time a doctrinaire resolution explodes futilely against an equally doctrinaire resistance the moral authority of the United Nations suffers, and it is not heightened by the spectacle of civilised states being harried by self-styled champions of human rights in whose own countries child marriage, the dungeon, and the secret police are still respectable institutions. Only one group benefits from the situation: the group of totalitarian states, themselves invulnerable to criticism, totally unconcerned with human rights as such, and delighting in every new division that appears between their less monolithic neighbours.

It is temptingly easy to seek a solution in retreat. The

idea that the United Nations should be deprived of every chance of disturbing the private lives of its members must appeal to the isolationism latent in most people. But even if such a solution were possible, it would be a tragic admission of failure. If the ideal of world order is ever to be realised, mankind's slow and painful progress towards the ideals proclaimed in the San Francisco Charter must not be checked too sharply. The first essential, perhaps, is to recognise that those ideals are interdependent. If the United Nations is wrecked on the issue of domestic jurisdiction, every one of its aims will pass out of reach, and the very nations that have pressed most eagerly for more interference in the affairs of others will be among the first to suffer. The second essential is to place Uno's functions in perspective. First wrongs must be righted first, and if the member nations have a certain moral obligation to point out the mores in each other's eyes, they have a much more urgent obligation to shoulder their proper shares of the common burden of collective security. The trouble is that the first task is so much more attractive than the second.

It might, however, be made less attractive. Since 1945, experience has shown that the most irresponsible charges have generally been laid before Uno by those members whose own domestic records are extremely dubious. The most effective way of curbing malice and friction might, therefore, be for the Assembly to require any government that accuses another of violating human rights to offer its own conduct for simultaneous examination. This would be no obstacle to complaints presented

in good faith; indeed, the plaintiff would stand to gain from a favourable comparison. The effect might be to clear the decks for genuine and responsible charges and to ensure them a fair hearing. A necessary corollary would be the elimination of the salt-water fallacy, for a country that denies its own metropolitan population the very rights which it accuses another of denying to dependent peoples must clearly be exposed for a special hypocrisy.

Means might also be found by which the Assembly could assess an accuser's right to a hearing in the light of his readiness to contribute to the common tasks of the United Nations, on the principle of no representation without taxation; precedents for this can already be found in the Charter, and it is surely only just that a state which has served the organisation loyally, whether by sending troops to Korea or by helping to finance technical aid or the feeding of refugees, should be preferred above those whose record is one of inaction or even obstruction.

Such devices would place a premium on virtue instead of on irresponsibility; they would silence some discordant voices, and lend more weight to sober judgments; and they would restore an element of judicial fairness that is lacking in many United Nations debates today. Above all, it is to be hoped that they would save the good name of the organisation from further depreciation, and thus advance the very ideals that are so eloquently and vainly evoked by the states to whom they would be applied.

Correspondence Colleges

IN 1951, 2,035 candidates sat for the examinations of the Institute of Chartered Accountants; all but two of these had taken a correspondence course as a method of study. No one knows very much about correspondence colleges as a whole, but here is one indication, by no means unique, of their growing importance. Most people not directly concerned dismiss them as academically disreputable or socially *infra dig*, and professional educationists would like to ignore them altogether; but for the examinations of the commercial professions and the external degrees of London University the ten largest correspondence schools have between 40,000 and 50,000 students—more than all the technical colleges in the country—while for engineering and industrial subjects, one correspondence school alone enrolls some 17,000 students a year. In the light of these figures, it is surprising that no serious attempt appears to have been made to assess either the value of the colleges as educational media or the circumstances which called them into existence. All that will be done in this and a second article is to indicate the outlines of this unexplored subject.

All correspondence colleges are highly competitive and (with one exception) profit-making concerns; detailed figures of their operations are not, therefore, available. However, if those of the type that offer to teach piano-playing, journalism or memory training are left out of the picture, the dozen or so leading ones fall broadly into three groups: those principally concerned with preparing students for the examinations of the commercial professions, such as accountancy, company secretaryship, banking and insurance; those which specialise in academic subjects and cater mainly for the

General Certificate of Education and first university degrees; and those which concentrate on the various aspects of industrial technology.

It is in the first of these groups, the colleges specialising in the commercial professions, that the success of postal tuition is most easily measured and most conspicuous. Aspiring bank managers, solicitors or accountants, for example, gain professional status only by passing a series of qualifying examinations after a period (usually five years) of approved or articulated professional apprenticeship. Evening study is therefore universal, and the student usually has the choice of going several nights a week to the local technical college, or taking a correspondence course, or—by no means uncommonly—doing both. Many of the advantages of the correspondence course seem obvious to the eighteen-year-old. He feels he has outgrown the classroom, or he absorbs material like company law or the income tax acts more thoroughly from the textbook than from the spoken word; or he prefers to concentrate, for example, on the minimum economic knowledge needed for his own examination rather than share a general economics class with twenty people whose needs are different. He probably fails to realise the biggest advantage of all. By the time he has written a hundred or two answers to test questions he has gained some facility with his pen, and his examination technique is probably as good as it can be made. And whatever derogatory things may be said about examination technique in other fields, it is perhaps no bad thing for an accountant or a banker to be quick, orderly and exact on paper.

Whatever the reasons, between 60 and 80 per cent of

commercial professional training for examination is conducted through the post, and the correspondence colleges continue to win the gold medals and "four top places" with almost monotonous regularity. Indeed, the system is becoming inbred. The Institute of Chartered Accountants last year declared itself uncompromisingly in favour of correspondence tuition, as opposed to evening classes, for its articled clerks—a step probably not unconnected with the rise of a generation of correspondence college students to eminence in that profession.

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The widespread use of correspondence tuition in technical subjects presents a somewhat different picture. Whereas the bulk of students of commercial subjects are young men qualifying for a professional badge in a clearly defined field, the demand for theoretical coaching in industrial techniques is infinitely more varied, both in subject matter and standards of difficulty. A foreman, for example, with ten years of workshop experience, who left school at fourteen, wants to learn the theory of his own "line"—plumbing or plastics or power-houses. A well-qualified engineer may find himself needing a knowledge of rubber technology, or an aeronautical draughtsman may jib at the higher reaches of the Royal Aeronautical Society's examinations, but turn aside to specialise in certain aspects of radio or heating technique. Such an assortment of highly individual needs is hard to meet by conventional class teaching. Differences in age, practical experience and general education make the assembling of evening classes difficult for all but the elementary levels or the well-trodden paths such as Higher National Certificates. There exists such a wide demand for systematic theoretical teaching to supplement practical experience on so many levels and in so many industries that although evening classes are probably better and more numerous in technical subjects than in any other, they are still unable to meet more than a fraction of the need. Again, although the law and commercial needs are constantly changing, the practising solicitor or accountant takes these changes in his stride. But the numerous branches of industrial technology advance with much greater rapidity and complexity. The best practice outstrips the textbooks before they are printed, and in any case the demand for up-to-date technology comes largely from a class of practical men who want not textbook abstractions, but pre-digested and strictly utilitarian teaching.

Correspondence courses in the purely academic subjects form the smallest of the three broad groups, and are

taken by a miscellaneous collection of people, difficult to classify. The largest single section is probably the popular cramming courses for the competitive entrance examinations of the Civil Service. The General Certificate of Education and the external degrees of London University account for the bulk of the remainder. A large proportion of their work goes abroad to people of all races in remote parts of the world—an Indian Prince, a missionary on Tristan da Cunha. The demand at home is from people who for one reason or another are misfits in the general educational system. School teachers with training college certificates who want degrees, graduates who want certificates in education, grammar school pupils who want subjects not provided in their own school; and above all the large numbers of people who, having missed an education suitable to their talents, are anxious to repair some of that loss. This kind of correspondence course is the oldest of all. The two best known concerns started in the eighties and made their reputation with London matriculation and the external degrees. It might seem, as the conventional education system is becoming more democratic, that the need to stop up the gaps in the system will gradually disappear. In fact, the reverse is probably true. As educational labels become more and more conspicuous at all levels, their prestige and money value increase in the eyes of those who have them not.

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All the correspondence colleges have certain features in common. The heavy overhead cost of preparing and printing new courses is one of these. In the commercial and technical fields particularly, courses need constant revision and many are rewritten every two or three years by good people who are well paid for this rather specialised job. This is a strong deterrent to dabbling in new fields before a sizeable demand has been built up—as also is the heavy cost of advertisement. Even the best known colleges estimate that about half their new enrolments come from advertisements and the remainder from personal recommendation. Economies of scale are therefore very considerable, and the boost in numbers and even more in free advertisement that has resulted from the widespread sponsorship of correspondence courses in the army, during and since the war, has probably helped to keep down costs. Tutoring, that is the marking of the students' written work, is normally sent out by post to part-time tutors paid on piece rates. Only a few colleges have enough work on any one subject to keep full-time

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tutors. There would appear to be no shortage of tutors willing to do this sort of work, although it is hard to judge the rates paid. It is different, of course, from the drudgery of examination marking, in that the tutor can often take a personal interest in his students' progress over a period of years. Whatever the reasons, however, it seems fairly clear that correspondence colleges can pick and choose among qualified teachers for those whose capacity for the *mot juste* and the helpful comment is considered most useful to the student. The tutor's work is under constant and critical inspection by his employers, who are selling their service not only to each student but, they hope, to each student's friends

Germany in Proportion

IT is becoming increasingly urgent to see Western Germany's recovery in proper proportion. The Germans for their part are waging a campaign, with selected statistics, in order to prove that their prosperity is not as great as it seems. The season calls for pleas of deserving poverty: reports have to be submitted to the various international organisations of the western community. On them will be based decisions about Germany's credit surplus with the European Payments Union and the amount to be spent on defence in the Nato year 1953-54. Moreover, the Bonn authorities hope that a well-presented case will secure a large American loan to finance a further big expansion of industry and exports, and make the Deutschemark convertible.

If the Germans belittle their own strength, their competitors exaggerate in the opposite direction. The Federal Republic's neighbours are too inclined to be impressed by the startling curve of graphs that show increases in production and foreign trade since 1948. Under the painful impact of lost contracts, the British business man often forgets that the Germans started from utter prostration, and that they still lag behind Britain and other western European countries. Similarly, in discussions on rearmament, the assumption that Germany

and colleagues. Moreover, most correspondence colleges promise to go on coaching a student until he passes his examination, and this too makes them keep a sharp eye on the strict relevance of a tutor's remarks to his students.

Here then is a small, but growing industry, operating outside the normal educational field, but selling for hard cash something that stands for higher education to upwards of 150,000 people at a time. This state of affairs raises a good many questions about part-time education in general which it is proposed to discuss in a second article.

(To be concluded)

will dominate the Continent within a decade or two is often made without evidence or analysis.

The purpose of the accompanying page of charts is to bring German recovery into perspective. The country's present position is compared with that of Britain—a land with roughly the same population and proportion of industry to agriculture—and with that of the European Defence Community as a whole. For it is within the framework of the community that German strength in Europe must be assessed. Only if the community were to come to nothing, and the United States be unwise enough to channel its aid direct to a rearmed Germany would all the dangers spring up that are now latent in the nation's strength.

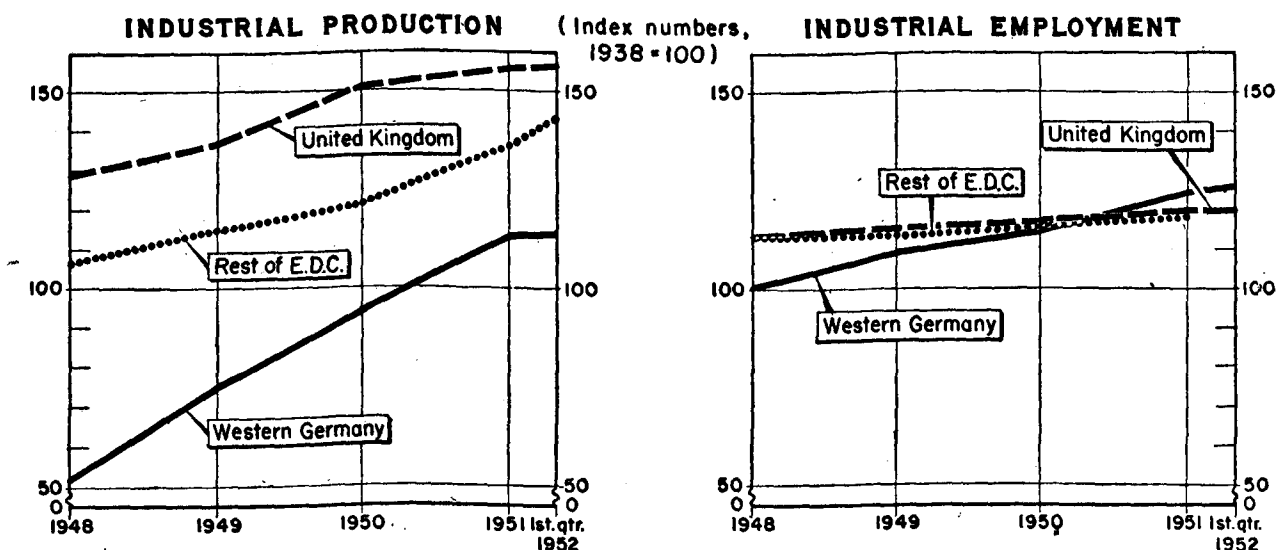
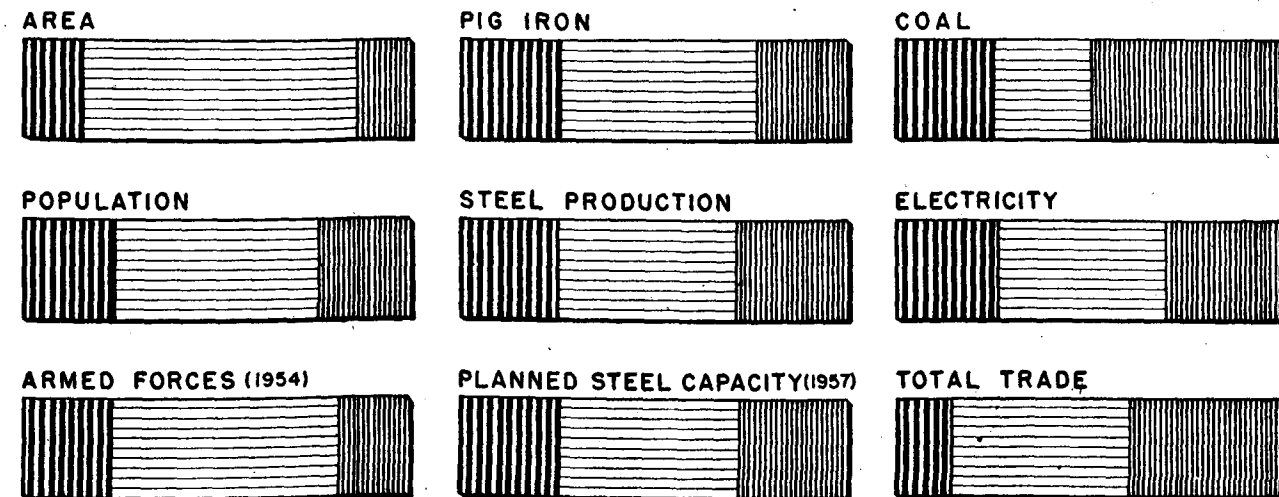
Several important facts emerge from the charts. The position of Germany in oil refining, for example, remains weak. The projected strength of the German contingent in the EDC, moreover, makes up only a comparatively small proportion of the total forces allocated to European defence (not including reserves). The chart also shows that Western Germany's total trade in 1951, although it had doubled since 1949, was still only about a third of the United Kingdom's.

The graph of industrial production tends to support the German's claim that their progress lags behind that of other western European countries. It is true that it is based on 1938, when Hitler's armament boom was at its peak, while Britain's effort had hardly begun. Even so, it shows that Germany has still a long way to go from the trough of 1948 before it overtakes the production of other western lands. This is partly because, though employment is at a very high level, productivity is comparatively low. There is thus room for further expansion. The attempts of the Americans to induce German employers to adopt their methods of labour management will not move the suspicious and conservative Germans, but a loan for the purpose of installing modern machines will be eagerly grasped, and would doubtless be reflected in higher productivity. Perhaps the most significant fact about the present position of Federal Germany is the dependence upon imported food that is shown at the foot of the page of charts. The western portion of Germany has greatly reduced its imports of grain in the last few years, but it still remains far from the level of self-sufficiency that was reached by Hitler's Reich. The lesson of the charts is, indeed, that the Federal Republic has gone amazingly far, but that it is still comparatively weak.

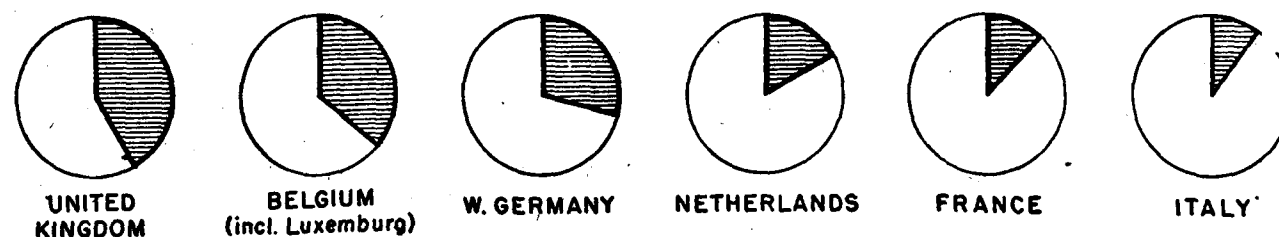
Germany in Proportion

These blocks are divided to illustrate the present relative economic and military power of Western Germany, the rest of the countries belonging to the European Defence Community, and Britain.

Western Germany Rest of E.D.C. United Kingdom



FOOD IMPORTS AS PERCENTAGE OF CONSUMPTION



Notes—(a) The basic year for these comparisons is 1951 except where otherwise stated. (b) The armed forces referred to are those allocated to the defence of Western Europe under present plans. (c) The Saar is included with France as part of the EDC countries.

ECONOMIC CONDITIONS ABROAD

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NOTES OF THE WEEK

Belligerent Comrades

It is ironical now to look back on the words of Mr Harry Earnshaw, this year's chairman of the Labour Party, when he opened the conference at Morecambe. There was no deep split in the party, he said, and differences of opinion were right and healthy. From then onwards his main task was to prevent the comrades from coming to blows.

The first major uproar occurred when Mr Deakin and Sir Will Lawther repudiated a proposal by Salford West party that there should be strike action to support a political campaign to get the Tories out. The union leaders were not going to have union policy decided by the constituencies, and Mr Deakin brutally told the delegates that if they wanted the unions' money they had better listen to them. The second big row involved Mr Crossman whose ingenuous confession that he must be less controversial now that he was a member of the executive was taken by the conference as an admission of time-serving. But the really ugly scene occurred when Mr Deakin's fraternal greetings from the TUC took the form of a slashing attack on the Bevanites. They no longer, he said, had any grounds for disagreement over policy and were simply engaged in a struggle for the leadership; he implied that their victories on the executive were due to an organised campaign in the constituencies, and he promised a counter-organisation to defeat them. It is indeed high time that there were counterblasts against the left wing faction of the party, for the complacency and inertia of the right have certainly contributed to the defeat of some of their best representatives. But it is a pity that the counter-attack had to be left in Mr Deakin's bludgeoning hands. Sir Will Lawther would have done it better.

By contrast, the performance of Mr Morrison, shortly after his defeat, won him a great ovation. He showed himself a good loser, and his speech on home policy was wise and constructive, in spite of one or two sops to old-fashioned socialism. He seems at one stroke to have won back much of the popularity he lost by his record as Foreign Secretary. The union leaders feel that it is a great pity that his talents should be wasted, and that he is the right man to deal with the dissident faction—in contrast to Mr Attlee, who, it is thought, has failed to rise to the occasion. There is no reason to believe—as some newspapers were very quick to report—that there has been any serious talk of inducing Mr Attlee to resign. But certainly Mr Morrison has not, on balance, been weakened by this week's events.

* * *

America Riles Mr Bevan

The conflict between old attitudes and new fact is apparent in many parts of the Labour party's thinking, but nowhere is it more painful than in the matter of relations with the Americans. In the traditional Socialist view the United States is a "capitalist" country, either exploiting everybody or on the verge of collapse. If only in the last decade it had plumped for either alternative, the world might have been more uncomfortable but Labour thinking would undoubtedly have been less so. As it is, the generosity and vision of American foreign policy and the obstinate refusal of its economy to collapse have confounded the old ideas, and until the period of rearmament outright attacks on America were few. But the old prejudices remained.

Rearmament has given Mr Bevan and his friends the opportunity to revert to earlier ways of thinking—a characteristic of most Bevanite political thought. In the last year the old cries of American imperialism, of warmongering, of unrepentant capitalism have been heard again and, need-

less to say, in Mr Bevan's rhetorical *tour de force* at Morecambe, petulant attacks on America—"afraid of unemployment, afraid of war and afraid of peace"—were not left out. Mr Bevan knows, as Mr Richard Nixon knows in America, which purple patches can be relied upon to arouse the right emotional response.

It is true that Mr Bevan's voice was not the only one to be raised. Mrs Jean Mann put in a courageous protest against these vindictive attacks coming from a party that supposedly preaches international goodwill—and Mr Mayhew and Mr Healey talked sense on foreign policy generally. Mr Herbert Morrison went further and reminded his audience of the generosity, progressiveness and liberalism of the United States, of the Marshall Plan and of the TVA—but Mr Bevan, not Mr Morrison, won the constituency vote.

Yet the Bevanites' attitude presents an extreme paradox. They profess to be upholders of the Commonwealth. Surely they know, or should make it their business to find out, that a split between London and Washington would undermine more speedily than anything else the unity of the Commonwealth. They also profess to believe that \$10 billion of new investment is needed each year for the backward areas. Do they expect the British community to provide it? Or do they suppose that the Americans can be blackmailed, goaded and insulted into pouring their wealth into the outside world? The only likely answer is that they have not thought about it at all.

* * *

Decision for War in Korea?

It would be hard to go beyond the United Nations' latest offer on prisoners in Korea without capitulating to Communist claims. The allies refuse to return men to China against their will; the Communist powers reject the good faith of this attitude. Now the allies have offered, on the establishment of a cease-fire, to place all prisoners who have objected to repatriation in a demilitarised zone agreed by both sides. There, "without questioning, interview or screening, each individual so released will be free to go to the side of his choice." All other prisoners would be repatriated at once in the normal way. The Communist delegates at Panmunjom could not have been expected to accept off their own bat so novel and friendly an offer. General Nam Il again insisted, with particularly bad grace, that all prisoners must be repatriated automatically, while referring the offer to Peking and Moscow.

For some months the question of prisoners has been the last point holding up an armistice. The allies have been wracking their brains throughout to think of ways of saving Communist face without surrendering the principle of not forcing men to return against their will. Rejection of the present offer would seem to confirm a suspicion which many people have had for some time—that the Communists do not want peace in Korea. In the past, there have undoubtedly been differences of view between Peking and Moscow; and for varying motives both have at times probably wanted a truce if they could get it without having to pay too high a price for it. Now the recent Sino-Soviet conference in Moscow may have produced a fresh decision to continue the Korean war on a limited basis indefinitely, since it ties down a large part of the American forces and yields propaganda dividends all over the world. Signs that this may be the case are a recent increase in the scale of Chinese attacks and the reported presence for the first time of Russian technical troops in the rear areas. If so, and the Communists evade the latest offer, the allies must themselves make the utmost propaganda capital out of the Communist will to war.

Neguib versus Nahas

On Sunday last the Wafd decided to flout General Neguib and his new law governing the regulation of parties. The crux of this law is that it compels them to refuse membership to those who have "abused privilege" or "made illegal profits." For a time, it had looked as if the Wafd would conform to requirements by ejecting its more infamous mountebanks—and re-forming in a shape that could support the Army's "sacred movement." The stumbling block to this procedure was Nahas.

Nahas is now seventy-six. For the generation since Zaghlul Pasha died, he has worn the mantle of the party's founder. He has for that period been a national idol. To attack him personally presented some risks, and for weeks General Neguib refrained from doing it; he struck only at Nahas's closest associates and at his wife's rapacious family. Then perusal of government files seems to have brought, if not sins, at least connivance at sins, to light. General Neguib's tone changed: if Nahas was innocent he was worthy of respect; if guilty, "the law will be applicable to him as to any other citizen." At the same time, the Army requested his suspension from the party. At this, the party executive adopted the slogan "No Wafd without Nahas," and published the decision already recorded.

The contest is on. Obviously, Nahas hopes by a dramatic appearance in court to appeal to the great following that his demagoguery has held in thrall for so long, and to appear in a martyr's role. But General Neguib, by the well-timed and sober tour of the Delta that he has just completed, has revealed that he too can command popular adulation, and, if he plays his cards as well as he has so far done, he may well be able to trump Nahas's ace. His strongest argument is that connected with the poor man's pocket, for when Nahas won the elections of January, 1950, he did so on a promise that he would reduce the cost of living. By efficiency and honesty he could have brought about this result; the terms of trade in the Korean war period of rising world prices were favourable to Egypt as a cotton producer. Instead the cost of living rose steadily throughout his term of office to the impoverishment and dismay of Egypt's middle and lower classes. If they can be constantly reminded of this bitter memory, Neguib and not Nahas can win the present bout.

* * *

Maisons Tolérées

The Labour party's pamphlet on "The Future of Private Industry" is neither a policy manifesto nor a statement of principle—unless the acceptance of private industry as an institution having any future at all may be regarded as such. (Socialist readers are left free to regard it as a permanent feature of the ideal economy, as an evil due for abolition as fast as legislative processes allow, or, like a continental house of ill-fame, as a regulated concession to human imperfection.) "The Future of Private Industry" is the fifth in a series of discussion pamphlets, formulating questions in the process of answering which principles may emerge and policy be given coherence. Many of these questions are, indeed, being urgently asked and discussed by non-Socialists. How, for instance, should full and continuous employment be weighed against the higher productivity and more rapid progress which its maintenance may, to some extent, conceivably injure? (It is something to see this possibility of conflict even theoretically recognised.) What is the proper role of various kinds of control, in what circumstances should they be invoked, in what circumstances dismantled? What are the possibilities of development councils? Can any scheme, for instance an amended company law, providing for a measure of genuine workers' control,

* "The Future of Private Industry." By Joan Mitchell. Transport House. 31 pages. 4d.

solve the problem of divided responsibility and loyalty which faces the workers' representatives? What is the function and importance of profit?

The Socialist colour of the pamphlet is, however, unmistakable. The axiom remains unquestioned that any identity between private profit and public benefit is a purely coincidental improbability. The question is never "What institutional framework is needed to make the profit motive serve the public welfare?" but "How can people be prevented from doing what is most profitable and made to do something else?" It is not "How can competition be encouraged?" but "How can monopoly be controlled?" The pamphlet ends with the impeccable generalisations that "steering the economy in the way we want it to go depends on getting the general economic atmosphere right" and that "there is no simple solution that is in itself obviously Socialist." To the Labour movement these glimpses of the obvious may come with the revelation of new truth or the horrific impact of heresy. If they and their implications were ever genuinely accepted and installed as part of the party's mental furniture a wide segment of economic controversy would be removed from the political field; and a good thing too.

* * *

East African Inquiry

Sir Evelyn Baring, the new Governor of Kenya, has taken up his appointment this week, and his first task will be the consideration of measures to put an end to the recent outbreak of crime. His task will not have been made easier by the exacerbation of relations between Africans and Europeans that the crimes have provoked. The Europeans tend to say that responsible African leaders, in particular, the African member of the dependency's executive council, have not identified themselves clearly enough with the forces of law and order by denouncing crimes and the agitators behind them. The Africans, on the other hand, have tended to retort that the Europeans have deliberately exaggerated the disturbances in order to cast doubt on the wisdom of giving Africans a greater share in the responsibilities of government. The report this week that five Africans on the Legislative Council have issued a statement deprecating the crimes may do something towards restoring better relations between the races.

In the meantime, the form of the inquiry into the land problem, foreshadowed by Mr Lyttelton last July, has been made known. A Royal Commission is to be appointed "to inquire into the wider aspects of land use in relation to the economic, industrial, social and demographic problems of the East African region as a whole." The inquiry is thus, it is emphasised, in no way related to the present unrest in Kenya and is not even confined to the land question in Kenya alone. Nor will the commission be concerned with claims to land. But if it is able to make some practicable recommendations to relieve the acute local congestion on the land and to reduce the problems arising from the growth of large urban African populations, some of the friction inherent in plural societies ought to be considerably diminished.

* * *

The Strange Case of Mr Zukas

Mr Simon Bér Zukas, according to reports, is a Lithuanian who arrived in Northern Rhodesia from Cape Town in March last year. From then on, his activities were mainly devoted to agitation amongst Africans against the proposed Central African Federation. He became secretary to an Anti-federation Action Committee and was joint editor of a propaganda publication, "The Freedom Newsletter." Earlier this year, in consequence, the Attorney-General of Northern Rhodesia applied to the High Court for a recommendation that Mr Zukas should be deported, on three alternative grounds: that he had intrigued against the

government of the territory, that he had excited enmity between different sections of the community and that his conduct had been such as to show him to be a danger to good order and government. The Chief Justice in Northern Rhodesia rejected the first two grounds but was prepared to recommend deportation on the third ground of the complaint. Since, as in this country, deportation itself is a matter for the executive, not the judiciary, any further action lay with the authorities. Mr Zukas then appealed against the deportation recommendation and at the hearing was represented by Mr Pritt, Q.C. The Appeal Court decided that an appeal from a recommendation for deportation did not lie to that court as the recommendation was not a "judgment," but it gave permission for a further appeal from its own ruling to the Privy Council in London, provided Mr Zukas gave security for costs, fixed at £500. Last week the Northern Rhodesian Government applied for an order that the permission to appeal to the Privy Council should be rescinded, on the grounds that Mr Zukas had not complied with the condition about costs imposed by the Court.

The interest in the case, today, is twofold. First, there is uneasiness that a man is threatened with the loss of a right to appeal to the highest court in the Commonwealth solely on the grounds that he has not enough money to pay the costs of the appeal (there is no general "legal aid" scheme for the benefit of appellants to the Privy Council). On the other hand, it is impossible not to suspect that some supporters of Mr Zukas may have desired that very situation to arise. Someone financed Mr Zukas's activities in opposition to federation. Someone found money for the costs of the proceedings before the courts in Rhodesia. Someone, one must presume, paid Mr Pritt's air passage from London to Salisbury. But no one, apparently, is prepared to finance Mr Zukas's final appeal to the Privy Council. The Northern Rhodesian Government is left with both the embarrassment of Mr Zukas in custody and the difficulty of finding an ultimate destination for a deported Lithuanian. It may well be that someone regards that as a very satisfactory result to have achieved.

The Eden Plan Goes Forward

For the last week of its session, the Assembly of the Council of Europe got the bit between its teeth and discussed in rhetorical fashion everything imaginable, whether or not the matters lay within its competence. In one spirited debate it usurped the functions of Nato and voiced the demand that every part of Europe should enjoy the same priority in defence—a conclusion calculated to leave the strategists gasping. Another debate ranged over European transport, on which a vast amount of work has been done at Geneva; another pledged the Assembly's support for a proposal that members and their dependent territories should form a single tariff and currency area with discrimination against non-members—a proposal to strike alarm in London, Canberra and Ottawa, quite apart from the graver reactions of Washington.

The last day brought a return to sobriety. By a unanimous vote, the so-called Eden Plan was adopted. It recommends that the six-nation assemblies, set up to supervise the Coal and Steel Community and the European Defence Community, shall meet in Strasbourg, that they shall use the Council of Europe's secretariat and that the nations not joining France, Germany, Italy and the Low Countries in closer association shall have observers with the right to speak at the meetings of the "six." The unanimity of the vote was secured only after the British had given fresh assurances that the presence of observers from the Council of Europe implied "not subordination of" but "co-operation with" the six.

Yet this is clearly only the beginning of the chapter. The British Under-Secretary, Mr Anthony Nutting, admitted in so many words that if the six nations set up a full federal

government, then the Eden Plan can hardly be effective, that "a new situation will arise and some re-thinking will have to be done." A council representing the fringe states of Europe would then be hardly an appropriate instrument for contact and co-operation. Nor, as some of the more unrealistic debates of the last week have proved, is the Council an adequate framework within which to express the overriding interests of its members. Defence is already the recognised prerogative of the Atlantic community. Trade and payments problems may need the attention of the whole free world. Certainly the sterling area and Latin America have a vital role to play. If federation between the six goes forward, the other nations will probably find the Council of Europe too wide to act as a means of influencing the six, yet too narrow to be an instrument of co-operation with the rest of the world.

Problems of M. Pinay

When the National Assembly reconvenes on October 7th, M. Pinay will be facing a number of serious problems, any of which could endanger the precarious coalition which has kept him in power. His own cabinet is as yet undecided whether or not it should allow the Tunisian question to appear on the agenda of the UN General Assembly. French nationalism is strongly aroused over the whole issue and a moderate course, such as is advocated by M. Schuman, may arouse not only the wrath of the Right but also the distrust of the country at large. The whole problem is to be reviewed at a cabinet meeting on the same day as the opening session of the Assembly, and M. Pinay may be hard put to it to work out a compromise under parliamentary fire.

The second major problem of foreign policy will be the ratification of EDC and the question of continued support for policies of European federation. Although these can be shelved until spring, there is no doubt that M. Schuman will come under increasing attack from several quarters. On the extreme right, the De Gaulliste RPF will continue to demand an independent French army and a reassertion of national sovereignty at the expense of closer European integration. The Communists, on the other hand, will continue their anti-Schuman campaign in favour of a united Germany along the lines of the Soviet peace proposals. Once again, as so often in France, the extremes both on the Right and the Left will seek to woo away marginal members of a central coalition. M. Pinay may find his working majority under considerable pressure from a paradoxically united front of intransigent nationalists, neutralists and Communists all operating towards the same end for very different reasons.

But as a rule, although a Foreign Minister might be sacrificed, a French cabinet would hardly fall on a foreign policy question. It is on the control of rising prices that M. Pinay's survival really depends. If the price index reaches 149, M. Pinay is bound by law to grant an inflationary rise in wages or, in short, to admit that his entire "save the franc" programme has failed. It is doubtful whether he would wish to carry on under the circumstances and, as the September index is expected to reach 145, the coming weeks are obviously critical. M. Pinay finds himself in an equally precarious position regarding the 1953 budget which he will have to propose during the coming session of the Assembly. The amount of American aid on which he can rely is uncertain, and the estimates submitted by various government departments come to 177 billion francs more than last year. Although M. Pinay speaks hopefully of a new loan, there is increasing scepticism in many quarters about the Prime Minister's predilection for stop-gap measures.

When discussing questions of European union, therefore, it is well to bear in mind how very insecure the position of the Pinay cabinet is and how critical the next few months of parliamentary battle may be.

Entertaining and Instructive

The BBC's report for the year 1951-52 shows the corporation's consciousness of its power to condition the British people almost as surely as if this were George Orwell's 1984. Its Home and Light service is the background to many people's daily lives, and its television the foreground of their evenings. How far it should give its audience what they want and how far what is good for them is a question for unending argument. Most people would probably agree that the BBC has achieved a satisfactory compromise, with its three programmes of different weights. The Light service has shown considerable success in adapting serious subjects to its audience, while the Third Programme is the most erudite broadcasting in the world—although it would be interesting to know the results of listener research into some of its more dizzily abstruse items.

The BBC takes its educational functions seriously. The "Forces Educational Broadcast" has been abandoned in favour of programmes of adult education addressed to a wider audience. An experiment was made earlier this year in methods of presenting television in schools, and further investigations into the development of a syllabus and the best kind of receiving equipment will probably follow sometime next year. The television programmes as a whole, however, give rather more cause for concern than those of sound broadcasting. Many of them have been valuable, but many more have not. Their content ought to be of higher quality than that of the Light Programme, because television is all-absorbing and cannot just be treated as a background. The evidence is that the average television owner sees about half the television programmes broadcast each week—that he views for about eight hours a week; it is important, therefore, that he—and more particularly, his children, who are even more assiduous viewers—should see something worth while.

Planners versus Objectors

One of the instructive talks given recently on the Third Programme described with enthusiasm the replanning and rebuilding of Warsaw. But how simple it is to replan and rebuild when the people who object can be ignored or liquidated; how speedily it can be done. By contrast the replanning of London must proceed at snail's pace. This week, at the Central Hall, Westminster, an inquiry began into some 6,300 objections which have been lodged against the County of London development plan. How long it will take no one can say; that depends on how many of those who have made written objections come forward to argue their case in person, and how long they talk when they do so. The proceedings of the inquiry are much more informal than those of a court of law and as very little evidence is inadmissible, it is difficult to stop people talking. The objections range from the reasoned cases presented by big property-owning bodies to the postcard which said briefly "I object." As at the end of the first day's hearing the court had dealt with only one objection, it is clear that the inquiry will last many months.

That will not be the end of it. After he has heard all the objections, Mr K. S. Dodd, chief inspector of special inquiries at the Ministry of Housing, will present a report to the Minister, and some time after that the Minister's decisions will be announced. There are no readily definable criteria for the decisions. They will depend on weighing public against private interest, on measuring individual hardship against the amenities that the plan would secure; such decisions are therefore bound to be to some extent subjective. It is to be hoped that they will give due weight to pleas for the preservation of fine old buildings.

Individual hardship can be lessened in various ways. The LCC has offered already to make some changes in the plan to meet objections. The tenant of offices in Mayfair, now "zoned" as residential, would not be asked to move until

his lease expired. The occupant of a house scheduled for demolition to make way for a school must, under the Act, be found as good a house elsewhere. In any case the changes proposed in this development plan are not the most drastic proposed in the master plan for Greater London. The development plan now under discussion covers only the first twenty years, and some of the biggest changes, such as the radial rings of roads, have been postponed until a later instalment. Imagination boggles at the objections that will have to be heard then.

Survey of the Health Service

For the first time the Ministry of Health has given in its annual report (Cmd. 8655) a really comprehensive and reasonably up-to-date review of the national health service. It begins, perhaps significantly, with a summary of the cost of the health service from July 1948 to 1951-52, broken down among its main branches. In later chapters the cost of each of these branches is analysed in more detail. These figures would save many people a deal of arithmetic at the time of the publication of the annual estimates were it not for the total exclusion of Scotland from them. As it is, one must be grateful for the official addition of the English and Welsh figures.

The report also contains some interesting figures on the work of the hospitals and the manpower necessary to maintain them. The total bed complement on December 31, 1951, including paybeds and beds temporarily unavailable, was 507,005, and the average daily number of occupied beds was 406,844. In addition, 6,298,746 new out-patients were seen, and out-patient attendances numbered nearly 26 million. To maintain these services and the casualty departments, the staff employed at the end of the year

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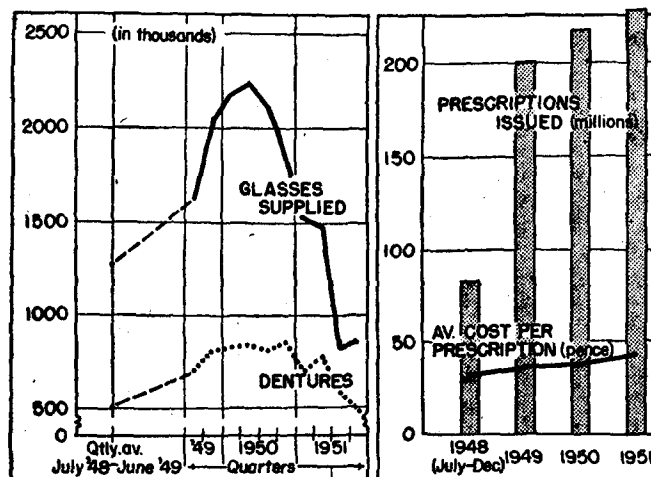
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numbered 318,000 whole-time and 90,000 part-time, divided as follows:—

	Whole-time	Part-time
Medical and dental staff.....	10,245	23,281
Nurses and midwives.....	136,210	25,756
Domestic staff.....	105,416	33,630
Other professional and technical (excl. students).....	16,631	7,382
Administrative and clerical.....	27,285	...
Maintenance and transport staff, etc.....	22,125	...
	317,912	90,049

An even more interesting section of the report, however, shows the effect of the charges for false teeth and spectacles imposed by the Labour Government in 1951. This effect is illustrated in the accompanying graph. The dental figures



are actually the number of courses of treatment completed after the approval of the Dental Estimates Board, but most of these are for the provision of dentures. By contrast with the fall in the number of glasses supplied and false teeth fitted, the number of prescriptions and their average cost increased steadily. It is to be hoped that some idea of the effect of the prescription charge imposed this year will soon be forthcoming.

Big Brother Economics

In Communist states the approved manner of celebrating an event is not to take time off but to make resolutions to work harder. As the Party Congress to be held in Moscow next week is an occasion for celebration by comrades everywhere, it is not surprising that it is bringing out in the mines, factories and foundries of Eastern Europe a rash of production pledges in honour of this "historic event of gigantic world significance." Some of the honour goes, appropriately enough, to the current Soviet Five-Year Plan which will be presented to the Congress—appropriately because the satellites are to make their contribution to the "victorious advance" of the Soviet peoples. The plan's draft directives say that it will "facilitate further consolidation and extension of economic co-operation of the Soviet Union with the countries of people's democracy." In other words, the Czechs, Poles and others will do their bit—and a bit more—to help.

The assumption is revealed with surprising frankness in a recent radio symposium arranged in Czechoslovakia. Prominent members of the Government and the party exhorted workers—not for the first time—to try harder and produce more; what was new was the constantly repeated admission that Czechs must toil not only to build socialism in their own country but also—and primarily—to fulfil orders placed by Moscow. Dr Dolansky said the Soviet Union's economic plans counted on promised deliveries, which "would help to build the numerous new factories which

will spring to life in the Urals and the Caucasus in the course of the new five-year plan." To make this contribution, in Dr Dolansky's view, is a great honour and an important experience for Czechoslovakia.

All the speakers made much of the unselfish way in which the Soviet Union was sharing its industrial experience and scientific research with the Czechs; but they could not avoid creating the suspicion that the Soviet experts are interested only in solving the technical problems involved in fulfilling the Soviet orders. On the other hand, the speakers made a good point in emphasising the raw materials, equipment and grain supplied to them by the big brother; last year as much as half of their grain supplies came from Soviet sources. The exact degree of exploitation involved in this partnership would be better ascertained if the prices at which these exchanges are made were not carefully guarded state secrets. This may not be economic imperialism as Hobson and Lenin defined it, but it is very different from the manner in which American wheat reaches India and Pakistan.

Held Fast for Europe

A little quiet trumpet-blowing by the British is not out of place now that the two great exercises in European defence are being studied and commented on—Mainbrace at sea and Holdfast on land. Both were primarily exercises in the higher direction of operations, and it was primarily British staff methods and organisation that were under test. By all accounts they came out of it well. Indeed, General Harding's conduct of a defensive battle for the holding of Western Germany (discussed on page 32) is known to have deeply impressed American and French observers. It included allied formations, who gave an excellent account of themselves and whose presence and state of training represented a far greater effort than most people realise; but it was predominantly a British affair, improvised at short notice to take the place of manoeuvres involving all forces under General Ridgway's command.

There are three lessons to be rubbed in. First any reduction in the period of national service would cripple the British function in Germany; the dearth of junior officers and NCOs is already causing serious concern. Second, the reserves needed to reinforce General Harding's (now General Gale's) divisions do not exist, save in papers which allow them some weeks to mobilise and get fit. Britain's three armoured divisions may be deterrents to aggression but in that role they are also hostages to fortune—and well Mr Shinwell knows it. Third, until the interminable politics of the European Defence Community have been straightened out, the job of setting an example to European allies falls to this country.

It is, incidentally, regrettable and remarkable that not a single Member of Parliament appears to have attended these exercises to see and hear for himself the needs and views of British fighting men. It would have a salutary effect on future defence debates, which tend to plunge into unwieldy generalisations, if Members on both sides of the House of Commons could ask—for instance—why the armoured cars in Germany are out of date, whether the anti-tank guns would do their job, what useful purpose light anti-aircraft guns now serve—and so on. Having agreed to commit a British army on the Continent, Members of Parliament should show more interest in its safety and efficiency.

Marshal Juin's Repeat Performance

When Marshal Juin, commander-in-chief of Nato's ground forces in Europe, uttered in June his strictures on the right of the United Nations and the United States to criticise France's policy in Tunisia and Morocco, he was very properly summoned to the Palais Matignon to be reproved by M. Pinay. But the sermon fell on deaf ears, and he has offended again. Writing in the review *Hommes et Mondes*

he has bitterly criticised the impending move to place the Tunisian question on the Assembly agenda. He assumes—either from prejudice or from inside information—that the Americans are going to support the Arab-Asian sponsors of the idea, and he therefore refers to the United States as one of the part authors of "the sort of foreign conspiracy that has been tightening about north Africa since the liberation," and as "using the same language" as Moscow.

France's tetchiness about its relations with the Arab world is proverbial. Two of its chief causes have been disappointment that an ancient and praiseworthy cultural success in the Levant did not pay political dividends, and perplexity over the increasingly irreconcilable claims of French settler and indigenous inhabitant in North Africa. The fact to which Frenchmen like Marshal Juin turn a blind eye is that their difficulties are due to the way the Asian and African world is going. They prefer to ascribe all their troubles to the machinations of foreign powers, framing policies out of pure malevolence towards the French Union. Once Britain was the chief offender; now it is the United States.

A leading article on page 3 shows that there is a case to be made for French resentment about UN indictments of its North African policy, but not along the lines proposed by Marshal Juin. It is open to French diehards who are private persons to hold such views, but the soldier who has charge of Nato ground forces should be chary of proclaiming them. Such an act must prompt many of his colleagues and subordinates to have doubts about the worldly wisdom of a five-star general whose capacity to organise and lead the armies in Europe is not beyond question.

Bonn's Defence Arithmetic

Owing to the delay in launching the European army the German defence contribution, for the Nato year to June 30, 1953, will fall far short of the sum that the Three Wise Men of Nato fixed last February. The German budget (which covers the year ending March 31st) provides for less than DM 8 billion (£666 million) for those items—mainly occupation costs—that the Nato arbiters agreed to regard as defence expenditure. This compares with DM 11.25 billion which they fixed as a reasonable sum for the Nato year, on the assumption that the German gross national product at factor cost would be about DM 107 billion. In the current year more of the Federal budget is being spent on pensions, relief and subsidies than on defence. In the previous year the ratio was the other way round.

The amount that Germany is to pay during the current year is thus less than was originally estimated, but it is no less than the amount embodied in the contractual agreements with the occupation powers. For the current Nato year Britain's expenses for maintaining troops in Germany will be covered; but a very different situation will arise after June 30th next. It is all too evident that nothing will then be available for Britain from German sources.

Dr Schaeffer, the Bonn Minister of Finance, will insist that in 1953-54 the entire cost of Berlin shall be counted as German defence expenditure, and he will use the term "cost" in a remarkably wide sense, to include not only the actual deficit in the Berlin budget, which is a comparatively small figure, but also negative items of revenue which the Federal budget would otherwise receive if Berlin did not exist, or was not given favoured treatment. Thus the Germans will argue that defence expenditure must include the amount of taxes which are not levied on Berlin, and, more surprisingly, the value of contracts, private and official, that go to Berlin's industries because prices are lower and Berlin is favoured for political reasons. These contracts are deemed to have been lost to the German economy. When the Bonn Ministry of Finance has finished adding up every conceivable item the total

"cost" of Berlin will amount to no less than DM 2 billion (£166 million).

The burden of Berlin can be legitimately taken into account when assessing the proportion of the gross national product that the Republic can pay, but not again as part of defence expenditure. For the Federal authorities to claim "negative revenue" from the city as part of their defence contribution is unworthy and unjust.

Education in Africa

At the recent conference on African education in Cambridge, a young African woman teacher spoke of the unique experience she had had there of finding her opinions valued and herself accepted as a colleague by others interested in education. The immediate value of the conference lay just there. For the first time ministers, directors of education, administrators, teachers and mission leaders were assembled together with British specialists in education and officials from the Colonial Office, and were working as a team to develop African education.

The conference confined itself to discussing how best to give Africans the kind of education they most need and desire. A brave attempt was made to harness *expertise* to enthusiasm; at the same time, something was done to arrest the tendency of African politicians to hover rather uncertainly between the two. The conference implicitly recognised that Africans ought to be responsible for their own education, and that education for Africans is no different from education for anyone else, except in so far as different stages of development are reached in different places at different times. There was no disposition to slur over the difficulties involved. There is, for instance, the danger of producing more doctors and lawyers than skilled laboratory technicians or carpenters; there is the risk, while resources are slender, of giving nobody anything in the desire to give everybody something; there is

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the difficulty of arriving at "a real measure of local control and responsibility" for education while African local government is still in its early stages. Finally, there is the problem of the strains and stresses arising between politicians and civil servants; this is bad enough in a politically mature society, but it may become acute in a new society, especially if its race relations are also involved. In these circumstances Sir John Maud's special talk to an audience containing both was particularly felicitous. He dived happily into his own experiences as a civil servant with a succession of political masters. But he never actually said that officials finding difficulty in keeping up with Mr Nkrumah, for instance, might thank their lucky stars they had not to cope with Mr Churchill, or Mr Aneurin Bevan, or almost any British Cabinet Minister.

* * *

The Newspapers' Opportunity

One seems to remember grave assurances from Fleet Street, in the days when newsprint was scarce and newspapers restricted in size, that every editor longed to report in much greater detail the world and Parliament and serious affairs generally. Now that newspapers are slightly expanding one has the impression that the ratio between the trivial and the weighty is being little changed. Coverage of foreign news in the more popular press has improved, but from a very low level; background material and feature articles about a world full of new personalities, novel problems and ugly possibilities are neither as informative nor as responsible as they were before the war. These are impressions that may not be borne out by statistics; perhaps the International Press Institute could confirm or correct them. There is certainly more than one newspaper—both Sunday and daily—that believes circulation will suffer if it brings home to readers the facts about the world in which Britain struggles for existence.

In the serious dailies the problem is somewhat different. They are using their greater space to give more news of serious matters, both domestic and foreign. But their correspondents abroad have not yet adapted themselves to the change. It is not often that one can read the words actually used in an important speech or statement; the habit of quoting from foreign newspapers—useful and interesting if kept within bounds—seems almost to have died. The descriptive message which enabled the correspondent to convey to readers the flavour and mood of another country is rarely seen, although it is sometimes heard from the BBC. With a few notable exceptions, foreign correspondents are saying—or are being made by sub-editors to say—things which are better left to the leader-writer.

After many years of disheartening and arduous restraint the process of adaptation to larger newspapers must be full of difficulties. No one wants to see any emulation of American copiousness. (It is said that a copy of the *New York Times*, when dropped from a mail-plane, struck and killed a full-grown heifer.) And there is a limit to the amount of sheer news that can be taken with breakfast. But for the reader who gets his main news items from the BBC, some fresh thought might be given to providing better feature-writing and more genuine, descriptive reporting—of the home as well as the foreign scene.

* * *

All-Purpose Films

Two decisions recently made by the British cinema industry underline a difficulty of suiting all tastes on a single screen. Mr Rank has announced that his organisation will neither make nor exhibit "X" films; the decision is made not on moral grounds, but on the evidence, derived from experimental showings, of damage to the family trade which is the ordinary local cinema's bread and butter. The Cinema Consultative Committee has almost simultaneously reported

that the creation of a special "C" certificate class of children's films, as recommended by the departmental committee of 1950, is "not practicable at the present time." More indirect means of raising the quality, and improving the suitability, of the films shown at children's matinees, are recommended in order to fulfil the departmental committee's intentions; but even were these fully adopted most of the film fare consumed in practice by children would continue to be of the all-purpose type. Almost irresistible economic forces are, in fact, at work to narrow the range of general release films to a lowest common denominator and to penalise deviations either towards nursery simplicity or adult sophistication.

It would, of course, be too much to expect films to be as various and as suitable for discriminating consumption as books. Readers are indeed comparatively blessed. They are not compelled to purchase "The Tale of Peter Rabbit" bound up in one volume with, say, "The Cruel Sea," or committed, when buying the Penguin edition of Apuleius's "The Golden Ass" to the embarrassing experience of reading it aloud in the family circle. To a greater or lesser degree, all these experiences afflict the filmgoer; they are the price paid for the cinema's wide diffusion, lavish initial spending, and ultimate cheapness to the public. Diversity in film-making may best be served by developing the division between the specialist cinema house, whose clients treat it as they treat the theatre, and the "local," whose audiences are, in every sense of the word, habitués.

Class Legislation ?

It is true that there is now a greater equality in the clothing, locomotion, dwellings, power, and enjoyments generally of the bulk of the people than formerly; but it is also true that this equality has been attained by raising up what was cast down, not by debasing what was high. As equality has prevailed, society has been carried to a higher level. If the proudest member of the nobility now share his best conveniences and greatest enjoyments with the commonest man in the land—if he can have no better means of communicating with friends at a distance than the telegraph or the post, which are ready, for a few shillings or a penny, to do every man's bidding—if he cannot travel faster and safer than railroad carriages and steamboats convey the very lowest of the people . . . the aristocracy must admit that on these and on many other points they have made great advances in civilisation compared to their ancestors, and have much superior conveniences and enjoyments, and much greater knowledge. For all these improvements they are mainly indebted to the exertions of the democracy to rise to their level, and it is to injure the aristocracy, as well as to thwart Nature, to attempt, like my Lord Derby, to check the growth of the democracy. . . . In general the democracy have been too prone to imitate the aristocracy, and there is some danger that they will imitate them in this respect and attempt to promote their own and the public welfare by class legislation. . . . Besides setting the democracy a very bad example by making unjust laws, the aristocracy, by their attempts and their threats to reimpose on the public class legislation for their own benefit, are doing what they can to provoke the democracy to imitate them, and try to gain and ensure that superiority by legislation, which is only to be obtained and preserved by other means. To what extent the democracy may carry their present wise forbearance . . . we cannot foresee; but the aristocracy must not infer, from the general conduct of the democracy, that they will never depart from moderation and justice. If there are fewer outrageous demands now made by the democracy than formerly, still an attentive observer may notice some which go beyond the strict line of justice.

The Economist

October 2, 1852

future imperfect

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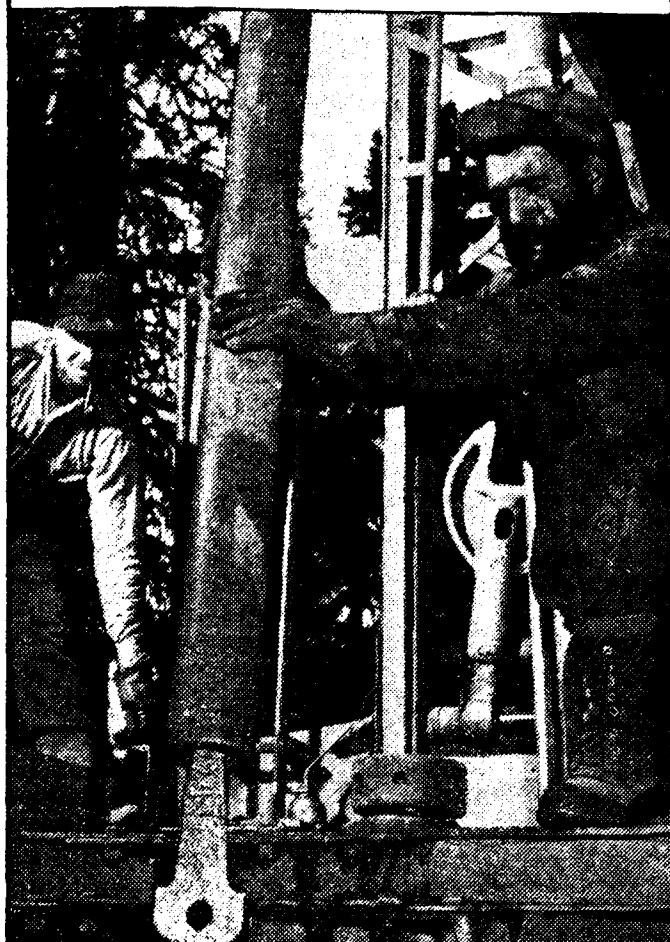


Photo by Canadian National Film Board

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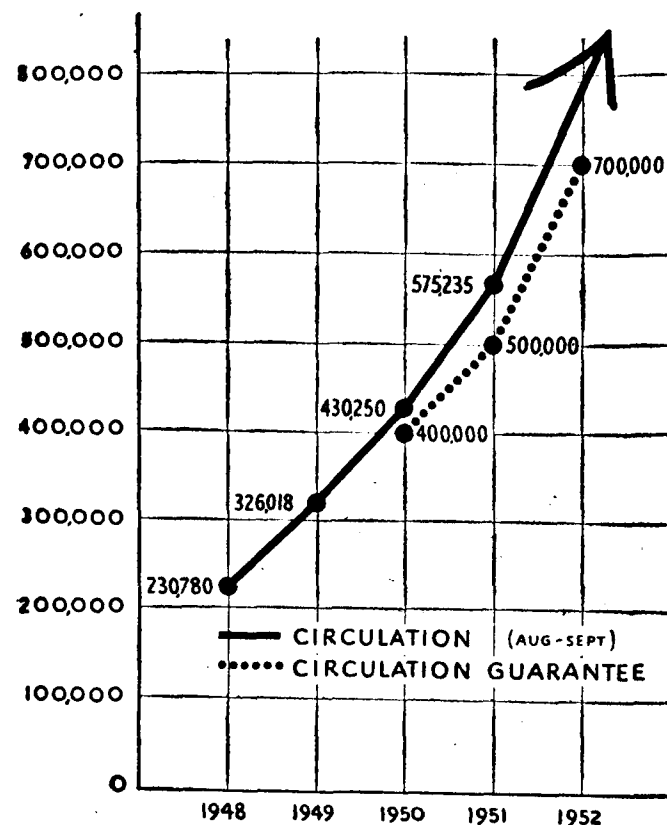
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The Public Schools

Sir,—Your interesting article raises issues which ought to be considered urgently now if the necessary thought and action are to be taken before it is too late. It is the temptation of headmasters, concerned primarily with the maintenance of their own schools, to look cheerfully at their waiting lists and say, "There are still plenty of people who can pay." And we can no doubt feel that we have never been in a stronger position nor more obviously supplying a national need. But such a "supply and demand" attitude is a betrayal of the objects of our charitable founders. The questions we ought to be asking ourselves (and the country as a whole) are: "Ought all those whose sons are in our schools to be paying so much?" and "Are the sons of those people who can pay the ones who ought to be in our schools?"

The first question queries, as you suggest, whether the country is giving justice to those parents who release much-needed places at maintained schools by sending their sons to independent schools. Many people have felt it right that they should be relieved by a flat rate grant from their local education authority, and such grants, which are permitted by the 1944 Act, were in fact made by many education authorities until forbidden by the Minister's ruling in Circular 244. It has been argued that this ruling was *ultra vires*, and certain authorities have continued their grants in defiance of it. The situation might therefore be met simply by a stroke of the pen—the rescinding of Circular 244 and encouragement to local education authorities to make flat rate grants. But a system dependent on the decisions of individual authorities is very likely to lead to unfairness as between one locality and another. If any relief is to be given, it would come much more fairly from the central, not the local, source, and the best way of administering it would be by the tax relief you suggest.

My second question, however, is much more important and does not raise such a controversial issue as "whether the welfare state pays attention to a large and worthy minority." The welfare state has, as a starting point, a large amount of first-quality education available in the public schools. Which boys does it want to receive this education? So far it has, quite simply, refused to consider the question. It has left headmasters to fill their schools with those who can pay plus the very few that the schools can pay for by their small scholarship endowments. While it may be true that the parents still include the professional classes as a whole, there has been a noticeable reduction in the numbers of clergy, teachers and (if they have more than two children) civil servants. Many of us are very unhappy at this situation. We would wish to make public school education far more widely available, and welcomed the first

recommendation of the Fleming Committee in 1944 "That opportunities of education in the [Public] Schools . . . be made available to boys and girls capable of profiting thereby, irrespective of the income of their parents."

It is misleading to suggest that the Fleming Report has been seriously tried. The important "Scheme B," with its bursaries given by the Ministry, not the local education authorities, has not been attempted at all. Some of us have tried to build up similar schemes direct with the authorities (and have discovered in the process that neither their officials nor those at the Ministry are by any means the anti-educational bogeys sometimes suggested). But this too has been stopped by the Minister's ruling (the *ultra vires* Circular 244 again) that local authorities may not pay fees for normal boys who are "capable of profiting" from public schools, but only for "broken homes" and "maladjusted" boys who have shown they are likely to be failures at day schools—not at all what the Fleming Committee intended.

I would suggest that the Fleming Report should be taken out of its pigeon-hole and carefully re-examined both by the schools and by the public. And that (whether along Fleming lines or not) we should decide by conscious action, not by default, who ought to be receiving public school education in the welfare state.—Yours faithfully,

JOHN OUNSTED.

Leighton Park School, Reading

Sir,—The anxiety of the public schools is needless. All they have to do is to vote Labour at the next election. The Socialists have officially promised to abolish the rivals of the public schools, by obliterating grammar schools. When the state has made all its schools comprehensive, the public schools will flourish even more mightily than they already have done through the 1944 Education Act.—Yours faithfully,

PEDAGOGUE

Britain Puzzles Canada

Sir,—May I make a brief comment on two letters which appeared in your issue of September 20th referring to my despatch in the previous issue?

Mr Orr-Ewing rightly points out that the range of Canadian defence purchases in Britain is limited by the strategic need to avoid dependence in time of war upon trans-Atlantic supplies of spare parts. But I wonder what misunderstanding has given him the impression that "the Canadian Government does not pay progress payments." Progress payments on a monthly or a quarterly basis are a regular, almost a routine, part of the Canadian defence production programme. Moreover British companies establishing subsidiaries over here for specifically defence work have, in many cases, been given substantial capital assistance, as well as other help in the

way of depreciation allowances and what are called "prepayment plans." Such assistance, in whatever form, obviously depends on the firms in question filling a felt want in the Canadian programme. But Mr Orr-Ewing must be under some misconception which should be cleared away.

Mr Greene, writing for the BBC, denies that there have been any "forceful requests" from Canada for BBC television recordings. This, I think, must depend upon the way he interprets the word "forceful." Does he wish to be whacked over the head with a tomahawk, as was the way of earlier Canadians? But let us not quarrel about what constitutes a "forceful request." I would much rather welcome the news contained in his letter that the BBC is opening negotiations with certain unions in an attempt to meet the Canadian requests, forceful or otherwise. This, together with the "setting aside" of the BBC's technical "misgivings," represents some progress. Unhappily the actual situation remains that which I described—that Canada is still wanting BBC television programmes which it cannot get—but Mr Greene's letter indicates that steps are being taken to try to provide them.—Yours faithfully,

YOUR OTTAWA CORRESPONDENT

Oil and Cartels

Sir,—In the absence of some elucidation by the parties immediately interested, called for in your issue of September 20th, I should like to comment on one point.

What seems to bother public opinion about international oil is the apparent rigidity of the structure, with but a few companies in the field administering, as it were, a neat world-wide price system. But this rigidity stemmed originally from unavoidable circumstances. Crude oil outside the United States was found mainly in areas which for geographical, climatic and political reasons were accessible only to the biggest operators; transport of a liquid over long distances involves investments which only those immediately involved will be inclined to make; and the unit of operation of crude production and transport has to be matched by refining and distribution facilities on the same scale. World-wide operators will inevitably have to follow a certain rational supply programme based on an experimental knowledge of how much laid-down supplies are worth at any given place in the face of local competition. It is not this way of thinking which is wrong; but it might well be that what started as a factual assessment of opportunities has become ossified because competition has in many cases become somewhat hypothetical as time went on.

By condemning any generally applicable system of pricing, public opinion would appear to ignore the much more

promising opportunity to survey the actual working of the system. The problem of a balance of power between producers and consumers has of late become more acute owing to the governments of some producing countries having ceased to be mere recipients of royalties. As such, they used to be mainly interested in maximum turnover. Now, however, by virtue of their profit-sharing agreements, they have become the partners of the big oil companies. Thus the scales may be weighted in favour of the producers if the consuming countries do not appreciate their perils and their opportunities.

Thus the right course is not to condemn a comprehensive price system which is commensurate to the scale of world-wide operations. It is to insist on full information about its working, so that authorities and the public may safeguard their interests.—Yours faithfully,

P. H. FRANKEL

London, W.1

Sheets in the Wind

Sir,—As owner-manager of a laundry I would like to thank you for the article in your issue of September 20th. The position in our industry is, substantially, as you depict it.

I believe, however, that one very important factor which is hindering development is the incidence of direct taxation at its present level. The laundry trade is a microcosm of industrial enterprise as a whole. Many laundries were started by a man and wife fifty or so years ago. Gradually they grew because, instead of treating their earnings as income, they used a large part of them to finance development. It is common knowledge that, as a result of the steeply rising price of capital goods, the inequitable allowance for depreciation and the gigantic proportion of profits due to the tax-gatherer, this "ploughing back" of earnings is either utterly inadequate or totally impossible.

Industry is never static. Machinery is not only a wasting asset in that it wears out and has to be renewed; it is superseded and becomes obsolete. No small firm can afford continually to increase its capital every time an improved machine comes on the market. We are paying ever higher wages on the one hand—wages that can only be justified by increased efficiency—and, on the other hand, the money that ought to be used in providing improved machinery to make increased production possible is being taken and used for other purposes.

Possibly we can do without the laundry trade. But the same process is affecting all British industry alike. No one could possibly hold that industry in these islands is merely a luxury. Yet we continue to take out more than we put in. If this trend is not soon reversed can there be any end other than ruin?—Yours faithfully,

DAVID G. PUMFRET

Twyford, Hants.

Books and Publications

British Psephology

The British General Election of 1951. By D. E. Butler. Macmillan. 289 pages. 21s.

Both Nuffield College and the publishers are to be congratulated on the fact that this volume, the third in the College's series of general election studies, has appeared less than a year since the conclusion of the campaign. Mr Butler is perhaps more inclined to a sociological approach than either of his predecessors; and it was as the statistical assistant for the two earlier works—the 1945 election by Mr R. B. McCallum and Miss Alison Readman and the 1951 election by Mr H. G. Nicholas—that Mr Butler served his apprenticeship in the new science for which so happily classical a name has been coined. He still lacks the broad historical approach of Mr McCallum and is a slightly less accomplished writer than Mr Nicholas; he is also less ready than Mr Nicholas to question the merits of a political system that now rests on the operations of two mass parties, both forced to make little or no attempt to explain the real issues to the electorate. Moreover, Mr Butler has been handicapped by the fact that the 1951 election followed hard upon that of 1950. There was little to differentiate either the methods employed or the issues discussed beyond a greater emphasis on foreign affairs; and so far as personalities are concerned, though Mr Ernest Bevin and Sir Stafford Cripps had disappeared, there were no important newcomers in either political camp.

These circumstances, coupled with the fact that the election itself was an extraordinarily unexciting one—as Mr Butler reminds us the campaign itself hardly ever took priority in the newspapers over the King's illness and the events in Persia and Egypt—made it hard for him to avoid following very much the pattern of Mr Nicholas's book. It would, however, be unfair to let this detract from Mr Butler's considerable achievement; for within the imposed limits of his task he has contrived to present a balanced and illuminating account of the election, to add information on matters of party organisation and tactics not to be found in the preceding volumes, and to analyse the results with his customary statistical ingenuity. His conclusion from these, that despite two successive Parliaments with small majorities, the British electoral system is still as certain as ever to produce a disproportionate majority with only a very slight swing to either side, seems both indisputable and, in these days of "mandates," highly disturbing.

A novelty in this volume is a series of local studies by individual observers, five of separate constituencies not identified by name and of Northern Ireland as a whole. The constituency studies suffer from an unavoidable

brevity but help to reinforce Mr Butler's two main arguments: that an election is not to be compared to a centrally-planned military operation, and that the efficiency of the local organisation, at least at election time, is almost as unimportant a factor in the result as the personality of the candidate. "I would vote for a pig if the party put one up" observed a Midland elector; there is no reason to doubt his sincerity. In the Labour party in particular, the sense of being in a movement, of class loyalty and class antipathy is, despite the much greater social homogeneity of the candidates (328 Conservative candidates and 264 Labour candidates were University graduates), far more important than the actual policies advocated. Mr Desmond G. Neill's account of the election in Northern Ireland is not only the highlight of the book from the point of view of sheer entertainment, but an impressive illustration of how far the British electoral law rests upon the unstated assumption that everyone will play fair. In the larger island, it would seem that (apart from Labour rowdiness at meetings) everyone does.

At a time when the future of broadcasting and television is so much to the fore, Mr Butler's chapter on broadcasting is of particular interest, since it is a matter on which he writes with inside knowledge. It is clear that a combination of party pressure and BBC pusillanimity has produced a situation in which the most important contemporary medium of information and political education is almost entirely wasted. Instead of the impartiality of the Speaker, we get the impartiality of the mace. It is not good enough.

The Prosperous Swiss

The Population of Switzerland. By Kurt B. Mayer. Columbia University Press. (London: Geoffrey Cumberlege.) 336 pages. 32s. 6d.

A highly successful book recently appeared under the title "The Swiss Without Haloes." It is inconceivable that anybody should bother even to look for British, American or French haloes in order to dislodge them; but most of us, at the back of our minds, have a slightly resentful picture of the industrious, tolerant and prosperous Swiss, the blackening of which would probably cause some adolescent satisfaction. It does, however, take a deal of blackening; here is a nation enjoying one of the highest standards of living in the world—certainly in Europe—though based on a country almost devoid of raw materials. It has achieved the miracle of a high

degree of industrialisation without the attendant horrors of huge industrial cities, and has managed to remain united, though consisting of four different linguistic and two religious groups.

Mr Mayer, himself a Swiss settled in America, has produced an excellent study of these remarkable people. He traces their growth from the fourteenth century and their shifts to dispose of surplus population, first by mercenary service and then by emigration. He unravels the strands of fertility and mortality differences between German, French and Italian speaking peoples, between Catholics and Protestants; and he explains how industrialisation took place without over-much urbanisation.

There are a few puzzles still unsolved. It appears that predominantly Catholic, agricultural cantons tend to have the highest birth and death rates; yet agricultural Ticino with a mainly Italian culture has a fairly low birth rate and the lowest death rate of any canton. The small and decreasing proportion of women in gainful employment is still something of a mystery; but, having tried to buy minor labour-saving domestic appliances and to find a laundry in Geneva, the reviewer is inclined to agree with Mr Mayer that the retirement of married women from the labour market "is not necessarily a manifestation of the rising standard of living, but perhaps of the generally conservative attitude of the Swiss toward the emancipation of women." After all, Switzerland is the last remaining Western country without women's suffrage.

The Swiss vital statistics are among the best and fullest in the world. At times one feels that Mr Mayer has too many cantonal trees around, but a full and balanced picture of the Swiss forest has emerged.

The New Indonesia

Recruit to Revolution. By John Coast. Christophers. 308 pages. 18s.

This is really two books in one. It is the story of how the Netherlands East Indies became Indonesia, and is at the same time a remarkable tale of personal adventure. For some people the two do not mix. The unkind would say that the great events which attended the birth of Indonesia are made instead to revolve round Mr Coast, while those who merely want excitement may be bored by the intimate glimpses of history to which they are also treated. But the truth is that the book is unique, because its author steered himself into such a strange role during the Indonesian war of independence that no one else is in a position to write about it as he does. And for that the book is essentially worth reading by anyone who seeks to understand the new world, which has arisen in the Orient since the war.

Indonesia is now Mr Coast's adopted country—he has made his home in Bali—and there can be no doubt about the passionate sincerity of his interest and

support for the cause for which he several times risked his life during the revolution. By no means all Indonesians agree with his views about their country or with what he says in the many pen portraits of their leaders. They do, however, accept his odd relationship with them, and it is a fact that, through this book and by other means, he has done a great deal to interpret them sympathetically to the western world. Besides giving a vivid and fascinating account of the new Indonesia—at present available nowhere else—this story expresses genuine touches of that romance and idealism which, quite as much as economic and political pressures, still govern the affairs of men.

Russian Minorities

Russia and Her Colonies. By Walter Kolarz. George Philip and Son. 335 pages. 25s.

Western students know little of the fate of the non-Russian nationalities which form about half the population of the Soviet Union. Though spokesmen of the Soviet bloc talk ceaselessly of "the imperialists," their own is the most imperialist power in the world today. While the European imperial powers have given up or are steadily loosening their control over territories, Russia has annexed new territories and is steadily tightening the grip of the central government.

Mr Kolarz offers a wealth of information on Soviet subject nations patiently collected from sources not easily accessible. One may regret the deliberate exclusion of sources by exiles from these nations. While exiled literature certainly contains much tendentious or worthless stuff, a student of Mr Kolarz's learning and discrimination would have no difficulty in distinguishing the chaff from the grain. Yet by confining himself to Russian sources he has made his results in some ways more impressive; the Soviet leaders are condemned from their own mouths.

Soviet doctrine on nationalities recognised two dangers arising from two "deviations": Great Russian chauvinism and local bourgeois nationalism. Both had to be equally combated. For the first decade of Bolshevik rule there was more denunciation in Moscow of the first "deviation" than of the second, though in practice little was done to stop Russian Communists from bullying non-Russian. The exceptions were the Ukraine and Georgia, where the Communist totalitarian regime was managed, on orders from Moscow, by Ukrainian or Georgian Communists. Elsewhere Bolshevik dictatorship meant dictatorship by Russians. In the 1930s, however, "local nationalism" was considered a greater sin than "Great Russian chauvinism." The periods of greatest persecution of the nationalities coincided with the periods of greatest tension in the Soviet state and society as a whole—the First Five-Year Plan and collectivisation of agriculture, the Yezhov purge—culminating in the annihilation

during the second world war of whole nations. Since the war about one-third of the population of the three Baltic states has been deported.

Mr Kolarz gives a clear and well-balanced picture of the relatively well-known Ukrainian problem and a very valuable account of the almost unknown small nations of the interior of Russia. Perhaps the most interesting part of the book is that which deals with Russia's Moslem nations, the North Caucasians, Azerbaijanis and Central Asiatic peoples. At a time when, without any direct prompting from Moscow, Moslem nationalists all over the Middle East are turning away from Britain and France, it is of melancholy interest to read how Moslem peoples fare under the Red Star. There is plenty of food for thought for any Moslem more interested in truth than in slogans.

Imperial Russia conquered Central Asia, but allowed its local rulers to manage their own affairs—there was some similarity to the British practice of "indirect rule." Colonisation of Kazakh or Kirgiz lands by Russian peasants was discouraged by the Tsar's bureaucrats and by the earlier Bolshevik administrators, but has been intensified since the 1930s as part of the economic development under the Five-Year Plans. Uzbeks and Tadzhiks have been forced to grow less grain and concentrate on cotton far more suddenly and more ruthlessly than the Egyptians were forced by the British. Whereas Egyptian profits went to the Egyptian growers, in Central Asia the profits go to Moscow. Islam is subject to constant insult and persecution. The history of the Moslem nations is rewritten to show that their conquest by Russian Tsars was a blessing, and that those who, like Shamil in the Caucasus, fought for independence, were British agents. An Uzbek who takes pride in the Arabic and Persian culture

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or shows interest in the Turkish people is guilty of "vagrant cosmopolitanism."

Mr Kolarz is scrupulously moderate in his conclusions and free from anti-Russian prejudice. He points out that the Russian people, too, suffer from Stalinist totalitarian rule. He gives examples of the sympathy shown by the great Russian writers for non-Russian peoples, and stresses the common interests of Russians and their neighbours. But he shows that the brotherhood of Russian, Ukrainian, Caucasian and Moslem can be made a reality only when the tyranny which exploits all alike is a thing of the past.

Ambitious Analysis

The Character of Peoples. By André Siegfried. Translated by Edward Fitzgerald. Jonathan Cape. 190 pages. 12s. 6d.

Nothing that M. Siegfried writes can fail to be interesting for he has a lively and inquiring mind. But his main strength lies in relating facts to some general trend, not in simple abstraction. His little memoir of his own father which has never been translated is a much more revealing book than this rather ambitious analysis of our modern predicament. The best things in this present book derive from a vivid apprehension of reality, as when he contrasts the alleged speed-up in communications with the fact that travel, after allowing for bureaucratic complications, is actually much slower and harder than in the days

of our fathers and grandfathers. Phileas Fogg made his wager and was off the same night. . . .

But when M. Siegfried examines the role of the Western peoples in this new world and talks of "Latin realism," "French ingenuity," "English tenacity," "German discipline," "Russian mysticism" and "American dynamism" in successive chapters, there is a fundamental cloudiness of thought and expression. He shows a fundamental unwillingness to commit himself to any particular order of priority between physical make-up, geographical circumstance, and inherited traditions and institutions within the communities he touches upon.

A typical paragraph shows the reader's problem of how seriously to treat these often elegant generalisations:

With such an abundance of ethnic elements, how did it come about that Germany suffered such a total eclipse? It was because there was no fusion, no happy combination of these heterogeneous elements; because each one went its own way irrespective of the others, thus becoming a factor of disorder and final ruin. The Latin contact joined with German solidity resulted in an extraordinary analytical capacity; the Prussian element operated as a marvellous organisational factor; and the Slav element contributed a mystique, but also a lack of all restraint, which finally brought the whole system down into ruins. Each of these aspects, excellent in itself, arose in the place where one least expected it: there was no healthy combination of these elements but an explosive juxtaposition.

If one sets this paragraph against the realities of the history of the Third Reich, does it after all explain very much? It is curious to be reminded that the line separating the Western powers' zones of occupation in Germany from that of the Russians corresponds roughly to the frontier of Charlemagne's Empire, and the remark may awaken echoes in the reader's imagination. But why the line runs where it does today is much better explained by Mr Chester Wilnot than by M. Siegfried.

Colonial Government

The Legislative Council of Trinidad and Tobago. By Hewan Craig. Faber and Faber. 195 pages. 25s.

This book is the sixth of the "Studies in Colonial Legislatures" which have been produced under the general editorship of Miss Margery Perham. It is primarily devoted to the development of legislative machinery from 1831 to the present day, but it also provides a valuable background for the study of recent constitutional changes, which are more important from the executive than from the strictly legislative point of view. The study of the growth of responsible government involves, for instance, an analysis of the relationships between the Governor and the Legislative Council, and the author makes adequate provision for this in his treatment of the subject.

As the sources relied on for these purposes are, for the most part, pub-

lished official documents, the account that is given of the historical processes involved is necessarily somewhat superficial. Within these limits, Mr Craig has performed a scholarly task. He shows conclusively that recent constitutional developments have been shaped by "political necessity," which has "proved more urgent than the desirability of ensuring that self-government will rest on secure economic and social foundations." This appears to him to have been inevitable; his view is that the only task left to Britain is to help to make the attainment of self-government a success, so that West Indian statesmen may be given as good a chance as possible of dealing with basic economic and social problems in their own way. From this it follows that the immediate problem that must be solved is how to strengthen the self-confidence of the political leaders of the West Indies, which, Mr Craig concludes, can only be achieved by the "institution" of responsible government in the near future rather than by a "gradual" policy aimed at social progress in slow stages, however secure these may be.

The light which books such as this throw on the realities (rather than the appearances) of colonial government gives the series in which they appear a substantial importance. It is a great pity, therefore, that the price of the present volume has been fixed at a level which will prevent a wide circulation among overseas readers.

Encyclopaedia of Geography

The Columbia Lippincott Gazetteer of the World. Edited by Leon E. Seltzer. Columbia University Press. (London: Geoffrey Cumberlege.) 2,148 pages. £16.

If ever a work had a claim to be dubbed monumental, it is this Gazetteer. It is a sort of Who's Who of the countries, towns and natural features of the world. It tells where they are, in relation to latitude and longitude and to other geographical features; what they produce; what is their climate; and adds salient facts of their economic, political or cultural importance. The amount of information packed into this quite manageable volume represents a remarkable feat of research, selection and compression. For France, for example, it includes every village of over 2,000 persons, as well as the capital of every canton, many of them hamlets with only a few hundred persons. The qualification for inclusion does not seem to be the same for all countries, but presumably the degree of detail is roughly comparable. Place names are listed in the English version wherever there is one, and pronunciation is given in phonetics except where it is obvious.

The book is beautifully printed and an alphabetical thumb index adds the final touch to an admirable work of reference. It was produced with the co-operation of the research staff of Columbia University Press and of the American Geographical Society.

AMERICAN SURVEY

Professionals in the Saddle

Washington, D.C.

THE evidence that General Eisenhower, a soldier of immortal memory, and a good man, has been caught up in a political current too strong to be mastered is now so plain that it can hardly be doubted. As the newspapers accurately report, he is at least swimming at a great rate. Never before has he made so many speeches or received such acclaim: never have there been such crowds, and never has the Republican campaign seemed to be moving so surely and so irresistibly. Everyone is impressed by the speed that the General has attained. Only a few are noticing that the faster the campaign moves, the further the candidate is being borne away from the landmarks that stood out so sharply when he was nominated in Chicago nearly three months ago.

Whether General Eisenhower himself is aware of this seems doubtful. Occasionally during the whistle-stop tour he completed at the end of last week he would come out on to the rear platform of his train and tell the people: "My advisers inside are scared to death because they don't know what I'm going to say"—and he would join in the general chuckle. He has been tearing up speeches and launching into topics that had not been discussed and charted beforehand. It was observed, moreover—particularly by the *New York Times*, which endorsed General Eisenhower back in the desperate days when it looked as if Senator Taft would win the Republican nomination unless he were confronted with something more solid than enthusiastic Eisenhower Clubs—that in a speech in Ohio, Senator Taft's state, the General shunned isolationism, conceded the rightness of the decision to fight in Korea, and agreed that the promises in the Atlantic Charter should be honoured.

The *New York Times* pointed out that these were not the views of Mr Taft and his supporters, and that was indeed true. But three months ago it would have been a work of humorous supererogation to say that the views General Eisenhower was expressing were not those of Senator Taft. Within a few days of this Ohio speech the *New York Times* found itself printing a little news item that began:

General Dwight D. Eisenhower is scheduled to appear on the platform with Senator Joseph R. McCarthy, Republican of Wisconsin, at a rally during the first week of October. The General's appearance would follow his recent approval of the candidacy of Senator William E. Jenner, Republican of Indiana. . . .

The General has arrived at a curious rationalisation of his support for Messrs Jenner and McCarthy, for whose views and methods he expressed contempt in the recent past. He told one of his audiences that "the founding fathers expected leadership to bring together differing points of view into a workable combination for the good of all" so that "we must draw upon the energy and intelligence of all those who are joined with us." Otherwise America would become as bad as "most European countries," which, in an attempt to force uniformity on their parties, had been "kicking people out of political parties who don't agree to dot every I and cross every T."

General Eisenhower's agreement that Senators Jenner and McCarthy, and all like-minded men who had been duly

nominated as Republican candidates, should be allowed to sit at his table, probably represented the first substantial victory of the party professionals who had supposedly suffered mortal wounds at the Chicago Convention. The manner and substance of his reconciliation with Senator Taft was the second sign that the General had accepted the advice of those who were warning him of the chasm he would fall into if he did not embrace the regular party men. The third and perhaps the most sobering evidence of the power and confidence of the professionals has appeared in the backstage traffic during the skilful and cool-headed production now known as the Nixon Affair.

★

The quarter-mile-long Eisenhower campaign train was making its way towards Nebraska when the newspapers first revealed that Senator Richard Nixon, the young and personable Republican vice-presidential candidate, had been subsidised quite substantially for two years through a "supplementary expenses fund" provided by a group of wealthy California businessmen. That night General Eisenhower addressed in Omaha some thousands of people who must have known this news: there were millions by now who had read it or heard it by wireless. But the General himself did not know about it, for none of the advisers and managers on the train had yet told him. He learned about it next morning, after they had had an opportunity to discuss it among themselves and, presumably, to sketch out the advice they would offer him.

From the time the Nixon news broke, up to and including the intimation (from what one of the reporters present described as the best source on the train) that Senator Nixon would have to emerge cleaner than a hound's tooth if he were to keep his place on the Republican ticket, it was plain that General Eisenhower was getting two sorts of advice. The professionals, among whom were many of those who had done their best to prevent his nomination in July, were urging him to stand by Mr Nixon and warning him of the disastrous results that would follow if the Republican party had to admit that its chosen vice-presidential candidate was disqualified from joining in the denunciation of corruption in the Democratic Administration. The amateurs, among whom were many of those who helped to secure the General's nomination, were saying that Senator Nixon would probably have to go.

But when Mr Arthur Summerfield, the chairman of the Republican National Committee, announced that something over \$75,000 of good campaign money was to be spent on television and radio network time to enable Senator Nixon to explain the fund and reply to his critics, it became almost impossible not to conclude that the professionals were in the saddle. But even then, and even on the following night

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when Mr Nixon's prodigious performance from Los Angeles had convinced so many millions of television viewers and radio listeners that a clean-cut young American with a pretty wife and two children who owned a little dog was too sincere and too honest to deserve to lose so gallant a fight, even when the show was over, General Eisenhower seemed to believe that he had still, himself, to decide the outcome. To the Cleveland crowd who had just heard the Nixon broadcast he read his telegram to his young running-mate: "My personal decision is going to be based on a personal conclusion. . . . I feel the need for talking to you." He spoke judiciously of a possible "error of judgment" on Mr Nixon's part.

The professionals had never admitted anything as damaging as an error of judgment, and neither had Senator Nixon. Later intelligence from correspondents with the Nixon entourage was to the effect that he and his general staff had been infuriated by the General's failure to absolve him from blame in the earlier days; and that when the telegraphed summons arrived after the broadcast the Nixon party felt so sure that the Senator had put himself over and would henceforth be an important national figure in his own right that one of his aides advised him: "You're not a GI in this war, and you're not going there to be cross-examined."

Certainly Mr Nixon did not hurry. He flew first to Montana, and only when enough time had elapsed—twenty-four hours—to enable everyone, including General Eisenhower, to understand that Mr Nixon had produced a telegraphic torrent comparable with that which burst forth when General MacArthur was fired did he present himself at Wheeling, West Virginia. Here his chief was now waiting, and actually went to meet him at the airport. General Eisenhower must have perceived by that time that the personal decision, which he had planned to base on a personal conclusion, had been made for him—made, signed, sealed and delivered.

There was a lot of emotion in the air at the time, and little further discussion of the question whether any part of a Senator's expenses should be paid by private subscription, which was what the argument had seemed to be about. And there was no further mention by General Eisenhower or anyone else of any possible error of judgment. Senator Nixon returned to his campaigning and the columnists agreed that he had become an important national figure in his own right, which was what few vice-presidential candidates had ever been. And the professional Mr Summerfield expressed his conviction that the turning point had come in the Republican campaign.

Negroes for Stevenson

[FROM A CORRESPONDENT IN MISSOURI]

ALL sharp-eyed political seers, as they gaze into the crystal ball of the presidential election, pay special attention to the Negro vote. How will it go? The answer may be crucial—not in the South, where Negro voting is still a minor factor, but in the great metropolitan centres of the North and West, whose votes can determine the outcome in key states. When General Eisenhower announced that he would not hesitate to appoint a competent Negro to his Cabinet, and when he promised to make a strong effort to end racial discrimination in Washington, he was paying the politician's tribute to an important political minority.

Despite the General's gestures, Negro leaders not in politics believe that Governor Stevenson bids fair to win about the same proportion of the Negro vote that President Truman won in 1948—that is, something between 60 and 66

per cent. The Negro press is predominantly pro-Democratic, and the National Association for the Advancement of Coloured People, which does not make formal endorsements of candidates, has gone about as far as it can in indicating that it prefers Governor Stevenson.

It is the votes of the states in the Electoral College, each state voting as a unit, that decide the result of the presidential election, not the total popular vote. The importance of the Negro vote, accordingly, lies not in its total size but in the strategic position it occupies in eight states which, between them, account for 210 of the 531 electoral votes. The following table shows the electoral vote of each of these states, the estimated Negro vote, and the margin of victory of each party in the two last presidential elections.

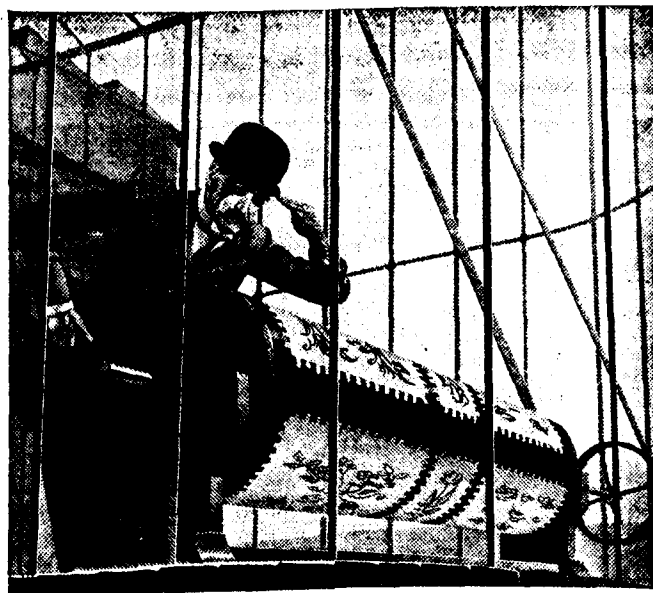
	Electoral Votes	Negro Vote	1944 Majority	1948 Majority
Ohio	25	121,000	5,700 (Rep.)	7,100 (Dem.)
Indiana	13	44,000	47,000 (Rep.)	13,000 (Rep.)
New York	45	185,000	158,000 (Dem.)	61,000 (Rep.)
New Jersey	16	72,000	13,000 (Dem.)	85,000 (Rep.)
Pennsylvania	32	165,000	52,000 (Dem.)	149,000 (Rep.)
Illinois	27	166,000	70,000 (Dem.)	33,000 (Dem.)
Michigan	20	110,000	11,000 (Dem.)	45,000 (Rep.)
California	32	88,000	237,000 (Dem.)	18,000 (Dem.)

Five of these states, accounting for 126 electoral votes, went Republican in 1948 in spite of the clear preference of Negroes for President Truman. On the other hand, there can be little doubt that the Negro vote helped Mr Truman to carry Ohio, Illinois and California, all of which were essential to his victory. To say that the Negro vote represents the balance of power may be going too far. Had the farm vote or the labour vote for the Democrats been smaller, the Negro vote would not have sufficed to win Mr Truman the Presidency. The most that can be said is that the Negroes were one of several groups whose support was essential to him in these critical states.

★

Why do Negro leaders so confidently predict that most of their people will support Governor Stevenson this year? Mr Stevenson's appeal springs from his record; it would be even stronger if he were better known outside his own state. As Governor of Illinois, he earnestly sought to prohibit racial discrimination in employment, but he was beaten by Republican votes in the legislature. He abolished segregation in the state employment service. He vetoed the Broyles anti-subversive Bills; and Negroes have found by experience in other states that the illiberal groups behind "anti-subversive" movements usually oppose Negro aspirations for equality. Finally, Governor Stevenson made a profound impression with his frank and eloquent speech on the racial question at the Urban League convention in New York last January, long before he became a candidate for the Presidency. Negroes feel they can trust him. They also have great faith in the President. To them, Mr Truman is the man who made the first effective moves to end segregation in the armed services, and put up the first real fight for a comprehensive civil rights programme. Wherever President Truman goes whistle-stopping in Governor Stevenson's behalf, he will get a warm reception from Negroes.

General Eisenhower, in spite of anything he may promise during the campaign, labours under several specific handicaps. The most serious is his identification, as a former Chief of Staff, with Army elements which resisted attempts to abolish segregation after the war. Negroes still nurse a justified grievance over the discrimination they suffered from in all branches of wartime service, and they do not readily



Scene reconstructed by Roy Carmichael

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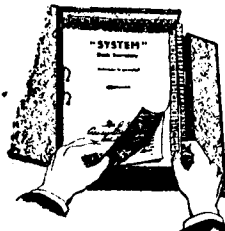
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forgive one who told a congressional committee that segregation should be continued. General Eisenhower is regarded as less than frank on the subject of federal legislation to end job discrimination against Negroes. And his new alliance with Senator Taft, who has never been admired even by Republican Negroes, will do him no good.

Why is it that the Negro favours the Democrats despite the prominence in the party of southern conservatives who constitute a formidable block to the passage of legislation guaranteeing minority rights? To the mass of Negroes at the bottom of the economic scale a job and a decent place to live loom larger than the more abstract slogans of civil rights. Ever since the days of the New Deal the Democrats have been identified with full employment and relative prosperity. Roosevelt's intense appeal to Negroes lay not in his civil rights record—for he actually accomplished less in this field than Mr Truman has—but in his vigorous attack on the depression. It was the Negroes, the lowest economic class, who suffered the most from unemployment. Work relief and other New Deal measures rescued Negroes from despair. Prosperity under Democratic Administrations during and since the war has enabled them to advance as never before. Like many whites, Negroes fear the Republicans as the party of deflation and unemployment.

It is as Negroes rise slowly in the economic scale and enter the middle class, that their interests turn from the bare elements of security to the broader questions of civil rights. They seek full equality—in employment, in access to theatres and other public facilities, in housing, in education, and in political expression. At this level they are also powerfully attracted to the Democrats because it is only during the last twenty years that marked progress has been made toward full Negro citizenship.

Opponents of "gradualism" in race relations do not like to admit it, but the fact is that Negroes have made substantial advances—gradually—in recent years, especially in employment. The defence boom has helped. With more jobs available, and with many communities finding the cost of importing white labour more onerous than the social changes involved in employing the available Negro labour, racial barriers have been reduced, though not abolished. Negroes nowadays are not always confined to the dirtiest and worst paid jobs; by comparison with the past they are well off. They can, so to speak, afford to think about equality. And when they do, many turn to the Democratic party, which, despite its southern reactionaries, has brought them more tangible benefits in twenty years than did the Republicans in seventy years which followed the Civil War.

Some Negro leaders believe that there has been a long-term shift of their people to the Democratic party which only a most drastic upheaval in Republican policy could reverse. It is said that Negroes are at bottom politically conservative, in the sense of being reluctant to switch parties once they have made a choice. The strongest evidence for this is their long period of loyalty to the Republicans (1865-1936) in the face of repeated disappointments. Theodore Roosevelt (1900-1908) is regarded as the last Republican President with real sympathy for Negro problems. Even so, most of the Negro vote was faithful to Mr Hoover in 1932 when vast sections of the population were deserting him for Roosevelt. It was not until 1936 that the Negro vote began to shift to the Democrats. But once the tide turned it was massive.

American Notes

Off with the Gloves

President Truman set out last week on an 8,500-mile campaign tour to the West Coast which should remedy any lack of hard hitting and personal warmth on the part of the Democratic candidate himself. Mr Stevenson's managers, alarmed by the size of the friendly crowds General Eisenhower has been attracting, no longer have scruples about accepting help from the President. But the candidates themselves seem to have decided that it is time to take the gloves off—and over foreign policy; the subject which most people thought had been safely lifted out of the realm of partisan politics by the nomination of a Republican candidate of General Eisenhower's international outlook and experience.

What has angered Governor Stevenson, and led Mr James Reston, that most perceptive observer, to report that the General's campaign, while gaining speed, seems to be losing altitude, was General Eisenhower's willingness, at Cincinnati, to twist facts to support his view that it was "the incompetence of political leaders which made military action necessary in Korea." The war, which has bereaved so many American families, is inevitably a campaign issue. The General tried to show that it was the Press Club speech of Mr Acheson, in 1950, which invited the assault by drawing an American "defence perimeter" that excluded Korea. In doing so he outrageously misrepresented what Mr Acheson said, omitting what did not support his thesis. Mr Acheson, it is true, said on that occasion that the United States could not, alone, undertake to defend Korea, but he went on to point out that an attack on a country outside the American defence line would first have to be met by the country concerned and then by the whole civilised world, acting under the Charter of the United Nations. Moreover, as both Mr

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Acheson and Governor Stevenson have since pointed out, it was the services who drew that defence line, and at the time General Eisenhower, who until 1948 had been Army Chief of Staff, made no objection.

In this rough exchange, General Eisenhower's statesman-like speech at Baltimore on defence, a subject he really understands, may be too easily forgotten. He spoke sound sense on the wastefulness of a "feast and famine" defence policy and on the failure to achieve true unification of the services. In place of the usual generalities, he offered two concrete proposals for achieving "security with solvency." Unfortunately, this experiment in responsibility met, not with the riotous applause the General is becoming used to, but with the quieter reception given many of Mr Stevenson's speeches.

* * *

Fewer Cities in Distress

A year or nine months ago, a number of cities were suffering from acute unemployment while their more fortunate neighbours were gorged with defence contracts and pinched for workers. Between thirty and forty, in which unemployment had reached 6 per cent or more of the working force, were designated "distressed areas" and attempts were made to channel defence contracts into them. Manufacturers in such places were given opportunities of matching low bids for defence work from other regions. Not all distressed areas suffered from the same complaint. Some, such as the textile towns of New England, had economic ailments of long standing. Others, such as Detroit, had had their civilian production severely cut to release metals for the arms and plant expansion programmes, and found defence contracts slow to fill the gap. Still others suffered from the falling-off in demand as consumers and businessmen decided to use up the goods they had bought in the panic of the spring of 1951. Total unemployment never rose above 2,500,000, but it was acute in some places, and the government decided that it was good politics, as well as humane administration, to release more metals for civilian production.

Today, the rising tide of the defence programme, the revival of demand for textiles and television sets, and the easier supply of metals has floated many of these distressed areas off the economic rocks. The "distressed" label was unpinned from Detroit last May, and now, with the automobile companies operating at the highest level in sixteen months, it is men, not jobs, which are scarce. The Automobile Workers Union is asking that employers meet the shortage by re-hiring pensioned workers, rather than recruiting labour outside the city for civilian and defence plants.

New York City, the largest labour market in the country, was pronounced cured last month, as employment in the clothing and building trades revived; so was Manchester, New Hampshire. Manufacturers have given up their advantage in winning defence contracts with real regret; in New York, at least, they are not all so sure as the Department of Labour that the recovery is permanent. At the Office of Defence Mobilisation there have long been doubts whether much unemployment could properly be attributed to the defence programme's appetite for raw materials. Now this is slackening, and unemployment is down to the rock-bottom level of 1,600,000. Non-agricultural employment in August was at the record height of 55 million and, though a sharp fall in the number of farm workers in the past year kept total employment slightly below the record, there were 62 million Americans at work. Most of the remaining centres of distress are textile or mining towns with deep-seated economic troubles.

* * *

Battle of the Funds

No sooner had the news leaked out that the Republican vice-presidential candidate's halo of incorruptibility was

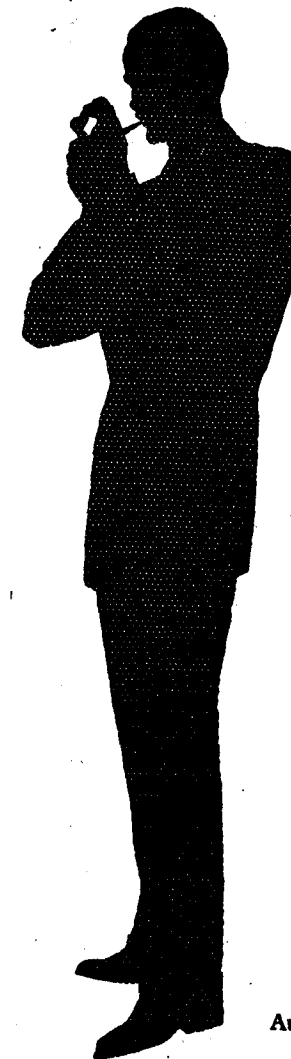
somewhat awry than the Democratic presidential candidate was also found, almost as much by chance, to be uncertain of sainthood for similar reasons. Since he took office in Illinois in 1949, Governor Stevenson has been drawing on a fund, mainly left over from election contributions but augmented later and amounting, oddly enough, to the same sum, \$18,000, as Senator Nixon's fund. Mr Stevenson, however, was using the Illinois fund not for his own expenses but to supplement official salaries, so that a few able men could be rewarded for entering the ill-paid service of the state of Illinois. There is no evidence that either Senator Nixon, Governor Stevenson or the Illinois officials have shown any special favours to those who contributed to the funds, but public opinion has been shocked that neither Mr Nixon nor Mr Stevenson seemed to appreciate the potential evil of such private subsidies.

Governor Stevenson made the situation worse by partly refusing to reveal the names of either the donors or the beneficiaries of his fund, on the grounds that the transactions had been confidential. He was forced to relent later, to the relief of his campaign managers, who had feared that his silence would prevent them from making the most of the extravagances and omissions which an unemotional analysis reveals in Senator Nixon's broadcast defence. The Senator may also find himself in trouble over the absence of any reference to the gift fund in his income tax return.

Once he entered the battle of the funds, Mr Stevenson not only defended himself but struck out at his enemy. He and his vice-presidential candidate, Senator Sparkman, are both publishing full details of their income tax returns over the past ten years and have challenged their opponents to do the same. Mr Nixon claims that he has already supplied all that is necessary but General Eisenhower is preparing his accounts. The fact that his substantial profits from his book "Crusade in Europe" were treated as capital gains may cause some embarrassment.

In publishing details of their finances the Democratic candidates have adopted the course which President Truman, as his chief remedy for corruption, recommended should be made compulsory for all government officials a year ago. Legislation to this effect will almost certainly be revived in the next Congress, although there are many who feel that such an inquisition would deter many experienced and entirely honest men from entering the public service. But many of them are already deterred by the inadequate salaries offered, in state even more than in federal employment, compared with what can be earned in private life. It is this which has necessitated expedients such as those adopted by Governor Stevenson and Senator Nixon.

Other members of Congress, forced by the pressure of legislative duties to give up their normal means of earning their livings, have benefited from gift funds, although the more usual method of supplementing Congressional salaries has been by lecturing, journalism and radio appearances, or by giving a member of the family—in Senator Sparkman's case his wife—one of the secretarial posts in the office which the government provides and staffs for each member of Congress. There are other perquisites such as free hair cuts and an inadequate travelling allowance, but even so the average Senator and Representative is said to be over-spending his salary of \$15,000 by \$3,000 a year, largely because he is unable to avoid heavy social and political expenses and has usually to maintain two homes. Such a salary, however, would seem at least adequate to most Americans and, much as they dislike the idea of being represented only by rich men, they will not be very enthusiastic about the proposal, sure to be made in the next Congress, that salaries should be \$25,000 in order to make it easier for poor men to go to Washington and to remain above suspicion when they get there.



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Full Cry After Communists

General Bedell Smith has unintentionally caused much alarm and given the Republicans a campaign windfall by his offhand statement that he is morally certain that Communists have wormed their way into his supersensitive Central Intelligence Agency. He merely meant that it is impossible to be sure that Communists have not made their way into minor posts, even in so security-conscious an agency as his own. Now he is aghast to find himself subpoenaed by the Un-American Activities Committee and the Republicans making political capital out of his statement.

The Administration, whether or not it is inspired by the approach of the election, has, in fact, been keeping up a steady pressure against subversives. Mr Earl Browder, the former head of the Communist party, and his wife have been arrested on the charge of falsely swearing, when Mrs Browder applied for naturalisation papers, that she had never been a member of the Communist party. The 18 third-string Communist leaders rounded up by the Federal Bureau of Investigation in the middle west a fortnight ago have all been indicted, under the Smith Act, with conspiring to advocate the violent overthrow of the American government. Of the 67 arrested earlier, 31 have been convicted, 13 are on trial, and 21 awaiting trial. Two defendants were freed last month on the grounds of insufficient evidence by Judge Dimock, who has noted several times that membership in the Communist party does not, in itself, violate any law.

Congressional committees are also active. A subcommittee of the Senate Internal Security Committee is carrying out the first nation-wide investigation of subversion in the schools. In New York, it was told by Dr Bella Dodd, a former legislative representative (or lobbyist) of the Teachers' Union, and, before her expulsion, a high Communist party official, that in 1944 there were 1,500 card-carrying Communists among the nation's million or so teachers. About 1,000 were concentrated in New York, the state which today contains nearly half of the nation's 25,000 party members. The Teachers' Union, now only a shadow of its former self, was expelled by the American Federation of Labour in the nineteen-thirties for being Communist-dominated, and later by the Congress of Industrial Organisations for the same reason.

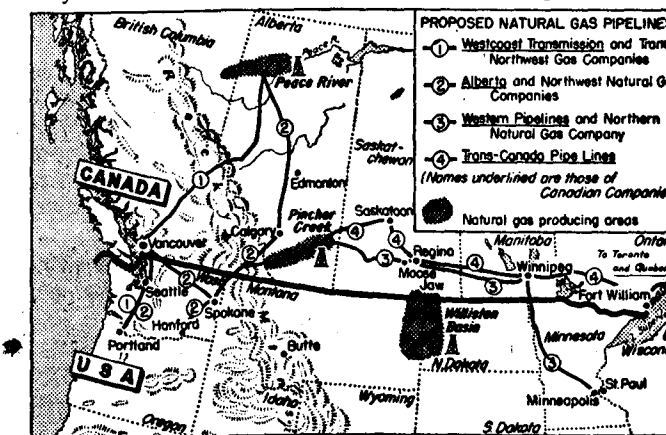
Teachers who refused to tell the committee, on the ground that they might incriminate themselves, whether they were Communists seem almost certain to lose their jobs. The State Court of Appeals has upheld the authority of the city to dismiss employees who take refuge, in this way, in the Fifth Amendment, and the State Board of Education has withdrawn the stay granted to teachers dismissed last year on these grounds. The New York City Board of Education insists it is willing, however, to forgive those who make a clean breast of their former Communist associations and prove their sincere repentance.

Gas Among Good Neighbours

Before the Federal Power Commission permits the construction of a natural gas pipeline to serve a new district, it demands evidence that an adequate long-term supply of gas is guaranteed at one end and an effective demand for it at the other. Uncertainty about both has been holding up the authorisation of a pipeline that would carry natural gas from the nationalised Mexican oilfields 1,400 miles across the United States border to West Virginia and Ohio. There is, however, no doubt about the demand for natural gas from the expanding industries and growing population of Washington and Oregon, in the Pacific northwest where hydroelectricity is the only local source of energy. And there are quantities of gas available across the border in the Canadian oilfields, the nearest available source of supply, since California has no gas to spare.

It therefore seems logical that this Canadian gas should be brought into the United States, especially since the present demand for natural gas in British Columbia and Alberta is not large enough to justify the building of hundreds of miles of expensive pipeline across the mountains, unless an American market is also to be served. But the Albertan government has ambitious ideas about the coming industrial growth of the province, and is therefore reluctant to approve long-term commitments for deliveries of natural gas to outside consumers, at least from the central Pincher Creek field. But both Alberta and the federal government in Ottawa have now authorised the project of the Westcoast Transmission Company for building a pipeline, nearly 1,000 miles long, from the northern Peace River oilfield to Vancouver and Portland.

This is the only gas pipeline scheme that has been accepted by the Canadian authorities, and it must still be approved by the FPC in the United States. But potential American consumers are not sure whether the gas can be delivered over such a long and difficult route at an economic price, and they are also afraid that, as the demand for gas grows in



Vancouver, there may not be sufficient to provide all that is needed across the border. American companies prefer the project of the Alberta Natural Gas Company, which Canadian officials are apparently not prepared to consider. It would bring gas directly from the nearer and more developed Pincher Creek area to Spokane, and the atomic energy plant at Hanford, putting Vancouver at the end of the line. Meanwhile, gas distributors in Oregon and Washington, tired of waiting for the argument to be settled, are negotiating with an American company which proposes, if the FPC approves, to develop a natural gas field in New Mexico for their benefit. The Pacific northwest might conceivably support two natural gas pipelines, but three are out of the question.

Another project for using the American market to facilitate the development of Canadian oilfields and the supply of natural gas to Canadian cities is that of Western Pipelines, which would carry gas through Winnipeg to Minneapolis and beyond. If the Williston Basin turns out as forecast, it might provide a better source of supply for this area, but here again there may be room for two companies. There is no question of an American demand, or even of much Canadian demand on the way for the natural gas that Trans Canada Pipelines would like to bring 2,000 miles across the country to serve the great industries of Ontario and Quebec; it is therefore difficult to see how this can become an economic proposition. Canada's eastern provinces could obtain their natural gas more cheaply from across the border, from the American pipelines that are already supplying the north-eastern United States from the oilfields of Oklahoma and the Gulf region. But Canadian consumers can get no guarantee that their future needs will be met should the American demand in the northeastern states increase, as it will. Since this is the Pacific northwest's difficulty in reverse, it ought to be possible for such good neighbours as Canada and the United States to work out an exchange satisfactory to both countries.

THE WORLD OVERSEAS

Uncertainty at Strasbourg

(From a Correspondent)

THREE weeks discussion at Strasbourg—first in the parliamentary organs of the Coal and Steel Pool, later in the Consultative Assembly of the Council of Europe—have clarified many of the issues raised by the attempt to build a sea-nation “little Europe.” But they have left uncertain its final form and its consequences for the wider communities of the Council of Europe and Nato.

At its May session the Consultative Assembly gave general approval to Mr Eden's proposal for making sure that Britain and Scandinavia remained intimately associated with the six by integrating the Coal and Steel and the Defence Communities into the framework of the Council of Europe. In doing so it rejected, by a small majority, M. Spaak's proposal that the Coal and Steel Assembly should proceed immediately to construct a political authority for the six. Instead it set up an *ad hoc* committee of its own with British and Scandinavian observers, to consider the creation of a political authority at a more leisurely pace.

In the event, however, M. Schuman adopted M. Spaak's proposal. At its first meeting the Coal and Steel Assembly set up a special “pre-constituent” assembly to which a new committee is to report on the creation of a political authority. Against German and Italian objections, it agreed to invite British and Scandinavian observers to attend meetings of this committee with the right to speak but not to vote.

The Consultative Assembly itself met two days later in an atmosphere of confusion. After years of frustration under the British veto, the continental federalists at last had an assembly of their own capable of fulfilling the role which they had hoped in vain of the Council of Europe. Their elation was tempered, however, by reports from London that the British Government was unhappy about their action, for British approval was essential to their success. The French, Belgian and Dutch parliaments contain groups whose opposition would suffice to wreck “little Europe” if they thought it would divide the Continent from Britain. Apart from national fears of German domination, the Socialists dread a great increase in Vatican influence.

Mr Eden's speech was therefore heard with great relief. It was welcomed as an endorsement of M. Schuman's initiative. Indeed M. Spaak claimed that with the dispatch of the British mission to the Coal and Steel Community and with the promise of British co-operation with the Defence Community, the Eden Plan was already in operation. The Consultative Assembly, he said, should now leave political problems to be dealt with by the six and concentrate on economic issues. Nothing more need be done to assure British association with the developing continental community.

In the General Affairs Committee, however, the British returned to the attack. Mr Julian Amery obtained support for a new plan, less ambitious than the original Eden proposals. The Coal and Steel Committee, and the pre-constituent assemblies should meet at Strasbourg in the presence of observers from all other member countries of the Council of Europe, and should so far as possible, use the administrative machinery of the Consultative Assembly. Much more important, Britain and other non-members should send observers to meetings of the Council of Ministers of the Coal and Steel Community. There was little

opposition to these proposals in the Consultative Assembly except from a group of Italian delegates. But, of course, the Consultative Assembly has no power to decide the actions of the Six—as has already been demonstrated. And the Coal and Steel Assembly has already shown itself scornful of its older rival.

It is thus uncertain whether, even in their new form, the Eden proposals will prove acceptable to the six. M. Monnet himself is known to be suspicious of any link between the Coal and Steel Community and the Council of Europe. On the other hand, M. Spaak, who has great influence in the former as the chairman of its Assembly, is well aware that “little Europe” may collapse through opposition in national parliaments unless effective British association seems in some way guaranteed. Socialist opposition to “little Europe” hardened during the Strasbourg meeting. The German Socialists refused to nominate representatives to the pre-constituent assembly, on the grounds that this would imply approval of the Defence Community. Partly as a result, there is a marked Catholic preponderance in its drafting committee. The absence of Communist representatives from all the parliamentary organs of the six of course exaggerates the unfairness of this distribution of votes. Incautious speeches by German delegates have also revived French fears, although in the Consultative Assembly the Italians have been more outspoken against British participation in the work of the six. Thus it seems possible that M. Schuman's initiative, the first justification of which was that it will speed the ratification of the Defence Community in Paris, may be used as an excuse for further delay.

Support for Atlantic Community

This lends interest to a trend which is growing in the Consultative Assembly. More and more speakers have begun to maintain that, whatever the fate of Mr Eden's proposals, the Atlantic Community is the only framework capable of containing a resurgent Germany, whether or not such a Germany is tied to its neighbours in a “little Europe.” For some time Norwegian and British Socialists have pressed the claims of the Atlantic Community in the Consultative Assembly. In this they have been joined in particular by Greek and Turkish delegates, who feel isolated by the development of “little Europe” and have little national interest in association with the Coal and Steel Pool.

It might thus seem that the Council of Europe is bound to decline, since the British and Scandinavians did not want it in the first place, and the continentals, whose importunity produced it, lost interest in it some time ago and now have in the Coal and Steel Assembly an organisation better fitted to achieve their aims. Among British Conservatives in the Assembly there is, however, one active group led by Mr Boothby and Mr Amery which believes that Britain can play a unique role in organising co-operation between Europe and the Commonwealth within the Atlantic Community as a whole, and that the Council of Europe is the best instrument for this. Their greatest triumph in the Assembly so far has been to obtain almost unanimous support for the creation of a preferential area between Europe and the Commonwealth at the price of discrimination against dollar imports.

From Cell to Kremlin

NEXT Sunday in the Kremlin, in the hall where the Soviet Parliament normally holds its assemblies, the 19th All-Union Congress of the Communist party of the Soviet Union—formerly Bolsheviks—will officially open its assizes.

The present Congress, the first to be held for thirteen years, will be the culmination of a series of extraordinary meetings involving the whole machinery of the party. Even before the Congress was officially convened the primary party organisations were already holding their assemblies. These basic units of the party, which number some 300,000 in the Soviet Union, are formed in all factories, collective farms or offices, wherever there are at least three party members. The smaller units are led by a secretary, the larger ones have a bureau and a number of secretaries varying with their size. These primary organisations are the former Communist cells which were necessary for the working of the party in its clandestine days before the revolution. Now they are indispensable if the party is to fulfil its function as the controlling overseer of the whole political and economic life of the country.

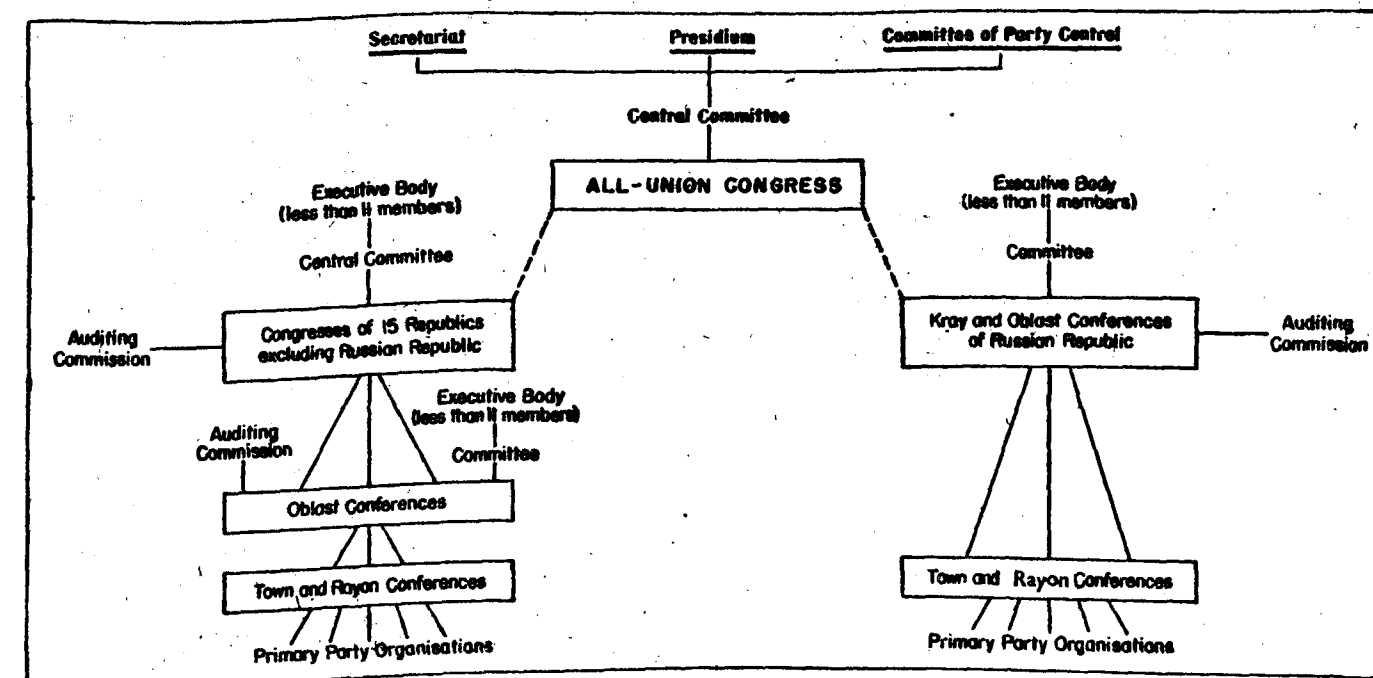
After the meetings of the primary cells came the conferences of the somewhat larger units—the towns and so-called “rayons.” There are really two kinds of rayons. Those in the countryside are a kind of county subordinated directly to the *oblasts* or provinces. The town rayons are really districts—i.e., subdivisions of the town. The rayon and town conferences elected their executive bodies and then came the turn of the *oblast* conferences to choose their committees, and finally of the Republican Congresses to elect their central committees. Both republics and *oblasts* vary in size. The largest republic—the Russian—is so big that it has no separate republican party; its *oblasts* and *krais* (territories or larger *oblasts*) are directly subordinated to the all-union party authorities. The election of the All-Union Congress in fact starts on the *oblast* level, one delegate with full powers being allowed for 5,000 members and a delegate with a consultative voice for each 5,000 candidates (i.e., party novices).

Nothing could look more democratic on paper than this structure. The authorities are elected progressively from the bottom to the top. At each level the meeting of members

or delegates selects a committee to exercise full powers at statutory intervals between assemblies, and the committee in turn appoints an executive organ and secretaries to exercise control between its plenary meetings. In practice, however, things work the other way round. It is from the top to the bottom that control is exercised, decisions are taken and even elections decided. The Party statute itself calls the system “democratic centralism” because the lower organs both elect the higher bodies and owe them obedience. Actually they are subservient to them. Each executive body owes its existence to the organ above it. The primary cell is controlled by the rayon or town executive. The three secretaries who run that executive cannot be elected without confirmation by the *oblast* or republican committee. Finally no one can sit on the executive body of *oblasts* and republics, if he is *persona non grata* in the Central Committee of the All-Union Party. Hence only persons approved from the centre exercise real control in the country.

It is true that the apparent favourites of the Kremlin are sometimes thrown to the rank and file for judgment. This has already happened before this present Congress; a wave of “criticism and self-criticism” has swept many a Party boss, including some Republican secretaries, from their pedestal. The primary purpose of this purge was to eliminate from the Party all the undisciplined, careerist and other undesirable elements which succeeded in entering during and immediately after the war when the rules of admission were relaxed, as well as all those who grew corrupt during too long a tenure of office. This has not been a bloody purge of political opponents and—except when punishment was meted out for “nationalistic sins”—the downfall of too powerful bosses or corrupt dignitaries must have pleased the population and gained support for the regime. It must, however, be remembered that even this right to criticise was exercised only on a special recommendation, indeed an order, from the All-Union Central Committee.

“Democratic centralism” could still be a form of party democracy if the All-Union Congress, indirectly chosen by the rank and file, really exercised supreme power. Does it not elect the Central Committee, which in turn elected the Politbureau and now will select the Presidium? But the actual power of the Congress has been declining steadily. Even in the statutes the intervals between Congresses have been lengthened, in the present statute to a maximum of 4 years. In fact, of course, though the previous maximum



The Russian Republic accounts for about 55 per cent of the population of the Soviet Union. Thus there is no Russian Republican Party as such, but the Party is divided straight into *krais* or *oblasts*. *Krais* or territories exist only in the Russian Republic, where there are six *krais*. *Oblasts* or provinces are smaller than *krais*. There are 130 *oblasts* in the Soviet Union.

was three years, the 19th Congress will meet after an interval of over 13 years. It handed its power over to the Central Committee which in turn abdicated it in favour of the Politbureau—that is to say, of Stalin and the men who carry out his orders. In fact Stalin, sitting on the pinnacle of the apparently democratic party pyramid, could announce now, in advance, not only the size and composition of the future Presidium, but also all the decisions which will be taken and unanimously approved by the Congress.

Obviously this staging from above has deprived the Congress of much of its importance. This decline is the result of a lengthy process. In the early years of the Soviet regime it was the debating place of a fiery, if disciplined, revolutionary party. Soon, however, the Bolsheviks found it difficult to combine freedom within the party with the discipline needed to maintain themselves in power and carry out their plans. At the 10th Congress, in 1921, at the time of the Kronstadt rising and in face of the so-called Workers' Opposition, factions, "groups with separate platforms . . . and their own group discipline," were banned. At first this limitation of the right of opposition within the party was presented as a temporary necessary evil imposed by circumstances. Stalin strengthened it, made of it a virtue and finally the real essence of his regime. His opponents of the Bolshevik Old Guard were progressively eliminated from successive Congresses until his will became undisputed and unquestioned law. From the debating place of a revolutionary party the Congress became the ceremonial meeting place of an established bureaucracy.

Kashmir Seen from Delhi

Now that the Geneva talks on Kashmir have clearly failed, there seems little likelihood that the Security Council will take any stronger line on the strength of Dr Graham's latest report than it did on the one before. The report itself makes no recommendations about settling the dispute and apportioning no blame to either party. The talks themselves broke down not only because the two sides disagreed about the size of the forces needed for the plebiscite period, but also because Dr Graham had to take the question of the nature of the forces back to first principles; for India this meant denying the legal right of Pakistan to retain, at most, anything more than a police force on Kashmir territory. In the eyes of many, however, the Security Council will be failing in its minimum duty if it does not now at last come out with a firm pronouncement about the rights and wrongs of the case. On the other hand, whatever maybe the effect on Uno's prestige, the fact that it may shrink from decision because it knows that no decision can be enforced will mean in practice that the present situation in Kashmir itself must be expected to continue indefinitely.

For India this represents to some extent a "solution" to the dispute, or at any rate the best that can be made of a bad job. In the eyes of Delhi, it should not be forgotten, India's position in Kashmir rests on a legal and moral case that has never been refuted. Although the Kashmir deadlock is in fact maintained by virtue of the presence of armed forces—even if subject to a cease-fire arranged through Uno—India stands by arguments which it has long regarded as peculiarly western in nature. Indeed, much of the resentment felt against so much of the prevalent western sympathy for Pakistan is directed at what in the Indian view is a hypocritical attitude. It is no use, Indians say, for the western world to set up a United Nations charter to condemn aggression, if aggression means one thing in one place and another in another. The days when there could be one international law for the rich and another for the poor are over. Pakistan committed aggression in Kashmir and for aggression it must pay—or at least it must not gain thereby. To favour Pakistan now is merely to pander to expediency and to ignore the right.

Did Pakistan commit aggression in Kashmir? In the Indian view the case against Karachi is as watertight as on the day the struggle began five years ago, and no conversations in Geneva or anywhere else can alter that fact. There are three salient points. First, no one seriously denies that in acceding to India the Maharajah of Kashmir was within his constitutional rights and that his accession therefore had the force of law—whatever the timing or motives of his act. Secondly, Mr Jinnah had himself previously agreed that the rulers of the princely states must be the sole arbiters of their own destiny. They must decide whether their states would join India or Pakistan, and the two countries should be bound by their decision. Thirdly, in electing to join India the Maharajah of Kashmir was not in fact alone in Srinagar. His decision was supported by Sheikh Abdullah, who represented the bulk of organised political opinion in the state.

Under Two Flags

Today the Indians feel that it is impossible to put the clock back without adverse political consequences which they are not prepared to accept. To do so might mean disastrous migrations of refugees and a degree of human wretchedness excelling anything that could be claimed for a perpetuation of the present regimes. By virtue of the actual division of the state of Kashmir over the past five years, two administrations have grown up which have re-orientated the political allegiance and outlook of the people of Kashmir. Moreover, in the Indian and by far the larger sector, Sheikh Abdullah's government has lately established a position of relative independence; this represents a truer interpretation of the principle of self-determination than could any form of integration forced on it by either of its bigger neighbours. Since Sheikh Abdullah's visit to Delhi in July and the formal agreement which followed, India has only been responsible for the foreign affairs, defence, communications and, to some extent, administration of justice of the Indian sector of Kashmir. Everything else devolves back on Srinagar, and the Kashmir flag flies alongside the flag of India. Has Uno really the right to reverse all these healthy developments? In Indian eyes the answer is certainly not. Delhi is by no means without logic in prosecuting its case.

Exercise Holdfast

[FROM OUR SPECIAL CORRESPONDENT]

THIS combined army and air exercise was designed to illustrate the task which must fall to the non-aggressor in the opening stages of an attack on Western Europe: with inferior numbers both on the ground and in the air to hold the enemy fast until the mobilisation of reserve forces is complete. It is some measure of the build up of Nato forces during the past year that in exercise Counterthrust last year three British divisions, one Belgian division and a Dutch brigade took part, whereas the forces this year comprised three British armoured divisions, one Belgian armoured and two infantry divisions, two Dutch infantry divisions—though one was only in cadre form—and a Canadian brigade group of 6,000 men. With so large a force available, it was a pity that the equivalent of seven divisions was allotted to the defending side and only one armoured division and an infantry brigade group to the aggressor. This, of course, made necessary the imaginary periodical expansion of the attacking forces from companies into battalions, and so forth, thus introducing an atmosphere of unreality on one side.

The seven defending divisions, under the command of General Harding, constituted what would, in war, be the northern group of allied forces defending Western Europe. It already has a completely integrated staff. Their task was admittedly made easier than it probably would be in

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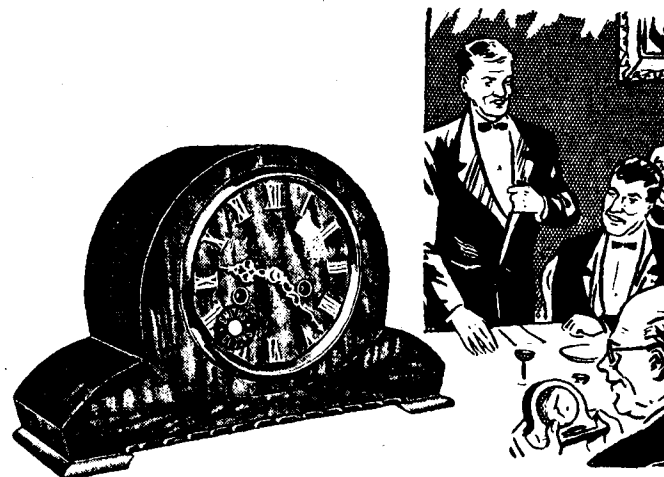


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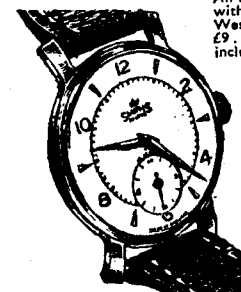
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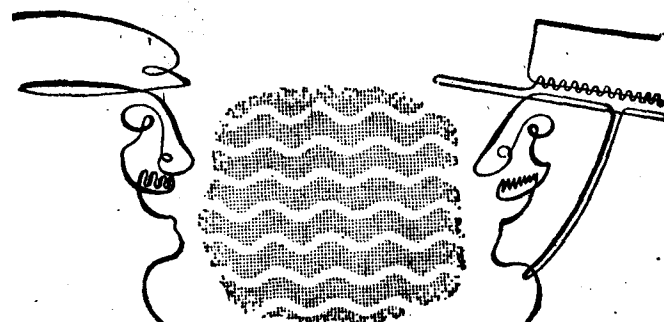


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reality by introducing an imaginary neutral frontier on one flank and an imaginary army on the other. Thus these seven divisions were called upon to defend a corridor about 32 miles wide, or rather less than five miles per division. One remembers that the late General de Lattre de Tassigny, in his address at the conclusion of Exercise Agility II in 1949, remarked that a division might have to cover 25 miles of front. Great as the improvement has been since then, the available forces have not multiplied $4\frac{1}{2}$ times.

Mosquito Tactics

General Harding's conception of the best way to carry out his task is interesting and impressed allied observers. He selected two lines of defence: the forward one, 10 to 15 miles west of the hostile frontier on the river Weser, was on the strong defensive position of the Eggegebirge ridge; the main position was some 20 miles further back. He placed his three armoured divisions in the forward position, with their light mobile armour out in front up to the frontier. A strong and deep belt of obstacles and demolitions was established on this forward position. The remainder of his force had the task of establishing three strong bastions of all-round defence in the rear position. A second belt of obstacles and demolitions was slightly echeloned back between the latter two bastions.

This plan imposed on the enemy the task of pressing back a constantly strengthening spring buffer until the fixed buffer of the main position was reached. The light armoured forces forward on the frontier were, by what may be called mosquito tactics, to force the enemy to employ all the hours of daylight on the first day in reaching the Eggegebirge ridge. The defences and obstacles on the ridge itself were to hold him up for at least another 36 hours. The armoured divisions were then to fall back to positions behind the bastions, from which they could strike the enemy a smashing blow after he had weakened himself in attacking these. General Harding believed that an inferior force using these tactics could not only hold fast a superior force, but could even drive it back.

Command of the Air

Although the weather hampered the air operations, enough was accomplished to drive home to the defenders the serious handicap of inferiority in the air. The march discipline and dispersion of the ground forces were generally good in the face of the air menace and the camouflage often excellent. But, human nature being what it is, there was a tendency to relax these precautions when the armoured counter-attack was launched. The hostile advance to the main position worked out realistically. In war the forward position would have delayed an enemy for at least the 48 hours prescribed in General Harding's plan, and probably for longer. With the 7th Armoured Division and a Belgian brigade group now in imagination representing a large army of many divisions, the battle in the main defensive position was inevitably somewhat unreal for the fighting troops, though the picture was admirably painted by the control staff. From 7.30 p.m. on September 20th to 10 a.m. on September 21st the exercise represented five days' heavy fighting round the three bastions. During this period the troops on each side were regrouped in the positions they would—on a realistic estimate—occupy after these five days of fighting. With fighting resumed, the battle for the bastions continued till the early hours of September 22nd, when the armoured counter-attack was launched. In the front-line atmosphere of make-believe already mentioned, this attack was really a demonstration, rather than a try-out, of General Harding's defensive theory. As such it proved the soundness of his basic conception, of which many variations are possible. As a first test it was best not to make the problem too difficult; hence the narrow divisional fronts.

It cannot be too strongly stressed that unreality in the

forward areas was much more than counter-balanced by what was going on in the headquarters in the rear. The outstanding fact is that an integrated army headquarters staff was fully and realistically exercised in controlling the operations of an army of three corps, each belonging to a different nationality and speaking a different language—a unique event. The northern group, under British leadership, is the first Nato command to reach this level. But perhaps the greatest value was gained on the logistical side, conducted throughout with great realism and extended far beyond the actual duration of the exercise. To concentrate and disperse the troops engaged involved running nearly a thousand trains of many different types. There was excellent co-operation between the army movements staff and the *Deutsche Bundesbahn*—another record in international team work. Supplies, petrol, ammunition and defence stores were delivered daily from depots west of the Rhine and from three forward maintenance areas, involving still more train movements. Umpires painted to administrative staffs, pictures of breakdowns and the news came in realistically by reports from local stationmasters telephoning to the nearest RTO. An unplanned genuine railway accident lent further realism to the picture.

Heirs of Schumacher

[FROM A CORRESPONDENT]

WHEN the delegates to the conference of the German Social Democratic Party, the SPD, assembled at Dortmund last week, they found an enormous portrait of their late leader, Dr Kurt Schumacher, overlooking the hall in which their deliberations were to take place. The question in the minds of both the delegates and the public was whether there would be a change in SPD policy, and particularly in the intransigent attitude to German rearmament and the Bonn Conventions maintained by him. The great interest taken in the decisions of the conference was due to the feeling that they would indicate the new balance of power within the party after Dr Schumacher's death. It was likely, moreover, to be the last full scale conference before the next Parliamentary election—the second in the lifetime of the Federal Republic.

The conference once more endorsed the party's opposition to a German defence contribution in accordance with the European Defence Community agreement, and to the new relationship with the western allies embodied in the Bonn conventions. Dr Schumacher had formulated his party's refusal to accept any German rearmament in present conditions with passionate fervour and his death after long and heroic suffering for the ideals of democracy seemed to have invested this attitude with the sanctity of something like a political testament. Furthermore, Herr Erich Ollenhauer, who was elected chairman of the party without opposition, had for some years been his faithful lieutenant and was committed to the party line on foreign policy.

For while it is against a German defence contribution in the form embodied in the Bonn Treaties, it is not opposed to the principle of a German contribution. The SPD's attitude towards rearmament is, however, not so unequivocally hostile as it was. Indeed, the Berlin branch succeeded in getting the party to adopt a statement to the effect that Germany must have the right to defend itself; and the official newsletter has explained that this need not necessarily wait until unity is achieved. It would appear that different views are held inside the party. The party is largely—while in opposition, at any rate—dominated by a combination of two emotional trends. With other parties it shares the German love for high-sounding phrases, many of which have little meaning in fact when coolly examined. At the same time, it exhibits the tendency of most Socialist parties without responsibility for government to think in terms of a Socialist

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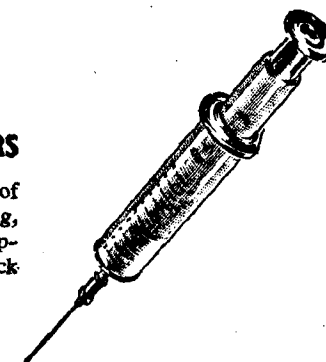


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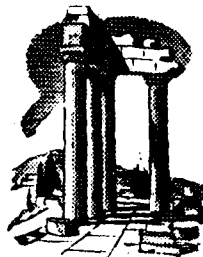
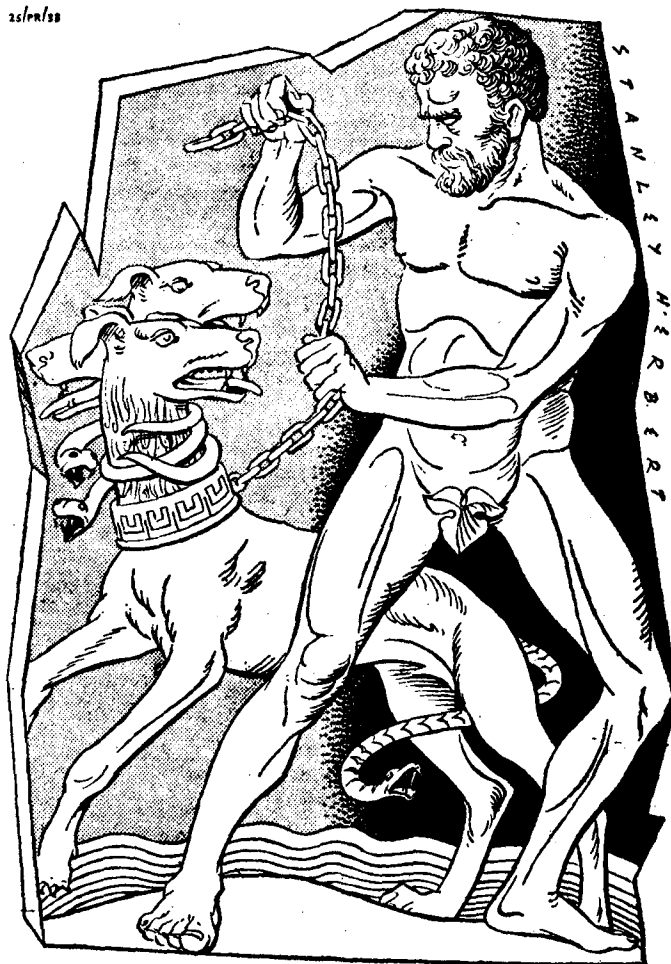
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world completely divorced from reality. Herr Ollenhauer and his colleagues have no experience of the burdens and realities of power. Nearly everything that was said on foreign policy thus had a curiously unrealistic ring, for it seemed to start from premises which do not seem to correspond to the facts of the present situation. Much is made of the complaints that even under the proposed Bonn treaties the Federal Republic will not yet be fully sovereign in all respects; that it is being accepted into the European Defence Community, while being denied any share in the real strategic control exercised by Nato. Above all, the SPD holds that the treaties are based on the assumption of a continued division of Germany, and therefore tend to perpetuate that division. It sees itself, in fact, as a trustee for the population of Soviet Germany.

This emphasis on refusal to accept a continued division of Germany is not merely propaganda. Social Democrats have the impression that some members of Dr Adenauer's government coalition are in no great hurry to end it. It is claimed that they prefer a Catholic and capitalist Western Germany to a united Germany where these two elements might be proportionally weaker. The SPD is certainly confident that it would secure a higher proportion of votes in a united than in a rump Germany. Rearmament is also disliked for three reasons. First, it is feared that it would release reactionary forces with which German democrats are not strong enough to cope. Secondly, it is claimed that Western Germany is not economically strong enough to rebuild and rearm at the same time. Thirdly, there is the instinctive Socialist dislike of all armaments, the feeling that there may be other ways of achieving security.

Steering a Middle Course

But, despite all the apparent continuity of policy, a visitor to the conference was impressed by the success with which Herr Ollenhauer managed to steer a middle course, and to retain his freedom of action for the critical time after the next election. The SPD may be pledged to ask for a radical revision of the treaties, if these have been passed by the time it gets into power. Yet it was implied that pending revision, which would not be easy, the party would honour the treaties.

If the SPD came to power, it would probably be tied in another way, too. The most optimistic forecasts do not predict an absolute majority for it in the new *Bundestag*. As in the Weimar republic, the Social Democrats would have to co-operate with other parties. Here, too, the situation has been changed by Herr Ollenhauer's succession. Unlike Dr Schumacher, he may well be able to adapt himself to a coalition. The nature of the possible coalition is, of course, pure speculation at present, but a coalition between the Christian Democrats and the SPD is a more practical possibility now that their relationship is no longer dominated by the personal irreconcilability of Dr Adenauer and Dr Schumacher.

Foreign policy undoubtedly overshadowed the SPD conference; indeed, the necessities of foreign policy are likely to be a dominant factor in Western Germany for some time. But home affairs were not neglected. Attacks on "the spirit of restoration" in Western Germany, and criticism of the undoubtedly wide gulf between rich and poor, occupied much of the conference's time. However, much of what was said on raising the standard of living of the poor, the expellees and the refugees, was only a claim to be more efficient in administration than the powers that be. In matters of principle, the SPD is demanding the socialisation of the basic industries, such as coal, iron and steel. It backs the German trade union movement over *Mitbestimmung*, the workers' claim to a share in the running of both private businesses and public enterprises. The party programme also demands more social security, a public health

service, a simpler insurance system, reorganised taxation and a federal law on agrarian reform.

If the SPD fails in its bid for power in 1953, as it did in 1949, its policy may in many respects remain barren. But if it acquires a share in the responsibility for government, it may well make an important contribution to the healthy internal development of Western Germany. And if the party is, in due course, called to share in the execution of the Bonn Treaties, then the declarations of its new chairman at the Dortmund conference will not stand in the way.

Signor de Gasperi Holds His Own

[FROM OUR ROME CORRESPONDENT]

It has long been Signor de Gasperi's valuable accomplishment to present a commanding appearance on the strength of modest but multiple achievements. This appearance, founded as usual on modest realities, has been maintained during the summer. No resounding success in the dominating Trieste question, no grand haul of dollars from across the Atlantic, no perfected agreement with slippery allies for the coming general elections, have crowned the Premier's long summer absence from Rome, his parleys in Luxembourg and Strasbourg (notably with Mr Eden), his economic minister's errands in Washington and Mexico City and his own patient conversations in Alpine valleys with the minor democratic leaders. He has won little visible ground in any of these negotiations, but he has held his own, and has returned to Montecitorio with recovered wind for the last six months of his Chamber's existence.

The resistance of the West to Marshal Tito's professed Trieste aspirations has been strengthened by Signor de Gasperi's civil presentation of the Italian case. Marshal Tito himself can hardly have meant seriously his proposal for a condominium with alternating Italian and Yugoslav leadership; it was surely destined to soften up western reactions when bargaining on a territorial deal begins. The development of the Yugoslav-Graeco-Turkish combination, backed by the United States, which would leave Italy isolated and estranged, has been parried by the arrangement of a visit by Signor de Gasperi to Athens, heralded by Greek comments which show that the "miracle" of Italo-Greek conciliation is not undervalued there. At Luxembourg and at Strasbourg Signor de Gasperi has spoken in the tones of one who quietly claims some credit (which he should certainly share with the late Count Sforza) for having from 1947 to 1952 backed every single initiative for European union, and exploited to the utmost the political potentialities of economic mechanisms, from the OEEC to the Coal and Steel Pool.

Position in Atlantic Camp

In the atmosphere created by these activities, Italy's recent status as a defeated and disgraced power has been forgotten in a wide range of international affairs. Indeed, by showing marked zeal in the setting and the realisation of the Lisbon military targets it has a good position in the Atlantic camp. (The Defence Minister, Signor Pacciardi, now claims that the Italian army already has a strength corresponding to ten active divisions.) Moreover, from an economic point of view, Italy does not rank in the world's eyes as one of the perennial crisis countries, in spite of the recently growing weaknesses of the trade balances; American praise of the hard currency financial "line" at least balances criticism, from the UN Economic Commission for Europe, of inadequately adventurous investment.

Thus it is with mildly reinforced international prestige that Signor de Gasperi can plan the last six months of the five-year electoral mandate won in 1948 by his party and more broadly by the coalition which he headed. His summer encounters have not brought off a renewal of the "formula of April 18th" (a four-party government coalition of the centre). They have, however, checked the tendencies in each party to line up for the elections in some other posture: the Christian Democrats in a collusion with the monarchists, or some monarchists; the Social Democrats in a tricky "equidistance" between the centre and the Marxist left; and the Liberals in a detached secularism of the right. The exiguous Republicans, by contrast, are altogether safe; they could hardly now break the association with Signor de Gasperi which has brought them disproportionate responsibilities in office, and cost them the loss of their fanatical anti-clericals, the standard bearers of the party's old traditions. A joint approach by the four parties to the electorate next spring now looks better assured than before the summer. Among the Social Democrats the April-18th-minded Signor Saragat is making progress in winning back control from the semi-Marxist Signor Romita, who on that fateful day in 1948 still stood with Signor Nenni. The party congress, in mid-October, will finally decide between them. The four-party centre combination is now settling the details of a new-style electoral law, weighted against both the Communists and the "royal-fascist" extremes; with this in hand it would seem to have another five-year mandate awaiting it, though likely to be less cheerfully and spontaneously accorded than in 1948. And this fully entitles Signor de Gasperi to maintain his commanding appearance.

The Lebanon Follows the Fashion

[BY A CORRESPONDENT LATELY IN THE LEBANON]

THE abrupt fall from power of ex-President Bishara al-Khoury stands in sharp contrast with his triumphant re-installation after his suspension and arrest by the French in November, 1943. For the last eleven years he has been the virtual dictator of the Lebanon, where, whatever his shortcomings, he did stand for stability and continuity. Controlling both the armed forces and every branch of the civil administration, supported by an apparently docile parliamentary majority, surrounded by henchmen from all religious groups who were personally interested in the maintenance of the regime, his position seemed so unassailable that it was commonly said that opposition amounted to political and social suicide.

In that sense his sudden and peaceful overthrow by a general who has since returned to army life was a bolt from the blue. Yet the most superficial contact with public opinion and the Press revealed a practically universal and deep-seated discontent. Corruption at the highest and lowest levels; a contempt for law amounting to gangsterism; hopeless inefficiency in most departments; favouritism and nepotism to an almost unbelievable degree; callous disregard of the misery of the poor, either through chronic unemployment or through scandalously low wages when employed; indifference to the high cost of living; the hesitations of a foreign policy incapable of standing up to Syria or of making up its mind about its relation to the Arab League—all this had brought the regime into hopeless disrepute.

Nor were external factors absent. An active Communist propaganda naturally made the most of a situation that played into its hands, and the examples of Syria and Egypt showed how determination and courage could overthrow without bloodshed a discredited system. It would be too much to

say that Generals Shishekli and Neguib are the real authors of the Lebanese *coup d'état*, but it is doubtful if this could have taken place without the lead which they consciously or unconsciously gave. It is significant that M. Khoury's supporters openly accused Syria and Egypt of having directly encouraged the Lebanese opposition, and that demonstrations in Beirut in favour of General Neguib at the end of July may be said to have marked the beginning of the final crisis.

The Press had been in many ways the chief victim of the old order, and its refusal to publish government communiqués was the first direct challenge M. Khoury had to meet. His programme of reforms was ridiculed as a window-dressing hotch-potch of unrealised old promises, and his proposal that the cabinet be given full legislative power for six months turned out to be the last straw. The chief opposition leaders were M. Kemal Shamoun, a prominent Maronite Christian and M. Kemal Jumblatt, a member of a leading Druse family from the mountains of southern Lebanon. Between them, these staged a gathering, some 20,000 strong, at Deir-el-Kamar, the home town of M. Chamoun, and but a few miles from M. Jumblatt's headquarters at Mukhtara. The two leaders spoke of the need for a *coup d'état*—by force if necessary. "We have an army in every village," said M. Jumblatt. Refusal by Parliament to co-operate with any cabinet proposed by the President brought matters to a head. It was, as the newspaper *An Nahar* wrote, a question as to who was to rule, people or president.

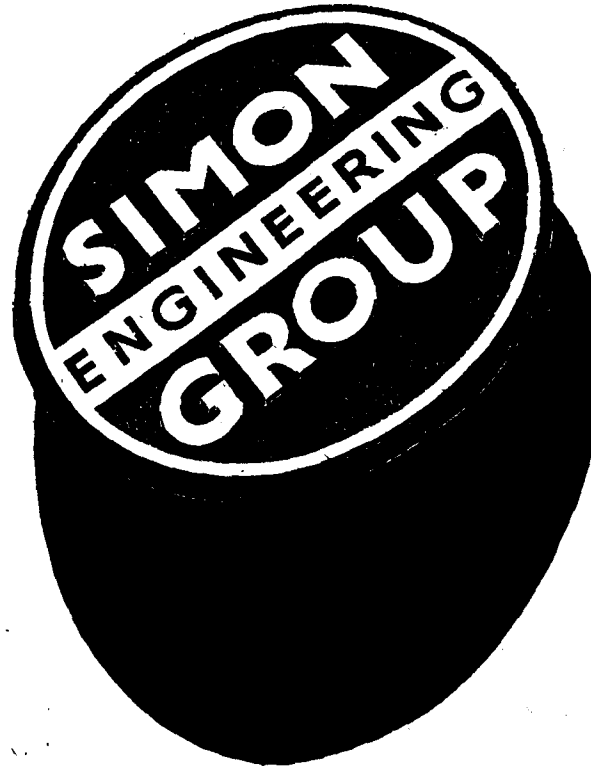
The last phrase, however, needs qualifying. The revolt against M. Khoury was not so much against him as a dictator as against the futility of his dictatorship. Few Lebanese really believe that their people are ripe for western democracy, and ever since the days of Mustapha Kemal there has been widespread admiration for the "strong man," together with a frank confession that only such a one can free the Arab countries from outworn traditions, ecclesiasticism in politics and governmental inefficiency and slackness. It was because M. Khoury did not use his powers along the lines of public service laid down by Mustapha Kemal in Turkey, and later by Shishekli and Selo in Syria, that he was unable to keep his position. A sense of frustration was perhaps the biggest single factor in opposition psychology.

Difficulties Ahead

But now, what next. The victorious forces are only united on a negative programme of hostility to the old regime, and on a vague desire for "reform." They include many elements including Socialists like M. Jumblatt, non-Socialist radicals like M. Gemayel and his Phalanges, moderates like M. Naccache and representatives of all religious groups and all discontented elements, reasonable and otherwise. Thus the new government will not find it easy to formulate an agreed programme of action.

M. Chamoun on assuming the Presidency declared his intention to keep his office free from interference in parliamentary life; he has nominated M. Abdullah Yafi as his first prime minister. There are still, however, plenty of question marks. Will M. Chamoun dismiss officials who have been found wanting, however influential their family or ecclesiastical supporters, and if he does, where will he find their successors? Will he be able to control expenditure and see that money is spent exclusively for the purposes for which it was voted? Can he challenge the denominational influences that sway policy and appointments which all profess to deplore but whose ecclesiastical defenders no one dare so far ignore? The change of leader was doubtless desirable, but in itself it is no solution to the appallingly difficult problems which confront the Lebanon. It might in fact usher in a period of disappointment and agitation that would encourage those who believe that the solution of those problems can only be found in union with the more powerful Syrian neighbour. One can only wish M. Chamoun the courage and insight on which his success and the welfare of his country depend. He will have his work cut out.

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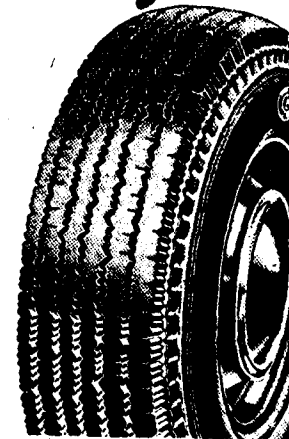
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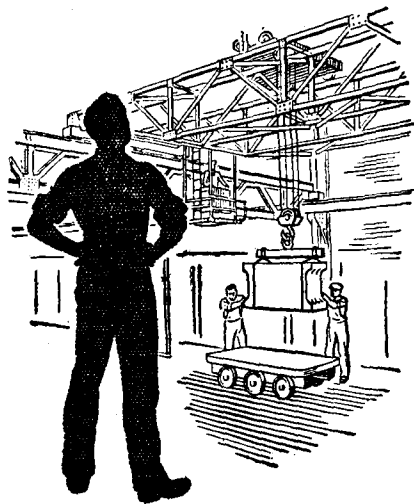


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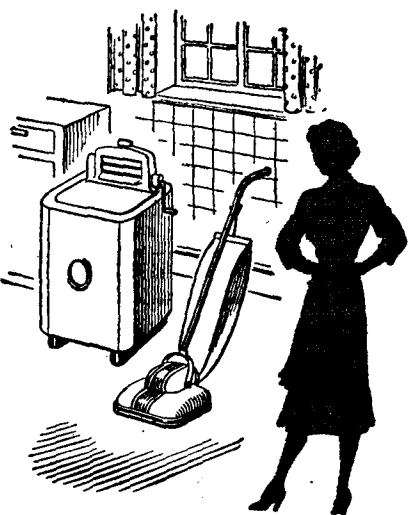
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THE BUSINESS WORLD

Markets for Heavy Vehicles

THE motor industry stands a good chance of gaining on the swings with its commercial vehicles what it may lose on the roundabouts with its passenger cars. Commercial vehicle producers have rarely been so confident as they seem today that their products can meet and beat competition on price and on performance from all comers; makers of passenger cars, many of them also engaged in commercial vehicles, have no illusions about the force of foreign competition on both counts. Like all generalisations, this over-simplifies. There is no single market for heavy vehicles, but a complex of markets each buying vehicles to suit its special requirements and operating conditions. The market in heavy vehicles has been more competitive and the waiting lists

shorter than for passenger cars. Disposals of surplus army lorries at the end of the war met much of the replacement demand that has inflated the order books of passenger car makers. The increase in the volume of traffic carried by road in all countries has been impressive, but never so great as to force transport operators to accept without question whatever wheeled vehicles they could get. Shortage of dollars may have compelled some of them to accept British trucks in lieu of American; but the British builders were not allowed to forget that vehicles built to run on British roads in a temperate climate had certain shortcomings when used under much harder conditions abroad. From the stream of criticisms the commercial vehicle industry has undergone a painful apprenticeship, and it has learned to build vehicles that will stand comparison in export markets with anything produced on the other side of the Atlantic, and to do so at a lower price.

The evolution of a new class of commercial vehicle, designed specifically to operate under conditions wholly different from those in this country, suggests that commercial vehicle builders are no less determined than the car makers to stay in the export business. The industry's biennial show in London this week contained an

impressive muster of vehicles designed solely to meet the needs of haulage and passenger operators overseas. Clearly there are limits to such a policy of specialisation. The overseas market is not large, and a closely tailored vehicle for specific local conditions will have fewer potential users elsewhere. Production of commercial vehicles throughout the world probably did not much exceed 2 million last year, of which 259,000 were British and 1,429,000 American-built. Less than a quarter of these vehicles were sold outside the territories in which they were made. This country sold abroad 137,000 vehicles last year, or just over half its total output, while American producers exported 216,000, or 15 per cent of their output. This American figure is not far short

of the number of passenger cars exported by the United States; given the smaller size of the market in commercial vehicles, it suggests that many countries were prepared last year to allocate dollars for the purchase of American trucks, presumably on the grounds that they were better fitted for the work in hand than those from non-dollar countries. Commonwealth countries imported 25,538 American-built vehicles partly on considerations of this kind and partly, perhaps, because some of them had special sources of dollars.

Considerable dollar saving ought to be possible within the Commonwealth and elsewhere if British industry can provide the right types of heavy vehicles. Production seems to be falling; against the 11,000 buses and coaches and 248,000 goods and military vehicles produced in 1951, this year's figures to date suggest that 9,500 public service and 225,000 goods vehicles may be produced in 1952. Shortage of materials at the beginning of the year and subsequent labour troubles (notably at the Ford plant, which produces nearly 20 per cent of the goods vehicles) were responsible for lower output during the first eight months; if this year's outputs exceed the totals projected above, it will be because of a revival in demand, for there is no continuing stringency

EXPORTS OF COMMERCIAL VEHICLES BY U.K. AND U.S.A.
(Number)

To	By UK			By USA		
	1950	1951	1952 8 months	1950	1951	1952 6 months
Europe.....	35,889	36,615	...	10,775	18,880	...
North & South America	21,172	19,572	...	88,966	138,636	...
Of which:—						
Brazil.....	4,550	4,811	3,309	29,347	51,220	17,442
Asia.....	12,343	14,882	...	17,479	35,050	...
Of which:—						
India.....	4,085	3,230	1,681	4,813	7,839	1,885
Pakistan.....	938	945	876	1,294	2,478	706
Africa.....	20,604	22,910	...	12,475	21,835	...
Of which:—						
Belgian Congo.....	366	448	...	3,512	4,513	2,815
British W. Africa..	6,283	4,438	4,023	864	579	240
Egypt.....	775	676	611	1,526	2,504	612
Australia.....	48,743	38,276	14,452	1,615	1,588	971
New Zealand.....	6,197	8,657	6,663	4	53	12
Grand Total (inc. others)	145,289	137,144	91,910	131,377	216,061	75,450
Of which:—						
Commonwealth and Irish Republic....	92,670	88,212	...	14,218	25,538	...

Source: Society of Motor Manufacturers and Traders.

of materials. Exports of public service vehicles are, in fact, running at a slightly higher annual rate of 5,350 vehicles, compared with total exports of 4,288 last year. The unit value of these vehicles is between £3,000 and £6,000; but orders are not very evenly spread among the chassis and body builders. Some have received orders for 200 and 300 buses at a time for South American transport authorities, but others are hard put to find work. The industry is for the first time showing coaches with bodies extended to the new 8 ft. width, many with under-floor engines to get the greatest number of seats into the permitted length. An increasing number are now showing "integral" construction; they have no separate chassis and the stresses normally carried along its members are borne by the coach body. Coaches built on this principle show a saving in weight of nearly 50 per cent. But the passenger coach section of the industry expanded very rapidly at the end of the war to meet replacement demand, and is now suffering from some excess of capacity.

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Exports of goods vehicles are running close to last year's rate of 132,856 units. Import restrictions in Europe have created difficult conditions in European markets, and only Finland and Sweden are taking British vehicles in quantity. Light delivery vans, usually consisting of a standard passenger car chassis with a van body, and light trucks have been seriously affected. In other classes, the industry has made valuable strides in design and particularly in heavy trucks and tractors of a type previously regarded as the exclusive preserve of American manufacturers. The Rootes and Vauxhall companies are selling abroad mass-produced 7-ton trucks under their "Commer" and "Bedford" trade marks that meet most of the criticisms previously levelled against British designs. The new Bedford range was road-tested in Tanganyika, which boasts some of the worst roads in the commonwealth, and from which some of the most pungent criticisms of British lorries have been received in the past; the Vauxhall company expects that with these lorries the British factories can equal the performance and more than meet the price of the equivalent Chevrolet truck built by General Motors in America. Such vehicles cost between £1,000 and £2,000 a unit, compared with £500 or so for lighter trucks.

The development of heavy-weight power units by such companies as Scammell and Thornycroft may be equally important. A new Thornycroft wheeled tractor will take gross train weights of up to 100 tons; it costs £10,000 and works on a road or track. Scammell are putting into production a six-wheel drive diesel tractor, costing £8,250, which will take a similar train weight across country. Vehicles of this kind can hardly expect to find a market of any size at home, and they have been designed with an eye to the requirements of oil and contracting companies overseas. Both are essentially new products and neither company has yet attempted to sell them in Canada or South America. There have been enough inquiries to suggest that such attempts might be worth while if the British factories can match the service facilities provided by American truck makers.

Re-armament orders are unlikely to employ more than 5 per cent of the vehicle industry's total capacity, if as much, but companies that have taken orders from the British Army are now beginning to get business from

Western Europe. There is a possibility that some vehicles may rank for off-shore purchases by the American government on behalf of Nato countries, although arrangements of this kind do not appear to be making much headway. The Ministry of Supply buys sizeable quantities of standard civilian trucks and it has also ordered a range of more specialised vehicles to its own designs, many of them with four-wheel drive for rougher road conditions. It has not been easy to persuade the mass producers of vehicles to undertake the necessary modifications to their assembly lines that production of these special vehicles would involve. But these difficulties are child's play compared with the difficulties of getting the special range of combat vehicles into production. These are front-line transports intended for work over any type of country and proof against dust and water. They use a range of engines designed by Rolls-Royce with interchangeable components, so that one set of spares will serve for engines of all the vehicles, an important consideration in front-line fighting. The principle of a standardised range of power units for all sizes of vehicle might have been more largely adopted in the Army but for the difficulty of getting the engines produced. Schemes whereby they might be built by manufacturers other than Rolls-Royce have so far not yielded any engines.

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This point has some bearing on the prospects of exporting specialised vehicles. The Austin Motor Company, which is building the combat jeep, is known to be anxious to sell it abroad and was exhibiting a "civilian" version at the commercial show. This had the Austin A.90 engine in place of the Rolls-Royce engine specified by the War Office. The price for this vehicle has not been announced, but is estimated at between £700 and £750. This compares with a price of less than £600 for the Rover Motor Company's four-wheel drive, partially proofed Land Rover. The Rover company has done considerable business in the Land Rover not only as a civilian export for cross-country work, but also to Western Europe as a military vehicle and it was not to be expected that the rest of the industry would leave the company in sole command of such an attractive field. The Rolls-Royce standard engines incorporate common components, and their first cost is high. Military operation, however, is beginning to provide the company with data to show that the high initial cost may be offset by reduced maintenance. In most of the territories to which British commercial vehicles are being shipped, this is an important factor. When materials were scarce, manufacturers concentrated on producing complete vehicles, and tended to cut down the output of spare parts. The result was delay in providing spares for big transport fleets abroad that is one of the major blots on the industry's export record, and operators in remote territories now demand a high standard of reliability to avoid interruption of service from breakdowns. Whether such demands will give Rolls-Royce a market outside the front-line military vehicle and the contractors' heavy tractor remains to be seen. The company and several others are setting a hot pace in competition for heavy vehicle exports; and the overseas markets are likely to be receptive to the best products that Britain has to offer.

Buxton and After

AFTER nine days in conference, the leaders of the world's cotton textile trade have gone home to prepare themselves again, in the phrase of the Dutchman who represented the West European delegation, "for the daily struggle against each other in the spirit of fair competition." Their deliberations at Buxton solved none of the problems confronting the cotton industry throughout the world. But they had not met for any such grand purpose; their immediate objectives were limited in the first place to exchanging views about the course of trade in cotton textiles over the next few years and the shares that the different countries might succeed in getting for themselves, and, in the second place, to examining the possibilities of expanding the world's consumption of cotton textiles.

Judged by such limited objectives, the Buxton conference may be regarded as a success; but agreement that the cotton textile industry of the world is confronted by grave problems, that the volume of world trade in cotton piece goods is not likely to increase in the near future and that existing capacity is more than enough to meet foreseeable domestic and export demands does not represent a very tangible advance. Before the war, export trade in cotton piece goods was about 7,000 million yards a year; by 1951 it was only 5,600 million yards having fallen by 17½ per cent. Britain and Japan and some continental European countries are obtaining a much smaller share of that reduced trade while India and the United States are getting a bigger share; in 1951 Britain and Japan each exported rather less than half the volume of cotton piece goods that they exported in 1937 while the United States and India had increased their exports more than threefold.

Apart from these changes in the shares of world trade, the conference viewed with undisguised anxiety the economic nationalism of less developed countries which led them first to erect their cotton mills and then into the deeper sin of erecting tariff barriers to protect the mills. On this subject all delegates at the conference were inclined to become indignant easily, except perhaps the Indians. It was the hope of all delegations that their governments would impress the wisdom of a low tariff or a no tariff policy on the erring governments of the less developed countries; it was the hope of some delegations that the governments of other delegates might even set an example.

When the delegates turned to making known their hopes of future shares in world trade, they were not inclined to give anything away; only the Americans seemed to be modest, or perhaps matter-of-fact. The accompanying table shows the volume of cotton piece goods exports in recent years and the estimates of future trade presented by the delegations. These estimates, or guesses, or claims give a projection for exports in 1953 of 5,875 million square yards, about 500 million square yards more than the exports achieved by these countries in 1951. In the present state of world markets, where exports have to be won the hard way, such a grand total seems to include a generous measure of optimism.

The boldest claim for future trade, indeed, was entered by the United Kingdom, which put its expectations for 1953 at 1,350 million square yards compared with an actual achievement of 865 million square yards in 1951.

The British representatives advanced several reasons to justify such great expectations: Lancashire had still to regain advantages which were lost by the concentration of firms during the war and it hoped to recover trade diverted, at government request, from traditional markets after the war. Whether, in fact, the reversal of such policies would itself enable Lancashire to recapture trade which, once lost, may have been lost for ever is open to question. But to reach such figures would involve capturing new trade as well as recapturing its former traditional markets, and holding ground in the newer and more difficult markets. Moreover, the British argument that while world trade as a whole has been dwindling, Commonwealth markets have been expanding is itself double-edged. It is not so long since a visiting African minister from Nigeria—a traditional market if there ever was one—declared that import licences cannot be reserved for Britain unless British goods are competitive; and his standard of comparison was with Japanese goods.

The Indians were not at a loss to justify their estimate of 1,000 million square yards to be exported in 1953

WORLD EXPORTS OF COTTON PIECE-GOODS
(Mn. sq. yds.)

	1950	1951	1952*	Estim. 1953
India	1,109	776	550	1,000
Japan	1,088	1,082	926	1,100
UK	822	865	746	1,350
US	560	809	777	725
West Europe	1,685	1,867	1,724	1,700
Other Countries	5,264	5,399	4,723	5,875
	82	122	97	...
TOTAL	5,346	5,521	4,820	...

* Based on January to June figures.

compared with 776 million square yards in 1951; they argued in particular that a large part of their production was surplus to home requirements and had to be exported. The Americans seemed to defend their more modest estimate of 725 million yards, and a gradual increase year by year, on the assumption that in a reasonable world controls would diminish and population and trade would increase.

The Japanese appeared to rest their estimates on claims of national survival: export or die. Giving 1,100 million square yards as their target for 1953 (compared with an actual 1,082 million square yards in 1951), the Japanese declared that they must reach 1,600 million square yards by 1955. These exports were "absolutely necessary" for securing the raw cotton and foodstuffs essential for the maintenance of the Japanese economy. To the criticism that Japan relied too much on exports of textiles the Japanese replied that other manufactured exports, including engineering products, were increasing—a reminder that Japan is again becoming a world competitor in a number of fields besides textiles.

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In thus projecting these shares in world trade, none of the cotton exporters was prepared to yield a yard. Their insistence on the sanctity of these estimates fits

oddly with their own judgment that there is not enough trade to keep all the mills fully employed. If they believe their own figures, they must be prepared either for competition fiercer than has ever been known before, or they must rest their ultimate hopes upon an expanding world demand. The conference was bound to embrace the second assumption and to stress the importance of a general increase in purchasing power and of a lowering of the costs of textiles. Textile manufacturers can do nothing to increase world wide purchasing power, so the effective conclusion of the conference turns on what they are prepared to do towards lowering their costs.

To encourage demand for cotton textiles by reducing their prices raises the immensely difficult problem of securing greater efficiency in the mill and in distribution to the retail shop or bazaar. At every stage, there is scope for significant improvement in costs which, in total, might well justify reductions in final retail prices sufficient to promote increased consumption. Apart from the immediate need for greater efficiency in production and distribution, there are longer term problems governing the future of the textile industry. The industry hopes, as it has always hoped, that more natives will wear longer shirts, and in taking longer term views, the industrialists at Buxton put considerable faith in the ultimate success of such proposals as the Colombo Plan and other endeavours to raise the standard of living of millions in the under-developed territories. Beyond the traditional uses of cotton for clothing, there are other outlets which are steadily increasing in importance. The industrial use of cotton and cotton textiles is expanding

and further research may well encourage the pace of the advance.

Presumably the delegates will now discuss in their own countries the agreed opinions—and the differences—which emerged at Buxton and apply them, presumably in several different ways, in their own national policies. They will also consider, no doubt, subjects that were not openly raised at the conference—international wage comparisons, for instance, or regional specialisation in world markets. But the plain outcome is that Lancashire has to do some serious stocktaking after Buxton. It knows that it can expect little quarter from other competitors. It has been put on warning that it cannot count exclusively or indefinitely on a protected market within the Commonwealth. It knows that it will find little support outside this country if it tries to exclude competitors such as Japan from equal competitive rights in the markets outside the Iron Curtain. It has to face competition from other textiles at home and in overseas markets; the rayon industry has this week provided an example of competitive pugnacity. Lancashire's task remains to seek greater efficiency, lower costs and ever better qualities. The trade unions cannot stand aloof from this task; the recent recession coming after a drive to bring more workers to the mills does not justify any indifference to the contribution that labour has to make towards greater productivity. The one clear message that came from Buxton was that international competition in cotton will grow keener. A posture of self defence or indifference will be fatal to Lancashire's chances of recovery and prosperity.

Business Notes

Conversion Only?

The long-expected Government borrowing operation, which was announced after market hours on Wednesday, falls far short of the genuine funding that is needed. On the face of it, indeed, it is little more than a straight conversion operation, with appropriate trimmings. Between now and October 13th holders of the £450 million of 1½ per cent Serial Funding Stock 1952, which matures on November 14th next, are being given the opportunity to switch into new tranches of the similar funding stocks maturing in the Novembers of 1953 and 1954, or into a new 3 per cent Serial Funding Stock maturing in November, 1955; if they choose the 1953 or 1954 stocks they will receive cash payments of 1 per cent and 2 per cent respectively—and it is generally believed that the joint stock banks, who are the largest holders of Serial Funding 1952, will choose to convert most of their holding into one of these two issues. At the same time holders of the £522 million of National War Bonds 1951-53, which matures on March 1st next, are being given the opportunity to convert into the new 3 per cent Serial Funding Stock 1955; the conversions will be made at par, and the only bait that is held out here is a small interest turn—since those who make this switch will start to earn interest at 3 per cent from November 14th instead of March 1st. The discount market, in which the maturing War Bonds have hitherto been perhaps the main bread-and-butter stock, may not be too happy to convert so large a proportion of its portfolio into a three year stock (even though it is a "single-dater"), and it may therefore choose to switch into 2½ per cent National War Bonds 1952-54 or into the new tranches of Serial Funding 1953 and 1954 instead. That at any rate seemed to be the import of the market's reaction on Thursday, when National War

Bonds 1952-54 were marked up by ½ to 99½, while 2½ per cent National War Bonds 1954-56 (which compete most directly with the 1955 newcomer) were marked down by ½ to 98½.

It is against this background that the decision to make three cash issues on Monday—of 1½ per cent Serial Funding 1953 at 98½, of 1½ per cent Serial Funding 1954 at 97½, and of a 3 per cent Serial Funding 1955 at par—must be viewed. There will be no limit to these cash issues; in effect, the Treasury has merely said that all applications of £100 or more on Monday will be gratefully received. It can hardly be expected, however, that voluntary applications from outside the issue department of the Bank of England and other official entities will bring in sufficient to pay off the maturing Serial Fundings 1952 and National War Bonds 1951-53 that are not converted, let alone to fund any of the banks' swollen portfolios of Treasury bills. The size of the issues as eventually announced may not be any real guide to this, for it must be assumed that the "departments" will take up part of the issues themselves; they may indeed hope that between now and next March they will be able to peddle out any new holdings of the two serial funding stocks that they acquire to holders of any unconverted National War Bonds 1951-53.

* * *

The Absent Blotter

All this makes odd reading in the face of the alarming and continuing increase in bank liquidity. It is so odd indeed that the City was still wondering on Thursday whether there was not some hidden catch—or whether this was perhaps



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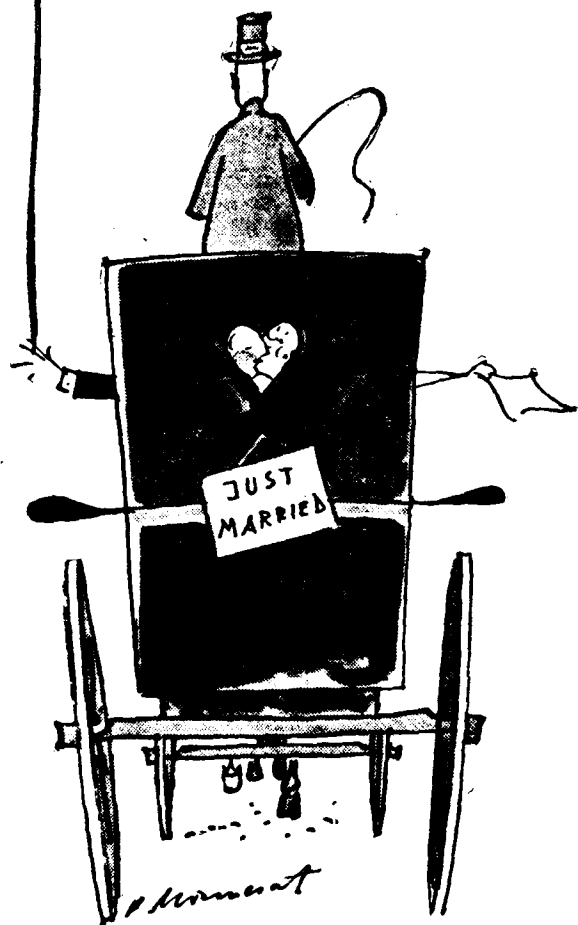
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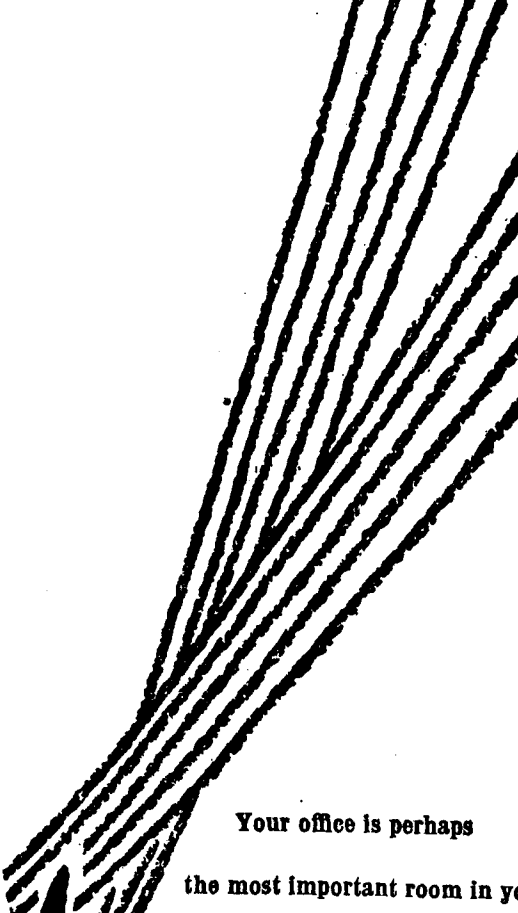
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only a first instalment. One suggestion was that the authorities might start to run down allotments at the weekly Treasury Bill tenders and use their powers of moral persuasion to direct the funds thus freed into purchases of the new stocks from official portfolios ; there was, however, still no sign that anything of this sort was in fact in the wind at the time that this issue of *The Economist* went to press. Another, and some would say even more cynical, suggestion was that the authorities might be biding their time to launch a genuine medium or long-term issue later in the year—on the thesis that it might be possible to float such an issue on more favourable terms then, especially if the market signifies an illogical relief at being let off so lightly by the present operation. In addition, of course, there is still no indication of how the Transport Commission will replace the one year $1\frac{1}{4}$ per cent stock that was taken up by the National Debt Commissioners last December, or how it will raise the new finance of which it must very shortly run in need.

Liquidity Ratios Up Again

There remains, of course, the simplest—and starkest—
 explanation of all. This is that the authorities might still
 consider that a funding operation is unnecessary, because
 they believe that the seasonal return of the Exchequer into
 overall surplus will soon start to blot up the excess liquidity
 of the banking system—and that moral exhortation and a
 little more prodding with physical controls will do the rest.
 If so, they are wearing spectacles that are indeed rose tinted.
 The latest clearing banks' statement shows that net deposits
 rose by another £59 million between August 20th and Sep-
 tember 17th, thanks wholly to an increase of just over £56
 million in their holdings of Treasury bills and of just over
 £13½ million in their money at call; the banks' cash holdings
 declined by nearly £7 million and their commercial bill
 holdings also fell fractionally, but their liquidity ratios
 increased by another 0.6 per cent in the month. That ratio
 (i.e., the ratio of cash, call money and bills to total deposits)
 now stands at 38.0 per cent, compared with 38.5 per cent a
 year ago and with 39 per cent just before the funding opera-
 tion last November.

Superficially, at any rate, this continuing increase in liquidity has not yet led to any easing of bank lending to the private sector of the economy. Clearing bank advances fell by another £6,500,000 in the month, and although their investment portfolios rose by nearly £3 million the net decline of over £3,500,000 in these two items compares with an increase of over £29 million in September, 1951. A more relevant comparison, however, is with September, 1950, when inventories were also running down as they are now—and when both investments and advances remained virtually stable. The banks are clearly and sincerely seeking to abide by the rigid criteria laid down by successive Treasury directives, but there can be little doubt that their definition of what is an “essential loan” must have eased since the days when they were looking so anxiously to their liquidity ratios last winter and spring. Unless the Government is willing to see the whole policy of credit restraint come further apart at its seams, this week's operation is clearly not enough.

The Exchequer Deficit

In the last ten days of September the Exchequer achieved a small overall surplus, but this was quite insufficient to prevent the half-year's accounts from running very heavily in the red. In the first six months of 1952-53 ordinary revenue was £27 million lower than in the first six months of 1951-52, ordinary expenditure was £240 million higher, and net capital expenditure £22 million higher. The overall deficit of £589 million in the half year was thus £289 million greater than in the same period of 1951-52. The big

question mark that hangs over these figures—and one to which the new conversion operations provide no sort of an answer—is whether this deterioration can really be as bad as it looks.

On the revenue side the half-year's figures probably are misleading. The greater part of the £228 million increase in ordinary revenue that Mr Butler was expecting last budget day is due to be garnered from profits tax and income tax on company earnings; that harvest is still mainly to come—in the first three months of 1953. In addition, a large part of the fall in receipts from trading services (hidden in the table among "other revenue" above the line) was always expected to occur in the first half of the year. The two disappointments on the revenue side to date have been customs and excise

EXCHEQUER OUTTURN (£ million)				
	April- Sept., 1951	April- Sept., 1952	Change between Half- Years	Original Estimate of Change between 1951-52 & 1952-53*
<i>Above the Line</i>				
Income Tax	445	474	+ 29	+ 135
Other Inland Revenue	320	326	+ 6	+ 122
Customs and Excise	865	874	+ 9	+ 65
Other Revenue	184	83	- 71	- 94
Total Ordinary Revenue	1,784	1,757	- 27	+ 228
Consolidated Fund Expenditure†	272	315	+ 43	+ 33
Supply Expenditure	1,538	1,735	+ 197	+ 149*
Total Ordinary Expenditure	1,810	2,050	+ 240	+ 181
Ordinary Deficit	- 26	- 293	- 267	+ 47
<i>Below the Line Payments, Net:</i>				
Loans to Local Authorities	162	191	+ 29	- 21
Other (Net)	112	105	- 7	- 2
Net Below the Line Payments	274	296	+ 22	- 23
Overall Deficit	- 300	- 689	- 289	+ 70

* After taking credit for £80 millions of savings originally expected on the food subsidies and social services, but before excluding the £85 million of defence expenditure that is to be written off against American defence aid.

receipts (up by less than £9 million in the half year, and thus well below the target increase of £65 million for the year as a whole) and receipts from death duties (which have already fallen by £22 million below last year's level, whereas the Treasury had expected a decline of only £8 million in the whole year). The low rate of customs and excise receipts must be largely due to purchase tax concessions wrung out of the Treasury since budget day and to the effectiveness of the import cuts. The fall in death duties may be partly accounted for by the depreciation of stock exchange securities in this year's estates, but it is still small enough to be accounted for by mere accidents of timing. It is still far too early to say that any shortfall in indirect taxes and death duties will not be more than made good by the buoyancy of direct taxation when Christmas—and with it the open season for mulcting company profits—comes round.

Expenditure Unchecked

It now seems unlikely, however, that the Government will be able to hold down the balloon of ordinary expenditure to its intended dimensions of £4,235 million—as computed before allowing for the sleight of hand by which £85 million of defence expenditure is to be swept out of the accounts and written off against the counterpart “funds” to American aid. It will be seen from the table that if this target of £4,235 million is not to be exceeded, then ordinary expenditure in the second half of this financial year will have to be £59 million less than in the second half of last. Even if

defence expenditure levels off at not far above last winter's level and if the Government secures some relief by living off its stocks, this downturn in expenditure is unlikely. The promised economies in civil expenditure are taking an unconscionably long time to make their appearance; at best they surely cannot do more in the present half-year than offset the increased commitments for expenditure incurred under the Danckwerts and other awards. In addition, the debt charge will almost certainly continue to run above the very tentative estimate published at budget time; it will be remembered that this estimate never pretended to be an accurate one, since Mr Butler obviously could not write into his financial statement any clue to the sort of monetary policy that he intended to enforce.

Perhaps the gravest lesson of the Exchequer accounts for the past half year, however, is that the Government has signally failed to keep any check on its net capital expenditure—and this at a time when capital expenditure in productive industry is being cut to the bone. The budget estimates had suggested that net below-the-line payments would fall by £23 million in 1952-53; in the first half of the year they have risen by £22 million instead. This adverse experience has been wholly due to the inflation of loans to local authorities for housing purposes. These loans (when struck net of repayments) were expected to fall by £21 million in the year, but to date they have run at £29 million above last year's level. At bottom, the cause of the Exchequer's continuing deficit is an obstruction that has become depressingly familiar in every branch of economic life since the war; real progress towards recovery is impossible while there are so many sacred cows on the line.

Rise in the Gold Reserves

The gold and dollar reserves increased by \$13 million, to \$1,685 million, in September. This increase occurred in spite of the facts that just under \$5 million was paid to the European Payments Union in the middle of the month (as a result of the sterling area's deficit with Europe in August) and that just over \$9 million of gold was lost to non-European countries; these payments were more than offset by receipts of \$27 million of American aid. There seems to be every prospect that the reserves should increase again in October, for the EPU clearing for September reveals a sterling area surplus of \$37 million—the first surplus since April of last year.

This \$37 million surplus with Europe, which will be settled by a gold payment to London in mid-October, was affected by one special factor—a debt repayment of \$24 million to this country by France. But it is not believed that the resale of dollar commodities to Europe under the short-lived commodity arbitrage scheme has yet had any significant effect upon the EPU clearing. All the dollar commodities concerned, and there are reputed to have been over \$150 million of them, must by now have been paid for by the British merchants engaging in this arbitrage. These merchants had to make their original purchases from the dollar area in August or September under the terms of licences issued—and in view of this the net loss of only \$9 million to non-European countries last month was surprisingly small. But the receipts from the resale of these commodities to Europe may be spread over as much as the next three months. This prospect, together with the fact that receipts of American aid last month were some \$25 million below the expected monthly average for the second half of this year, means that there is now a satisfying glint in the gold outlook. But it must not be forgotten that \$176 million of repayments on the American and Canadian credits fall due at the end of December; that stocks are running down in nearly every sterling area country behind the shelter of rigid and discriminating import restrictions; and that any further increase in inflationary pressure in Britain itself could quickly turn sunshine to storm.

Japan Settles its Debts

The terms of the Japanese debt settlement, announced last week-end, go almost all the way to meeting the claims of British bondholders. The service on the outstanding issues is to be resumed immediately at the full contractual rates. Arrears of interest that accumulated between December 22, 1942, and September 26, 1952, will be paid in full, in equal instalments over the next ten years; in cases where there is slightly more than ten years' interest overdue the margin will be paid on December 22nd this year. All currency clauses will be honoured—including the current rate clause in the 1907 loan, the clause that has been most hotly disputed throughout the negotiations. As with the German debt settlement, it has still not been decided whether Japan will hand over dollars or sterling to the Bank of England to meet its obligations under the "dollar clause" loans—but bondholders' interests are not affected by this point.

Bondholders have in fact had to make only three concessions. Two of these are entirely reasonable; they are the decisions to spread interest arrears over ten years and to reduce sinking fund provisions proportionately to the amount of the Japanese bonds that have been converted into internal yen bonds. The third and most important concession is that the maturity dates of bonds with a currency clause are to be extended by 15 years from the contractual date, and those of bonds without a currency clause by 10 years. Thus, the 1907 loan, which is already overdue for repayment, will not be redeemed until 1962, and the redemption date of the Tokyo Electric loan has been postponed from 1953 to 1968. The discrimination against the "currency clause bonds" in this respect is largely due to the extraordinary attitude taken up by the representatives of American bondholders, who apparently continued to oppose the honouring of currency clauses at all. This opposition—which at the start of the talks with the Germans looked like a self-righteous manoeuvre, and at the end of the talks with the Japanese looked more like an effort to save face—has not, however, had such a deleterious effect as at one time seemed likely. The settlement eventually arrived at, together with the assumption by the Japanese government of full liability for any stocks issued by cities and corporate bodies, should do much to re-establish Japan's enviable reputation as a foreign debtor.

The Market's Reaction

In these circumstances, it is not surprising that private investors and some of the smaller institutions gave the settlement a spectacular welcome. Business in Japanese issues at the beginning of this week was the heaviest ever remembered in the market and strong buying on Monday more than offset the heavy realisation of speculative holdings. The biggest gains were recorded by some of the non-government issues, including a gain of 15 points, to 135, by the Nagoya issue; this reflected the market's relief that these stocks were to be treated in the same way as the government issues. The clause discriminating against stocks with a currency option meant that rather smaller increases were recorded in these stocks than in other issues, but even here, as the accompanying table shows, the 1907 loan hardened from 130½ to 137½ between Friday of last week and Wednesday's close.

All this, however, happened in the first flush of enthusiasm. Now that this has worn off, it is being replaced by intricate slide rule calculations—and not a little guesswork—by more scientific investors. One general catch that has to be remembered is that income tax and surtax on interest arrears will be charged at the rates prevailing when the coupons in arrears are actually paid, not when they originally fell due. More particular problems are attached to the individual loans with currency options. The 1930 loan and the Tokyo Electric stock which carry a dollar option at a fixed rate, present no

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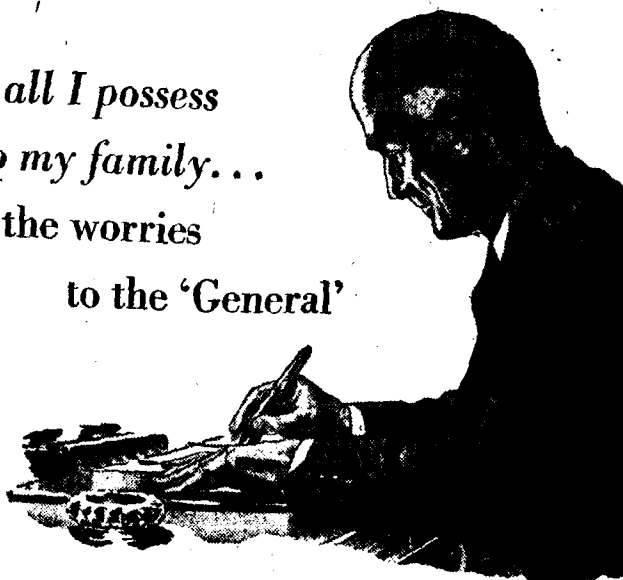
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difficulty; past and future interest payments (and the principal of the loans when they are repaid) will be calculated at about \$4.87 to the £. The interpretation of the current dollar rate option on the 1907 loan is not quite so simple.

	Original redemption date	Prices			
		1946 "Low"	Sept. 26, 1952	Sept. 29, 1952	Oct. 1, 1952
4% Japan 1899.	Jan., 1954	13½	81	86½	88
5% Japan 1907†	Mar., 1947	13	130½	134½	137½
4% Japan 1910‡	June, 1970	10½	67½	73	72½
6% Japan 1924.	July, 1959	14	95	98½	98½
5½% Japan 1930*	May, 1965	13	152	155½	153
5½% Tokyo 1926	Dec., 1961	11½	87½	92½	91½
6% Tokyo Elec.*	June, 1953	29	163	176½	176

* With full fixed rate dollar clause. † With current rate dollar clause. § With current rate Swiss franc clause.

As the loan became due for redemption in 1947, it will be repaid on the new redemption date in 1962 at the exchange rate prevailing in 1947 (that is, \$4.03 to the £); and all past and future payments of interest on this loan should be calculated at the same rate. The 1910 sterling loan, which has a current Swiss franc rate option and whose redemption date has therefore been postponed for 15 and not 10 years, has to be re-interpreted somewhat differently. All interest arrears on this loan must be calculated to allow for the effect of devaluation, but as the loan was not originally due for redemption until 1970 the principal of the loan and future interest payments will be payable at the current rate of exchange on London in Switzerland. Some other questions of interpretation of the settlement cannot be answered until the full terms of the settlement are published. For example, will the sinking fund on the 1924 loan be scaled up? And how are the dividend arrears on the South Manchurian and the Nagoya issues, which fall due for repayment in the next ten years, to be treated?

These interpretations and uncertainties make the calculation of an accurate yield basis on the loans an almost impossible conundrum. The best that can be done is to work out the total disbursements that are apparently to be made on each loan between now and their separate redemption dates, and work back to an approximate gross redemption yield from that. On this rough rule of thumb the 1907 loan (at Wednesday's price of 137½) offered a gross yield of just under 13 per cent, while the 1930 loan (at 153) and the Tokyo Electric stock (at 176) both offered gross yields of about 11½ per cent. In the late 1930's—when political conditions were, of course, very different—the yield on Japanese bonds tended to fluctuate between 6 and 10 per cent above the yield on undated gilt-edged stocks.

Output Below 1951

In the Economic Survey for 1952 no specific forecast was made of the course of industrial output this year; but output as a whole was expected to rise by £250 million at 1951 prices (having risen by some £203 million at 1950 prices last year). This might be taken to imply an increase in industrial output roughly comparable to the 2½ per cent increase recorded last year, and presumably a somewhat greater increase in output in the metal-using industries, upon which so much reliance is being placed for defence and exports. This carefully hedged forecast, however, applied to the financial year 1952-53; the Government hoped that "the increase in production, which was halted early last year, will be resumed in 1952."

There is still time for this to happen, but there has certainly been no sign of it yet. In the first eight months of 1952, industrial production seems likely to have been nearly

4 per cent lower than in the same period of 1951; alternatively, it can be said that in the first five months of the 1952-53 financial year output may have been 7 per cent lower than in the corresponding months of 1951-52, and indeed slightly lower than in the same five months of 1950. This comparison emerges from the latest official indices of industrial production, which put production in July at 102 (1948=100) and suggest that the comparable "all industries"

OFFICIAL INDEX OF INDUSTRIAL PRODUCTION (1948=100)

	All Industries		Manufacturing		Metals, Engineering and Vehicles	
	1951	1952	1951	1952	1951	1952
January.....	116	117	119	120	119	125
February.....	122	120	125	123	124	128
March.....	116	123	118	126	118	134
April.....	122	109	126	111	127	118
May.....	116	115	121	118	120	126
June.....	122	111	127	113	128	...
July.....	111	102*	114	104*	117	...
August.....	104	(97-98)†	107	...	106	...
September.....	121	...	124	...	129	...
October.....	121	...	125	...	129	...
November.....	123	...	126	...	131	...
December.....	113	...	115	...	120	...

* Provisional.

† On the basis of information so far received.

figure for August may be 97-98. These compare with indices of 111 for June this year; and with 111 in July and 104 in August last year. From early last year until this spring, seasonal factors excluded, production appears to have remained fairly steady, but since then there has been a marked decline.

The course of production in different sectors of the economy shows sharp variations. Mining and quarrying show a slight increase in the first four months of the financial year, while the utilities, gas, electricity and water have changed little. But the manufacturing industries as a whole show a drop of 9 per cent in output during these four months, and in April and May output in "metals, engineering and vehicles," the favoured contender, was a shade lower than that recorded a year before.

* * *

"Lead, Gentlemen, Lead"

The London lead market got off to a flying start this week. When dealings in lead were resumed on the London Metal Exchange on Wednesday—after an interval of thirteen years—trading was unusually heavy; about 4,300 tons of metal changed hands compared with 700 to 1,000 tons in an average prewar day. Prices were much lower than had been expected. Business opened at £111 a ton for January delivery but by the time the afternoon session ended the price had sunk to £106½ a ton—about £21 a ton lower than the Ministry of Materials' selling price on an equivalent basis. The explanation of the sharp fall was presumably that whereas producers' agents had plenty of lead to offer for future delivery, buying was confined to consumers' needs and there was practically no speculative buying interest in the market.

It had been clear that when the London market reopened prices would fall considerably below the Ministry's level of £131 a ton, which is equivalent to £128 a ton in the market. Continental quotations of £110-£115 a ton were generally taken to be a good pointer to the probable opening price in London. But trade has been inactive on the Continent for some time and in fact these quotations are more or less

nominal. In the event opening dealings in the London market this week showed more clearly than any amount of theorising the value of an international market, which London now provides. The London price of £106 a ton was reached after extensive trading and clearly shows the unreality of the American or so-called "world price" of 16 cents a lb (£128 a ton). The new British market price is equivalent to about 13½ cents a lb—which is in fact the American price for zinc. The course of the market on the opening day suggests that there should be a strong inducement for Continental and American dealers to enter the London lead market.

Firm Finish to Wool Sales

The first series of the new season's wool sales held in London closed last week on a firm note. Prices of merino 64's had risen by 10 per cent during the four sales to reach 128d. a lb (clean basis); crossbreds at about 68d. a lb were some 5 to 7½ per cent dearer than at the start of the sales. At the opening, there were some grounds for believing that prices could not maintain the high levels of the "between season" sales in July. But demand both from the home trade and the continent has proved stronger than was expected, and almost all the wool on offer has been sold. Spinners found themselves with extremely low stocks at a time when the first signs of trade recovery became apparent; consequently they have competed sharply for spot supplies on offer in London. This fact explains the London premium of some 10 per cent over prices at the Australian sales. The latter have been firm enough but tempered by the existence of large-scale stocks in Argentina.

Estimates of world production of tops in the second quarter of this year, recently published by the Commonwealth Economic Committee, show an improvement for the third successive quarter. But recovery has a long way to go; output was still only 167.4 million lb compared with 215.3 million lb. in the second quarter of 1951. Each of the four largest producing countries, the United Kingdom, the United States, France and Italy, increased their output compared with the first quarter of this year, but output in Australia and Belgium was lower.

Is Coal Output Rising?

So far this year deep-mined coal output has been only 1¼ million tons more than in the same period of last year, although there has been a steady flow of additional workers into the mines. But last week's output—4,323,000 tons—has aroused hopes in Hobart House that its predictions of a rise in productivity this autumn will actually be fulfilled, after nine months of lower output per man-shift than in 1951. This fall in productivity seems to have come from the access of only partly trained labour underground. These men are now reaching the coalface in larger numbers, so that the number of faceworkers continues to rise, though there is a slight seasonal decline in the total numbers of colliery books. In September, the board did not lose as many men as it expected it might in the seasonal drift from the mines; so its calculations that it might end the year with 4,000 fewer men than the 720,000 odd it had in July may be too pessimistic. Output in July and August suffered from holidays and from high absenteeism following them; at today's rates of pay, many miners can afford to take off part of that second week's holiday that is still denied them. Total output may this year well reach 226 million tons, as the authorities are hoping; but it is not easy to be confident about the large increase that Lord Leathers has prophesied for 1953.

Consumption of coal in Britain is still depressed—in the first 38 weeks of 1952 it was 3,450,000 tons lower than last year—and exports have not yet risen as fast as was hoped.

So the figure of distributed stocks is still rising; two weeks ago it was nearly 18½ million tons, higher than at this time of the year in any year since the war. The industry had passed its safety minimum of stocks six weeks before the coal winter begins. It is now doing its utmost to move coal overseas. But there seems little likelihood that it can achieve an export total of more than 15 million tons, as Mr Butler hoped. So far it has exported about 8½ million tons; the best it is likely to achieve this year is something over 13 million tons of exports and four million tons of coal for bunkers.

Longer Export Credits

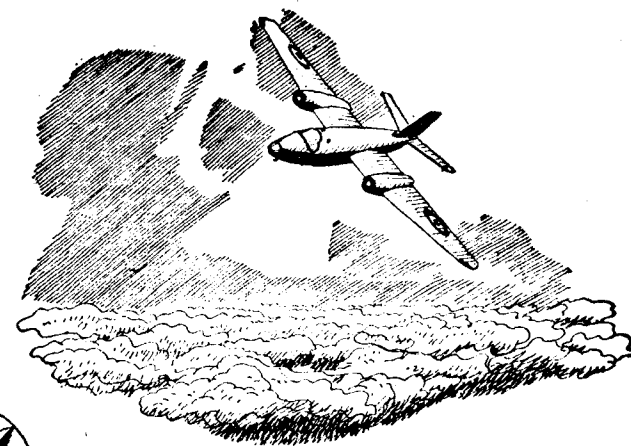
At the end of July the Chancellor of the Exchequer promised that there would be some widening of the facilities provided by the Exports Credits Guarantee Department; but in recent weeks there has been a mounting stream of complaints that performance has fallen short of promise. All that seems to have happened is that the exchange control authorities now look with more favour upon the granting of longer credits to foreign buyers for certain types of capital goods. This may be expected to result in more applications being made to the ECGD to insure contracts in which payment is spread over more than two years. Even before July, however, some credits for periods longer than two years were approved by the exchange control authorities. And, even now, not all contracts in which payment is spread over a longer period are approved; a decision is taken on the merits of each case, and depends on the goods concerned and the country for which they are destined. The views of the Treasury about what export markets are worth cultivating may not invariably coincide with the views of exporters. It is not surprising, therefore, that some exporters have felt that they have lost contracts through failing to obtain official approval of the length of the period over which payments were to be spread. Others have complained that uncertainty about the prospects of Treasury approval has prevented them from offering more favourable terms than their competitors—at least, until the sale had been lost.

Exporters who obtain approval from the exchange control authorities have still, of course, to persuade ECGD to guarantee their risk; some exporters with contracts that provide for delay in payment have recently failed at this second hurdle, and have complained that ECGD is not suited to provide the longer term guarantees that their types of exports require. In fact, ECGD has always had the power to grant longer term credits; whether it will do so in a given case depends upon the extent of the risks involved—for, though a government department, it acts on purely commercial principles. It is possible that this leaves a desirable scope for private enterprise concerns in the same field who are prepared to accept ventures at a higher premium. Too much hope should not, however, be laid upon this. The risks against which exporters are often most eager to insure are those arising from political factors, such as a governmental institution seems fitted to assume. And guarantees for certain other risks attached to the contracts of some recent complainants—which were not political but merely commercial and large—would not be everybody's cup of tea.

British European Airways' Loss

British European Airways' accounts for the year to last March record a net loss of £1,423,611 compared with £979,267 in 1950-51. Traffic increased considerably—BEA claims to be the first airline outside the United States to carry more than a million passengers in 12 months—and the average load carried rose from 57.8 per cent of the capacity offered to 64.7 per cent. This is approximately the same load factor as that achieved by British Overseas Airways

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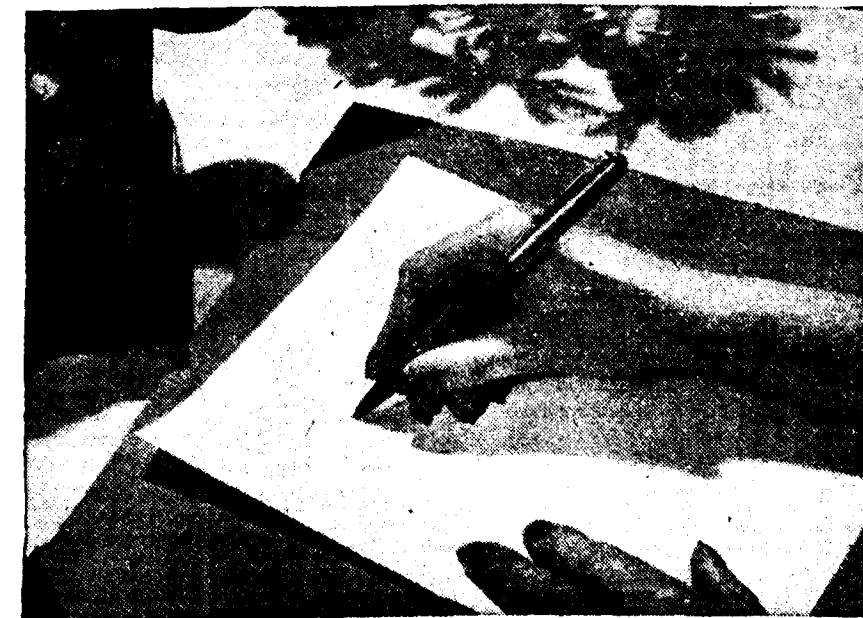


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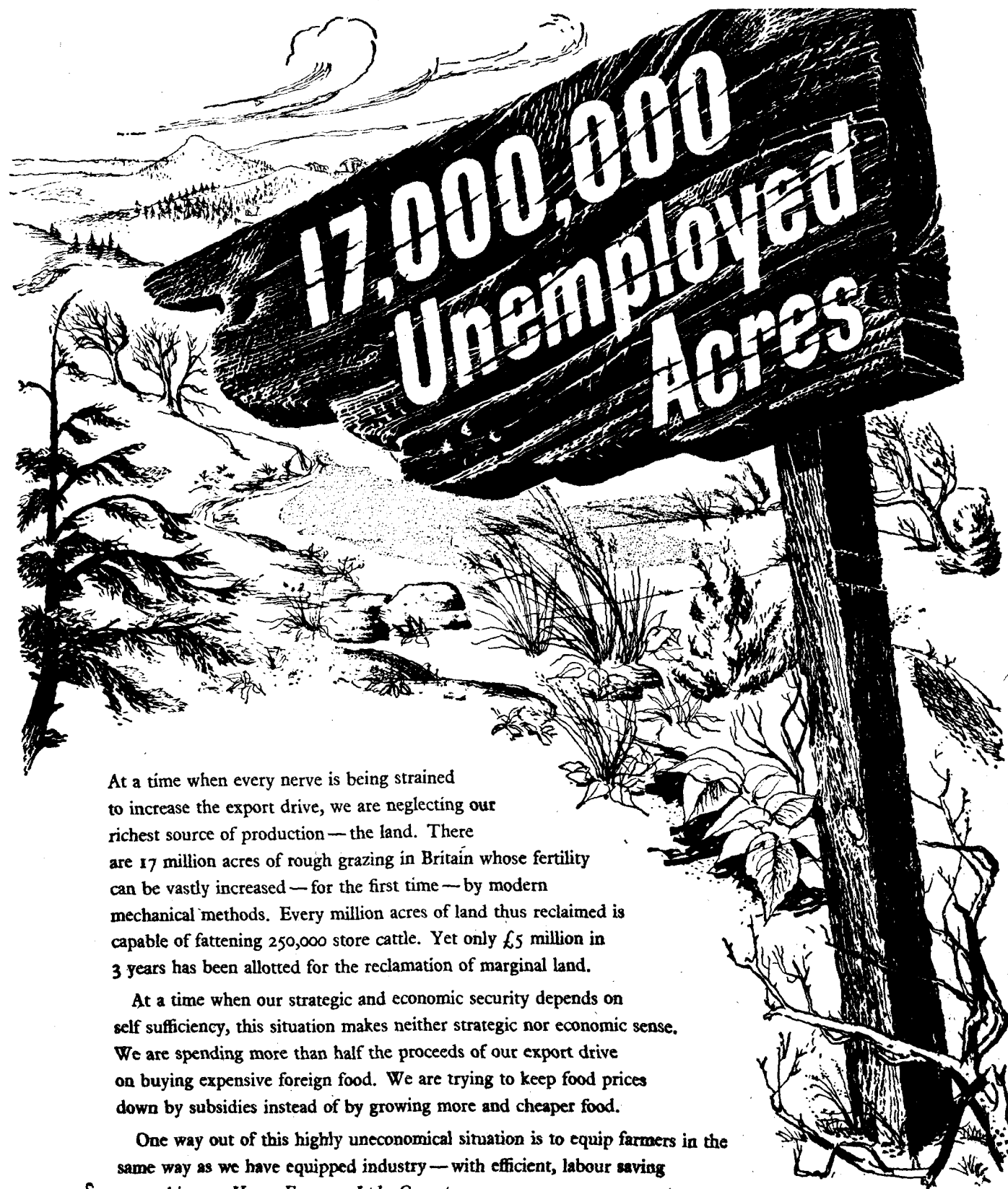


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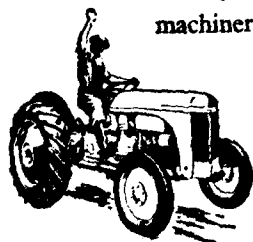
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At a time when every nerve is being strained to increase the export drive, we are neglecting our richest source of production — the land. There are 17 million acres of rough grazing in Britain whose fertility can be vastly increased — for the first time — by modern mechanical methods. Every million acres of land thus reclaimed is capable of fattening 250,000 store cattle. Yet only £5 million in 3 years has been allotted for the reclamation of marginal land.

At a time when our strategic and economic security depends on self sufficiency, this situation makes neither strategic nor economic sense. We are spending more than half the proceeds of our export drive on buying expensive foreign food. We are trying to keep food prices down by subsidies instead of by growing more and cheaper food.

One way out of this highly uneconomical situation is to equip farmers in the same way as we have equipped industry — with efficient, labour saving machinery. *Harry Ferguson Ltd., Coventry.*



Grow more food in Britain

Ferguson tractors are manufactured for Harry Ferguson Ltd., Coventry, by The Standard Motor Company Ltd.



Corporation, which—as recorded here last week—succeeded in making a profit in its latest year. Unfortunately, in the case of BEA the average loading required to break even rose as sharply as did the traffic. This is the most disappointing feature of the year's operations; BEA's commercial improvement has been swallowed up in rising costs.

Total operating expenditure rose by 23.1 per cent during the year to £12.1 million whereas revenue rose by only 20.2 per cent to £10.8 million. Costs certainly rose during the year, while fares remained unchanged but such cost increases were not confined to BEA and they cannot provide the sole explanation of the fact that BEA has now to report an increased deficit during a period when other airlines were showing improvement. Apart from rising costs, however, BEA lost considerable sums in terms of actual traffic through a strike during the period of peak summer travel, and through a twelve months' delay in the delivery of the new Ambassador aircraft. The consequential loss of the first-class European traffic because the corporation was obliged to retain obsolescent aircraft in such services is impossible to guess. But delays in delivery and costly teething trouble after delivery are risks that airlines have to provide for.

Apart from difficulties on international routes, BEA has still to carry the load of a number of uneconomic domestic services. A total loss of nearly £100,000 is recorded on the domestic services as a whole, any profit earned on the Channel Island and freight services being wiped out by losses on the Scottish, Irish and domestic internal routes. The report points out that Air France received a special payment of £2.6 million for similar services, which appears as revenue in that company's accounts. Some kind of special payment would probably be needed if, as is hoped, independent operators take over these internal services from BEA. But the corporation is experimenting this winter with special cheap fares on some of the Scottish routes and this, plus the introduction of tourist flights on some of the European services, should lead to an increase in the average load factor for the year. The corporation holds out no promise that these steps will make any great impression on the operating deficit, for shortages of aviation fuel this summer and persistent difficulties with the Ambassador may make a further loss for the current year virtually certain. This is a disappointing outcome for much hard work, and it postpones the hope of better results until 1953-54, by which time the turbo-prop Vickers Viscount aircraft will have started to show their paces.

* * *

Investment in Coal

Is the National Coal Board investing as much in the mines as it should? The 15-year plan that it published late in 1949 held that some £520 million needed to be invested in coalmining to bring output up to 240 million tons by 1965; of this, £30 million was to be spent in 1950 and £190 million, or an average of £38 million a year, over the period 1951-55. In 1950 and 1951 the board, in fact, failed to invest as much as it had planned; it spent £29 million and £32 million respectively. In part, at least, it failed through lack of high-grade technical staff and the preoccupation of most of its best men with immediate day-to-day output to the exclusion of everything else. This year the pressure has eased; and the board is hoping to invest as much as £40 million. The improvement is welcome, even though it may arise in part fortuitously from the chance completion of a number of projects during this particular twelve-month. But it is still not clear that it will be enough.

The investment laid down in the "Plan for Coal," like all other figures of value in that report, was based on mid-1949 prices. It is not easy to measure how the price of investment in coal mining has changed since then; but it has obviously gone up considerably. Mining costs as a whole have risen by 18 per cent since mid-1949, and costs of "materials,

stores, repairs and power" rose by 13 per cent between 1949 and 1951. In the accompanying table, actual investment in the mines is adjusted according to an index based upon the costs of "roof supports, general stores, repairs, coal and power" as shown in the board's quarterly financial statements, and compared with the investments laid down in the plan. By this reckoning the board's investment fell 32 per cent short of the planned 1951-55 average in 1951, and may

CAPITAL INVESTMENT IN COALMINING, 1947-52
(£ million)

	1947	1948	1949	1950	1951	Est. 1952
Actual investment at current prices	19	25	31	29	32	40
Price Index for Colliery materials, repairs and fuel	91.0	102.2	100.0	101.5	122.0	138.6*
"Real" Investment at 1949 prices	21	24	31	29	26	29*
Planned Investment at 1949 prices	...	...	...	30	38	38*
"Real" as percentage of "Planned investment"	...	...	...	97	68	76*

* Based on costs for second quarter of 1952

still fall 24 per cent short in 1952. The percentages have very limited significance; other indices that might be derived from figures published by the board could conceivably suggest that its investment performance was either rather better than that, or very much worse. Nevertheless, it seems obvious that this year's respite from coal crises has not yet enabled the board to secure even the minimum investment in coal-mining that might—just possibly—serve to give the country enough coal to meet demand in a dozen years' time.

Recorded and Indexed

To record, summarise, and index economic documents and events, this is one of the many functions of the *Records & Statistics* supplement to *The Economist*. For example, issues published during the last three months have contained information on subjects as varied as the latest Soviet Five Year Plan, the Annual Reports of the Iron and Steel Corporation and of the Transport Commission, the OEEC Report on the financial situation in Western Europe and North America, the results of the 1% sample of the 1951 census, and the American report on the Materials Policy Commission.

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A Leak in the Wellington

Nobody loves a price ring. The British Bata Shoe Company, which resigned from the Rubber Footwear Manufacturers' Association this week because it could not obtain approval of a cut in retail prices, has therefore received much free publicity—quite deservedly. This chorus of welcome has left the association and most other manufacturers, after some impromptu comments at the time, embarrassed but resolutely silent.

Though both parties have declared similar policies of passing on decreases in costs—which mainly means the fall in the price of rubber—to the consumer “at the earliest possible opportunity” the issue more precisely seems to be between differing judgments of the state of the market. Until April this year, maximum retail prices were controlled by the Board of Trade, with the advice of the association. It cannot be said that they seem to have followed recent fluctuations in the price of rubber very closely. To take an example, the changes in the retail price set for boys' Wellington boots, sizes 3-5, as given by Bata, may be compared with variations in the price of rubber:

	London Price, of Rubber per lb.	Retail Price, Boys' Rubber Boots
	s. d.	s. d.
April, 1948	1 0½	12 2
August, 1950	3 5½	13 4
December, 1950	4 4½	16 0
April, 1951	4 9½	18 0

The price of rubber this week is about 1s. 10d. per lb, but the boots of this kind made by most manufacturers were still being sold at 18s. a pair this week; Bata, which states that three months ago it suggested a 10 per cent cut in prices but could not obtain agreement, has now cut its prices for rubber footwear by roughly 20 per cent, bringing its price for this particular pair of boots down to 14s. 6d. Mr Tusa, its managing director, argues that since the price was last fixed in April, 1951, the cost of the cotton fabric the industry uses has also declined, though wages have gone up.

Bata is more concerned than the other manufacturers appear to be with competition from imported rubber footwear. During this year a large proportion of the rubber boots imported have come from Hongkong. These “Empire imports”—many of which may well have originated in China and Japan—have been considerably cheaper than British, and the Continental boots have also been cheaper. There is substance in the association's argument that a considerable cut in price now, at the beginning of the winter season, would embarrass wholesalers and retailers who have stocked up with this footwear at the existing price; Bata, which sells most of its footwear through its own retail chain, can make the change much more conveniently. No statistics are published of British production from which Bata's share might be assessed. But if foreign rubber boots, and a fair proportion of the British, are to be sold 20 per cent cheaper than similar boots of which the price is based partly on rubber at nearly three times the price today, it seems inevitable that the remainder of the trade will have to accept the inconvenience of a cut or lose some of their business.

Rayon on the Offensive

The rayon industry is making strenuous efforts to recover lost business overseas. Production of yarn and cloth showed little sign of recovery up to the end of August, but an improvement is expected with the end of the holidays and the beginning of the new season's trade. During August, combined production of staple and continuous filament yarn totalled 15.3 million pounds, 100,000 pounds less than in July and less than half the output of which the industry is capable. Production of rayon and mixture cloths in Lancashire averaged 10 million linear yards a week, or 4.4 million

yards a week less than in August, 1951, though this year's longer holidays affect the comparison. Exports of yarn in August were down from 2.3 to 1.5 million pounds compared with August last year, and exports of cloth suffered a cut from 22.8 to 10.3 million square yards.

It is now clear that revival in the rayon trade will not take place automatically. The rayon producers, moreover, have informed the industry that yarn prices will remain unchanged for the rest of the year. This will certainly disappoint those spinners and weavers who have been expecting a fall in yarn prices to follow the lower price of Swedish pulp. But the yarn producers argue that pulp prices are merely back to the level of the beginning of 1951, and that rayon prices were never raised to match the sharp rise in pulp prices that occurred after that date. If, therefore, selling prices are to be reduced, costs must be reduced at the later stages of production. Spinners of rayon staple have been cutting their own selling margins during recent months, to such an extent that there has been some discussions among the trade associations of introducing agreed minimum prices.

In a direct attempt to stimulate exports, the Central Rayon Office has revived its original plans for sponsoring a range of low priced cloths of rayon filament (but not spun yarn) designed specifically for colonial markets where British exports have been losing ground to Japanese and, to a lesser extent, to Italian and German cloths. The participating companies, weavers and finishers alike, undertake to sell such standard cloths only to specified markets, and to do so only at a single agreed price. This eliminates competition at home between exporting companies, and makes possible long production runs at lower cost. The prices asked are approximately one-third lower than those at which such cloth was selling a year ago. Whether they will be competitive with Japanese goods must be left to the test of the market. Japanese prices vary so widely that no single quotation is reliable or representative. The cotton industry is understood to be contemplating a similar scheme. It is generally suspected that Lancashire is capable of quoting highly competitive prices when finally convinced of the need for doing so, and if the CRO filament cloths are at present cheaper than the equivalent cotton product, rayon producers may later have to meet competition not only from the Japanese, but also from their own neighbours in Lancashire.

More Alloy Metals

Recommended distributions for the fourth quarter of 1952 have been announced by the tungsten and molybdenum committee of the International Materials Conference and the thirteen member governments have accepted them. Produc-

IMC DISTRIBUTION OF TUNGSTEN AND MOLYBDENUM (Metric tons)				
To	Tungsten, 1952		Molybdenum, 1952	
	3rd Qtr.	4th Qtr.	3rd Qtr.	4th Qtr.
United States	2,375.0	2,520.0	4,228.5	4,330.6
United Kingdom ..	1,000.0	1,070.6	631.0	450.0
Germany	470.0	482.3	272.75	327.7
France	398.0	405.3	304.0	369.0
Sweden	177.3	191.0	115.5	126.0
Japan	84.0	98.0	70.0	46.0
Italy	49.0	58.0	13.0	13.0
Others	134.7	109.7	10.75	14.25
Reserve	2.0	22.1	4.5	3.45
Total	4,890.0	4,957.0	5,850.0	5,680.0

tion in the fourth quarter is estimated (for the free world) at 4,957 metric tons of tungsten and 5,680 metric tons of molybdenum. The IMC distribution of these metals applies

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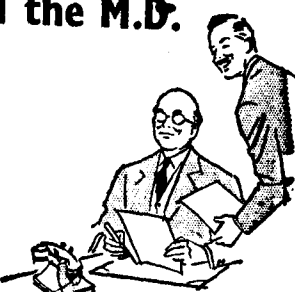
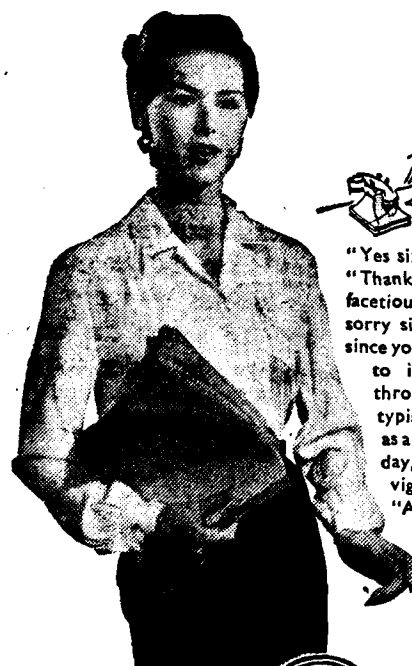
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to some 28 countries and the allocation to the principal countries, including the amounts for the previous quarter, are shown in the table. The principal countries are all to receive slightly more of both metals this quarter compared with last, except the United Kingdom and Japan, which will receive less molybdenum.

Production of tungsten is now estimated at double the rate in 1950 and of molybdenum at 50 per cent above 1950. Even with this sustained increase in output, the IMC point out that the "defence and stockpiling requirements of the Free World are still in excess of the production in the case of both metals." The increasing supply of tungsten is reflected in a recent report of the US Bureau of Mines which shows that the yearly production of tungsten within the United States has more than doubled within the past four years; in 1949 production of tungsten was 3,043 short tons; but by 1951 it had risen to 6,214 short tons and for the first half of 1952 production amounted to 3,397 short tons.

Changes in Bolivian Tin?

This week the United States has agreed to buy 6,000-7,000 long tons of tin from accumulated Bolivian stocks at 117½ cents a lb f.o.b. Chilean ports. This is ½ cent a lb lower than the price agreed in similar spot deals during the summer when tin stood slightly higher in the market. Heavy stocks of concentrates have piled up in Bolivia since the previous long term contract with the American Government agency expired well over a year ago. Negotiations for a new contract have failed for lack of agreement between the two sides on a price.

Meanwhile the Bolivian Government is going ahead with its policy of freeing the tin industry from domination by foreign capital. At the meeting of the International Monetary Fund the President of the Bolivian Central Bank stated that a decision had been taken to nationalise the larger mining companies. More recently the Bolivian Government announced that it had concluded an agreement with an Argentine financial group to build a tin smelter in Bolivia in order to avoid sending ore to the U.S. for smelting. The projected smelter may represent no more than a bargaining point in the negotiations with the Americans, for it is pointed out in London that Bolivia's ores are of such poor quality that they are considered unsuitable for smelting by themselves. Even at the Texas smelter, which incorporates the most modern ore treatment plants, Bolivian ores have to be mixed with higher grade Indonesian concentrates for smelting. Nevertheless the tin market in this country is for nearly keeping a watchful eye on developments in Bolivia, for nearly two thirds of the concentrates used in British smelters come from Bolivia. These shipments represent more than half from Bolivia's total exports and come from the Patino group of mines, which are scheduled for nationalisation. Nationalisation need not disturb these shipping arrangements; there have been reports that the whole of the output of the nationalised mines is to be offered to the United States, but it is perhaps unlikely that Bolivians would risk putting all their eggs in the American basket.

American demand for tin since private buying and importing was resumed at the beginning of August largely explains the recovery in world tin prices. The price in London on Wednesday was £965½ a ton compared with £913 during the first week of August. But the Reconstruction Finance Corporation is willing to sell tin for 121½ cents a lb and as a result American traders will not pay more than the equivalent of 121½ cents a lb c.i.f. New York (£972) for imported tin. Unfortunately for the London market, Continental merchants have been able to capture most of this trade by using cheap sterling and thus outbidding British merchants in the East. Although future prices have fallen slightly within the last

two weeks Straits tin is too high for the London merchant to resell to American traders below the ceiling level and at a profit.

* * *

Cutting Building Costs

Everybody inside and outside the building industry is prepared to agree that costs are too high, but very few have any practical idea how to bring them down. Mr J. L. Womersley, borough architect and town planning officer of Northampton, staked his own claim last year when he took part in the design of the "Hopley" house that won a competition for low-cost housing; in *Housing Costs Today*, a publication of the *Municipal Journal*,* he has this week made some suggestions—and criticisms—that may command more than perfunctory attention in the building trade.

The standards of housing set down by the Dudley Committee of 1944, upon which most postwar housing has been based, assumed that costs would settle down at about 30 per cent above those of 1939. In fact, costs had reached about 160 per cent above that prewar level by 1949; at the present time they are well over three times the 1939 figure. In current financial circumstances, this necessitates some relaxation of housing standards of space, etc.; Mr Womersley does not believe the Government has yet gone far enough in this direction. But it also makes greater economy and

ANALYSIS OF COST OF A FIVE-PERSON HOUSE (900 sq. ft.)

Cost of Erection	%	Total Cost of House, Land, etc.	%
Bricklayer and paviour..	27.0	House Construction.....	84.0
Carpenter and joiner.....	25.0	Roads and Services.....	11.0
Foundations and External works.....	18.0	Land.....	2.0
Plumber and electrician..	12.5	Architects' & Surveyors' fees.....	3.0
Plasterer.....	7.0		
Painter and glazier.....	6.0		
Remainder.....	4.5		
	100.0		100.0

efficiency in building methods essential; and though he remains attached to conventional materials of construction, Mr Womersley advocates a much wider adoption of non-traditional ways of erecting a traditional house.

* *Housing Costs Today*. By J. L. Womersley. *Municipal Journal*. 2s.

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THE ECONOMIST,
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Company Notes

Glaxo Laboratories.—The status of the 10s. ordinary stock units in Glaxo Laboratories as a "growth stock" has certainly been enhanced by the group's trading results for the year to June 30th last, but the increase in equity dividends from 22½ to 30 per cent has not altogether dispelled the impression that the current price of 76s. 3d. for the 10s. units (offering a yield on the new dividend of 3½ per cent) puts too big a premium on future prospects. The latest increase in equity dividends—which some shareholders may well consider to have been overdue—has been occasioned by a further increase in net profits, from £1,333,000 to £1,585,000. This advance has been achieved in spite of an increase in British taxation from £1,749,000 to £1,775,000. The directors have therefore been able to make the same appropriations to the research and development reserve (£150,000) and to the obsolescence and replacement reserve (£250,000) as in the previous year; they have also appropriated £500,000 (against £555,464) to a general reserve and £200,000 to an exchange reserve.

The ploughing back of profits on this scale has continually widened the gap between the company's issued capital and the capital actually employed in the business. In order to narrow this gap the directors now propose to make a 100 per cent bonus issue of ordinary shares by capitalising £796,350 from reserves. In announcing this scrip bonus the directors warn shareholders that "in itself, this action will have no effect on the future amounts to be distributed by way of ordinary dividends." In other words, if the directors decide merely to maintain the latest equity payment on the doubled capital, the actual dividend rate will be reduced to 15 per cent. Clearly, anybody who buys the 10s. ordinary stock units at their present market price must, in effect, be assuming that a reduction on this scale will not be made. But investors should remember that an export concern such as Glaxo may be harshly hit by the recent growth of overseas import restrictions; it is probably to these that the directors are referring when they point out in their statement that "the current trading position is less favourable than in the past financial year." In this context it is wise to recall the statement recently made by the chairman of Distillers that the production of pharmaceutical preparations such as penicillin and streptomycin now exceeds the demand for them. In the manufacture of these products Glaxo as well as Distillers may be feeling the pinch of falling sales.

William Doxford.—Although the shipping boom is now well past its peak, British ship-building yards continue to be fully employed. William Doxford has therefore been able to report satisfactory trading results for the year to June 30th last. The company's somewhat obscure preliminary statement shows profits before tax at £601,744, compared with £600,442 in 1950-51; but as this figure is struck after charging an unspecified amount for depreciation and £16,975 (against £47,545) for special research expenditure, it is not clear whether gross earnings are slightly up or slightly down. In any case net profits have dropped from £267,442 to £253,744, while the charge for taxation has risen from £305,000 to £348,000.

Nominally, the ordinary dividend has been increased from 17½ to 32½ per cent; but this increase is more apparent than real, for the interim dividend of 7½ per cent paid last February represents an addition to the final dividend for 1950-51 (which was originally held down to 12½ per cent in deference to the White Paper on dividend limitation). The distribution on equity capital in the last two financial years has therefore, in effect, been maintained at a rate of 25 per cent. At this

stage, however, another complication appears, for when William Doxford maintains its dividend rate, it actually pays out slightly fatter dividend warrants; this is because it makes a practice of increasing its equity capital each year by a small bonus share issue, which absorbs £50,000 from distributable earnings. In the latest appropriation account £50,000 has again been set aside for this purpose. Another £100,000 (as compared with £18,219 in 1950-51) has been transferred to a reserve for plant extensions and renewals, but nothing has been appropriated to the general

	Years to June 30, 1951	1952
Earnings:—		
Profits, before tax	647,987	618,719
Research expenditure	47,545	16,975
Taxation	305,000	348,000
Net profit	295,442	253,744
Ordinary dividends	55,125	*110,906
Ordinary dividends (per cent)	17½	*32½
General reserve	100,000	...
Plant extensions reserve	18,219	100,000
Added to carry forward	36,223	Dr 15,037
£1 ordinary share at 80s. 7½d. yields	£6 4s. per cent.	
* Including a dividend of 7½ per cent, absorbing £25,594, relating to the financial year 1950-51.		

reserve (to which £100,000 was appropriated in 1951). The decision to earmark the whole of the reserve allocations to a specific reserve can be related to the fact that the company intends to extend its engineering works in the next few years. The company hopes to be able to finance this capital programme by the ploughing back of profits; shareholders should therefore not expect more than that the dividend will be maintained at 25 per cent on the gradually increasing equity capital.

Trinidad Petroleum.—For Trinidad Petroleum Development the year to July 31st last was a year of expensive exploration and fairly stable gross earnings. Thanks to an increase in oil production from 2,944,876 to 3,091,175 barrels, the profit balance from the production account increased slightly from £1,648,857 to £1,761,860. The increase in total revenue (from £1,668,137 to £1,787,483) was, however, more than offset by an increase in the provision for taxation (from £430,000 to £448,250) and by a much more substantial increase (from £654,359 to £790,245) in the amount charged to the oil well and development account. The increase in this latter account may be attributed to the high cost of the exploratory well-drilling programme recently carried out by the company, particularly in testing the extent of the oil-bearing Herrera formation. The cost of this programme of exploration has eaten into the company's gross profits, so that net profits

	Years to July 31, 1951	1952
Earnings:—		
Balance from production account	1,648,857	1,761,860
Total revenue	1,668,137	1,787,483
Development account	654,359	790,245
Depreciation	249,628	285,555
Taxation	430,000	448,250
Net profit	310,787	237,063
Ordinary dividends	*165,000	*165,000
Ordinary dividends (per cent)	16½	16½
General reserve	100,000	50,000
Added to carry forward	93	1,850
5s. ordinary stock at 85s. 7½d. yields	£6 3s. per cent.	
* Tax free.		

have fallen quite sharply from £310,787 to £237,063. This decline in distributable earnings has not prevented the directors from again recommending a tax-free ordinary dividend of 16½ per cent, but it has meant that less is available for allocations to reserves. Nothing has been appropriated to the supplementary pensions reserve, compared with £25,000 a year before, and the appropriation to the general reserve has been reduced from £100,000 to £50,000. If TPD spend less on exploration in the current year distributable earnings should increase. But the directors are not likely to regard this as an opportunity to break with the conservative dividend policy they have pursued since 1947.

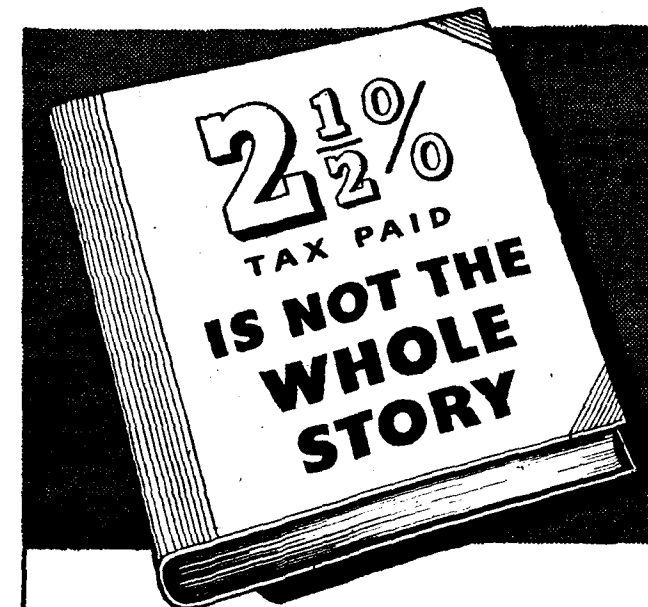
SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to Oct. 1		British Funds and Guaranteed Stocks	Price, Sept. 24, 1952	Price, Oct. 1, 1952	Gross Yield, Oct. 1, 1952
High	Low				s. d.
100½	99	W. Bds. 2½% '51-53	99½	99½	2 16 7
100½	97½	W. Bds. 2½% '52-54	99½	99½	2 19 8
99½	96½	Exch. 2½% 1955	98½	98½	2 18 8
100½	99	S. Fundg. 1½% '52	(m)	(m)	3 0 4
100½	97½	S. Fundg. 1½% '53	98½	99½	2 12 0
99½	96	S. Fundg. 1½% '54	97½	98	2 14 6
99½	95½	W. Bds. 2½% '54-56	98½	98½	2 17 6½
100½	96½	Fundg. 2½% '52-57	98½	98½	2 18 8½
100½	97½	N. Def. 3% '54-58	99½	99½	3 2 1½
100½	96½	W. Loan 3% '55-59	98½	98½	3 3 4½
92½	87	Savings 3% '55-65	91½	92	3 16 8½
94	89	Fundg. 2½% '56-61	91½	91½	3 12 5½
88½	81	Fundg. 3% '59-69	84½	85½	4 3 1½
88½	82	Fundg. 3% '66-68	86½	87½	4 3 1½
100½	94½	Fundg. 4% '60-90	96½	96½	4 9 3½
87½	80½	Savings 3% '60-70	84	84½	4 4 1½
85½	79½	Savings 2½% '64-67	82½	83½	4 0 0½
101½	98½	Victory 4% '20-76	99½	100½	4 0 2½
84½	78½	Savings 3% '65-75	82	82½	4 4 0½
90½	81½	Consols 4% (alt '57)	84½	85½	4 13 1½
82½	73½	Conv. 3½% (alt '61)	75½	76½	4 11 3½
60½	53½	Treas. 2½% (alt '75)	55½	56½	4 8 2½
71½	62½	Treas. 3% (alt '66)	66½	66½	4 10 4½
89½	83½	Treas. 3½% '77-80	86½	88½	4 5 2½
78½	71½	Redemp. 3% '86-96	76½	77	4 2 10½
81½	72½	W. Loan 3½% alt '52	76	77½	4 11 1½
61½	52½	Consols 2½% '57	57½	58½	4 5 8½
85½	78½	Br. Elec. 3% '68-73	82½	83½	4 4 0½
84½	77½	Br. Elec. 3% '74-77	81½	82½	4 3 4½
99½	97½	Br. Elec. 4½% '74-79	98½	98½	4 6 9½
91	84½	Br. Elec. 3½% '76-79	88½	89½	4 4 9½
79½	72½	Br. Tpt. 3% '78-88	76	77½	4 5 4½
85½	78½	Br. Tpt. 3% '68-73	82½	83½	4 4 0½
79½	72½	Br. Gas 3% '90-95	74½	76½	4 3 4½
95½	87½	Br. Gas 3½% '69-71	89½	90½	4 5 1½
89½	85½	Br. Iron & Steel 3½% '79-81.....	87	88½	4 4 10½

(s) To earliest date. (f) Flat yield. (l) To latest date. (m) £99 15s. 11d. (n) £99 15s. 11d. (s) Assumed average life 13 years approx. * Ex dividend.

Prices, Year 1952 Jan. 1 to Oct. 1		Ordinary Stocks	Price, Sept. 24, 1952	Price, Oct. 1, 1952	Yield Oct. 1, 1952
High	Low				s. d.
8½	5½	Anglo-Am. 10/-	6½	6½	4 17 0
6½	5½	Anglo-Iran 1/-	5½	5½	5 3 3
78/-	66/-	Assoc. Elec. 1/-	71/6	71/6	5 11 11
104/9	90/-	Assoc. P. Cem. 1/-	100/-	98/9	5 11 5
131/6	110/-	Bass 1/-	126/10	125/-	6 17 2
23/-	17/-	Boots 5/-	20/-	20/-	5 0 0
26/-	19/10	Brad. Dyers 1/-	23/6	23/6	9 15 9
30/-	18/3	Br. Celanese 10/-	22/3	21/6	5 2 4
32/10	25/10	Br. Motor Cp. 5/-	31/3	30/7½	...
57/2	45/9	Br. Oxygen 1/-	50/7½	49/10	5 12 3½
174½	159½	Can. Pac. \$25	162½	160½	4 13 0
52/9	39/9	Coats 1/-	43/6	43/6	5 14 11
46/-	30/7½	Courtaulds 1/-	35/-	35/6	6 6 9
39/-	29/9	Cunard 1/-	35/6	35/-	8 11 6
20/6	16/4	Distillers 4/-	17/-	16/9	5 7 6
61/3	42/6	Dunlop 1/-	45/7½	45/-	7 15 7
51/4	42/9	Ford 1/-	49/9	49/9	6 0 8
46/1½	35/9	Gen. Elect. 1/-	83/-	40/3½	5 11 10½
56/6	45/6	Guest Keen 1/-	53/3	53/6	5 12 2
31/7½	27/6	Guinness 10/-	32/6	31/-	8 8 5½
39/4	31/6	Hawker Sid. 1/-	38/9	38/6	5 3 11
47/4	38/7½	Imp. Chem. 1/-	42/9	42/-	6 3 10
59/4	52/3	Imp. Tobacco 1/-	54/3	55/3	7 4 9½
88½	87½	Int. Nick. a.p.	88½	88½	5 10 6
71/3	46/3	J'burg Con. 1/-	47/3	48/6	7 4 4
43/1½	30/6	Lancs. Cotton 1/-	37/6	37/6	8 0 0
62/-	52/3	Lon. Brick 1/-	61/3	61/3	5 14 3
44/9	34/-	Marks Sp. A.S.	41/9	41/9	4 15 10½
28/9	21/6	Monsanto 5/-	26/10	26/10	4 3 9
54/-	42/-	P. & O. Def. 1/-	50/-	50/-	6 13 4
39/3	31/-	P. Johnson 10/-	36/-	35/6	7 0 10
38	31½	Prudential 'A' 1/-	34	34	5 12 1
26½	18½	Rhokana 1/-	22½	23½	8 8 5
63/9	44/3	Rolls Royce 1/-	60/-	59/4	5 1 0
76/10	66/10	'Shell' Stk. 1/-	82/6	81/3	5 12 9½
59/6	48/9	Tube Invest. 1/-	55/9	55/3	4 10 6½
95/3	77/9	T. & Newall 1/-	89/4	90/-	4 8 11
49/6	38/9	Unilever 1/-	47/6	47/6	5 13 8
24/4	20/3	Union Castle 1/-	24/-	23/-	5 8 8½
41/9	36/6	Union Disc. 1/-	39/6	40/-	6 0 0
37/8	25/10	Utd. Molass. 10/-	30/6	30/-	6 12 0½
59/10	31/-	U. Sua Betong 1/-	36/10	36/10	27 2 4
47/7½	40/-	Vickers 1/-	44/-	43/3	5 7 6
44/1½	38/6	Woolworth 5/-	41/3	41/3	5 3 0

(d) Yield basis 14%. (e) Yield basis 16%. (f) Yield basis 22.9 gross. (g) Yield basis 12½%. (h) Yield basis 6½%. (m) Yield basis 19.8%. (n) Yield basis 40%. (o) Yield basis 20%. (p) Yield basis 11½%. * Ex dividend.



The shares of the Co-operative Permanent earn 2½% with income tax paid by the Society. But that is not all. You enjoy the other advantages of a safe and convenient investment, security for capital, and the right to withdraw at short notice.

To many people these are as important as the rate of interest, and by investing with this Society you can secure them all. Moreover, you have the solid background of a leading national society with nearly 70 years of service to the public.

Assets £70,000,000: Reserves over £3,000,000

INVEST SAFELY WITH THE CO-OPERATIVE PERMANENT BUILDING SOCIETY

NEW OXFORD HOUSE, LONDON, W.C.1.

Telephone: HOLborn 2302

City Office: 163 MOORGATE, E.C.2.

Telephone: MONarch 3556

950 BRANCHES AND AGENCIES

HAVE SOMETHING SOLID BEHIND YOU



Habib Bank Limited

Established 1911

Head Office: KARACHI (Pakistan).

Authorised Capital ...	Pak. Rs. 20,000,000
Issued & Subscribed ...	Pak. Rs. 10,000,000
Paid-up Capital ...	Pak. Rs. 10,000,000
Reserve Funds ...	Pak. Rs. 10,000,000
Deposits as on 31/12/51 ...	Pak. Rs. 438,200,000

In selecting desirable trade relations for exports and imports with Pakistan, Habib Bank Ltd., with 45 branches spread over West and East Pakistan, can prove to be most helpful and you are invited to use our services.

The Bank is fully competent to handle all foreign exchange business, including opening and advising of commercial letters of credit, collection of documentary bills, remittances, etc.

FOREIGN BRANCHES: Bombay, Calcutta and Colombo.

CORRESPONDENTS & AGENTS at all important cities of the world.

THE FUJI BANK LIMITED

(Incorporated in Japan)

Established 1880

HEAD OFFICE: TOKYO, JAPAN

announce the opening of a London Office

at

1-4 COPTHALL CHAMBERS

ANGEL COURT, LONDON, E.C.2

(Telephone No.: MONarch 1341/2)

on

WEDNESDAY, 1st OCTOBER

Total assets exceed £278,000,000

Statistical Summary

EXCHEQUER RETURNS

For the ten days ended September 30, 1952, total ordinary revenue was £90,661,000, against ordinary expenditure of £63,997,000 and issues to sinking funds £449,000. Thus, including sinking fund allocations of £16,743,000 the deficit accrued since April 1, 1952, was £293,211,000 compared with a deficit of £26,292,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	April 1, 1951 to Sept. 30, 1951	April 1, 1952 to Sept. 30, 1952	8 days ended Sept. 30, 1951	10 days ended Sept. 30, 1952
REVENUE					
Ord. Revenue					
Income Tax	180,422,500	445,195,474	102,19,312	11,957	
Sur-tax	123,000	35,800	35,600	1,000	1,800
Estate, etc., Duties	175,000	95,300	73,300	2,700	3,400
Stamps	57,500	31,500	24,450	1,400	900
Profits Tax & EPT	452,000	156,100	193,400	9,400	8,900
Excess Profits Levy	5,000				
Special Contribution and other					
Inland Revenue	2,000	1,735	950	80	40
Total Inland Rev.	261,872,500	765,630,799	802,33,892	26,997	
Customs	104,350,000	487,863,513	988,18,957	24,796	
Excise	772,000	377,400	359,638	25,700	26,085
Total Customs and Excise	181,550,000	865,263,873	628,44,657	50,881	
Motor Duties	64,150	11,943	11,763	137	
Surpl's from Trade	12,000	65,927		8,427	
PO (Net receipts)				Dr 2,000	
Broadcast Licences	15,000	5,000	5,050	1,000	1,000
Sundry Loans	26,000	18,980	18,758		
Miscell. (incl. Surplus War Stores)	110,000	50,823	47,568	3,955	11,783
Total Ord. Rev.	466,137,500	1,783,566,756	567,90,018	90,661	
SELF-BALANCING Post Office	209,235	91,000	95,000	4,400	2,000
Income Tax on EPT Refunds	4,900	2,670	2,578	186	89
Total	487,551,000	1,877,236,185	414,94,604	92,750	
EXPENDITURE					
Ord. Expenditure					
Int. & Man. of Nat. Debt	575,000	240,033	274,715	2,382	4,410
Payments to N. Ireland	40,000	17,691	18,861	1,602	1,689
Other Cons. Funds	10,000	4,956	4,634	404	84
Total	625,000	262,680	298,210	4,388	6,183
Supply Services	355,436,715	380,988,173	482,80,947	67,834	
Total Ord. Expd.	417,936,715	1,800,778,203	335,335,853	63,997	
Sinking Funds		9,080	16,743		449
Total (excl. Self-Bal. Expd.)	417,936,715	1,809,858,204	352,052,600	64,446	
SELF-BALANCING Post Office	209,235	91,000	95,000	4,400	2,000
Income Tax on EPT Refunds	4,900	2,670	2,578	186	89
Total	439,350,000	1,903,528,214	359,921,66,535		

After increasing Exchequer balances by £170,286 to £3,341,714, the other operations for the ten days decreased the National Debt by £25,864,771 to £26,129 million.

NET RECEIPTS (£ thousand)

Post Office and Telegraph (Money) Act, 1950.... 10,725

NET ISSUES (£ thousand)

EPT Refunds	109
Export Guarantees Act, 1949, s. 3 (2)	5
Housing (Temp. Accommodation) Acts	50
Local Authorities Loans Act, 1945, s. 3 (1)	6,400
New Towns Act, 1946, s. 12 (3)	1,050
Miscell. Financial Provisions Act, 1946	
War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Postwar Credits	291
	10,905

CHANGES IN DEBT (£ thousand)

Receipts	Payments
Nat. Savings Certs. 1,000	Treasury Bills 6,454
3½% Def. Bonds 3,055	2½% Def. Bonds 795
Tax Reserve Certs. 10,140	3% Def. Bonds 1,755
	3% Ter. Annuities 1,251
	Other Debt—
	Internal 102
	External 122
	Ways and Means Advances 29,580
14,195	40,059

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
Sept. 30	5596.3	342.4	290.0	6228.7
1951				
Sept. 5	2910.0	1440.5	308.9	4659.5
" 12	2940.0	1452.7	303.0	4705.7
" 19	2970.0	1443.5	327.8	4741.3
" 26	3000.0	1459.5	285.5	4745.0
1952				
Aug. 2	3020.0	1430.3	264.4	4714.7
" 9	3040.0	1403.3	265.4	4709.7
" 16	3030.0	1450.6	279.8	4760.4
" 23	3020.0	1462.9	307.0	4789.9
" 30	3040.0	1445.7	292.1	4777.8
Sept. 6	3050.0	1443.1	309.3	4802.4
" 13	3070.0	1479.9	288.7	4838.6
" 20	3090.0	1470.4	315.6	4876.0
" 30	4554.6	278.8	8.3	4841.6

TREASURY BILLS

Date of Tender	Amount (£ million)	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1951			
Sept. 28	260.0	338.7	260.0 10 2.98
1952			
June 27	240.0	302.4	240.0 49 0.44
July 4	240.0	308.8	240.0 49 0.45
" 11	240.0	315.2	240.0 49 4.20
" 18	230.0	322.9	230.0 49 3.88
" 25	220.0	317.2	220.0 49 3.88
Aug. 1	220.0	320.5	220.0 48 11.99
" 8	230.0	295.1	220.0 49 0.41
" 15	220.0	284.6	220.0 49 0.39
" 22	240.0	301.1	240.0 49 4.31
" 29	250.0	318.9	250.0 49 4.42
Sept. 5	260.0	308.6	260.0 49 8.58
" 12	260.0	308.9	260.0 49 8.61
" 19	260.0	331.1	260.0 49 8.12
" 26	260.0	309.0	260.0 49 8.54

On September 26th applications for 91 day bills to be paid from September 29 to October 4, 1952, were accepted dated Monday to Saturday as to about 79 per cent at 99 7s. 7d. and above in full. Treasury Bills to a maximum of £250 million were offered on October 3rd. For the week ended October 4th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Total 25 weeks ended Sept. 22, 1951	Sept. 20, 1952	Week ended Sept. 20, 1952
Savings Certificates—			
Receipts	84,900	62,100	3,800
Repayments	68,900	69,500	1,900
Net Savings	16,000	Dr 7,400	1,900
Defence Bonds—			
Receipts	25,464	24,023	4,780
Repayments	33,041	35,669	1,570
Net Savings	Dr 7,577	Dr 11,646	3,210
P.O. and Trustee Savings Banks—			
Receipts	326,037	344,595	12,585
Repayments	400,737	408,358	16,040
Net Savings	Dr 74,700	Dr 63,763	3,455
Total Net Savings	Dr 66,377	Dr 82,809	1,655
Interest on certificates repaid	16,818	19,017	532
Interest accrued	60,433	61,990	2,497
Change in total invested	-22,682	-39,338	+ 3,620

BANK OF ENGLAND RETURNS

OCTOBER 1, 1952

ISSUE DEPARTMENT

Notes Issued—	£	Govt. Debt...	11,015,100
In Circulation	1445,745,580	Other Govt. Securities...	1485,787,032
In Bank, Department...	54,611,243	Other Sec.	683,458
		Coin (other than gold)...	2,514,418
		Ant. of Fid. Issue...	1500,000,000
		Gold Coin and Bullion (at 248s. per oz. fine).....	356,823
			1500,356,823

BANKING DEPARTMENT

Capital	14,553,000	Govt. Sec.	303,054,930
Res.	3,996,977	Other Secs.	29,527,571
Public Deps.—	42,473,353	Discounts and Advances...	5,949,400
Public Accts.*	18,298,338	Securities....	23,578,171
H.M. Treas. Special Acct.	24,175,015		
Other Deps.—	327,768,839		
Bankers	299,971,906	Notes	54,611,243
Other Accts....	66,796,933	Coin	1,598,425
			388,792,169

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
Issue Dept.—		
Notes in circulation	1352.3	1446.8
Notes in banking department	48.1	53.6
Government debt and securities*	1396.7	1496.8
Other securities	0.8	0.7
Gold and coin	2.9	2.9
Valued at s. per fine oz.	248/0	248/0
Banking Dept.—		
Deposits—		
Public Accounts	18.3	18.9
Treasury Special Account	1.1	24.2
Bankers	297.2	276.9
Others	94.8	65.3
Total	411.8	385.3
Securities—		
Government	336.1	317.7
Discounts, etc.	21.3	15.0
Other	23.7	16.0
Total	381.1	348.7
Banking dept. reserve	48.9	55.1
%	%	%
" Proportion "	11.8	14.3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,550 million to £1,500 million on August 27, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows—

	SILVER	GOLD
1952		
Sept. 25	d. c. Rs. a.	Rs. a.
" 26	73-0 83-25 159 0	90 0
" 27	73-0 83-25 158 11	89 2
" 28	73-0 83-25 158 7	89 2
" 29	73-0 83-25 159 14	89 10
" 30	73-0 83-25 160 2	89 14
Oct. 1	73-0 83-25 160 8	90 4

COMPANY MEETINGS

GEORGE COHEN, SONS & CO.

(Engineers and Iron, Metal and Machinery Merchants)

RECORD TRADING RESULTS

INIQUITOUS EXCESS PROFITS LEVY

LARGE AND IMPORTANT CONTRACTS IN HAND

MR CYRIL COHEN ON THE GROUP'S STRENGTH

The twenty-eighth annual general meeting of George Cohen, Sons & Company, Limited, was held on September 25th at Grosvenor House, Park Lane, London, W.

Mr Cyril M. Cohen, chairman and managing director, presided.

The secretary, Mr N. G. Paul Boswood, read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:

It gives me special pleasure to submit the directors' report and statement of accounts for the year ended March 31, 1952, supported by our usual explanatory charts and summaries.

RECORD COMBINED PROFITS

You will, I am sure, wish to join with me in paying a well-merited tribute to the skill, enterprise and loyalty of the managements, staffs and workpeople of your Group and to compliment them upon handling a record volume of business to such good purpose. Turnover at £14,800,000 was some £3 million greater than that of last year, while profit at £1,826,000 was the highest in the long history of this undertaking. Although the team were assisted by certain favourable influences, the outcome reflects the greatest credit on their efforts.

MACHINERY MERCHANTING

One of these helpful factors was the upsurge of activity in the engineering and allied industries with which we are closely linked. The beneficial effect was most marked in our machinery merchanting business.

You will recall that in my statement in 1950 I explained that the trading of this division was inevitably subject to fluctuations, and that a single year was really too short a period to provide a true criterion. In the year I was then discussing, opportunities were relatively few and the financial reward was meagre. The business climate in the twelve months at present under review was, as we had largely foreseen, more propitious, and it found us well equipped to reap the benefits.

We claim with pride that our machinery business is unique in its breadth and in the service it provides. Our specialists maintain the closest contact with industry and our goodwill is such that most sizeable undertakings invite us, as a matter of course, to tender whenever they have worthwhile plant for disposal. We rebuild plant to a standard which has an unexcelled reputation throughout the world and are able to supply, either from stock or within a short space of time, almost any normal item of machinery. When a manufacturer is modernising his equipment or extending his capacity we can generally meet all his needs promptly, thereby saving him money, time and effort.

Our hire fleet of contractors' plant, which is the largest and most comprehensive in

the country, continues to prove invaluable to users big and small. It constitutes a vast reservoir from which they can always draw, whether they wish to supplement their existing resources temporarily or require plant for such a period that hiring is clearly their soundest policy. They hire from us with complete confidence because of the all-round excellence of our service. Where applicable, we provide expert operators who are backed by an ample staff of mobile field engineers; and our machines are not merely up to date but are maintained at the highest pitch of efficiency.

Last year I referred to contracts which we had placed for the supply of Continental machines tools to the Ministry of Supply for the defence programme. Machines flowed in steadily and deliveries will rise to a peak during the current year.

DISMANTLING, SCRAP AND STEEL

The award to the parent company of the contracts for dismantling the Skylon, the Dome of Discovery and a dozen other buildings at the South Bank Festival Site, has turned the spotlight on one of our activities which has only received brief mention in my previous reviews.

Most of these structures were unsuitable for re-erection and whilst no doubt they will be missed as familiar landmarks, you will be glad to hear that much valuable material has been salvaged for the defence effort.

Other work which we are tackling includes the demolition of many obsolete motor-buses, trolleybuses, railway coaches, bridges, gas-works, mining and generating plants, and the last of London's trams.

Our endeavours, not only at home but in many remote lands, to increase the flow of scrap to the consuming works in this country have been unremitting and, as you would expect, your company continues to play a leading part in the national scrap drive which is showing encouraging results.

Our stocks of secondhand re-usable steel in all forms amount at any one time to a large figure and that applies also to stocks of new steel sections, etc., and steel in course of fabrication. Although it is difficult to establish within fine limits the fortuitous profit accruing to the Group from sales at the higher steel prices which were authorised, we estimate this was of the order of £100,000. It should be noted that we stand to lose pro rata should authorised prices be lowered.

I am glad to be able to report, however, that excluding the abnormal accretion to which I have just referred, the Raw Materials Division of the parent company and the three wholly-owned scrap subsidiaries—which are similarly engaged on the recovery and sale of iron and steel scrap, non-ferrous metals and reusable material—all show a considerable rise in profits.

I should mention that although the flow of iron and steel in the form of scrap through our depots is very great, our stocks of scrap for processing were relatively so small that

the permitted increases in scrap prices brought, of themselves, only insignificant profits.

MANUFACTURING PLANTS

At Letchworth, K. and L. Steelfounders and Engineers, Limited, achieved a record output in both their foundry and their engineering shops. Large contracts have been placed with this company for alloy steel castings for fighting vehicles and, to date, they have been able to meet their delivery commitments without detriment to the production of industrial steel castings.

In the engineering shops, in spite of shortages of supplies of many kinds, the use of alternative materials and processes enabled them to augment the volume of Jones K.L. Mobile Cranes manufactured. All this increase went to export markets, and it is noteworthy that cranes were delivered to no less than thirty-one countries. In order to safeguard supplies of steel for the current year, as far as possible, the company has agreed that its total crane output will either be sent overseas, sold to the Ministry of Supply, or otherwise used in connection with defence contracts. In this time of national stringency I am sure our many home customers will bear with us if deliveries to them are more protracted than they, and we, would wish.

Our extensions and improvements to the productive capacity of the Letchworth Works continued and the volume of output in the foundry division was 24 per cent higher than in the previous year. As a result of development over the last five years, the tonnage output has actually been doubled, and this in the face of ever-mounting shortages and complexities. Within the next two years we hope to complete a heavy programme of extension to the foundry, thus further increasing the volume and widening the range of our products. During the last five years, we estimate—taking into account the various models which we manufacture—that our crane output has increased by more than 50 per cent.

Within the limits set by the steel supply position, T. C. Jones and Company, Limited, continued to flourish and achieved a praiseworthy increase in profits. Both the London and South Wales works further enhanced their already high reputation and many unsought tributes were paid to the excellent quality of the company's workmanship and the punctuality with which it carried out its contracts. It has a very full book of orders for the fabrication of steelwork needed for the construction of factories, power and gas undertakings, oil refineries and chemical plants, steelworks' development schemes, television studios, schools, housing, etc. In most cases these orders embrace the erection of the steelwork.

Additionally, T. C. Jones and Company, Limited, have been entrusted with the execution of an important military

APPROPRIATIONS

Although several important contracts were received and executed for structures made on the company's unique Frameweld system, expansion in this sphere was restricted—I hope temporarily—by an inadequacy of steel for making the necessary components. For the same reason, the manufacture of Framemesh and steel reinforcement generally was also retarded.

New London Electron Works, Limited, once again enlarged its output of Iron Powders for the parent company. Further research and development in this promising new industry is in hand to meet the ever-growing demand. We are hopeful that the added profit from this activity will counteract the diminution in earnings from the company's detinning operations. These have been affected by increases in costs of materials and labour, together with decreases in the value of tin recovered.

A NEW SUBSIDIARY COMPANY

You may have seen in your newspapers that since the last Annual General Meeting we have formed a new subsidiary company—Western Metallurgical Industries, Limited.

Years ago, smelting works situated in South Wales discarded great quantities of retort residues from distillation furnaces because at that time the value of their metal content was not high enough to permit of economic recovery. Nowadays, owing to big advances in metallurgical technique and to the increased prices of metals, these residues can be re-treated on a profitable basis.

A plant with a treatment capacity of 4,500 tons of tin slags per annum is already in production at Neath. Another which is in course of erection at Morriston has been designed to handle 75,000 tons of zinc and other residues each year, and ample supplies have been assured by the acquisition of substantial dumps in the immediate locality.

The amount of £21,700 provided in the accounts of the parent company represents the loss on this company's preliminary operations during the development period. It is, of course, too early to forecast the outcome of this new venture, but I look to it to make a useful contribution to the Group's prosperity over a number of years.

I have appointed Mr Alan S. Gill, ARSM, AMIMM, managing director. He is a special director of the parent company and has been one of our executives for over 30 years. He and his brother, Mr Donald Gill, ARSM, MIMM—an eminent mining consultant—have taken a leading part in developing this company, and they, with members of their family, have a minority shareholding in it.

SALE OF BROWETT LINDLEY BUSINESS

For some time past your directors have been giving careful thought to the position of Browett Lindley, Limited, which company operates within our Letchworth works. Its steam engines and compressors have enjoyed world-wide reputation for over 60 years, but they compete domestically for labour and space with our mobile crane manufacture.

It has been decided that the best long-term interests of the Group will be served by devoting the productive facilities of Browett Lindley, Limited, to the expansion of mobile crane output. Mutually satisfactory arrangements have been entered into with Alley and MacLellan, Limited, a fully owned subsidiary of Glenfield and Kennedy, Limited, for their acquisition of the Browett Lindley business and certain related assets. The change will be effected progressively and in such a way as to cause the minimum of inconvenience to users and customers.

The combined profits of the Group attributable to the members of the holding company, amounted to £1,799,418, and, after deducting taxation totalling £1,095,400, there is left £704,018. Having taken into account all the relevant factors, your Board is satisfied that an increase of 3 per cent in the Ordinary dividend is fully justified. It is therefore recommending a final payment of 18 per cent, making 26 per cent in all for the year—which I might mention is equivalent to 5.13 per cent on the total capital invested by Ordinary stockholders. The net cost of this dividend and of the Preference dividend totals £117,338, leaving retained profits of £586,681. In subsidiary companies' accounts we have transferred £220,000 to their general reserves and have carried forward £109,303. We have also transferred £250,000 to general reserve in the parent company's accounts, carrying forward £7,377. The top summary on page 11 of the present report shows that these funds have been required in the business while the lower summary shows, *inter alia*, the manner in which profits ploughed back have been employed since this company was made public.

It is clear that during these five years a wisely balanced dividend policy has been maintained. Distributions have not been allowed to outweigh the need for preserving the Group's assets intact and for financing the current level of activity. Whilst stockholders have received net £518,000, as much as £1,200,000 of taxed profits have been retained for essential reinvestment in the business.

EXCESS PROFITS LEVY

It will be noted that in this same period of five years the state has exacted from us no less than £2,662,000 in income tax, profits tax and the proportion of EPL chargeable on the last quarter's profits of the financial year under review. These amount to more than twice the sum which, by the exercise of the most rigid economy, we have been able to reinvest, and to more than five times the sum which has been paid out to stockholders.

From now onwards we must bear the brunt of this iniquitous levy in full. You will have seen from our preliminary announcement that the Group's standard is approximately £1 million for the current year. Whilst we are relieved at the concessions made during the passage of the Bill through the House, we still condemn this tax as a thoroughly bad one which stifles enterprise, discourages thrift and is unfair in impact.

Surely the future prosperity of this island continues to be dependent in no small degree on the willingness of its industrialists to take sensible risks and, to warrant their so doing, it is indispensable that the margin between the rewards of success and the penalties of failure should not be narrowed but made more attractive.

THE PROFIT MOTIVE

In some political quarters it has long been the fashion to decry profits. For our part we are in no way ashamed of earning profits. Indeed, subject to the just and considerate treatment of staff and workpeople and to our giving full satisfaction to customers, we have firm faith in the profit motive as being the best spur to individual, industrial and national progress.

We are proud that in five years, largely out of profits and despite excessive taxation, we ourselves have been able to renew, improve and extend our productive facilities at a total cost of £1,627,000; to strengthen our leading position in the industries in which we are engaged; to build up a financial structure capable of supporting a turnover of nearly £15 millions; and to ensure regular employ-

ment with good pay and working conditions for our thousands of employees.

PROPOSED CAPITALISATION OF RESERVES

The net worth of your Group now stands at £4,731,000, of which £1,688,000 is applicable to Preference stockholders. The stake of the Ordinary stockholders is consequently £3,043,000, and this compares with its so-called "nominal" value of £600,000. It follows that for every £5 which the Ordinary stockholders have in the Group, they hold stock that only carries a "nominal" value of £1. It is apparent, therefore, that the "nominal" value of our stock is misleading and in order to bring the relationship more into line with reality and at the same time to strengthen the capital structure, we recommend the capitalisation of £900,000 Group reserves. As a preliminary step we shall shortly be applying to the Capital Issues Committee for their consent to this process.

This capitalisation would bring the "nominal" value of the ordinary stock to £1,500,000. The effect would be to freeze, for all time, part of the money already invested by stockholders in the form of retained profits by converting it into permanent capital. Thereafter, each £2 invested would be represented by stock bearing a "nominal" value of £1.

I should say at this juncture that, although the crushing burden of taxation, coupled with rising costs, has thrown a tremendous strain on the Group's financial resources, the proposal outlined above should not be interpreted as foreshadowing a further issue of stock for cash. Moreover, it would not be the intention of the Board to recommend any further increase in the dividend purely as a result of this operation.

OUTLOOK

The figures available to us relating to the current year's trading are encouraging and disclose a healthy state of affairs. Profits, so far, are accruing at what we regard as a satisfactory rate. We have large and important contracts in hand and order books at our main manufacturing plants are at their highest levels.

However, it will have been gathered from this review that last year's results were exceptional and that another record profit cannot be expected in the current year. Against the favourable factors must be set the continuing tendency of costs to rise and a distinct falling off in the demand for certain types of machinery. As is becoming well known, export difficulties are increasing, due not only to import and currency restrictions in important world markets, but also to vigorous and growing attacks on them by foreign manufacturers.

Nevertheless, our connections overseas are ever widening. Several of our directors and executives have travelled to many parts of the globe doing business, instructing our agents and discovering new sources of supply as well as new markets. These journeys have enabled them profitably to exchange with foreign industrialists views and ideas on many problems, both technical and commercial, which have a direct bearing on the activities of the Group.

Notwithstanding the mounting difficulties surrounding us, our confidence in the carefully nurtured strength of your Group remains firm. Subject to the absence of any major upheaval in the interim, I venture to think that when I next present my statement there will be no cause for displeasure with the account I shall have to give you.

The report and accounts were adopted and a special resolution altering the Articles of Association concerning directors' fees was passed.

JOHN BROWN AND COMPANY, LIMITED

(Shipbuilders and Engineers)

TWO-FOLD POLICY OF DEVELOPMENT

LORD ABERCONWAY ON EXPANSION OF OVERSEAS INTERESTS

The eighty-eighth annual general meeting of John Brown and Company, Limited, was held on September 26th, at 4, The Sanctuary, Westminster, London, S.W.

The Right Hon Lord Aberconway, CBE, LLD, DSC, the chairman, who presided, in the course of his speech, said:

As you know, the late Government, by the policy of nationalisation, deprived us of our steel works where we made alloy steel as fine as any in the world. Since then we have accordingly busied ourselves in other engineering interests, first and foremost, of course, in shipbuilding. We have made substantial further capital expenditure at Clydebank during the year of £390,000, mainly covering further modernisation of our shipyard and engine works.

SHIPBUILDING.—Our shipbuilding yard and engine works at Clydebank are fully employed, with a substantial forward order book covering ships of the highest class in the field of passenger liners, cargo ships, refrigerated vessels and large tankers. Unfortunately steel supplies have not kept pace with our requirements and at a time when we must do our utmost to ensure timely deliveries to our clients it is of the greatest importance that we should receive supplies of steel suitable, both in quantity and form, to our construction work.

In addition to naval and merchant marine work, the engine shops at Clydebank are engaged in building large water turbines for use by the North of Scotland Hydro-Electric Board and for the Owen Falls development scheme in Uganda. Development work on gas turbines continues.

We have now occupied the works erected at Whitecrook. The principal output will be fabricated work for use in our land boiler division, now engaged on a number of important contracts for the British Electricity Authority.

INVESTMENTS: A SUBSTANTIAL CHANGE

You will see from the accounts that there has been a substantial change in the nature of our investments. The book value of our holdings in Government securities is £2,070,000 less than it was a year ago. For £2,070,000 less than it was a year ago, we received our interests in the steel industry we received in British Iron and Steel stock £5,596,810. At March 31st we held in that stock £1,173,817—a reduction of £4,423,000. Of this difference £423,000 was applied towards the redemption of our outstanding 3½ per cent debenture stock. £500,000 was used in part payment for the purchase, from Thos. Firth and John Brown, Limited, of the ordinary share capital of Firth Brown Tools, Limited, and £2 million was converted into shorter-dated securities. The balance was realised to provide for the capital expenditure of the company and for the expansion of our subsidiary and associated companies.

We have increased our investments in subsidiary companies by £636,000, upwards of half of which has been derived from the capitalisation of the reserves of Wickman, Limited. Trade investments and loans have increased by £691,150, of which £280,000 represents our investment in the ordinary shares of Rhodesian Alloys, Limited. Loans and current accounts of subsidiary companies have increased by £929,724; about half of this sum covers the very large increase in stocks and work-in-progress of Firth Brown

Tools, Limited. Their principal raw material, high-speed steel, has risen greatly in consequence of the rapid rise in the world price of wolfram.

ENGINEERING INTERESTS

WICKMAN LIMITED, in its specialised field of multi-spindled automatic manufacture, occupies a leading position.

Our recent acquisition of the ordinary share capital of the well-known firm of Webster and Bennett, Limited, enables us to cover an additional field of machine tool design and manufacture.

WESTLAND AIRCRAFT, LIMITED, in which we are substantial shareholders, has the "Wyvern" gas turbine engine fighter striker in production for the Royal Navy and, as Europe's largest helicopter factory, has an important output of the S.51. This is in service with the Royal Navy as the "Dragonfly" and is exported to many parts of the world. Most recently the ten- to twelve-seater S.55 is being produced.

Westland's subsidiary, Normalair, has continued to develop, and its equipment is incorporated in all current and new British high flying aircraft.

COSTAIN-JOHN BROWN, LIMITED, having completed its work at Grangemouth, is now engaged in the construction of a large refinery at Isle of Grain, and has in hand or is negotiating important work in Iraq and in Australia.

CRAVENS RAILWAY CARRIAGE AND WAGON COMPANY, LIMITED. While inquiries for rolling stock for the export market are still very good, Continental competition is becoming keen both in price and delivery, which can only be met by a stabilisation of labour rates and an adequate supply of raw materials respectively.

MARKHAM AND COMPANY, LIMITED. During the year two large electric winders at Mansfield Colliery have been completed and commissioned for the Coal Board, and a small winder has been erected and commissioned at Dalkeith.

We have continued to finish a substantial amount of hydro electric equipment for Bovings, all of which is for export. Erection has proceeded steadily on the two large Spanish power stations, and the first of these turbines has been started up.

We delivered a complete cement kiln for F. L. Smidth for this country.

Replacement of the plant generally at Markham and Company's works has proceeded steadily throughout the period.

The preliminary plans are in hand for further development and rearrangement of some of the factory buildings, to enable us to make more expeditious deliveries.

FIRTH BROWN TOOLS, LIMITED, had a successful year as a result of very active trading conditions and achieved a substantial export turnover. Unfortunately, as a result of control by overseas governments, these export markets have become much more restricted. This company, however, continues its policy of maintaining its manufacturing equipment at the highest level of efficiency and expended £129,438 on capital account during the year.

WINDPOWER. Great interest is being taken in our experiments in the design and

building, for research purposes, of a wind-driven generator in Orkney for the North of Scotland Hydro-Electric Board.

OVERSEAS

In addition to our activities at home we have greatly expanded our overseas interests. In Southern Rhodesia the works of Rhodesian Alloys, Limited, are now almost complete and production of Ferro-Chrome is expected to commence early next year. We have an interest in the engineering concern of F. Issels and Son, Limited, in Southern Rhodesia, which is well equipped to take its full part in the development of mining and industrial activities in the Rhodesias and East Africa.

In Canada, Firth Brown Steels, Limited, has built a more commodious warehouse in Montreal from which it continues to render a great service to Canadian industry as the principal stockist and distributor of stainless and special steels. A substantial proportion of the materials this company handles comes, of course, from Great Britain, and contributes notably to our export trade. The Canadian subsidiary of Firth Brown Tools, Limited, has had a successful year and is building a new works in which orderly expansion of its business can take place.

Wickman Limited, has recently established a subsidiary company in Australia where a number of machine tools manufactured and supplied by Wickman Limited, can be serviced and maintained. The business of our Indian distributors is in course of transfer to us, and some two years ago a subsidiary company was established in South Africa to carry out developments principally in the manufacture of hard metal tools. This new company has made substantial progress and is operating on a sound financial basis.

DEVELOPMENT POLICY

This brief review of our present structure will show you that in the field of engineering we are pursuing a two-fold policy of development. On the one hand we have established businesses such as those carried on at Clydebank, Cravens Railway Carriage and Wagon Works of Sheffield, and Markham and Company, Limited, of Chesterfield. On the other hand, we are developing in new pioneer fields, such as the larger helicopters, internal combustion turbines for land power and, possibly later, for marine work, and we have entered the field of power generation at the large thermal generating stations. In all these activities we have one aim in view, namely, that every product of the Company and of its subsidiary and associated companies should be the best possible of its kind; that the equipment with which our employees are called upon to work should enable the work to be done with accuracy and economy so that in established fields we shall be competitively strong and in the new fields we shall be leaders in development and enterprise.

I am glad to say that Mr Rawson, who was seconded to the Ministry of Supply as Director-General of Machine Tools, has now largely completed his task and is again able to devote the majority of his time to our Company's affairs.

The report and accounts were adopted.

THE PALESTINE ELECTRIC CORPORATION

VISCOUNT SAMUEL ON THE POSITION

The twenty-ninth ordinary general meeting of The Palestine Electric Corporation, Limited, was held on September 30th, in London, the Rt Hon Viscount Samuel, PC, GCB, GBE (the chairman), presiding.

The following is an extract from his circulated statement:

The enormous increase of population and the great industrial and agricultural expansion in Israel have been reflected in the demand for electricity, which showed a steep increase.

Despite severe operational difficulties last year, the number of units sold (532 million kWh) exceeded the number sold in 1950 (443 million kWh) by 20 per cent. The gross revenue also increased by about 20 per cent, from £4,833,000 in 1950 to £5,768,000 in 1951. The operating costs were some 33 per cent higher than in the previous year.

Revised electricity rates, adjusted to compensate for the increased operating costs, and approved by the Government, came into force only in October, 1951—too late to retrieve the operating losses incurred earlier in the year. As a result, the operating surplus was £707,941, that is £303,032 less.

Together with the balance of £323,447 brought forward from last year's accounts (1950—£288,519), and deducting dividends already paid on the preference and second preference stock, less income tax, there is available a total of £525,708. Having regard to the steep rise in operating costs, not accompanied by a proportionate increase in electricity tariffs, conditions which have been intensified in the present year, together with the necessity for conserving cash resources for capital expenditure, the directors are unable to recommend the payment of a dividend on the ordinary stock and shares and "A" ordinary stock, and propose that £525,708 be carried forward.

The increasing demand for electricity in Israel necessitates further large extension of the Corporation's generating capacity and distribution network in the near future. The shortage of foreign currency from which Israel is at present suffering, coupled with severe financial restrictions in this country and the difficulties of the general economic situation, have created conditions unfavourable to the raising of capital at the present time. In January of this year a delegation, consisting of four members of your board of directors, including myself, initiated discussions in this connection with the Government in Israel. After these preliminary talks, the managing director and I visited the United States, where we examined the possibilities and terms of obtaining capital. The negotiations with the Israel Government have since been resumed, and you will be informed of their progress in due course.

EFFECT OF NEW ECONOMIC POLICY

In order to curb the inflationary process and to consolidate the economic development of the country, the new economic policy was introduced in February last. A system of triple rates of exchange was introduced, with the rate generally applicable being £2.8 to £1 sterling. The effect of this on the operations of the Corporation has been immediate and far-reaching, necessitating, *inter alia*, very considerable increases in electricity tariffs. The Israel Government has approved an increase in the rates, which came into force at the end of June. Your directors, however, consider this increase to be inadequate, and the position will shortly be reviewed.

The report was adopted.

CALCUTTA TRAMWAYS COMPANY, LIMITED

LARGER RECEIPTS

The annual general meeting of this company was held on September 30th in London, Mr D. E. Webb, FCA, the chairman, in the course of his speech, said: In 1951 we had a year almost free from political and labour unrest, and your undertaking was able to function normally with the satisfactory results shown in the accounts we present to you today. Those accounts have been drawn up for the first time in accordance with the agreement dated August 30, 1951, between the Governor of the State of West Bengal and the Company. Traffic receipts have increased during the year by £178,000 to a total of £1,764,183. At the same time, expenditure has increased by £106,000. Part of these increases in both receipts and expenses has been due to the fact that we have had in service during the year 30 new English Electric articulated cars. It is satisfactory, however, that we have been more than able to keep pace with rising costs without having recourse to increasing our fares.

An interim dividend of 2½ per cent free of tax was paid on April 18, 1952, and it is proposed to pay a final of 3½ per cent free of tax, making a total of 6 per cent free of tax for the year.

In the current year, receipts have continued to increase; additional costs, however, are now absorbing the greater part of such increase. This is mainly due to an award by an Arbitration Tribunal in November last year under which the cost-of-living allowance of all our employees was considerably increased.

Whilst the company welcomes such awards, when they are justified, the employees themselves must realise that when unjustified claims are put forward, often Communist inspired, by persons not even employed by the company, then they can only injure the company and, in turn, the employees themselves. It is our intention to give employment to an increasing number of men on fair terms. That is not possible where irresponsible elements make unjustified demands in order to stir up discontent to suit their own ends.

1 MILLION PASSENGERS A DAY

We are carrying more than a million passengers a day. This is a very great tribute, not only to the low fares charged and the attractiveness of our rolling stock, but also, and in great part, to the hard work of our employees. They have given our company first-class service during the past year, with the result that not only have their own wages been increased, but this has been achieved without any increase to fares. More than 75 per cent of our fleet is now composed of articulated cars and streamlined trains of modern design, and we feel that they will bear comparison with any in the world.

We, as a company, have paid a higher rate of income-tax over the past few years than most British companies, owing to the inability of the United Kingdom Government to come to a double taxation relief agreement with the Government of India. This continual drain on the resources of industry of funds which should be available for its re-equipment would be less disturbing if those funds were being used by the Government to replace the capital assets lost by the country during the war. One is left wondering when the British Government will realise that this country cannot afford to finance the bloated revenue expenditure of today with the resources which should be earmarked for its future capital investment.

The report was adopted.

BRITISH HOMOPHONE COMPANY, LIMITED

DIFFICULT TRADING CONDITIONS

The annual general meeting of The British Homophone Company, Limited, was held on September 30th in London, Mr J. Lesser, chairman and managing director, presiding.

The chairman, in the course of his speech, said: The profit of the group for the year under review was £42,168 before taxation, compared with £29,497 for the previous year. The profit after taxation was £17,078, as compared with the previous year's figure of £12,574. The profits of the British Homophone Company itself were slightly lower. Ebonestos Industries, Limited, shows a substantial increase in profits.

At last year's meeting I informed you that the trading position was being maintained for the first six months of the year under review. I added, "Provided that industry in general does not suffer one of the major crises that occur too often in these abnormal days, we have every reason to be confident that in the second six months of the current year this improvement should persist." Although the industry did not experience a major crisis, a recession did take place in the latter part of the second six months. Nevertheless, as can be seen from the profit figures, my favourable forecast was justified.

With regard to the period from April 1, 1952, to date, shareholders no doubt have also learnt of the recession I referred to previously. This trading condition has persisted and is having its effect on your plastics subsidiary, Ebonestos Industries, Limited. The volume of business available generally has decreased and keener competition for work has resulted. Orders arising from the rearmament programme have not taken up anything like the "slack."

The report was adopted.

NORTH KALGURLI (1912), LIMITED

NEW SHAFT IN COMMISSION

The annual general meeting of this company was held on October 1st in London.

Mr C. T. Ley (the chairman), in the course of his speech, said: The proceeds of ore treated are some £5,000 more than the previous year, but to arrive at this result the cost has been some £95,000 greater, almost as much as the entire capital of the company.

It will have become evident to you that some reduction in the dividend was inevitable. We are proposing to recommend a final dividend of 9d. per share, less tax, making with the interim dividend paid in May 1s. 3d. per share, less tax, for the year, against 2s., less tax, previously.

Provided wages are not unduly advanced and that we continue to derive benefit from the premium sale of our gold, I see no reason why the present year should not provide results as good as, or even better than, the year now under review.

It has been necessary to reduce the amount of our ore reserves by 131,779 tons. Increased operating costs bring this amount of tonnage below the margin of payability. This is one more evil effect which inflation is having on Australian economy. Our total ore reserves are now estimated at 2,183,162 tons of an average of 5.62 dwt against 2,314,941 tons averaging 5.53 dwt in 1950.

The new shaft has been completed and has been in commission since August 1st. Recent operations have been mainly centred round the new shaft. As an engineering feat it is a splendid piece of work.

The report and accounts were adopted.

GENERAL ELECTRIC COMPANY, LIMITED

LARGER TURNOVER AND PROFIT

The fifty-second annual general meeting of this company was held on September 25th in London.

Sir Harry Railing, chairman and joint managing director, in the course of his speech, said: We have achieved a further moderate increase in our net profit. This result is due to an increase both in the volume and the value of our turnover, following similar increases during the last two years. The majority of our establishments have contributed to this new record in spite of the difficulties of obtaining skilled labour and raw materials. We feel that the increase in turnover should have entitled us to a greater reward in increased net profit, but this was made impossible because the higher labour rates agreed by the engineering industry and the further increase in taxation imposed upon us could not be recovered from our customers.

PROFITS AND DIVIDEND

After allowing £1,093,000 for depreciation—£54,000 more than last year—and other provisions, we show a profit of £6,604,000 before taxation. Taxation absorbs £4,455,000, including £200,000 for excess profits levy in respect of the three months to March 31, 1952. Should the profits for the current year remain the same, the charge for excess profits levy for the full year will be approximately £250,000. During the last five years taxation has withdrawn £16 million from your company's capital, whilst the net dividends paid to the stockholders amount to £3,250,000.

An interim dividend of 7½ per cent has been paid. With the proposed final dividend of 15 per cent, the total distribution amounts to 22½ per cent, the same as paid last year. The proposed final dividend, however, is payable on the increased capital.

We have been giving considerable study to our future capital requirements. They must depend mainly on the success, or otherwise, of the Government's anti-inflationary measures, and on the future demands which will be made on the electrical industry.

Unfortunately, the recession in the demand for our consumer goods has continued into the current year; its effect is enhanced by purchase tax and hire purchase restrictions in the home market, and by import restrictions imposed by overseas countries. This has naturally led to some accumulation of stock in the departments concerned.

BONUS SHARE ISSUE

It is not therefore easy at this juncture to decide what further capital will be permanently required. As a first step, we have thought it wise to put our capital structure in order, so as to bring it more into line with the actual capital employed in our business. You have already been informed that we propose to capitalise some £5,877,000 out of the £7 million now standing to the credit of share premium account and apply it as a bonus issue, share for share, to the ordinary stockholders.

A corresponding increase in our authorised capital has to take place, and we thought it wise at the same time to provide ourselves with a reservoir of additional ordinary shares to be available for further finance as and when required. We are therefore proposing to increase the authorised capital by the creation of 12 million ordinary shares of £1 each.

The report was adopted and the board's capital proposals were approved.

PARKLAND MANUFACTURING COMPANY, LIMITED

CURRENT TURNOVER WELL MAINTAINED

The forty-ninth annual general meeting of Parkland Manufacturing Company, Limited, was held on October 2nd in Bradford, Mr George F. Hanson (the chairman) presiding.

The following is an extract from his circulated statement:

The period under review has been one of the most difficult years in the history of the wool textile industry, the price of wool falling by over 60 per cent during the year. This gave rise to many difficulties which tended to be more severe in the manufacturing section of the industry in which your group of companies is principally engaged.

Your directors are very pleased to be able to report that, after making full provision for all losses caused by this very severe fall in wool values out of trading profits for the year without any recourse to reserves, there are still sufficient profits to cover the preference dividend and to maintain the ordinary dividend at the same rate as for the previous year with a small increase in the balance we carry forward to the next accounts.

The profits of the Parkland Manufacturing Company, Limited, after charging taxation, amount to £48,992 for the year to February 29, 1952, against £168,223 for the previous year. For the group, the profits, after taxation, are £99,302, against £297,305.

The reduction in the profits has been entirely due to the difficulties I have mentioned as a result of the very serious recession in wool prices with all the attendant difficulties of decreased demand and general loss of confidence by the public.

RESERVES INTACT

A year ago the reserves totalled just short of £900,000 and they included a reserve for contingencies of £188,000, as well as a general reserve of £250,846. It is a pleasure to all your directors to be able to present the figures this year showing that these reserves are still intact after such a difficult year.

Although there is no further transfer to these reserves, the profit and loss account balance is rather more and thus the total of the reserves is now just over £945,000.

As we have had no need to call upon our reserves to deal with the abnormal difficulties encountered during the year, and as our profits are sufficient to cover dividends at the same rates as we paid last year, the directors have no hesitation in recommending a final dividend on the ordinary shares of 20 per cent, less tax, which, with the interim dividend of 5 per cent already paid, will again make 25 per cent, absorbing £34,650 for the year.

OUTLOOK

In recent weeks there has been a gratifying increase in the orders received from our customers, and our turnover has been well maintained during the six months since the date of the accounts. Your directors see no reason why this should not continue; but it should be understood, however, that with rebuilt and revived textile industries in Europe and Japan, world machinery capacity has expanded very considerably in relation to world demand, and the exceptionally favourable conditions and profits of the immediate postwar years can no longer be expected in the future.

Your directors welcome keen competition because it is a field in which efficient production comes into its own, and they are confident that your companies will continue to secure a good share of available business at a reasonable profit.

The report was adopted.

COAST LINES, LIMITED

LARGER PROFIT

The thirty-ninth annual general meeting of Coast Lines, Limited, was held on September 30th in London, Capt. A. R. S. Nutting, OBE, MC, chairman, presiding.

The following is an extract from his circulated statement for 1951:

In my review of the 1950 accounts I stated that our trading profits for the months of the year 1951 which had elapsed since the closing of the accounts encouraged the hope that the improvement in 1950 would be maintained. I am very glad to report that the improvement has been more than maintained. The trading profit for the year 1951 is £1,364,637, which is an increase of £335,702 on the level attained in the previous year. Voyage earnings on the whole show a substantial improvement, but expenses continued to rise throughout the year, particularly oil fuel and repairs.

The final dividend we recommend on the ordinary stock is 4 per cent, making, with the interim dividend, 6½ per cent for the year. The rate of dividend on the ordinary stock which has been paid annually for the last seven years is 5 per cent.

The year 1952 opened well, but it soon became apparent that the limitation of imports, the diversion of materials to the rearmament programme and the recession in trade would have their effect on our freight carryings. Reductions have occurred during the last few months, but to some extent they have been offset by a rearrangement of sailing schedules and in other ways. The passenger carryings and advance bookings so far this year have been encouraging.

The report and accounts were adopted.

SCRIBBANS-KEMP

DIFFICULT TRADING CONDITIONS

The twenty-fifth annual general meeting of Scribbans-Kemp, Limited, was held on October 2nd in London. Mr H. Oliver-King (chairman and managing director) presided.

The following is an extract from his circulated statement:

The profit, before deducting £828,873 for taxation, amounts to £1,378,222, as against £1,394,704 last year, a result not unsatisfactory in view of the complex conditions operating in the food trades of this country.

The various costs incurred in operating our various businesses continued to rise sharply, particularly in regard to packaging and transport, both of which caused us some considerable anxiety; but these difficulties were overshadowed when, due to economic conditions, most of the food industries were faced by a severe reduction in fats and sugar.

It is common knowledge that in a number of food industries the shortages of fats and oils and sugars had been made up by various imported materials from all over the globe, and it was an additional blow when, in November, these imports also were severely cut. Whilst the turnover of the group is some 20 per cent over the year ended March, 1951, the net profit is about 1 per cent down.

Whilst in the year under review the group has made a reasonably good showing as regards profit, it must be expected that with the very large cuts in raw materials, some fall in turnover is likely, which will have its inevitable effect on profit.

The report was adopted, and a total distribution of 8 per cent by dividend and a special bonus of 2 per cent were approved.

INTERNATIONAL DIATOMITE

CONTINUED PROGRESS

The seventeenth annual general meeting of International Diatomite Company Limited was held on October 2nd at Winchester House, E.C.2, the chairman, Mr E. W. D. Tennant, OBE, presiding.

The secretary (Mr Jesse Wood) read the notice convening the meeting and the report of the auditors was read by Mr H. J. Binder.

The following is the chairman's statement, which was circulated with the accounts for the year ended June 30, 1952:

"I am pleased to be able to report once again that the group has had a very satisfactory year; your operating subsidiary company has maintained the maximum possible output and the new production unit to which I referred last year has proved to be so efficient that we have now commenced to erect a further unit which, when completed, should add still further to the Company's strength.

With a satisfactory order book and our plant in first-class condition, I think I am safe in forecasting another successful year's trading for 1952-53, subject, of course, to the international situation or other factors outside our control.

For a considerable time your directors have felt that both the issued capital and the book value of the fixed assets of Moler Products Limited bore no relation to the true facts. While to some extent this is caused by the postwar inflation of values, it should not be overlooked that in 1935 a drastic reduction of capital took place when no less than £160,000 was written off the value of the fixed assets.

In these circumstances the directors felt justified in arranging for an independent valuation of the land, buildings, plant, etc., of Moler Products Limited and, as stated in the directors' report, this valuation has been incorporated in the balance sheet at June 30, 1952. It is for this reason that the consolidated accounts of Moler Products

Limited and its Danish subsidiary have been published instead of the consolidated accounts of the group as heretofore.

CAPITALISATION OF RESERVES

You will observe that, as a result of this revaluation, a surplus of £133,556 has been added to the capital reserve, which now stands at £170,000. Application has been made to the Capital Issues Committee to allow us to capitalise £120,000 of this reserve, and thereby to double the share capital of Moler Products Limited. If this is granted, the share capital of Moler Products Limited will become £240,000, divided into 1,200,000 4s. shares, as compared with the share capital of International Diatomite Company Limited of £150,000, divided into 600,000 shares of 5s. each.

As is shown by the balance sheet of International Diatomite Company Limited, its only asset is the whole of the share capital of Moler Products Limited, and your directors can now see no likelihood of any future developments in which Moler Products Limited will not be intimately concerned. Moler Products Limited has been known for 25 years as a producer of high quality heat insulation materials, and the goodwill of the group is vested completely in that company. Consequently, they feel that it would be more realistic if the shareholders directly controlled Moler Products Limited, the operating company.

Therefore, provided the application to the Capital Issues Committee is successful, it will be proposed, in the near future, that International Diatomite Company Limited be placed in voluntary liquidation and that two Moler Products Limited shares be distributed to the International Diatomite Company Limited shareholders in place of each share held in that company. Application would be made to the Stock Exchange for a quotation of the shares of Moler Products Limited.

Certain formalities remain to be completed before the foregoing proposals can be put into effect, but it is hoped to convene an extraordinary general meeting before the end of the current year to carry out the scheme.

A/s Fur Moler Kompagni has had a satisfactory year and has supplied Moler Products Limited with its requirements of Moler, the Danish type of Diatomite.

There has really been a remarkable improvement in the fortunes of the group in recent years, and I should be failing in my duty if I did not pay tribute to the managing director, Mr Robert Wood, and to his colleagues on the Moler Products Limited board, Mr Shaw and Mr Hart, for the transformation which has taken place. To them and all officials and employees of the company we

express our great appreciation of their efforts."

The report and accounts were unanimously adopted, and a final dividend of 15 per cent, making 25 per cent for the year, was approved.

The retiring director, Sir Ronald W. Matthews, JP, was re-elected.

Messrs Binder, Hamlyn and Company, continue in office as auditors.

BRITISH OVERSEAS STORES LIMITED

The thirty-first annual general meeting of this company was held on October 2nd in London, Mr R. J. Blackadder, MC, CA, chairman, presiding.

The following is an extract from his statement circulated with the accounts for the year to March 31, 1952:

In my address last year I said the encouraging reports received from our overseas interests led me to hope that the consolidated results for 1952 would once more show an improvement over those which we were then considering, and my hopes have been fully realised, the net profit, before taxation, having increased from £157,237 to £229,514.

The figures under review include, for the first time, those of our new subsidiary, Bickley and Bell, Limited. The accounts of that company show a very satisfactory return on the capital invested, although the measures which the Australian Government has taken to correct its balance of payments and the policy of credit restriction in New Zealand will affect the results for the current year. On the other hand, since July 1st Bickley and Bell has taken over the buying for most of our subsidiary and associated companies, and the additional business arising will, to some extent, offset the reduction in the Australian and New Zealand trade.

Apart from Bickley and Bell, there have been improvements in all our subsidiaries with one exception, where the profit was very slightly below that of the preceding year, and I feel that we can look forward to the future with confidence.

Returns to date in the current year are satisfactory, but there is so much uncertainty in the world that I hesitate to say more than that our interests are well spread and that we are organised and equipped to reap the full benefit of such improvements in trade as may develop.

The report was adopted.

The Economist

Founded 1843

October 11, 1952

LEADING ARTICLES

Tory Touchstone	69
Stalin's Operation Orders	71
From Korea to Manhattan	72
Eating and Learning	74

NOTES OF THE WEEK

A Bomb of One's Own; Unequal Partners; The Washington Embassy; Triple Disaster; Post-Morecambe; Mr Gaitskell Hits Back; Pardon Without Forgiveness; General Chuikov's Complaints; Setback in the Saar; By-election Barometers; The Ban Postponed; More Violence in Kenya; Royal Memorial; Economics at Strasbourg; Statistics and Inflation; Icelandic Fisheries; Variation on a Theme by Petrillo; Greece Tries Again; Dollars from the Caribbean; Pilgrims to Peking.	76
---	----

LETTERS TO THE EDITOR

BOOKS AND PUBLICATIONS	89
------------------------	----

AMERICAN SURVEY

Candidates Abroad	94
How Sudden a Change?	95
No Quarter for the General; Justice was Incompetent; Autos in Abundance; "Murderers' Row"; Construction Ahead; Shorter Notes.	

THE WORLD OVERSEAS

Malenkov Reports to the Party	103
Strasbourg in Search of Raw Materials; Neguib versus Nahas; European Steel Output Expands; New Zealand and the Commonwealth Conference; Socialist Gains in Japanese Elections; Conservative Revival in Sweden.	

THE BUSINESS WORLD

Unexpected Surplus	113
New Frontiers for Electricity	115
Agenda for Gatt	117
BUSINESS NOTES	119

Funding by Persuasion; Cutting Liquidity Ratios; Chancellor and the Deficit; Raising the Sights in Steel; Happier Motoring; "Terylene" on the Market; The Yield on Japanese Bonds; "As Much Tea as You Like"; New Agreement for Sugar?; Manpower and Mobility; Retail Trade Returning to Normal?; The Nash-Austin Deal; Zinc Falls but Lead Tumbles; Bigger Metal Allocations; Port Operation Improves; New Money for Stillfontein; Simplifying Steel Capital; Tanker Freight Decline; Stable Prices?; Report on Oilseeds; Shorter Note.	
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COMPANY NOTES

STATISTICAL SUMMARY

COMPANY MEETINGS

Vol. CLXV No. 5694
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Tory Touchstone

THE Chancellor of the Exchequer called his speech at the Mansion House on Tuesday a progress report on the state of the national economy and finances, and he was justified in taking some pride in the progress revealed by the latest figures of the balance of payments. The enormous deficit that was running when the change of government took place has already been converted into a small surplus. Furthermore, improvement in the balance of payments has this time been accompanied by definite signs of a sounder economy at home—the Chancellor mentioned a decline in consumption expenditures, greater mobility of labour, and a slowing-down in the speed with which wages and prices were chasing each other upward in 1951. Mr Butler had a policy; he said what he hoped to achieve by it; and he has very largely redeemed his promises.

There are, nevertheless, one or two qualifications upon his achievement that an impartial judge would make. It is true that he has been lucky where Mr Gaitskell was unlucky: the terms of trade began to move in Britain's favour in July, 1951, and are now better than at any time since the start of the war in Korea. A glance at the diagrams on page 83 is enough to show how much the British balance of payments has gained from the fact that the cost of imports has fallen while the value of exports has not; part of this has been due to the import cuts, but most of it to the movement of prices. Secondly, Mr Butler might well have been still firmer and done still better. Inflation has not been banished from the British economy, it has only been reduced; and if the benefits that have followed from its reduction have been so great, how much greater would have been the benefits of a real disinflation? Thirdly, as the Governor of the Bank of England pointed out on Tuesday, Mr Butler is now in danger of undermining his own policy by the uncontrolled growth of the Treasury's own "below the line" expenditure and of its borrowings from the banks. Moreover, the world conjuncture, which has helped Britain hitherto by its mildly disinflationary tone, shows signs of going over once again to inflation. Mr Butler sees these dangers to his policy; but on Tuesday he seemed to be more intent on explaining them away than on promising to remove them.

These things need to be said if the record is to be kept straight. But they do not detract from the fact that Mr Butler adopted a policy in his first days in office which required of him a certain political courage, and that he is now entitled to reap the credit of its success. Certainly those who for so long argued the case for monetary restraint, and who got such dusty answers from successive Socialist chancellors, would be very churlish to withhold their applause from the Conservative Chancellor who has done at least some of the things they asked him to do, and in the event has justified their arguments. It will surely never again be possible to deny that the price of money and the supply of credit together constitute the most powerful and pervasive weapon of economic control that any government can use. To try

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to run a planned economy without them is like trying to drive a car without a variable throttle—it can be done, but why should anyone want to try?

Financial policy is not important only in finance; it is beginning to pay dividends in other areas where the public—and therefore the politicians—can appreciate them more directly. The list of controls removed and restrictions abandoned since the present government came into office is beginning to be of respectable length—the most recent examples are the derationing of tea, the throwing open of the confectionery trade, the resumption of free dealings in lead and the progressive disappearance of the covenants restricting the resale of new motor cars. None of these is revolutionary; the Socialists would have done all or nearly all of them, if they had found themselves in the same circumstances. The important point to realise is that it is financial policy that has created the circumstances. By very slightly reducing the aggregate of demand, it has uncovered a number of markets in which supply is now able to hold its own with demand without control. The reason why the Conservatives can remove controls is not because they do not believe in them, but because they do believe in monetary policy. Except for the abolition of identity cards, it is difficult to think of a single one of their relaxations which does not go back to this cause. It is not “set the people free” that has done the trick, but Bank Rate and the subsidy cuts.

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Yet how small are these few steps on the road back to a freely functioning economy compared with the barriers and obstacles that remain—or compared with the demolition programme that was promised. No wonder that the party delegates, as they assemble at Scarborough, are reported to be in bewildered mood. The most that can be said is that some progress towards the economic freedom in which Conservatives believe is now just beginning to be visible to the naked eye. But it is not politically very impressive, especially when set against the other disappointments of the past year—the failure of the cost of living to halt on command, the unexpected delay and difficulty in denationalising steel and transport, the absence of the dramatic initiatives that Mr Churchill was expected to take in foreign affairs and in Commonwealth relations. The Conservative party is still most painfully torn between its vision of the Britain it wants and the realisation, brought by office, that the road towards it has long stony stretches of unpopularity before it comes within sight of the goal. So the Tories tend to move towards their vision only when they can do so without giving offence.

This caution is, of course, heightened by the narrowness of the Conservative majority in Parliament. But that is not by any means the only reason for it. The Conservatives, as a party, are not quite sure that they believe in their own doctrine. Too many of them have taken refuge in a purely *ad hoc* attitude. Why do unpopular things now when your only reason for thinking that they will improve things later on rests on nothing more substantial than abstract reasoning? Uncontrollable external events and sheer good or bad luck are, in any event, far more powerful than any attempts at foresight that can be contrived in Whitehall. Why not concentrate on staying in office as long as you can and deal with issues on their

merits as they arise? It is a tempting argument, particularly to elderly gentlemen who do not quite understand what has happened to the world they knew. But it is an impossible attitude for those who are in command of a highly integrated and most powerful machine of economic control.

Perhaps, therefore, Mr Butler's financial measures will have political effects as well as economic. For there is just a chance that their success will convince the Tories that logic and foresight and policy are worth while. It is, after all, not only on the rarified plane of credit and currency that the longest way round is often the shortest way home. Those who advocated disinflation and dear money did not do so because they enjoyed the prospect of throwing even a single man out of work or embarrassing a single firm, but because they thought it was the most effective way of achieving an aim on which everybody was agreed—the balancing of the nation's external accounts—and thus, at one remove, staving off the threat of massive unemployment. Similarly, on a wider plane, there is a perfectly sincere argument that the best way to get wealth and welfare for the mass of the people is by returning to the principles of competitive enterprise; that a deliberate move to set prices and markets free, however disturbing in its early stages, is the quickest way to increase the national wealth on which individual welfare depends; in a word, that a free price system is not an alternative to the welfare state but much the best way of attaining it.

Why, then, are the Tories so shy about declaring and applying this faith? Why are they so apologetic about their rare departures from the Labour Government's methods? Is it because they do not yet accept the logic of universal suffrage, and regard the welfare state not as something desirable in itself but as the very expensive bribe that has to be paid to buy off the mob? Or is it because, being themselves (in the leadership) rich men, they are not sure their sincerity will be accepted? In either case, they give the impression of being a little scared of the people who elect them to office, a little frightened of confessing their real beliefs.

Perhaps this is too hard on them. Perhaps, after a slow start, and encouraged by their success in rescuing the pound sterling, they will now be ready to come out with a broad economic policy. Perhaps they are now willing to face the unpopularity of letting the price system work because they are confident that it will succeed in its purpose as quickly and as patently as Mr Butler's credit policy. In short, perhaps they are now ready to be a Conservative party, and not (to adapt Governor Stevenson's delightful phrase) a “me too” party with a “yes but” policy and “has been” advisers. Perhaps judgment should be suspended a little longer. But the test will come in the next session. If there is to be a policy of letting prices once more correspond to costs, so that the public can distribute its expenditures on a rational and realistic basis, it needs to be applied first and foremost to housing. A policy of letting rents rise and cutting the housing subsidy would unquestionably do more good to the British economy than anything else that could well be devised. Of that there is no more doubt than there was a year ago about the good that dearer money would do. But there is equally little doubt that in the early stages—before it was seen to have solved the housing problem—it would be wildly unpopular. This is a severe test for any party; but not an unfair one. It can serve as the touchstone for the months ahead.

Stalin's Operation Orders

IN the gigantic oration made last Sunday in the Kremlin by Georgi Malenkov, there was a sentence which should not escape notice: “The present effectiveness of our army,” he said, “are equal to the prewar effectiveness.” That, presumably, means that the Soviet army is as strong now as it was between 1939 and 1941. It was then that Stalin came to terms with Nazi Germany, both because he believed it would win against the western powers and because he hoped to postpone or avert an attack by Hitler on the Soviet Union. The military reference is significant, especially if it assumed that Soviet strength at sea, in the air, and in the factories and mines is greater now than it was then. But the political parallel is misleading. This is not 1939 over again.

If anything is crystal clear from what has so far been said before the nineteenth Congress of the Soviet Communist Party it is that Stalin fears an attack at some time by the United States, but sees no need yet for an act of appeasement on the model of 1939. He sees, rather, a chance to play for time, to increase enormously the economic strength of his country and the usefulness of his allies, while the rival camp of the free world heads for political dissension and economic crisis, in the company of its newly found allies, Germany and Japan. Bullying and stubbornness have not produced in Europe what was hoped for—though Stalin could hardly admit this—so stubbornness alone will suffice for the immediate future. If the Atlantic allies insist on saying that they intend to negotiate from strength, then let them take notice that the Kremlin feels no need for such negotiation—unless, perchance, the British and the French should care to detach themselves from the United States for a *tête-à-tête*.

The division of Europe made in 1945 is admittedly not satisfactory to Soviet policy; but it is better than any settlement that could now be negotiated with the United States and its allies. While the West was weak Stalin ran the risk of war, in the hope of improving his position; and the task of Communist parties in Europe was to be ready to act as an armed fifth column. Now that the West is getting stronger it is necessary to reduce risks in the hope of consolidating the Soviet position without war; the task of Communist parties is therefore to work patiently and inconspicuously with all and sundry to frustrate rearmament. Disruption of the Atlantic alliance by some years of “peaceful co-existence” (i.e., cold war) is the diplomatic and political formula. Revolution in one capitalist country—preferably Germany—is highly desirable, but not at the risk of another Korean campaign. The cold war in the West is to become colder.

Mr Acheson has reacted this week with his usual prompt warning that “we must not confuse a shift in method with a change in underlying purpose.” To him the protestations of peaceful co-existence mean nothing without peaceful behaviour; he believes in relations based on clarity and confidence, and detests the twilight world between peace and war, with its cynical calculation and suspicion. Mr Acheson is, of course, right; but one wonders whether he has measured the change in atmosphere that is bound to come after this Moscow Congress, the climax of a sustained peace campaign. And one wonders, too, whether he or his successor will appreciate the need to find political and economic, as well

as military, answers to it. It can fairly be claimed that western policy, under American leadership, has forced on Stalin a tactical retreat in Europe; but is it understood how deep and strong is the position into which he has retired, and how much confidence in that strength dominated the opening days of the Congress?

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Its proceedings are best compared to a religious ceremony. To one side sat Stalin, head of the church, watching everything and watched by everyone. It was his apotheosis. In the pulpit stood his chosen bishop, Georgi Malenkov, reading a seven-hour sermon packed with familiar texts, couched in the words of party ritual. At intervals the audience of 1,200 uttered short hymns of praise. Little or nothing that was said was new—but it had not been said with such ceremony for thirteen years. And during those years the nation had passed victorious through great tribulation. It was an occasion for thanksgiving as well as worship, for stock-taking as well as instruction. It might prove to be Stalin's last Congress; but he was clearly the supreme figure. It might mark the first step towards transferring power from the Bolshevik revolutionaries to the bureaucratic consolidators; but the doctrine of the older generation was faithfully repeated by the younger. Malenkov on foreign policy was merely echoing what his master had written in *Bolshevik*.

Among the faithful this congress will be remembered not only for the shake-up of the Party and its organisation, but also for the picture of the future drawn by Stalin and Malenkov. Deprived of their markets in the Soviet Union, China and Eastern Europe, the capitalist nations will be driven into desperate competition between themselves. The “general crisis of the world capitalist system” will deepen because of the “disintegration of the former all-embracing world market.” Soon the Communist bloc will “feel the need to export the surplus of their production” and the rival system will then feel the pinch even more acutely. For this and other reasons “capitalist Britain and, following her, capitalist France” will be forced “to break out of the clutches of the United States and to clash with it.” As for Germany and Japan, they, too, will one day force their way to independence. Therefore, Stalin concludes, the inevitability of war between capitalist countries remains. “In order to eliminate the inevitability of war, imperialism must be destroyed.”

But there is no question at the moment of going to war to destroy imperialism; world war must be avoided until the Communist bloc is stronger. The task of Communist policy—and here Malenkov turned Stalin's directive into a practical programme—is to ensure that world war does not interfere with the consolidation of the Soviet Union's gains. Time is on the Communist side, provided time is free to do its work. The party must “struggle against preparation and unleashing of wars,” rally a “powerful anti-war democratic front,” organise national feeling against the United States, encourage international co-operation and “the development of business ties with all countries.” To the parties abroad goes Stalin's new directive for the united front instead of revolutionary

activity, with its implied rebuke to fractious militants in France and elsewhere:

The aim of the present movement for peace is to arouse the popular masses for the struggle to preserve peace and to avert a new world war. Consequently it does not pursue the aim of overthrowing capitalism and establishing Socialism; it limits itself to the democratic aims of the struggle for the preservation of peace.

In all this there is much nonsense, some tragic misinformation and not a little whistling to keep the courage up. Malenkov, complete bureaucrat though he is, cannot really believe that the Americans "have saddled their junior partners, are plundering them, enslaving them mercilessly and at the same time saying 'let us be friends.'" But, as is so often the case with Marxist interpretation, the nonsense is mixed up with penetrating insight. Before the advisers of Mr Acheson and Mr Eden dismiss it as propaganda, let them ask themselves three questions. What is the alternative to accepting the present division of Europe into spheres of influence and occupation if the Russians insist on maintaining it? What is the economically desirable and politically possible scale of armed readiness if public opinion decides that the risk of war is receding? And how is economic activity in the free world to be kept at a high level if rearmament is to level off in a year or two? Soviet orators have so far stopped short of prophesying a slump; but they clearly expect to profit politically—and quite soon—from the German and Japanese search for traditional markets in Eastern Europe and China. What is more, the Communists sound confident that they can

create and maintain a self-sufficient cold war economy for an indefinite time. The same cannot be said of the Atlantic alliance.

It is possible that Stalin has been saying to himself, as Napoleon said before his Russian campaign, "L'Europe m'ennuie." The weight of his attention may have turned to Asia, about which both he and Malenkov have said conspicuously little in these last days. With China as an ally he can manoeuvre against the free world on two fronts and along interior lines of communication. He can, if he wishes, confront the Atlantic allies with a phoney cold war in Europe while the decision against them is being sought in the Far East. To deal with such a change of emphasis—with all its military and economic consequences—they lack the organisation and the strategy. And it will need political leadership of the highest order to convince Western Europe, including this country, that the Atlantic approaches need to be held more strongly than they are at present if the main threat is to be felt outside Europe.

The picture to be kept constantly in mind—the ideal situation from the Kremlin's point of view—is that of France: France holding a flank of the free world by force of arms in Indo-China, while looking constantly over its shoulder at Europe lest ground is lost to the Germans in the effort to withstand the Russians. Stalin may have good reason for confidence as he looks forward to the state of Asia in 1956; but the West, too, can feel some confidence as it looks back to the Europe of 1946 and counts up the reverses that it has inflicted on Soviet imperialism since then.

From Korea to Manhattan

THE curtain will not go up on the United Nations Assembly until Tuesday, but keen eyes in the audience have already detected some preliminary movements on the darkened stage. At the headquarters of the United Nations in New York it is expected that Mr Acheson will lose no time over asking the Assembly to issue an appeal to the Chinese and North Koreans to make peace, and that if this appeal is unanswered the United States will press the Assembly to endorse the truce terms already offered at Panmunjom. If the American plan of action extends any further, it can only do so in a somewhat academic fashion; for within three weeks of the opening of the Assembly the fate of the United States administration is to be decided at the polls. But the very fact that in those three weeks the election campaign will be at its most active indicates that the impatience and frustration engendered in America by the Korean deadlock are likely to reach new heights during this Assembly. The third winter of war in Korea is arriving, and truce talks have been indefinitely suspended at Panmunjom. Eyes are bound to turn to the new United Nations' buildings in New York in the hope that the Assembly will somehow be able to resolve the problem that has baffled the negotiators in the field.

This week there has already been a reminder of the Assembly's continuing efforts to improve its effectiveness as a focus for resistance to aggression, in the shape of a report from its collective measures committee. This body is presenting the Assembly with proposals to impose a rigorous economic blockade on aggressor nations, and it also passes on the Secretary-General's suggestion of

an international reserve of volunteers on whom the United Nations could call in an emergency. Neither of these projects is directly linked to the Korean conflict, but their appearance inevitably provokes the question whether the Assembly ought not to attempt a decisive step towards ending that conflict before it proceeds with plans for meeting hypothetical future dangers.

That question must be answered cautiously. There are clear limits to the Assembly's capacity in this direction, and if too much is expected from it the result can only be disillusionment and recrimination. At Montreal, on Monday, Sir Gladwyn Jebb gave a timely warning against over-optimism. He pointed out that any serious attempt to develop Uno into an effective instrument for the defence of the free world would not only mean the withdrawal of its Communist members, and probably some of the non-Communists, too, but would also break down owing to the "unwarlike" nature of the organisation. This warning should be heeded. Indeed, it should be made the occasion for some sober thought about the functions and powers of the United Nations at its present stage of development.

The "Uniting for Peace" resolutions, passed by the Assembly after the outbreak of war in Korea, have undoubtedly been successful in preventing the complete paralysis of Uno by Soviet vetoes in the Security Council. But neither in fact nor in theory have they equipped the Assembly with the irresistible power which the San Francisco Charter sought to bestow upon the Council. When the member nations signed the Charter in 1945 they undertook to carry out the Council's decisions in

regard to the settlement of disputes, and to provide it with forces that would enable it to act against an aggressor. They have given no such pledges to the Assembly. It can now recommend them to take collective action in resisting aggression, and through its collective measures committee it can prepare in advance certain broad measures to be applied against aggressors; but its right to issue authoritative orders for the settlement of a conflict is disputed by the Communist nations on the constitutional level as vigorously as the United Nations forces in Korea are opposed in the field.

This is not to say that the Assembly can do nothing to reduce the dangers of conflict. Six years' experience has shown that it can perform at least three useful functions. It can order an investigation, as in the case of Greece; and, if an investigation alone is not enough to deter the offending party, it can establish and maintain an observing commission, whose presence in the threatened area serves both to inhibit the potential aggressor and to provide immediate and reliable warning of any aggravation of the danger. Finally, as already remarked, it can try to rally the moral force of world opinion behind a call to all nations to combine in resisting aggression. But none of these techniques can be applied to the present position in Korea. The time for investigation or watching commissions is long past, and the rallying call has already been uttered. The Assembly has, moreover, tried its hand at conciliation, by appointing a good offices committee last year, and failed. At its last session, it tacitly recognised its own limitations when it adopted a resolution postponing debate on Korea until after an armistice, or until the Secretary-General should convene a special Assembly as a result of some dramatic change in the situation.

That resolution was carried by a vote of 51 to 5; the Communist group was alone in opposing it, while the Arab and Asian members were almost solidly in favour. But such solidarity is easier to achieve on a negative motion than on a positive one. At this Assembly the roles are somewhat reversed, and the demand for a debate on Korea is to come from the western side. The Russians are hardly likely to oppose debate; indeed, the unusually strong team they are sending to New York indicates their readiness to do verbal battle on the fullest scale. They have probably learnt the lesson of the last Assembly, when their intransigent attitude led to the almost complete isolation of the Communist group on every major political issue. Their obvious tactics will be to win over, or lure into abstention, as many Asians and others as they can. They will stand more chance of doing so if the West presses for a strong resolution on Korea. In these circumstances, is the American project ill-advised?

It might well be described as such, if the sole aim of a vote in the Assembly was to affect directly the outcome of events in Korea. But to expect the Communists to bow to the terms offered at Panmunjom merely because the Assembly endorses them is to ignore the whole record of Communist disrespect for decisions of the United Nations. In this respect, it matters little whether a resolution on Korea musters fifty votes or only thirty. The true value of such a resolution would be of a very different kind. It is now more than two years since June, 1950, when for the first time in history collective resistance to aggression became a living reality. To the disillusionment caused by fading hopes of a settlement there has recently been added a mood of relaxation, of which

the misleading phrase "cold peace" is a symbol. Only a series of sharp jerks can rouse the nations from this new lethargy. Sir Gladwyn Jebb, by reminding the world that "collective resistance" rather than collective security is all that has been achieved so far, has provided one jerk. Another has come this week from Mr Trygve Lie, whose annual report stresses the need for "clearer and more affirmative definitions of policy from governments in support of . . . effective worldwide collective security against armed aggression."

Until there is an armistice [he continues] it is the part of wisdom and of duty under the Charter for members to carry on the fight [in Korea] . . . and to do so with a more equitable sharing of the burdens.

As a means of confronting the member nations with their obligations, there is no substitute for a public debate in the Assembly and the framing of a vote that will compel each to reveal clearly where he stands.

There is, however, an important question of timing. Until November 4th, the atmosphere in New York will not be conducive to calm debate. While the air remains thick with such election slogans as "let it be Asians against Asians," there can be little prospect of mustering an impressively solid front behind the Panmunjom truce terms. The American motive for initiating a Korean debate at the first opportunity can easily be understood; but there are strong arguments for postponing any decisive voting on the subject until November. Any move by Britain or France for such postponement would probably incur the familiar charge that Europe is again dragging its feet; but that is a charge which, in the circumstances, they may be able to sustain with fortitude.

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Earning and Learning

IN the first article it was suggested that correspondence colleges were important enough in their own sphere to need justifying from an educational point of view. It is now proposed to look at a few of the issues involved. The professional educationist does not ask whether or why teaching by correspondence is a good thing or a bad one. His attitude to it, coloured very probably by recollections of his own sound school and well-loved university, is to dismiss it as a travesty of the real thing. But a distinction ought to be made here between academic and vocational learning. The teaching of purely academic subjects by correspondence must, in an age which looks for social as well as intellectual values in education, remain inferior; it is a second-best for those who, having missed the orthodox academic bus, are prepared to walk. But in their main sphere, that of vocational education, this sort of approach to correspondence colleges raises more questions than it answers.

A more realistic way of looking at them is to ask what is the "orthodox" way of learning the vast multiplicity of vocational subjects they offer to teach. Nowadays, in all the middle ranks of industry and commerce, it is the normal procedure to study the theoretical background of a particular technique concurrently with earning a living by it. Whether that technique be estate agency or electrical engineering or corporate trusteeship, part-time training is so well established that it is taken for granted by all those who leave school at eighteen or less, and wish to rise above the ranks of the semi-skilled. Some provision for this is, of course, made by local authorities in the form of evening institutes. But it is hard to believe that this complicated problem of part-time teaching of the theoretical background of people's employment has ever been seriously considered from first principles by those responsible for our educational system. For example, in 1945 an excellent committee was set up to consider higher technological education, but its terms of reference confined its attention exclusively to full-time study at a university. There is a real need for a committee of this calibre to take the subject further and consider how to make the best use of part-time training of working engineers, either to spread wide the knowledge of existing advanced techniques or to encourage interest in new specialisms. "Far too little attention has been paid in the past to refresher courses and new development courses," says this committee. Yet for every one engineer who can be released for a whole term of study, there are a hundred who, with an eye on their future careers, are prepared to be interested in their spare time. If British industry is to get the full benefit of applied science, the community should take an interest in ways of teaching sound theory at relatively advanced levels to far larger numbers than there is any possibility of sending for full-time courses at universities or technical colleges.

Another example of the professional educationist looking at part-time vocational training is contained in the report of the Committee on Education for Commerce. Having acknowledged that the overwhelming majority of students of the commercial professions take correspondence courses, the report proceeds virtually to ignore such courses altogether, beyond the bald statement that

it does not favour them. Moreover, the committee's own recommendations for improving the standard of ordinary teaching in this field have not been favourably received by the professions concerned; its recipe was that the professions should remodel their curricula and age-requirements in order to fit themselves into the conventional education system—the procrustean solution with a vengeance. The committee, in its advocacy of class teaching, appeared to overlook the fact that for the embryo accountant, for example, the element of personal guidance in his education—the element that corresponds to a university tutor's attentions—is provided by his day-to-day contact with his principal and seniors, whose duty it is to train, not merely to employ, him.

There are, admittedly, grave disadvantages inherent in any form of evening study for vocational purposes. Apart from the obvious strain on the student, it must tend, whatever form it takes, to encourage mechanical "cramming" rather than spontaneous thirst for knowledge. But any alternative such as day-time release or the "sandwich" principle of alternating periods of earning and learning all suffer from discontinuity as well as protracting the learning period. The United States has no such problem, but it has far more college students than this country. At bottom it is a question of cost; part-time education is cheap. And in any event, since there is no getting away from it, for a long time to come, for the bulk of the theoretical training in industry and commerce, it deserves more fundamental thinking-out than it receives at present.

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For this spare-time teaching there are, broadly speaking, two alternatives: evening classes or correspondence courses. Is there any yardstick by which their relative value for this particular purpose can be judged? Certain criteria suggest themselves. Correspondence schools do in fact survive. In an open market, they compete with heavily subsidised evening classes run by local authorities, and even with fees at three or four times what the evening classes charge they find customers by the thousand, half of them by personal recommendation. Their examination records are impressively good—these are indeed the foundation of their popularity—and many of the professional institutions approve of their methods.

But are these criteria really, objective? They show that correspondence colleges are adept at meeting the demands of the professional bodies, but here as elsewhere nothing succeeds like success. As was suggested in the first article, a generation of practitioners trained by any one method will tend—unless they are singularly objective and conscientious about the question of education—to approve that method for their successors. Are the professions necessarily the best judges of their own needs in this respect? Professionalism tends to inculcate a practical, a utilitarian bias into the study of theory which is inevitably reflected in their examinations. This could perhaps be corrected to some extent by the fresh approach to vocational training of a lay (that is, of an academic) mind.

For example, there are reasons for thinking that the whole basis of cost-accounting as taught and practised in this country has got into a rut, and that it needs completely rethinking in the light of recent economic theory. But this sort of critical re-assessment can only arise if the rank and file are taught to think about, as well as to learn about, their jobs. The far-sighted members of several other professions are likewise aware of this tendency to over-conservatism, this hardening of the arteries, that results from too rigid a training syllabus for young entrants. They would welcome genuine help from the educational specialist in making their training more flexible. But such help would have to be sympathetic. Any profession worthy of the name (there are, of course, many mushroom growths which are not) is principally concerned with maintaining sound standards of practice, which it will rightly refuse to jeopardise for some half-baked abstraction called "general education." Real improvement in the content, and therefore the method, of training for all this broad group of non-university professions will only come when the educationist takes the trouble to look at part-time education from their point of view, instead of his own.

To ask, in this way, whether the professional examination as it exists at present should necessarily be the last word in judging part-time education is to question the main basis on which the success of the correspondence colleges rests. If, however, the existing examination framework is accepted, is there any other method of judging their value as compared with that of teaching in classes? The standard arguments in favour of individual home study are familiar enough in the correspondence college advertisements, and indisputable so far as they go. It is still scarcely old-fashioned to speak of going up to a university "to read for a degree," and a correspondence course is, in essence, a course of guided reading. What it lacks is the stimulating give and take of live discussion. This should be the value of the classes at the evening institute or technical college.

But the difficulties facing local authorities in providing evening classes are very considerable even in the large centres of population. As was mentioned last week a lack of numbers requiring any one subject on any one night becomes very marked as soon as the elementary general subjects are left behind and advanced work for specialised professions is in question. An even greater difficulty is that of finding sufficient numbers of teachers, competent in their own profession, who are willing to teach after the day's work for a couple of pounds a night. In fact, most technical colleges are glad to accept any qualified professional man who appears presentable in an interview—thereafter only the minimum inspection of his teaching ability is possible. The result, apparent to anyone acquainted with evening classes, is a very uneven quality in the teaching; some of it is excellent, but much of it is indifferent or poor. Since the problem is mainly one of numbers in any particular locality, it is hard to see how any reasonable increase in the rates of pay would make much difference. The need for laboratory or workshop practice in some of the technical subjects adds greatly to the cost of buildings and equipment. It bolsters up numbers of students, since even correspondence college students must enrol in a class for practical work, but the difficulties remain of utilising such equipment economically.

For all these reasons it is hard to make evening classes in specialised vocational subjects efficient or economical.

They suffer, therefore, by comparison with correspondence colleges, which the struggle for survival in a strongly competitive market has shaped to a pitch of efficiency in their own limited job that could hardly be bettered. To the layman trying to look at both kinds of teaching impartially, the most forcible impression is that the ideal curriculum for part-time vocational teaching would be made up of a combination of the two; intensive, disciplined fact-learning and writing practice, followed by discussion classes for ventilating and maturing the information so gained. The notion, however, is utopian. Evening classes as part of a subsidised public education system are hardly in a position to come to terms about a rational division of functions with their rivals now flourishing under the banner of private enterprise. And neither evening institutes nor correspondence colleges have the necessary authority to suggest fundamental revisions in the curricula to which they are so tightly bound by the professions they serve. Meanwhile, the correspondence college industry constitutes a challenge to educational pundits to rethink their views on vocational training along less narrow and more realistic lines.

(Concluded)

The Importance of Wine

There is one result of our wine duties which the present thirst after social improvement makes of more than ordinary importance. The vintage in the neighbouring Continent is the most cheerful period of the year, and annually brings to many millions of people the happiest parts of their existence. The embrowned faces, the stained hands and clothes, the joke and frolic of men and maidens, the light toil under a clear mellow sky and in the free air, all combine to make the gathering of the grape crop a scene of joy. In the fate of these people we know that we are now deeply interested. . . . By opening our ports to their produce we should encourage their peaceful and happy industry, we should help to enlighten them, and we should promote political improvement and civilisation abroad. We should encourage, too, a cheerful and an honest industry, instead of a gloomy industry founded on adulteration and tainted with fraud. We have vineyards in England situated in Bishopsgate street, in Rope-maker street, in Pear Tree street, and in other busy and crowded parts of our great towns. Ginger, green ginger, orange, raisin, red currant, black currant, white currant, raspberry, cowslip, elder, and champagne, British sherry, British port, and British tent, are all manufactured by one house, and on the same spot. They are all manufactured, too, much in the same way, and about equally spirituous; but they are flavoured according to various fruits. Champagne is made from French grapes. In making port and sherry, Cape wine is used. Port, too, is made of French grapes, of raisins, with Cape and Pontac, and the bottoms of foreign wines. Tent is made from the black cherry. Families of the middle and lower classes consume these wines. They cannot well do without wine. Wine is a cordial, a restorative, a medicine. It seems peculiarly adapted, like tea, to invigorate the nervous sensibility exhausted by the sedentary avocations of civilised life. Grosser nourishment is required in greater quantities in the earlier stages of man's existence, when his muscular frame was more tasked than now. The want of wine grows with civilisation; and the people of England, rich as they are, unable to procure it at its present exorbitant price, consume the cheap substitute manufactured at home.

The Economist

October 9, 1852

NOTES OF THE WEEK

A Bomb of One's Own

Britain—this teeming womb of distinguished engineers and scientists—can be frankly proud of the sheer technical and intellectual achievement displayed in the Montebello explosion. What the British atomic weapon is, is not known by anybody outside a top-secret circle; but if it were not something at least equal to American and Russian achievements, Mr Churchill would hardly have made so much of it: the announcement to the Queen at Balmoral, the personal messages to all concerned, the odds and ends of information that have encouraged the Press to boast. When all the results have been studied Mr Churchill should be able to formulate much more convincingly than hitherto—to the Americans and others—his views on what strategy should be in the age of atomic artillery and guided missiles. British scientific advisers and serving officers can start thinking for themselves.

This is the main point to seize on amid the Z-shaped cloud of speculation that surrounds the Montebello story. The layman is—and is likely to remain—without information sufficient to judge accurately the political and military importance of the demonstration that an atomic weapon can be made in this country. It cannot be said that Britain makes a third among the great atomic powers until several crucial questions have been answered. The weapon may be cheaper and smaller than anything so far produced in the United States—it has been called “a poor man's bomb”—but what does it cost? Can this country afford to produce it in quantity? How much should be devoted to its production within the limits of acceptable defence expenditure? Would its adoption lead to the fantastic extravagance of a large British strategic bombing force?

Public opinion on these matters is not easily predictable. Many consciences have been deeply troubled by the thought that American atomic bombs have been the main deterrent to aggression in the last seven years; and it was not difficult to take a high moral tone about the weapon of an ally. Now the question of right and wrong comes home to Englishmen; and it is particularly difficult for those who advocate “independence” of the United States. To make atomic weapons in quantity is to decide that they would be used in war; to dispense with them is to run risks which a world power can ill afford; to plan a joint venture with the Americans is to share not only technical but also political responsibility. Mr Churchill, when the time comes to say more, should put these questions fairly and fully before a public that is not quite sure of its own mind.

Unequal Partners

To assume that success at Montebello reopens the way to full Anglo-American co-operation in atomic research would be rash. General Bradley, it is true, has put his unique authority behind the argument that the restrictions of the McMahon Act hamper military co-operation between American military commanders and their allies in the defence of Western Europe. He and his colleagues have been able to tell men like Lord Montgomery and Marshal Juin that atomic power could in time cause a revolution in tactical thinking; but they have been prohibited from explaining how and why. It is an embarrassing state of affairs, and it may be easier to change it if Congress feels that the British have something new in “know-how” to contribute. Certainly the American press has reacted to the Montebello news with a mixture of admiration and astonishment that the Cousin has begun to catch up.

But it is as well to understand in advance that a return

to wartime partnership in atomic matters could not be on a fifty-fifty basis. Whatever the British have to offer the Americans in technical skill and the brilliance of individuals cannot counter-balance the enormous discrepancy in the production and resources of the two peoples. This would be true even if Britain decided to do some stockpiling of its own weapon. The cards that Mr Churchill can play in any future negotiations with Washington are, therefore, probably not as strong as some comment has assumed.

The vital British interest in a return to partnership is obvious—and not only because secrecy and rivalry do no good to relations with the United States. Again and again this country has shown the quality of its scientific and technical skill; but again and again the Americans have had to convert the ideas of genius into large-scale production. Both countries benefit technically from the teamwork between their special talents; and the political arguments in its favour were admirably set out by Mr Conant in the address on “Anglo-American Relations in the Atomic Age” which he gave in London last March.

The Washington Embassy

The announcement that Sir Roger Makins is to succeed Sir Oliver Franks as Ambassador in Washington will set at rest speculations that have flourished in Whitehall for some time past. The debate has not arisen merely out of the normal and natural interest in knowing who is to have the honour and the burden of one of the most responsible posts in the service of the British Crown, it has also reflected a real difference of opinion about the sort of person who ought to be sent to the Embassy on Massachusetts Avenue. The last three Ambassadors have been a politician of the highest rank and distinction, an experienced professional diplomat and an academic philosopher who was during the war a very successful amateur administrator. There are arguments for all three types of men, but the decision has gone in favour of the professionals—and certainly no professional could be found of sharper intelligence or greater devotion to his work than Sir Roger Makins.

Perhaps the real conclusion to be drawn from the debate that has been going on is that, in these days, no one man of any sort can do the job properly in all its aspects. An Ambassador's normal business is with the Foreign Ministry of the government to which he is accredited, and the volume of business with the State Department that the Washington Embassy has to handle is certainly large enough. But it also has at least four other functions to perform which in other countries either do not exist at all or only in much smaller degree. There are direct relationships, formal and informal, with the other departments of the Administration. There are many informal and personal contacts with Congress, which have to be very carefully handled. The press in Washington is a body of formidable skill, knowledge and influence. And finally the cultivation of public opinion in the widest sense is much more important in America than elsewhere. On top of all this, the Ambassador is the Queen's representative and the volume of his purely ceremonial duties, though not large, is probably larger than in any other post.

Those who saw the wartime system at work, when there were seven or eight British personalities in Washington as Heads of Mission, most of them of fully ambassadorial quality—men such as Lord Brand, Sir Arthur Salter, Sir Robert Sinclair, Sir Clive Bailieu to mention only a few—will inevitably think that something of the sort ought to be attempted in peacetime, and that the British Government

should arrange to have several men of first-class competence and authority in Washington at any one time, as the Americans themselves do in London and Paris. The Ambassador would, of course, be incontestably the leader of the British in Washington, as Lord Halifax was in the war, but he would be *primus inter pares* in his own sub-cabinet rather than alone in his eminence.

The relations between the British and American governments are unique both in their character and in their volume. The only possible reason for deploring the appointment of an able professional diplomat would be if it implied an attempt to force them back into the established channels of prewar diplomacy.

* * *

Triple Disaster

All the ingredients of horror combined in the triple railway disaster at Harrow early on Wednesday morning. The number of dead exceeds one hundred—a dreadful record in English railway disasters and only outmatched by the tragedy at Gretna thirty-seven years ago. Within a minute last Wednesday an overcrowded suburban train bound for Euston had been overrun on the same track by a night express from Perth; tragedy was almost instantaneously made doubly hideous when a north-bound express crashed into the wreckage. In this static shambles of coach piled upon coach, the work of rescue and clearance has been immensely difficult and utterly devoted.

The British railway traveller tends to take it for granted that adequate precautions are taken for his safety. But an occurrence of this kind is bound to leave doubt in some minds about standards of safety. The recent record of the railways has been less satisfactory than it should have been. Less than a month ago, the report of the Chief Inspecting Officer showed that the safety record in 1951 compared unfavourably with the high standard achieved in the two previous years, though special operating difficulties last year, as Colonel Wilson acknowledged, may have contributed to the crop of accidents. Some months ago a series of fires on trains caused much concern, which the railway authorities seemed rather slow to allay. And only this week a report in the valuable series issued by the inspectorate has commented on an accident resulting from the failure of a train crew to observe a simple safety rule; fourteen accidents occurred last year for the same reason.

Complete safety on rail is not to be had, at any price. There are safety devices, including the various forms of automatic train control and continuous track circuiting, that would undoubtedly contribute to greater safety. But there is no complete solution in mechanical safeguards of this kind, even if the money could be found for them. Perhaps the most important contribution to safety comes from a railway staff that is keen on its job because it knows that the railways are in good shape. Mistakes and instances of lack of responsibility have been exposed in a number of accident reports since the war; they may be few, and by great mercy they have not resulted in the kind of calamity that occurred at Harrow on Wednesday. The task of unravelling the cause of this latest disaster from the tangle of wreckage will take time and skill. But the public will have the right to demand that the lessons that emerge from the Inspector's report will be quickly learned by the railway authorities.

* * *

Post-Morecambe

The struggle for power in the Labour movement is now transferred to Westminster, where the anti-Bevanites are preparing to use their strength inside the Parliamentary Labour party to force Mr Bevan either into obedience to the official line or into an open rebellion which would incur the

full weight of party discipline. The first moves will come when the parliamentary party elects its officers for the new session which the Queen is to open on November 4. The rumours that Mr Attlee might be asked to stand down in favour of Mr Morrison as party leader have, as was to be expected, shrivelled away the moment they emerged from the overheated hotel lounges of Morecambe. Mr Bevan appears unlikely to challenge Mr Morrison as the deputy leader, as this would merely invite a full rallying of the anti-Bevanite forces, but he may well make a bid for election to the Parliamentary Committee—the so-called shadow Cabinet. But whether he returns to the front bench, or remains on the back benches, he is bound to prove a source of continuing embarrassment to the other party leaders.

Not only do the divisions within Labour's ranks extend deep into the constituencies, but they are also apparent inside the trade unions and cannot fail to be exposed in Parliament. It is essential that Mr Morrison and Mr Gaitskell, who have emerged as the leaders of the drive against Mr Bevan, remember that clear thinking about the party's day-to-day policy at Westminster may be an even more valuable weapon in this battle than skill in party and parliamentary tactics. If they are to make Mr Bevan toe the line, they must draw that line clearly in their definition of day-to-day policy. In recent months this was not done. The real advances the Bevanites made in the last nine months were in fields where the official policy was either weak or uncertain. The Bevanites' first big opportunity since the election occurred in the debate on Far Eastern policy in early March, when Mr Bevan alone proved capable of counter-attacking Mr Churchill for revealing Mr Morrison's secret agreements about the bombing of China in certain circumstances. And it was a weakness of policy, rather than tactics, which gave the Bevanites another win over German rearmament.

The first test in the new session may well come on the equally important question of the results of the Commonwealth Prime Ministers' conference. If the orthodox Labour leaders do not have ready their long-term economic policy when these come to be discussed, they will leave a vacuum which will be filled by Mr Harold Wilson's “In Place of Dollars.” The hurling of insults in weekend speeches is part of this battle, but in the long run the anti-Bevanites will do more to win it by guiding the Labour party on a clear course than by simply counter-attacking their rivals.

* * *

Mr Gaitskell Hits Back

In a speech at Stalybridge on Sunday, Mr Gaitskell took up the cudgels that Mr Deakin wielded so heftily at Morecambe. As he said, the case against the Bevanites has never been properly stated until now—partly because much of the left-wing press is of their persuasion, and partly because the orthodox wing of the party was reluctant to widen the split by counter-attacks. But Mr Gaitskell was scarcely wiser than Mr Deakin in his method of approaching this long neglected task.

A most disturbing feature of the conference, he said, “was the number of resolutions and speeches which were Communist inspired”: he had been told by some observers that about one-sixth of the constituency party delegates appeared to be Communists or subject to their influence. This was rather an explicit statement to make on the basis of mere surmise. It would be surprising if the Communists were trying to infiltrate the constituency parties, as they did the unions; and among the constituency flock there are no doubt some wolves who are trying to pass themselves off as merely woolly minded like the rest. But a good reason for not making such charges is that they simply will not be believed. The constituencies regard themselves as people who preserve their socialism in all its prewar purity. They know their delegates, not as Communists, but as the most active members of the party, who, as it happens (as it so often happens), have

left-wing views. To talk of Communist plots, or as Mr Deakin did, of widespread campaigns, is to meet with an incredulity which may extend to the whole anti-Bevanite case. The charges will merely seem to substantiate Mr Bevan's claim that he is victim of a smear campaign. This danger is the greater because Mr Bevan completely dissociates himself from the Communists: they are, he says, the death watch beetles of democracy.

Mr Gaitskill's attack would have been more effective if he had contented himself with showing how Bevanism, with its hatred of America and its half-heartedness about rearmament, serves Communist ends. Mr Bevan himself is aware of this weakness in his position and warns his following not to let the Communists kill a good cause by making it their own. Fortunately the majority of the rank and file can still see that a Communist cause is unlikely to be a good one. They showed that on the last day at Morecambe, when they endorsed the rearmament programme that the Labour Government initiated, and would have nothing to do with motions to withdraw troops from Korea and Britain from the Atlantic alliance.

* * *

Pardon Without Forgiveness

It is not generally understood that the recent release from imprisonment of General von Mackensen, and the medical paroles extended to Field Marshal von Manstein and Field Marshal Kesselring, are acts of clemency by the Crown. They are based entirely on a study of the merits of each individual case; no motive for them has to be made public and any number of considerations may be involved in the treatment of these aged and ailing commanders. An act of royal clemency, although carried out at the recommendation of the Foreign Secretary, in no way signifies a new policy; nor can it be taken, even by inference, to cover all other similar instances which might arise. Above all, nothing in the decision taken with regard to these war criminals is intended to reflect on the justice of their condemnation or on the process of law by which they were tried. There is no question of judicial review.

The difficulty is that these acts of clemency towards individuals have taken place in a heated political atmosphere. German nationalism and its fierce sensitivity about war criminals have constantly embarrassed Dr Adenauer. In many quarters, in fact, it is being said that the Chancellor obtained British clemency by pressure bargaining and in return for promises of German co-operation in defence. This, however, is untrue. The tact with which the issue of clemency for war criminals was handled in the Bundestag shows there was no question of blackmailing the Foreign Office. The Germans are well aware that any such attempt would have boomeranged. Nevertheless, it would be unrealistic to deny that Britain is anxious to increase the basis of confidence and mutual trust in Anglo-German relations. Even if the Chancellor did not press for action in specific cases, this action by the British will undoubtedly strengthen his position with his own supporters and may facilitate the ratification of EDC.

Those who will feel profound moral indignation at the release of these military executioners are perfectly entitled to do so, and the reactions in France and Belgium promise to be vivid. Those who feel uneasy on political grounds can also argue effectively that such acts of clemency play straight into the hands of resurgent German nationalism and that Germans are prone to interpret generosity as weakness. Few have noticed that many smaller fry have been released or have had their sentences reduced; but many Germans are soothing their consciences by saying—as if there were some ministry of propaganda at work—"now the Americans have been doing similar things in Korea." No one need have any illusions about the way in which this release of a few officers

(at most some 15 cases will be considered) will be received by most Germans. The more moderate elements will accept it as a gesture of good will. The Neo-Nazis and army elements, however, will be neither grateful nor impressed. What they hoped for is a complete exoneration, a quashing of Nuremberg and all subsequent indictments of war criminals. There is no prospect of their obtaining such a monstrous reverse of justice.

* * *

General Chuikov's Complaints

At last Tuesday's celebrations in East Berlin of the third anniversary of the Pieck Republic, the theme of German unity was not entirely abandoned; but the presence of the Soviet President, Mr Shvernik, and the marching columns of "people's police" in their new Russian-type uniforms underlined the recent swing in Soviet policy—away from German unity towards the policy of sealing off Eastern Germany and integrating it with the other Soviet satellites. The more the Russians concentrate on this policy, the more they will be disturbed by the "nests of spies, diversionists and terrorists" in West Berlin, whose "criminal activities" against Soviet Germany were denounced by General Chuikov in a letter to the western High Commissioners in Berlin last week. He was probably stung into sending it because he has been so pressed by Mr Donnelly, the US High Commissioner, about the kidnapping of Dr Linse, the economic adviser to the Committee of Free Jurists. But in any case the Russians obviously find the Berlin rent in the iron curtain not only exasperating but gravely disquieting.

It is not at all easy to decide what attitude the western powers should adopt towards the clandestine anti-Communist activities carried on by various groups of west Germans in Berlin. If these Germans are prepared—as they are—to risk life and freedom in order to foster the spirit of resistance displayed by their fellow-countrymen under Communist rule, then, in principle, it is wrong to deprive them of allied support and sympathy. It is, indeed, widely assumed that many are supported by American funds and assisted by RIAS, the American radio in Berlin. The Russians are in no position to make a fuss; for the record of Communist intrigue in the Federal Republic is certainly long and impressive; and it is only a few months since Herr Ulbricht was inciting the West Germans to overthrow Dr Adenauer by force.

That is not to say that every type of anti-Communist activity is expedient. None of it is free from danger; for instance, one of the officials of the Committee of Free Jurists absconded to the Russians with its card index of men and women who had come to it for help. But enterprises which involve heavy risks for a dubious prize are not worthwhile; above all, nothing should be done to give the east Germans false hopes of speedy deliverance. The Free Lawyers have hit on the ingenuous expedient of exposing East German officials who break a Communist law or regulation. This breeds disquiet and confusion among the regime's supporters; the Russians, as enthusiastic advocates of "criticism from below," should be the first to appreciate it.

* * *

Setback in the Saar

A chill wind has sprung up in the grim ruins of the Saar, which threatens to blow away many of those blueprints for a new Europe so painstakingly outlined during the past few months. In Paris the latest German proposals, put forward by the Federal Chancellor on October 1st, have been received with glum coldness. Not quite all these proposals have been published, but their nature is sufficient to show that the long drawn out conversations, held this summer



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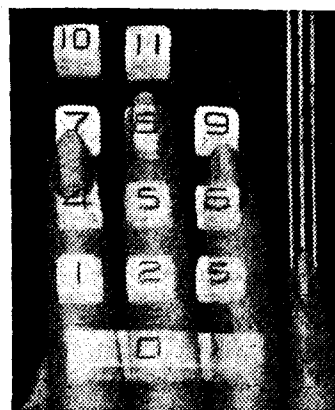
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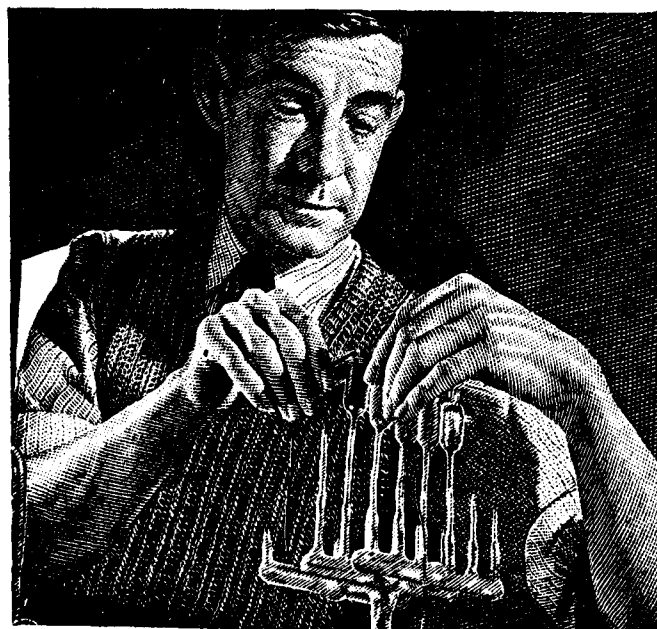
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between M. Schuman, Dr Adenauer and Professor Hallstein, the German Secretary for Foreign Affairs, have failed. This is a bitter blow, indeed, to hopes of a genuine Franco-German rapprochement.

The German Chancellor's proposals were in effect to Europeanise the Saar for five years—that is, to give it home rule under the supervision of the Council of Ministers of the Coal and Steel Community—to postpone the forthcoming elections, to give the opposition parties in the territory immediate freedom of operation. In addition, there were economic clauses, full details of which are not yet available, amounting to a weakening of the present French position. In view of the unfavourable French reaction, the Germans have since suggested that the five year period represents only a first stage, to be followed up later when it can be seen how far the wider integration of Europe becomes a reality. This is far from enough to dispel the mood of cynicism in Paris.

The recent stage of the Saar dispute opened in July when M. Schuman and Signor de Gasperi proposed Saarbrücken as the seat of the High Authority of the Coal and Steel Community. During the negotiations which followed in August, M. Schuman and Dr Adenauer put out the view that they hoped the question of the Saar would very soon be settled once and for all. This optimism was always suspect, since few understood how any German Chancellor, whatever his goodwill, could give up any territorial claims until after a settlement with the Russians.

Perhaps the only possible compromise was a Europeanisation formula for fifty years—temporary in theory yet permanent in practice. To the French, five years merely suggests German ill faith. Unfortunately, without agreement on the Saar, French ratification of the Bonn treaties is unlikely, and such a failure must strike at the roots of nearly all that has so far been done to bring Germany into the European Defence Community.

By-election Barometers

The reaction of the electorate to recent political developments will shortly be tested in several by-elections. The deaths of three Labour members—Mr Longden, Mr Tomlinson and Mr Willey—have caused by-elections in Birmingham (Small Heath), Farnworth and Cleveland. The Labour member for Hayes and Harlington, Mr Ayles, is retiring because of ill-health. Two Ulster Unionists, Sir Hugh O'Neill and Mr Gage, are also said to be applying for the Chiltern Hundreds, causing by-elections in Antrim North and Belfast South. Finally, there will be a by-election at Wycombe, where the member was Mr W. W. Astor, who has now succeeded his father as Lord Astor.

Of these Wycombe is the only constituency that is at all likely to change sides. In the 1951 election the Conservatives held it by a majority equal to 3.3 per cent of the total poll. A "swing" of only 1.7 per cent would therefore be enough to give the victory to Labour. After Wycombe the nearest

VOTES IN 1951 GENERAL ELECTION

Constituency	Conservative	Labour	Liberal
Antrim, North	unopposed	11,815	...
Belfast, South	37,046	31,079	2,779
Birmingham, Small Heath	15,156	25,756	...
Cleveland	18,112	26,297	...
Farnworth	12,949	23,823	...
Hayes and Harlington	27,084	25,331	...
Wycombe	...	...	...

thing to a close fight will be at Cleveland, where a swing to the Conservatives of 4.82 per cent would bring them victory. The swing in by-elections, however, is rarely in favour of the party in power. It is true that in the first of the four by-elections that have taken place since the 1951 general election—at Bournemouth—the Conservatives

slightly strengthened their hold. But in the other three the swing has been to Labour, culminating at Dundee in a swing of 6.5 per cent. A changed allegiance, of such proportions would give Labour a fairly easy victory at Wycombe.

The Ban Postponed

The representatives of the engineering employers' federation did well on Wednesday to recommend that wage negotiations should continue "untrammelled" by the instruction that no offer should be made to the unions. They will meet the union leaders on October 21st and the threatened ban on overtime and piece-work, which was to have started on October 20th, has been postponed indefinitely. Now that the federated employers are to declare themselves free to bargain there is a good chance that the crisis can be avoided.

The union leaders had been quick to abandon the £2 claim to which they stood committed, but the employers made their first big concession at the Ministry of Labour on Wednesday afternoon. It is true that they had offered to submit the whole dispute to arbitration, but that offer had been refused before it was made by the assembled executives of the 38 unions concerned, and it would not have been easy for the union leaders to go back on the decision of their York conference. In claiming that their hands were tied, the union leaders were but adopting the employers' tactics. Until Wednesday morning the employers' representatives in the talks at the Ministry of Labour argued flatly that they were not empowered by their constituent associations to offer any increase. A war of attrition developed until Sir Alexander Ramsay suddenly gave way.

Was that decision the result of a change of heart, or were the employers merely holding on as long as possible? Some of them were certainly in favour of no surrender and were thinking in terms of a lock-out, which, it was argued, might in the end cost them less than the enforcement of the ban on overtime and piecework. On the other hand, the employers may have been playing for time in order to save themselves money.

The engineering employers, though they represent more profitable concerns, may have found some moral support in the Railway Executive's outright refusal of the railwaymen's claim for a cost of living increase of 10 per cent. The claim was this week heard by the Railway Staff National Tribunal, but a decision has yet to be announced. The years of inflation have given the unions very big ideas about the wage increases they should have. But the new pattern may prove to be one of firm and prolonged refusals by employers, ending ultimately in wage increases that make the first claims look very silly.

More Violence in Kenya

When Parliament reassembles next week, the Secretary of State for the Colonies should take an early opportunity of stating how serious the Government considers the present outbreak of crime in Kenya to be. After consultation with him the Kenya Government recently passed a series of emergency measures, including the control of newspapers, the registration of societies with a membership of more than ten, restrictions on the movements of members of Mau Mau, and the admission of sworn statements as evidence against persons suspected of belonging to the society.

Is there justification for this legislation, together with the repressive administrative measures which have accompanied it—the banning of public meetings and the curfew? In this country it has been attacked as a symptom of hysteria among the Europeans, some of whom are accused of deliberately and fantastically exaggerating the activities of Mau Mau in an attempt to preserve European dominance. In the Kenya Legislative Council, too, a nominated unofficial

member criticised the legislation on the grounds that it went too far and might be used unjustifiably. On the other hand, the toll of murders and violence to persons and property continues to mount—though not all of them have necessarily been committed by Mau Mau members. A serious feature is the murder of African witnesses against the terrorists; most disturbing of all, perhaps, is the murder this week, by fellow Africans, of a respected African chief, who had served the Government for over thirty years and who had recently denounced Mau Mau at a mass meeting of the Kikuyu tribe, from whom the society draws the bulk of its membership.

This particular murder must surely shake the self-confidence of those who believe that the chief danger comes from European hysteria. But it is high time that the list of crimes—cited in Kenya's Legislative Council by the very member who recently said that the activities of Mau Mau had been exaggerated—should be seen in their proper perspective. Why has the Kenya Government, or for that matter the Colonial Office, been so dilatory, or so reluctant, in giving the essential facts?

Royal Memorial

The response to the launching of the King George VI National Memorial Fund was immediate, and over £200,000 had been subscribed in the first four days. No indication has been given of how much more it is hoped to raise. King George V's Silver Jubilee Trust raised about £1 million as a permanent fund, and the national memorial fund opened after his death about £600,000; but in these days appeals cannot count on being successful, however warmly people may feel towards their cause. Part of the fund will meet the cost of the traditional statue; the rest, and the greater part, will, in Mr Churchill's words, be used to form "a permanent foundation . . . for the spiritual, mental and physical needs both of the young and of the old."

This all sounds rather vague, though it is true that there are good reasons for some caution in announcing specific objects for the appeal. The welfare state, in theory, takes care of most of the needs of its citizens which formerly might have been the object of a national appeal. People cannot be asked to make voluntary contributions to supplement expenditure they have already met as taxpayers. Voluntary spending today has to be confined to fields which the state has so far not found fit to till or to fill gaps caused by lack of co-ordination in provision made by the state. But even here the organisers of a new fund have to walk carefully lest they overlap with other, established, voluntary effort.

The Silver Jubilee Trust, like the new fund, has as its object the welfare of the younger generation, and it furthers this mainly by making grants from its income to the voluntary youth organisations. It also tries to co-ordinate the activities and research work of other bodies and individuals in this sphere. At the other end of life, the National Corporation for the Care of Old People fulfils similar grant-making and co-ordinating functions. Perhaps, the King George VI fund would find its best outlet by working through these two established organisations. Whether it does so or not, some clearer indication of how it will be spent might do much towards ensuring the success of the appeal.

Economics at Strasbourg

The Consultative Assembly of the Council of Europe has been trying to come to grips with economic problems. At its last session it recognised the need to develop production of raw materials and foodstuffs in overseas territories that have "constitutional links" with member countries, and to this end it made three recommendations. The first was that a European investment bank should be set up so that funds from all member countries could be used for development projects. The second suggested long-term contracts and international agreements to give producers the security that might encourage an expansion of output. The third proposed the introduction of a preferential tariff system between Western Europe and Commonwealth countries, in which the tariffs would be higher than the existing imperial preference, but lower than the standard tariff.

The idea of a European investment bank is straightforward; the question is whether this would be the most suitable organisation for the purpose. Long-term contracts and international agreements are more contentious. Although they provide security to the producers they do not necessarily encourage increased output, as Britain well knows from its postwar experience; but since they have become fashionable in current economic discussion, the Assembly might be excused for giving them uncritical acceptance. The preferential tariff is an entirely different matter. It is a highly complicated subject that requires to be worked out in detail before any sensible discussion can take place—much less recommendation. It is true that a special working party had submitted a report to the Assembly, which is summarised on page 102. But a number of speakers distorted the original proposal. Some apparently regarded this recommendation as a means of maintaining discrimination against dollar goods. Others saw in it a chance to erect a high tariff wall.

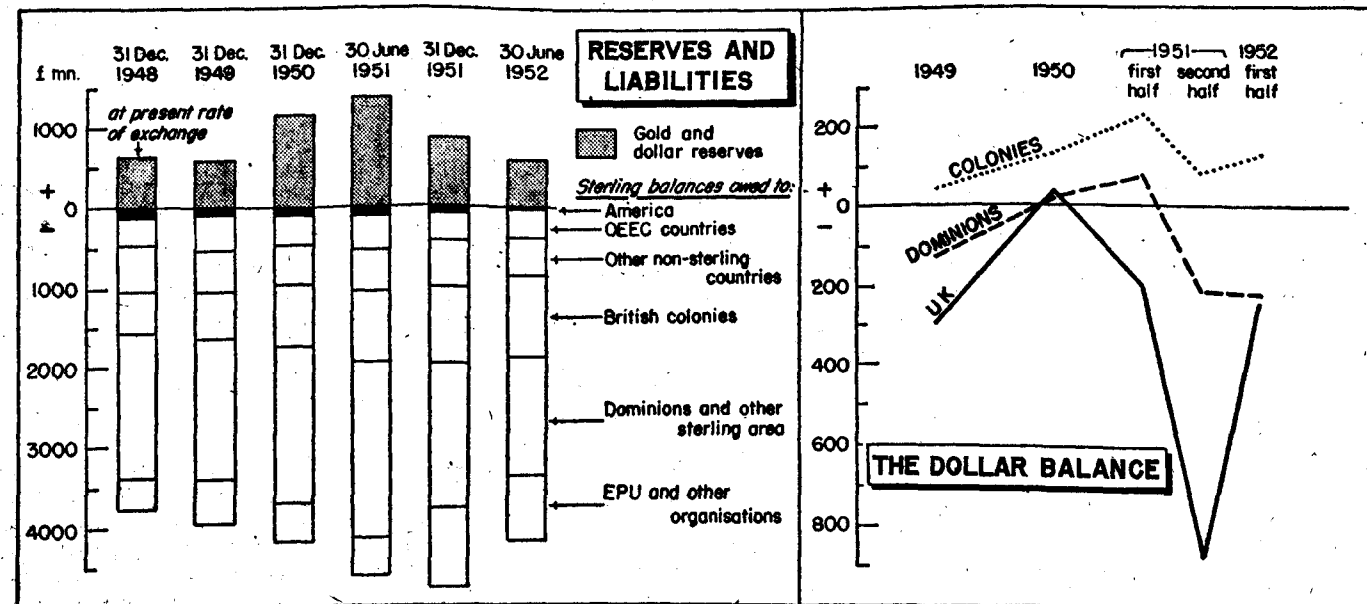
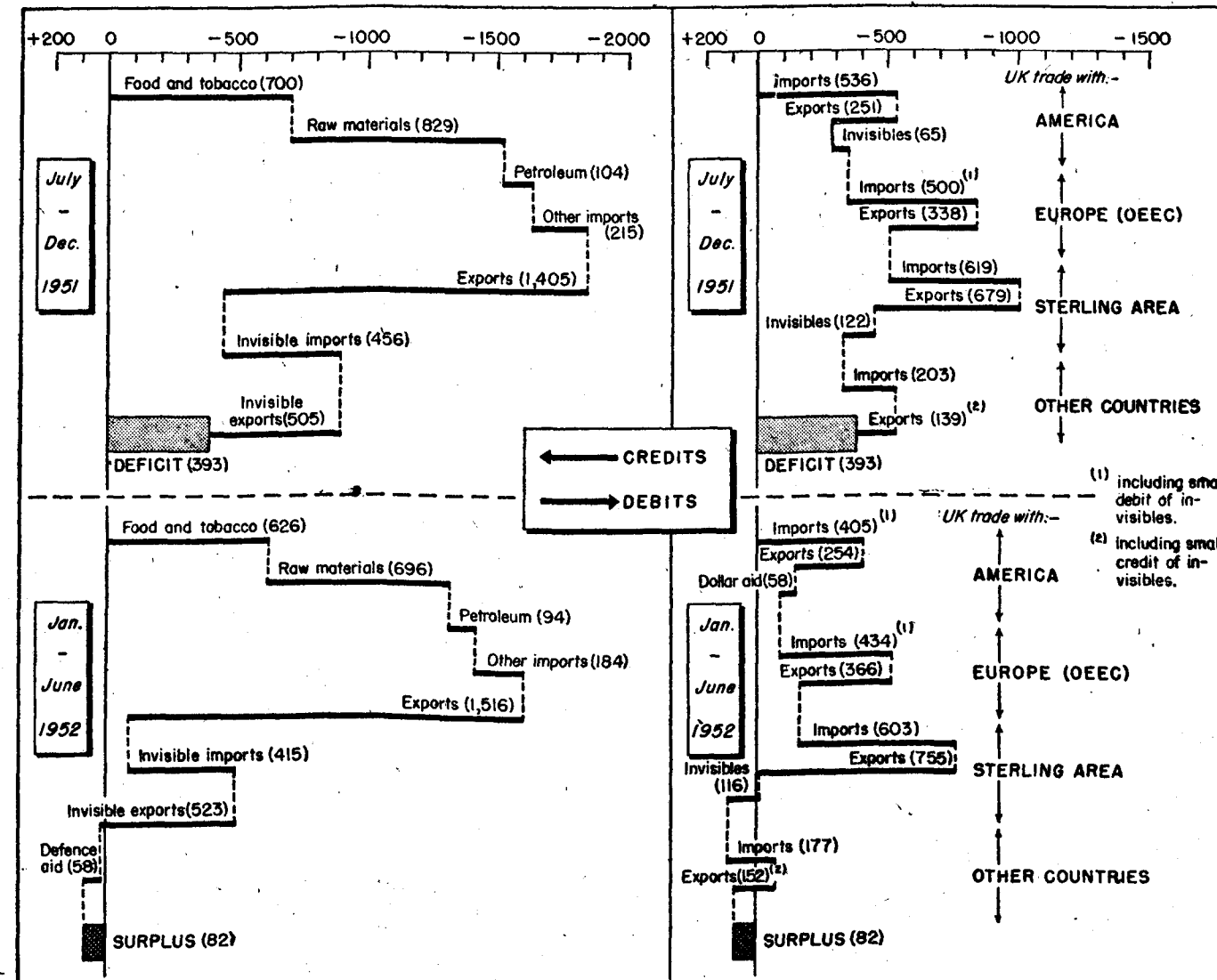
In fact, as Lord Layton stated with great clarity, the report said neither of these things. The working party stressed the fact that it was unable to undertake a detailed study, but it suggested that "the preferences should be brought about through a lowering of duties between the countries concerned" and that "any country offering commensurate concessions should have the right to be admitted within the preferential group." These distinctions are important, for they imply that the proposed preferential system does not aim at excluding America and that it could take the place of the now out-dated most-favoured-nation clause in promoting a wider area of freer trade. The Strasbourg Assembly has not improved its reputation by giving the proposal unanimous support after only a day's debate.

Statistics and Inflation

If a rising cost of living is any guide to the progress of inflation, Britain is in a bad way. According to the latest statistics of the Organisation for European Economic Co-operation, retail prices have risen in the first half of this year more sharply in Britain than in any other member country. In three countries the cost of living was not only

The Balance of Payments

These diagrams depict the salient features of the White Paper on the Balance of Payments, which is reviewed in an article on Page 113. The upper set of diagrams analyse the figures for the United Kingdom, on the left by categories of trade, on the right by geographical areas. (All figures are in £ millions.) The bottom left-hand diagram shows, above the line, the gold and dollar reserves held by the United Kingdom and, below the line, its sterling liabilities. The bottom right-hand diagram shows the credit and debit balances (in £ millions at the annual rate) of the three main divisions of the sterling area in their trade with dollar countries.



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declining but also lower than in the last quarter of 1951; in two others it has not changed, while in a further six countries the rise had either stopped or had been reversed during the second quarter of this year.

But statistics by themselves can be misleading. Take, for example, Britain and France. The British cost of living rose

CHANGES IN THE COST OF LIVING
(Fourth Quarter, 1951=100)

	March, 1952	June, 1952
United Kingdom	103	106
Turkey	104	104
Austria	102	104
Iceland	104	104
Norway	103	104
Sweden	102	103*
Greece	105	103
France	106	102
Italy	101	102
Ireland	101	102
Denmark	101	101
Luxemburg	101	101†
USA	100	101
Germany	101	100
Switzerland	100	100
Netherlands	100	99
Belgium	100	98
Canada	99	98
Portugal	98	97

* May, 1952. † April, 1952.

Source: Organisation for European Economic Co-operation.

by three per cent in the first quarter of this year, and by almost another three per cent in the second quarter. On the other hand the cost of living in France rose by six per cent in the first quarter, and then fell by nearly four per cent in the second quarter. Yet Britain is nearer to controlling its internal inflation than France. The main cause of the rise in the British cost of living was the reduction of food subsidies, a disinflationary move—provided incomes were not allowed to rise more sharply—as surplus income was being mopped up by the higher prices. In France, prices were reduced by M. Pinay's personal campaign and later by government decree; but the surplus income has not been mopped up by either voluntary or forced savings; nor have wages fallen. The accompanying table might suggest that France is making more headway than Britain in its battle against inflation; but the truth is the other way round.

* * *

Icelandic Fisheries

When the International Court of Justice earlier this year gave its decision in the Norwegian fisheries dispute, many feared that the decision would open the door to parallel, and far less justified, action by other countries. Those fears came true in the case of Iceland. In May, Iceland re-drew the outer limits of what it claimed were its territorial waters, from point to point instead of parallel to the shore, and prohibited foreign fishing activities on the landward side of the new lines. Relations between the fishing industries of Iceland and Britain are now thoroughly embittered; when a strict rule of law is abandoned for one based on "reasonableness," reasonableness itself tends to fly out of the window.

The British argument in the dispute with Norway was that, in international law, territorial waters are defined by a line drawn by reference to the low water mark on the mainland. Before the Court Britain conceded that a country might also treat as territorial waters waters which on "historic" grounds were part of that country's realm, provided the historic title was clear. It challenged Norway's claim to control over the waters within the outer islands

of the coast on both grounds; but the Court, by a majority, found against both British contentions. From the point of view of British deep-sea fishing interests, the most damaging section of the judgment is that which allows a country to adjust its territorial limits over coastal waters to its own fishing needs. This section must have been uppermost in the mind of the Icelandic Government when it made its new fishing regulations last May. And with reason, for the produce of the fishing fleets provides Iceland with some 70 per cent of its exports.

But a good deal of the trouble since May has been caused by the method Iceland adopted in making these new claims. British notes of protest have brought only negative replies; the regulations came into full effect at once; and last July a Grimsby trawler skipper was fined £1,970 at Reykjavik for breaking them. Iceland's argument has been that it has prohibited all fishing in these waters, including that of its own trawlers, to give them a chance to restock themselves naturally. British trawler owners regard the regulations as an arbitrary and one-sided decision intended to drive them out of fishing grounds that, last year, yielded some 2½ million hundredweight of fish, and their federation has banned the landing of all fish from Icelandic trawlers at Hull and Grimsby. If restocking is the main objective, the two Governments concerned could, if they wished, negotiate something less drastic than the total ban of last May; could not the areas be limited progressively, starting with the most over-fished, or by some method of rotation? One thing seems certain: no reasonable result is likely to come from talks between the fishery interests themselves while they are in their present mood, and this country has still to eat a lot of fish.

* * *

Variation on a Theme by Petrillo

Music, it has been said, is the most international of the arts, a universal language. As an economic activity it is not, however, exempt from frontier trouble. Until this week, most observers would have agreed that the record for obstructive, restrictive and generally dog-in-the-manger practices in the field of musical economics was unchallengably held—under the able leadership of Mr Petrillo—in the United States. The championship, however, has now unmistakably passed to Britain. The refusal of the Musicians' Union to allow the famous Negro folk opera, "Porgy and Bess," to be conducted for more than three performances by Mr Smallens, its own musical director—even with a British conductor "standing in" idly on full pay for the length of the run—is a real connoisseur's specimen, of a ripeness hardly to be matched by the most assiduous search through the repellent jungle of trade union or business restrictionism.

Given the initial surrender to the principle that no British conductor's income should suffer (or rather that a free gift should be made to a conductor who would, had "Porgy" never come to London, have had neither fee nor grievance), it is hard to discover a positive motive for the ban; and a powerful motive against it, one would have thought, is provided by the fact that its enforcement would put thirty-four members of the Stoll orchestra, all union men, out of their jobs. The membership of the Musicians' Union, so unmistakably the losers, may be expected to ask whether either personal feud or personal log-rolling is involved in this remarkable proposal to cut off their noses in order to spite Mr Smallens's face. One cannot, unfortunately, expect with equal confidence that their American counterparts will reconsider their support for a policy which provides so many powerful, if not exact, precedents for national exclusiveness pushed *ad absurdum*. A long time seems likely to elapse before musicians of all nationalities, confronted with the proposition that higher and more reliably art-proof fences are the most precious product of collective negotiation, begin to murmur, in the words of the banned opera's catchiest song, "It ain't necessarily so."

Farming and Food Production

To secure the increase in food production which the country urgently needs, still more concerted and more vigorous measures are necessary. For the individual farmer, landowner, and student of agriculture, this implies above all else the provision of reliable information on progress in farming methods and in agricultural research.

The Times Agriculture Review provides such information and brings together news and opinion about the problems and prospects of British agriculture which are not normally found in the daily Press or in the technical farming Press. Its first issue as a regular quarterly publication appeared last June, on the occasion of the Royal Show, and was widely welcomed. Now, on the occasion of the London Dairy Show, comes the second issue.

In this issue, which is fully illustrated, the Duke of Beaufort, President of the British Dairy Farmers' Association, writes on the Dairy Show, and Professor H. D. Kay, Director of the National Institute for Research in Dairying, discusses the factors that influence the quality of milk. Mr. Clyde Higgs contributes his regular article on new machines on the farm, and among other regular features are the records of the chief pedigree stock sales and notes on

estate maintenance. There are articles also on the progress of the attested herds scheme; the choice of improved varieties of seed that will respond fully to high farming methods; grain drying on the farm and the establishment of lucerne leys of high production.

Oversea farming is represented by an account of the experience of New Zealand dairy farmers in controlling the grazing of pastures to secure the maximum output of milk.

THE TIMES AGRICULTURE REVIEW

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Greece Tries Again

Once more the Greeks are to go to the polls in search of the political stability that so persistently eludes them. It is only just over a year since elections were held on the basis of "reinforced proportional representation"; this brought about a wholesale massacre of most of the minor parties but it did not provide a stable government. A coalition of General Plastiras's EPEK and Mr Venizelos's Liberals has since then limped uneasily along; it has been gravely handicapped by its tiny parliamentary majority, its own internal quarrels and the rigid opposition of Field-Marshal Papagos's Greek Rally, which forms the largest single party in the chamber.

Now the Greeks are to jettison proportional representation and try their luck with a simple majority system of voting. Although Field-Marshal Papagos has been persistently asking for fresh elections on a majority basis, the new electoral law has had a rough parliamentary passage. The Greek Rally complained, possibly with some justification, that the government had been guilty of gerrymandering in defining the new constituencies. It also objected to the decision to deprive the armed forces of their vote so that, in the words of Papagos, "those called on to defend the country are thereby denied a right enjoyed by those who plot against the nation." The government's excuse is that delay in counting the service votes holds up the final results by many weeks and that the rank and file vote under pressure from above. Both sides no doubt remember that a majority of the army vote went to Field-Marshal Papagos at the last election.

None the less, the Greek Rally maintains just as much as the other parties, and probably with more justification, that it stands to gain by the new method. Whether or not this optimism is justified, the Rally certainly has over its rivals the advantage of greater internal cohesion. It is to be hoped that fears of dissension will deter the Rally neither from adopting a strong and effective electoral programme, nor from carrying it out if it should be returned to power. In the past its aims have not been conspicuous for their lucidity; and strong government without strong policies to restore the country's economic stability will not help the Greeks.

* * *

Dollars from the Caribbean

When it was announced last month that Lord Reading was to pay a series of good will visits to Latin American countries during November, some doubts were expressed about the decision to limit his itinerary to the more southerly of the twenty republics. The Foreign Under-Secretary's tour will cover Brazil, Uruguay, Argentina, Chile and Peru, but he will not be able to visit any of the dollar-account countries bordering the Caribbean. His mission will undoubtedly be useful—no British Minister has made such a tour since the war—but it is certainly a pity that it cannot be extended to cover areas in which British commerce is relatively less well established than it is in Brazil and the River Plate countries, but which hold out the possibility of dollar sales of British goods that find no market in the United States. In the first seven months of 1952 the value of British exports to the Caribbean dollar area was about £23 million, of which exports to Venezuela represented nearly £10 million; and there is ample evidence that this trade could be expanded if British firms that concentrate their efforts on southern and eastern Latin America could be induced to look further north.

A warm welcome must therefore be given to this week's announcement that a British trade mission will leave in November for a six-week visit to Mexico, Cuba, the Dominican Republic, Venezuela and Colombia. This mission comprises several businessmen with personal experience of the area, and its discussions and findings should contribute substantially to the expansion of trade with these rapidly evolving countries. It is not inappropriate that the first year

of the new Elizabethan age should see a reawakening of British interest in the Spanish Main.

* * *

Pilgrims to Peking

The thunder of tanks, guns and bomber aircraft that marked the celebration of Communist China's revolutionary anniversary in Peking had barely died away before the scene-shifters appeared to lay out the red carpets for the latest Communist "peace congress," which opened in the same city on the following day. No discrepancy between the two occasions seems to have been remarked either by Mao Tse-tung's docile subjects or by the foreign delegates to the congress, some of whom stood at the saluting base while the armed might of the new China paraded by. But one would like to hear Mr Ivor Montagu, who has been representing the "World Peace Council" at the congress, construe the Chinese poem specially composed and circulated for the anniversary, and which contains the interesting line: "We love peace, and smash all our enemies into pieces."

It would seem, indeed, that the Chinese, scorning the reticent tactics of their comrades in the West, have made a point of emphasising to their visitors that "peace," in their view, is essentially a bellicose affair. On the eve of the conference Kuo Mo-jo, chairman of the Chinese Peace Committee, issued a long statement on the committee's activities in which he proudly pointed out that, while it had taken full part in the Stockholm peace appeal, its chief task had been "the movement to aid Korea," and that it had been outstandingly successful in collecting funds for the purchase of fighter aircraft and munitions. Later, in a speech to the conference, Kuo declared that peace could only be brought about through the liberation of "enslaved" peoples. This theme was repeated by many of the speakers, with particular emphasis on the need to secure national independence for Japan by ridding it of foreign troops; there was, of course, no reference to China's acceptance last month of the indefinite presence of Russian forces on its soil.

The Peking gathering bears the official title of the "Asia and Pacific Peace Congress." Although dominated by the Chinese, it has drawn visitors from many South American countries as well as from Australia, Canada and the United States. If no new themes have emerged from it as yet, it has at least provided a new network for the dissemination of such established Communist theses as unrestricted trade, anti-imperialism and hatred of the United States. It is not insignificant that the proposals before the congress include the exchange of cultural missions, students, scientists, sports teams and farmers between the countries represented. Clearly, much fellow-travelling is contemplated.

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THE ECONOMIST,
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Letters to the Editor

Strasbourg and Luxembourg

Sir,—The article in your issue of September 20th sought to make two points: first that Britain should welcome the decision of the Ministers of the six countries to go ahead and establish, if they can, a federal policy for "Little Europe"; secondly, that the Council of Europe might as well be dismantled, because the interests of the non-federating member-states are best served by an appropriate development of the institutions of the North Atlantic community—which you admit are incomplete.

Few will quarrel with the first point. But I venture to dissent strongly from the view represented in the second. The British Government surely do not share that view. The short answer is that "there'll always be a Europe," not so much a geographical as a spiritual fact to be set alongside the mercantile society of the United States and other parts of the New World, and this Europe must include Britain. Mr Churchill, in his first pleas for united Europe, no doubt had in mind primarily the provision of cement for Franco-German relations, but since the Congress at The Hague he has shown a full appreciation of the need for the European myth, if there is to be any effective resistance on this side of the Atlantic to the challenge from the East. Nato, if only because of the disproportionate weight of the United States, is not enough. For this reason alone the existence of the Council of Europe, as a forum where the nations' problems can be placed in their European setting, is a moral and political necessity, even though it might seem to contribute nothing to the sum total of actual achievement.

All honour to M. Schuman for his initiative. But he would be the first to admit that the establishment of the coal and steel community would never have been possible unless the climate had been prepared by the meeting of minds at Strasbourg. Equally, most would agree that the work of that community may yet be facilitated through the association with other European countries which the Council of Europe provides.

When people decry the Strasbourg assembly as a mere "talking shop" I am tempted to retort that that is precisely what it is meant to be, what, indeed, any Parliament is. There will be plenty to talk about if and when the new restricted communities take shape, and it is through the Strasbourg forum, with representatives of all free Europe exercising the necessary control, that the limitations of technocracy, on the one hand, or the dominance of partial interests, on the other, can be surmounted.

Since your article was written, the Consultative Assembly has taken three steps of major importance: its endorsement on September 30th (by 102 votes out of 103) of Mr Eden's proposals for associating the Council of Europe with the work of the restricted communities;

its recommendations to develop European and Commonwealth trade through long term contracts, planned investment, and preferential agreements, and to call a world monetary conference to review Bretton Woods; and its request for an annual report from Nato.

All this shows that the assembly has an important role to play as the voice of Europe, influencing opinion in a way that no intergovernmental association, whether it be OEEC, Nato, or the United Nations, can do. In fact, pending that distant day when there is enough Atlantic consciousness to make possible the establishment of an Atlantic Assembly, the matrix of Europe at Strasbourg performs, I submit, an indispensable function.—Yours faithfully,

Strasbourg

W. H. C.

A Leak in the Wellington

Sir,—In the Business Note in your issue of October 4th it is suggested that rubber boots imported from Hong Kong "may well have originated in China and Japan."

I can say with certainty that all rubber footwear shipped from Hong Kong to this country is of Hong Kong manufacture. This footwear enters the United Kingdom under claim to relief from duty in accordance with the imperial preference regulations. It is supported by certificates of origin, countersigned by fully qualified accountants who are authorised by the Hong Kong Government and accepted by H.M. Customs here. Costings (and full stock records of raw materials and production) are submitted to H.M. Customs by the accountants for each factory at regular intervals in addition to a complete chain of evidence confirming the source of all raw materials used in manufacture. The accountants are required to carry out frequent "spot checks." They are all highly respected members of the profession (some are British firms of world-wide reputation) and take great care to ensure that their endorsements on certificates of origin are fully in accordance with the facts.

To those who know the background to these footwear imports, statements that they really originate in China or Japan are revealed as nonsense—or perhaps as old wives' tales which gain in currency according to the degree of competition.

As a footnote I would like to mention that in 1951 all Hong Kong manufactured products shipped to the United Kingdom were valued at £3 million; in the same year British goods valued at £38 million were bought, used and distributed by the colony.—Yours faithfully,

E. G. A. GRIMWOOD

Hong Kong Government,
London, W.C.2

European Export Subsidies

Sir,—May I draw your attention to some points arising from your article in your issue of September 27th?

1. It is true and considered abnormal

here that the Government takes 90 per cent and the exporter 10 per cent of dollar proceeds of exports. We shall have no rest until the 10 per cent is 100 per cent again.

2. It is correct that the Dutch exporter (mostly not the merchant but the manufacturer and the agriculturist) makes a premium of about 5 per cent of his dollar turnover on these 10 per cent of retained proceeds. The premium of 7 per cent, as stated by you, was made during a period as long as that in which 3 per cent and less was obtained.

3. These export dollars are not on a free market, but the exporter has to use them for advertising, travelling expenses and/or imports.

4. The sound conclusion from these facts is that, allowing the exporter 100 per cent instead of 10 per cent, the premium would disappear or would be reduced to a fraction of the official rate of exchange.

5. Shunting of goods is certainly not possible with these export bonus dollars, because the latter are too expensive.—Yours faithfully,

J. H. SEIJLHOUWER

Bloemendaal

Sir,—Your article in your issue of September 27th touches an important and delicate problem.

May I first correct some of the mistakes mentioned in the article and the summary?

Dutch exporters retain 10 per cent of their dollar earnings emanating from the export of Dutch goods. These dollars are not transferable and can only be used either for travelling expenses or for the import into Holland of goods for which otherwise no licences are given. It is only by selling these goods at a higher price that a "premium" can be obtained. Recently this premium has worked out at Fls. 5.60 to the dollar, or about 5 per cent on the dollar exports as a whole. At times this rate has been as low as Fls. 4.60 or less than 2½ per cent on the dollar exports as a whole.

As these 10 per cent retained dollars are only allowed on exports of Dutch goods your allegation that this premium "induced Dutch exporters also to search diligently to find foreign goods they can shunt in the North American markets" is not correct. What you call "shunting operations" is in reality based on the Dutch system of allowing a Dutch transit dealer, who purchases foreign goods in some EPU countries (and weaker currencies), to use 90 per cent of the dollar proceeds of the sales of these goods in the United States, for transactions in the opposite direction. This means that this transit dealer—or as these 90 per cent are freely transferable—one of his Dutch colleagues is allowed to purchase goods in US dollars selling them to EPU countries.

As there is still a demand in these countries for dollar goods a premium is always obtained. Once a premium is obtainable it is obvious that the first transaction (the dollar creating one) can be executed at a loss, thus enabling Dutch merchants to sell certain Euro-

pean commodities in the United States cheaper than the producing country itself could do.

The medal has two sides, however; as an example, it is certainly disagreeable for a Swedish wood-pulp exporter to find that Dutch transit dealers are offering his commodities at a lower price than he himself, but against this the Swedish importers are able to purchase via Holland much desired nylon stockings and American cars. As the Swedish importer must have a licence from his government to pay Holland in guilders for these so obviously non-Dutch commodities, they can never deny being aware of the proceedings.—Yours faithfully,

TRANSITDEALER

Correspondence Colleges

Sir,—I hope you will allow your readers to be informed that "Chartered" accountancy was earlier in its origin in Scotland than in England. All references, therefore, in your article on "Correspondence Colleges" to the Institute of Chartered Accountants should have been to the Institute of Chartered Accountants in England and Wales. The Scottish body remains distinct and, as I say, received its first charter much earlier.—Yours faithfully,

A. G. MCBAIN

Glasgow

[*Nemo me impune lacessit.*—EDITOR.]

The Microbe Hunters

Sir,—As a regular reader of your paper I feel I must protest strongly against the sentiments expressed in your Notes in your issue of September 27th.

First you do a grave injustice to the United Nations' cause in attempting to smear the scientific commission—a type of tactics which is more suitable to Communists than the responsible leaders of a democracy.

Secondly you appear to have little regard for the traditions of Western law and science if you are prepared to reject evidence—or even the offer of evidence—on grounds not connected with the nature of that evidence.

Thirdly the cynical view that British business men may take profit out of Chinese trade while British soldiers are killed in Korea, but that no delegations should be permitted to attempt to establish friendly relations with China, seems to me to reflect a degree of moral insensitivity which I for one should not like to advertise as blatantly as you have.—Yours faithfully,

JOHN CHILD

St. Catherine's Society, Oxford

[It is not a "smear" to point out the previous political affiliations of people who claim to be making an impartial investigation any more than it would be to object to the trial of a lawsuit by a judge who was a large shareholder in the company bringing the action. With regard to the reproach of "moral insensitivity," the point is that trade with China in non-strategic goods does no harm to British soldiers fighting in Korea, whereas political propaganda against their cause concerted with the Chinese Communists under cover of "friendly relations with China" does them a great deal of harm.—EDITOR.]

Books and Publications

The War of Bricks and Mortar

History of the Second World War: Works and Buildings. By C. M. KOHAN.
HM Stationery Office. 540 pages. 32s. 6d.

This is not specifically a history of the Ministry of Works, that Ministry which in its five wartime years had three titles and four ministers. But since its theme is the carrying out of the vast rearmament and wartime building programme, the backbone of the story is the Ministry of Works, the circumstances that led to its creation in the second year of the war and to its achievement by the end of 1942 of the central planning, direction and control of the wartime building programme. This was a part of the war effort that had no, or few, dramatic moments, on which the limelight never fell. But the successful prosecution of the war depended on the construction of the camps and the hospitals, the airfields, factories, radar stations, docks, pipelines and all the rest that made the war on sea and land and in the air possible. It was a programme amounting to a thousand million pounds or more.

Mr Bevin was primarily responsible for the creation of the Ministry of Works, against which the old Office of Works fought fiercely. It was Mr Bevin's intention that a new Ministry of Works and Buildings should take over all Government building whatsoever; and when created it was given a wide charter in this respect, far wider than in fact it ever enjoyed. But even in peacetime it would almost take a revolution to force the various ministries of Whitehall to give up their building departments. In war, with the ministers like medieval barons, marshalling their private armies, defending their frontiers or raiding their neighbours, it was an impossibility. In actual fact the original opposition of the Office of Works to the swapping of horses in mid-stream was sound; it would have been an unjustifiable gamble to have tried to build up a single building department to take over the whole construction programme in the stress of war.

But Mr Bevin's objective of central control was, as Mr Kohan shows, ultimately attained. The trouble that over and over again threatened the Government's building programme was that no way had been found of securing any order or balance in it, in spite of many attempts at co-operation by the various Government departments. Each department considered that in the end it must be the sole judge of its own requirements and of the extent and timing of its activities. Effort after effort was made, first by an Interdepartmental Works Committee, then by a Works and Building Priority Committee (under the chairmanship of the Parliamentary Secretary of the Ministry of Labour) to bring order into the mounting programmes of the departments. And yet in the late autumn of 1940 it was calculated that the total of all the programmes of all the departments was double the capacity of the whole building labour force, even if any-

thing like the whole labour force could have been spared for new construction, or could have been made available.

It was an impossible situation. The struggle then became one for centralised control, and incidentally against the system of priorities by committee. The Ministry of Works was established in October, 1940, with a compromise charter and little accepted authority. Nevertheless, at a very early stage of his Ministry Lord Reith invited the Production Council to scrap priorities and agree to an assessment by the Ministry of Works of the capacity of the building industry and the demands of the departments' building programmes; on the basis of this the available building capacity was to be divided among the departments broadly in accordance with the strategic priorities of functions as laid down by the Production Council, the departments themselves applying their own internal priorities. It took two years of struggle finally to overcome the suspicions of departments and the idiosyncracies of ministers and to arrive at a workable arrangement. In spite of a great effort by the Minister of Labour to go back to priorities controlled by a committee of ministers, at last in December, 1942, as Mr Kohan says, "The wheel had gone full circle . . . the impartial administration of the building programme by the Ministry of Works had been accepted by the departments." As time went on the system came to be run increasingly on scientific, statistical lines and obviously with great smoothness since even the interdepartmental committee ceased to meet.

But it was not only the co-operation of the departments that was necessary. The harnessing of the building and civil engineering industries was achieved without recourse to any statutory order and with remarkably little friction and an abundance of good will. The long, hotly opposed and finally Government-imposed, scheme of payment by results, once it was in force, was ably administered by a joint committee of the industry itself. The whole industry was geographically organised for the repair of air raid damage and to meet the threat of invasion; apprenticeship was dealt with on national lines; great advances were made in welfare conditions on the building sites—all in striking contrast with the chaotic conditions that obtained in the 1914-18 war.

Mr Kohan's book is, however, so full of meat that much more space would be required to deal with it adequately. It provides material for study both by those optimists who still hanker after a more efficient building industry and those realists, or pessimists, who have to think and plan in case such crises should again arise. It also tells a good story. One cannot but admire the

enacity and patience of the author in weaving the tangled tale of those five years into what is a clear and documented account. It is inherent in the self-denying ordinances, to which the editor of this series of war histories refers in his preface, that so much of the colour is lost. Impersonal history is only half the truth. The limitation of subject too, however inevitable, means that much well worth remembering will go for ever unchronicled—Lord Reith's brave fight for postwar planning, Lord Portal's imaginative contribution of the prefab to the postwar housing problem. The first received no encouragement from the top and was perhaps the main reason for Lord Reith's ruthless dismissal in February, 1942. The second was so bitterly and unfairly assailed on all sides that even its author lost courage and resigned a disappointed man. So Ministers come and go, but the Ministry goes on and its work during the war will have had its permanent impact on the building industry and on building in this country whether in war or peace.

Brazil in a Pint Pot

Brazil: An Interim Assessment. By J. A. Camacho. Royal Institute of International Affairs. 116 pages. 11s. 6d.

To put not a quart, but a gallon, into a pint pot is always a feat, and Mr Camacho is to be congratulated on his bold effort to do so. Brazil is a rapidly developing country of 53 million people, larger than the United States, diverse in terrain, economy and society, and bedevilled by political complexities. To summarise in such a small volume its physical and human geography, its history as colony, empire and republic, its successive economic revolutions, its social problems, and its contribution to literature and the arts would be impossible without some degree of simplification, and the pundits will no doubt take Mr Camacho to task for an occasional omission or lack of balance.

He need not fear them. This book, the third (and the best to date) in the Chatham House series on Latin American countries, deserves a warm welcome. It is more than just a short handbook, although in that capacity it is badly needed. It is also a lively analysis of Brazil's most important characteristics. As the author points out, Brazil is a colonising nation whose experiences are no less significant because the colonising has happened to take place within its own frontiers. It is a country with an unusually good record of peaceful international relations. Despite strong provincial rivalries, it has successfully maintained the unity which its Spanish-speaking neighbours were so quick to lose. Even more important, perhaps, is its experience of racial relations. European, Indian and Negro stocks have blended to produce a genuinely Brazilian nation in which racial prejudices, if not entirely absent, are less of a problem than in any other country of multiple origins. Mr Camacho has extracted these, and other, significant themes from the bewildering variety of the Brazilian background with great skill, and he deserves to be widely read.

A Feast of Churches

English Parish Churches. By Graham Hutton and Edwin Smith. Thames and Hudson. 64 pages and 226 photographs. 42s.

About two-thirds of this beautiful book consists of photographs. These are technically excellent; only people who have attempted this sort of photography will know how much skill and patience must have gone into their making. Mr Hutton says that he and Mr Smith sometimes had to wait "not merely for hours but for days and months—in some cases years." The English climate is indeed seldom kind to photographers who want to capture the glow of sunlight on crumbling stone or the detail of a tomb in a dark corner. But there is much less excuse for the flat, grey expanses that pass for skies in most picture postcards and photographs in railway carriages; Mr Smith shows how vastly these would be improved if care were taken to obtain a painter's sky.

Many people will be content to possess this book—and once seen it has to be possessed—for the photographs alone. They would, however, be well advised to read Mr Hutton's introduction before studying the photographs in detail. With a masterly display of selection and compression, he surveys the history of church architecture in this country over a thousand years, and the photographs have been taken and grouped to illustrate the changes in style. There is a glossary of architectural terms; but it is hardly necessary, for Mr Hutton has achieved the feat of being learned and authoritative in this specialist field while remaining intelligible to the layman. It is a slight drawback to have the notes on each church separated from the plates, but doubtless this was done for good reasons.

Last week, the formation of the Historic Churches Preservation Trust was announced. The trustees, whose main task is to raise £4 million to aid parishes to repair their churches, will find this book a valuable ally. Not only does it show how rich a store of beauty English churches contain; but some of the photographs show only too clear evidence of decay. Mr Hutton reminds us that the church interiors have long since lost the warmth and colour they possessed in the Middle Ages—"they are but pale, sad shadows of their pristine selves." Now, however, their very fabric and structure are in danger, not, as were the screens, paintings, and statuary in earlier centuries, from reforming and puritanical zeal, but from poverty and neglect.

Celtic Trio

Three Great Irishmen—Shaw, Yeats, Joyce. By Arland Ussher. Gollancz. 160 pages. 12s. 6d.

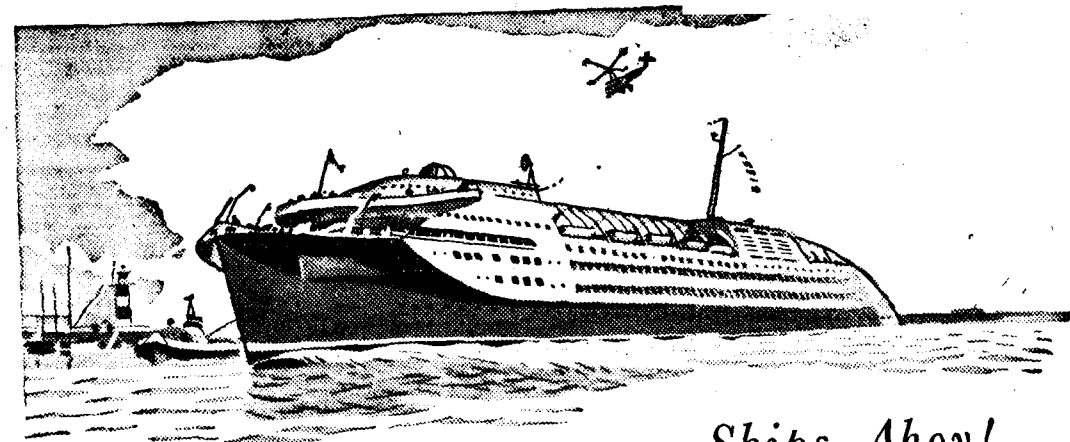
On finishing this book one would welcome an epilogue in the St. Joan manner, in which the shades of Shaw, Yeats and Joyce provide a ghostly "Any

questions" programme, with the author as question master; for his study abounds in incentives to argument, and is presented with a shrewd vigour. His penetrating and genial investigation apportions blame without presumption and praise without adulation, and if the resulting survey, from an Irish standpoint, shows a different and surprising perspective, it is none the less stimulating and refreshing.

Mr Ussher suggests that Shaw's characters do not live independently—"the navel-string connecting them with their author is uncut"; that he was not artist enough to admire what he could not justify with his reason, but was philosopher enough to want to admire everything that energetically lived; that his work is therefore not quite art or philosophy, but "the best conversation the world has to give"; and that in the course of his whole long, active, argumentative life he never forgot his manners but was "in an innate and mystical sense well-bred." This last point is crucial, since Mr Ussher believes that with the decline of aristocracy our choice is between Mob and Man—between "blackguardocracy" and the free spirit; unless man becomes gentleman in the Shavian sense, his doom is sealed, for "in his present state he is as out of date as a horse-drawn omnibus."

Certain parallels are found between Shaw and Yeats, who is placed chronologically between the rationalism of the former and the surrealism of Joyce. Both were protestant in temperament, influenced early by Blake and late by Goethe, shy and retiring men who yet undertook the drudgery of public affairs. Both ended by idealising mob leaders while scorning the mob; both were anarchical in thought and carefully law-abiding in practice; both were dramatists, self-dramatists, skilled public speakers, failed novelists, comedians, and possessed "the high single-mindedness which is the best meaning of nobility." But in Yeats, art and thought were perfectly integrated while in Shaw there is a discord between emotion and mind. Yeats lifted the aestheticism of the nineties into a great art, and carried it over into a world which has cast away religion and is beginning to despair of science; but his symbolism is here criticised as verging on emblematisation and as resulting in a remoteness from even the cultivated general reader. Mr Ussher sees Yeats as the last of the Homeric poets of mood and idea, and Joyce as the first avatar of the less personal, less natural poetry of the unconscious. All three protagonists are regarded as being, in a sense, displaced persons. Shaw's creative evolution was out of date, Yeats came too late in the history of homogeneous nations to realise his dream of being the flower and crown of Ireland in its greatest century, while Joyce was a Chaucer in a modern world, faced with the task of expressing his own age and also of bridging the hiatus in Irish literary experience since before the Middle Ages—"forging the uncreated conscience of his race."

Mr Ussher calls "Ulysses" a strange,



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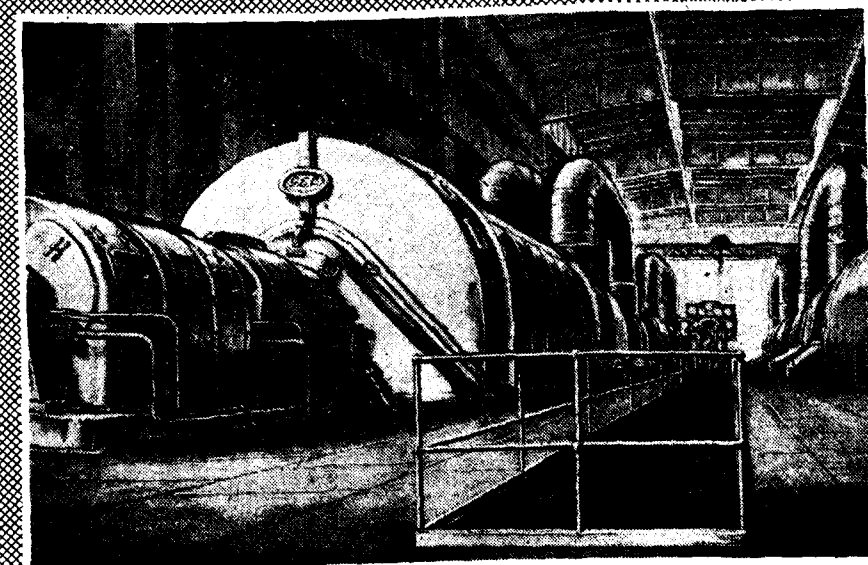
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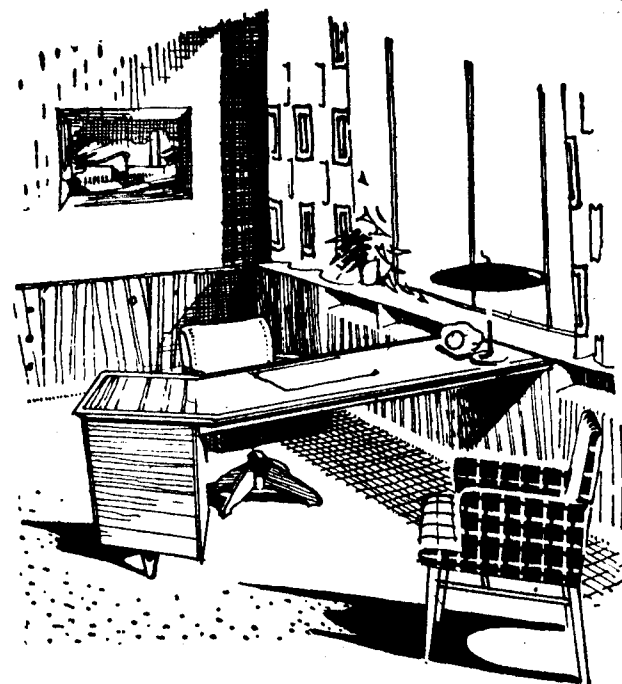
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droll, uncomfortable masterpiece about a dull day in the lives of an irritating prig, a prosy philistine, and a trollop, and thinks it a comic creation worthy to rank with Gargantua, Gulliver, or Tristram Shandy. He deplores the anticlimax of "Finnegan's Wake" as "the weirdest folly in the history of verbal architecture." He concedes Joyce's Irish bravura, over-sly, jeering insinuations, and oppressive lack of elation and delight—"a slightly loutish Blake, Joyce sees Infinity with a long nose and Eternity in a belch." But his overriding merit is a broad humanity with aesthetic detachment. Shaw longs to remould the world, Yeats to escape from it, but Joyce accepts it in all its beauty and squalor. If the art of criticism is to send the reader back to the original with renewed zest, this book should be an outstanding success.

Lawyers on Current Problems

Current Legal Problems, 1952. Edited by G. W. Keeton and G. Schwarzenberger. Stevens and Sons. 339 pages. 37s. 6d.

This is the fifth volume of the series and it contains fourteen of the weekly lectures given in the Faculty of Laws at University College, London, during the session 1951-52, together with Lord Justice Denning's presidential address to the Benthams Club. The title is deceptive; fortunately so, for a discussion of matters which are problems only to lawyers would have the same limited interest as a selection of difficult hands at contract bridge. The contents are in fact lawyers' comments on some of the social, political and economic problems of the day, shaped by the relevant law, but concerned with the impact of these laws on society and on individuals. The subjects include the liability of company directors, the compulsory purchase of land, the control of domestic and administrative tribunals, the Schuman plan, abortion, the protection of British property abroad and "Officialdom and Infancy." Lord Justice Denning's address is concerned with his belief that there is a need for a new "equity," or a willingness on the part of judges to change the non-statute law to meet new injustices.

To see social and political problems through a lawyer's eyes has the fascination of a familiar view seen through a camera obscura. It is valuable to see the limitations which the strictly legal approach must accept, for both the legislator and the public should know what those limitations are. It is encouraging to encounter the personalities of some of the writers; the most provocative are Professor Glanville Williams writing on abortion and Mr Richard O'Sullivan, QC, on the state and family and children. Most of all, perhaps, it is a relief to escape from a world of political and economic theories into a more precise and limited world, where words are expected to have a single and consistent meaning whoever uses them and where

principles are taken as proper guides for the regulation of both conduct and its consequences. There is a very great deal of knowledge in this book, some evidence of blinkers, much humanity and much of what, in the west, we know to be our true contribution to civilisation.

Geographical Pioneer

Human Geography. By Jean Brunhes. Translated by Ernest F. Row. Harrap. 256 pages. 25s.

Jean Brunhes's "La Géographie Humaine," first published in 1910, has hitherto been available to the English-speaking world only in an American translation of 1920, which was not without blemishes. The appearance of a new English edition is, therefore, to be welcomed. The translation is made from the latest French edition of 1947, itself an abridgment of the three volumes of "La Géographie Humaine," with the addition of material from other publications of the author. The work has also been revised to take account of changes in world conditions; yet in spite of this complex history it manages to maintain a welcome and surprising clarity and uniformity.

Brunhes's work has, of course, paid the penalty of success, and much that was fresh and stimulating when first written has passed into the general body of accepted geographical ideas. It is no longer new, although perhaps still necessary, to insist on a classification of towns by function and morphology rather than by mere size, or to draw attention to the weaknesses of watersheds as political boundaries, to quote two examples at random. In addition, certain of Brunhes's ideas in human geography may appear naive in the light of more recent investigations in the social sciences. But if some of the first impact has inevitably been lost, a surprising number of valuable lessons remain. Especially is this so in the field of methodology, in, for example, Brunhes's use of "sampling" and in his avoidance of hasty generalisations and crude physical determinism. Above all, the book is made to live by detailed examples and illustrations drawn from Brunhes's own field investigations.

The translation is good; the illustrations and maps are of outstanding interest; the price is reasonable for these days. This edition will certainly be welcomed by teachers and students of geography.

Government and Geology

Geological Survey of Great Britain. By Sir Edward Bailey. Allen and Unwin. 278 pages. 22s. 6d.

In this book, the former director of the Geological Survey records its progress from its beginning in 1835 until his retirement in 1945. The detailed history of the survey and of those involved in it

will inevitably be of greater interest to the geologist than to the general reader, to whom the scientific controversies in which geologists engaged will probably be incomprehensible. But there is much of wider interest. The survey was initially not only an organisation for investigating and mapping the rocks of Britain but also a kind of embryo Imperial College, with professors of chemistry, mechanical science, natural history and other subjects. Geology in fact must be added to the list of those sciences which have claimed to co-ordinate all others, a claim which, in the days when Huxley, Stokes, Murchison and others were associated with the survey, had some justification. This episode in the history of science ended with the death of Murchison in 1871.

Of equal interest is the way in which the apparently straightforward process of geological exploration has been involved in controversies of wider importance. How much freedom of publication should be given to the government scientist? Should the survey charge for answering the floods of enquiries that descend upon it? Should the private firm be forced to disclose to the state the results of its shaft or boring? On all these problems Sir Edward Bailey writes forcefully. This is certainly a book to be read by those interested in the history of science in this country, or in the relation of the scientist-civil servant to the state on the one hand and to private enterprise on the other.

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AMERICAN SURVEY

Candidates Abroad

Washington, D.C.

ALTHOUGH there has been much beating of the tom-toms about foreign policy during the election campaign, neither General Eisenhower nor Mr Adlai Stevenson has shown any great desire to get involved in a serious debate about the future. The fate of the one attempt to offer a novelty—Mr Dulles's "liberation" idea—suggested that there was no political advantage to be gained at the moment by proposing bold new programmes. Both candidates, of course, have had plenty to say about past history, for which blame has been apportioned and reapportioned, but what is to come has been discussed only in general terms. The Governor has warned of blood, sweat and tears without being very specific about the quantities required; while the General has talked forcefully about ending the Korean war, preventing future Koreans, increasing the military might of the country and reducing taxes. Understandably enough, he has been vague about how he is going to accomplish these conflicting miracles.

Even the argument about the glory or the shame of American achievement in the foreign field over the last seven years should have been muted, by comparison with the circus the country would have seen if Senator Taft had been nominated. It should have been muted for two reasons. Mr Stevenson, whose job it must be to defend the record of the present Administration, had almost no part in its compilation. On the other hand, General Eisenhower, who must attack everything this government has done (except those measures passed during the Republican Eightieth Congress, for which his party is prepared to take credit) has been deeply involved in many of the Administration's most important decisions. The advantage in this kind of situation obviously rested with the Governor.

It was this, perhaps, as much as any pressure from those within his chosen party, that persuaded General Eisenhower to embark on the task of rewriting his own role in the history of the last seven years to his own advantage. He must have felt that he could rely on Governor Stevenson keeping the campaign on a high level, no matter what the Republicans did. In this he was right. However, the General seems to have forgotten President Truman and his ability to hit hard when aroused. And there is no doubt that the President has been aroused, not to synthetic indignation for campaign purposes, but to genuine wrath. When Mr Truman says "The General whose words I read, whose speeches I hear, isn't the General I once knew" there is genuine sadness in his voice and bewilderment in his manner.

It is not easy to understand why the General should have laid himself open to charges of dishonesty over Berlin and Korea. But the absurdity of his position had been demonstrated earlier when he spoke in Flint, Michigan, about bipartisanship in foreign policy and the virtues of the late Senator Vandenberg. The editorial comment during the next two days in the larger eastern newspapers which have been supporting the General could only be described as a display of open relief at the discovery that their candidate had not become an isolationist. Probably not even the *St. Louis Post-Dispatch* and the *Louisville Courier-Journal*—the two

important papers which have recently described their disenchantment at length and given their support to Mr Stevenson—would have thought of accusing General Eisenhower of forsaking his old ideals to that extent; but it was quite clear that some of the independent newspapers which plunged for the General in the early days were beginning to wonder how much further he would go to accommodate Senator Taft and minimise the "differences of degree" between their two positions.

The next day in Illinois he made an incautious remark about letting "Asians fight Asians if there has to be a war in the Orient," which was quoted out of context in many newspapers and given thereby a meaning the opposite of what was intended. The previous sentence—"we do not want Asia to feel that the white man of the West is his enemy"—explained what General Eisenhower was driving at, however inept his driving may have been and however disappointing his remarks must have been to those who believe in collective security. But the anxious way in which this remark was received showed again that those who were "for Eisenhower before Chicago" had had their convictions so rudely shaken in the last few weeks that they were waiting with bowed head—ready to receive the next blow. Perhaps it was the imminence of the General's visit to Senator McCarthy's Wisconsin that made them so jumpy.

The truth probably is that General Eisenhower and his speech-writers are doing no more than try to encourage the Taft Republicans to flock to the polls without disillusioning the General's original backers too much. And so far they seem to have succeeded. The formula they have found is an effective one. It includes extended references to the enormous importance of Asia, but no statement that Asia is more important than Europe. There are complaints that the Administration has not been stern enough with Europe, followed by criticism of the government's failure "to achieve a real unity of spirit with our allies." There are little stories to show that many years of living overseas have not made the General admire foreign ways—one demonstrating that he has not swallowed British socialism and another that he has not been attracted by the system of multiple political parties on the Continent. And, at Cincinnati, he showed, in Mr Taft's home town, that he is as adept as the Senator at quoting Mr Acheson out of context to prove that he encouraged the invasion of South Korea. Until recently, General Eisenhower has always called Mr Acheson a great Secretary of State.

This performance has been disappointing to those who hoped that a debate on foreign affairs during the campaign would serve some constructive purpose. There are optimists who hope this regularly every four years, just as there are optimists who predict regularly that the candidates chosen by

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

the two parties will ensure that the campaign is kept on a high level, but they are always disappointed. This year, in particular, the kind of criticism of Administration policy that the optimists hoped to hear would have carried the General further from, not nearer to, Senator Taft and was, therefore, presumably unthinkable. No Republican candidate, even if he had been able to subsist without the money which the party's old guard can produce, would have been able to criticise the Democrats for being too kind to Chiang Kai-shek or too slow to recognise the Chinese Communists.

Mr Stevenson complained a week ago, with some justice, that he had not "been able to develop any useful debate on the real problems and specific issues that confront this country." It may be for this reason that neither of his major speeches on foreign policy, in San Francisco and Louisville, was entirely successful. It is one thing to argue the merits and demerits of a policy for achieving certain ends; it is quite another thing to have to combat the assertion that these ends will be achieved automatically if one's opponent is elected. And, on the all-important subject of how the war in Korea is to be brought to a satisfactory end, General Eisenhower has offered nothing but the equivalent of Mr Baldwin's "Trust me." This may be enough. It should not be too hard to persuade a large number of voters that an expert at fighting wars is also an expert at finding a way to stop them. And so long as the greater part of the American press goes on industriously pretending that the President, and not the General, is responsible for the present undignified brawl, most of the people may remain in ignorance of the fact that, as the President said, General Eisenhower has "betrayed his principles."

But Governor Stevenson, less confident that there is an easy way out of the role that history has thrust on this generation of Americans, seems now to have abandoned the pointless task of refuting criticism point by point. In his "fireside chat" last week from Chicago, he decided to explain what leadership means to a nation which is unable to escape it. The response he got was heartening to him. He told the country that

you may seek comfort at the feet of false leaders, who, like medicine doctors, beat drums to ward off evil spirits. You may listen to false leaders who tell you there is an easy way, that all you have to do is to elect them and thereafter relax in a tax-free paradise. . . . You may fail to face the facts squarely in this great controversy of our time and you may be so deluded that you run the risk of being beguiled to destruction, for there is no easy way.

This was something that no political candidate has ever done before in the United States. It is, in fact, exactly what his admirers had expected General Eisenhower to do.

How Sudden a Change?

[FROM A CORRESPONDENT IN WASHINGTON, D.C.]

GENERAL EISENHOWER promises, if he is elected, to make "top to bottom" changes in Washington's governmental machine. Governor Stevenson, while trying not to cast any serious reflections on his own party, hints that he, too, has changes in mind. But it is doubtful whether either of the presidential candidates or the people who must choose between them yet realise the magnitude of the task involved in turning the federal government over to a new administration. Nothing like it has happened before. No government serving so many people, employing so many people, spending so much money, so endowed with a momentum of its own, and possessing such a large and relatively invulner-

able base of civil service workers has ever passed from one pair of hands to another.

The change will take place no matter which candidate wins. At first glance, it might seem that the change would be deeper and broader if there is a Republican victory, but that is not certain. Although Governor Stevenson might go about it more gradually, in the long run he probably would be quite as anxious as General Eisenhower to make the new administration his own. On the other hand, the governmental machine is so big, and its course has to be planned so far in advance, that whoever wins will, for a long time, feel that Mr Truman is looking over his shoulder and, in important ways, guiding his hand. Changes are easier to promise than to carry out.

★

There are no precedents for the shift of power that is to take place on January 20, 1953. What occurred on April 12, 1945, when President Roosevelt died and Mr Truman stepped into his place is no guide. Then the budget had already been submitted to Congress and the fact that Mr Truman was a Democrat of the Roosevelt persuasion made the transition relatively easy. There were decisions to be reached, things to be learned, and some Cabinet changes to be approved, but there were no new policies to be inaugurated, no budget to be recast at once, no clean sweep to be made of high government personnel. All that was necessary was that the name "Truman" appear where the name "Roosevelt" had appeared before.

Going back even further, to March 4, 1933 when Franklin Roosevelt took over from Mr Hoover, the last Republican President, is no more helpful. Just before he left office, Mr Hoover had submitted a budget, for the year beginning

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on the following July 1st, of a little over \$3 billion. The budget for the year beginning next July will be about \$80 billion. In Mr Hoover's time, the federal government employed between 500,000 and 600,000 civil servants. Today the number is 2,570,000. The depression, the second world war, the Korean outbreak and the New and Fair Deals have caused a proliferation of government agencies in which Mr Hoover himself and a corps of experts in administration from inside and outside the government very nearly got lost four years ago. That was during the life of the Hoover Commission on the Reorganisation of the Executive Departments. Finally, it was only home affairs which suffered through the failure of Mr Roosevelt and Mr Hoover to co-operate during the much longer interregnum which prevailed then between the election and the inauguration of a new President. Now, continuity in foreign policy is even more vital.

To a very large extent, a budget makes a government, and the bigger the budget, the truer that is. It is therefore an extremely important fact, however little it is noticed, that the budget with which General Eisenhower or Governor Stevenson will be presented next January began to be drawn up before either one was nominated by his party for the Presidency. It will be nearly complete by the time one or the other is elected, and will be casting a forward influence upon government policy by January 20th, Inauguration Day. The construction of an \$80 billion budget requires about nine months, and is in full swing six months before the January deadline for its presentation to Congress. The budget for the year beginning next July began to be fought out in the departments and agencies of the government last July. During the late summer and early fall the Bureau of the Budget, an agent of the President, examined the requests of the departments and agencies and conducted further battles over dollars and cents. Then the Budget Bureau had to submit the result to the President, and, if he ordered, impose new changes upon the departments. By election day the President will have had to make many firm decisions.

The process takes no account of changes of administration. The President is required to submit his new budget within fifteen days after the new Congress convenes on January 3rd, which means that Mr Truman, not his successor, will submit the spending programme for the year beginning the following July. Twelve years ago an effort was made in Congress to clean up this untidy situation by providing for the budget to be submitted in February in inauguration years, but perhaps because in those days changes of administration were not part of the usual American experience, nothing came of the attempt.

The ten weeks between Election Day and Inauguration Day simply is not long enough to permit an incoming President to make a searching examination, let alone a deep-reaching revision, of such a massive document as the budget, even if he devoted himself to nothing else. The work of seven months cannot be undone in two, even assuming that a President-elect could assemble, as soon as the votes were counted, a staff of fiscal analysts matching that of the Budget Bureau. A White House spokesman has said that Mr Truman will offer the fullest co-operation in budget matters to the new President whatever his party. This attitude is in keeping with Mr Truman's respect for orderliness and continuity in government and his understanding of the problems of the Presidency. But all of Mr Truman's co-operation cannot create the time required. Inevitably, therefore, Mr Truman's budget will be imposed upon his successor, and along with the budget there will go, unavoidably, large parts of the Truman programme. In the months between January and

July, as Congress debates the appropriations requested, the new President will have opportunities to modify the proposals in the budget. But the appropriating process in Congress is quite as formidable and ponderous as the budget-making process in the Executive Branch, and does not lend itself to sharp alteration of programmes which have hardened in the departments months earlier.

The new problems inherent in the coming change-over have occupied a few minds in Washington. The Secretary of Defence, Mr Lovett, has made the interesting proposal, which has been approved by Mr Truman, that the President-elect at once name his new Secretary of Defence, and send him or his deputy to the Defence Department for briefings on the department's budget and the organisation and policies it reflects. Inasmuch as the department spends about five-eighths of the whole federal budget, this would be an obviously useful step. Mr Lovett suggests that the same might be done at the State Department and the Treasury so that in the vital fields of defence, foreign policy and finance the smoothest possible transition from one administration to another might be achieved.

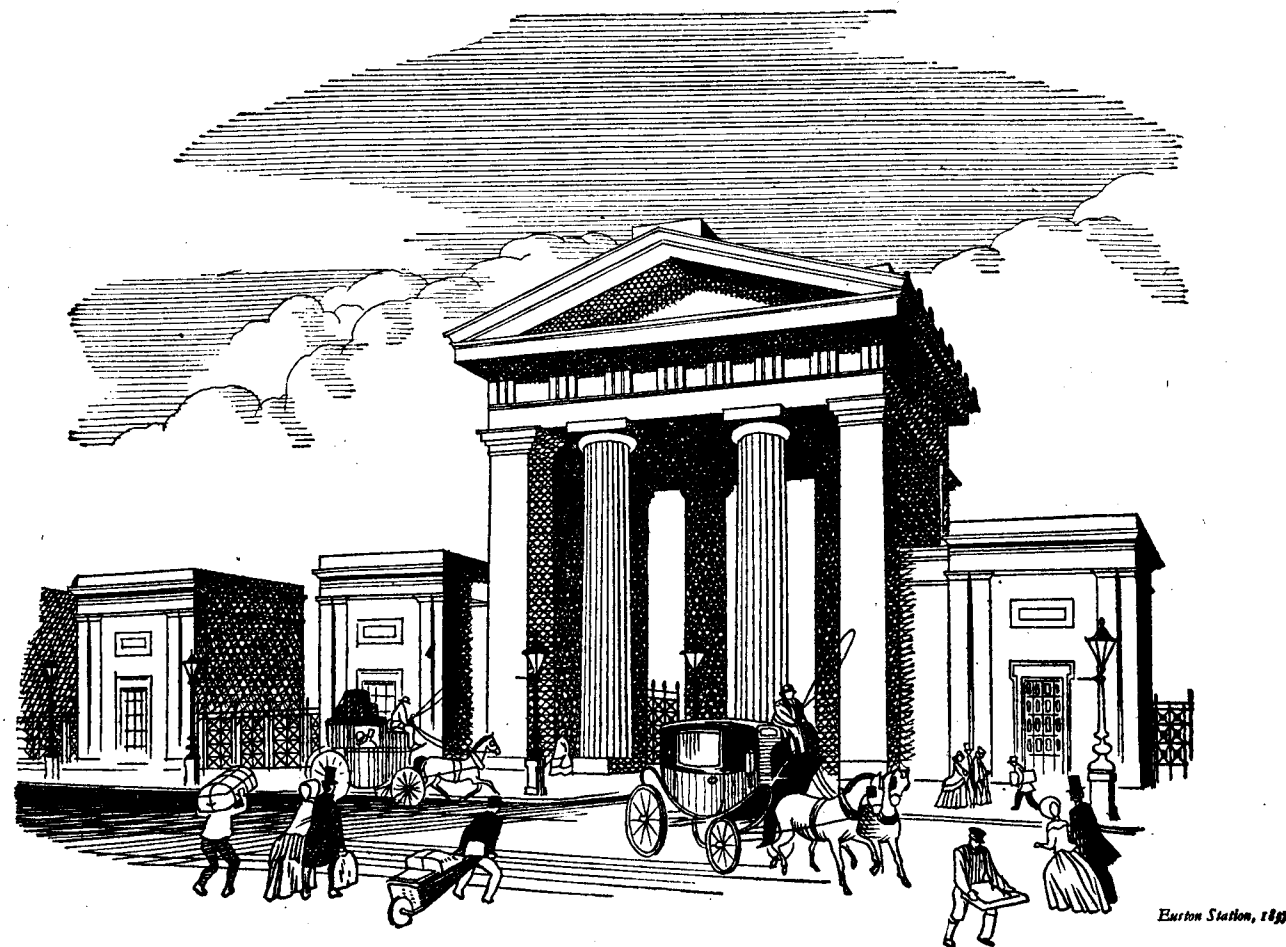
Changes in personnel will, because of the size and complexity of government today, present the new President with other problems. He will, of course, change his Cabinet completely, although conceivably Governor Stevenson might not do this all at once. Below the Cabinet level, there will be a multitude of changes to make. It is impossible to estimate the number, because many such officials are appointed for fixed terms, and how many would choose to submit their resignations no one knows. Changes are possible in such important places in the government as the President's Council of Economic Advisers, the Bureau of the Budget, the National Security Resources Board, the Central Intelligence Agency (now headed by General Bedell Smith, once General Eisenhower's chief of staff), the Atomic Energy Commission, the Civil Aeronautics Board, the Mutual Security Administration, the Federal Reserve Board, and almost countless lesser agencies. In absolute numbers, the changes may not seem very great. One informed estimate recently put them at under two thousand. But these changes would take place in the top layer of government personnel, and finding even a thousand replacements would be task enough to occupy the President-elect during all the time he has before his inauguration.

American Notes

No Quarter for the General

General Eisenhower claims that he is far too old a soldier to be rattled by the "harmless blanks" being fired at him from the back of President Truman's campaign train. But his advisers, who remember that they laughed in 1948 when Mr Truman made a similar tour of the whistle-stops in his own behalf, treat the attack more seriously. A Republican "truth squad," armed with bulging briefcases, has been dispatched to give first aid to the General's reputation after each Presidential fusillade.

The official Republican view, and that of most of the press, is that this is a degrading and sickening performance, an exhibition of "gutter politics" which cheapens the Presidency and can only damage Governor Stevenson. Unquestionably, for better or worse, it links the Stevenson candidacy with the record of Mr Truman's achievements and weaknesses. The President is ardently defending his own administration and twenty years of Democratic rule, almost as though he viewed the election as a public verdict upon himself.



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This may hurt the Democrats a little in the south, where Mr Truman is unpopular. But they can afford it there. The effect may not be the same in the much more evenly balanced states of the west and middle-west. Mr Truman, unlike Governor Stevenson, has no scruples about re-fighting the campaign of 1936. His slogan is "Look out, neighbour"—a variation of General Eisenhower's "Look ahead, neighbour." His theme is that the politically inexperienced General has been captured by the Republican right wing and turned into a "front for the special interests"—the oil lobby, the medical lobby, the private electricity lobby, the landlord lobby, and all the other private pressure groups. Vote Republican, he has been saying, and there will be no more Hungry Horse dams to provide cheap electricity for farms and new industries, no more great reclamation schemes. Vote Republican, and say goodbye to farm prosperity, full employment, high wages and social security. The "truth squad," encumbered by its own conservatism and the Republican record in Congress compiled during the party's long sterile years of opposition is at a disadvantage in answering such charges. The General's failure to rebuke Senator McCarthy for his slanders on General Marshall, which Mr Truman feels deeply, may be even harder to defend.

When the President concentrates on the conflict between liberal and reactionary domestic policies, he has been more enthusiastically received than when he accuses General Eisenhower of being partly responsible for the Administration's mistakes in Berlin and Korea. But professional help of any kind is at a premium in the Stevenson camp, which, in proclaiming its independence of the machine, to seem, in dissociating itself from the professional politicians. Senator Fulbright of Arkansas has now been called in to bridge this gap. The Gallup poll results are causing anxiety in Springfield; they show that the Governor, instead of catching up as the campaign goes on, is still well behind the General. The Roper poll, on the other hand, suggests that half the voters are still undecided; and that there is still room for a Democratic rally.

Justice was Incompetent

The Republicans have been anxious that the Chelf subcommittee of the House, which has been investigating the Department of Justice since last February, should release at least some of its findings before the election. The group's report on Mr McGrath, the former Attorney General whom Mr Truman appointed to clean up the Administration, does not make any allegations of corruption. But Republicans will be able to quote Mr Chelf, who is a Democrat, on the "inglorious failure" of the Executive to clean its own house, on Mr McGrath's "deplorable lack of knowledge of his own department," on his appointment of unqualified and unsuitable men, and on his lack of enthusiasm for purging even his own department of wrong-doers and incompetents.

Mr McGrath, it will be remembered, chose Mr Newbold Morris as his special investigator of corruption. The report insists that the Attorney General was told, in time, that Mr Morris was himself under investigation in a case involving the sale of surplus tankers. In view of this, the report concludes that the appointment was certainly hasty and improper, and that there are good grounds for believing that Mr McGrath saw advantages in appointing a man who might be susceptible to pressure to go easy on the dirty linen. Nor did Mr McGrath make any effort to co-operate with Mr Morris during the latter's brief term of office.

Mr McGrath has been out of the Administration for six months and his successor is at least making a show of energy. Mr McGrath has relieved the Department of two of the men whom the subcommittee hold responsible for the "shameful" slowness of the Department in handling war contract cases, though the third is now head of the Claims Division. He is ostentatiously busying himself with the

deportation of criminal and Communist aliens, and proceeding against others who secured American citizenship by fraud. It may be that Mr McGrath, as a political figure, is too stale to arouse much interest. But the committee's post-mortem will strengthen the general impression that it has long been time for a change at the Department of Justice.

* * *

Autos in Abundance

During the steel strike consumers turned a deaf ear to warnings that there might be a shortage of motor cars, and this indifference has reinforced the industry's belief that the long-heralded buyers' market is here at last. Output in 1952 has been held down to a yearly rate of about 4.5 million cars by the allocation of metals—fortunately, it appears, since sales have been slightly below production all year long, but next year it is expected that controls will be relaxed or withdrawn, and manufacturing will depend on market forecasts. These forecasts are hardly encouraging to an industry that has sold almost 30 million automobiles since the war, 6,600,000 in 1950 alone, for they indicate that from now on purchases will be made mainly for replacement, at the rate of four to five million a year.

All is not gloomy in Detroit, however; there are still 12 million prewar cars in use, and since most of the postwar designs have not been altered radically for several years, the industry hopes to turn major style changes to its advantage in 1953 by making earlier models look obsolete. It is an indication of intensified competition that the new models will be unveiled in November and December, earlier than is customary. In preparation for this, second shifts and overtime are being worked and the factories are once more going beyond the Michigan borders to recruit workers.

Although the industry is as coy as a Parisian couturier about revealing any details of its new look, hints have been given of what the bedazzled motorist may expect. The most important changes will be in engine performance; the trend toward higher horsepower has relegated six-cylinder motors to the "smaller" cars. More striking to the eye will be the body designs which will present a longer, lower car that stresses visibility in curved, one-piece windscreens and rear windows, tapered hoods and raised front fenders. There will also be more "optional" accessories on expensive cars such as power brakes, power steering and air conditioning.

Competition is to be, that is, by the addition of more and more costly equipment, in contrast to the competing methods of a pioneer in the field, Henry Ford, who reduced prices by stripping motor cars to their bare essentials. Certainly price is becoming a major factor, with over half the sales now being financed by hire-purchase, and will become even more of an issue when prices rise, as they are expected to do in 1953, by from 5 to 7 per cent. The popularity of small foreign cars has forced Detroit to recognise the need for cheaper models, but the prestige element is still felt to be so weighty that rather than frankly advertise a small car for a small budget, it is reported that shades of 1929 will be invoked and Americans urged to buy the minor models "as your second car."

* * *

"Murderers' Row"

Governor Stevenson last week turned to baseball, not, as might be thought, to the gangster kingdom, for a vivid phrase to describe the chairmen of committees in a Republican Senate who, he argued, would frustrate every international and progressive proposal of a Republican President. "Murderers' Row" was the name given to the New York Yankees' team in the nineteen twenties which included such mighty hitters as Babe Ruth and Lou Gehrig; they were more than a match for any pitcher. President Wilson once described the American government as a govern-

ment by the chairmen of the Standing Committees of Congress, and this remains largely true, though the powers of the Executive have grown, and the President can take his case to the people on radio and television over the head of the legislators.

Even if General Eisenhower is elected President, his party's chances of carrying the Senate are not bright. The Democrats held a majority of four when Congress adjourned. Only fifteen of the thirty-five Senate seats at stake this year are held by Democrats, and of these, nine are considered reasonably safe. The Democrats need win only five of nineteen doubtful contests to retain the majority which enables them to organise the Senate and name the committee chairmen. The Republicans would have to win sixteen to win control.

Should the Republicans bring it off, there are unquestionably some disasters in store. If Senator McCarthy is re-elected in Wisconsin, and unfortunately there seems no likelihood that he will be defeated, he would become head of the Committee on Government Operations, with the power almost of life and death over government departments and their servants. Senator Capehart, author of the amendment to the Defence Production Act which built inflation into the Act designed to restrain it, and implacable enemy of price and rent controls and public housing, would succeed at the Banking Committee which handles such legislation. Senator Milliken, at Finance, is, like Senator George, the present chairman, an advocate of lower taxes, but he is also opposed to tariff cuts. Senator Cain, the spokesman for private property interests, would be a calamity at Public Works. Senator Hickenlooper would be a deplorable successor to Senator McMahon as chairman of the Joint Committee on Atomic Energy.

Governor Stevenson very naturally did not go out of his way to draw attention to the beams in the Democrats' eyes. The chief eyesore is Senator McCarran, the powerful advocate of racial prejudice and enemy of human rights entrenched in the Judiciary Committee. Senator Langer, the ranking Republican, whose views on immigration are progressive, could not but be an improvement. For the sake of the farm vote in the middle west, Governor Stevenson has opposed the sliding scale of farm supports, and he therefore unfairly hung Senator Aiken of Vermont in his gallery of criminal portraits. He also overlooked the likelihood that Senator Saltonstall would make a worthy successor to Senator Russell at Armed Services; that Senator Wiley, who is in line for the chairmanship of the Armed Services Committee, has in recent months most courageously defied his party's isolationists, and that Senator Lodge, if he is re-elected, would be an ornament to the Rules Committee. Senator Taft, as chairman of the Labour and Education Committee, would be unpopular with the trade unions, but he is more open-minded on these subjects than they are willing to admit and a legislator of great experience and knowledge.

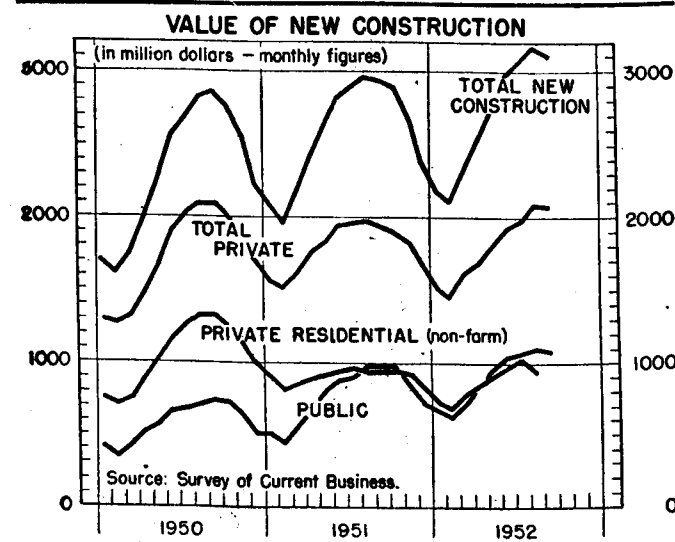
Construction Ahead

In the three months July, August and September, more new construction was put in place, despite the steel strike, than in any previous quarter. It was \$9.3 billion worth compared with \$8.7 billion in the third quarter of 1951, though the rise in labour costs means that physical volume was only slightly greater. The most rapid expansion since the end of 1950 has been in public spending, chiefly on defence installations and atomic energy plants. But the relaxation of credit controls last month may widen the boom. The main benefit will be felt, not by housing, but by commercial construction, which has been held back by the requirement of a down payment of 50 per cent instead of the traditional 33 per cent, and by a ban on the use of second mortgages. The Federal Reserve Board, under an amendment to the Defence Production Act, had no choice but to exempt housing credit from control, and it was not considered worth

while to continue controls on commercial construction, which amount to only one-sixth of housing's volume.

Moreover, one aim of the restraint on commercial building was to release scarce materials for the defence programme, and that need is disappearing. The steel strike has made it necessary to postpone until next May the bigger rations of steel, copper, and aluminium which the building industry might otherwise have had this autumn. But by next spring, even builders of bowling alleys, penny arcades, country clubs and theatres will be entitled to certain amounts of scarce materials. There will be more structural steel for blocks of flats. Builders of shops and office buildings will be given the same allowances as those given for industrial projects. There will be more generous amounts of metals for new schools.

Business activity in September, according to Federal Reserve estimates, reached 223 per cent of the 1935-39



average, equal to the postwar peak of April, 1951. Saving is dropping back to a more normal rate, to the relief of retailers. Few observers look for any recession in the next six months. But Mr Fowler, the new Defence Mobiliser, has once more called attention to the great expansion of capacity to produce basic materials. Those who look beyond the peak of the defence programme, which is scheduled to be reached in the middle of 1953, rely on the postponed demand for schools, roads, hospitals, office buildings—and swimming pools and skating rinks—to take up some of the slack which may appear.

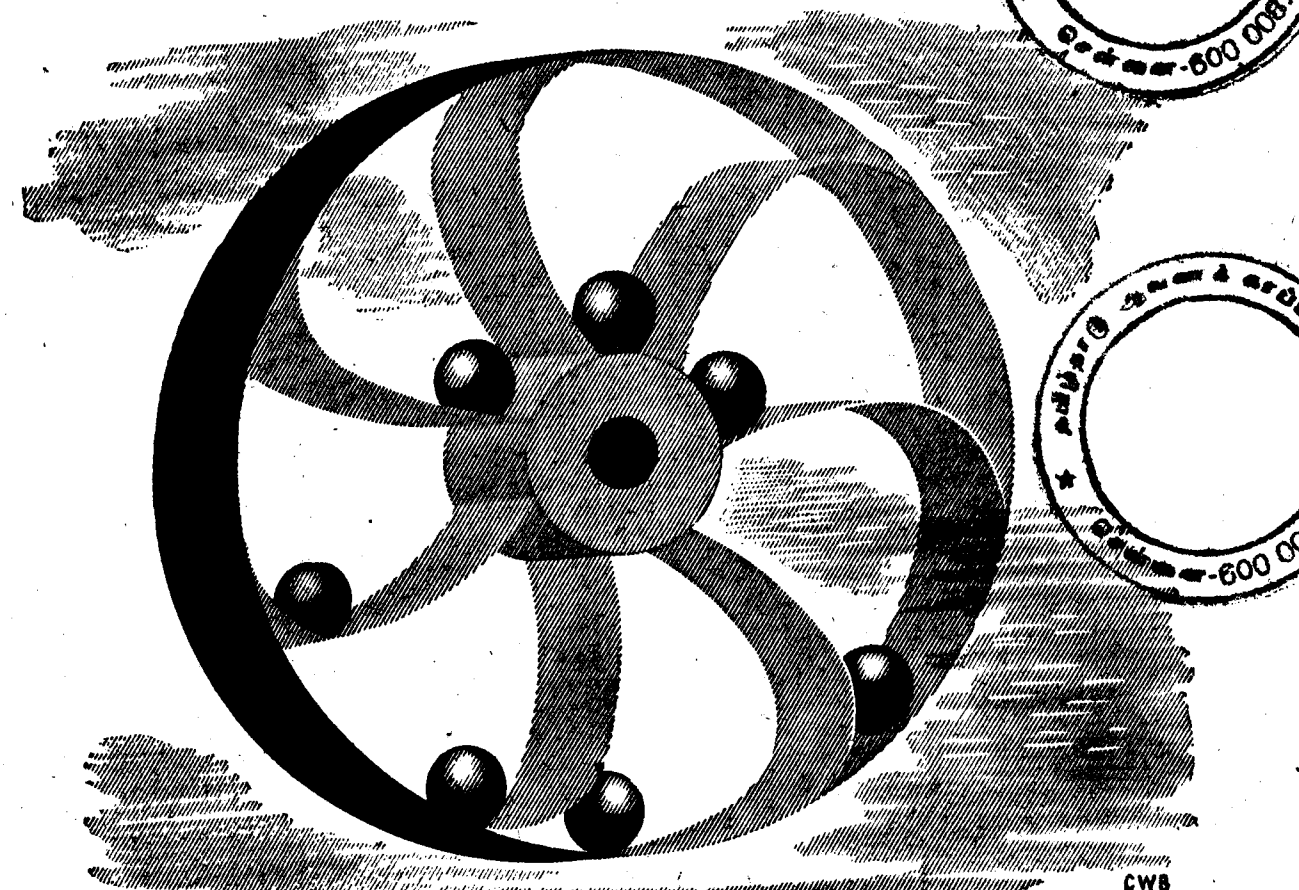
Shorter Notes

Economy-minded housewives who put their woollens and furs in their deep-freeze units for protection against moths during the summer have been penny-wise and pound-foolish, the Department of Agriculture says. This kills the moths, but may also ruin the furs. The Department advises the use of freezers for food only, since other forms of moth prevention are easier and more suitable.

America's sweet tooth meant \$1.6 billion in sales of chocolates and sweets by confectioners last year, it is reported, an average of \$10.72 for every person.

Those who distrust the public opinion surveys of voter preference have a new guide to election trends, the sales of special cigarettes branded either "Stevenson for President" or "I Like Ike." The new cigarettes have not been on the market long enough for conclusions to be drawn, but they might prove as accurate as the chicken feed poll of 1948, when farmers in the midwest who were offered feed sacks with either Mr Truman's or Mr Dewey's name on them defied all predictions by choosing Mr Truman both on the sacks and in the voting booths.

Perpetuum mobile



FROM THE VAIN SEARCH for a machine that would continually rewind itself emerged the most important of all generalizations of physical science—the principle of the conservation of energy. With the development of the diesel engine science has come close to an approximation of this principle. And today the diesel engine is being applied to the services for mankind to which the search for perpetual motion was dedicated—the raising of water, the fertilising of deserts, the grinding of corn.

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VOL. MCIII, No. 252

Schweppshire Post, 1952



A new-found holograph of Schschwov, dancing master to the Princess Imperial, reveals the long-lost step "point-mains", proving that "sur les pointes" originally implied the tip of the index finger.

Small wonder that the *première danseuse* of to-day, with the long pointed fingernails of 1952, finds this position difficult to maintain.



An Interesting Find

EXCAVATIONS AT SUSSCHWEPPESS

Here, with measuring rod in cms. to show relative size, is a string of early corks proving that a palaeoschweppeic era did exist; though whether the corks were ever actually made of flint has never actually been proved. Some of these early corks are so rough that it is doubtful whether they were made by the hand of

man or nature or what their function, or whence.

During the cress tea which followed the recent outing of the Wescht Schweppshire Archaeological Society, Mr. Geoffrey Coad-Sanderson, secretary, said: "No cork without a bottle".

Is there a link between the civilisations in this fascinating Susschweppeian treasure and the recently excavated mug handles of the Persian Gulf?



The Susschweppe
Cork-Necklace.

CINEMA

MASTERPIECE AT THE 'FORWARD'

Motorbicycleto (English sound-effects) is the simple story of a simple motor bicycle engine and the part which it plays in an ordinary simple community, set amidst the intangible beauties of the Via Latina. I, for one, was deeply moved by this plotless and featureless film of overtones and undertones.

Moses (at the Schweppza Cinema). This film cost twelve million dollars. Verdict: Hi-ya, Mese.

A book of COBELES

Architectural Notes

Our photographer, in this glimpse of a "book" or "sette" of cobbles in the road by the tramlines outside Schwapping Station has caught the natural beauty of intuitive design and instinctively unfettered composition of the untutored roadmaker. We have chosen this picture, taken with an ordinary box camera, because it illustrates also the intuitive beauty of natural design, and the instinctively unfettered roadmaker's untutored composition.



Written by Stephen Potter. Drawn by Lewitt-Ellm

SCHWEPPEVERESCENCE LASTS THE WHOLE DRINK THROUGH

THE WORLD OVERSEAS

Malenkov Reports to the Party

WHEN Georgi M. Malenkov ended his seven-hour report to the All-Union Congress on behalf of the Central Committee, the 1,200 delegates assembled in the Kremlin greeted him with an enthusiastic ovation for Comrade Stalin. This salute to the master for the pupil's performance was symptomatic. In fact Stalin partly stole Malenkov's show. The Congress really started three days before its opening meeting when Stalin's lengthy economic essay was published in *Bolshevik*. Then, when the Congress actually began, it was officially opened by Stalin's "comrade in arms"—Vyacheslav Molotov—who had performed the same ceremony at the previous Congress in 1939. This time Molotov was also elected acting chairman of the meeting, thus making it quite clear that the question of the succession is far from settled and that the leader's mantle is not at all certain to fall on Malenkov's shoulders. Malenkov's subservience to Stalin was discernible even in the construction of his speech, which was closely modelled on Stalin's past reports. But the copy was much duller than the original. After the early Bolshevik orators Stalin himself used to sound rather dreary and pedestrian; but one longed even for Stalin's crude jokes to break the monotony of his bureaucratic successor's speech.

Still, when all these reservations have been made, the fact remains that Malenkov was entrusted with the *pièce de résistance* of the meeting—the report of the Central Committee. It was left to him to expand and embroider the hints on foreign policy contained in Stalin's article and to outline the economic situation and the state of the party—subjects which will be further elaborated in the later reports of M. Saburov and Nikita Khrushchev. Malenkov's comments on foreign policy are dealt with elsewhere. Here it is proposed to stress the highlights of that part of his speech which dealt with economic and party affairs.

Economic Situation

EXPANDING BASIC PRODUCTION

The main stress is still laid on heavy industry. Judging from Malenkov's estimates of this year's output, the production of

		SOVIET INDUSTRIAL PRODUCTION			
		1950	1951	1952*	1955 Target
Coal	mn. tons	260	281	300	372
Oil	" "	37.8	42.3	47.0	70.0
Electricity	'000 mn. kWh.	90.3	103.0	117.0	162.5
Pig iron	mn. tons	19.4	22.1	25.0	34.0
Crude steel	" "	27.3	31.3	35.0	44.2
Rolled steel	" "	20.8	23.9	27.0	34.1
Cotton fabrics ..	mn. metres	3,815	4,656	5,000	6,142
Woollen fabrics ..	" "	167	189	190	257
Leather shoes ...	mn. pairs	205	240	250	318

* Malenkov's estimates.

basic industries should exceed its long-term targets and the Plan may well be fulfilled ahead of time, in the now customary four years and three months instead of five years. This looks

especially true for the iron and steel industry—the key to industrial expansion—whose original objectives for 1955 seemed comparatively modest (see *The Economist*, August 30, 1952). Only coal output lags somewhat behind, since efforts to raise the productivity of miners have hitherto proved fruitless in spite of substantial investment in capital equipment. In fact, all Malenkov's complaints about shortcomings may be taken as part of a general campaign for cost cutting and increasing the productivity of labour. The fulfilment of promises made to consumers may well depend on the outcome of this campaign; for in the past the output of industrial consumer goods has not been rising as fast as scheduled, and the Soviet planners certainly do not intend to divert resources from heavy to light industry.

EASTWARD SHIFT OF INDUSTRY

The magnitude of the shift of industry from the traditional centres in the Donbas, Moscow and Leningrad to east of the Volga can be gathered from the figures quoted by Malenkov. Industrial production in the east has risen threefold since 1940 and last year already accounted for about one-third of the total. Approximately one-half of the total Soviet output of coal and oil, and more than half the crude and rolled steel now comes from these regions. The eastward expansion speeded up by the war has been continued ever since. It has obvious strategic advantages: many regions are becoming self-sufficient, bombing targets are spread out and industrial centres are shifted from the vulnerable western frontier to more sheltered inland regions.

TRANSFORMING THE COUNTRYSIDE

Agricultural production is apparently moving forward at last. This year's output of grain—it is claimed—should reach 130 million tons, despite the bad harvest in Siberia. This, however, is only 3 million tons more than was planned, but not fulfilled for 1950, and is still far away from the minimum target of 175 million tons for 1955. Why was so little headway made in this field in the postwar period despite the restoration and expansion of agricultural equipment? (The total horse-power of tractors and combines is now nearly 60 per cent higher than before the war.) Malenkov offers a partial explanation in the disorders caused by the great social transformation of the Soviet countryside involved in the amalgamation of collective farms. The process has now been ended and the average farm is nearly 3 times as large as before, the total number having been reduced from 254,000 to 97,000.

Malenkov has certainly nothing against this change, but considers that it was at first carried out too recklessly and thus was accompanied by undue disturbances. The plans for agro-towns and for rural industries are senseless at a time when the countryside should be fully occupied with increasing agricultural output. Thus, without mentioning him by name, Malenkov snubbed Nikita Khrushchev who was the architect of this policy. Yet, he also indirectly attacked Andreyev—its opponent. Moreover, Stalin himself has just asserted that bridging the gap between town and country is indispensable for the establishment of Communism. The Communist millenium, however, still looms far on the horizon, while it is inopportune now to run the risk of peasant resistance.

The report discussed first the changing pattern of world trade and showed how the United States has increased its share of world trade since the war from 11½ per cent to 16½ per cent, while Western Europe's share declined from 47½ per cent to 36½ per cent. And to make matters worse,

the United States now provides a larger proportion of the world's exports than it takes of the world's imports. For Europe the opposite is true.

The working party assumed that the dollar problem would persist for some time and argued that Europe must develop resources within its metropolitan and overseas territories not only to reduce its dependence on the dollar area but also to provide exports to that area as the United States increases its demand for foreign supplies of raw materials. A first essential is to promote trade within Europe so as to achieve the benefits of a better division of labour. This means that the various measures to liberalise intra-European trade should be restored and that these measures should be extended to countries with constitutional links with member countries—as indeed the sterling area has already done.

The working party referred to the possibility of introducing a secondary preference system between Europe and its overseas territories which would leave existing standard tariffs and preferences untouched. It emphasised that it was unable to undertake a technical study of this problem, but suggested that the preferences should be brought about through a lowering of duties between the countries concerned and that any country offering commensurate concessions should be allowed to join. But before any such system could be put into operation, it would be necessary to secure the sanction of the signatory countries to the General Agreement on Tariffs and Trade. Long-term contracts and international commodity agreements, it was thought, could encourage an increase in output while at the same time preventing abnormal price fluctuations. But their purpose should be to reduce fluctuations about the long-term trend and not to attempt to make the average price over a period of years higher or lower than it would otherwise have been. The working party realised that such an objective would be very difficult to attain.

Before discussing the problems of economic development, the report reviewed quite cursorily some of the main staple commodities such as grain, sugar, tobacco, rubber, etc., to bring-out some of the peculiar problems. It stressed the fact that development must be studied commodity by commodity and area by area and not as a grandiose all-embracing policy. But if international trade is to be extended, currencies must be interchangeable with one another and, as the experience of the EPU has shown, this means that member countries must aim at achieving internal stability. This stricture applies to all countries, both debtors and creditors; each has adjustments to make to keep the world economy in equilibrium. The report concluded that

only by a joint effort and a readiness to accept a strict financial discipline in order to achieve a substantial rate of savings and a surplus in their balance of payments, can the member states of the Council of Europe ensure without inflationary pressures at home, the continuous flow of investments necessary to overseas development.

The prime need of development is an adequate supply of capital. The working party made no attempt to assess the annual quantity required, but it realised that the demand for capital would be larger than any single country (other than the United States) could afford to supply. It realised, too, that private investment by the United States was likely to be small. It therefore argued that the capital requirements for development could be met only if all countries of Western Europe contributed, and to facilitate this it suggested the setting up of a European investment bank that would enable those countries without dependent territories to join in the development of other countries. In the international sphere, it thought that the World Bank, supplemented if necessary

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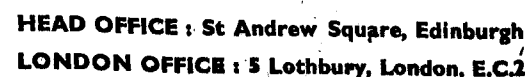
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BURY FELT



On his tour, the General revealed that he possessed the common touch to a high degree. His speeches, which have a staccato colloquial manner still reminiscent of the barrack

Then, finally, came the fiat that Nahas must retire. His last years must be spent in untroubled—and untroublesome—peace. It was another enforced abdication. The aged leader saw himself, like the King, launched out upon an idle future, with destination not Capri but the Styx. The fate of Nahas was not, however, as firmly sealed. The new law was being interpreted to mean that the Wafd could only exist without Nahas, but there was nothing to prevent his choosing instead Nahas without the Wafd. And this is what he did. The first refusal to fulfil the conditions imposed on parties by the

new law meant that the Wafd would cease to exist as a party. In choosing this course, Nahas, and the people who identify their future with his, counted upon the turn of fortune's wheel. They calculated that "the leader of the people" would hold court at his Garden City villa, and that by so doing the press and public would continue to consider the Wafd a reality even though it was debarred from political activity by the law. Wafd intransigence was immediately countered by a statement from Fathy Radwan, the Minister of State, intended to discredit the Wafd Party, and by Mohamed Neguib who launched out upon his successful tour.

The Wafd leader was unfortunate in that when the Army took over Egypt there emerged at its head a man who shows all the signs of being able to lead the people. He leads, furthermore, without appealing to nationalistic extremism. He preaches a kind of commonplace social morality. His three-point slogan is "unity, discipline and work." Liberty, he says, must have its limitations—the other fellow has his rights too. He confined his references to the national aspirations to about two hundred words at Tanta in which he condemned that "son of a dog," Mr Head, for his reference to the Canal Zone, and even then he said the people would have to work and stand united if they were to achieve their aspirations. The tenor of his words was altogether different from the sound and the fury of Nahas's declamations against the British enemy.

European Steel Output Expands

THOSE who see a slump around the corner will find little support from the latest figures of steel production just issued by the Economic Commission for Europe. With very few exceptions steel production throughout Europe has been expanding steadily ever since the end of the war, and in most countries it has surpassed the output of even the most prosperous prewar years.

EUROPEAN CRUDE STEEL PRODUCTION.
('000 tons). Annual rate.

	Best prewar year	1936-38 average	1947	1951	1952 1st half	1952 July
U.K.	1939 13,434	11,974	12,929	15,889	16,302	14,468
W. Germany ..	1938 17,007	16,181	3,060	13,506	15,013	16,538
France	1929 9,711	6,216	5,733	9,832	10,798	10,368
Saar	1933 2,557	2,404	708	2,603	2,749	2,892
Belgium	1929 4,140	2,120	2,892	5,088	5,286	4,248
Luxembourg ..	1929 2,705	1,976	1,714	3,077	3,024	2,892
Italy	1938 2,323	2,145	1,691	3,063	3,460	3,552
Holland	...	44	187	553	578	...

After Britain, Western Germany has the most impressive record. Its achievement in steel production demonstrates once more the remarkable resilience of the postwar economy. Although the west Germans were late starters, owing first to physical destruction and then to the limitation on heavy industry imposed by the Allies, they have made a swift recovery. In July of this year production had reached an annual rate of 16.5 million tons—a rate equal to Britain's for the first half of this year. While this figure is still well below the peak attained during Hitler's rearmament boom—some 18 million tons in 1938—the signs are that the Ruhr will rapidly make up the difference. Investment plans for the German steel industry envisage an increase to 18½ million

tons by 1956, but many observers believe that by the end of 1954 the Germans will already be producing at an annual rate of 19 million tons.

The other countries of the coal-steel community can point to substantial, if less spectacular progress. Dutch steel production is small but growing. Belgian output remains above the prewar peak, in spite of some grumbling among customers about the high price of Belgian steel. French steel production is 73 per cent above the depressed year of 1938 and 11 per cent higher than the 1929 record. But the French, even when the Saar's production is added to their own total, are outdistanced by the west Germans. France will have to expand steel production much faster if it is to achieve that "industrial parity" with Germany which its politicians and industrialists regard as the surest guarantee against German domination of the six-nation community.

New Zealand and the Commonwealth Conference

[FROM OUR WELLINGTON CORRESPONDENT]

THE conference of Commonwealth Prime Ministers in London in November has not so far aroused any marked interest in New Zealand. This is possibly because the House of Representatives is still in session and preoccupied with domestic affairs; more probably it is because the agenda for the conference has not been published or discussed publicly by the Prime Minister, Mr Holland, or any of his Ministers. But behind the scenes there is a great deal of activity, and the various government departments concerned with trade, finance and production are marshalling a very detailed brief for the Prime Minister. This will include a survey of New Zealand's capital development requirements during the next five years. It will not be a complete survey because there is not time to make one, but by taking representative firms in all branches of industry as examples, it will provide a very useful guide.

A survey of this type is badly needed in New Zealand. The country is well served by a very competent statistics department, but no detailed survey of its capital development requirements has ever been made. The Department of Industries and Commerce, which is assuming more and more of the responsibility for planning the country's economic future, has pointed out that New Zealand fell seriously behind in its capital development during the depression of the thirties and that it had not recovered from this when the second world war set it still further back. The struggle for postwar recovery has tended to place the emphasis upon immediate requirements and to thrust the needs of the future into the background.

Cutting Down on Dollars

Mr Holland can be expected to stress New Zealand's development possibilities for British capital, but he will also emphasise that New Zealand must have reasonable liberty to look elsewhere for the equipment and materials that cannot be obtained within the Commonwealth. The ambitious Murupara paper and pulp project, for instance, which is designed to exploit the vast timber resources of the state forests inland from the Bay of Plenty in the North Island, has now been reorganised so that it will need much less hard currency than was at first envisaged. Nevertheless it will still need some dollars to pay for the necessary equipment. British paper interests were offered a chance of co-operating in the scheme directly, but the negotiations broke down because they wanted to take complete control. The Government has laid it down as a matter of policy that the control must remain in New Zealand, and this may be taken as a significant indication of the probable line of policy in other major developments.

New Zealand's interest in the strengthening of the sterling area is unequivocal. Britain is still buying between 60 and 70 per cent of all New Zealand's exports, and the Commonwealth including Britain about 73 per cent. Quite apart from the bonds of tradition and sentiment, which are stronger in New Zealand today, probably, than in any other part of the Commonwealth, the Dominion's self-interest binds it irrevocably to Britain as its chief market. Recent criticism of the price the United Kingdom is paying to New Zealand for its meat should not be allowed to convey the impression that the importance of the British market is not recognised in New Zealand and deeply valued. It is, however, a warning that a large section of New Zealanders, notably among the farmers, is becoming increasingly critical of the disparities in the prices Britain pays to its various overseas food suppliers. The feeling is growing that New Zealand's sympathy and feeling for the mother country is being exploited—not by the British people, but by those who do their bargaining.

Opportunity for British Firms

New Zealand has now irrevocably tied its development to hydro-electric power, and with consumption constantly overhauling power output, the rapid development of the various major power schemes in both islands is of paramount importance. The Government has now recognised that the resources of its own Works Department are inadequate to keep up with the demand and is inviting overseas contracting firms to its aid. There is plainly a great opportunity here for British firms if they can use it; but if they cannot, New Zealand will inevitably be forced to turn elsewhere.

The country is also planning an extensive development of its artificial fertiliser production. This is based chiefly upon phosphatic manures and envisages at least the doubling of present superphosphate production. Schemes for establishing large plants to manufacture superphosphate by new processes which will not require the direct importation of raw sulphur are now under consideration and will need heavy capital development. If New Zealand is to be Britain's major overseas source of food supplies it is clearly in the interests of British capital and British industry to help this programme as much as possible.

At the forthcoming conference New Zealand will, however, be bound to emphasise that its situation as a Pacific country, its new defence alignment with the United States, and its trade with North America make it highly desirable and its trade with the United States make it highly desirable and its trade with North America make it highly desirable. It for it to develop rather than reduce these associations. It can be relied upon to support very strongly any united Commonwealth moves to encourage a more reciprocal attitude by the United States. The continued exclusion of New Zealand butter from the American market and the tags that are at present imposed upon New Zealand's meat trading in the same area are felt to be out of keeping with the spirit of Gatt. It is also recognised that the present system of American wool buying has a disturbing effect upon the New Zealand market. It was largely the effect of American stock-piling that induced last year's wool boom, and it is recognised that marked reductions in American buying could have equally disturbing effects in the opposite direction.

Cost of Welfare State

New Zealand has so far escaped the worst effects of the current wave of inflation, but the Government is not finding it easy to reconcile other classes in the community to the large postwar increase in farming incomes. Its most immediate problem is to put more value into the New Zealand pound, and here it finds itself handicapped, in the field of state expenditure, by its commitment to the policy of a welfare state. The Government has made no attempt to attack this problem. Its reluctance is understandable, since any general curtailment of welfare activities would be extremely dangerous politically. It is not yet recognised, outside some

official and some economic circles, that the general stringencies of the sterling area may force the country to make some such unpalatable decision. New Zealand has already run down its sterling reserves very severely and it is doubtful whether it will be able to achieve the balance with the non-sterling area promised by Mr Holland last January. As the restrictions upon imports and currency tighten, Mr Holland is facing increasing criticism among sections of the population which are traditionally favourable to his party. He will therefore be anxious to explore any methods that may be discussed in London of bringing down the cost of British exports and of putting greater value into sterling.

As a prosperous and well fed country, New Zealand can perhaps be excused, at the moment, if it does not realise as keenly as does the United Kingdom the crisis in the affairs of the Commonwealth which the London conference is to attempt to solve. Its good will towards Britain and its dominating interest in strengthening sterling are, however, beyond doubt.

Socialist Gains in Japanese Elections

JAPAN has now voted in the first parliamentary general election since the signing of the peace treaty and the end of the Allied occupation regime. The result, though involving no drastic change in the balance of political forces which existed in the last House of Representatives, is very significant of contemporary trends. The Liberals, who have provided the present government led by Mr Yoshida, remain the strongest single party; they still have an absolute majority in the House, but with a representation reduced from 285 to 240 seats in a total of 466. The largest non-socialist opposition party, the Progressives, has increased its strength from 67 to 85. But the most striking gains have been made by the Socialists, who have increased from 46 to 111, and have wiped out the parliamentary representation of the Communists; the latter won 36 seats in the last general election, but none at all in this one, though they put up 107 candidates.

The Socialists, however, are not a united family; they are divided into two bitterly hostile factions which function as distinct parties. Of these, the Right Socialists, led by Mr Kawakami, have increased from 30 to 57, while the Left Socialists, led by Mr Suzuki, have risen from 16 to 54. It

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is the latter, therefore, who have made the biggest gains, and they have undoubtedly done so largely by absorbing the former Communist vote. On the face of it, the switch of votes from the Communists to the Left Socialists is a very encouraging sign; it certainly reflects a general anti-Russian sentiment in Japan, which was fed by the Soviet Government's failure to return a large proportion of the prisoners of war captured in 1945, and exacerbated just before the elections by Moscow's veto on Japan's application for admission to the United Nations. On the other hand, the Left Socialist policy is to oppose both rearmament and the stationing of American troops in Japan; it advocates the absolute neutrality of a completely unarmed country between the Soviet Union and America. This mixture of pacifism and nationalism avoids the unpopularity of being openly pro-Russian, but as a force of opposition to all efforts to make Japan defensible against a Communist coup it certainly plays the Communist game.

The absolute majority in the House held by the Liberals approximates Japanese parliamentary politics to the British idea of party government rather than to the type in which cabinets can be based only on unstable coalitions of minority parties. It is not certain, however, that the Liberals will be able to maintain their unity. The party has been deeply divided by the personal feud between Mr Yoshida and the former leader, Mr Hatoyama, who was "purged" by General MacArthur in 1946 for having sung the praises of Hitler at a time when it was fashionable in Japan to do so; Mr Hatoyama claims that Mr Yoshida made a verbal promise to return the leadership of the party to him if he were "depurged"—as he now has been. The bulk of the Liberal deputies apparently support Mr Yoshida, but if Mr Hatoyama's followers break with the party they can deprive it of its majority in the House, and there would then presumably be manoeuvres for a coalition between the two Liberal factions and the Progressives.

Conservative Revival in Sweden

[FROM OUR SCANDINAVIAN CORRESPONDENT]

THE dullest election campaign within the memory of most Swedes has produced the most surprising results of the past twenty years. On the first count the non-socialist parties seemed to have obtained a clear, if tiny, majority in the Second Chamber of the *Riksdag*, with 116 seats out of 230. When the postal votes had been counted they were found to have only 115, but this does not affect the fact that the Social Democrats have met with a wholly unexpected setback. Their vote, after falling to 46 per cent of the total ballot in the 1948 general elections, had risen to 48.6 per cent in the county council (*Landsting*) elections of 1950, which were on the same electoral roll. The behaviour of the Communists and of the Soviet Union since 1950 seemed to promise the Social Democrats a considerable accession of votes from the left. Accordingly the party optimists spoke of winning 120 seats, and most people expected them to get about 115, or half of the whole Chamber. Instead, they got 150,000 votes less than in 1950, their share of the total ballot was only 46.4 per cent, and two of their 112 seats were lost. Meanwhile, the Conservatives have increased their seats from 23 to 31, and the Liberals from 57 to 59. The Communists have, indeed, lost three of their eight seats, but it is the opposition rather than the Social Democrats who have benefited.

The changed balance of power is of future rather than immediate interest for two reasons. First, 25 of the non-socialist votes belong to the Farmers' Union, still the allies, though restive ones, of the Social Democrats. Second, on

some important measures the First and Second Chambers vote as one, and in the two together the left-wing parties still have an absolute majority.

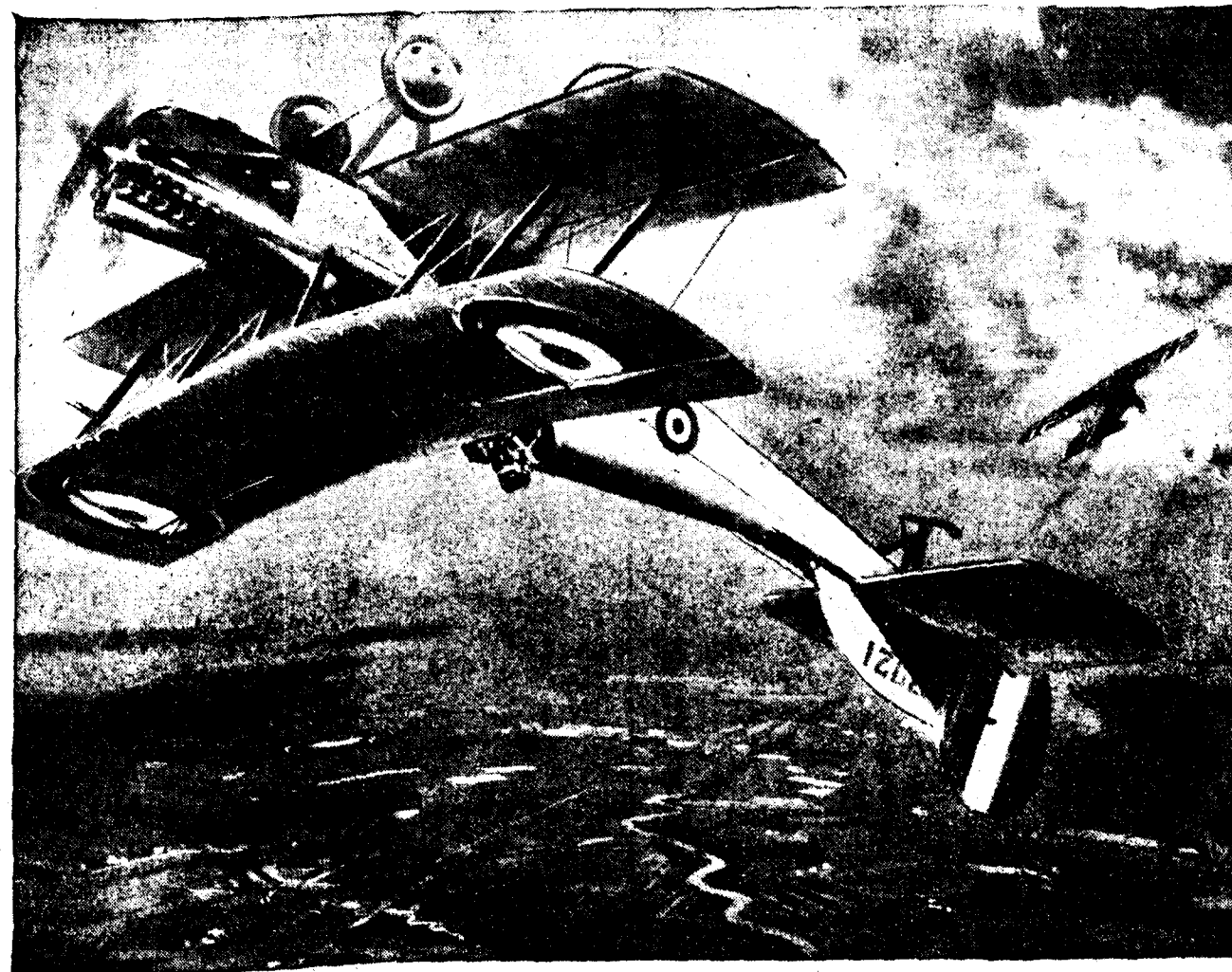
In these circumstances, the position of the Farmers is crucial. Without them the Social Democrats would be hard put to it to govern and still less to continue on a Socialist path without relying to a probably unacceptable extent on the Communists. The future of the coalition is still in doubt. The Socialist Prime Minister, Hr Erlander, on hearing the election results, immediately stated that, since a majority of the voters was still behind the coalition, its future was not affected by the election. Tearing himself away from his wireless about the same time, however, the Farmers' leader, Hr Hedlund, expressed his opinion that the coalition had been too much for many of his former supporters, who could not get accustomed to it in the relatively short time it had existed, and they had transferred their votes to the Conservatives. Hr Hedlund added that he saw no reason to depart from the present arrangements. But it is reasonably certain that, as long as the coalition does continue, the Farmers will demand a stiffer price for their support. Their most important newspaper has already come out for a revision of policy.

The Communist Vote

For the foreign observer two other aspects are of especial interest—the persistence of a surprisingly large Communist vote, and the Conservative revival. The former is a remarkable and most disquieting phenomenon. In spite of the recent spy trials and the loss of two Swedish aircraft over the Baltic, the Communist vote has fallen only by 23,000 since the 1950 county elections. The only conclusion can be that there are many more convinced Communists in Sweden than was generally supposed.

On the other side, the Conservatives' success has been equally surprising, as their leader Hr Hjalmarsson, who undoubtedly had much to do with it, was prompt to admit. It would be tempting to conclude that, because the latest public opinion poll, published in election week, shows that the largest support for Swedish participation in Nato comes from the Conservatives, their success might presage a change in thinking on foreign as well as home policy. But it would be quite wrong. Foreign policy as such was not an issue in the elections. Moreover, much of Hr Hjalmarsson's unexpected support is undoubtedly due to dissident Farmers, few of whom favour Swedish membership of Nato. It would be stretching belief too far to assume that the Farmers who voted Conservative were also in favour of a different foreign policy. In any case, the alleged percentage support for Nato in the various parties—44 per cent among Conservatives, 38 per cent among Liberals, 17 per cent among Social Democrats and 13 per cent in the Farmers' Union—represents only about a quarter of the whole electorate.

Internal policies, however, will certainly be under strong attack. Dissatisfaction with the high rate of taxation, and with the Government's obstinate and sometimes slippery refusal materially to modify its attitude—to make, for example, significant inroads into its enormous budget surplus in order to lighten the burden of rising living costs a little—has contributed much to its setback at the polls. Tax relief is therefore likely to be on the agenda. Similarly there should now be a general easing of controls and a loosening-up of the economy. But, as British experience in a situation much more favourable to new measures has shown, strict limits are set to the hopes of a jubilant opposition by the high level of fixed costs inherent in a welfare state and the claims of foreign trade. All the same, the spectacle of a retreat from socialism in the country that for many years has been hailed as a model of socialist successes should prove an interesting political phenomenon. But then Sweden is neither as socialist nor, having regard to its favourable position these last twenty years, as successful as is generally maintained.



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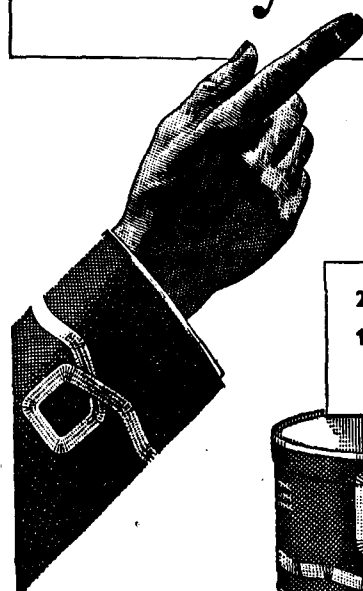


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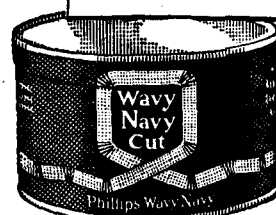


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THE BUSINESS WORLD

Unexpected Surplus

AGAINST all expectation, Britain earned a surplus of £24 million on its balance of payments in the first half of this year, compared with a deficit of £394 million in the second half of last. The deficit with non-sterling countries fell between these two periods from £576 million to £244 million, thanks mainly to a reduction in imports of £232 million (or nearly 19 per cent); other reasons for the narrowing of this gap were the increase of £35 million (or between 4 and 5 per cent) in British exports to these non-sterling countries and an improvement of £65 million in net invisible payments to them (chiefly because no interest payment falls due in the first half of the year on the North American loans). Simultaneously, Britain's surplus with the sterling area rose from £182 million in the second half of 1951 to £268 million in the first half of 1952. The main factor here was an increase of £76 million in British exports to this area; a small fall of £16 million in Britain's imports from Commonwealth countries was partly offset by a £6 million decline in its net invisible receipts from them.

This, in broad outline, is the story of Britain's recovery—and all these figures are struck before taking credit for the £58 million of American defence aid, which new-fangled and misleading official practice now seeks to add to the overall surplus (making it £82 million instead of £24 million in the last half-year). The recovery has certainly been more rapid than any fore-caster in the dark months of last winter thought that Britain could achieve; and it has also been greater than Mr Butler, speaking in the House of Commons in late July, thought that Britain had achieved. Even Mr Butler, it now transpires, was misled by the insufficiently cheerful picture presented by the monthly trade and navigation accounts.

The factors that have made recent trade and navigation figures misleading deserve close analysis, for they contain at once the explanation of this week's happy surprise (which the gilt-edged market was not slow to register) and the first of several bluebottles in this apparently soothing ointment for shattered nerves. Hitherto, it has been possible to make some guess at the course of this country's visible trade balance by deducting between one-tenth and one-eighth from the value of imports as recorded in the trade and navigation figures (to allow for freight and insurance charges) and then subtracting the resulting net figure from the f.o.b. value of exports. This simple arithmetic gives a reasonably accurate result only if three conditions are fulfilled: First, that the composition of imports (and thus the proportion of freight and insurance charges) is not in course of major change; secondly, that exports not included in the trade returns (chiefly diamonds, silver and second-hand ships) remain approximately stable; and thirdly, and most important, that no distortion is introduced by the fact that the trade and navigation figures record the values of exports and imports as they pass

through the ports, while the balance of payments figures seek to record them when changes in ownership take place.

In recent months all these three factors, and especially the last, have given an odd twist to the picture presented by the monthly trade and navigation accounts. The basic reason for this twist lies in the fact that Britain tends to pay for its imports more promptly than it receives payment for its exports; both imports and exports, of course, are carried on credit across the high seas—but the credit that carries each of them is often extended by British banks. The result is that when imports are declining, the balance of payments benefits more quickly than is apparent from the trade and navigation accounts; and when exports are falling, the adverse effect upon the

TABLE I—BRITAIN'S BALANCE OF PAYMENTS
(£ million)

	First Half 1951		Second Half 1951		First Half 1952	
	Non-sterling Area	Sterling Area	Non-sterling Area	Sterling Area	Non-sterling Area	Sterling Area
Food, tobacco and raw material imports	- 792	- 582	- 999	- 530	- 807	- 515
Other imports	- 200	- 72	- 230	- 89	- 190	- 88
Exports	+ 729	+ 581	+ 726	+ 679	+ 761	+ 755
Visible balance	- 263	- 73	- 503	+ 60	- 236	+ 152
Invisibles (net)	+ 104	+ 161	- 73	+ 122	- 8	+ 116
Total Balance on Current Account	- 159	+ 88	- 576	+ 182	- 244	+ 268
Defence aid	+ 3	...	+ 1	...	+ 58	...

balance of payments is delayed. This means—and it is here that the first fly appears in the ointment—that the heavy fall in exports that occurred in May and June, which most people had assumed would burden the balance of payments figures for the first half of the year, will in fact have to be borne in the current half-year's accounts; while the heavy fall in imports, which most people had supposed would benefit Britain's balance of payments in the current half-year, has in fact lent its helping hand to the figures published this week. In other words, the two main reasons for this week's pleasant surprise were reasons that have been borrowed from the improvement that had been expected for the second half of this year.

Does this mean that Britain will relapse into deficit for the second half of 1952? The Government seems to be quietly confident that it does not. The Treasury still expects to achieve overall balance, though within a changed geographical pattern. In particular, it believes that Britain's deficit with the non-sterling world should be brought down from £244 million to £115 million in the current half-year, and that at that level it will be covered by receipts of defence aid. As an offset to this improvement, the recent Commonwealth import restrictions mean that Britain's surplus with the sterling area

will inevitably fall from the peak level of £268 million achieved between last January and June, but it should not fall below the £115 million needed to secure overall balance.

This geographical pattern—a smaller surplus with the overseas sterling area and a smaller deficit with non-sterling countries—is, of course, highly desirable on general grounds, but there must inevitably be some concern about the way in which it is apparently being achieved. So far, exports to non-sterling countries (as shown in the trade and navigation accounts) are obstinately refusing to expand in the current half-year, and it must be assumed that any improvement in oil companies' profits which have still not recovered fully from Abadan and other invisible receipts will not greatly out-

TABLE II—THE STERLING BALANCES
(£ million)

	Dec. 31, 1948	Dec. 31, 1949	Dec. 31, 1950	June 30, 1951	Dec. 31, 1951	June 30, 1952
HELD BY NON-STERLING AREA COUNTRIES:—						
Dollar area	19	31	79	73	38	18
Other Western Hemisphere	135	80	45	55	57	8
OEEC countries	370	439	395	422	409	349
Other non-sterling countries	531	514	492	518	514	467
Total—non-sterling area countries	1,055	1,064	1,011	1,068	1,018	842
HELD BY STERLING AREA COUNTRIES:—						
Dependent overseas territories	556	583	754	908	967	1,042
Other sterling area countries	1,809	1,770	1,978	2,192	1,822	1,513
Total—sterling area countries	2,365	2,353	2,732	3,100	2,789	2,555
Total—Sterling Liabilities to all Countries	3,420	3,417	3,743	4,168	3,807	3,397

weigh the payments due at the end of December on the North American loans (amounting to £41 million in interest and £29 million in capital). It follows, therefore, that if the non-sterling deficit is to be brought down by nearly £130 million to £115 million in the current half-year, the main factor must be another drop in non-sterling imports—perhaps of the order of 10 to 15 per cent. The decline in non-sterling imports between the second half of 1951 and the first half of 1952 already amounted to £232 million (or approximately 19 per cent); of this no less than £192 million fell on imports of raw materials, food and tobacco. Mr Butler declared at the Mansion House on Tuesday that this cut was achieved "without any depletion of our stocks as a whole; indeed, there was some increase." It seems clear, however, that in certain imported raw materials—as distinct from in the broad aggregate—stocks must have been depleted, and that they are going to run down still further in the second half of the year. Some time before the end of 1953 they will have to be built up again—and it is this fact, together with the difficulty of expanding non-sterling exports, that makes it impossible to view last week's pleasant surprise as anything more, in Mr Butler's words, than an "invaluable breathing space."

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Unfortunately, too, the overseas dominions have been much slower than the mother country even in drawing breath. Figures that can be deduced from the balance of payments White Paper, set down in Table III below, suggest that the total strain imposed on the United Kingdom by the overseas sterling area's external deficit

fell from £376 million to £269 million between the second half of 1951 and the first half of 1952. Within these totals, however, the overseas dominions' imports from the dollar area showed no change, and their deficit with the dollar area actually increased by £4 million (in a period when Britain's deficit with that area fell by £129 million). Moreover, the fact that the dominions' sterling balances fell by £309 million between end-December and end-June, despite the probable continuance of some net capital outflow to them, shows what a heavy gap they have to make up by the import restrictions now in effect.

While the dominions continued to pre-empt the United Kingdom's productive resources and to borrow from it, the colonies continued to lend to London on a mounting scale. Besides increasing their surplus with the dollar area in the half-year by £25 million to £68 million, and getting back to balance with EPU, the colonies increased their sterling balances by £75 million to £1,042 million. These balances have now more than doubled since the end of 1947; in fact, West Africa and Malaya seem to have been second only to the United States as capital exporters in the last few years. Many Australians would no doubt be surprised to know how far their uneconomic industrialisation programme has been financed by Mr Nkrumah's Point Five aid.

Obviously this cannot go on for long. One of the most significant series of figures in the balance of payments White Paper is, in fact, the table of sterling balances, reproduced as Table II in this article. That table shows

TABLE III—DRAIN ON UK BY OVERSEAS STERLING AREA
(£ million)

	1951		1952		Improvement (+), or deterioration (—) 2nd half 1951 to 1st half 1952
	1st half	2nd half	1st half	2nd half	
Colonies current balance with					
Dollar area	+ 117	+ 43	+ 68	+ 25	
EPU	+ 29	— 26	— 1	+ 25	
TOTAL	+ 146	+ 17	+ 67	+ 50	
Dominions current balance with					
Dollar area	+ 38	— 105	— 109	— 4	
EPU	+ 91	— 62	— 17	+ 45	
TOTAL	+ 129	— 167	— 126	+ 41	
Total overseas sterling area's current balance with					
United Kingdom	— 88	— 182	— 268	— 86	
Other non-sterling areas†	+ 44	— 81	+ 6	+ 87	
Total current balance of R.S.A.	+ 231	— 413	— 321	+ 92	
Gold sales to UK	+ 41	+ 37	+ 52	+ 15	
Contribution to (+) or strain on (—) UK	+ 272	— 376	— 269	+ 107	

* Including certain non-colonial territories outside the Commonwealth, such as Eire and Iraq. † These areas consist of non-dollar but non-EPU countries, such as Japan, Egypt and the republics of southern South America.

that not only the independent dominions but also non-sterling countries ran down their balances sharply in the first half of this year. In many cases—and particularly in southern South America—these balances are now virtually at vanishing point. Clearly, exporting to these countries—profitable to the industries concerned, but often unrequited as far as the national economy is concerned—is going to be much more difficult in the years ahead. The urgent need now is that this increasing difficulty, and the much needed stimulus to a diversion of British resources that it will accord, should not be circumvented by a large outflow of British credit to them. Lasting solvency, like lasting sculpture, can come only from stone that is hard to cut.

New Frontiers for Electricity

ALL the nationalised fuel industries are acutely conscious of the slackening in demand that began late last year, but the British Electricity Authority is the first to record its effects on a year's trading. So great is the momentum of expansion in electricity that the effect was felt only in a falling off in the rate of increase in consumption, though it became a marked falling off as the year wore on. In the first half of BEA's financial year to March, 1952, output from power stations was 11 per cent more than in the same period of 1950-51, but in the second half output was only 3 per cent higher, and it fell below the previous year in December and March. Maximum demands each month, which from April to August, 1951 were well over those of a year earlier, fell below the previous year's figures in the next three months, and again in March. One welcome consequence was that BEA was able to increase its generating capacity by much more than maximum demand rose, and with more effective load-spreading in industry only six power cuts had to be made during the winter, compared with 86 in the winter before.

In its annual report this week BEA attributes the slackening partly to milder weather between September and March, but largely to the parallel slackening in industrial output, which was 4.4 per cent up on the previous year in the first half of 1951-52, but only 1.3 per cent up in the second six months. Even so, it managed to sell 8 per cent more electricity during the whole year than in 1950-51 (when the corresponding increase was 12 per cent), and nearly 10 per cent more to industrial consumers. BEA also raised its prices from an average of 1.181d. a unit to 1.220d. Revenue from 50,400 million units of electricity sold to some 13½ million consumers thus rose, by nearly 12 per cent, to £256.4 million. Nevertheless, because some of the area boards were engaged in designing new standard forms of tariffs, the increases in prices required to meet increases in costs were in some cases delayed, and total revenue did not rise sufficiently to cover the increase in costs.

The total revenue of the industry rose by £26.9 million in 1951-52 to £263.9 million, but its total expenditure—which includes £22.8 million of interest paid on its capital—rose by £30.3 million to £261 million. The combined surplus was thus reduced from £6.3 million to £2.9 million—the smallest margin in any of the four years since nationalisation. Within that total, the balance shifted. The central authority, which generates electricity and sells it to area boards, made £4.3 million on the year, while the fourteen area boards, in the aggregate, showed a deficit of £1.3 million. This change resulted largely from an increase in the central authority's bulk tariff for power. It increased the demand charge in this two-part wholesale tariff and refined its definition of "maximum demand," changing the wholesale price of electricity to conform more nearly with costs at peak hours—a principle that the industry regards as impracticable to apply to retail prices.

The generation system's load factor based on the maximum demand supplied, fell to 50.9 per cent in 1951-52, from 52.6 per cent the year before. Works costs of generation increased by about 8 per cent to just over a

halfpenny a unit: the heat consumed per unit sent out fell by 2 per cent, owing to more efficient generation, but rose in cost by 9 per cent, owing to the rise in cost of fuels. The authority is the largest consumer of coal in Britain; in 1951-52 it took 34.3 million tons, paying on the average for this and other fuels about 11 per cent more in price than a year before. With railway and road haulage rate increases, higher fuel prices cost the industry some £9½ million more than in the previous year; increases in salaries and wages added £4½ million.

Nobody would suggest that the current faltering in the upsurge of maximum demand in itself calls for a drastic recasting of the existing programmes for expanding generating, transmission, and distribution capacity (though the extent to which maximum demand may be inflated by peak hour prices that are too cheap remains as relevant as it ever was). BEA spent £137.4 million last year—more than ever before—and this year it hopes to spend more than £160 million. It brought 1,192,000 kW of new generating capacity into service and shut down 119,000 kW, its biggest net increase in capacity. It spent rather less on mains transmission than the Government had belatedly approved, and rather more, owing to higher prices, on distribution. As a whole, spending was kept within BEA's allotted share of the Government's investment programme. Lord Citrine remains deeply concerned about the effect on the planning of future construction programmes that a possible Government limitation to 1,500,000 kW in any year might impose; but it still seems true that shortage of equipment and difficulties in construction, rather than permission from Whitehall, are limiting factors in the industry's vast programme of investment.

But the industry has much better grounds for its worry over the growing costs of this investment programme. A power station of 120,000 kW begun in 1948, when capital costs were already between two and three times their prewar level, might have cost £6 million. By the time it was completed, it would have cost the authority £500,000-£750,000 more. The same station started today would probably cost £7½-£8 million, in spite of the technical economies that have been effected. BEA cannot escape the effect of rising interest rates, though it is privileged over other industrial borrowers; its last issue of capital, in April this year, cost 4½ per cent, against 3 per cent in 1948. Its current rate of capital expenditure—about £150 million a year—would represent, say, about £115 million at 1948 prices, and this increase in prices and interest rates means about £2½ million extra in charges on each year's capital outlay.

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These hard facts have not persuaded the authority to alter the provision it makes for depreciation to correspond to current costs of new equipment. BEA justifies its adherence to depreciation based on historical costs with some closely reasoned arguments that might form a model defence, had not the newest recruit to nationalisation, the steel industry, already sold the pass by setting aside a special reserve from taxed profits to bring its normal provision for depreciation up to replacement cost levels.

The British Electricity Authority remains steadfast in its adherence to accounting convention, and finds new aspects of social purpose to justify its decision:

The main ground on which the replacement cost basis has been advocated appears to be that it is the duty of an industrial organisation to maintain its productive capacity intact out of current revenue. . . . Its application to an industry operated by public corporations financed by loan capital would imply that it is the duty of the consumer to provide, through higher tariffs, the additional money estimated to be necessary. . . . The authority do not agree that this is an obligation which should be placed on the present consumers.

Depreciation at historical costs, it says, has always been the practice of the electricity supply industry; and it comments, with justification, that until the Inland Revenue accepts the replacement cost principle consumers would have to pay roughly double the extra amount needed for more realistic provisions. Moreover, "it is quite conceivable" that technical improvements might so reduce future replacement costs—even apart from the uncertainty of future price levels—as "to offset substantially" the increase in equipment prices to their present level; it follows, therefore, that depreciation based on current costs might put "an unnecessary burden" on consumers.

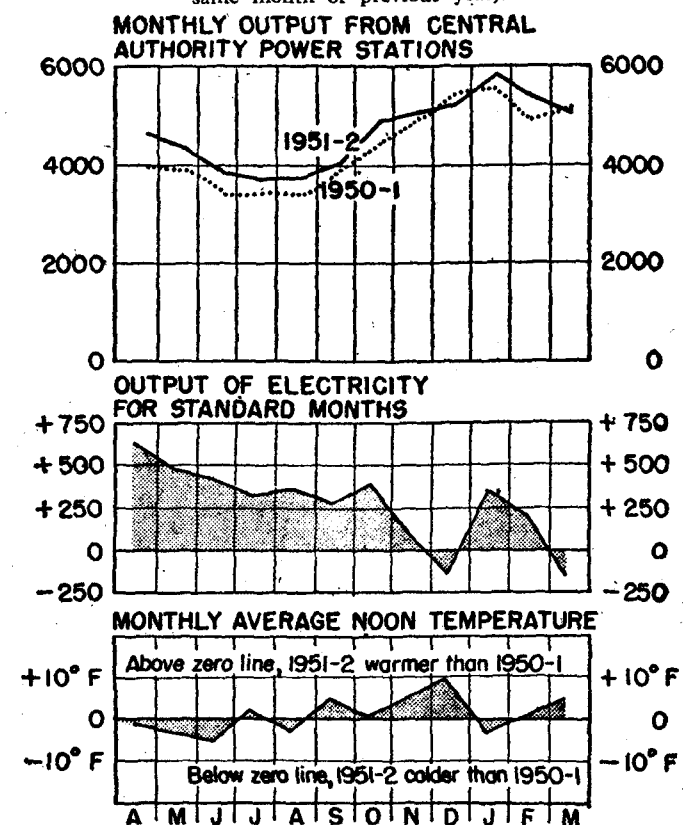
Although it is quite impossible to accept such arguments, it is only fair to record that BEA added £2.3 million to its central reserve fund; this fund, with area reserve funds, now amounts to some £10 million. It has also put aside £2.3 million to bring the taxation reserve up to £5.8 million; in spite of the withdrawal of initial allowances this year, it is still estimated that no profits tax liability will arise until 1953-54 and that any liability for income tax will be deferred for several years after that date. But the fact that it is now spending on capital investment some £150 million each year and setting

aside less than £40 million means that it must remain a constant borrower of new loan capital at the privileged interest rates that it enjoys. Its statutory borrowing powers are restricted to £700 million. By the end of March this year it had raised £371 million, and its outstanding contractual commitments amounted to some £274 million; thus its unexercised borrowing powers had been largely hypothecated. In due course Parliamentary approval will be required for further borrowing. At the present moment, despite the issue of £150 million worth of stock in April, bank loans stand at about £35 million and they are increasing at the rate of some £9 million a month. The time is rapidly approaching for an independent assessment of the extent to which BEA ought to finance the replacement of its capital, as distinct from its extensions, out of its own net revenues.

There are some signs that this stubborn defence of depreciation at historical costs, coupled with the refusal to ask the electricity consumer to pay for maintaining intact the equipment that supplies his power, are now reinforced by some anxiety over what the traffic will bear. For many years the industry has accepted its "7 per cent per year" increase in consumption (which held good even last year) as a law of nature. But some doubt seems to be dawning whether demand—at any rate from certain consumers for certain loads—will remain so triumphantly inelastic if prices are pushed much further. If BEA had to increase all its prices by the proportion that realistic depreciation would require, would it price itself out of some of the attractive off-peak business which it is still trying to promote, with every reason, in its quest of a better-balanced load?

Spokesmen for the British Electricity Authority had no comment this week on the Ridley report, and little to say about tariff policy. But it is perhaps still fair to question

ELECTRICITY OUTPUT, 1950-51 & 1951-52, IN MILLION UNITS ("Standard Months" Output shown for 1951-52 above or below same month of previous year).



1950-1		COMBINED TRADING RESULTS, BRITISH ELECTRICITY AUTHORITY AND AREA ELECTRICITY BOARDS	1951-2	
£ million	Pence per unit Sold		£ million	Pence per unit Sold
<i>Combined Revenues</i>				
229.21	1.181	Sales of electricity.....	256.39	1.220
3.89	0.020	Rentals of meters, apparatus, etc.	3.56	0.017
1.48	0.008	Income from public lighting maintenance	1.54	0.008
0.87	0.004	Rents receivable and miscel- laneous income.....	1.11	0.005
1.53	0.008	Other items.....	1.31	0.006
236.98	1.221	Total combined revenues...	263.91	1.256
<i>Less Combined Expenditures</i>				
108.11	0.557	Generation (works costs) and purchase of electricity...	125.22	0.596
1.31	0.007	Main transmission: operation, repairs and maintenance..	1.45	0.007
22.00	0.113	Distribution: operation, re- pairs and maintenance...	24.95	0.119
1.66	0.009	Rents, insurances, etc.	1.86	0.009
12.21	0.063	Payments in lieu of rates...	12.82	0.061
27.23	0.140	Administration and general expenses.....	31.14	0.148
36.06	0.186	Depreciation of fixed assets.	38.85	0.185
20.43	0.105	Interest	22.83	0.108
0.25	0.001	Profits tax.....	1.87	0.009
1.39	0.007	Other items.....		
230.65	1.188	Total combined expenditures	260.99	1.242
<i>Central authority surplus, Area board's surplus or deficit</i>				
2.64	0.012	Central authority surplus...	4.25	0.018
3.69	0.019	Area board's surplus or deficit	Dr. 1.33	-0.008
6.33	0.033	Combined surplus	2.92	0.014
46,585		Units sold (million).....	50,419	

its difficulties in seeking useful off-peak-loads—even if depreciation provision were made realistic—would not arise rather from the form of its own tariffs than from the actual amount of the price. So long as the authority holds that there is no practicable method of charging more for electricity when it costs more at peak hours, it is logically bound to overcharge the off-peak consumer whose custom it is entitled to attract. For example, if it sells at peak hours for 1½d. electricity that costs it nearly 4½d. (to take the estimates of the Ridley report), it must recoup itself from the off-peak consumer—and also resign itself to spreading and shedding peak loads for years to come, and in the long run perhaps to excessive capacity used at an unnecessarily low load factor.

But it would perhaps be expecting too much of the

Agenda for GATT

NO meeting of the contracting parties to the General Agreement on Tariffs and Trade has ever been held in an atmosphere so full of uncertainty as the session that is now taking place at Geneva. One question mark hovers over these proceedings like the sword of Damocles: what is to be the future relation of the United Kingdom and other countries of the Commonwealth to Gatt? That issue may acquire greater precision in the course of the Commonwealth Prime Ministers' conference, which opens at the end of next month. Meanwhile, an uncomfortable interval has to be filled, in which respects have to be paid but major decisions avoided. Courtesy without commitments is the keynote. By sending relatively junior delegations to the Gatt meeting, most of the Commonwealth countries have followed the lead given by the United Kingdom when it sent its ministerial "second eleven" to the Mexico City meetings of the International Bank and the International Monetary Fund. The United States delegation at Geneva may be more high powered but it is not in reality powerful, for the whole issue of American trade policy, including the Reciprocal Trade Agreements Act and the relations of the United States to Gatt, are in the lap of the next President and Congress.

Apart from these questions of representation by second teams and the doubts and reservations that may lie behind the proceedings, the current meeting of Gatt has to work through an important agenda. The meeting will not be enlivened as others have been by concurrent tariff negotiations. To have started another round of bargaining now would have been too great an act of faith in the face of the prevailing uncertainties; it would in any case have ignored the clear symptoms of tariff indigestion that were evident at the Torquay meeting, when the last round of multilateral tariff negotiations was conducted. None the less, delegates of 34 countries now assembled in closed session at Geneva will have to settle issues of considerable importance during the coming five or six weeks.

The items on the agenda fall into four broad categories. First, there are consultations with countries that have imposed import restrictions on the ground of weakness in their balance of payments. Secondly, complaints of alleged violations of the provisions of Gatt have to be heard. Thirdly, there is the vexed issue of the admission of Japan. And fourthly a reconciliation must

current lull in fuel demand to count on much change of heart in the industry about tariffs that might transfer demand from peak to off-peak hours. The authority has taken the opportunity of a mild winter, the Ridley Committee's discussions, and the setting up of a small departmental committee on load control, to put into abeyance the practical tests of load control that it undertook to make last year. Although demand seems to have fallen off more this summer—in the first five months of BEA's current financial year demand was probably below that of the same months in 1951-52, though it jerked upwards in September—there is not much real anxiety about pricing electricity out of the market. The holly berries, after all, are early on the bough. Perhaps it will be a hard winter—with BEA once again crying confusion to all its critics.

be attempted between the Schuman Plan and Gatt.

In the first category, consultations will concern not merely import restrictions of long standing but also the recent accentuation of discriminatory import cuts by Britain and France. These exchanges are unlikely to give rise to explosions of the kind that occurred at Torquay on the first consultations. The accepted definition of consultations among the subscribers to Gatt has changed considerably during the past eighteen months and has come to accord closely with that held all along by Great Britain. The chairman of the present session of Gatt, Hr Johan Melander, of Norway, put the point plainly in his opening speech:

We should eliminate any suggestion or feeling that the countries with whom consultations are taking place are defendants in a cause, and the other contracting parties are plaintiffs. A consultation under the General Agreement is a discussion of mutual problems undertaken in the common interest.

To put his meaning beyond doubt, Hr Melander emphasised that the special role of Gatt was to deal with practical questions of international trade, not with the financial aspects of trade restrictions. He hoped, therefore, that the Geneva meeting could avoid the "excess of legalism" which had tended in the past to plague consultations of this kind. Given such a liberal and sympathetic definition, the consultations on import restrictions should not give cause for friction or complaint at Geneva.

The complaints about particular violations of the general agreement that lie before the present session are a truly representative selection. To enumerate them is to demonstrate the important service that Gatt renders by providing a platform from which alleged wrongs can be ventilated by the smallest countries against the biggest. There is, for instance, a goodly tally of complaints against the United States. Some are of old standing, such as the criticisms of United States' restrictions on imports of dairy products. Others are of more recent origin, such as the recent increase in the United States tariff on dried figs and the export subsidy on sultanas. Gatt has no power to apply sanctions or even to pass judgment in such matters; but it provides a means of bringing moral pressure to bear on delinquents in commercial policy and there is ample evidence that dislike of being required to answer for breaches of the code acts as a considerable deterrent to would-be transgressors.

The wide range of complaints before this session may be gauged from the following selection. Germany is being accused by Norway of putting higher duties on Norwegian than on Portuguese sardines—to which the Germans answer that the Norwegian “sardines” are quite another kind of fish—namely, brislings. This is not merely an argument in marine biology; it involves an important commercial principle, that of tariff nomenclature, on which the Germans have been ready to trample in the past—it was not so long ago that the Germans defined “cheese” as the product of milk obtained from cows grazing at 1,000 metres and over, so as to withhold from the Netherlands concessions they wished to give to Switzerland. A more explosive complaint may be that tabled by India concerning the discriminatory export tax on jute levied by Pakistan, for this issue is inflamed by the present political relations between the two countries. Its dangerous potential underlines the service which Gatt provides by establishing an open forum where such a dispute can be discussed. Belgium will be reproached by the United States and Canada for the restrictions on dollar imports that Belgium has imposed, though that country does not suffer from balance of payments difficulties. The Belgians will presumably reply that in OEEC and EPU Belgium is being criticised for running an excessive dollar deficit balanced by an EPU surplus and thus acting as a funnel for the entry of inessential dollar goods into Europe. Which of these two voices, in each of which the United States has a part, is to prevail? On this issue, Gatt will be performing a good service in reminding the world once again of the occasional contradictions of United States policy.

Japan's application to join Gatt is probably the most important single item on the agenda of the meeting. The battle on this issue has probably been won before it has been fought. On a simple majority of members' votes, Japan can proceed with arrangements for multilateral tariff negotiations with a view to later accession to Gatt; that majority seems to be assured among the 34 countries represented at Geneva. Among that majority will be found the Asian members of the Commonwealth. In spite of this, there are indications that the United Kingdom, supported by Australia, will fight a delaying action. In doing so, it is likely to accumulate discredit, for the cause it is fighting is poor and defeat is inevitable. Efforts are therefore being made to evolve a formula which will please all parties—to postpone effective action until well into 1953, but to do so with sufficient courtesy to Japan to make postponement a positive compliment. An initiative of this kind will deceive no one, but it may be a useful attempt to deprive the “get-out-of-Gatt” school in Britain of the one argument they might wield with success in the coming debate on imperial preference and “unfair competition.”

The harmonising of the Schuman Plan with the Gatt code creates an exceptionally complicated set of problems. The simplest of them is the fact that within the European Coal and Steel Community there will be free trade in coal and steel and, therefore, tariff concessions which will not be extended to countries outside the Plan. In order to create this selective free trade area a waiver must be obtained from the relevant provisions of the Gatt code. But in discussion on this matter, other decidedly relevant issues may have to be considered. One of them is the level of the common tariff in coal and steel that the Schuman countries will apply versus

the non-Schuman countries—which may affect Britain and Sweden. Another is the range of commodities to which free trade within the community will apply. Some of the Schuman countries would like to see it stretched a long way along the line of semi-manufactured goods. Provision may also have to be made for the possibility of one of the countries in the coal and steel community applying import restrictions on steel for balance of payments reasons. Would the whole of the community have to follow suit—as would logically be required of every constituent of a truly free trade area? Such incidental questions reveal the complications of this issue, but the necessary reconciliation will no doubt be found. The chairman's references to the Schuman Plan as “one of the most ambitious and courageous international experiments which has yet been attempted” reflects the prevailing will to find solutions of this complex of problems.

When the work of the session is rounded off by a number of technical questions, included at the behest of the International Chamber of Commerce, on such subjects as the valuation of goods for customs purposes, the problem of nationality of manufactured goods, documentary requirements and consular formalities, its utilitarian character becomes clearly apparent. Gatt at Geneva will not excite those critics in this country who would like to throw it overboard and live in a lotus land of preferences and protection. It will do nothing to inspire those who may be wavering in their support of the ideas of expanding competitive trade and are being tempted into rosy views of the supposed expansion and prosperity that could be secured in a preferential commonwealth kraal. The debate on these matters will begin in earnest late next month. Meanwhile, Gatt will show, in a sober fashion, some of the advantages that come from nations talking together about their mutual trade. They are too important to be thrown aside in exchange for a commercial mirage.

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Business Notes

Funding by Persuasion

The newcomers to the gilt-edged market have not improved upon acquaintance. The Treasury's latest issues are now seen to bear a much closer family resemblance to the ill-favoured debutantes of last November than was at first suspected outside the limited circle to whom the preliminary introductions were made. Last year it was evident from the outset that the authorities were gate-crashing their Serial Funding Stocks into the banking system and were determined upon their acceptance. This time the approach was more diplomatic, and the hard features of the protégés were veiled so graciously as to suggest that they were expected to win through by their own charms alone. Admittedly, they are better favoured than last year's trio, but it is now clear that something more than natural appeal was needed to secure for them the reception accorded this week.

The Treasury announced after the close of business on Monday (and the simultaneous closing of the lists) that cash subscriptions amounting to £135 million had been received for the new 1953 1½ per cent Funding Stock, £67 million for the 1954 1½ per cent Stock and £115 million for the 1955 3 per cent Stock, making a total of £317 million. There is no doubt that the greater part of these applications came from the banks; those from other unofficial quarters, including the discount market, are unlikely to have surpassed a few tens of millions. The turn offered by the 1953 stock by comparison with the existing 1953 issue on the eve of the announcement was about ½ per cent, both on the issue price and on the redemption yield (£2 15s. 9d. per cent), but on the 1954 stock it was much narrower (and the redemption yield only a penny or two more); moreover, the margin between the redemption yield on these one- and two-year bonds and that currently obtainable from Treasury bills was much less than that offered last November.

The change of trend in bank advances (not to mention the pressure of bank salaries) has doubtless made the banks more than ever anxious to improve their earnings from other assets if their position permits; but it is hard to believe that they would readily have sacrificed liquidity for so small a turn had they been left entirely without official guidance. After all, the recent steep rise in liquidity ratios had not tempted them to add perceptibly to gilt-edged portfolios by purchases in the market. One of a number of reasons for this caution may have been the knowledge that any attempt at the genuine funding operation that was needed would have depressed prices (though not necessarily in the short bond section); and to that extent the very timidity of the tactics actually chosen has been a reassuring influence—for the short run. But the real key to the banks' response lies in a more positive guidance than this. It is now generally known that the authorities indicated that liquidity ratios ought to be reduced, and that the cash offer of these bonds should be the occasion and the means of the reduction.

Cutting Liquidity Ratios

Since the ratios of the individual banks vary widely—the range among the clearing banks at the September make-up was from 36.4 per cent to 41.6 per cent—a suggestion of this kind is sharply distinguishable, in a technical sense, from the suggestions made last November, when the banks were expected to take up funding stocks in proportion to their deposits, and for a given total amount. None the less, a rough estimate of the sum the authorities hoped to secure seems to have been deducible from other indications—notably from a hint that the appropriate ratio might be in the region

of 34 per cent—given the reduction that will occur during the tax-gathering season early next year. Since the ratio shown in September was 38 per cent and gross bank deposits then stood at just over £6,000 million, the conclusion was drawn that clearing bank applications would total about £250 million. In fact, they may have fallen somewhat short of that figure; and, after allowing for subscriptions by the Scottish banks, discount houses and other financial institutions, it seems likely that a moderate sum was taken by the authorities themselves.

The authorities would certainly emphasise one other important difference between these issues and those of last November. The offer then was made exclusively to holders of Treasury bills to exchange into bonds, and no cash subscriptions were invited. This time it was emphasised that the offer was exclusively for cash, and that subscriptions in bills would not be accepted. Thus the issue was given the guise of an entirely normal market operation—and it may even have been intended to be more normal than it in fact proved to be. In a formal sense, the distinction between cash and bills was of course maintained; but in a practical sense it was an impossible distinction, because cash had to be found for the subscriptions in the interval before the Treasury used the moneys for formal repayment of bills—and the only way of providing it was for the “special buyer” to buy bills, for account of either the Bank, or the “departments,” or the Treasury itself. After some indecision at the end of last week, this was of course duly arranged, and wholesale purchases of bills were made on Monday to the extent necessary to keep the discount market “out of the Bank.”

In these various ways, the technical appearances of these issues are therefore an improvement upon the bludgeoning method of last year; but the principle involved is not so very different, and there are some who would even prefer to see it starkly displayed instead of coyly hiding behind these trappings. It may be that a comment such as that does less than justice to the intentions of the authorities, who may even believe that the suasion they have exerted has not been considerable. But if they do indeed cherish such an illusion, they greatly underestimate the power of a hint as distinct from a formal “request.” They have for so long schooled the banks to regard requests as commands that they must not complain if fine gradations in the expression of official desires have ceased to be distinguishable. For the rest, the full verdict on this operation must await the results of the conversion, the lists for which close next Monday. Only then will it be possible to guess whether any net funding of bank liquid assets is likely to be achieved—to guess how much of this week's sharp reduction in those assets will be restored when the unconverted margins of the bond maturities are repaid next month and next March.

* * *

Chancellor and the Deficit

Meanwhile, the behaviour of the gilt-edged market in this past week reflects very clearly the general judgment that the intention of these new loans is merely to maintain the *status quo*. The market's initial pause for appraisal of the operation scarcely did more than halt the recovery that had set in a few days before. The declines on Thursday of last week did not exceed ¼; and these minor losses have since been made good in a generally firm market—except that the rises in short bonds that had been adjusted to the terms of the new issues still leave them with small net losses. The long-term market has now regained a large part of the ground so suddenly lost a fortnight or so ago; prices are within

one and two points of last month's peak. But the firmness in the past few days has probably been due as much to the impression given by the balance of payments White Paper and by the Chancellor's speech at the Bankers' Dinner on Tuesday as to the reprieve granted by the softness of the tactics of the conversion loans. The former influences have certainly been the dominant ones in industrials, which have gained ground daily, raising the index of *The Financial Times* by 1.9 from its low point of 112.9 reached in the middle of last week.

Mr Butler's speech surveyed a year of achievement, quite impressive achievement; but it has been a year well documented with economic data, so that he added little to what was already known. He likewise gave no new pointers to economic policy. In the sphere of domestic monetary policy, the only deduction that can usefully be drawn is that the Chancellor prefers at present to wait until the revenue quarter of this fiscal year before taking any new decisions. For reasons that were already familiar, he believes that the current Exchequer deficit is "to an abnormal extent due to special or temporary factors, and that any shortfall on the estimates I made last March will not be so serious as to defeat the ends I had in mind." It is to be hoped that he is right; and it is equally to be hoped that he will be forthright, now that the season for review of departmental estimates is approaching, in his determination "that the improvement in our external finances shall not be prejudiced by any slipping away on the home front."

The problem here is one of degree; for there is wide scope for action between the extremes of "panic slashing" that nobody would advocate and the very modest economies that have been achieved so far, despite the Chancellor's bold words. It is very evident, for example, that the Governor of the Bank of England has a much sharper sense of the need for economy in public expenditure than has the Chancellor—perhaps because, while the Governor is spared the responsibility for imposing it, he is better placed to observe the dangers of its insufficiency. The potency of monetary policy, Mr Cobbold said on Tuesday, has been demonstrated afresh in this past year; but "it cannot work miracles," and its efficacy in restraining the private sector of the economy is in danger of being neutralised by heavy public spending: "it is generally held in the City that this is the most important question of the day for our further progress in strengthening the currency." It is, indeed; and the same point was made in different form by Mr John Braithwaite, speaking for the Stock Exchange. He pleaded for a more realistic basis for taxation of companies—and would even prefer a higher rate of tax on true profits to the present rate on "phony profits," distorted by the system of depreciation allowances. But, this vital point apart, he believes that the country cannot "much longer stand the present level of taxation." Certainly it cannot much longer stand the wastage of productive capital and dearth of risk savings that are the inevitable fruits of the present fiscal system.

Raising the Sights in Steel

Pig iron output last month reached 208,600 tons a week, equivalent to an annual rate of 10,845,000 tons. It scored a record, 7,000 tons a week higher than in August and 19,100 tons a week, or nearly a million tons a year, higher than in September, 1951. This massive increase has come about partly from the six new blast furnaces that have been brought into operation at British steelworks since the beginning of the year; and it provides the solid base upon which Mr Sandys was this week able to express his hopes that steel production next year may surpass the 1950 record of 16½ million tons "by a substantial margin." Two more blast furnaces, at John Summers and at Sheepbridge, are expected to be blown in by December; the year's big increase in blast furnace capacity provides a more lasting foundation for record steel output than was implicit in the increase in output in 1949

and 1950. That increase, valuable as it was, could not be more than temporary, for it was founded upon huge imports of scrap from Germany that were expected to dwindle and did so drastically last year. The last twelve months has seen a steady shift from scrap to pig iron in steel-making, and the industry's plans for development in the future call for the continuation of this increase until in several years time the proportion of steel made from pig iron reaches nearly 75 per cent.

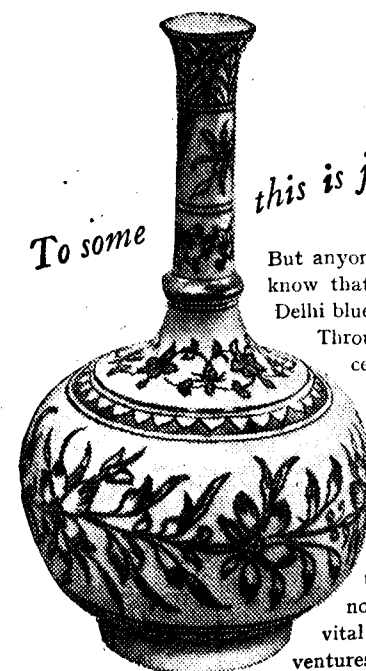
At the opening of the new Trostre tinplate mill this week, Mr Sandys was able also to endorse the forecast of 16 million tons this year, accidents barred, that the industry has been making for months. But he had nothing to say about steel allocation. Few large consumers seem to be complaining of a serious shortage of steel in general today, though certain types are still tight, and alloy steel, even of "economy" specification, is hard to obtain. There have even been hints of a growth—and considerable unbalance—in consumers' stocks of steel. It is probably still too early to expect the Government to consider relinquishing this one major physical lever of production planning that remains to hand. But prospective steel supplies after the next few months do not suggest that allocation will long remain necessary or very effective.

Happier Motoring

The four catalytic cracking units that should be producing premier-grade motor spirit by the time that it begins to be sold again in February will have a capacity of less than 2 million tons of this higher-grade spirit a year; the planned total capacity, with the two units due to come into operation next year, may be some 2½ million tons. Last year's total consumption of motor spirit was just under 5½ million tons, and about 2½ million tons of that was used in goods and public service vehicles, most of which will presumably use the branded commercial-grade spirit, of pool quality, that the oil companies are also to sell. Rather more than half the eventual "cat cracking" capacity will be owned by Shell and Anglo-Iranian, which market their petroleum products jointly. Of the American-associated companies, Esso has the Fawley cracker, the largest single unit in the country, and the Coryton cracker, which may not come on stream for some months, is owned jointly by Socony-Vacuum and Powell Duffryn. Regent Oil, controlled by Trinidad Leaseholds and Caltex, has no catalytic cracking unit in this country.

The output of premier-grade petrol immediately available, therefore, may amount to about three-fifths of the spirit used by private cars and motor-cycles; since some of the modern light delivery vans have the same engines as cars, the companies hope to sell the better petrol to some of these also. Competition for the motorist's extra three pence a gallon, therefore, will not necessarily be too hectic early next year, unless disinflation and the present level of motor fuel tax have made him rather less willing to purchase extra efficiency in motoring than the companies hope. But the advertising campaigns are already launched; and the companies' plans for exclusive dealing by garages are being given final touches.

A year's output of premier-grade petrol may take about 45,000 tons more crude oil than it did to make 1,500,000 tons of pool. This extra import, costing about £225,000, is now revealed as the hidden point at which the Minister of Fuel baulked for so many months: for about 8 per cent of its cost may be in dollars. Mr Lloyd seems now to have accepted the companies' contention that this \$50,000-odd may well be offset by the economy in use that better petrol will offer. The import of tetra-ethyl-lead for pool-grade petrol, to replace ingredients now to be used in the premier grades, will cost about \$700,000 next year. But the industry plans to have a new plant operating within a year capable of producing all of this ingredient that will be needed for British pool grades.



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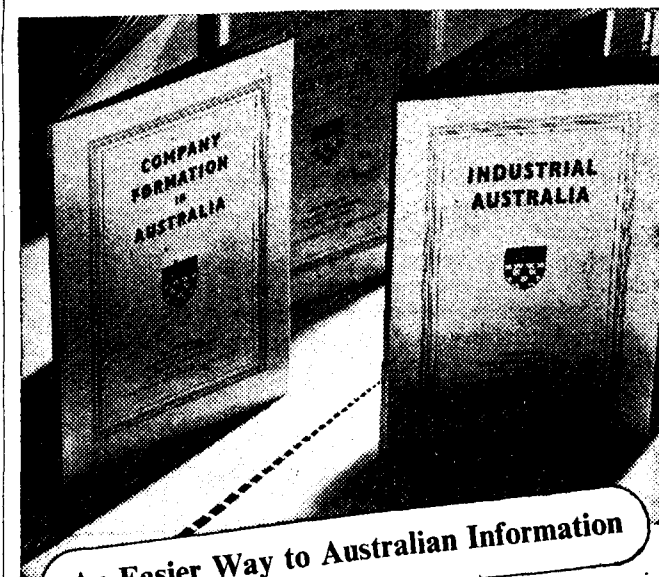
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"I know a Bank where they look after your interests," said the Man of Affairs.

"Much have I travell'd in the realms of gold,"² put in the Explorer.

"Whatever the currency of the countries I travel in," said the Man of Affairs, "I always have a word with Lloyds Bank before I go."

"Let's choose executors and talk of wills,"³ suggested the Club Bore.

"I've chosen my executor," said the Man of Affairs firmly. "Lloyds Bank will administer my estate."

"I expect that Woman will be the last thing civilized by Man,"⁴ remarked the Oldest Bachelor.

"My wife has an account, quite separate from mine, at Lloyds Bank," said the Man of Affairs. "I should say she was highly civilized, wouldn't you?"

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Do you know where these quotations come from?

¹ Shakespeare: A Midsummer Night's Dream. ² Keats: On First Looking into Chapman's Homer. ³ Shakespeare: Richard II. ⁴ Meredith: The Order of Richard Feverel.

"Terylene" on the Market

Imperial Chemical Industries has announced this week that small quantities of goods made from "Terylene" yarn are coming on the British market. There has been a certain impatience in the textile industry with the progress that ICI has made in putting this new synthetic fibre into production. It is the first yarn of its kind that can properly be called a wholly British development. ICI began experimenting in conjunction with the Calico Printers' Association in 1944, and is now in the stage of pilot plant production with an annual output of 600,000 odd pounds of yarn a year. The first full-scale unit, intended to produce 11 million pounds of yarn annually, will not be ready until 1954. Meanwhile the one other company that has rights for "Terylene," du Pont, has succeeded in putting the fibre into production on an appreciable scale in the United States and distributing what appear to be considerable quantities of yarn; some American-made garments have in fact appeared on sale in London this summer.

Progress in the new ICI plant at Wilton has been governed by plant deliveries, which took a year to 18 months compared with 8 to 9 months in the United States. But there are other reasons which may account in part for delay. ICI is committed to a heavy capital expansion scheme of which the "Terylene" venture represents only a small part. The two raw materials used to make the fibre, terephthalic acid and ethylene glycol, are both to be produced at Wilton and it is reasonable that the sections of the plant producing them and also their raw materials are working smoothly before proceeding with manufacturing commitments based on them.

The marketing of a textile fibre opens a new field for ICI. "Terylene" fabrics have to sell on performance. The fibre presents a valuable combination of properties, for it is remarkably strong, not very elastic, highly resistant to water, light, and acids. It is also expensive; in full production the price of the yarn is not likely to be any lower than that of nylon (11s. 3d. for staple nylon and 20s. 10d. for 30 denier continuous filament) and will thus be considerably dearer than natural fibres, with the possible exception of silk. It is not difficult to envisage a considerable industrial market for "Terylene" and the domestic market is expected to take considerable quantities. Being relatively inelastic, it does not have the potential use for stockings that has been the mainstay of nylon; on the other hand, it has a rather warmer texture, and greater resistance to creasing. ICI claims that none of the fabrics, knitted or woven, needs to be ironed after washing. Certain technical difficulties connected with the low moisture absorption of the fibre have somewhat limited the range of dyes that can be used, and these technicalities also explain why no mixtures of "Terylene" with other fibres have yet been demonstrated in this country. The first tentative experiments already suggest that the market will absorb considerably more than 11 million pounds of yarn a year, and a three or four-fold increase in capacity is under discussion.

The Yield on Japanese Bonds

This week, with the initial burst of enthusiasm over, Japanese bonds have settled down to a more humdrum existence, while investors have attempted to sort out—by guess work or slide rule—the individual merits of each loan. Price movements in the market have not been excessively violent, but, as the accompanying table shows, investors have tended to favour the 1907 loan, the Tokyo Electric stock, and the 1924 loan more than the other government stocks. One new factor had to be taken into the market's calculations on Tuesday when the original somewhat vague statement on sinking funds—that "where there are already sinking funds these will be renewed in accordance with the original contracts as from 1953"—was amplified by the publication of

the actual amounts of the sinking funds to be applied. The Tokyo Electric stock now has a fixed annual sinking fund of £117,000, payable annually. Half yearly sinking funds are to be applied to the 1924 loan (amounting to £179,000), to the 1930 loan (£131,500), and to the 1926 Tokyo loan (£60,000); and a quarterly sinking fund of £11,795 is to be applied to the 1912 Tokyo loan. The sinking funds on these four loans are cumulative, so that the amounts given relate to the first instalments only.

This information induced some switching from those loans not supported by a sinking fund to those that are; by the close on Tuesday the 1910 loan had recorded a net loss on the day of $\frac{1}{2}$ to $73\frac{1}{2}$, while the 1924 loan showed a net gain of $\frac{1}{2}$ to 102. The operation of these sinking funds cannot, of course, be taken into account in calculating the yields offered by the loans—and, in any case, such calculations can only be very rough approximations. In view of the substantial tax deductions that will be made from all interest payments (including interest arrears) net redemption yields

	Remaining Life in years	Price on Sept. 29, 1952	Price on Oct. 8, 1952	Approx. net redemption yield %	Net yield basis suggested in the market %	Suggested equivalent value
5% S. Manchurian 1923	5 $\frac{1}{2}$	103 $\frac{1}{2}$	103	7	3	125
5% Japan 1907*	9 $\frac{1}{2}$	134 $\frac{1}{2}$	136	6 $\frac{1}{2}$	3 $\frac{1}{2}$	171
4% Japan 1899	11	86 $\frac{1}{2}$	86	6 $\frac{1}{2}$	3 $\frac{1}{2}$	109
6% Tokyo Elec. 1928†	15 $\frac{1}{2}$	176 $\frac{1}{2}$	178	5 $\frac{1}{2}$	4	211
6% Japan 1924	16 $\frac{1}{2}$	98 $\frac{1}{2}$	102 $\frac{1}{2}$	5 $\frac{1}{2}$	4	121
5 $\frac{1}{2}$ % Tokyo 1926	19	92 $\frac{1}{2}$	93 $\frac{1}{2}$	5 $\frac{1}{2}$	4 $\frac{1}{2}$	107
5 $\frac{1}{2}$ % Japan 1930†	27 $\frac{1}{2}$	155 $\frac{1}{2}$	152 $\frac{1}{2}$	5 $\frac{1}{2}$	5	167
4% Japan 1910‡	32 $\frac{1}{2}$	73	73	5 $\frac{1}{2}$	5	78

* Adjusted to give effect to the dollar clause at \$4.03 to the £. † Adjusted to give effect to the dollar clause at \$4.87 to the £. ‡ Adjusted to give effect to the Swiss franc clause at Fr. 17.35 to the £.

are perhaps more meaningful in this context than gross yields; the accompanying table therefore shows approximate net redemption yields on the basis of prices at the close on Wednesday. This calculation immediately reveals one curious anomaly: the net redemption yields on the shorter dated stocks are higher than the yields offered by the longer dated loans. A circular issued by a well-known London firm of stockbrokers this week has drawn attention to this curiosity; it suggests a more reasonable, if arbitrary, gradation of net redemption yields and the equivalent price of the loans that would offer these yields. These calculations, which are shown in the last two columns of the table, may take too "bullish" a view of the general yield basis on which Japanese bonds will eventually settle. But it is hard to resist the conclusion that the shorter dated stocks have been somewhat neglected.

"As Much Tea as You Like"

So far as the trade is concerned the ending of tea rationing in this country has proved a damp squib. Although free to do so since Monday, housewives have not rushed out to replenish their store cupboards, nor have wholesalers received any sudden demands for supplies. Admittedly, prices at the London tea sales have risen slightly in the last few days, but this seems mainly to have reflected a seasonal improvement in the quality of tea offered. This is the time of the year when the main part of the Ceylon supplies reach London and the quality has been exceptionally good this season. Moreover, the fact that less tea than usual has been offered in Colombo during the last few months has stimulated interest in the London sales.

Derationing of tea has been a slow but painless process. Importing was handed back to private trade in April, 1951, but before the domestic rationing system could be abolished British prices had first to be brought into line with world

levels. The Minister announced in March this year that he had decided to remove the subsidy of 8d. per lb, and when this was carried out some three months later the trade was allowed to increase retail prices by up to 10d. a lb, on the understanding that reasonable quantities would be available at 3s. 8d. a lb (compared with the minimum subsidised price of 3s. 4d.). In July the ration was increased to 2½ oz a week, and at the beginning of September it was further increased to 3 oz. By making this gradual increase, rather than removing rationing in a single step, the Ministry was able to gain in advance some idea of the possible size of unrationed demand. And although the increase in the weekly ration to 3 oz at the beginning of September seemed unduly cautious—it is unlikely that average weekly consumption of tea will reach this level—it did give distributors a breathing space in which to build up stocks in the shops. The housewife has enjoyed a gradual increase in supplies during the last few months, and has also been able to buy cheaper tea. The trade has done better than merely keep its promise to provide tea at 3s. 8d.; many popular brands have since been reduced to 3s. 4d. and some are now selling at 3s. a lb.

The ending of tea rationing in this country has undoubtedly been made easier by more plentiful world supplies. In the first seven months of this year, production in all countries excluding China totalled 551 million lb compared with 512 million lb in the same period last year. The whole of this increase has come from larger output in northern India, where it seems that freer picking has led to a sharp rise in the proportion of poor quality tea. Prices of all grades of tea have been much lower this year than in 1951, but the market for poorer grades has been exceptionally weak. Thus while prices at Colombo have shown some improvement in the last two or three months, those at Calcutta, which is the main outlet for northern Indian supplies, have continued to fall.

* * *

New Agreement for Sugar?

Prospects for a new international agreement on sugar seem to be improving. Last week the special committee which had been studying the problem reported to the International Sugar Council that the time had come to negotiate a new agreement; the existing agreement was set up in 1937, but the quotas fixed under it have not been enforced since the war. There will be a month in which governments can study the committee's report before the council meets in November to decide whether to ask the United Nations to call an international Sugar Conference next spring. It will not be easy to negotiate a new agreement, but the need for a revised treaty is now widely accepted. The Council estimate that there will be a surplus of 2,385,000 metric tons of sugar this year: the whole of the non-dollar supplies will be absorbed, and the surplus will consist entirely of sugar coming from the dollar area and principally from Cuba. The economies of many of the sugar producing countries in the dollar area are based on sugar, and to cut production would mean reduced revenue and large scale unemployment. These countries are therefore favourably disposed towards any scheme that offers a chance of minimising the cuts that might fall on them. At first sight, non-dollar producing countries seem to have less to gain from an agreement, but the sugar markets cannot be completely insulated from each other by \$ and £ signs. Sooner or later any weakness in dollar sugar would affect production throughout the rest of the world.

Cuba supplies the bulk of the sugar for the free market and holds most of the current surplus. This year's record crop amounted to some 7 million metric tons compared with an average level of 5½ million tons. Threatened with an enormous surplus, Cuba set aside about 1½ million tons in a stabilisation reserve to be released over a period of five years, and was left with some 2,400,000 tons to be sold outside

the United States and Cuba, of which only 50,000 tons remains to be sold. But as most countries have now bought all the sugar they want for this season and since the European countries will have ample supplies of their own beet sugar, Cuba is unlikely to sell much from the stabilisation reserve. The Cuban Government has recommended that next year's crop be limited to 5 million tons but it is anxious not to have to accept the whole burden of cuts leaving other countries free to increase their production.

Since the international agreement of 1937 world sugar conditions have changed radically. During the thirties the world market had been shrinking, for more and more consuming countries were covering their basic requirements from subsidised domestic production, or from preferential imports. The quotas established by the agreement were far bigger than the free market and were never effective. Increased populations and higher rates of consumption in certain areas such as Eastern Europe and Africa may have enlarged the potential market. But if serious cuts in production in Cuba and other dollar areas are to be avoided, some way will have to be found to enable the United Kingdom and other consuming countries short of dollars to pay for the extra sugar.

* * *

Manpower and Mobility

During this year, as Mr Butler noted this week, the mobility of labour in Britain has improved considerably. Is the labour moving in the right direction? From the August employment figures released this week, the answer must once again be yes—with qualifications. In August, young people who have left school and enter employment contribute to a large increase in the total working population: this year the total rose by 82,000 to 23,401,000. Of this increase, 66,000 entered civil employment; those who took longer to find jobs swelled the "wholly unemployed" category by 16,000, bringing the number of workers completely idle to 326,000. But the number of workers "temporarily stopped" fell by 20,000; so the total of registered unemployed fell by 4,000 to 396,000 at the end of August. By September 15th this total had fallen further to 389,600; most of the additional workers finding employment in this fortnight, too, were workers who had been temporarily laid off.

Of the basic industries, only agriculture gained a particularly large share, amounting to some 15,000 of the extra people entering industry in August; the increase in coal-mining had slackened seasonally and transport was losing workers. Manufacturing industries took more than half the extra workers. Textiles and clothing showed proportionately large increases totalling 12,000; these do not wholly account for the fall of 16,600 in textile unemployment, but many employers usually fail to take workers temporarily stopped off their employment returns. The vehicle group gained 7,000, with 2,600 of them going into aircraft; and metal manufacture increased its labour force by 2,000. But employment in the "engineering, metal goods, and precision instruments" group, which is five times that in metal manufacture, rose by only 5,000; though even this was welcome after a few months with no net increase whatever.

The only other group to record a large increase was the distributive trades—which suggests that the shop round the corner has not wholly lost its attraction as a gateway into employment. True, the distributive labour force at the end of August was only 1,000 larger than at the end of last year. But the engineering group had 26,000 fewer workers than at that time; and only 19,000 of them have gone into vehicles and metal manufacture. So the official emphasis on the metal-using industries—which followed a considerable growth in their employment last year—has still fully to exert its desired influence on the mobile manpower of 1952.

SHRINK FIT



At an engineering works in the Midlands, a 2,000 ton hydraulic forging press had to be overhauled because of wear. The firm decided that a good way of effecting repairs would be to "shrink fit" new parts in place of worn ones. A metal part to be fitted by this process is deliberately made a precise amount too large. When extreme cold is applied the part shrinks and can be fitted into another. The metal expands as the temperature rises to normal and a very tight fit is thus ensured.

The firm therefore consulted I.C.I. Billingham Division who make "Drikold"—a solid refrigerant which, with a temperature of minus 110°F., is a convenient means of producing extreme cold. The main part of the problem was to shrink a hollow steel cylinder weighing 7 tons and fit it into the body of the press. The firm made the necessary preparations and provided lifting tackle, whilst an I.C.I. man supervised the shrinking. This was done by closing the cylinder at one end and filling it with 80 gallons of methylated spirit and 1,400 lb. of "Drikold." Five and a half hours later, at a temperature of minus 95°F., the cylinder had contracted by 30 thousandths of an inch. It was then hoisted into position. This completed one of the biggest shrink fitting jobs ever undertaken.



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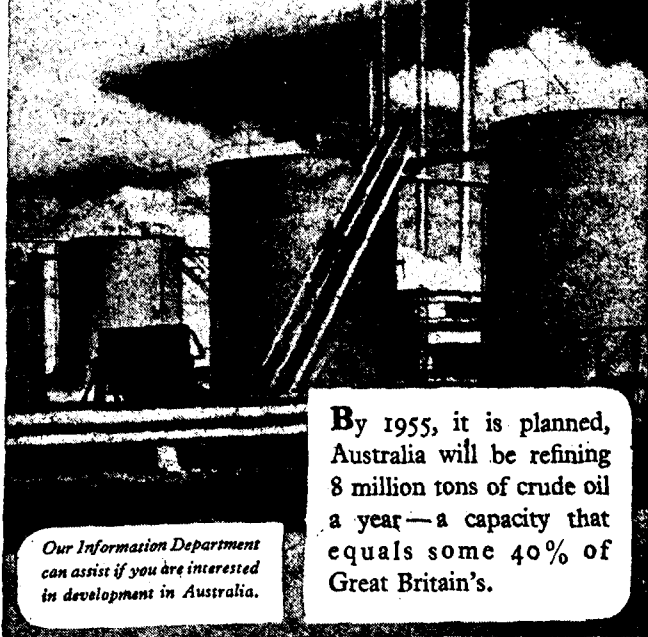
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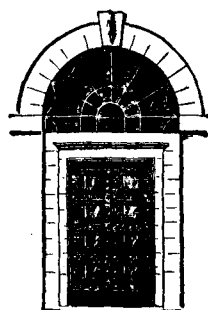
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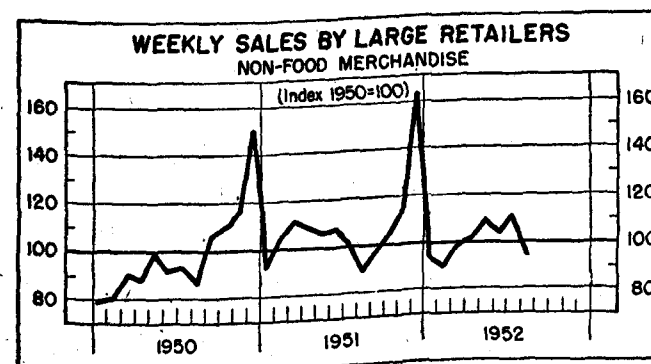
Melbourne and Sydney (Australia); Suva, Lautoka and Labasa (Fiji); Apia (Samoa).

Retail Trade Returning to Normal?

Month by month changes in the level of retail trade have assumed a new importance since sales first began to fall. The improvement that has been taking place during the summer has not been so sharply defined as to give traders firm assurance that a steady recovery was in train. The sharper-than-average fall in sales between July and August has, however, been interpreted as something of a set-back. The index of retail sales (1950=100) fell from 117 to 109 compared with a drop from 106 to 100 between July and August last year. Non-food merchandise sales fell from 110 to 94 compared with a fall of from 102 to 90 in the same classes of goods a year ago.

These general figures, however, conceal a marked variation in the trading experience of different types of retailers. Multiple stores have gained ground throughout the year; their sales index of 117 in August showed a drop of only four points compared with July, and their weekly sales were 8 per cent higher than a year ago. By contrast the sales of co-operative stores were 4 per cent lower for all goods except food; sales of food rose by 14 per cent and counteracted a disconcerting drop in the business done by other departments.

The big department stores are barely holding their ground. Sales of all merchandise were 2 per cent higher than a year ago, even with the help of a substantial tourist trade. Since the second half of the year the John Lewis group has been recording regularly weekly sales figures below those for the



same period in each of the past two years. Other big department groups, having gone through an exceptionally slack time early in the year, are only now beginning to feel a renewed flow of trade though it is not sufficient even to show much improvement on the level of business in the second half of last year, when the rush to buy had already exhausted itself.

There are several explanations why the multiple stores should have gained so much ground. They were the most severely hit by shortages that persisted from the beginning of the war until early this year, and greater range of supplies has given them the opportunity to show a big improvement on their previous years' trade. These stores, too, freely bought up the job lots that have been offered by manufacturers and wholesalers since the textile slump began, an advantage of which neither the department stores nor the co-operatives availed themselves on any scale.

These are special circumstances. Between July and August, wholesalers' stocks of textiles were reduced from 163 to 156 (1947=100) and there is not likely to be any more "distress" selling. It is the lowest August figure for some years. It is an encouraging indication that trade may return to normal this autumn. If the multiple stores continue next year to show the same rate of improvement, there may be more conclusive evidence of a swing away from the type of retailer that carries a large and varied stock, to one relying on the rapid turnover of a limited range of mass-produced articles.

The Nash-Austin Deal

The Nash Kelvinator Corporation—one of the four principal independent motor manufacturers in the United States—has long been interested in producing in Europe a small sports car specially designed for the American market. Over a period of years discussions have been held with a number of manufacturers, among them the Standard Motor Company and Fiat in Italy. An agreement has now been reached whereby the Austin Motor Company will provide the engine and chassis components (the standard A.40 engine) and Fisher and Ludlow the body, of a small car to be assembled for Nash at the Austin works. The intended volume has not been made public. At a rate of production of, say, 2,000 units a week it would not be possible to get the cost-weight ratio common in the United States; but it is likely that the delivered cost would not be higher than production there at a similar rate.

American manufacturers have speculated for some years about the potential American market for a car much smaller than the standard American car of about 3,300 pounds weight but produced at the same price-weight ratio. General Motors' postwar plans included the production of a 2,200-pound car; but increasing capital costs caused this project to be abandoned after negotiations for the site and much of the equipment had reached an advanced stage. Nash already markets a Rambler saloon of 2,350 pounds and has been exhibiting a 2,000-pound prototype of the car likely to be built by Austin, in order to test public reaction. By this new agreement, Nash will be able to test the American market for a small sports car—not, perhaps, at as low a price as production on the accepted American scale might give, but certainly as cheap as any small-volume output in that country, and without any of the risks attached to tooling up for such an intrinsically speculative project. Last year Britain shipped 27,000 cars to Canada and another 20,000 to the United States, most of them of about the same weight as the projected Nash-Austin car. But the two British sports cars that have made a market for themselves in North America are the MG and the Jaguar, both produced and marketed on a limited scale. Nash has some experience of sub-contracting designs abroad. The Healey company has recently been building a sports car body fitted with a Nash engine. But the outcome of the new link with Austin, which involves introducing the principle of integral chassis-less construction into the passenger car section of the motor industry, will be watched with intense interest. The British company, in its turn, appear to have been exploring means of increasing its production runs. Final confirmation that the 800 c.c. engine of the Austin 7 is being fitted in the Morris Minor means that production of both this and the A.40 engine will be on a much bigger scale than the output of the two Austin cars in which they are used. As the integration of the Austin and Nuffield groups proceeds this principle is likely to be extended—it is one important way of offsetting the short production runs and the diversity of models that characterise the British car industry.

* * *

Zinc Falls, but Lead Tumbles

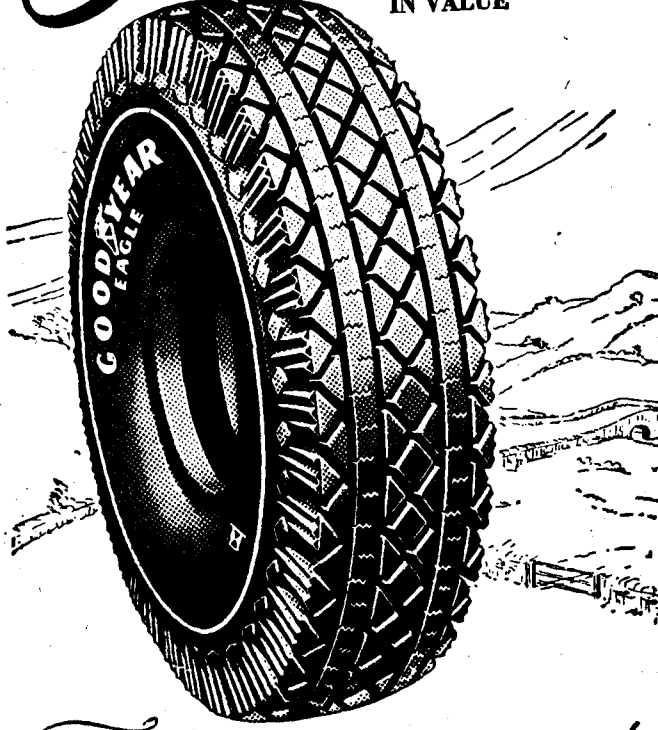
Lead and zinc have both fallen this week. During the first eight days of free dealings, lead slumped to £87 10s. a ton spot, as much as £44 a ton below the Ministry of Materials' recent selling price, but it recovered some £6 to £8 a ton on Thursday. On Wednesday the Government selling price of zinc was reduced by £4 a ton to £118 a ton following a fall in the American price. Some American smelters had been quoting zinc at 14 cents a lb, although one large smelter was offering the metal at 13½ cents a lb; this week all the smelters adopted the lower price.

Lead had fallen steadily for a week; on Wednesday it took a sudden tumble, falling by £7 a ton to £87 10s. a ton. It was reported on Thursday that the producers began to

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support the market. The volume of lead traded during the first eight days was heavy—no less than 12,000 tons changed hands. This is a figure of total turnover, and some lead may have changed hands more than once. Much of the business has been for future delivery, and sales of Government-owned lead have been small. It is too early to judge whether much lead is being re-exported and whether the London market is earning foreign currency. Although London prices are considerably lower than those ruling in the United States, the fall in prices, if it continues, will not encourage American buying. American prices have also been reduced this week, on Tuesday the smelter price was reduced from 16 cents a lb to 15 cents a lb—apparently moving in sympathy with the London market. This is the precise opposite of recent experience, when British prices have followed American movements. Allowing some 2 cents a lb to cover the cost of shipment to and import duty in the United States, the British price is still well below current American levels.

Bigger Metal Allocations

Further evidence of increasing production of metals has come from the International Materials Conference this week in its recommendations of larger allocations of copper, nickel and cobalt in the fourth quarter. Total allocations of copper amount to 747,655 metric tons for the current quarter, compared with 744,290 last quarter with the prospect of some additional supplies of Chilean copper outside the distribution plan. The nickel allocation is 37,049.6 metric tons, against 36,580 metric tons last quarter and that for cobalt is 2,884

IMC DISTRIBUTIONS, OCT. TO DEC., 1952
(Metric tons)

	Copper		Nickel		Cobalt	
	3rd Qtr.	4th Qtr.	3rd Qtr.	4th Qtr.	3rd Qtr.	4th Qtr.
United States	368,100	362,000	24,826.5	24,938.6	1,583.9	1,987.8
United Kingdom	100,300	101,800	5,424.3	5,472.6	360.0	360.0
Germany	50,100	52,900	1,378.9	1,394.7	147.0	147.0
France	36,900	38,000	1,764.3	1,777.5	111.0	111.0
Canada	32,200	34,200	989.0	991.5	33.0	33.0
Others	156,690	158,755	2,383.0	2,482.7	240.5	245.2
TOTAL	744,290	747,655	36,580.0	37,049.6	2,475.4	2,884.0

tons, against 2,475.4 tons. Detailed allocations for the principal consuming countries are shown in the accompanying table. Supplies of nickel, even after the increase in production, are still insufficient for the civil and defence needs of the free world. On the other hand, cobalt supplies may increase sufficiently by the early part of next year to justify the ending of international distribution of cobalt and its compounds.

Port Operation Improves

Since the Ports Efficiency Committee was set up in March to investigate the slowness of operations in British ports, particularly London and Liverpool, there has been a general improvement in the turnround of ships, and congestion in the ports has been greatly eased. But this improvement has obviously been largely a consequence of the decline in shipping traffic and the absence of any major labour disputes. So far as London is concerned, an improved lighterage system, the coming into operation of two new grain elevators, and the handling of sugar in bulk have helped to accelerate the rate of operation. But the committee, in the second of its reports to Lord Leathers, is certainly right in stressing that complacency over the present improvement would be dangerous, and in adding "it is safe to predict that certain of the causes of the difficulties and delays that were giving so much anxiety some months ago will recur, probably next winter."

The basic trouble is that the United Kingdom ports, which suffered so much war damage, have no cushion of reserve capacity to meet sudden or seasonal increases in traffic. Even seven years after the end of the war, much of the damage done by the war has not been repaired. To take Liverpool as an example, the report states that in 1951 this port was attempting to handle a tonnage of cargo 14 per cent greater than before the war with 24 per cent less fully-effective berth capacity, and the increased tonnage was accounted for wholly by export cargoes, which require more accommodation in sheds and require more handling than import cargoes. Replacement and repair work has been delayed by Government restrictions on capital expenditure and in particular by the shortage of steel. In both its reports, therefore, the committee has stressed the importance of releasing sufficient steel to enable these port facilities to be provided. It specifically recommends the allocation of some 10,300 tons of steel, spread over 18 months, to enable 23 extra berths to be brought into operation in Liverpool and London; about 8,000 tons of steel, spread over three years, to provide additional storage accommodation at London, Liverpool, Manchester and Bristol; and about 2,900 tons to increase milling capacity in London, Manchester, Hull and Leith.

New Money for Stilfontein

In the next eight years production from the new OFS and West Transvaal mines should increase the value of South Africa's combined gold and uranium output by £100 million to £250 million. It is against this background, briefly outlined in a broadcast from London by the Union's Finance Minister, Mr Havenga, last week, that one of these developing mines, Stilfontein Gold, is making a new issue of ordinary shares. The Stilfontein gold mine is coming into production several years earlier than originally planned, and the directors have decided that its milling capacity should be increased to 80,000 tons a month by the end of 1953. To finance this and other developments the company has to raise about £1 million immediately and another £600,000 by the end of 1953. Shareholders are therefore being offered one new 5s. ordinary share at 18s. each for every ten shares held; with each two shares taken up subscribers are given the option to purchase a further share at 22s. 6d. each in 1953. After this announcement, the existing 5s. shares rose from 23s. 9d. to 24s., but by Wednesday's close they had fallen back to 23s. 4½d.

The circular giving details of the offer also reveals that the directors expect that the company will shortly be invited by the Union Government to extend its uranium plant beyond its originally planned size. The cost of the expected extension is provisionally estimated at £1,500,000, and shareholders are therefore being asked to agree to an increase of £2,000,000 in the amount that the company is authorised to borrow for the purposes of uranium production. By all accounts the development of uranium production should be a profitable investment. After setting in motion the production machinery of the Union's first uranium plant at West Rand Consolidated Mines on Wednesday, Dr Malan revealed that the capital cost of the Union's whole uranium production programme was likely to exceed £40 million, and estimated that when these plants come into full production gross revenue will probably exceed £30 million a year.

As the directors of Stilfontein consider that the borrowing powers of the company for general purposes should also be increased, shareholders are being asked to agree to an increase in the total amount that the company can borrow (by means other than the issue of a loan stock) from £5,500,000 to £8,000,000. In order to compensate loan stockholders for this proposed increase in borrowing powers, the conversion rights on the existing loan stock will be amended, so that stockholders will be able to convert £25 of every £100 of stock into 22 ordinary shares, instead of into 18 shares as at present.

This new issue by Stiffontein will be one of many that will be made as the development of the new South African gold and uranium fields gathers speed, but unless Britain expands its hard-won export surplus the London market is not going to be in any very good shape to finance them.

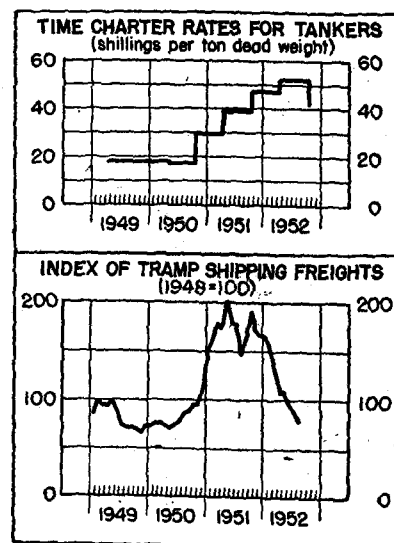
Simplifying Steel Capital

The rearrangement of capital structure and directorships carried out last week by three nationalised steel companies, Richard Thomas and Baldwins, the Steel Company of Wales, and Guest Keen Baldwins, was the first operation of its kind since the Minister of Supply instructed the Iron and Steel Corporation to "hold the position" last November. This rearrangement, which is formally "with the concurrence" of the nationalised corporation and has been approved by Mr Sandys, removes the cross-holdings held by Richard Thomas and Baldwins in Guest Keen Baldwins and by both companies in the Steel Company of Wales. Instead of being owned jointly by the two other companies and the nationalised corporation, the Steel Company of Wales thus comes into the direct ownership of the corporation.

The change, from the point of view of the Iron and Steel corporation, is an administrative convenience with no necessary significance for denationalisation. Nevertheless, it has made three subsidiary companies into self-contained properties—a change that may commend itself to possible purchasers, and in particular to Guest Keen Nettlefolds when that company has to decide whether to buy its associate back.

Tanker Freights Decline

Spot rates in the tanker freight market fluctuate even more than dry cargo rates, and today the general level of tanker voyage rates is lower than at any time since the outbreak of war in Korea. Last winter spot rates soared to more than three times the old Ministry of Transport scheduled rate (which is still used as a base line for measuring tanker rates). Within three months they dropped to about MOT plus 160 per cent, and by July they were in the region of MOT plus 50 per cent. Now they are even lower. As winter approaches, the demand for tankers usually increases, but there have been no signs of any improvement in recent weeks. The major oil companies, far from chartering vessels, have even been offering some of their own tankers for charter.

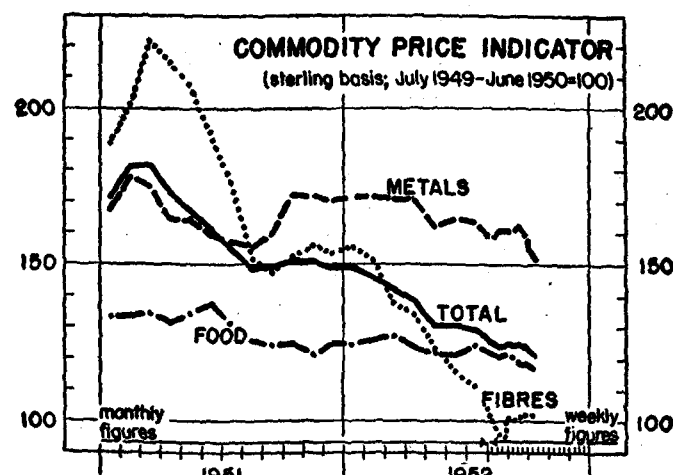


from the awards made by the London Tanker Brokers Panel, which form an index of the time charter rates for tankers; in the accompanying chart this is compared with the monthly course of dry cargo freights as indicated by the Chamber of Shipping Index of sterling tramp

rates. The general downward trend is reflected in the latest tanker award made by the panel, which is 42s. 3d. per ton deadweight, compared with the rate of 52s. set in April. The award is calculated on the basis of a tanker of 12,000 tons d.w. on two years time charter, and it is used by the oil companies as a basis for computing the value of inter-company transactions, as well as for determining the freight element in the selling prices of petroleum products. It comes up for review every six months. The first award, in April, 1949, was 18s. 6d. and it remained fairly steady until October, 1950, when it rose to 30s. Subsequent rises brought the figure to 52s., but now it has started to go back. Increases in the prices of various oil products have followed earlier rises in the tanker brokers' award, but it does not necessarily follow that decreases will follow the latest decline.

Stable Prices?

A general stability of commodity prices with only a very slight downward movement continues to be the trend shown by *The Economist* Commodity Price Indicator; and the recent, long delayed, fall in the price of lead, although producing a corresponding fall in the indicator figure, does not alter this general impression. The indicator for all items was fairly constant week by week from middle August to end of September; for August 20th it was 124.7 and for September it was 124.2. For October 1st the indicator remained at 124 and the latest figure, for October 8th, is 123, but this last fall is almost entirely accounted for by the sharp fall in



the price of lead on the recently reopened London market. The indicator continues to reflect steadiness in the prices of other commodities.

The more detailed indicators show the following movements between October 1st and October 8th: food a slight fall from 118.8 to 118.7, fibres unchanged at 101.6 and metals showing the only marked fall—from 154.9 to 151.6, a movement due, in the period, almost entirely to the lower lead prices. While the future of prices must still remain uncertain, the indicator nevertheless prompts the question—have free prices in the commodity markets, as against Government supported prices, almost reached bottom?

Report on Oilseeds

Prices of vegetable oils have fallen sharply since the middle of 1951 and are now generally below the levels prevailing at the beginning of the Korean war. The decline in values during the past year has marked the transition from scarcity to plenty in world supplies. According to "Vegetable Oils and Oilseeds 1952" published last week by the Commonwealth Economic Committee, world production declined

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But it's such a

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Good honest working class, most of them. But they are the people with the money to spend these days. Take a glance at the average council estate. See the television masts. Believe me, for products such as ours, there's only one market worth bothering with — the mass market.

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Statistical Summary

EXCHEQUER RETURNS

For the four days ended October 4, 1952, total ordinary revenue was £53,280,000, against ordinary expenditure of £64,315,000 and issues to sinking funds £140,000. Thus, including sinking fund allocations of £16,883,000 the deficit accrued since April 1, 1952, was £304,387,000 compared with a deficit of £37,393,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53 £'000	April 1, 1951 to Oct. 6, 1951	April 1, 1952 to Oct. 4, 1952	5 days ended Oct. 6, 1952	4 days ended Oct. 4, 1952
REVENUE					
Receipts into the Exchequer (£ thousand)					
ORD. REVENUE	1804225	460,842	490,718	15,647	16,618
Income Tax	123,000	38,800	34,300	1,000	700
Sur-tax	175,000	98,900	74,400	3,800	1,100
Estate, etc., Duties	57,500	32,500	25,350	1,000	900
Stamps	452,000	182,400	199,400	6,300	6,000
Profits Tax & EPT	6,000	...	...	...	...
Excess Profits Levy	2,000	1,835	960	100	...
Special Contribution and other Inland Revenue	...	...	...	...	...
Total Inland Rev.	2618725	795,277	825,118	27,647	25,318
Customs	1043500	511,037	530,019	23,174	16,031
Excise	772,000	382,700	362,858	8,300	3,220
Total Customs and Excise	1815500	893,737	892,877	28,474	19,251
Motor Duties	64,150	12,230	12,124	287	361
Surpl's from Tradg. PO (Net receipts)	12,000	65,927	...	...	...
Broadcast Licences	15,000	5,000	5,050	...	...
Sundry Loans	26,900	18,980	18,758	...	...
Miscell. (incl. Surplus War Stores)	110,000	63,488	55,920	12,665	8,352
Total Ord. Rev.	4661375	1852639	1809847	69,073	53,280
SELF-BALANCING	...	...	...	...	...
Post Office	209,235	93,600	97,700	2,600	2,700
Income Tax on EPT Refunds	4,900	2,730	2,676	60	98
Total	4875510	1948969	1910223	71,733	56,078
EXPENDITURE					
Issues out of the Exchequer to meet payments (£ thousand)					
ORD. EXPENDITURE	575,000	264,307	297,559	24,274	22,844
Int. & Man. of Nat. Debt	40,000	19,051	20,330	1,360	1,469
Payments to N. Ireland	10,000	4,958	4,636	2	2
Other Cons. Funds	625,000	288,316	322,525	25,636	24,315
Supply Services	3554367	1592098	1774823	54,000	40,000
Total Ord. Expd.	4179367	1880414	2097350	79,636	64,315
Sinking Funds	...	9,618	16,883	538	140
Total (excl. Self-Bal. Expd.)	4179367	1890032	2114233	80,174	64,455
SELF-BALANCING	...	...	...	...	...
Post Office	209,235	93,600	97,700	2,600	2,700
Income Tax on EPT Refunds	4,900	2,730	2,676	60	98
Total	4393502	1986362	2214609	82,834	67,253

After decreasing Exchequer balances by £216,683 to £3,125,031, the other operations for the four days increased the National Debt by £18,000,981 to £26,147 million.

NET RECEIPTS (£ thousand)
Cotton (Centralised Buying) Act, 1947, s. 2(1), ... 4,000

NET ISSUES (£ thousand)
Post Office & Telegraph (Money) Act, 1950 ... 900
Housing Act, 1914 ... 8
EPT Refunds ... 121
Tithe Act, 1936, s. 3(2) ... 1,105
Housing (Scotland) Act, 1950 ... 700
Local Authorities Loans Act, 1945, s. 3(1) ... 7,900
Finance Act, 1946 and 1947, Postwar Credits ... 309
11,043

CHANGES IN DEBT (£ thousand)			
Receivers	Payments	2½% Def. Bonds	3½% Def. Bonds
Treasury Bills ... 37,818	24% Def. Bonds ... 725		
Nat. Savings Certs. ... 1,100	3½% Def. Bonds ... 1,668		
3½% Def. Bonds ... 2,565	Other Debt:—		
Tax Reserve Certs. ... 8,467	Internal ... 1,423		
	External ... 3		
	Ways and Means Advances ... 28,130		
			31,947
			49,948

FLOATING DEBT (£ million)						
Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt		
	Tender	Tap	Public Depts.	Bk. of Eng. Land		
1951 Oct. 6	3240.0	2425.2	347.8	...	250.0	6262.8
1952 July 12	2940.0	1462.7	303.0	...	...	4705.7
19 " 19	2970.0	1443.5	327.8	1.4	...	4743.0
26 " 26	3000.0	1459.5	288.6	2.3	...	4747.3
Aug. 2	3020.0	1430.3	264.4	...	...	4714.7
9 " 9	3040.0	1403.3	265.4	1.0	...	4709.7
16 " 16	3030.0	1450.6	279.8	...	...	4760.4
23 " 23	3020.0	1462.9	307.0	...	...	4789.9
30 " 30	3040.0	1445.7	294.1	...	...	4777.8
Sept. 6	3050.0	1443.1	309.3	...	...	4812.3
13 " 13	3070.0	1479.9	288.7	...	...	4838.6
20 " 20	3090.0	1470.4	316.6	...	...	4877.0
30 " 30	4654.8	...	278.8	8.3	...	4841.6
Oct. 4	3120.0	1471.8	258.9	...	...	4850.7

TREASURY BILLS					
Date of Tender	Amount (£ million)	Average Rate of Allotment s. d.	Allotted at Min. Rate %		
	Offered	Applied For	Allotted		
1951 Oct. 5	250.0	327.4	250.0	10 3.13	69
1952 July 4	240.0	308.8	240.0	49 0.45	73
" 11	240.0	315.2	240.0	49 4.20	68
" 18	230.0	322.9	230.0	49 3.88	59
" 25	220.0	317.2	220.0	49 3.88	56
Aug. 1	220.0	320.5	220.0	48 11.99	58
" 8	230.0	295.1	220.0	49 0.41	68
" 15	220.0	284.6	220.0	49 0.39	70
" 22	240.0	301.1	240.0	49 4.31	73
" 29	250.0	318.9	250.0	49 4.42	72
Sept. 5	260.0	308.6	260.0	49 8.58	79
" 12	260.0	308.9	260.0	49 8.61	80
" 19	260.0	331.1	260.0	49 8.12	61
" 26	260.0	309.0	260.0	49 8.54	79
Oct. 3	250.0	312.4	220.0	49 0.53	69

On October 3rd applications for 91 day bills to be paid from October 6 to October 11, 1952, were accepted dated Monday to Saturday at about 69 per cent at 99 7/8, 9d. and above in full. Treasury Bills to a maximum of £220 million were offered on October 10th. For the week ended October 11th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)				
	Total 25 weeks ended Sept. 29, 1951	Sept. 27, 1952	Week ended Sept. 29, 1952	
Savings Certificates:—				
Receipts	87,200	65,400	3,300	
Repayments	70,900	71,800	2,300	
Net Savings	16,300	Dr. 6,400	1,000	
Defence Bonds:—				
Receipts	26,809	27,078	3,055	
Repayments	34,501	37,529	1,860	
Net Savings	Dr. 7,692	Dr. 10,451	1,195	
P.O. and Trustee Savings Banks:—				
Receipts	338,388	357,248	12,653	
Repayments	413,347	432,932	14,574	
Net Savings	Dr. 74,959	Dr. 65,684	Dr. 1,921	
Total Net Savings	Dr. 66,351	Dr. 82,535	274	
Interest on certificates repaid	17,318	19,661	644	
Interest accrued	62,863	64,487	2,497	
Change in total invested	20,806	37,709	2,127	

BANK OF ENGLAND RETURNS

OCTOBER 8, 1952

ISSUE DEPARTMENT

Notes Issued:—	Govt. Debt ... 11,015,100
In Circulation 1446,522,345	Other Govt. Securities ... 1485,728,183
In Bankg. Department ... 53,834,478	Other Sec. ... 747,608
	Coin (other than gold) ... 2,511,109
	Amt. of Fid. Issue ... 1,500,000,000
	Gold Coin and Bullion (at 248s. per oz. fine) ... 568,823
	1500,356,823

BANKING DEPARTMENT

Capital ... 14,553,000	Govt. Sec. ... 317,224,930
Res. ... 3,150,974	Other Sec. ... 22,102,180
Public Depts. ... 37,487,428	Discounts and Advances ... 8,885,200
Public Accts. ... 13,312,413	Securities ... 13,718,980
H.M. Treas. Special Acct. ... 24,176,018	
Other Depts. ... 339,584,518	Notes ... 83,834,478
Bankers ... 275,238,837	Coin ... 1,614,332
Other Accts. ... 64,345,681	
	394,775,920

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

COMPARATIVE ANALYSIS (£ million)

	1951 Oct. 10	1952 Sept. 24	1952 Oct. 1	1952 Oct. 8
Issue Dept.:				
Notes in circulation	1352.1	1444.1	1445.7	1446.8
Notes in banking department	48.2	56.3	54.6	53.8
Government debt and securities	1396.7	1496.8	1496.8	1496.7
Other securities	0.7	0.7	0.7	0.7
Gold and coin	2.9	2.9	2.9	2.9
Valued at s. per fine oz.	248/0	248/0	248/0	248/0
Banking Dept.:				
Deposits:—				
Public Accounts	18.8	11.1	18.3	13.3
Treasury Special Account	0.1	24.2	24.2	24.2
Bankers	300.2	275.7	261.0	275.2
Others	94.2	67.0	66.8	64.3
Total	413.3	378.0	370.3	377.0
Securities:—				
Government	342.1	317.8	303.1	317.2
Discounts, etc.	15.8	5.2	5.9	8.4
Other	24.2	10.7	23.6	13.7
Total	382.1	333.7	332.6	339.3
Banking dept. reserve	48.9	57.8	56.2	55.4
"Proportion"	11.8	15.3	15.1	14.7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,550 million to £1,500 million on August 27, 1952.

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

	Oct. 2, 1951	Sept. 23, 1952	Oct. 7, 1952
Cereals and meat	170.9	192.9	193.8
Other foods	182.4	190.9	190.9
Textiles	261.5	218.0	217.2
Minerals	361.7	369.4	369.7
Miscellaneous	197.9	185.6	184.6
Complete Index	223.5	220.9	202.8*
1913=100	307.5	303.8	303.7*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

SILVER			
1952	London per ounce	New York per ounce	Bombay per 100 tolas
Oct. 2 ...	73.0	83.25	160
" 3 ...	73.0	83.25	160
" 4 ...	73.0	83.25	159 10
" 5 ...	73.0	83.25	158 9
" 6 ...	73.0	83.25	157 1
" 7 ...	73.0	83.25	156 6
" 8 ...	73.0	83.25	156 6

JAMES HOWDEN & COMPANY, LIMITED

(Boiler Auxiliary and General Engineers)

OUTPUT LIMITED BY STEEL SUPPLIES

OVERSEAS BUSINESS WELL MAINTAINED

MR CRAWFORD W. HUME ON RECENT DEVELOPMENTS

The forty-sixth annual general meeting of James Howden & Co., Limited, was held on October 9th, at 195, Scotland Street, Glasgow, Mr Crawford W. Hume, MINA (the chairman), presiding.

The Secretary (Mr John D. Young, CA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman (dated September 10, 1952) which had been circulated with the report and accounts:

Since the last meeting we have suffered a sad and severe loss through the death of Mr James Struthers Niven. Mr Niven joined the staff as a young man after his discharge from the army in 1918 and in 1927 he was appointed secretary of our subsidiary, James Howden and Company (Land) Limited. In 1937 he became secretary of James Howden and Company, Limited, after having served for some years as assistant secretary. He became a director in 1947. In his business career he was unwavering in his loyalty to the highest principles and he rendered faithful, diligent and valuable service to the company. His keen discernment and common sense were recognised and highly respected in business matters while his cheerful personality, sense of humour and kindly disposition endeared him to all who knew him.

Mr J. D. Young, CA, who for many years worked closely with Mr Niven, has been appointed secretary, and the board has every confidence in his ability to carry on the traditions established by the late Mr Niven.

A GRATIFYING POSITION

The accounts for the year ended April 30, 1952, are in the usual form, and it is satisfactory to note that the trend in the results which has been evident over the last few years has continued and has led this year to a gratifying position. The improved facilities mentioned last year and the policy of the board in keeping the factories and plant in first-class condition have again resulted in an increase in output which is reflected in a profit after taxation of £474,445, compared with £257,458 in the previous year.

Provisions have been made for profits tax and excess profits levy for the year ended April 30th last and a reserve for income tax on profits for the same year due in 1953-4. These together amount to £635,057. The excess profits levy included in that sum is £73,500, which applies to the four months of 1952 up to April 30th.

£350,000 has been transferred to the general reserve account, bringing this to £750,000. £30,000 has been transferred to a reserve for employees' pensions and benefits. In comparing this and the other figures with the corresponding amounts for 1951, it should be noted that for convenience of comparison effect has been given to the increase of capital made in August, 1951.

After making the appropriations shown in the directors' report and providing for the dividend the balance carried forward amounts

to £56,711, as against £48,259 in the previous year.

REVIEW OF PAST HISTORY

It is perhaps of interest to review some aspects in the company's history since May 1, 1938, the beginning of the last fiscal year before the war, until the present time. During that period of fourteen years almost £1 million out of the profits has been retained and wholly used in strengthening the company. In the same period the company has paid taxation of £2,500,000. All the money which has been ploughed back into the business has been utilised for its expansion and improvement, to the advantage of the company's customers, shareholders and employees alike. The main factory has been greatly extended and the plant and equipment much improved. Two new factories have been equipped and set to work, and are now established and progressive units. The new research building has been erected and put to use. During this period of greatly increasing activity we have necessarily had to conserve some of our resources in cash. As compared with past years the figures in the present balance sheet in respect of cash and tax reserve certificates may appear substantial, but in fact they are no more than are necessary to cover our month to month fluctuations and our tax commitments during the present year. Both shareholders and employees can, I think, be justifiably proud of the business and organisation which has been built up during these years. We have all taken our share in the development work and we should all have our share in the results of that development.

Much has been said elsewhere on the subject of taxation and I propose here to say only a few words. To my mind excess profits levy is a bad tax as it handicaps progressive companies and takes no account of the results of long-term policies of development such as this board has endeavoured to support.

PROBLEM OF SUPPLIES

OVERTIME AND PIECE-WORK BAN

Just as these remarks are about to be published news has come through that the Confederation of Shipbuilding and Engineering Unions has decided to instruct its members to ban overtime and restrict piece-work at a date to be fixed later. The effect of this decision is at present unpredictable but it might well have more serious consequences than a restriction due to material shortages from which we have been suffering. The engineering industry is of ever-increasing importance to this country. It is the mainstay of rearmament and exports. At least two-fifths of Britain's exports are engineering products and the remainder of the exports all depends on modern machines made and maintained by engineers for its competitive strength in world markets. At the same time an ever-increasing proportion of our internal activity and amenities depends of engineering productivity. It is to be hoped, therefore, that wiser counsels will prevail and that a storm disastrous to the country's economy will be averted.

The company has continued to enjoy the loyal co-operation of the administrative and executive staff and the workpeople and I should like on your behalf to thank every employee for his faithful and friendly service during the year under review.

The report and accounts were unanimously adopted and the final dividend of 22½ per cent, making 30 per cent for the year, was approved.

The retiring directors, Mr Crawford W. Hume and Mr P. H. N. Ulander, were re-elected, and the remuneration of the auditors, Messrs William Hart, Junior, and Wilson, CA, having been duly fixed, the proceedings terminated.

WATNEY COMBE REID & COMPANY

DISAPPOINTING LONDON TRADE

The ordinary general meeting of Watney Combe Reid & Company, Limited, was held on October 3rd in London, Mr S. H. Combe, MC, the chairman, presiding.

The following is an extract from his circulated statement:—

As was the case last year, this year's trading has again proved exceedingly difficult and in the case of the London trade disappointing, although your company's trade as a whole showed an increase on the previous year. Costs have continued to rise, and any benefit derived from the increase in the price of beer to the public last year has long since disappeared. Competition has become more and more pronounced, but in spite of this our products have found new markets covering the whole of England and many parts of Wales and Scotland. Bottled beer sales have again shown a sharp upward movement.

EXPORT TRADE DIFFICULTIES

Export has improved satisfactorily, but far better results could be obtained if the authorities could be prevailed upon to grant us some much needed building licences. In order to advance the cause in this respect, your company purchased a large factory in the north-east of London, which at comparatively low cost can be adapted for our purpose, but even now it would seem impossible to get the necessary licence. Until such time as we are successful in our application we are largely precluded from taking advantage of the foreign market.

The cost today of licensed property maintenance is a burden which few individual

traders could possibly carry. This is a factor often apparently overlooked by those who would like to see the end of the tied house system. One of the charges most frequently levelled against the system is that it restricts freedom of choice for the customer. When one reads that in one comparatively small area of England alone—it happens to be South Lancashire and East Cheshire—you can today take your choice of no fewer than 175 bottled beers and 139 draught beers, the charge surely falls to the ground.

THE YEAR'S RESULTS

Trading profit at £1,542,879 compares with £1,434,852 after charging the provisions made in past years for deferred repairs with £240,000 (£290,000). By reason of the terminal date of our financial year we have suffered fully six months of the vastly increased barley prices ruling for last year's crop, and, although trading profit is up, this has been more than offset by increases in taxation, debenture charges and depreciation.

After providing for taxation and all other necessary provisions and expenses, the net profit for the year at £601,751 is £138,365 lower. It is proposed to appropriate £200,000 to the reserve for properties, plant and contingencies, and to pay a final dividend on the deferred ordinary stock of 10 per cent and a bonus dividend of 2 per cent, making with the interim dividend already distributed 17 per cent for the year.

So far as the beer trade in the South of England is concerned, I cannot foresee in the near future an upward trend taking place. It is doubtful whether we have even reached a point where no further decline is likely. This applies more especially to the London area, where our trade is particularly subject to large numbers of the population being moved outwards to the new housing estates.

The report and accounts were adopted.

The Economist

Founded 1843

October 18, 1952

One Shilling

LEADING ARTICLES

- Ike and Adlai - - - - - 137
Axe or Pruning Knife - - - - - 138
Five Years of the Monnet Plan - 140
Coming Demise of a Ministry? - 142

NOTES OF THE WEEK - - - 144

Socialist Struggles; Conservative Confidence; No Decision on Rents; Reserves for Ridgway; Sound Man of Europe; Retort to Persia; Ardent and Hopeful; Later Closing; Compensation from the Japanese; Shades of the Comintern; Less Grain from the Russians; Werewolves Uncovered; Schoolchildren's Teeth; Remembrance of Things Past; Europe's Own Harwell; A Record Liquidation; The Nine Lives of M. Pinay.

LETTERS TO THE EDITOR - - 152

BOOKS AND PUBLICATIONS - 155

AMERICAN SURVEY

- Presidential Body-Line - - - 160
Bellwether State? - - - - - 161
After Mobilisation; Candidates on the Wing; Mr Carey's Boomerang; Cooler Inside; Health in Politics; Pay As You Leave; Shorter Notes.

THE WORLD OVERSEAS

- Growing Pains in Turkey - - 169
Ten Days' Council in the Kremlin; Indonesia's Deceptive Stability; Free World and Eastern Europe—I; Franco-American Quarrel; Mao Tse-tung's Road to Power.

THE BUSINESS WORLD

- Development Areas Revisited—I 183
Ultrasonics in Industry - - - 185
BUSINESS NOTES - - - - - 189

Technical Success; Problems Postponed; Trade Gap Still Narrowing; Larger Stocks; Towards Realism in Steel Costs; Who Pays?; The Specialoid Case; Dollars in the Air; Comets on the Counter; Cotton in Egypt; Freight Market Recovery; Commonwealth Trade in 1951; Strong Ale and Froth; Last Testament for Havana Railways?; British Glues' New Process; More Money for BIM?; More Cocoa Round the Corner; Shorter Notes.

COMPANY NOTES - - - - - 198

STATISTICAL SUMMARY - - 199

COMPANY MEETINGS - - - 200

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Ike and Adlai

ELECTION day in America is now barely more than a fortnight away. The campaign is reaching a tense and strenuous phase, but it has already been full of drama. One might have to go back to 1912 to find another that has aroused as much interest. When it began three months ago, after the nominating conventions, the dominant feeling among American allies was one of relief that the fundamental principles of American foreign policy were now, after all, to be in debate. "Those of us who have no votes," said our own leading article,

but whose lives and liberties yet depend upon the policies of the United States, can settle back to watch the show with the comfortable knowledge that we shall be able to cheer the winner in all sincerity, whoever he may be. . . . May the best man win.

No one who knows European—and particularly British—opinion, however, was in any doubt that coupled with this sigh of relief was a very widespread hope that General Eisenhower would be the next President. It was not only that people on this side of the Atlantic knew and liked the General and approved his known views. America's allies had also been much more shaken than many Americans realise by the volume of support that General MacArthur received last year for his (as it seems in Europe) very dangerous views and by the lengths to which malice and misrepresentation could be carried in attacking Mr Acheson, who from three thousand miles away seems to have deserved very well of his countrymen. General Eisenhower seemed to be the man of destiny to end these bitter schisms in American public life and lead the Republican party back to responsibility. Western Europe, in July, was solid Eisenhower territory.

Since then, however, there has been a subtle change in atmosphere. Governor Stevenson, three months ago, was an unknown. But the speeches he has made since have made a great impression, not simply for their grace and eloquence (though those qualities count) but also for the evidence they have given of a man who has thought things through, who has built up his principles and will not allow himself to be pushed off them. On the other hand, General Eisenhower's friends are at a loss to understand what has happened to him. The first doubts came when he seemed to swallow whole the crude formulation of the "liberation" doctrine that Mr John Foster Dulles put before him, which sent shivers down every European spine and seemed to confirm the insidious propaganda that paints the clumsy Americans as the chief threat to peace. The General put the matter right in his next speech; but, with his experience, he should not have got it wrong in the first place. Then there was the celebrated breakfast with Senator Taft. Whether or not the General capitulated to the Senator, nobody has suggested that the Senator capitulated to the General—and yet the great merit of General Eisenhower in European eyes was that he stood for something different in principle from Senator Taft's purely self-regarding brand of Americanism. Then the General started attacking the foreign policy pursued by the Democratic

BLYVOORUITZICHT GOLD MINING COMPANY, LTD.

(Incorporated in the Union of South Africa)

AUTHORIZED CAPITAL £23,000,000
ISSUED CAPITAL (24,000,000 Shares of 2/6 each) £23,000,000

Extracted from the Annual Report for the Year ended 30th June, 1952.

Tonnage milled, 1,998,000		Per ton milled	
Total Working Revenue	£10,587,604	£5 3 2	
Total Working Expenditure	2,898,285	2 4 7	
Working Profit	£7,689,319	£5 18 7	
Total Profit for the year	£7,734,028		
Balance unappropriated at 30th June, 1951	948,899		
Forfeited Dividends	151		
	£8,678,078		
This amount has been dealt with as follows:—			
Taxation	£3,240,953		
Mineral Lease Consideration	784,337		
	4,025,290		
Dividends declared during the year—No. 12 of 1s. 4d. per share and No. 13 of 1s. 6d. per share	4,658,788		
	3,400,000		
Leaving a balance unappropriated of	£1,252,788		

The Ore Reserve was re-estimated as at 30th June, 1952, as follows:—

Reef.	Available			Shaft and Safety Pillars			Total	
	Tons	Value, Dwt.	Width, Inches.	Tons	Value, Dwt.	Width, Inches.	Tons	Value, Dwt.
Carbon Leader	5,927,000	12.5	46.4	1,250,000	12.6	45.6	6,777,000	12.5

Compared with the previous year the available reserve increased by 10,000 tons, the value was 0.5 dwt. per ton lower and the slope width 0.2 inch greater. The unavailability tonnage increased by 118,000 tons, the value was unchanged and the slope width 0.2 inch less.

Satisfactory progress has been made in the sinking of A1, A2 and A3 Sub-incline Shafts and in the preparatory work in connection with A4 Sub-incline Shaft. Operations have commenced on the haulages south from Nos. 1 and 2 Shafts to the proposed sites of the Sub-vertical Shafts.

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., 4 London Wall Buildings, London, E.C.2.

CONSOLIDATED MAIN REEF MINES & ESTATE, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the Year ended 30th June, 1952.

CAPITAL, £1,247,002 IN 21 SHARES, ALL ISSUED, FULLY PAID.

Tonnage Milled 2,283,000

Total Working Revenue		Per ton milled	
	£4,006,255	£1 18 4	
Total Working Expenditure	2,299,093	1 9 9	
Working Profit	£1,707,162	£0 5 5	
Net Profit for the year	£1,619,148		
Balance unappropriated at 30th June, 1951	461,949		
Transfer from Shareholders' Contingency Reserve	5,100		
	£1,077,197		
This amount has been dealt with as follows:—			
Funds Transferred for Capital Expenditure	£10,108		
Taxation	179,890		
Forfeited Dividends Account	3,096		
	192,194		
Dividends declared during the year: No. 34 of 3s. 6d. per share and No. 35 of 2s. 9d. per share	389,676		
Leaving a balance unappropriated of	£488,126		
The estimated Ore Reserve as at 30th June, 1952, was as follows:—			

Reef	AVAILABLE			SHAFT AND SAFETY PILLARS			TOTAL	
	Tons	Value, Dwt.	Width, Inches.	Tons	Value, Dwt.	Width, Inches.	Tons	Value, Dwt.
Kimberley Reef	542,000	2.7	62.7	70,000	3.8	65.1	612,000	2.8
Bird Reef	1,175,000	2.8	60.6	238,000	3.0	68.8	1,413,000	2.8
South Reef	748,000	3.6	46.9	132,000	4.0	48.0	874,000	3.7
Main Reef	1,055,000	4.0	48.1	801,000	4.5	49.2	1,856,000	4.2
Leader	823,000	3.7	54.4	81,000	3.4	63.6	904,000	3.7
Total A.	4,337,000	3.4	53.6	1,322,000	4.1	63.2	5,659,000	3.5

Compared with the previous year's estimate, the available reserve decreased by 757,000 tons, the value and slope width increasing by 0.1 dwt. and 0.1 inch respectively. Rising costs and the consequent increase in the pay limit accounted for £14,000 tons of the decrease in the available reserve.

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., No. 4, London Wall Buildings, London, E.C.2.

Administration since the end of the war in terms which not only shed a curious light on his own part in the events he described but cast some doubt on the course that he would follow if he were elected.

If these were merely instances of campaign oratory, they could be dismissed as having no necessary bearing at all on future policy—after all, Franklin Roosevelt first got elected on promises of economy in government expenditure; and anyone can understand the practical necessity of conciliating the Republican right wing at least to the extent necessary to get its vote. But what has set people wondering is the emerging signs that Mr Eisenhower the politician is a different man from General Eisenhower the architect of united victory. Part of his appeal was that he would be a President, perhaps lacking in expert knowledge of the facts in many departments of public policy, but solid as a rock on all matters of principle. How does that square with the Wisconsin incident, when he endorsed Senator McCarthy and removed from his speech the intended words of tribute to General Marshall, the Senator's victim? The great virtue of having a General was supposed to be that he

was trained to take awkward decisions and stick to them. How does that square with the Nixon affair, when he hesitated for days and finally accepted the verdict of mass emotion? No doubt he does these things because his entourage use what to a soldier is the powerful argument that he must not let his side down. But would he be any less susceptible to the same appeal in the White House?

These are no more than questions, without answers suggested—but they are the questions that are being asked among European observers of the American scene. The public opinion polls show that the General started with a great lead and that he has not yet lost it—and that is probably an accurate description of opinion here as well as in America. Certainly America's allies have not turned partisans in America's election; but they have largely lost their initial partiality for one side. Nothing has happened seriously to shake their belief that the foundations of the Atlantic alliance are safe whoever wins. They can still say in all sincerity "may the best man win." But when they say "the best man," the mental image is no longer as clear a reflection as it was of one familiar physiognomy.

Axe or Pruning Knife

THE sweetness and light that made the Conservative conference at Scarborough such a contrast to Morecambe, did not entirely mask a division of opinion on economic policy, and particularly on the related subjects of taxation and government expenditure. The Tories—who, for all their fourteen million votes, are largely a middle-class party—feel deeply about taxation. They represent the sections of the people who, in a richer country, find themselves poorer and do not like it. It is not therefore surprising that the policy of wielding an axe on expenditure has its many adherents in a Conservative conference, or that a resolution calling for its "drastic diminution" should be passed with acclamation. But Mr Butler knows the concrete realities into which these abstractions resolve themselves. "If you are going to have big economic changes," he said, "you can only get them by big changes of policy." Acceptance of the welfare state means, in fact, acceptance of a budget and a tax burden to match. He promised to use the pruning knife, but not the axe.

Pruning knives are of differing sizes and cutting powers, and many, even of those who accept Mr Butler's general argument, will continue to hold that he is using a blunt one so long as he continues to reject the proposal of an external investigating committee on the Geddes or May model. The departments, of course, detest the idea, particularly the Treasury, upon whose own methods of control the mere appointment of such a committee casts a slur. But the opposition of the departments is really the chief argument for an outside body. There is an inevitable and natural tendency in Whitehall for departments to respect each other's preserves, and even the Treasury, which has an effective veto on new ways of spending money, is much more tender with the established. It is an illusion to suppose that any internal economy campaign will treat harshly the things that the departments cherish. It looks as if Mr Butler has swallowed the departmental brief a bit too easily.

But though there is money to be saved in this way, it is not big money, as big money goes these days. The main point the Chancellor was making is undoubtedly

right, all too right. Anyone who wants to reduce expenditure by more than, say, seven or eight per cent can do so only by changing policies that have been deliberately decided and will be hotly defended. It is perhaps worth calling the roll once again. There is very little room for large economies outside the two main categories of defence and the social services. Defence must go up again next year; after that, however, it is still possible to hope for a reduction. Maintenance of a level of preparedness must cost less than building up to that level; indeed, if the service departments' estimates do not conform to that principle, they will have to be told to do their sums again. But beyond this obvious point of common sense, the cost of defence can be quickly and radically reduced only by a major act of policy—a decision by Her Majesty's Government that Britain is no longer, and should no longer try to be, a major power. Whoever else might be willing to take such a decision, the Conservatives patently are not.

For the social services, a similar blanket answer cannot be given. Some expenditure in this general category is obviously sacrosanct. There can be no cut in social insurance payments or pensions. The major premise of the welfare state is the need for a floor, a minimum income below which no citizen may fall. Inflation has already lowered and undermined that floor to an extent which forbids any further tampering. The imposition of charges in some parts of the health service had immediate results in limiting expenditure, and the principle might well be pushed a little further. But its major effect will be to arrest the rise of expenditure on the service rather than to reduce it. Education has been under pressure for two years already between the upper millstone of official directives and the nether of rising costs and growing school population. Over the field of the social services properly so called, then, there is little possibility of achieving economies without making changes in major principles of policy which the majority of the Conservative party genuinely would not wish to abandon, even if they dared.

There remain the subsidies. The food subsidies amount in the current year to about £300 million, the housing subsidy to about £85 million. But of the food total, £47 million is accounted for by the "welfare" subsidies for children's milk, orange juice, cod-liver oil and so forth. To sacrifice these, with their proven value to national health, would be penny-wise retrogression indeed. Another £57 million goes in direct producer's subsidies such as fertiliser subsidy and ploughing grants and could hardly be abandoned without throwing over the whole policy of agricultural expansion, of which they are, indeed, the most logical and least wasteful part. The consumers' subsidies proper, totalling £200 million, are another matter. As another article in this issue demonstrates, a clean sweep could be made of all subsidies except those on bread and milk at a cost of no more than a few pence per head weekly and at a direct annual saving to the Exchequer of £100 million. Nor should the bread and milk subsidies be immune, though their removal might have to be more gradual. As for the housing subsidies, the case for their abolition rests much more on the wider benefits that would follow from getting rents on to a realistic basis than on any saving of actual expenditure. The saving might, indeed, be small, since most of the present expenditure arises from bargains made years ago.

What does all this add up to? By doing everything that has been mentioned here, and pruning right up to the edge of changes in major policy, it ought to be possible to reduce civil expenditure by £150 million, possibly by £200 million, and just conceivably by £250 million—to which should be added well over £100 million secured in Mr Butler's first budget. These are not close estimates based on detailed examination, they are orders of magnitude; and the only reason for mentioning them is to prove the point that the most that even a very courageous Conservative government could knock off the total of civil expenditure that the Socialists left behind is about £400 million or even less. Anything more would involve things for which there is certainly no mandate in public opinion—even in the Tory party. Three or four hundred millions would certainly be worth having, and every effort should be bent towards achieving it. But it is still less than one-tenth of the total expenditure. It would permit a reduction in the burden of taxation only from rather over 40 per cent of the national income to rather under 40 per cent. And it allows nothing for defence expenditure which, even when the effort to overtake lost time is ended, will be on a higher plateau than in the late forties. The conclusion is inescapable that a drastic reduction in expenditure will never be possible without a revolution in public thinking that only a major catastrophe could bring about.

Does this mean, then, that the burden of taxation can never fall below the crushing load of today? If so, then it is a sentence of lingering death for the British economy. Indeed, no one who retains faith in this community's power to survive can possibly allow himself to accept any such conclusion, however logical it may seem. But the only avenue of escape from it lies along the road of a very rapid increase in the national income and hence in taxable capacity. If income per head in Britain were only as much as two-thirds of what it is in the United States, then a tax burden of only 20 per cent would cover the present level of expenditure.

The argument therefore comes out at the familiar point: Salvation for this country depends absolutely on

stimulating a rapid rise in the national income—in real terms, not in funny money. A progressive Conservative party, which, by reason of its sincere attachment to the welfare state, cannot advocate reductions in expenditure, can escape from its dilemma only by a raging, tearing campaign for higher production, higher efficiency, higher income. Yet the puzzling thing is that it makes no move in this direction. There is no great mystery about the ways—the non-Socialist ways, that is—in which a country sets about increasing its output. The United States is a standing example, and a special group of articles in this issue analyses another example in Western Germany. The recipe consists in equal parts of freedom for enterprise—which involves freedom for prices to move in response to competitive supply and demand—and mobile massive investment in productive capital. Heavy taxation makes it more difficult, but by no means impossible if every other policy is re-shaped to serve this end.

This, one would have supposed, is pure Conservative doctrine. Yet why is it not preached and practised? Why is it that men who hold themselves out as the alternative to socialism seem yet to be quite content with the socialist defeatism of a permanent siege economy? That the Conservatives agree with the Socialists on some things—on the desirability of the welfare state, for example—is neither so surprising nor so depressing as the discovery that, in practice, they do not differ from them on anything of importance. If they do not know how to liberate the spirit of enterprise, or to reawaken the desire to build for the future, it is difficult to see what justification there is for their existence.

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Five Years of the Monnet Plan

FRANCE'S first plan for modernisation and re-equipment is drawing to a close. The Commissariat Général, appointed in 1946 to formulate and oversee the plan, has chosen this moment to describe what French industry has accomplished under its guidance. The occasion marks not only the end of the first five-year period but also the departure of M. Monnet, who has presided over the Commissariat and given the plan his name. He goes now, as chairman of the High Authority of the Coal-Steel Community, to preside over a far wider sphere and to spread among the six nations the doctrine he has dinned into French ears: invest more, produce more, cut costs, and thereby lay the foundation both for a sound economy and a higher standard of living. The fact that for many Europeans this is still a revolutionary thesis should not daunt a man whose career has been so largely devoted to converting innovations into accepted platitudes.

The Schuman plan is an experiment that could hardly have been undertaken without the prior restoration of French heavy industry. If this task had not been tackled energetically in the years after the liberation, France would have lacked the courage and self-confidence to enter into even a limited union with Western Germany. The truth was that France, even before the war, was turning rapidly into the most backward of western industrial nations. For over a generation industry had been allowed to decline and decay, a trend that was vividly described by the first report of the Commissariat in 1946. On the eve of the Second World War, nearly one-third of French industrial productive capacity was not employed. The spirit of enterprise had been weakened to such a point that investment of capital barely covered the needs of replacement. Both in agriculture and in industry, the productivity of labour was below that of countries with modern equipment. In addition, the war destroyed part of French physical capital and forced the

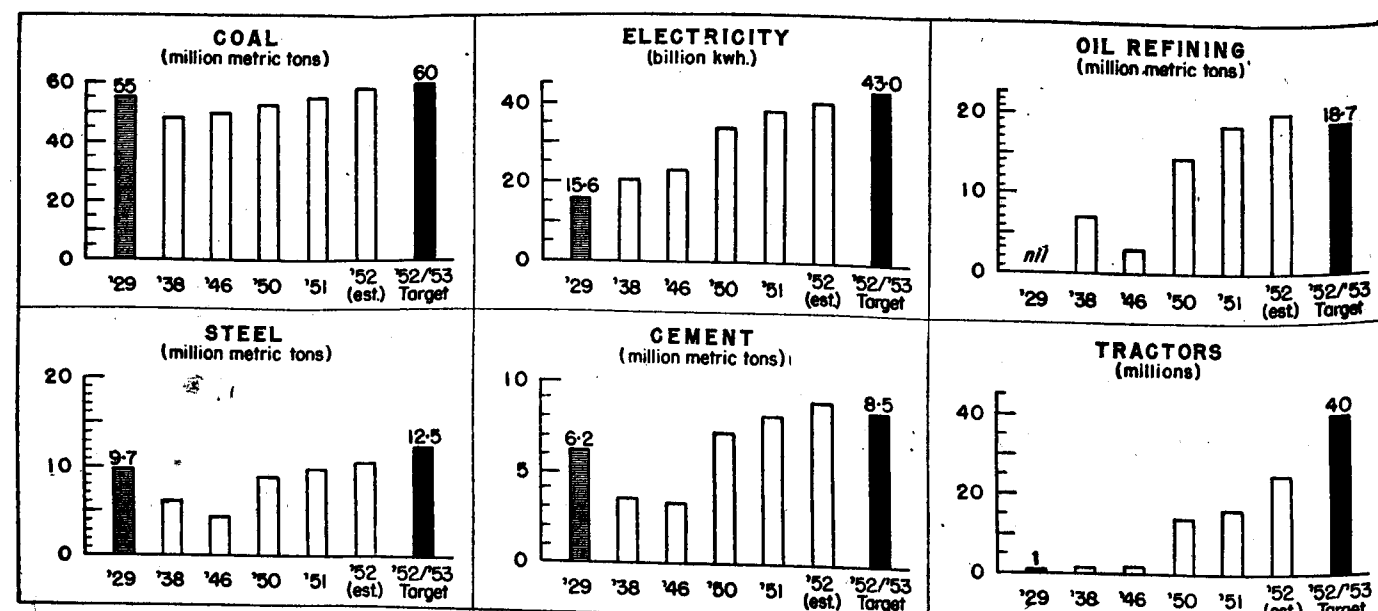
liquidation of a substantial portion of external assets.

These were the conditions that brought the Monnet plan into being. Its broad objectives were to reach, by the middle of 1948, the level of output of 1929—which exceeded that of 1938 by a quarter—and to reach by 1950 a level of 25 per cent above 1929. It proposed also that the effort to modernise and expand should be concentrated on six key sectors: coal, electricity, steel, cement, agricultural machinery and transport (oil refining later joined these as an important dollar saver). For each of the six "key resources" the plan set goals to be achieved by 1950. These were later somewhat scaled down and stretched out so that the target date became 1952-53.

So far as the execution was concerned, the plan aimed at an *économie concertée*, rather than a bureaucratic *économie dirigée*, and that, in fact, is the way it has worked. There has been no shower of white papers, memoranda and files, no elaborate detailing of administration and no army of bureaucrats—nothing that most Socialists would recognise as planning. Instead the Commissariat has simply kept before the government and public a general outline of broad paths to be taken and, with whatever weapons have come to hand, has prodded industry along these paths. At no time was it intended that the planning process should blanket the whole of the French economy. Rather was it hoped that concentration on the key sectors would lead to the creation of a general drive towards expansion.

It will be seen from the accompanying charts that, apart from oil refining and the production of cement, even the modified targets set by the Commissariat have not been reached, although in most cases the deficit is not serious. The only real failure is in tractor production, which has attained only 62.5 per cent of the goal.

The Six Key Factors of the Monnet Plan



For coal the ratio of achievement is 96.5 per cent, for electricity 93 per cent, for oil refining 107 per cent, for steel 84 per cent, and for cement 106 per cent. The failures to measure up to expectations are undoubtedly disappointing until one remembers the past and the fact that targets were set in an economy that for years had seemingly resigned itself to stagnation and what the Commissariat calls *décadence*. Only by looking closely at what has been done within a few leading industries and by viewing this progress against the past twenty years can any real assessment be made.

Production in the French coal industry had slumped from a peak of 55 million metric tons in 1929 to 47.6 million in 1938, and there was a corresponding fall in productivity. Immediately after the liberation, coal was nationalised, and of all the basic industries included in the Monnet plan it received the second largest share of funds for new investment. By this year France was the only west European country, apart from Britain, to have restored productivity to at least the prewar level; at 1.39 metric tons per manshift, productivity in the mines is now even higher than during the boom year of 1929. Production, too, is well ahead of the prewar level; it is now running at an annual rate of almost 58 million tons, which is some three million tons above the 1929 crest and ten million higher than in 1938. With the exception of Belgium, no other West European coal producer is within sight of its prewar rate of production. The one respect in which French progress compares unfavourably with other European nations is miners' housing. Western Germany, with a production two and half times that of France, has built miners' houses at a rate more than seven times the French.

The development of electric power stimulated by the plan is perhaps a more typical example of the effort needed to overcome prewar lethargy. Before the war France grossly neglected its power resources: the production of electricity increased between 1929 and 1946 by a meagre 60 per cent, as compared with a fourfold rise, for example, in Great Britain. For this reason the single largest share of the planners' funds was devoted to expanding electrical power capacity—particularly hydro-electric. This meant that for the first time the major emphasis was placed not on the extravagant use of scarce coal but on the exploitation of France's abundant resources of waterpower. But in spite of this preferential treatment, the French electricity industry is still comparatively undeveloped. In Britain, Sweden, Denmark and Austria, for instance, output has nearly trebled since 1938, while in France it has risen by 81 per cent.

★

In monetary terms the achievement of the Monnet plan is impressive. During the five years of its existence (1947-51), total investments in the industries covered by the plan amounted to 3,800,000 million francs (at end-1951 prices). Of this sum—equivalent to approximately £4,000 million—slightly over one-half came from self-financing and ordinary credit facilities. Some 1,560,000 million francs, or 41 per cent, were provided by the special modernisation and equipment funds. And in turn, half of these special funds represented the franc counterpart of American aid. It might be expected that the nationalised industries would have received the bulk of new investment, but in fact less than 40 per cent of the total investment went to them. Of the remaining

60 per cent that was applied to private and "mixed" concerns, over a third was furnished by the government's special modernisation funds. Government aid to private enterprise was especially important in the steel industry, where American counterpart funds have been used to provide France with four of its largest new rolling mills—two hot strip and two continuous cold strip.

The plan has certainly not lacked its critics. The more cynical of them say that even without the Monnet plan, much of the investment would have taken place. Other detractors complain that it is partially responsible for France's inflationary difficulties. Again, there are those who feel that too large a proportion of the investment has been in the form of durable goods and they point to the fact that during six postwar years only 250,000 dwelling units have been built in the whole of France.

There may be some substance in these complaints, but only on the assumption that no special stimulus to the productivity of the French economy was required. More houses are certainly needed, but, though houses add to human welfare, they do not usually contribute to productive capacity. Inflation would have been easier to avoid if there had been less investment and if the counterpart funds had been used to pay off debt—but the real national income today would be smaller. If M. Monnet's original diagnosis was correct—and the facts hardly permit of any doubt that it was—then his plan has been sound.

Whether any durable structure will rise from the foundations he has laid is still not altogether certain. The French will have to show greater readiness to overcome their past reluctance to create real capital rather than to hoard and consume. Indeed, the underlying weakness of the plan has sprung from precisely this source. Year after year M. Monnet has been compelled to battle for the necessary funds and to stiffen government officials against the temptation to balance budgets by cutting appropriations for new investment. The abiding recovery of France must wait upon the appearance of a French government that both recognises the importance of new investment and is prepared to take the necessary fiscal steps to ensure a healthy balance between consumption and investment. This is all the more essential now that the French economy must adjust itself to a greater armament burden and to a decline in American economic aid.

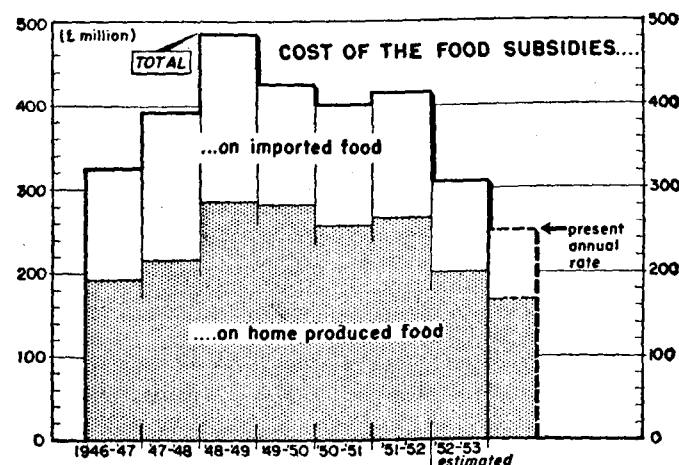
The German Economy A Special Survey

Page 205 of this issue

Coming Demise of a Ministry?

A GOVERNMENT department without a policy is like a ship without a rudder—and such (not entirely, or even mainly, by its own fault) has been the Ministry of Food in recent years. During the war the object of food policy was simple and its methods effective. Supplies of food were restricted by the lack of shipping space, while cost—once the principle of subsidies had been accepted—was a secondary consideration; the nutritional experts took control in order to ensure that the maximum balanced food value was obtained from domestic production and the Ministry's permitted tonnage of imports. This policy was continued until 1948-49, but when the annual subsidy bill approached £500 million it became impossible to ignore costs any longer. From that time on, to the familiar objectives of keeping the cost of living down and the rations large, a third was added: that of keeping the cost of the subsidies down.

The difficulties of the Ministry of Food in recent years have arisen from the fact that these objectives are mutually incompatible, and its policy has fluctuated according as one objective or the other was considered from time to time to be the more imperative. The total cost of subsidies depends on three factors: the prices paid by the Ministry for its purchases from producers at home and abroad; the prices at which it sells out for consumption the food it has bought; and the size of rations (which is, of course, to some extent dependent on prices). There have been times since 1948 when, in order to keep both retail prices and subsidies within limits, the size of the rations has been below what it might have been. This has happened in two separate ways: either the Ministry has refused to pay the world price for a particular food and has been unable to buy as much as it might have done; or else it has been forced to pay higher prices and has cut down the quantity



bought so that a higher subsidy per unit consumed would still not cost it more in total. To such lengths is policy reduced when categorical political imperatives are injected into economic relationships. Release from these ridiculous dilemmas did not come until 1951, when even the pretence that the cost of living was being kept down was tacitly abandoned. As a result, the size of rations could, in general, rise, even though the world supply of foodstuffs was scarcer than it had been in 1948-49.

A committee set up by the Labour Government to consider the future of the Ministry of Food came to the conclusion that, once rationing was abolished, the

Ministry could become a very small department dealing only with nutrition and the welfare foods. But at the time the conclusion was academic, for until prices were set reasonably free and the problem of the subsidies was tackled, there was no chance of abolishing rationing. The first attack on the subsidies was made by the late Sir Stafford Cripps in 1949-50, when the annual cost was reduced by £60 million to £425 million. But the real assault did not come until this year, when Mr Butler announced his intention of reducing them to an annual rate of £250 million. Food subsidies in 1951-52 amounted to £415 million, and if it had been desired to keep food prices stable, the subsidy bill would have been £460 million in the current year, so that the new figure represents an effective cut of over £200 million. But the cuts in the subsidies, and the consequential rises in prices, were postponed until half way through the year—most of them came into operation at the beginning of October—so that the actual expenditure in 1952-53 will be £309 million. Once the subsidies were no longer sacrosanct, the Ministry of Food was given room to manoeuvre both in its buying policy (because any increases in purchase prices demanded by producers could be passed on to the consumer and not absorbed by the Government in its subsidy bill) and in its longer-term policy of moving towards freedom.

There are three different kinds of food subsidies. First, the various welfare schemes (vitamin foods, milk-in-schools, etc.) which are at present costing a little under £50 million a year; arguments for and against these must be based more on social than economic considerations. Secondly, there are the direct agricultural subsidies (fertilisers, feeding-stuffs, ploughing-up grants, etc.) which now amount to over £50 million a year. Here technical considerations are important, such as the need to reclaim submarginal land, to maintain soil fertility, or even to ensure a given domestic agricultural output for strategic reasons. The third group consists of the price subsidies proper; their purpose is to protect the British consumer from the high cost of producing food both in Britain and overseas. This article is concerned wholly with this third category. They are sometimes called the consumer subsidies, but that may be misleading. It is, indeed, an exercise in metaphysics to determine whether any particular subsidy benefits producers or consumers most. Nearly a third of the total is paid to home producers, and if the Ministry of Food were to abolish the subsidy in the sense of charging for what it sells as much as it pays, other and more direct subsidies to the British farmer might become necessary, so that any initial saving might have some offset.

No official figures have been published showing how the new annual rate of £250 million will be spread among the different foods. But a rough calculation from the current amount of subsidy on the various foods and from the level of consumption during the past twelve months would seem to show that £110 million is being spent on the welfare and agricultural subsidies and £140 million on the consumer subsidies. Of these, bread and flour still heads the list with £40 million, followed by milk (£25 million), bacon (£17 million), butter (£15 million) and meat, margarine and eggs (each £10 million).

The subsidies have at last been brought down to a level where many of them could be taken off without imposing

much additional hardship. The subsidy on meat is now an average of only 3d. a lb. This could be removed without great trouble and private importation permitted even if rationing were continued for the time being. The subsidy on cheddar-type cheese is also only 3d. a lb, while the sugar subsidy is 1d. a lb, milk 1d. a quart, eggs 3d. a dozen and flour 6d. per 7 lb. The foods with the largest unit subsidies are butter (6d. a lb) and bacon (4½d. per lb); the margarine subsidy is 2½d. a lb and that on cooking fat 2½d. a lb. On the face of it the subsidies on meat, sugar, eggs and cheese could be taken off without making any material difference to the retail prices. Indeed such a move would cause an additional rise in the index of retail prices of one point, and an increase in weekly expenditure of 1½d. Even if the subsidies on butter, margarine, cooking fat and milk were removed the index would rise by only 1.05 points and weekly expenditure by 3½d., whereas the removal of the bacon and the flour subsidies adds a further 1.54 points to the index and 5½d. to weekly expenditure. The total abolition of the consumer subsidies would increase the cost of living index by 3½ points and weekly expenditure by 11d. The Chancellor's new policy has already raised the index by 4½ points and weekly expenditure by 1s. 6d.

It is possible, in fact, to compile a programme of de-subsidisation by stages, proceeding from those subsidies that could be removed without causing any disturbance to those that would be more difficult:—

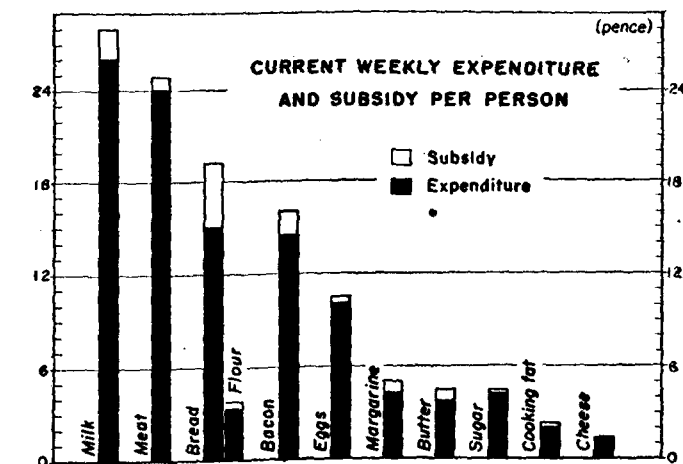
	Retail prices index, points. Cumulative	Consequential rise in— Weekly expenditure per head. Cumulative
Stage 1.—Butler proposals of March, 1952, now in force.....	4.5	1s. 6d.
Stage 2.—Meat, sugar, eggs, cheese.....	1.0	5.5
Stage 3.—Butter, margarine, cooking fat, milk...	1.05	6.55
Stage 4.—Bacon, flour...	1.54	8.09
		11d.
		2s. 5d.

In view of what has already been accomplished this does not look too formidable a task.

The removal of subsidies and the abolition of rationing are closely related matters, but not identical. The Government has set itself two criteria in judging whether rationing could be abolished: first, the relationship of demand and supply must be such that they would balance without any—or at least any substantial—rise in the price above the present unsubsidised price; and secondly, that no additional expenditure in hard currencies shall be required.

What foods meet these two conditions? Something depends on what is meant by the requirement of no increase in prices. Thus it seems as if the public (taking the country as a whole) is disinclined, at present prices, to buy more than 2s. 2d. worth of meat a week. The freeing of the meat trade would undoubtedly lead to rises in the prices asked for the better-quality cuts, but the lower grades would fall, and the average of grades—and of seasons—would probably be no more than the present. Again with eggs, if the present allocation system were abolished, together with the subsidies, and imports allowed in freely at cost during the so-called "flush" season, there would certainly be a greater seasonal range in the price of eggs—say from 3s. to 6s. or 7s. a dozen—

but the average would probably not be very different from the present controlled price plus the subsidy. And neither meat nor eggs are dollar foods to any large extent. Sugar, in the world at large, is both plentiful and cheap, but additional supplies would have to be bought for dollars. As soon as the Chancellor can afford to spend another \$50 million on sugar imports both the sugar and the sweet rations could be abolished without risk. Wheat also is a dollar food and here again world supplies are plentiful; but to abolish the subsidy at one go would



mean a significant rise both in the cost of living index (1½ points) and in weekly expenditure (4½d.). Bacon is mainly a sterling import. At current retail prices some people are not taking up their ration; but there is a substantial unsatisfied demand from others that is being held back by the rationing scheme. Nevertheless if the subsidy were abolished and the price rose by 4½d. to 4s. 7½d. a pound, it would probably be found that demand and supply were in tolerable balance. With cheese, the weekly ration of one ounce is so small that it hardly seems worth while continuing it, especially as unrationed non-cheddar types are available. Vegetable oils are both plentiful and cheap and can be bought for sterling. But margarine could hardly be de-rationed without considering the effect on butter. The present unsubsidised price of butter is 3s. 6d. a lb; but if it were unrationed the price might well rise to 4s. 6d. a lb or even 5s. Butter is scarce in the world and the supplies available in world commerce have failed to expand—partly because the Ministry of Food has been unwilling to pay sufficiently high prices. If the Government took courage and freed the butter market—and such a move would need considerable political courage—margarine and cooking fat could also be unrationed.

The stage is certainly being set for the return of freedom to the food trades. But there are two preliminary conditions. The first is that Britain's overseas accounts should be put on such a firm basis that the need to make sudden quantitative cuts in imports will not recur. The second is that some adjustment may have to be made to the Agriculture Act of 1947—not, indeed, to take away any of the British farmers' basic security, but to maintain his income in ways other than by guaranteeing prices which, in some cases, are higher than the consumer is willing to pay for what the farmer produces.

Freedom for the food trades will not necessarily mean cheap food—at least not at first. But it will enable the British people to regain their right to decide for themselves how they will spend their incomes and what prices they are willing to pay.

NOTES OF THE WEEK

Socialist Struggles

The lull in the internecine struggles of the Labour party is more apparent than real. With the reassembly of Parliament this week, the fight has immediately been transferred from the platforms of the country to the corridors of Westminster. Last weekend Mr Attlee broke his silence with a demand for an end to the "party within a party, with separate leadership, separate meetings and supported by its own press." This, coming on top of the intensive counter-offensive from Mr Gaitskell and the union leaders, persuaded Mr Bevan and his colleagues that the time had come to give at least the appearance of beating a retreat. In an article in this week's *Tribune*, Mr Bevan announces that he and those who resigned with him from the Labour Cabinet will stand for the parliamentary committee of the party in the next session, and that they will open up their group meetings to any Labour member of Parliament who cares to attend.

Although this is covered with a great deal of bluster about no party within a party ever having been formed, it represents at least a partial withdrawal. Everything now depends on whether Mr Attlee will accept these terms. He is under strong pressure from two sides. Mr Gaitskell and his colleagues in the anti-Bevanite movement regard Mr Bevan's offer as derisory, designed only to lull the Parliamentary party into a false truce. But many members in the centre of the party, who have been meeting in a so-called "Keep Calm" group, are prepared to grasp at the chance of appeasement. Distracted by the electoral dangers of a split, and—horror of horrors—by the thought that they might have to make up their minds between one side or the other, these middle-of-the-roads may have a considerable influence at this stage. Several ex-Ministers have taken refuge amongst them, including Mr John Strachey, who had spent a harrowing weekend leaping on and off the Bevanite band wagon.

Yet even if Mr Bevan's terms are considered adequate, time alone will show if anything more than a temporary settlement has been reached. It will for instance be very difficult to tell whether the Bevanites have dispersed or merely gone underground. They can still decide their policy in private meetings at each other's houses. Mr Attlee and Mr Morrison can hardly be much happier with Mr Bevan again sitting with them on the front bench than they were when he was attacking them from the rear. At Morecambe, where he was supposed to be a spokesman for the National Executive, he made a speech filled with class malice and anti-American utterances that in no way reflected the view of the majority of the Executive. That was an ugly portent of what may lie ahead if he rises again as a spokesman for his party in the House of Commons.

Conservative Confidence

The Tory leaders came away from Scarborough well satisfied with the outcome of their party conference. They had made good use of the occasion to demonstrate the party's sense of unity, to parade their ablest administrators and leaders, and to stimulate the morale of their rank-and-file for the year ahead. By its nature and size, the Tory conference is an occasion for showing what the party is feeling rather than what it is thinking, and this year the constituency representatives soon allowed their worries about the dangers ahead to be overcome by their thankfulness for success. Most of the controversial policy issues were either dropped or pressed with restraint. Hardly a word, for instance, was mentioned about the road levy, and the most outspoken criticism of the Transport Bill came, not from the conference

itself, but from the Mayor of Scarborough in his address of welcome. Lord Swinton turned aside the criticisms of party publicity with that suavity achieved only by those who served an apprenticeship under the late Lord Baldwin. Only in the debates on Gatt—when the veteran Mr Amery led a real attack—and in the demands for further cuts in Government expenditure, did dissatisfaction with the Government's policy find vigorous, if brief, expression.

These criticisms were more than balanced by enthusiasm for the party leaders. Mr Churchill got his usual warm welcome. Mr Eden was given the ovation due to an heir apparent. But even this was surpassed in volume, if not in significance, by the applause accorded Mr Butler after his speech. The audience thumped and roared their approval even though the Chancellor had stood firm and refused to give away a single sixpence, and even though the same audience, five minutes later, eagerly voted for the resolution demanding the concessions and cuts that Mr Butler had spurned. The answer to this paradox lies in their delight at Mr Butler's demonstration of strength—not only at the conference but also in his speech at the Mansion House dinner. Not everyone wants to go where Mr Butler is leading, but all are delighted that he can lead so strongly.

The political importance of Scarborough lies chiefly in the added confidence given to the Tory leaders in the Commons—already apparent in their bearing this week—and in its evidence of the broadening basis of the party in the country. At Westminster the Conservatives may still be largely a party of Old Etonians and Guardsmen, leavened with the new type of professional politician trained by the Tory Central Office; but in the constituencies the income groups—if not the social classes—from which they draw their support are not so far removed from those that vote Labour. This fact will present growing problems not only to the Labour party, but also to the more rigid elements in the Tory leadership.

No Decision on Rents

The Minister of Housing scored a big success at the Scarborough conference. The delegates were delighted with his progress towards the target of 300,000 houses a year which their predecessors set two years ago; and although Mr Macmillan admitted to being reminded by the Chancellor that money is short, he said that the target still stood.

He could not, however, give any promise of the measure that would make so large a housing target unnecessary—a raising of rents to a more economic level. He merely said that he could not announce a decision, and that parliamentary time was hard to come by. It has been confidently reported that the Government has decided against a general increase in rents and is searching for ways that will discriminate between properties. The truth is that nothing has yet been settled: and the whole subject is still being studied at the Ministry of Housing. The argument that controlled rents are causing houses to fall out of use has lately been much taken up by the press, and it seems unlikely that the Minister will be able to face next year's party conference without having done anything to implement its resolution that the Rent Restriction Acts should be reviewed.

A minor step towards straightening out some of the distortions of housing policy was recently recommended by the working party on requisitioned houses, and the Minister has now instructed the local authorities to act upon its recommendations. The main proposal was that the local councils should set about rehousing the 132,000 families now occupy-

ing requisitioned homes, thereby saving the Exchequer some £6 million a year. The suggested timetable requires authorities with one such family or less per thousand inhabitants to release those homes by the end of next year, while authorities with proportionately more requisitioned properties are allowed longer time. Properties which their owners want to occupy themselves have a priority for release second only to that of expensive property that is a heavy charge on the Exchequer. As two of the possible means of "release" of other property, it is suggested that owners might be induced to accept the present occupants as tenants, or that the authorities might acquire the properties concerned. The Requisitioned Property Owners' Association sees a sinister connection here. It would, indeed, be hard if the local authority were to use the threat of compulsory purchase to force them to accept tenants that they do not want. On the other hand, even in that event, they would be no worse off than thousands of landlords who, owing to the Rent Restriction Acts, are unable to get possession of their property; and often, perhaps, their hardship has been less, for their property has at least been maintained for them.

Reserves for Ridgway

General Ridgway made his case soberly and firmly at the Pilgrims' dinner on Tuesday. The Supreme Headquarters for the defence of free Europe has not been given its "minimum military requirements"; its information indicates that the Soviet strength "has definitely grown and continues to grow"; its need for properly trained reserves remains urgent; and it does not feel that time is on its side. In other words, unless the statesmen decide that danger is not imminent, and unless governments maintain that the economic limits of what is possible have already been reached, General Ridgway has a fair claim to more tools with which to do his difficult job.

Mr Churchill's speech was hardly a helpful prologue to such a businesslike statement. He seems now more concerned to show how wrong it was during the last election to call him a warmonger than to explain to the public how he sees the military problem of Britain and its allies. Every time he says in so many words that the danger of world war has receded, the statement has a relaxing effect far beyond what is justified. If it is the political and military effort of the Atlantic alliance that has moved Stalin towards his present tactics, then that is an argument for continuing it. Mr Churchill, it is true, said "we shall do our utmost, short of going bankrupt, to increase these deterrents," but the public still does not know what his strategy for the cold war is.

Sound Man of Europe

Lord Montgomery has been saying in London that "infirmity of purpose" is one of the chief dangers against which the Atlantic alliance must guard. He would doubtless agree, after his visit to Turkey, that this is as well understood in Ankara as in any other capital of the free world. Standing guard as they do along a most vulnerable sector of the Soviet Union's southern frontier, the Turks have shown no lack of courage and consistency over the last six years. It was in 1946 that they last felt the full weight of a diplomatic offensive from Moscow, which denounced a long-standing treaty of friendship between the two countries and demanded as the price of its renewal the cession of parts of Eastern Turkey, Soviet bases in the Black Sea Straits and a revision of the Montreux Convention governing the use of the waterway to the Mediterranean. With American and British support—this was before the cold war officially started—they made a spirited stand against bullying. Since then they have been equally game in their replies to Soviet protests against the construction of air-bases with American assistance, and

against participation in Nato and in the planning of a Middle Eastern Command.

These things are being recalled during the visit to London of the Turkish Prime Minister, Mr Adnan Menderes, his Foreign Minister, Mr Fuat Köprülü, and six prominent journalists. It follows closely Mr Eden's successful visit to Yugoslavia and is further evidence of the Foreign Secretary's interest in Britain's position in the Eastern Mediterranean, and the links that are being formed between Belgrade, Athens and Ankara. The Turks share with this country the responsibility of being simultaneously interested in Europe and the Middle East. They pressed hard to join Nato both because they regarded themselves as the hinge between the two theatres, and because they felt that American military help against an aggressor—their real target—might not be forthcoming if they were linked merely to the shakier framework of an Anglo-Middle Eastern organisation. Subsequent events in the Middle East have proved them right.

The domestic odds against which they have established this position are described in an article on page 169. Prominent among them is the expense of maintaining under arms military forces that cost over 31 per cent of the national budget. Naturally, very substantial American aid has helped them to bear this burden. Such drawbacks as there are to it, they carry off with distinction; for, unlike most peoples who have recently experienced social revolution and are still in the first stages of industrial revolution, they feel no false pride about accepting foreign aid and advice. The balance of their judgment is of service not only to themselves but to the whole free world.

Retort to Persia

There were two choices open to the British Government in answering Dr Mossadeq's "ultimata" of recent weeks. One was to continue politely to counter his intemperate accusations and unacceptable demands with repetitions of the Truman-Churchill offer of August 30th. This course had the merit that it was an agreed Anglo-American policy and left no room for Persian doubt on this score. It had, however, two substantial demerits. First it had produced no results, and offered no promise of them. Secondly, by keeping silence about Persian distortions of British policy, it allowed a substantial British case to go by default. The second alternative, therefore, was to state the British case, and to take the consequences.

After consultation with the American Government the second course was adopted. In a British Note delivered to Persia on Wednesday and a simultaneous statement issued by the Foreign Office, Mr Eden again says that he cannot budge beyond the Churchill-Truman proposals (a point on which the Americans agree) and goes on to rebut the whole series of Persia's "inaccurate statements," "misrepresentations" and discourtesies. He does so, however, in language far removed from the dulcet tones of policy statements concerned with the State Department—which may give the Americans a chance to quit the role of joint negotiator and return to that of honest broker between two rivals. He has offered the Persians the chance to hit the trail that they are only too ready to follow—that of trying to play America off against Britain.

To rebut Persian lies was right; to expect that Persians would listen to rebuttal was futile; the British case therefore needed stating less for their ears than for those of other countries, and in language that Washington would not have felt obliged to soften. Yet the Americans can take heart on one point. Their great fear is that Dr Mossadeq will collapse and, by collapsing, give place to a Tudeh successor. The British reply will, temporarily, restore his fortunes in that it affords him fresh battlecries in his "struggle against foreigners."

Ardent and Hopeful

The air exercises held over this country during the past two week-ends provided the first real opportunity for testing the country's air defences under realistic conditions; that is, it was the first exercise in which jet bombers have been used. The results were not unsatisfactory. The radar defences, which have been steadily extended during the past three years, proved fully capable of picking up incoming attackers at a sufficient distance beyond the coast. The Meteor and Venom day and night fighters, which are the backbone of fighter command, do possess, whatever their other limitations, the rapid rate of climb that is the first essential requirement of an interceptor fighter, and it was Venoms that broke up an attack on Birmingham made early in the exercise by fast, high-flying Canberras.

But what a motley collection of attackers the defenders had to meet. The raids were carried out by vintage piston-engined bombers, British and American, by American Thunderjet fighter-bombers which are in the same partially obsolete category as the Meteor, and by a bare handful of Canberras. There is no ground for complacency in the evidence that a gratifyingly high proportion of these were intercepted before they reached anywhere approaching their targets; there is even less reason for congratulation if this in fact represents the best that the combined British and American bombing teams can do in terms of attack. The slow rate of delivery of the Canberras is a major disappointment. Where these bombers were used against London, they proved more than a match for the southern defences. A small raiding force of about ten Canberras (and an atom raid may not include a large number) reached London last week-end without, in the official phrase "any interception being reported." It seems highly probable that the radar defences had picked up and kept track of these bombers, but that the locally-based fighters were less than a match for them. There were, significantly, no Venoms in that area at the time; had there been the outcome might have been different. Until the delivery of the delta-wing Gloster Javelin night fighter in two to three years' time, the Venom is likely to be the best night interceptor in service. A Russian Canberra-type jet bomber has been reported in action in Korea, long before the United Nations have such aircraft to spare for operations there.

Exercise Ardent suggests, in fact, that the British defences are adequate to meet the threat that such a bomber constitutes, but it also showed that the margin of safety is a narrow one, likely to be whittled away by further inevitable and imminent improvements in bomber design. The exercise suggests that the risk that has been taken in refraining from ordering an intermediate night fighter between the Venom and the Javelin is an unwise one that deserves review.

Later Closing

The Union of Shop, Distributive and Allied Workers is much upset because the shops can now stay open until 8 o'clock—or 9 o'clock on late night. A defence regulation, for obvious reasons of blackout, prescribed a closing time of 6 o'clock during the winter months; and the regulation was kept on afterwards for the sake of saving fuel. But when it was lifted last week the prewar closing time laid down in the Shops Act automatically came into force again.

The union's opposition seems unnecessary. There is no longer reason to fear that shopworkers will be forced to work very long hours. Employers are deterred from asking them to do so by the fact that overtime has to be paid for anything over the 46-hour week prescribed by the wages councils; and if they should nevertheless insist on overtime work, they would not long keep their staff while employment remains full. A fact which suggests that the change in the law will make little or no difference to the hours worked is that few shopkeepers have exercised their right to stay open until

even 6 o'clock in the winter—still less until the 8 o'clock in summer time that has remained unchanged since before the war.

The only practical effect of lifting the defence regulation is that the shops will be able to rearrange their hours so as to attract more custom. By special authority from the local councils some rearrangements have already taken place. In central London many of the shops have stayed open until 7 o'clock on Thursdays; and they are then filled with office workers and others, who would either have added to the congestion on Saturday morning or else would not have shopped at all. In opposing a measure that makes such adjustments easier, the union is acting against the interests of its members' pockets (for many are paid on commission) as well as of the level of employment in the trade. They are also adding point to the charge that is so often made against British shops—that the convenience of the customer counts for very little.

* * *

Compensation from the Japanese

There are some big discrepancies between one allied country and another in the amounts distributed to ex-prisoners of war and civilian internees in Japanese hands. At the end of last week, it was announced that Canadian servicemen and civilians will get 7s. 5d. a day, which means for a Canadian captured at Hongkong and held for three years eight months about £500. This compares with 17s. 11d. a day paid to Americans, which would work out for most of them at over £1,000; a probable total distribution of £50 a head to Australians; and a first share, announced on October 6th, of £15 a head for British servicemen and civilians.

These distributions are made from Japanese assets seized in the allied countries and made available under Article 14 of the peace treaty with Japan. (Article 16 provided for the transfer of Japanese assets in neutral countries or ex-enemy countries to the International Red Cross for distribution to benevolent organisations on behalf of former prisoners of war of all nationalities. These assets totalled about £5 million.) The sum available from Japanese assets seized in this country is only about £1,250,000; of this, £850,000 is being distributed initially to give £15 a head, and the balance later. Inevitably, it will be asked why, since the sum available is so small, is it not concentrated on giving larger sums to those in real need or who have suffered especial hardship? This was, in fact, the Labour Government's intention; but the prisoners of war themselves, through their organisation, the Far Eastern Prisoners of War Association, have always insisted that the sum should be shared equally among all prisoners. Those of them who are, in fact, still suffering from maltreatment at Japanese hands are, it is to be presumed, receiving disablement pensions from the Ministry of Pensions with special allowances if their disablement is particularly severe.

* * *

Shades of the Comintern

On the last day of the 19th All-Union Congress Stalin took the rostrum. He had provided a curtain raiser with his article in *Bolshevik*; he now delivered as epilogue a short address to the Communist parties of the world. Thus, he has again dominated the Congress occasion, this time not so much as the Party's active leader, but rather as the master theoretician of the Soviet Union and master strategist of world communism. The address explained why so many Communist leaders had flocked to Moscow. The heads of almost all parties—but not Mao Tse Tung or Togliatti—were there in person. The presence in the Kremlin of such a galaxy of seasoned leaders and the prominence given to their

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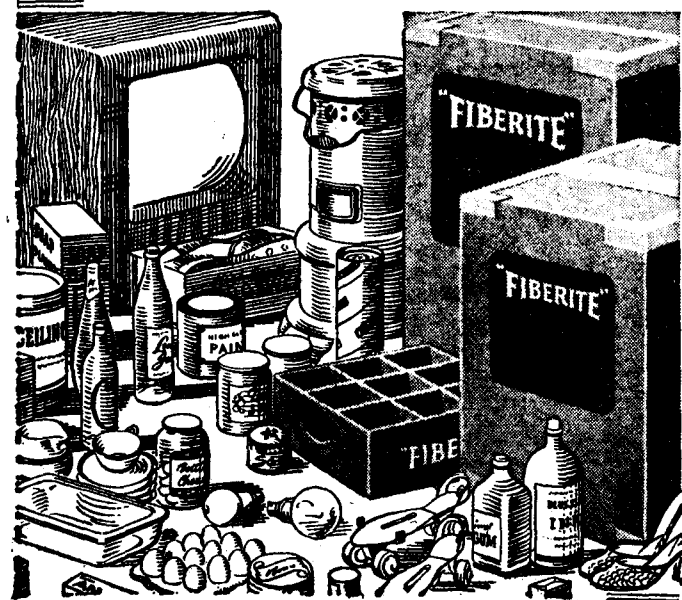
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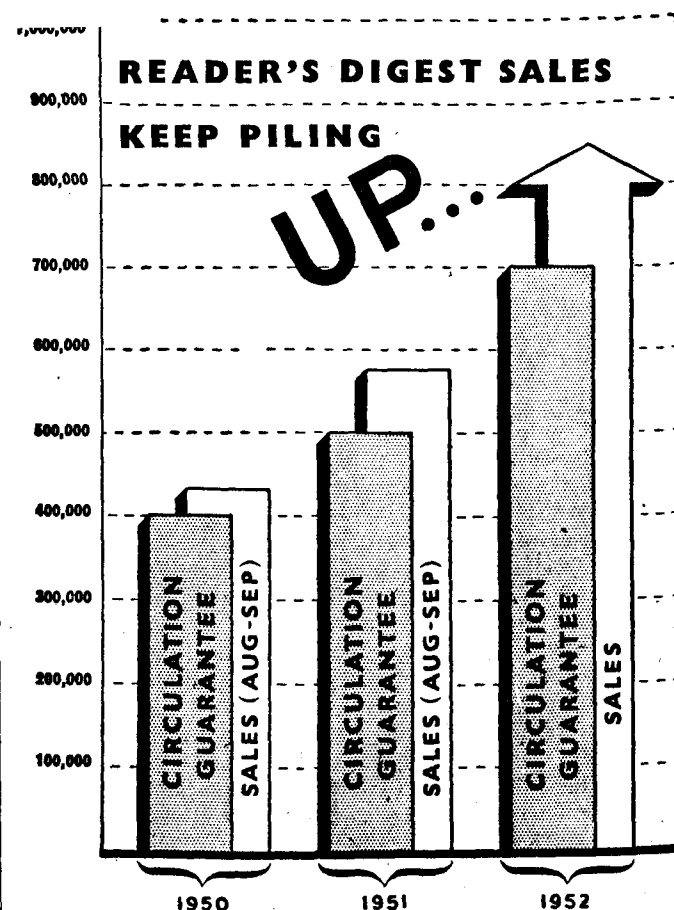


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speeches evoked memories of the early revolutionary days of the Comintern. Stalin, however, made it plain that the parties' tactics are to be those of the Comintern of the late thirties, and outlined clearly a policy of united front to be followed. If the Communist parties in capitalist countries, he argued, wish "to be patriots of their land, if they wish to lead the forces of their countries . . . they will pick up the banner of freedom that the bourgeoisie has thrown overboard. . . ."

Even his reference to direct action was connected with the defence of the Soviet Union. Stalin recalled the campaign of "Hands Off Russia" organised by British workers after the first World War and compared it with the recent assurances of Thorez and Togliatti that the workers of their countries would not fight against the Soviet Union.

Yet if analogies with the thirties are many, the war has changed the situation radically. Stalin himself stressed this difference. He, the prophet of Socialism in one country, spoke in glowing terms of the change, of the end of Soviet isolation and the establishment of similar régimes "from Korea and China to Czechoslovakia and Hungary." The Communist parties of capitalist states are requested to subordinate their interests no longer to the land of the Soviets, but to Soviet lands. That Stalin appeals to them directly, over the heads of their governments, shows that he has little hope of coming to an understanding with the West. On the other hand, with the Soviet régime extending now over one third of the world, he can await the collapse of capitalism in greater comfort. Or to use his own words: "The struggle is now lighter and work going more gaily."

Less Grain from the Russians

This week Mr Averell Harriman reported to the United States Congress that the controls on supplies of strategic materials to communist countries have effectively slowed down the Russian military build-up. Unfortunately the report coincided with the news of Soviet retaliation that will effectively slow down the British agricultural build-up. Instead of supplying Britain with a million tons of grain—as they did last year and as Britain wanted it to do again this year—the Russians have restricted their sales to 200,000 tons, of which 150,000 tons will be oats, 30,000 tons barley and 20,000 tons maize. The Russians suggested that their harvests were not so good as they expected; yet only recently Mr Malenkov announced that this year's grain harvest totalled 130 million tons, which is nearly 10 million tons more than in 1951.

As a result, Britain's imports of grain will be some 800,000 tons less during the coming twelve months. Fortunately its barley crop has been good and is estimated to be some 250,000 tons larger than last year. Also, additional grain supplies may be obtained from North Africa and the Middle East, though the quantities are likely to be small. On balance Britain looks like getting some 500,000 tons less than last season and the most serious deficiency will be in maize, for last year the Russians supplied 300,000 tons and the chance of getting more from Argentina appears to be remote. The only possible alternative source is the dollar area.

The Russian manoeuvre is obvious. If Britain and British agriculture are not to suffer, the United States will have to choose between supplying extra dollars to enable Britain to buy grain from the dollar area or to give it permission to supply electrical equipment and other capital goods, as well as certain raw materials to Russia, in return for a supplementary contract. Some may, of course, feel that the British pig is a worthy sacrifice on the altar of economic cold warfare, though Mr Bevan would undoubtedly raise vociferous objections. The wisest course would be to

encourage Jugoslavia—and even France—to develop their grain production, so as to reduce Britain and Europe's dependence on both Russia and the dollar area.

Werewolves Uncovered

Anger and dismay have been aroused in Germany by the discovery that Americans have been training, arming and financing a German "underground" for use in the event of war. When the Socialist Premier of Hesse, Herr Zinn, revealed the facts, he stated that there exists a black list of unreliable Germans to be assassinated if war came; it includes Social Democrats—some of them officials—as well as Communists. The Federal Supreme Court confirmed that the police had arrested some of the men involved on a charge of conspiracy but had released them when the Americans intervened. Faced with this embarrassing evidence of his countrymen's secret service activity the US High Commissioner, Mr Donnelly, has ordered a joint American-German investigation. This is a right and courageous decision; but the fat is already in the fire and Communist propagandists are warming their hands at its heat.

What is particularly alarming is the apparently carefree manner in which American officials recruited irregular forces from the League of German Youth, one of those vaguely nationalist bodies which have cropped up in postwar Germany. It must surely be well understood that the kind of youngster who was happiest in the Hitler Youth would not much mind whether he was employed against Russians, German democrats or the Americans themselves. Werewolves make bad police dogs.

The gravity of the affair is out of all proportion to the number of young men involved in it. It touches the Germans on a number of very sore spots. They have been growing increasingly restive about their lack of control over American-sponsored agencies that conduct propaganda and intelligence activities, or support subversive action in Soviet-held territory. Moreover, they are determined that the Federal Government alone shall decide whether Germans shall be armed—and which. It is in the Allied interest to support the government and parliament in their insistence that rearmament shall be undertaken, when the Bonn treaties are ratified, only under the closest political control. Nothing would be easier than to bring together sinister elements in German public life behind the screen of cloak-and-dagger activities. It is to be hoped that Mr Donnelly will fight hard for the supremacy of the civil over the military authority; for public opinion both outside and inside Germany will be watching closely.

Schoolchildren's Teeth

When Mr Bevan, as Minister of Health, was rebuked for allowing the drift of dentists from the local authority service he replied to the effect that schoolchildren's teeth were not necessarily being neglected; many of them were being treated in ordinary dental practice. The Ministry of Health's own report shows how false his assumption was. In 1950-51, out of every thousand children of school age only about 110 received treatment—other than for an emergency—under the general dental service.

Since then, the charge for dentures imposed by the Labour Government and this year's charge for dental treatment must between them have reduced the amount of general dental practice—though no precise figures are yet available. As a result, dentists have begun to return to the local authority services, encouraged also by the increase in pay for this work, together with the cuts in the fees for treatment under the

general dental service. The fact remains, however, that there are not nearly enough dentists to go round, to provide, that is, an adequate service for children and adults. If there were, the main reason for a school dental service—to provide a priority service for children—would disappear. But such a service is also a means of overcoming parental apathy. If the initiative in taking children to the dentist is left with their parents many of them will go untreated, however adequate the facilities for treating them in general dental practice.

It is against this background that the British Dental Association's offer to set aside 10,000 hours weekly for the treatment of schoolchildren should be considered. The dentists concerned would treat the children in their own surgeries, not in the local authority clinics. Understandably, the Ministry of Education appears reluctant to accept this offer; it would prefer to re-establish and expand the school dental service by using the dentists' time on a sessional basis in local authority clinics. The Ministry of Health has not yet declared itself; but it would be understandable if it disliked the idea of part of the cost of the school service falling on the health service. Understandably, again, the dentists prefer the higher fees for piecework under the health service to the sessional fees paid by local education authorities. So, as a result of the administrative division of the health services, and until all these conflicting interests are reconciled, it looks as if schoolchildren's teeth will continue to suffer.

* * *

Remembrance of Things Past

There are signs that the nation is becoming increasingly concerned with the fate of its historic buildings, and from as far away as New Zealand voices are being raised on their behalf. Last week it was announced that £70,000 had been given to the National Trust by an anonymous woman donor. This was a very large and generous gift, but there should be no illusions about the extent of the help it can give. Today, £70,000 can hardly do more than save perhaps one house from decay and destruction.

In contrast to the reviving interest in historic buildings it is sad to record that the Shaw Memorial Appeal, which Mr Butler launched last November, is to be wound up after raising less than £1,000. This failure illustrates the fact that only causes that have an obvious emotional appeal—such as relief funds after a disaster—are likely to succeed today. The fund raised after the Exmoor floods totalled over £1 million—a thousand times the amount subscribed in memory of Bernard Shaw. This particular cause was not helped by Shaw's will, which left the bulk of his large estate for what was generally regarded as the silly purpose of instituting a simplified alphabet. Not even his house at Ayot St. Lawrence is likely to serve for long as a memorial to its owner; for he left it to the National Trust without any funds

to maintain it. Last year the admission fees charged to visitors were enough to cover the outgoings, but this year receipts have fallen by half and the National Trust, faced with a loss, is considering letting the house.

It would be wrong to conclude that public apathy about the Shaw Memorial and about the house he left to the nation is a sign that his memory has fallen on barren days. His credit as the author of so many of the ideas that are now the staple of daily social and political life may have been temporarily somewhat masked by the provocative garrulosity of his old age, and not all his plays command the admiration of former days. But the best of them still draw large audiences, and their performance is in itself the best memorial to their author.

* * *

Europe's Own Harwell

The European Council for Nuclear Research, which was set up under the auspices of Unesco in December, 1951, has decided to build a giant atomic research centre just outside Geneva. The laboratories will house the world's largest cyclotron and synchrotron and will have electromagnetic installations capable of generating upwards of thirty billion electron volts. The enormous magnet required by the synchrotron will embody "new principles of design and construction," and it is expected that five or six years will elapse before the Geneva centre is completed. This entire project will cost more than 100 million Swiss francs and is to be financed in seven annual instalments by the ten participating countries (Belgium, Denmark, France, Italy, Yugoslavia, Norway, Holland, Sweden, Switzerland and Western Germany). The share to be borne by each country will be determined by Unesco. It is emphasised that the research to be undertaken at Geneva will be of an entirely theoretical nature and will bear essentially on mesons and the light they throw on the structure of matter. The nature of the equipment to be used effectively precludes any study of atomic energy in the practical sense.

This whole project and the fact that Switzerland should have been selected as its site, raises a number of interesting questions. However detached the interests of the participants, and however remote from atomic warfare research into the nature of matter may be, it is difficult to draw a hard and fast line between military and non-military aspects of nuclear fission. In the light of this, Switzerland's role may be a new departure, however slight, in that country's attitude towards European integration and defence. The attitude of the British Government shows that the Council for Nuclear Research is taken to represent a further step towards a more or less united Europe. Why should Britain have withdrawn from membership unless the Geneva plan had certain political overtones to which this country is not altogether reconciled?

There are other rather interesting features in this Geneva

enterprise. It has long been an open secret that America has been anxious to bring German brains and knowledge back into the atomic picture. The Council counts Western Germany among its members and this may prove to be the least awkward way of utilising German research. There is much to fire the imagination in the creation of a European research centre whose brilliant team will include Professors Bohr and Amaldi. It should prove a stimulating counterweight to America's near-monopoly in nuclear study and should mark a further stage in European integration.

* * *

A Record Liquidation

A representative of the Chinese People's Government, commending to Tibetan leaders a couple of years ago the tolerant and moderate spirit of the new regime in Peking, is said to have been asked about Communism and to have replied somewhat incautiously "Communism comes later." The phrase might be taken to sum up the technique of Communism in Asian countries, which consists in winning power through broad coalitions and then making control absolute when an effective secret police system has been organised. Communism comes later—but not very much later. A Minister of the Chinese People's Government has now openly boasted that more than two million "bandits" have been liquidated in the recent repressions, and it has also been officially disclosed that about half of those arrested last year were "directly transferred to the surveillance of the masses for reform through labour"—which means that they were sent to forced-labour camps without the formality of trial. Even on the partial and piecemeal figures given by the Chinese Communists themselves, the scale of killing and enslavement has been very large indeed; the mask of moderation, which gained the golden opinions of so many foreign observers as well as of Chinese liberals at the time of the first entry of the Communist armies into Peking and Shanghai has now been finally discarded.

This revelation of the regime's ferocity is in striking contrast to the Asian-Pacific "Peace Conference." This is the latest device for influencing popular sentiment throughout Asia (and also in Latin America) by means of an international gathering under Peking's guidance. An Indian delegate, Mr Gopalan, declared that "we hail the people of China who have created a new world and who are a beacon of light to all peoples of Asia and the Pacific region." Britain was "represented" by Mrs Monica Felton and Mr Ivor Montagu; the former told the conference how she had interviewed British and American prisoners of war in Chinese hands and how they had all come to realise that the war in Korea was "unjust," while the latter is reported to have called Mr Lyttelton and General Templer "war criminals, morally every whit as guilty as those who were hanged at Nuremberg." Doves of peace, both live and pictorial, were prominent, and all the proceedings were marked by fervent rhetoric and pseudo-pacifist humbug.

* * *

The Nine Lives of M. Pinay

Despite dire predictions to the contrary and a menacing parliamentary horoscope, M. Pinay finds himself at present in a stronger position than heretofore. He has succeeded in checkmating his political adversaries without sacrificing a major piece—M. Schuman—on whom the brunt of the attack was to bear. The ominous debate on foreign affairs has been postponed and the National Assembly has been peacefully disbanded so that its members might attend various party and departmental rallies. M. Pinay stuck his head in the lion's mouth from the very first moment and has emerged unscathed.

On the very day on which the Assembly reconvened,

M. Pinay obtained the necessary unity within his own cabinet with regard to the Tunisian problem. He persuaded M. Schuman to discard idealistic scruples and to take a strong negative stand towards the inclusion of Tunisia on the agenda of the United Nations. By putting himself and his government in the van of French nationalist feelings on this point, M. Pinay avoided being trampled by the rear. The Radical Socialists had to admit themselves entirely satisfied with M. Pinay's intransigent position concerning the entire question of French North Africa. The MRP, on the other hand, saw the ground for mutiny cut from under it by the Premier's vigorous programme for fiscal reform and by the successes he has so far obtained in the battle against rising prices. The Socialists felt themselves committed to supporting M. Pinay as they see in his government a strengthening element in the Council of Europe. M. Pinay further assured their co-operation by suggesting that two prominent Socialists—M. Jules Moch and M. Léon Jouhaux—be included in France's delegation to the United Nations.

On one outstanding issue, however, M. Pinay stood in a dangerous line of fire. Both the Gaullistes and the Communists kept hammering at the fact that France was becoming a small power, a mere dependency of the United States. Last week's diplomatic contretemps, in which Ambassador Dunn left in writing certain remarks about French rearmament which were intended for oral discussion, gave M. Pinay a golden opportunity to play the strong man. By rejecting the American note as "inadmissible" and by denouncing any American attempts at directing internal French affairs, M. Pinay has left the Communists and General De Gaulle's RPF very much in the cold. Although he may still fall a victim to inflation or to a break-up in the centre coalition, it seems likely that M. Pinay will be able to carry on for some time with renewed prestige.

Napoleon III

The goal to which Louis Napoleon has been steadily directing his steps is all but reached. If the empire be not yet proclaimed, only the form is wanted: in substance it is complete, and it will immediately receive the form. He has been saluted with cries of "Vive l'Empereur!" throughout his triumphant journey, and returns to Paris with all the splendour of a conqueror. He satisfies the French. So far as is allowed to transpire . . . he has not found a single opponent in his journey. He has exhibited himself without fear to all classes of the people, whom, if he mean to beguile, he appears, in favourable contrast to most of his late predecessors, willing to trust. His popularity, though officially exaggerated, cannot be doubted, and he is borne to the imperial throne to all appearances by a zealous and joyful people. His present position is truly astonishing. No man ever excited more mistrust, or more deceived expectations. His name was his only recommendation. He was little better than a derided outcast when he was chosen President. Gradually, but successively, in a very short time he has built up for himself a high reputation. If some of the means he has employed are justly viewed with indignation and horror—if as a man he has utterly discarded all respect for very solemn obligations—as a politician his prudence, his sagacity, his great skill, are demonstrated by his success. Not one false move has he made. He seems never to have uttered a word or moved a finger but to promote his objects. He has conquered obstacles that appeared insuperable, overcome enemies who had the reputation of being all-powerful, and, from being despised, has won, with the general approbation of the French, an imperial crown.

The Economist

October 16, 1852

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Letters to the Editor

Britain and the Dominions

Sir,—No doubt British foreign policy has improved in Europe since the election, but there is little evidence that any improvement has spread very far beyond Europe. As you pointed out in your issue of September 16th, whatever lies behind the Chancellor's neglect of Mexico City, it cannot but appear maladroit to an observer abroad. However, what might prove to be more serious, despite the much heralded November conference, is the unreal approach to problems which concern the Dominions, and for that matter some of the colonies. The extraordinarily clumsy outburst following the omission of Britain from ANZUS cannot have made a very good impression anywhere. The published reason for complaint—only the most uncharitable would regard it as a real reason—that Britain could be committed to war by some Dominions leaves an unpleasant taste with any who recall that in the past all the Dominions have unhesitatingly accepted their commitments on this score towards Britain itself.

It is in commercial relations that some of the worst gaucheries are to be observed. It was these in all probability (and they have been occurring through successive British governments) that moved Mr Colin Clark recently in Melbourne to draw the analogy of the Commonwealth as a family, two elder sons about to leave home, and two loyal and very virtuous sons, Canada and New Zealand, anxiously trying to disguise the facts that father has taken to the drink and another brother, Australia, is a hopeless dipsomaniac.

Canada is probably the worst sufferer. In addition to the points raised by your Ottawa correspondent in your issue of September 13th there is an unhappy record of breach of faith with Canadian primary producers. Canada's efforts to extend the terms of reference of the Commonwealth Conference are readily understandable. Realism, not a series of shopworn platitudes, is desperately needed if the Commonwealth is to do more than subsidise experiments in socialism in Great Britain.

Irritation is apparent in New Zealand, too, where low prices for exports and cascades of imports into the last major overseas market to remain open after the crisis of 1951-52 have caused that bastion of unquestioning loyalty to London to express resentment at ill-informed criticism. New Zealanders are gentle people not given to an impetuous display of feelings, but papers both here and in London have been vehicles for this unusual reaction.

All this adds up merely to a need for more careful consideration of the facts by responsible elements in London Whitehall and Westminster will have to acquire something of the tolerance that the Dominions themselves display, and a little more of the outlook and understanding so much in evidence in the

City and elsewhere in Britain. Officialdom's present careless disregard for all forms of tradition can only add yet another "achievement"—save the mark—to a remarkable postwar succession of debacles.—Yours faithfully,

M. H. PATTERSON
East Bentleigh, Victoria, Australia

European Export Subsidies

Sir,—Do not your strictures on currency retention schemes and on your old bugbear, commodity shunting, ignore the fundamental trouble of which these practices are mere symptoms? Under the present rules of the International Monetary Fund rates of exchange are fixed, but most countries are no longer willing or able, as they were under the gold standard, to adjust their internal to their external finances. Hence these rates do not equate free demand and free supply in the exchange markets and do not indicate the relative scarcity of the goods that can be bought with various currencies. In other words, real and nominal rates of exchange no longer coincide, and this shows up in possibilities for arbitrage in commodities. If left free, this arbitrage will tend to eliminate the disparities. This is a somewhat roundabout way of attaining international equilibrium, but effectively the only one consistent both with Bretton Woods and with the inflationary policies pursued by the leading nations.

Currency retention schemes facilitate and encourage this useful trade, which, under present conditions, should have the blessing of every supporter of the international division of labour. Whether such schemes stimulate only direct exports or commodity shunting as well is immaterial, since these exports will contain imported inputs. It is all to the good if commodity shunting promotes the spread of retention schemes, for this increases the volume of arbitrage and hence makes it more effective. Rather than as "selective and competitive devaluation of the worst kind," I would describe this as a competitive reversion to economic realism, in which the forerunners are duly rewarded for their perspicacity. It is no coincidence that among the countries with currency retention schemes are conspicuous those few (notably Holland and Germany) which have made serious efforts to balance their external accounts by suitable domestic measures, and thereby have contributed more to the establishment of orderly cross-rates than have the fixed exchange rate fetishists.

You suggest that the IMF, after its inauspicious failure to ban free gold sales, might now apply itself to the prevention of commodity arbitrage. This second crusade, like the first one, would display a fittingly medieval attitude; as regards economic insight, both are on a par with the canonical denunciation of interest. Would it not be better to recognise that a drastic revision of the Bretton Woods agreement, transforming the fund from a burden into a help for international trade, is long overdue?—Yours faithfully,

Chicago H. S. HOUTHAKKER

Correspondence Colleges

Sir,—Surely the remedy for the unsatisfactory state of affairs in commercial professional education revealed in your articles lies in a reform of the technical colleges so that they can provide the type of training for the commercial professions that the universities provide for the learned professions. This can only be done by securing that teaching is done by able staff who are also engaged in research, and by giving students time for attending classes.

The first requirement involves a fundamental reform of conditions in technical colleges. This could be achieved by reducing teaching hours drastically. This would make possible the appointment of a specialist staff, each with a specialist's interest in a particular subject, who would have time for research. Secondly, salaries paid in technical colleges should compare with those paid in business. Most teachers are paid no more than they would receive in secondary modern schools.

Reform is also needed for the conditions under which articled clerks study. During their period of training they should be regarded as pupils rather than clerks and should have at least one day a week in which to attend classes.

You rightly point out that a generation of accountants has now grown up who have been trained by correspondence colleges and who therefore have more confidence in them than in local technical colleges. In view of the existing state of many of these colleges this is not surprising, and even if the changes suggested above were made these colleges would still have to build up a reputation for efficiency. In the interim period, therefore, they would have to be prepared to organise classes for very small numbers of students. But the benefits of such teaching to the professions concerned would be enormous.—Yours faithfully,

R. J. BARNES

Coventry

Periodicals for Refugees

Sir,—Many refugees in Europe have now spent seven years in their "temporary" camps. Perhaps your readers may be glad to know of a simple and economical way of helping them.

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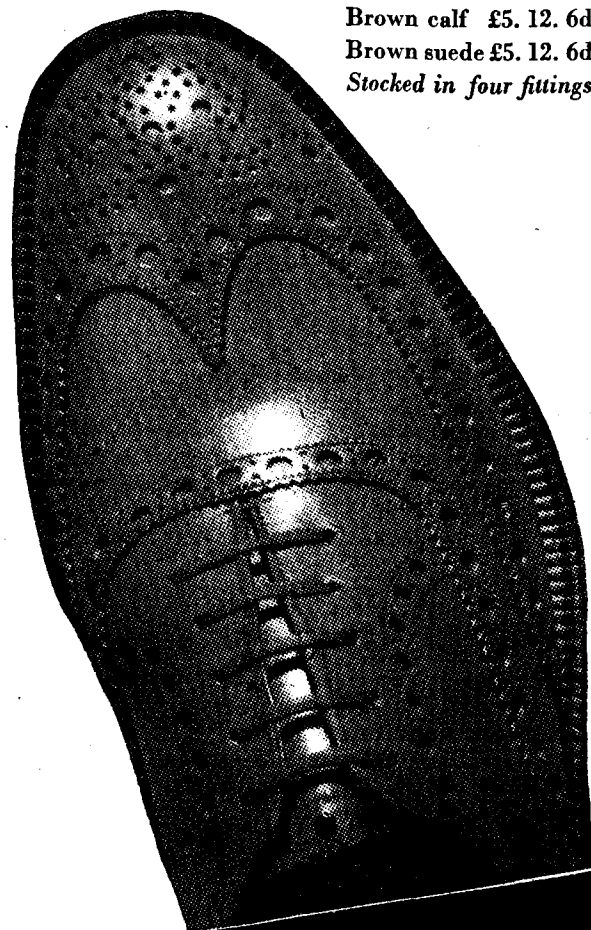
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Books and Publications

The Story of Arms

British War Production. Second World War: United Kingdom Civil Series.
By M. M. Postan. HMSO and Longmans. 512 pages. 32s. 6d.

This is a synoptic volume introductory to more detailed studies of the administrative machine of the Supply Departments, the common factors of raw materials, labour, finance, machine tools and oversea supplies. For the general reader it should prove the most interesting of the series. Professor Postan describes with great clarity and sufficient completeness the complex rise and fall of the munition production organised by the three Supply Ministries.

It is difficult to treat the stories of these three departments as a single subject, for the closest link of each was always with its associated service. Indeed, the military significance of the various munitions and their relation to service formations could perhaps have been more fully explained. For the first two to three years of the war the Supply Ministries worked separately, and their inter-relationship was largely a competitive claim for priorities (which tended to reside where Lord Beaverbrook did). But, at the end of 1942, the shortage of manpower in general had become (to use Mr Postan's concise phrase) "the one limiting factor to which all others were rapidly reduced." From that time until the end of the war the munitions programmes had to be assessed and were effectively limited by this one measurement.

Before that time, there was no central department charged with the general direction of the whole of munition production. There had been pressure for a Ministry of Munitions or Production, ranging in size from a small "private office" to a single Ministry swallowing the whole field of the existing three. As Mr Postan suggests, the real objection to such a proposal was that the Prime Minister with his statistical advisers and through the medium of the Defence Committee (Supply) was fulfilling a limited function of overall control with knowledge and authority. But, early in 1942, another problem arose. American production, which there had been a tendency in the early years to discount in London, became dominant in almost every field, and after Pearl Harbour it became imperative to make a combined British approach to Washington both on production plans and on the proportion of American output that should be allocated to British forces.

It was the pressure of these needs—the need to allocate labour (and, in minor degree, materials) and the need to provide co-ordinated British representation in Washington—that called the Ministry of Production into existence, and it was these tasks that the Ministry in the end performed, after the more ambitious ideas, of general oversight and super-

vision which surrounded its cradle were gradually abandoned.

Mr Postan has divided his history by time—Munich, Dunkirk, Pearl Harbour, "VE" Day are the dividing dates. This, no doubt, was inevitable; but it has the consequence that it is difficult to trace the full story of the growth in armament output (slow at first, rising rapidly to 1943 and then slowly falling). Charts covering the whole period might have knitted the story together and would have clarified the somewhat confusing picture of successive requirements, programmes and deliveries. At the end of the war the Secretariat of the Chiefs of Staff produced a volume showing graphically the position as it was seen at succeeding dates; it is a pity the general reader cannot share its dramatic effect.

This history was not begun until the end of the war; all depends on official files and memory. Mr Postan has been triumphantly successful in spinning a narrative out of his tangled raw material. Those who were involved will be unlikely to disagree with him on more than minor points of fact; but there may be differences of opinion about why a certain thing happened and who was the moving spirit. Some of those around whom much seemed then to revolve appear here perhaps once by name and once by titular initials. Others of equal or less importance appear commonly by name, which has the merit of bringing the history to life, but sometimes with what will seem to those who remember the events as an odd twist.

For the most part, Mr Postan withholds the views that he must have formed in the course of his examination of vast official records. Occasionally, however, he permits himself a judgment, and the present reviewer is tempted to comment on two points that are made in the final chapter. The author describes the limitations of the programming and planning work done at the centre, in the Ministry of Production. But he misses the point, which was admitted at the time, that the imitation by the three operating departments (initially in self-defence) of the same techniques made the work at the centre less necessary. In another section he deals with the importance of efficient management in industry—a story which should be more fully told and with less anonymity. Experience showed, in direct contradiction to earlier views, that the quality of management of a firm was often far more important than previous experience of a particular type of production.

This is an impressive volume and is of much greater current interest than could have been expected when it was first planned.

The Asquith Age

The Rule of Democracy, Vol. VI: History of the English People, 1905-1914. By Elie Halévy. Two Vols. Ernest Benn. 686 pages. 42s.

The reissue of the English translation of this great work, written during the interwar period, is a service for which all students will be thankful. Halévy's first volume, entitled "1815," was a masterly survey of every aspect of English life in the year of Waterloo. There followed volumes on 1815-30 and 1830-41. Then, feeling that he would probably not live to complete his scheme, the historian transferred his labours to what he called his epilogue and gave us two large volumes on 1895-1905 and 1905-14. It is this last which is now reissued, with a new title, and divided into two volumes. Halévy died in 1937. After his death a volume in the earlier series on 1841-52 was published. In the reissue this volume contains an essay by R. B. McCallum, bridging the gap between 1852 and 1895.

This reviewer has read the volume now published twice over in past years in its French original and felt that he might be excused from reading it again; but really if you start it, and if you like history, the lure is irresistible: French elegance of narrative, French urbanity, detachment, impartiality, by no means lost in the skilful translation of E. I. Watkin. One of the recent essays on the Asquith centenary remarked that the decade before the 1914 war seemed to have become a blank in the national memory, a gap between the Victorian period piece and the "present discontents" of 1914 onwards. If this be so, here is the filling of the blank, the Asquith Age. It is also the first decade of Mr Churchill's ministerial career, the only part of his life, so far as can be recalled, which he has not subjected to autobiographical treatment.

Analysis of Constitutions

British Colonial Constitutions, 1947. By Martin Wight. Oxford University Press. 571 pages. 42s.

Mr Wight has printed a selection of constitutions from nine countries, prefixed by an introduction in which he has attempted to show, in cross section, the 70 or 80 "political units" of the dependent empire (it is hard to be more precise about number or name) at the point of development which they had reached in January, 1947. The student will find here a useful classification of territories in terms of their institutions. But constitutions reach only a little way; and there is an invigorating freshness in Mr Wight's approach to the problems of plural societies by way of their electorates, even when one cannot agree with all his conclusions. "Responsible Government," he says, "is the point at which, in general, an electorate is sufficiently mature for communal representation to be discarded." This generalisa-

tion goes too far; it is questionable as history, and too tidy as a description of present trends. The emphasis on "maturity" (a subjective term in politics) glosses over the struggle for power, particularly in the settler colonies where

the critical character of the relationship [between white and black] lies in the irreversibility of the numerical balance coupled with the potential reversibility of the balance of culture and power.

Deeper problems lie in Asia, where a facility, even an eagerness, in importing Western political machinery is combined with a spiritual resistance—the legacy of an overlaid civilisation—to Western ideas. Mr Wight has some stimulating suggestions to offer: corporate representation, obnoxious to current Western political theory, may have a prosperous life in the East. One could wish that he had extended his view of electorates to include the political party. He has, indeed, touched on the manner in which the constitution in Barbados (with its homogeneous society) is being transformed through the convention of party government, much as it was transformed in Canada a century ago. But what of party in the plural society? What social conditions are necessary for the working of a multi-party system? Will the idea of the single party state form a bridge between ancient and modern autocracy? Here, in a field too often ignored by the constitutional lawyer, there is a place for the *enr'aide des disciplines* by which the anthropologist and the sociologist may assist the political engineer.

But it would be unfair to press too far these objections to an admirably concise analysis. Mr Wight's limits of study are narrow, but deliberately drawn. He never pretends that he knows the answers; he has contributed a valuable restatement of the problem.

Friend of Churchill

Godolphin. By Sir Tresham Lever. John Murray. 334 pages. 25s.

Sarah, Duchess of Marlborough, wrote of Sidney Godolphin that "he was the best man that ever lived." This was high praise, even from an old friend, but it did not prevent him from sinking into comparative obscurity when the history of his time came to be written. His political career has been overshadowed by the larger fame of his friend and colleague, John Churchill, the victor of Blenheim. Otherwise he is merely remembered as the husband of the virtuous but ill-fated Margaret Blagge, who maintained such a curious friendship with the diarist, John Evelyn—and as one of the founders of British horse breeding.

Now things have changed, for in this lively and interesting book Sir Tresham Lever has written the first reasonably full account of Godolphin's life, based upon a commendably thorough study of much unprinted material and particularly on the voluminous correspondence he maintained with Sarah and John Churchill. The first part deals with

Godolphin's career to the accession of Anne, and makes, by itself, a remarkable story. He appeared as a royal page just after the Restoration, but by 1684 he was head of the Treasury, and regarded as an astute man, who thrived in difficult times. Although he lost his office he kept his influence under James II, and remained one of the king's principal advisers until the Revolution. He weathered that storm with such consummate skill that in November, 1690, he was back at the Treasury. There he made a deserved reputation as a shrewd financier, maintained a prudent connection with the exiled James, and joined the Churchills in seeking favour of Princess Anne.

Finally there is a long description of Godolphin's service under Anne until 1710, when Harley secured his ignominious dismissal. As Anne's chief minister Godolphin, though now ageing and ill, scraped up the money for Marlborough's wars, and, what was no small achievement, kept a shaky administration together. The book does not reveal Godolphin as a statesman. He appears as a supple politician, with, as befitted one who found his recreation at Newmarket, a flair for choosing the winning side. That John Churchill owed much to him is clear; that Godolphin himself would often have cut a sorry figure without his friend is even more obvious.

In one respect Sir Tresham has not made the most of his opportunity nor done full justice to his hero, for, particularly in the latter part of the book, he has got too close to his subject. His narrative is chiefly constructed out of material carefully gathered from day to day correspondence. Yet such evidence, important though it is, loses much of its significance unless it is interpreted by a far more thorough and acute commentary on the politics of the time than is here provided.

Shipping Out of Perspective

The Shipping Industry: Its Constitution and Practice. By Victor Dover. Macdonald and Evans. 440 pages. 130s.

It is not easy to understand the object of this book. In his preface the author disclaims any attempt "to displace the many excellent textbooks which treat of shipping in its specialised aspects," but hopes that it will fill what in thirty years' experience as lecturer to adult students of shipping appeared to him to be "lacunae in the subject as generally presented to students" and "to remove some of the difficulties commonly experienced by them in the early stages of their professional work." The main body of the book is devoted to considering in some detail such matters as the contract of affreightment, charter parties, bills of lading, ships' papers, the shipment of goods, general average and marine insurance; and although these chapters are liberally illustrated with specimen forms (an example which other authors of shipping textbooks would do well to follow), it is difficult to see that Mr Dover has improved on his pre-

decessors. It is not a common gift to be able to present a complicated subject in a simplified and easily understandable form. Mr Dover has made a bold attempt at it, but his method of simplification too often consists of abbreviation, leading to the omission of essential explanation. At other times, on the other hand, he overwhelms the reader with too much detail.

Another of the author's intentions has been, it must be presumed, to extend the book's scope beyond the limits of the shipping clerk's office routine; to give him some idea of the "constitution" of the industry; to acquaint him with some of the details of ship construction, and to enable him to appreciate some of the economic factors that govern the operation of shipping. The idea is most commendable, but the way it has been carried out in this book leaves much to be desired. The author has obviously attempted to get too much on to his canvas, and the picture he presents is inevitably incomplete; it is even more unfortunate, therefore, that so much valuable space has been wasted on unnecessary, out-of-date and uninformative definitions. His references to ship construction are often meaningless and sometimes totally inaccurate. When he deals with shipping institutions, his definitions are sometimes no less than remarkable.

Part of the trouble may be that the author has specialised so long in certain subjects that he has not succeeded in keeping in touch with modern developments outside his immediate experience. It is surprising, for example, that there is no reference either to diesel or turbine propulsion for ships, let alone to the important economic and commercial implications of these prime movers. The uninformed reader might, in fact, reasonably assume that the majority of ships are still coal-burning reciprocators, for in his introduction the author advances as one reason for Britain's maritime position the fact that "her coal-seams are extensive, and, amongst other sorts, yield an abundant supply of the kind of coal best suited to the firing of ship's furnaces."

To attempt to contain in one book the whole ocean of shipping practice is an ambitious task for an author and lecturer who has sailed for a long time in one corner of it; and when Mr Dover is dealing with the subjects with which he is most familiar, his work is least open to criticism. When he ventures into what must be unfamiliar waters, shallow though they may be, he begins to flounder.

The Machine Age

Creating an Industrial Civilization. A Report on the Corning Conference. Edited by Eugene Staley. Harper and Bros., New York. 368 pages. \$4.00.

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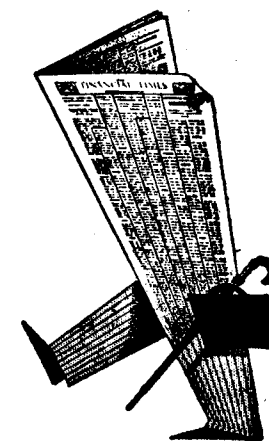
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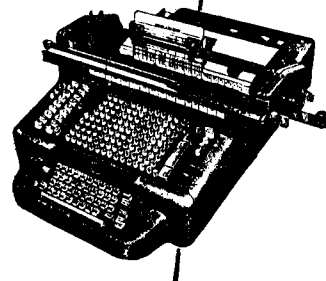
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the advancement of their material standard of living. But modern industry not only creates goods; it creates living conditions for human beings. Can the United States export one aspect of its way of life without the other changes in community structure, social values, and group relations which the machine age has brought to the American people in the last century? This question makes the problems surveyed at the Corning Conference as urgent for ourselves as for them.

Under the joint auspices of the Corning Glass Works and the American Council of Learned Societies, a group of prominent men and women drawn predominantly from management, labour and the universities discussed, during a weekend conference in May, 1951, industrial civilisation from the standpoint of human values and sought to isolate the major human problems demanding solution in the next century. In the balance sheet of gains and losses it was generally accepted that the very success of industrialisation in satisfying minimum physical needs had evoked the search for the satisfactions of being alive and made leisure, to quote one example, a problem for the masses.

Running through all the four study groups—on work, leisure, the community and personal morale—into which the conference was sub-divided was the assumption that industrial civilisation had substituted for the closely knit communities of more primitive societies

specialised groups pursuing their own interests, and in the process the individual had lost his wholeness, sense of participation and mastery of his own circumstances. To restore the sense of participation to working life, faith was pinned on changes in the patterns of work organisation with emphasis on smaller more compact units and on sensitising managements to the problems of human relations and industry's community responsibilities. The decision-making authority of management, which is invaded today in West Europe by *Comités d'Entreprises* and *Mitbestimmungsrecht*, passed unchallenged.

The background papers present the reader with surveys of current American thought on their society and the discussion reporters convey to him some of the stimulus and excitement which the participants obviously enjoyed. His appetite will be whetted, not satisfied by the abundance of problems which emerge as material for research.

Shorter Notices

International Monetary Co-operation, 1945-52. By Brian Tew. Hutchinson. 180 pages. 8s. 6d.

In the first part of this workmanlike textbook Professor Tew sets out, concisely if somewhat stiffly, the basic problems of international finance in the postwar world. In the second part he describes, in much the same style, the working of IMF, EPU and the sterling area. In the third part he

sets off at a breathless gallop—with liberal acknowledgments to *The Economist* and to various bank and United Nations reviews—over the course of monetary events since the war. He has managed to take in a commendable amount of detail, but has necessarily had to run the risk that all but the most initiated of his readers will miss the wood for the trees.

The British Party System. Edited by Sydney D. Bailey. The Hansard Society. 211 pages. 10s. 6d.

This symposium manages to cover a great deal of ground in comparatively few pages. It is divided into an historical section on the evolution of the party system, a section on the history and philosophy of the three main parties (with a note on the position of minor parties and independents), and a final section on some problems of the party system. Its approach is discursive and informative rather than critical, and it strikes no notes of alarm. Mr Sydney D. Bailey, in a brief introduction, points out that "the party system is often praised, occasionally denounced, but rarely described or explained," and offers the wise observation that "The secret of making the system work is to know when to put it into cold storage." This is a useful and interesting book, whose many authors have done their task well.

Correction

In the review of "Alexander of Tunis," by Norman Hillson, which appeared in our issue of September 27th, a statement was attributed to Lord Altrincham (formerly Sir Edward Grigg) which had, in fact, been made by Sir James Grigg. We regret any confusion which may have been caused.

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N.B.—René Sedillot, Editor of *La Vie Française*, has now written A BIRD'S-EYE VIEW OF FRENCH HISTORY, which we publish in November at about 15s. net.

FROM HARRAP

AMERICAN SURVEY

Presidential Body-Line

(From a Correspondent on Mr Truman's Train)

MR TRUMAN ended his campaign tour and returned to Washington last weekend; and nobody can have been happier to see him back home in the White House than General Eisenhower and the Republican party's high command. The President's 8,500-mile romp across the United States and back has been a harrowing experience for them. There were bitter complaints, in effect, that what Mr Truman was doing was not cricket. Certainly it was not the sort of game the Republicans had expected to play.

The Republicans were in the position of a team which had buckled on its pads and gone to the wicket with a clear idea, arrived at after much consultation and discussion, of how to deal with the bowling. They had seen the other side nominate a bowler, a player with a classic style, whose speciality was the slow, gracefully delivered leg-break. The measure of this bowling had been taken and the batting strategy had been mapped. And what happened then?

What happened then was that the Democrats put on at the other end an exponent of the most extreme body-line bowling—a demon if ever there was one. He had no style at all, but he sent them down with such speed, and they bumped and rose at such angles, that the batsmen were hopping and the air was a-quiver with appeals to the umpire. Meanwhile the leisurely, tricky leg-breaks were still coming from the other end. It was a batsman's nightmare.

A. E. Stevenson, the slow bowler, would take a long run from Madison, Wisconsin, and he would say: "My opponent has been worrying about my funny-bone. I am worrying about his backbone." Neat, perfect in pitch and pace, and summing up all the arguments about whether the Stevensonian technique places too high a priority on humour and whether General Eisenhower has shown sufficient moral and intellectual courage in his dealings with Senator Taft and the party professionals.

But then Truman (H. S.), the fast bowler, with a short and furious run from Erie, Pennsylvania, would deliver this one:

Everything shows that the Republican candidate is another Old Guard Republican. He is not a liberal. He fooled me, and he fooled all the liberal Republicans. . . . I thought he had some firm principles about our foreign policy, and that he was opposed to the Taft isolationist policy of too little aid too late. . . . He has publicly embraced and endorsed [Senators] Jenner and McCarthy. . . . I never thought he

would speak to, let alone endorse, those two birds Jenner and McCarthy. That act made it perfectly clear to me that I had made a mistake in ever thinking that he was qualified to be President. You can't trust a man who switches around that way, both deserting his principles and his former friends.

That was a ball less calculated to curve in and dislodge the bails than to knock the batsman's head off.

In Wisconsin A. E. Stevenson was noting wryly a tendency, centuries old, to decry the younger generation, and was observing that perhaps the solution to this aberration is to be found in the flashing epigram of La Rochefoucauld that "the old begin to complain of the conduct of the young when they themselves can no longer set a bad example."

In Ohio Truman (H. S.), was saying, not wryly but starkly:

The Democratic party has always had a heart for the people. With us the people come first. With the Republican party, property comes first. The Republican party is controlled by the big banks, big industry and big lobbies who pay the party's bills and run the party to suit themselves.

Governor Stevenson, in discussing the dangers to what he called the community of freedom itself which are presented by those who would suspend justice and destroy freedom in the name of anti-Communism, said:

In case you have not been reading all the philosophers, I remind you that Aristotle said "History shows that almost all tyrants have been demagogues who gained favour with the people by their accusations of the notables."

President Truman, discussing precisely the same subject, said:

There's a group of hotheads—mostly Republicans, but with a few Democrats—who want to do away with the Bill of Rights whenever a man is accused of Communism. Beware of a party that tries to make votes out of false charges about Communism. The hysteria, the irrational fear

that they are manipulating in one direction today may turn against other groups tomorrow. Once these deep forces of prejudice and unreason are set loose no man can tell where they will go. They could tear our nation apart, setting group against group, creed against creed, the older immigrant against the newer.

It was noticeable during the fortnight or so when the two Democratic leaders were campaigning, each at the top of his particular form, that the Republican attack upon Mr Stevenson diminished. The main fury was turned upon Mr Truman. He was declared to have brought American political behaviour to an all-time low, to be engaging

in "gutter politics," to have perfected, in Senator Taft's phrase, "a technique of lying." For a while the Republicans dispatched a Senatorial "Truth Squad" to the places where Mr Truman had spoken so that the impressions left upon the citizens along his route might be corrected. The exercise was less than a rousing success. That may have been because, as Senator Taft fretfully said, "He brings forward such a succession of misrepresentations that when you're answering one, three others have been made." Or it may have been that the attempt to rebut Mr Truman's charges simply gave more publicity to them.

*

The President was by far the most interesting personal study during the two weeks of the Democrats' double bill. When he said that he had not had as good a time since 1948 there was much reason to believe him. He gave himself and the Democratic party the benefit of all doubts on all scores. His way with a slightly blurred fact was to touch it up and sharpen it; the pictures he so briskly drew were sometimes quite startling. The attacks upon him by Republican speakers and by the "hatchet commentators" of the "one-party press" seemed to give him genuine satisfaction. In a cheerful aside at Indianapolis he said, "I don't mind the mud—I've thrown back too much of it and I know how to handle it."

The prime object of the tour was to help to win the election for Governor Stevenson, whom Mr Truman calls the finest new leader to come along since Franklin Roosevelt. But it was almost as clear that the President had something else on his mind. Tough politician that he is, he seems to have sustained a personal hurt from the criticism General Eisenhower has directed at his foreign policy, and most particularly at the decision to stand and fight in Korea. For Mr Truman appears to believe that his place in history will be secured by that decision. It is a belief which is shared by some very good judges of history, one of whom, as he indicated during his visit to Washington last January, is Mr Winston Churchill.

That the General should have espoused the view that the Korean war was a "blunder"—even though so far he has stopped short of calling it "Truman's war," as Senator Taft does—has been too much for the President. He once promised to help General Eisenhower to become President: once he virtually offered him the Democratic nomination. But now Mr Truman has no more faith in the man he once fully and warmly trusted.

He has been disenchanted, he says; and the disenchantment is complete enough to convince him that a "military man" will not do. The President was warned before he began what may well be his last big campaign tour that there were certain dangers about the assault on General Eisenhower. It might have been resented by the people at the whistle-stops, and they might have taken ill his revival of the old question of whether a soldier might safely be made President. Mr Truman took these risks, rather cautiously at first, but in the end with full confidence. Perhaps his political instinct told him that he was on safe ground. Or perhaps he had come to feel so strongly that he was prepared to take the risks whether there was danger or not.

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

Bellwether State?

[FROM A CORRESPONDENT IN OHIO]

As the presidential campaign moves into its last weeks, the pivotal state of Ohio is leaning toward the Republicans. It is not too late, however, for some Republican blunder to make it lean the other way. Ohio is not safe for either party. In the thirteen presidential elections of this century it has gone Republican seven times and Democratic six. In 1948 Mr Truman carried the state by only 7,107 votes out of a total vote of nearly 3 million.

There is nothing doubtful, however, about the state's political importance. Ohio might well be substituted for discredited Maine as an electoral barometer, if only accurate advance readings could be assured. Since 1900, with only one exception (1944), the candidate who carried Ohio has entered the White House. It is one of the key states of the middle west, and its 25 electoral votes might provide the margin of victory this year. Four years ago, it was a last-minute change in farm sentiment that gave Mr Truman his surprising victory. But Ohio is not mainly a farm state. It has industry, big cities, a number of Negro and foreign-born voters, and an independent tradition fostered by its numerous colleges. It provides a fair sample of the whole electorate.

In Senator Taft's home state, General Eisenhower started out under a severe handicap. Disappointed and embittered by the outcome of the Chicago convention, the Taft supporters at first ignored all appeals from their party leaders, who were beginning to fear that even the party's candidates for state office would suffer. In early September, when the campaign should have begun to get under way, a political sit-down strike was threatened. The "harmony breakfast" of Senator Taft and General Eisenhower on September 12th changed all that. Their agreement on principles was accepted by Ohio Republicans as a clear-cut victory for the Senator. The faithful took it as a signal from their leader to stop dragging their feet. Since then the more conservative tone of the General's speeches, his hammering on the themes of corruption, Communism and Korea, and the missionary work of Senator Taft have put many in a mood to march. Unlike Governor Dewey in 1948, General Eisenhower is not taking Ohio for granted. In his midwestern speeches he has stated the ideas of midwestern Republicans in language they like to hear. Speaking from the same platform as Senator Taft, in the Republican stronghold of Cincinnati, he delivered his sharpest attack on the Administration's foreign policy, and even implied that he now believed Asia to be the area of supreme concern for Americans. This trend toward the right may have lowered the General's standing along the eastern seaboard, but not in Ohio. During his whistle-stop tour of the state his seventy rear-platform talks were enthusiastically received, and the crowds in the cities were reminiscent of the welcome given Franklin Roosevelt in 1936.

Governor Stevenson's managers believe, or at least say, that this turn-out has no political significance; it merely reflects public eagerness to see a military hero in the flesh. They may, of course, be right. Analysis of the big voting blocs fails to indicate anything like an Eisenhower sweep in Ohio. Only two groups are firmly in his corner: the white-collar workers, who have been hardest hit by inflation, and the farmers, who now appear to be more satisfied with the Republicans' agricultural policy than they were in 1948. On the other hand, the warm endorsement of Governor Stevenson by the American Federation of Labor and the Congress of Industrial Organisations may be an important



Herblock in the Washington Post

factor. While it is yet to be proved that labour leaders can deliver the labour vote, their endorsement can hardly be discounted in a state with a big industrial population. Democratic speakers emphasise the "contentment" of this group, as Republicans appeal to the "resentment" of white-collar workers and the business community. The Negroes, who vote more as a bloc than any other large group, and who remained loyal to the Democrats even when Senator Taft scored his triumph in 1950, favour Mr Stevenson because of his more forthright views on racial equality in employment.

Nevertheless, the Gallup Poll shows that General Eisenhower holds a better lead over his opponent than Governor Dewey, the Republican candidate in 1948, enjoyed at the same stage of his campaign. The issues which seem to interest audiences most are the Republican favourites—"the mess in Washington," the Korean stalemate, high taxes, inflation and the need for a change. President Truman's frontal assault on General Eisenhower's prestige has made a bad impression. Here, as elsewhere, the General enjoys an immense personal popularity, while his opponent remains an unfamiliar figure. Barring some resounding blunder, General Eisenhower should carry the state, though his margin may be small.

*

In congressional elections Ohio, one of the most conservative of the industrial states, usually votes Republican. The lively possibility that this year may produce a Republican President and a Democratic Senate adds importance, though it has not attracted much attention, to the contest for the junior senatorial seat. Compared to the race two years ago, which gave Senator Taft a majority of nearly half a million votes, there is little public interest—a condition that usually favours the incumbent. He is the conservative, one-time isolationist Republican Senator Bricker, who has been in the Senate for six years, and before that served six years as Governor of Ohio. In 1944 he was chosen to run as Governor Dewey's vice-presidential candidate to hold the isolationist vote. This year, he is attacking the Administration's foreign policy, especially in the Far East, and capitalising on the mingled anxiety and resentment with which many parents view the Korean war. Only the strongly internationalist press supports his opponent, Mr Michael Di Salle, former federal Price Administrator and one-time Mayor of Toledo, Ohio. Mr Di Salle is a genial, quick-witted public servant, with mild Fair Deal views, a genuine enthusiasm for the foreign policy of President Truman and Mr Acheson and an addiction to the new campaign technique of the "talkathon," a marathon question-and-answer session on television. He has an appealing personality, but in Ohio personalities are less important in senatorial than in presidential elections. The Bricker-Di Salle contest is a straight party affair, in which the Republican has the advantage, owing to his impressive reputation as a vote-getter and his superior party organisation. The Republicans take Mr Bricker's re-election for granted, and well-informed Democrats privately admit that their candidate has only an outside chance.

Senator Bricker is a greater favourite than General Eisenhower with Ohio Republicans. The reverse is true of Mr Charles Taft, the Senator's younger brother and the Republican candidate for Governor of Ohio. The present Governor, Mr Lausche, a Democrat, is now trying to win a fourth term, something unprecedented in Ohio's 150-year history. He is an able administrator and a politician of unusual gifts, who holds the Democratic state organisation in the palm of his hand. Thanks to his appeal to independent voters and to Republican businessmen, in the past

he has run 100,000 votes or more ahead of the national Democratic candidates.

The Republican nominee also has an impressive following among independents, especially those with strong religious and reformist views. He served the State Department well during the last war, has a reputation for fairness to labour, and is one of the country's leading Protestant laymen. Far less orthodox in his Republicanism than his more famous brother, he has won the support of the American Federation of Labor. But the younger Taft's reputation as a liberal Republican is his worst handicap this year, especially in his native Cincinnati, where his long service as a non-partisan member of the City Council earned him the enmity of the local Republican organisation. There is a saying current in Ohio that the governorship will be won by the candidate who suffers the fewest stabs in the back.

Governor Lausche makes a point of emphasising his independence of "labour domination." His ability to keep taxes down and to balance the budget—sometimes at the expense of the state's welfare institutions and the condition of its roads—has won him the gratitude of many Republican businessmen and industrialists. Mr Lausche supports Governor Stevenson, but is careful not to involve himself too deeply in national politics, realising that in state affairs party lines are relatively fluid. He is confident that his Democratic critics are outnumbered by Republicans who find Mr Charles Taft too much of a New Dealer.

Mr Taft realises that he has an uphill task, though he has the personal support of his brother. His name, a great one in Ohio, may help him more than an Eisenhower victory in the state. This is because, for the first time in a presidential year, voters will mark their choices for President and Vice-President on one ballot, and those for state officials on another. This "separate office" ballot was adopted in 1950 to benefit Senator Taft. This year, it will help the Republicans in the presidential contest, where Mr Lausche's popularity will be of no help to Governor Stevenson. And conversely it will help the Democrats in the state election, as Mr Charles Taft will get no help from the Eisenhower voters.

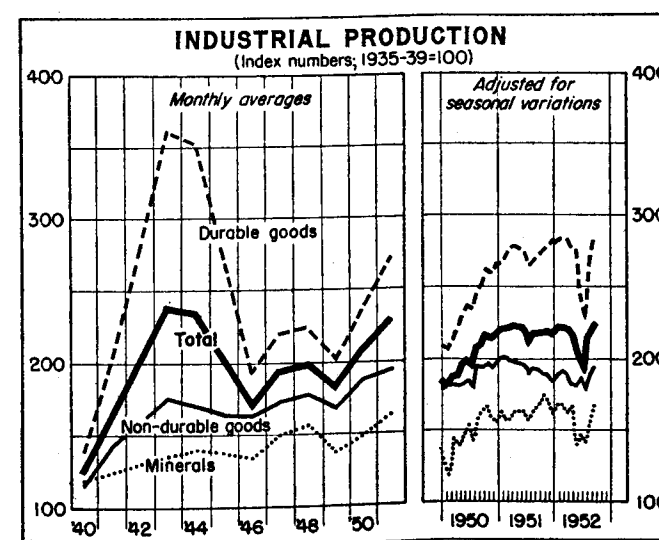
American Notes

After Mobilisation

The seventh quarterly report on the defence programme raises once more the problem which is bothering both businessmen and government experts: what will happen to the economy when defence spending reaches its peak next year? Mr Fowler, the new Director of Mobilisation, who plans to retire in December and therefore cannot afford to waste time getting to the point, has reported officially what he has long been saying, that industrial expansion has gone so well that materials will soon be available either to speed up the arms programme or to swell civilian production—if the demand for the latter exists, which some economists doubt.

The aim has always been to concentrate first on expanding the industrial base, and nearly half of the tax-aided expansion of plants and facilities will be complete this year. The actual production of arms is less advanced. In the third quarter, despite the steel strike, deliveries to the forces reached a total of \$8 billion, compared with \$7.7 billion in the second quarter. But of the \$129 billion appropriated for defence since the Korean shock in 1950, only \$41 billion of goods has been delivered and paid for. Another \$60 billion is already on order. Clearly, although defence spending may reach its peak in the middle of next year, the prospect is not for a sharp cut-off—a precipice down which business would fall—but for a plateau extending well into 1954.

For the moment the business barometer is set more than fair. As the chart shows, there has been an amazingly quick recovery from the steel strike and a slower one from the "slump within the boom" which took place earlier this



year. Textiles, television sets, and chemicals are finding ready buyers. Unemployment, at 1,438,000, is at its postwar low. The period of heavy liquidation of inventories is over. Production as a whole has never been higher in peacetime. But Mr Turner, the new member of the Council of Economic Advisers who made the flesh of business creep last month by announcing that defence spending had virtually reached its peak, unquestionably is right in insisting that the slower rate of increase in defence spending to be expected from now on will deprive business of a powerful stimulus. Nor

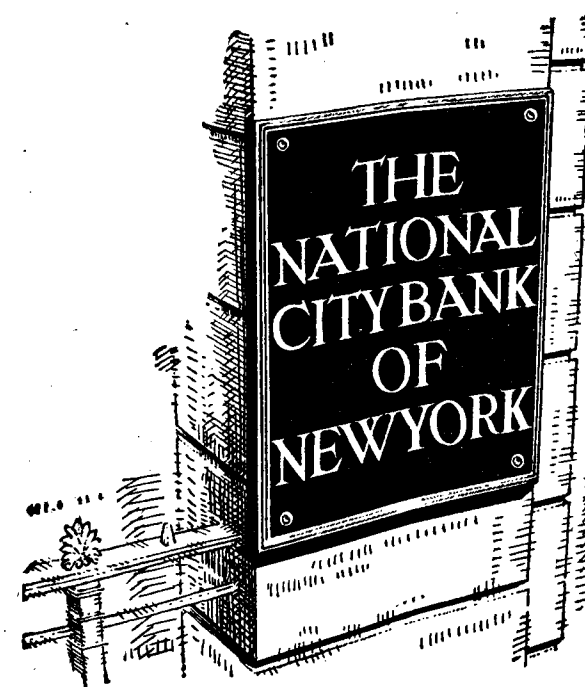
can it rely on the pent-up civilian demand which sustained prosperity after the war. There are no consumer shortages today.

Mr Fowler, who is more concerned with the physical opportunities, would like to see the arms goals for 1955 met, as far as possible, in 1954; he would like to fill out the mobilisation base to be completely ready for a full-scale war; and to divert some materials to building schools, hospitals, and roads. If the economy is to be kept going full tilt, he considers controls will still be necessary—materials priorities for the defence and atomic energy programmes, and standby wage and price controls. The question whether arms production should be speeded up is first of all one for the services; and it would mean asking for more money. But in the end the answer will depend on the new President, on General Eisenhower, who in office may not be quite so scornful of "today's artificial war prosperity" or on Governor Stevenson, who has indignantly rejected the idea that arms spending is anything but a painful necessity.

* * *

Candidates on the Wing

The presidential candidates, whose voices were momentarily drowned out by President Truman's blasts at the whistle-stops, are now darting about the country, shoring up their own weak spots and feeling for each other's vulnerable states. Their progress is made all the more hectic by the suspicion that a larger number of voters than usual have not made up their minds yet. Inevitably the nominees turn up in the same places. General Eisenhower and Governor Stevenson have both renewed their wooing of doubtful and powerful California; by the end of the week the Governor will have followed the General into Texas, which the Republicans hope to detach from the Democratic South by promis-



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ing to favour state control of oil under the water along the coasts.

Governor Stevenson's strategy in Louisiana and Florida, two other shaky columns of the solid South, has been to take a firm stand on tidelands oil and Negro rights. He can be relied on to do the same in Texas, and then to go on, as he has before, to argue that the South has particular reason for echoing the Democratic slogan "Don't let them take it away." For the South has benefited more than any other region from Democratic prosperity. One of the ironies of the campaign is that it is just this prosperity which has created a southern middle class that is beginning to feel it is respectable to vote Republican. But it is probably too soon for the Republicans to make many inroads in the South. Indeed, is is a question whether both candidates are not spending time in the South which might more profitably be invested in the larger and more doubtful states in the north and west. There is no question that in the campaign's last weeks both candidates are driven more and more to repeating themselves, though at Salt Lake City this week Governor Stevenson enlarged effectively upon a theme he has only touched on before: the Republicans' extraordinary attempt to convince the voters that America, at the height of its prosperity, power, and opportunities, is isolated, half defeated and half bankrupt, and wholly miserable.

The latest Gallup poll suggests that Governor Stevenson is catching up, with 45 per cent instead of 43 per cent of the voters favouring him, 49 per cent instead of 51 per cent favouring the General, and 6 per cent still undecided. The puzzle is whether, as he becomes better known, he can draw even in the fortnight or so which remains. One factor in the General's slipping popularity may well have been the humiliating lengths to which he has felt he had to go to persuade members of his own party in the middle west to vote for him. General Eisenhower will breathe more freely in the purer air of the two coasts, where he can devote himself to the task of winning back the thoughtful voters who have been alienated by this performance.

Mr Carey's Boomerang

Mr James Carey, president of the International Union of Electrical Workers, has resigned from three government advisory boards as a protest against the award of defence contracts to the General Electric Company. Mr Carey's complaint is that this is a danger to national security, since the company recognises a rival union, the United Electrical Workers, which was expelled from the Congress of Industrial Organisations on the ground that it was Communist-controlled. The grievance against General Electric is an old one. What has brought it to a head is that the Electrical Workers have just concluded a new contract and the company refuses to give Mr Carey's men any better terms.

The advantages to General Electric of dealing with two rival unions, one of which is too weak and isolated to put up much of a fight, are obvious. Mr Carey's exasperation is natural. The company is in a strong enough position to declare that it will make no further concessions, strike or no strike. Mr Carey's backing is much more doubtful. The two biggest locals in his union have voted to accept the company's terms, and there is some criticism inside the union of Mr Carey's emotional leadership. He, and his fellow officers say they will resign their union posts rather than accept General Electric's offer.

Four years ago the General Electric Company was forced by the Atomic Energy Commission to withdraw recognition from the Electrical Workers in plants where work was being done for the commission. This could be defended, on the ground of security, though it was no substitute for careful screening of individual workers who might stumble on a

secret. But Mr Carey is asking government departments to assume the power of life and death over trade unions working in a plant where any sort of government work is done. Even the Taft-Hartley Act merely made it impossible for trade unions with Communist officers to use the government labour services. Who would have the task of deciding whether a union was Communist-controlled? The possible abuses of such power are so great that one wonders if Mr Carey has really stopped to consider them. After all, the Communist-controlled trade unions lost nearly all their influence and importance when they were expelled from the Congress of Industrial Organisations several years ago.

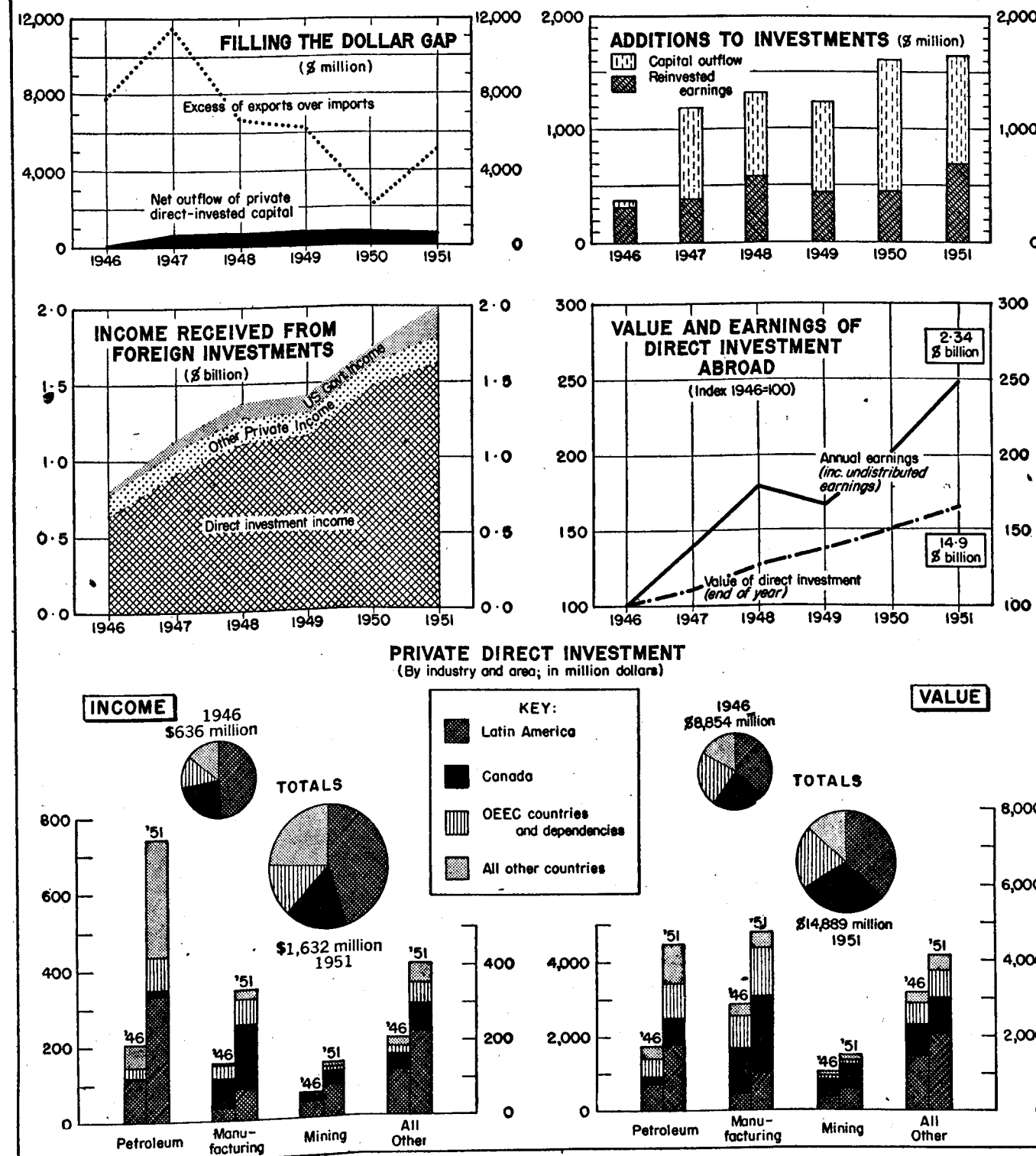
Cooler Inside

Most of Texas sweltered during the long heat wave this summer, when thermometers rose to 100° for weeks on end. But residents of Dallas had a brief respite as well as a glimpse of future comfort when they inspected the nation's first group of low-cost houses completely equipped for air-conditioning. Built to sell at \$12,500 (which is still "low-cost" in America, although the official equivalent is £4,500), these three-bedroom houses have a combined heating and cooling system, using gas and electricity, which costs about \$140 a year to operate and will enable families to maintain whatever indoor temperature they fancy even though outside temperatures range from 105° in the summer to 30° in the winter. Housing contractors from all over the country braved the Texas heat to visit the project and some declared that in a few years no house in the price range above \$15,000 will be constructed without central air conditioning.

Postwar incomes and advertising methods have made air conditioning seem more like a necessity than a luxury, a feat that makers of other major appliances look upon with wonder when they recall that it took eighteen years before the millionth refrigerator was sold. Only in 1947 did the electrical trade journal begin to list sales of one-room cooling units, but by the end of this year it is estimated that 500,000 homes will have them. These units, the smallest air conditioning equipment available ($\frac{1}{4}$ to 1 horsepower) are still the cheapest and most popular coolers, selling for from \$200 to \$400. While the long-term trend may be, as the builders believe, towards larger units which control temperatures throughout the house, there is also a big market for the small units, especially in older houses that do not have the special wiring or air ducts needed for centralised systems.

The principal firms making the room coolers, who were caught short by unexpected demand this summer, are in some cases doubling their output for next year's season. Even so, such production will occupy only a fraction of the capacity of an industry that has just climbed into the billion-dollar-a-year class. The bulk of its sales are to industrial and commercial users: cinemas, shops, restaurants and office buildings. The largest commercial installation in the world (the biggest general unit is at the Department of Defence in Washington) was recently made in some Pittsburgh office buildings where there is a control box in each of 6,013 rooms to permit individual selection of temperature. Motor cars have been the newest addition to the air conditioners' market; 1953 models of the Cadillac, Oldsmobile, and perhaps the Chrysler and Packard cars will have air conditioners as optional equipment (\$400 to \$700 extra). However, the air conditioning industry is not spending all its time counting potential customers, agreeable as that may be, but is devoting energy and attention to bettering its products; home air conditioning of the future will not only control temperature and humidity but, we are told, will also deal out death to bacteria with one device and waft the fragrance of flowers through the air with another. One must hope that the wires will never get crossed.

AMERICAN INVESTMENT ABROAD — 1946-1951



President Truman's Point Four Programme is now in its second stage; the groundwork of technical assistance for under-developed areas has been laid and the time has come for an intensified effort to encourage private American investment in these countries. Such investment will not only benefit the under-developed areas, but help to fill the dollar gap left by the United States export surplus. As the first chart shows, since the war new private investment abroad, although it has been gradually rising, has been most inadequate in this respect. An annual outflow of about \$4 billion would be more in keeping with what is needed, but it seems doubtful that private investment can be increased to this extent in the foreseeable future, even though the outflow of capital this year is running at about double last year's rate.

Much of the new investment abroad since the war has been in petroleum development, but in 1951 a larger proportion of capital began to go into other industries. Most of this new investment, however, was in the Western Hemisphere rather than in the European countries that have a greater need for dollars. The yield on these foreign investments is very substantial and receipts from them have been growing rapidly since the war, because of the increasing American interest in productive facilities abroad, the expansion in output from them and the rise in the general price level. The charts are based on articles in the August and September issues of the *Survey of Current Business*, published by the United States Department of Commerce.

Health in Politics

This summer the Brookings Institution published a survey of American health resources which found that the average death rate has been very greatly reduced in the past fifty years and that most people enjoy increasingly good health. There are still wide differences between the health of whites and non-whites, and between poorer and richer states, but these are narrowing. Yet the problem of making adequate medical care available to all and enabling people to meet its cost remains serious. General Eisenhower recognised this in his speech at Los Angeles; instead of merely denouncing "socialised medicine" as he has done before, he suggested that reliance should be placed on the system of voluntary non-profit insurance plans which have expanded so rapidly in the last decade. Federal loans to these plans, he thought, might help them to insure against the serious illness which is a catastrophe to a whole family.

Governor Stevenson's position is not vastly different. He too is against "socialised medicine," though he would not call the six-year-old Act for federal aid for hospital construction socialism. But he showed a willingness to consider any solution—and in particular the report of the President's Commission on Health Needs which is to be submitted in December. The American Medical Association evidently trusts General Eisenhower not to, if he is elected. The association has just wound up a successful campaign against compulsory health insurance and the leaders of it are now devoting their very great propaganda talents to securing General Eisenhower's success. The leadership of the AMA has no confidence in the President's commission, though it is headed by an eminent doctor and he has been given a free hand. Last June the association's House of Delegates was asked to condemn Dr Magnuson's report sight unseen; indeed, hearings were only completed this month.

A great variety of opinions has been heard, ranging from that of the US Chamber of Commerce, which urges that if only people would give up alcohol and tobacco they could pay their medical bills, to those of the trade unions, who want a complete compulsory system of insurance. Representatives of the voluntary insurance schemes were heard with respect. A survey last year showed that 86 million Americans had protection against hospital expenses, 65 million against surgical expenses, and 28 million against medical expenses. At the end of the war only 22 million people had any form of health insurance. There is, of course, much overlapping. Spokesmen for the schemes do not pretend they are perfect, though they have kept the hospitals afloat. They concede that coverage is limited; and argue that better service could be given if the hospitals did not lose money treating the poor. Some of them suggested that it would be preferable to provide medical care, rather than insure against doctors' charges. But the practice of group medicine is something that the more short-sighted doctors hotly oppose.

Pay As You Leave

The F. W. Woolworth and S. S. Kresge companies, perhaps the most famous chains of "variety stores"—the name "five and ten" (cents) is vanishing beneath the flood of inflation—are joining the postwar rush into self-service. The Woolworth shop in New York, where an experimental beginning has been made with help-yourself and pay-as-you-leave, claims to have made the change because nowadays customers like to choose for themselves and not to have to wait until they can attract the attention of an assistant. But much of the attraction of self-service, to managers and shoppers alike, arises out of the difficulty of finding and keeping trained labour in retail trade. And the high cost of that labour at a time of growing competition is in most cases an even more important factor.

The complete self-service system worked out by the super-

markets, where customers collect all their groceries and food-stuffs in a wheeled basket from under one roof and pay as they leave through a turnstile, was one of the reasons why they could undersell other types of food stores in the depression years. Their postwar growth—with under five per cent of the retail units, supermarkets are now responsible for one-third of the food business—seems to be due, however, as much to their success in cashing in on the modern way of life as to their lower prices. People can now afford to buy food in quantity, they have cars to take it home in and refrigerators to keep it in and they like to make their choice at leisure from a large stock in an airy modern building. Competition within the supermarket field has become severe and as a result these markets, in order to increase their turnover, are stocking goods other than food; profit margins are also higher on such things as cigarettes and toilet articles. The supermarket is in fact taking on the character of a general shop, another reason why variety chains and drug stores are going into self-service.

One result of the rush into self-service is that manufacturers of more and more goods are developing their own brands; it has been found, for example, that socks and stockings can only be sold satisfactorily by self-service under a well-known label and independent makers of inexpensive hosiery are co-operating to overcome this difficulty. Stockings also bring up another self-service problem, that of packaging; a new "Stocking Stik," a tube nearly two feet long, has the advantage that a shopper cannot put it in his pocket; it thus reduces pilferage, always a serious question where small articles are concerned. Clear plastic wrappings have done much to make the spread of self-service possible, for fragile goods can be seen and even handled without being soiled. And these wrappings are attractive enough to have satisfactory "impulse appeal"; tempted by the display of goods on the open shelves, customers find themselves paying as they leave for more than they had planned to buy.

Shorter Notes

Tourist air fares on trans-Atlantic routes this summer have been an outstanding success, with a fifty per cent increase in passengers compared with the same three months of 1951. On the two major American airlines providing this service, 39,000 of the total of 73,000 travellers between May 1st and August 15th paid the new fares, which are \$486 for the New York-London return flight compared with the first class fare of \$711. Next summer's tourists will find that the scheme will operate in intra-European travel as well.

Chippewa Indians of the Turtle Mountain reservation in North Dakota will be enrolled in defence production when they start training soon for the manufacture of the tiny jewel bearings needed in timing devices. At present the United States imports 100 million of these bearings a year from Switzerland, but the desire to have a domestic source of supply outweighs the price factor; the domestic bearings will cost at least 20 cents, while the Swiss ones average 8 cents. The Indian Affairs Commission of North Dakota, which maintains that the Chippewas have the necessary precision skill for the work, has persuaded the government to set up a small factory there which will turn out 9 million bearings a year when in full production. Already an attempt is being made to protect this infant industry by putting a tariff on imported jewel bearings.

The Census Bureau reports that the high marriage rate, prosperity, and the large volume of new houses are reducing the size of the average American household. It was made up of 3.33 persons last April, 3.59 in 1947, and 3.67 in 1940.

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THE WORLD OVERSEAS

Growing Pains in Turkey

TURKEY'S staunch determination to defend its independence is the subject of a Note on page 145. The domestic political and economic basis of this effort have received less notice, since the Turks do not make a fuss about their internal affairs. Yet the growing pains of a democratic state and the setbacks and successes of building up an under-developed economy form an essential part of the picture.

Although the Turks present a serene front to the world the political scene in Ankara is far from dull. The Democratic Party is not as united as it was; there have been discontented grumblings at the Prime Minister's tendency to take too much upon his own shoulders. Mr Menderes, however, is a man of considerable stature whose failure to observe some of the niceties of democratic procedure may be due to the extent to which he towers above his colleagues. In any case his assertion of the office of Prime Minister over and above that of the President may mark an important stage in Turkey's democratic constitutional development. In some ways, however, the Democrats have found it easier to fall into some of their predecessors' faults than to carry out the programme they set themselves in the spring of 1950. Presented with a novel phenomenon in Turkish life—a constitutional opposition—they have very naturally not always realised that to try to stifle criticism, particularly in the press, is not the best way of dealing with it.

Since its dramatic defeat at the polls in May, 1950, Ataturk's People's Republican Party has manfully carried out the dictum that the chief duty of an opposition is to oppose. It attacks the government on the widest possible front, from its alleged inability to maintain public order to its failure to close the growing gap in the balance of payments. But it seems unlikely that it can shake the stability of the Democratic regime with its massive parliamentary majority. The PRP's opposition tends to suffer from its very diversity, which betrays the conflicting tendencies within its ranks and prevents it from presenting the country with a strong coherent policy as an alternative to what the Democrats have to offer.

In the economic field the Democrats, like their predecessors, have benefited enormously from American aid. Up to the end of last June over \$144 million of Marshal Aid alone had been poured into the economy. The Government has avoided the fatal mistake of treating agriculture as a poor relation whose interests could be safely thrust to one side in the pursuit of industrial glory. In fact, of course, the greater part of Turkey's national wealth lies in and under the soil. Agriculture provides a livelihood for about 75 per cent of the population, and in 1948 accounted for about 47 per cent of the national income. Its expansion is vitally necessary both to help close the gap in the country's balance of payments and—even more important—to feed the rapidly increasing number of mouths.

At the opening of the Izmir International Fair last August the Minister of Economy and Commerce said that Turkey's main economic problem was to improve the productivity of the nation's villagers, to raise their standard of living and to increase their purchasing power. The solution of this problem must largely depend on the extent to which the Government can bring the villages into closer contact with each other and with the towns. In its plan to develop communications, it has sharply stepped up the amount invested

in roads—from £T60 million in 1950 to £T134 million in the present year—and has continued the sensible policy of constructing as wide a network as possible of rough but adequate roads instead of concentrating on a few impressive first-class ones.

Increasing agricultural production is bound to be a lengthy business, if only because the Turkish villager is set in his ways and does not always immediately see the point of growing much more than he and his family need for themselves. All the same, the determined efforts of the Government to increase the area under cultivation and its policy of rapid mechanisation are already bearing fruit: this year's cotton yield is 160,000 tons compared with 155,000 tons last year, and the bumper cereal harvest of over 11,500,000 tons was not entirely due to the kindness of the weather. The area under cereal cultivation, which before the war averaged about 17 million acres, rose to nearly 22 million acres in 1951 and to nearly 25 million in 1952. The number of tractors in the country rose from about 2,000 in 1948 to about 24,000 at the present time.

Tractors Without Mechanics

Rapid mechanisation, however, has not been without its drawbacks. There is a danger that it may lead to a growth of economic and social inequality in the villages; the poorer peasants do not find it easy to buy tractors and other machinery, even on the easy credit terms allowed by the Agricultural Bank, and they are sometimes forced to hire on stiff terms from their richer neighbours. Again, fears have been voiced that so long as the rate of industrial expansion remains comparatively slow, the rapid mechanisation of agriculture may increase the serious underemployment already existing in the villages. There is also inevitably the Turkish farmers' lack of mechanical skill, which leads to an unduly high casualty rate amongst the farm machinery. The Ministries of Agriculture and Education are now making a joint effort to overcome this difficulty through a three-year £20 million plan to build seventeen centres for the training of agricultural technicians.

The exploitation of Turkey's great mineral wealth has been going ahead steadily in recent years. Last year increases in production over the 1948 level amounted to 12 per cent for coal, 43 per cent for iron ore, 80 per cent for pig iron, 17 per cent for steel, 57 per cent for chrome and 118 per cent for copper. Coal production, which in 1938 was about 2,500,000 tons, rose to over 4,700,000 tons in 1951; iron rose from about 77,000 tons to nearly 220,000 tons; and crude steel production which was negligible in 1938, amounted to over 135,000 tons last year.

Turkish industry, however, is still crying out for capital investment. The transfer to private hands of some of the huge state-owned enterprises, which formed an important plank in the Democrat's election programme, has proceeded only at a snail's pace because the supply of private capital is limited; in any case no one wants to put his money into enterprises many of which have not been run at a profit. But a beginning has been made in the abolition of state monopolies.

The Government is doing its best to persuade the Turk to overcome his reluctance to invest his savings in industry, and it is in fact probable that the amount of private invest-

ment is not now as small as it is sometimes thought to be. In a speech last June, President Bayar urged private enterprise to "take the initiative in the industrialisation of Turkey" and promised wholehearted technical and financial backing by the state. In 1950 the Industrial Development Bank was founded to provide private individuals with the long-term capital that the ordinary banks could not supply. It began operations in March, 1951, with funds provided by private Turkish capital, by the World Bank and by ERP counterpart funds. By the end of last July it had received 915 requests for loans and had approved 103, amounting to T£52.2 million, principally for textiles, cement and the building materials industry.

It is significant of present trends that private investors, in theory at any rate, will play a part, together with the Government and the World Bank, in financing the ambitious plans for the development of the rich Adana plain by means of flood control, irrigation and hydro-electric power; and that the power plant, when completed, will be turned over to a private company. The flow of private foreign investment, however, is only moderate so far. Since the law of August, 1951, which was designed to attract foreign investment to Turkey, less than ten of the 70 applications received have been granted; in any case, foreign investment is only allowed to supply 50 per cent of the capital required by any undertaking.

The Government's extensive plans for the development of the Turkish economy have produced one formidable snag—the growing deficit in the balance of payments caused chiefly by large imports of the capital goods which Turkey cannot itself supply. The adverse balance for the first seven months of this year was T£299.5 million, compared with T£95.5 million in the comparable period of 1951. The position will probably pick up somewhat now that Turkey's normal exporting season has started again, particularly as with the good harvest and the increased production of such minerals as coal, chrome and copper there will be no dearth of Turkey's main exports—provided markets can be found for them. The Government has so far refused to abandon the liberalisation of trade introduced two years ago. It takes the line that in the long run Turkey stands to gain from a liberal import policy which makes possible the modernisation and mechanisation of industry and a consequent rise in the standard of living. But it seems unlikely that it will be able to stick to its guns unless Turkey can achieve some notable successes on the world markets.

Ten Days' Council in the Kremlin

THE culminating point of the 19th All-Union Congress, after ten days packed with speeches, greetings and resolutions, was a short speech by Stalin which is commented on elsewhere. To an outsider the debates may have seemed somewhat dreary, with controversy conspicuously absent. Yet, this was the first opportunity since 1939 to hear so many important Soviet personalities making official pronouncements; and these daily meetings have provided some insight into Soviet life and plans, into the economic and political problems facing the Party.

If there was no controversy there were, on the other hand, apparent contradictions, a semblance of discord. Stalin, in his article published on the eve of the Congress, drew a picture of the western world threatened by internal conflicts and minimised the danger to the Soviet Union. Yet many speakers insisted on the threat of aggressive western imperialism. Some delegates stressed the might of the Soviet economy, others its shortcomings. Some spoke of the proximity of Communism, others of the reckless dreamers, "dizzy with success," who hope to storm their way to a Communist

society. This picture of discord is, however, deceptive. The main purpose of the Congress was simultaneously to reassure Soviet citizens and yet prevent them from resting on their laurels, to arouse pride in their achievement and yet spur them on to further work. It was necessary to show both the successes and the shortcomings, the might and the threat, the distant goal and the path to be travelled. There was no real contradiction in all these statements. They were only different facets of the same tableau and various actors were given different parts to perform.

THE VOICE OF THE GENERALS: The task of extolling the striking power of the Soviet army was given to Marshal Bulganin the political chief of the forces, and to Marshal Vassilevsky, its military head and minister of war. The latter emphasised the high quality of the officer corps and claimed that about nine out of ten officers on active service and six out of ten in the reserve took part in the last war. Some 86 per cent of the officers on active service are party members. In another passage Vassilevsky disclosed that the last five-year plan has made it possible to supply the Soviet forces with arms much superior to those they had during the war and that the new plan will allow even more striking progress. Bulganin repeated that the switch-over to war production was carried out partly in three to four months and completely in about a year.

VOICE OF THE PLANNERS: During the economic debate Bulganin declared openly that, "while the plan is another proof that the Soviet people are giving all their strength to peaceful construction . . . we make no secret of the fact that our economy can in the shortest possible time be switched over to a war footing." He also said that the technological improvement and training of cadres envisaged in the plan will further strengthen the defensive capacity of the country. Herein lies the crux of the matter: the Marshal and the head of the State Planning Commission, Saburov, look at the same problem from two different angles. Rearmament must be a heavy drain on the Soviet economy, but otherwise it is a means of allotting a big slice of the national income to investment.

In the current period emphasis again is laid on heavy industry, and this would have been so—though to a lesser extent—without the arms race. The ambitious plans for agriculture and consumer industries will be fulfilled only if productivity increases according to schedule. Yet, even if they are, total consumption will be raised by less than one third. Investment, on the other hand—including defence investment—should be doubled during the quinquennium. Thus, the planners can praise Soviet economic progress while the marshals claim great strides in military preparedness.

Delegates from the Frontiers

ALLIES AND NATIONALITIES: The strengthening of the ties within the Soviet bloc was emphasised. When referring to military preparedness they talked of the united forces from the Pacific to the Elbe. There was also much talk of closer economic co-operation. The delegates of Communist parties of the Soviet bloc and those of other foreign countries—there were 43 delegations altogether—were applauded copiously and kept all the time in the lime-light.

Prominent among the speakers were also the representatives of the various Soviet nationalities. Regional meetings preceding this Congress have shown that nationalism still raises its head in many republics. A special effort seems to have been made, therefore, to show the cohesion of the whole country, particularly the allegiance of the border states. A disproportionately great amount of time was devoted to the Baltic republics, while vice-premier Beria drew special attention to the economic progress of the Soviet republics of Central Asia compared with Middle East states.

POST-REVOLUTIONARY GENERATION: Some light on the puzzling changes in the Party statute is thrown by the

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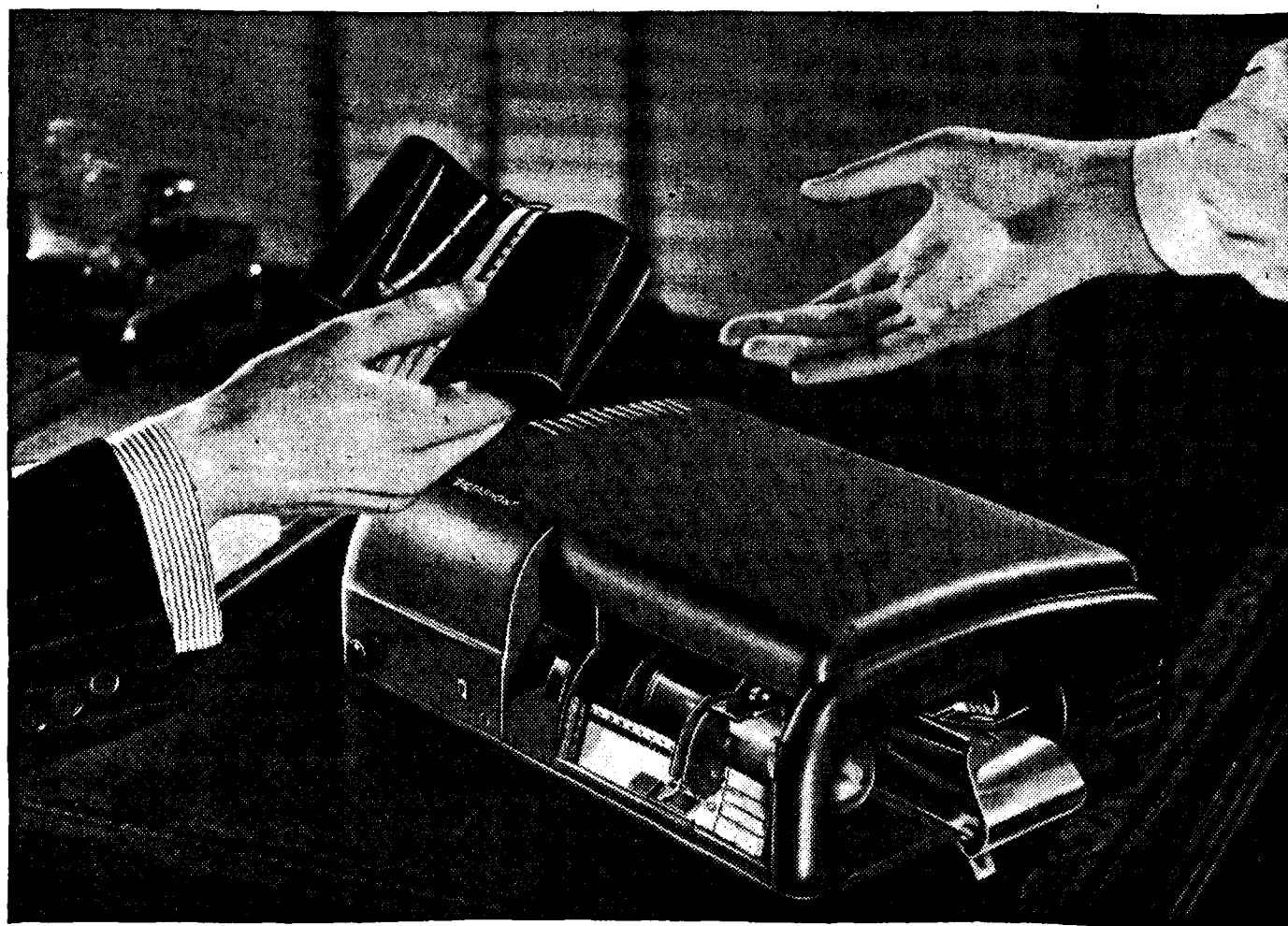
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report of the Credentials Commission, which has analysed the age structure and the length of Party service of the delegates. It shows that out of nearly 1,200 delegates with voting power only a handful, less than 20, had joined the Party before 1917. Since the representatives are usually chosen among the elder, more seasoned members holding important posts, it can be safely assumed that there are very few old Bolsheviks left in the ranks of the Party and not very many who have joined in the pre-Stalinist era. In fact, about three-quarters of the total membership is accounted for by newcomers, who have joined since 1939. They entered the ranks during the war when screening was very superficial, and one of the urgent tasks now is to educate and discipline them so as to recover for the Party the character of a devoted élite.

NEW STATUTE AND PROGRAMME: On the dropping of the fifty year old title "Bolshevik" and on other proposed changes in the statute M. Khrushchev added no new information. Despite the apparent encouragement of criticism, it was accepted without alteration by the Congress. The main purpose of the changes, which strengthen still further the control of the Party by its higher organs, seems to be to close every possible loophole for deviations and divisions. The Congress appointed a special commission to prepare a new Party programme. A similar commission was elected in 1939 but it produced no tangible result. Thus the Party is still, in theory, bound by its old programme drawn up in 1919, which has certainly been made out of date by the vast and rapid changes which have transformed Soviet society. Stalin himself is again the chairman of the Commission and his new pamphlet is to serve as a guide for the draftsmen.

NEW CENTRAL COMMITTEE: Finally, the Congress elected its standing body, the Central Committee of the Party. Since the election is really settled from above, it is interesting to see what changes have been brought about. The committee's membership has nearly doubled, increasing from 71 to 125. It will tend to be unwieldy and probably become even more subservient to the Presidium—the heir of the Politburo—or the Secretariat. What these changes signify will be considered in a later article.

Indonesia's Deceptive Stability

[FROM A CORRESPONDENT]

THE comparative quiet of the last few months in Indonesia presents a deceptively stable picture. No great strikes, no violent armed upheavals, no startling threats to the currency—all this is true and to the good. It deceptively suggests, however, that a firm and purposeful policy has at last been pursued; in reality there has been a downward trend in the nation's economy and a drift to the left in political affairs.

Of Indonesia's two leading parties—the *Masyumi* (the Moslem party) and the PNI (*Partai Nasional Indonesia*)—the PNI seems to have adopted an anti-foreigner, and particularly an anti-American, attitude during the past few months. On many of the unofficial committees, for instance, which set themselves up to organise the celebrations for Independence Day on August 17th, members of the PNI made great play of their brotherhood with the Communists, a fact which fitted neatly into the Party's present tactic of a united popular front. Great interest has also been shown by the press in the so-called Asian Peace Conference at Peking. These left-wing enthusiasms, however, have left the Government cold and it has done what it could to keep them in check. Mr. Mukarto, the Foreign Minister, has warned against a

hasty approach to Moscow and the delegates to the Peking Conference have been denied any official status.

Unfortunately the *Masyumi* is at this moment split into two factions, one led by Dr. Mohammed Natsir, the former prime minister, the other a religious rather than political movement calling itself the *Nahdlatul Ulama*. It is to be hoped that the factions will come together or, at least, not oppose one another, in the general elections which are expected about next April. In the villages, the various parties are already active with "political instruction" and propaganda, and this activity is certain to increase month by month; one of the most active bodies is SOBSI, the Communist dominated trade union organisation. A disruptive element will be provided by the numerous illegal armed organisations, especially the *Darul Islam* in West Java who strongly disapprove of the elections and can be relied on to endanger the security of the voter as much as possible. It is probable, however, that if the *Masyumi* sticks together it will emerge at the head of the poll largely because of the established prestige of its leaders and the innate conservatism of the people in the rural districts. These personal factors count for even more than the influence of religion.

Theft and Low Productivity

The economic situation is the old tale of low productivity and high pilferage, non-competitive prices and the closing of estates. The sugar companies, for instance, have announced that the yield is not more than 80 per cent of the expected figure, and that about a further 30 per cent has been stolen. The loss to the industry through theft and low productivity is estimated at Rp.62 million, with the result that many estate-owning companies are now financially on their last legs. Moreover, all commerce has been subjected to a severe strain by the new import regulations, which stipulate that when an application is made for a licence to import, 40 per cent of the value must first be deposited with the Government. Then, when the licence is granted, the usual credit is opened through a bank to the full value of the goods, and the 40 per cent already paid has to be reclaimed from the Government. But since the banks have been forbidden to grant overdrafts to meet this new outlay, or to increase existing overdrafts, any business which relies on such imported consumer goods as materials and machinery requires a good deal of extra ready cash to finance its current trading. Such ready cash is scarce.

The capital, Djakarta, has lately been in a constant buzz of rumours and counter-rumours about devaluation. The Government is, indeed, deeply concerned about the stability of the currency. The Foreign Minister has proposed to the cabinet that Indonesia should join the Colombo Plan and its reaction, not finally known as yet, should be of great interest. In the past the Indonesians have avoided the Colombo Plan, first, because they felt it imposed conditions which do not accord with the country's "neutral policy," and, secondly, because they would therefore presumably expect some sort of special treatment to relieve their qualms.

But it is the lack of security in West Java which now causes the most public alarm. Sumatra is quiet; East Java, once a major centre of gang warfare, has been cleared and the city of Surabaya is no longer under a curfew. West Java alone remains unsettled. The main areas of disturbance are in the hills around Bandung, long the centre of the *Darul Islam* insurgents, and on the northern coastal plain near Tjirebon (formerly Cheribon). The gangs are short of funds, and kidnappings, which include Europeans, have taken place around the local sugar factories, even within a few miles of Tjirebon itself. The main coast road from Djakarta has been closed for some miles and traffic diverted because of gang activities. The army, the TNI, is doing its best, but the country is ideal for the professional guerrilla and the casual bandit. However, limited trouble in certain areas of Java is far preferable to the ubiquitous gangsterism which prevailed at certain periods in the past.

Free Europe in Munich

[FROM A SPECIAL CORRESPONDENT]

BROADCASTING to the lands beyond the Iron Curtain is an uncomfortable profession. Those who practise it are exposed not only to the invective of the Stalinists and of their allies on this side of the curtain, but also to a volume of friendly and unfriendly advice, well- and ill-formed, from the numerous political, national, sectional or technical groups who think they could do the job better. The organisers of Radio Free Europe in Munich suffer from two further disadvantages: the impact of the American presidential campaign and the environment of present-day Germany.

Radio Free Europe is more than an organisation for the diffusion of news and political propaganda to enslaved Eastern Europe. A determined and surprisingly successful attempt has been made to create complete, free broadcasting stations for several of the East European nations. These stations, of course, devote a great deal of their time to news bulletins, polemical commentary on events in Eastern Europe, and talks on various aspects of political and social life in the free world. But they also have their cultural programmes, with music, songs and plays performed by nationals in their own languages. Polish, Czechoslovak and Hungarian stations have already been established. The emigrations from these countries include talented writers, artists, economists and political journalists. In Radio Free Europe some of these have been given an opportunity to exercise their talents in a manner that they can hope will be of some service to their compatriots behind the curtain.

Episodes such as the controversy provoked in the American and European press by the statements of Mr Eisenhower and Mr Dulles on the liberation of Eastern Europe immensely complicate the task. All East European exiles, except those who are willing to forget their nationality and become citizens of the United States or of some American or European country, fervently desire the liberation of their homelands. This is especially the case of those employed in Radio Free Europe, who are only there because they wish to make their small personal contributions to that end. They are understandably depressed by evidence that a large section of West European public opinion is indifferent to the fate of Eastern Europe, and correspondingly pleased by evidence of the strength of contrary opinions. But this does not mean that they are happy to see the future of their countries made a subject of electoral demagoguery.

The fear has sometimes been expressed that Radio Free Europe, by taking a militant and crusading attitude, would arouse false hopes beyond the curtain, would encourage premature and hopeless adventures, in which patriots would perish and reprisals would fall on whole nations. This fear is hardly supported by the facts. Both the leading personalities in the national stations, and their American advisers, are well aware of the harm that such an attitude could cause, and are on their guard against it. On the other hand, they are aware of the danger that if hope of liberation is withheld, moral resistance weakens. They must somehow steer between the Scylla of enthusiasm and the Charybdis of despair, with no magic political compass to guide them. But if they cannot offer a time-table of deliverance, there is yet much that they can do. They can give their audience evidence that the free world has not forgotten them. They can tell them that there is a free world, and tell them how its inmates live. Above all, they can maintain the cultural, moral and national traditions of their nations.

It is in the cultural field that the Stalinist onslaught is most deadly, and it is here that defence and counter-attack are most important. For example, the Stalinists attach great

importance to the falsification of history. To rob the nation of the memory of its heroes and statesmen is no less important than to rob the peasant of his crop or the worker of the product of his labour. Cultural Stalinisation can be fought only by representatives of the culture that is under attack. The chief merit of Radio Free Europe is that its Polish listeners hear programmes that are not only conducted in the Polish language, but planned by Poles for Poles. Czechs and Hungarians can be told the facts about their past which their present rulers conceal or distort. But to denounce the lies of the Communists does not mean falling back into the chauvinist spirit in which historical and cultural problems were so often handled between the world wars. The common sufferings of the East European peoples make them more receptive than in the past to the idea that they should think of their Baltic and Danubian neighbours as friends. Daily contact between the Polish, Czech, Slovak and Hungarian writers and technicians in Radio Free Europe seems to be helping mutual understanding. But all these are long-term trends. No broadcast propaganda will produce quick results. This the American organisers of Radio Free Europe understand.

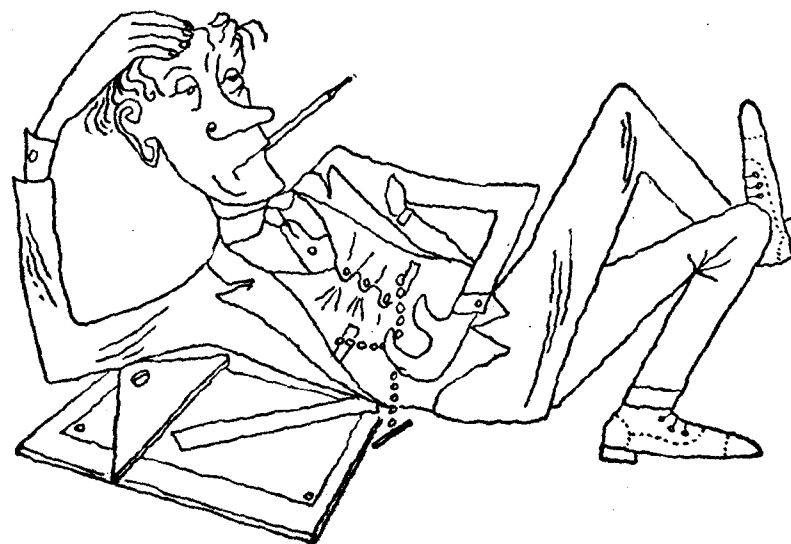
Fanatics of the Sidelines

The choice of Munich as the site of Radio Free Europe can be defended on various grounds, but the environment has its disadvantages. One in every nine inhabitants of Bavaria has been expelled from Czechoslovakia: in the city itself the proportion of *Sudetendeutsche* is still higher. These people have good reason to hate not only the Czech Communists but also other Czech political groups which shared with the Communists the responsibility for their expulsion. It is true that many of the expelled have found a decent place within the West German economy. It is true also that many understand that, whatever the future of Central Europe, the German and Czech nations must live side by side in peace, and that the bleak succession of atrocity and counter-atrocity must be ended. Unfortunately, however, among the politically active *Sudetendeutsche* the spirit of chauvinism is alive and vigorous. It is personified in the leader of the *Sudetendeutsche Landmannschaft*, Lodgman von Auen, a pre-1914 pan-German who has learned nothing and forgotten nothing, a man more civilised than Hitler, but an heir to the Bohemian German demagogues who were Hitler's teachers in Vienna fifty years ago.

The Sudeten politicians keep a lynx-eyed watch on the Czechoslovak station of Radio Free Europe; the Silesian and Pomeranian expellee politicians do the same for the Polish station. The Hungarian station has less to fear from German groups. But in Bavaria are some thousands of Hungarian ex-soldiers of the army of the 1944 fascist government of Szalasi. The leaders of these men are at best narrow-minded and reactionary generals, at the worst fanatical Nazis. There are also miscellaneous small groups of Slovak separatists and Rumanian and Bulgarian former fellow-travellers with the Nazis. None of these extremist groups, nor even the expelled *Landmannschaften*, enjoy the official support of the Bavarian or Federal government, though they would appear to have their friends in the "Kaiser Ministry." The truth is rather that the absence of any policy in Bonn towards East European problems—other than that of the Soviet zone of Germany—gives rise to fears for the future. If Bonn's eastern policy is a room swept and garnished, there is certainly no lack of devils waiting to make their entrance.

Radio Free Europe is, of course, an imperfect institution. It cannot escape the frustration and demoralisation inherent in the unhappy estate of emigration. But against these can be set the efforts of intelligent men from three enslaved lands, striving to think out anew the problems of their own countries, and to understand neighbour nations in a European spirit.

(To be concluded)



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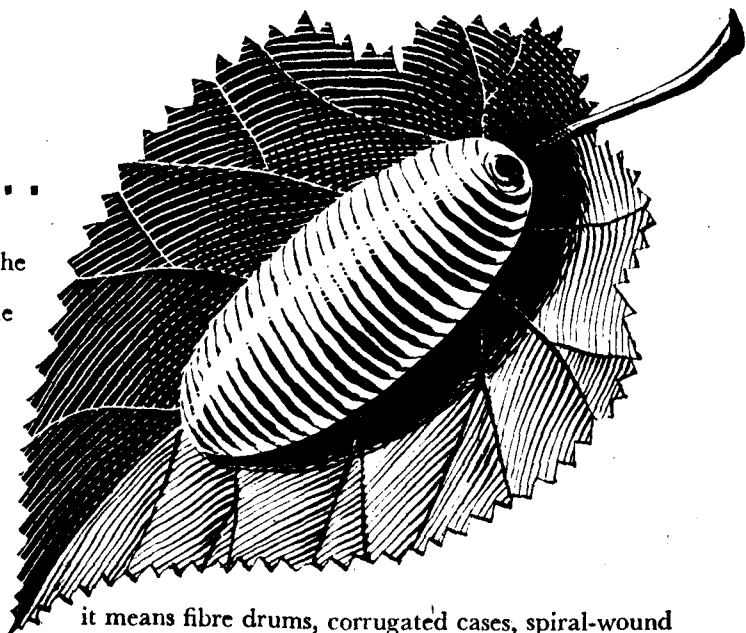
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Franco-American Quarrel

WHAT are the facts behind the most recent misunderstanding between France and the United States? At Lisbon the Americans said that they would try to contribute \$500 million to the French military budget for 1953. M. Létourneau, when in Washington, obtained a further promise of \$150 million intended to lighten the burden created by the war in Indo-China. M. Pinay therefore conceived his budget around an estimated \$650 million of aid. In a note handed to him last week, however, the State Department informed M. Pinay that he would get only \$525 million. It was hinted, moreover, that even this allocation depended in part on whether or not M. Pinay would increase his military budget. In addition, there is the fact that the arms industry is seriously dependent on American off-shore purchases. France had hoped that another \$625 million would be allocated by the Department of Defence, but it now appears that only a third of this sum will be available; so M. Pinay faces not only a gap in his budget but a critical situation in a vital industry.

The French argue, most convincingly, that it is impossible to pursue a sound budgetary policy or to contribute effectively towards European defence so long as America refuses to make long-term financial engagements. In a memorandum submitted to Nato on September 22nd they pointed out that bilateral dealings between individual governments and Washington were wholly inadequate to meet the needs of a multilateral defence organisation. Despite the existence of permanent Nato machinery for that purpose, individual members were forced to deal directly with the Pentagon. Instead, the French proposed a common budget in which all Nato members would agree about the gap between what the military asks for and what national economies can do. This deficit would then be met by multilateral action. By pooling financial resources it would be possible to make long-range plans, and financial and material reserves could be shifted whenever a critical situation developed in a member country.

The Americans, too, have a strong case. Whichever way one looks at it, their aid to France is enormous (most estimates even overlook the \$100 million which accrue annually through military spending, base-rentals, etc.). The French tend to forget the existence of Congress and of the American taxpayer who has not, as yet, been stunned into total acquiescence by years of enforced generosity. The timing of various French appeals and fits of temper is also not above suspicion: the poor relation seems to appear outside the window every time there is a party on, and M. Pinay must have been aware of the embarrassment he was causing to an administration engaged in a Presidential election. Indeed, the speed with which the diplomatic blaze-up has been snuffed out shows that M. Pinay spoke at a most delicate juncture. Finally, it is being said plainly that the French armament industry is not yet a model of economy or efficiency. There are serious doubts abroad about whether a large American investment in French arms production is the most fruitful way of strengthening European defence.

The airing of these differences should stimulate fresh thinking about Nato's role in the use of American aid. Recent statements by General Bradley, by Lord Ismay and by Field Marshal Montgomery, all support the views implicit in the French memorandum. Nato will have to be given greater power if it is to carry out its task, and a multilateral budgeting system could contribute towards this end. The Mutual Security Agency in Washington has prepared a "green book" on the whole problem of assistance to Europe. It contains proposals which should meet French objections more than half-way and suggests a dollar bloc in which various national

defence budgets could be co-ordinated. The new President will find it on his desk, and this French-American family quarrel may help to make it "priority reading."

Mao Tse-tung's Road to Power

FROM time to time during the past two decades writings by the leaders of Chinese Communism intended for domestic rather than foreign consumption have been studied by Western specialists in Chinese affairs. But there has been a dearth of documentation on the history of the movement and it has remained far more obscure than has Russian Communism. A *Documentary History of Chinese Communism** which has now appeared as a result of study organised by the Russian Research Centre at Harvard University goes far to fill the gap. The editors have to admit that it has been found impossible to obtain texts of certain documents which would be desirable for the completion of the story; thus no documents can be traced from the first Chinese Communist party Congress, which was held in 1921, and the earliest material in the book dates from the summer of 1922. But for the subsequent development of the party and its official political line there is a useful selection of material culminating in the Organic Law of the Central People's Government of September, 1949.

A collection of documents full of allusions to the Chinese politics of the moment as well as to Marxist dogmas is hardly to be appreciated without a commentary. This has been provided, so that the documents are, as it were, imbedded in a historical survey of Chinese Communism by three American writers. They have discreetly kept off the most controversial issues of this history—notably the effects of Russian and American policies on the course of the civil war in China. They have confined their theme to the evolution of the party line, and within these limits their account is fair-minded and thorough.

The question best illuminated by this collection is that of the relation of Chinese Communist doctrine (and particu-

* *A Documentary History of Chinese Communism*. By Conrad Brandt, Benjamin Schwartz and John K. Fairbank. Allen and Unwin.

ECONOMIC CONDITIONS ABROAD

The Economist Intelligence Unit provides quarterly reports on economic and business conditions in

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larly the "thought of Mao") to the Marxist-Leninist creed as transmitted to China from Russia. From the beginning it was recognised that social conditions in China were different from those in Russia and that the principles of Communism would have to be adapted to the Chinese environment. The inference first drawn from the backwardness of the Chinese economy and the weakness of the urban proletariat was that the Chinese Communists could only be effective in combination with the Kuomintang as the party trying to carry out a bourgeois-democratic revolution; this was the line pressed on the Chinese Communists by the Comintern. The result was that in 1926-27 the Chinese Communist party, in order to maintain the alliance with the Kuomintang, tried to curb the mass movement of the peasant associations which had been stimulated by Communist propaganda and became extremely powerful immediately after the collapse of the "war-lord" regime in South China.

Stalin's Miscalculation

Mao Tse-tung, who was not at that time the supreme leader of the Chinese Communists, but was already one of their most influential figures, protested vigorously against the policy of restraining the peasant *jacquerie*, and the fact that his report on the agrarian situation in Hunan (written in February, 1927 and reproduced in the present collection) was not suppressed indicates that there was considerable sympathy in the party for his point of view. As Trotsky was at that time likewise attacking the policy (endorsed by Stalin) of curbing the revolutionary mass movement in order to preserve the alliance with the Kuomintang, Mao's line was parallel to Trotsky's; but Mao never seems to have been reckoned a Trotskyite and was indeed indifferent to Soviet internal politics. In Moscow the affairs of China were so much ammunition in the bitter polemics between Stalin and Trotsky, but for the Chinese it was naturally their own revolution, and not the faction fight in Moscow, that was of absorbing interest. Mao himself always avoided any renunciation of the Comintern.

After the Kuomintang had turned on the Communists and thus discredited the policy of sacrificing the mass movement for the sake of conciliating the nationalist bourgeoisie, Stalin extricated himself from his embarrassment by putting all the blame for failure on the Chinese Communist leadership of Chen Tu-hsiu and switched the Comintern line abruptly to one of extreme "adventurism." This, however, was initially not in favour of Mao, but of another rival for leadership, Li Li-san, who promised victory through risings of the proletariat in the cities. The policy of reliance on the urban workers, however, also resulted in failure, and only the peasant guerrilla forces were left, holding their own in various parts of the countryside. This situation naturally brought Mao to the top, as peasant revolt was his speciality, and the Comintern gave him definite, if somewhat grudging recognition.

Peasant Basis of Power

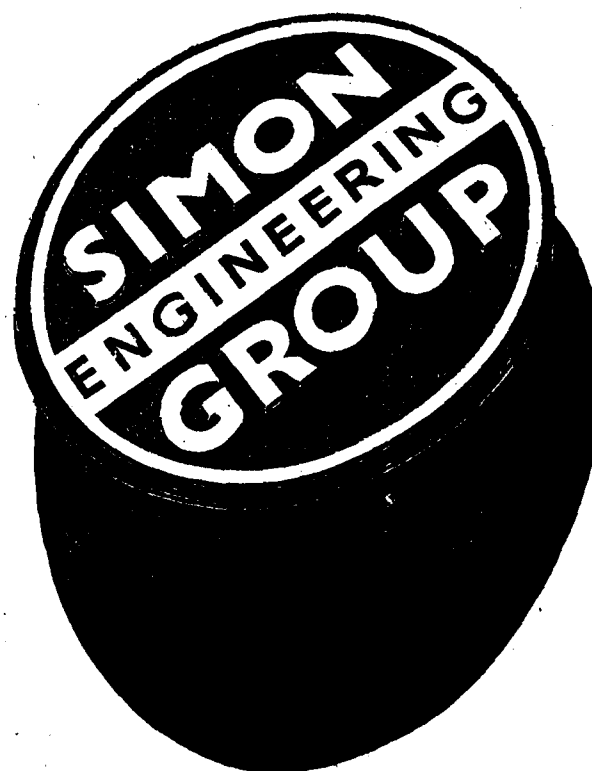
Mao and his followers have never admitted that their policy of building revolutionary power on a peasant basis was in any way incompatible with Marxist-Leninist theory; it was, in their view, simply a tactical adaptation to actual conditions in China. The Chinese industrial proletariat was too weak to make a revolution, but the agrarian situation was such that the poorer peasantry could be made the instrument for a great social upheaval, which would serve Communist ends provided that the direction of it could be kept in Communist hands. Mao, in 1927, expressed his view of the relative importance of the various revolutionary forces in China at that time by a statistical estimate that of a total value of ten points "the urban dwellers and the military units rate only three points, while the remaining seven points should go to the peasants in their rural revolution."

Mao's stand may be compared to Lenin's "discovery" of the peasants, contrary to the traditional Marxist attitude, in 1905. But Lenin still conceived the agrarian *jacquerie* as auxiliary to the action of the proletariat in the cities, whereas Mao believed that peasant insurrection could be decisive without success in the cities. Moreover, Lenin approached the peasant question from the outside, whereas Mao was himself of rustic origin though not of poor peasant, but of "kulak" stock. His understanding of peasant needs and sentiments has undoubtedly been a major factor in his success. On the other hand, the destiny which he has determined for the Chinese peasant is the one which Communism is bound sooner or later to impose on all peasants—that is to say, collectivisation. Communism always tricks the peasant by first promising him a redivision of the land in private ownership and only revealing the ultimate goal of collectivisation after power has been won and consolidated. Hints of collectivisation in the not so distant future are now becoming more and more frequent in China, and the news is gradually being broken to the peasant that he has been given the land of the landlords only in order that it may be taken away again.

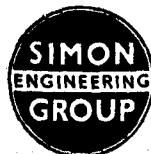
A misunderstanding of the tactical nature of the concentration of the Chinese Communists on peasant insurrection was the origin of the idea, which became so prevalent in Britain and America, that they were not really Communists at all but merely "agrarian reformers" who had adopted the Communist label. This impression was strengthened by the apparent moderation of the Communists during the period of the renewed Kuomintang-Communist united front against Japan, and even later before the civil war had been won. The selected documents show that throughout these phases of superficial concession and conciliation, the indoctrination of party members continued to be on the most uncompromising lines; indeed, as the editors put it, "the Party chose to re-emphasise its basic principles during this period, in an evident determination to maintain its Leninist foundations in the midst of all the changes brought about by the war-time shift to the united front."

Tactical Hocus-Pocus

The contrast between the unvarying rigidity of the basic doctrine and the extreme flexibility of the tactical programmes is perhaps the most striking feature of this collection taken as a whole. Recent Chinese history shows this dualism in its most extreme form, though it is characteristic of Communism everywhere. The essential thing in Communism is that the party members—and especially those in the inner ring of the leadership—should understand what the objective is and should never be led astray by the tactical *hocus-pocus* devised for the uninitiated. The goal is always the same—absolute power for the party, total possession of the means of production by the party state, the destruction of all domestic forces of resistance; and permanent warfare "cold" or otherwise, against the principal powers of the non-Communist world. Everything else is essentially humbug—the politics of a transitional tactical phase by which the Party for the time being gains support outside its own ranks. It is true that there may be fierce disagreements about what is tactically expedient at any given moment; such conflicts may be the form taken by personal rivalries for leadership or they may arise through individuals who by conviction or temperament become so attached to one phase of policy that they cannot adjust themselves to a reversal of the party line. In 1937 the Chinese Communist party had its Martyrs and Tillons who could not swallow the new united front with the Kuomintang and it took all Mao Tse-tung's prestige backed by the full authority of the Comintern to bring the uncompromising militants into line. But the militants need not have worried about Mao's moderation or feared that he might become soft towards opponents of the party; since he came to power he has shown no deficiency in "Bolshevik firmness."



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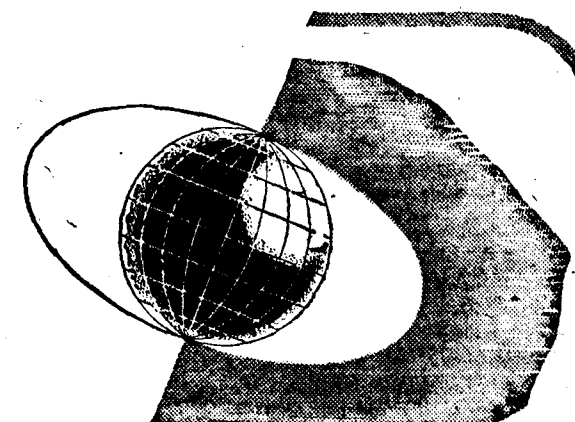
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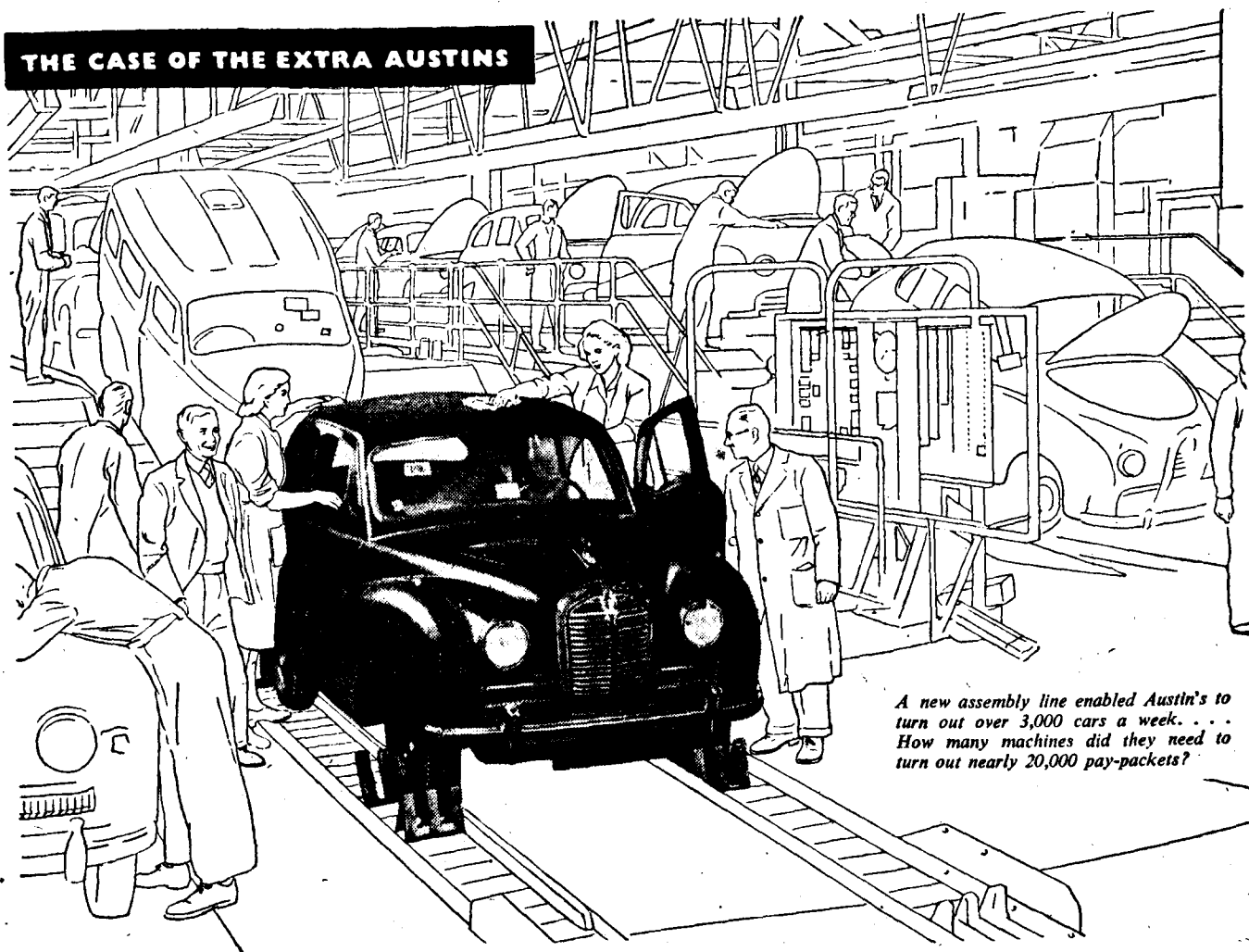
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THE BUSINESS WORLD

Development Areas Revisited—I

Policy and Costs

TO all appearance there has been little change since the war in government policy for the control of industrial location. The Distribution of Industry Act, 1945, created the development areas out of the prewar depressed areas, changing the title as a first step towards rescuing them from depression, but without any pretence that they were specially fitted for development. The 1945 Act has been amended once only and the amendments were slight. No official review of the workings of the Act has appeared since 1948, and its principle has rarely been challenged.

In spite of appearances, however, important changes of policy have in fact occurred. In the early years, almost any candidate for a factory in the development areas was considered eligible, whether he made toys for the home market or knitwear for North America; later, applicants were screened more carefully. The building of "advance" factories was discontinued some years ago; since then, the defence programme has put a damper on civil building and altered the geographical spread of the new factories now going up; sometimes, also, pressure has been put on manufacturers to think of sites in districts right outside the development areas. All these changes have meant that the favours originally offered to the development areas have been steadily whittled down.

In part, this has reflected a diminished preoccupation with the risk of severe unemployment in these areas. In part, it has been due to a greater emphasis on broader national objectives such as the export drive, control of capital investment, or the munitions programme. There has also been a more realistic assessment by the government of its powers to control industrial location. It would seem, however, that the general public has moved in the opposite direction and formed an increasingly exaggerated impression of the efficacy of the government's powers. The development areas have been visibly far more prosperous and have had a far larger share of new industry than at any time between the wars. What is more natural than to attribute the change to the Distribution of Industry Act? It is commonly overlooked that the circumstances in which the Act came into operation were peculiarly favourable to the developments that it sought to promote. With booming markets both at home and abroad, there was an extraordinary expansion in manufacturing employment in all parts of the country, and new factories were put up at a rate much higher than before the war. At the same time there was a complete transformation in the basic industries of coal, steel and shipbuilding, in which prewar unemployment was concentrated and in which over one worker in four in the development areas was engaged in 1939. The shortage of labour in other parts of the country, the greater purchasing power of the home market and the new opportunities in export markets combined to dispose many

firms to open branch factories in the development areas without the added incentive of government assistance.

In view of the length of time for which government control of location has continued, it is surprising how little has been published about the experience of firms that have gone to the development areas. It is highly desirable that this experience should be examined dispassionately in the present comparative calm, while the development area policy is largely in abeyance. A study of the effect on costs of production of setting up a branch in one of the development areas would be useful both to other firms faced with this choice and to anyone trying to weigh up what is involved in taking work to the worker.

A study of this kind has been in progress over the past few years, under the auspices of the National Institute of Social and Economic Research, with the assistance of the Board of Trade; and the first two reports have now appeared. The first of these, by Mr W. F. Luttrell, on "The Cost of Industrial Movement" * relates mainly to shoe production and analyses the experience of firms setting up branches at a new location; the other, by Mr D. C. Hague and Mr P. K. Newman on "Costs in Alternative Locations: the Clothing Industry" † is a study of the extra costs that were incurred by London clothing firms setting up branches in South Wales (or the North-East Coast in one case) rather than within the London area.

The first report provides an interesting demonstration that almost any branch factory starts off with higher costs than the parent factory—sometimes more than twice as high—and that the settling-in period may be prolonged. For three shoe firms that set up branches after the war, total costs averaged 110 per cent more than at the parent factory in the first year of operation and even in the third year 12 per cent more. The excess of direct wage costs showed a fall between the first and third year from 94 per cent to 24 per cent. Even more important were excess overheads, although few firms carefully compared overheads at the branch and at the main works. One large firm, where nearly all the excess costs came under the heading of overheads, did not even keep a separate account of the branch's overheads but lumped them in with those of the parent works.

Excess costs at the branch arising from the distance of the site from the main works cannot be measured. Branches that were opened within 30 miles had lower costs than those farther away, particularly those more than 60 miles away. But this was mainly due to the nucleus of skilled workers that was available within the

* Cambridge University Press, 18s. † Cambridge University Press, 12s. 6d.

traditional area of boot and shoe manufacture and not available further away. Cost of transport was a relatively trivial factor. The success of a branch factory seems to depend heavily on circumstances that have more to do with management and supervision—the method of training workers, for example—than with location.

Management and supervision, however, are themselves affected by choice of location. Both reports show that there is a limit to the amount of travelling that managers will or can undertake without prejudice to their real job of managing. They cannot be for ever superintending the manufacturing, marketing and development problems of a branch a day's journey away; nor can their harassed subordinates easily afford to spend time in recruiting key workers (to whom the policy of bringing work to the worker does not apply), finding houses for them, and developing skills that are completely lacking in the neighbourhood. The cost in managerial efficiency of opening a branch in a distant part of the country is not easily measurable, but it is certainly significant.

The second report suggests that these drawbacks have been successfully overcome in the clothing industry. There is no reference to significantly higher unit costs at branch factories, and when all items of cost likely to be affected by a move to South Wales have been examined, the differences compared with a hypothetical new branch in London are very small. Transport costs, for example, varied from 0.3 per cent of turnover below, to 0.8 per cent of turnover above, costs at a London location. Administrative services and other costs, so far as they could be measured financially, differed by an equally narrow margin. Labour costs were generally comparable, but there was a wider range of variation. In one factory, labour costs were little more than half those in London; in another, they were 20-25 per cent lower than London; in a third, earnings were between half and two-thirds the average in the main London factory, but wage-costs were less wide apart because of differences in skill; in two others, the difference in wage-costs was relatively slight. Wage-cost generally amounted to about 15 per cent of turnover; thus an average difference of, say, 10 per cent would represent 1.5 per cent of turnover and against this saving might have to be set the higher cost of training and supervision in South Wales and a rather higher rate of absenteeism.

Clothing is an important case: probably as many firms on the new industrial estates are in this industry as in any other. But it is also a peculiarly favourable one. Even before 1939 there was a marked tendency for the industry to expand in the development areas and contract elsewhere. Since 1939 the movement has been accelerated by the need to find new sources of cheap labour at the same time as conditions have favoured the use of less skilled workers, longer runs, and line production methods. For these reasons, to go to South Wales has presented positive advantages for some clothing firms quite apart from the attraction of a modern factory at favourable rent. "In traditional clothing centres," as one firm wrote, "it is very hard to break with traditional methods." Clothing firms that moved to South Wales and the North-East Coast escaped most of these difficulties and could start afresh with mass production techniques in a well-equipped factory, in which scheduling and management control were a great deal easier.

Pressure on clothing manufacturers to move to the development areas, therefore, has followed an established trend, and may well have happy results. Over the past year unemployment has no doubt risen steeply in the new clothing factories, but not nearly so steeply as in the traditional centres of the industry. Between June, 1951, and June, 1952, for example, unemployment in clothing nearly doubled in the development areas but more than quadrupled elsewhere. In hosiery, where unemployment at June, 1951, was negligible outside the development areas and a little over 1 per cent within them, it had risen by June, 1952, to about 5 per cent both in the development areas and in the rest of the country.

In other industries there have been enough factory closures over the past year to give some substance to the constant fear of the development areas that branch factories opened there would be the first to shut when demand slumped. But the casualties have been perhaps no higher than one must reckon in a sample of new factories wherever located. It may be true that, even when the branch factories have lower costs than the main works, they are more vulnerable because the main works have less hope of re-engaging any workers who are discharged. There is as yet no evidence that this has dominated the reactions of managements to adversity. The branch factory is often supplying a quite different market from the parent factory or even making a quite different product, so that the immediate reaction is rarely so drastic as outright closure.

Many of the firms that have gone to the development areas have plainly had no reason to regret their choice. All the branch factories that Mr Luttrell examined had more than paid their way since they were set up, even although unit costs were higher. The erection of a branch factory was a decidedly better proposition than outworking in shoe-manufacturing or sub-contracting in engineering. But the establishment of a branch was no light undertaking; if the same output could have been produced at the main works, extended if necessary, costs would have been much lower and the strain on management greatly relaxed. It was only the impossibility of recruiting additional labour or finding room for a factory extension that made firms undertake a branch.

The most obvious condition governing the success of the new branch factories has thus been the wide margin between prices and costs that allowed them time to gain a footing. It has generally been necessary for the branch factory to content itself with longer runs of the simpler products, leaving the main works to take on batch manufacture of the latest or most complicated models. Where this division of labour has not been possible, firms have been less willing to disperse their activities or less successful if they did. Where a large range of auxiliary services has been necessary, as in many branches of the metal and engineering trades, firms have been reluctant to go outside the traditional centres of their industry. They have found it easier to move when the branch could be run as a separate unit by a management with wide discretion, and when the branch could be given the advantage of an adequate nucleus of key workers from the parent factory. Even in the most favourable conditions, however, it has taken some years to bring direct costs at the branch into line with costs at the main works; and overhead costs have often proved a more severe, more lasting and more neglected handicap.

(To be continued)

Ultrasonics in Industry

SOLID practical achievement is concealed beneath the scientific trappings of ultrasonics. This formidable word concerns the use of acoustic energy at frequencies pitched above the range of human hearing. As a science, ultrasonics will always be a closed book except to a handful of initiates, but in its practical application it promises to lead to some interesting changes in industrial techniques. Industry is apt to be frightened of new discoveries that can be understood only by highly qualified scientists, and to forget that a piece of apparatus as familiar as a domestic television receiver is a minor masterpiece of electronic engineering. The new techniques call for practical application and this, in the first instance at least, frequently has to be pioneered by the scientists themselves. Thus it happens companies whose experience is essentially scientific are beginning to find themselves involved in the design, production and marketing of industrial apparatus far removed from their chosen field of activity. Ultrasonics provide a typical example of the awkward problems that this can create for the scientific innovator who brings the fruits of research to the stage of practical application.

The bare principles of ultrasonics are not difficult to describe. Sound travels in waves, and if there is enough power in the waves, they can strike a surface with considerable force. Because this force is in the form of waves, a surface to which it is applied is struck at regular intervals and not subjected to continuous pressure. The successful application of this force of sound waves depends, however, on developing a sufficient degree of power, and this has proved no easy matter.

This is the basis of the new techniques of ultrasonics. They depend on making use of the curious behaviour of certain materials when they are subjected to an electric current or magnetic field. Some crystals change their dimensions when current is applied in certain directions; some metals behave in the same way when they are placed in a magnetic field. If power is applied to them intermittently, these materials can be made to expand and contract; if they do so at sufficient speed, they set up vibrations which take the form of sound waves so high in frequency as to be inaudible.

The industrial application of ultrasonics has proceeded along two parallel lines, determined by the type of apparatus (called a "transducer") used for production of the waves. Crystals may be used, but they will not withstand a very high input of energy, being limited to a power of about 500 watts. They produce waves of high frequency up to 500 megacycles—that is 500 million cycles or vibrations per second.

The other form of transducer uses metal placed in a magnetic field, and gives a wave of lower frequency (up to 100 kilocycles or 100,000 vibrations a second) with more sharply defined peaks and troughs, and can handle a much higher power input. The present maximum input for the metal transducer is 4 kW, and it transmits about 45 per cent of the input, but there seems no reason why input should not go up to 20 kW for those applications that require higher power. The distinction between the low-energy, high-frequency wave produced by the crystal method, and the high-energy, low-frequency wave of the metal transducer is important

because it determines the practical applications of the two types of apparatus. The high-frequency method is being used for measuring and testing and it may have some applications to sterilising. Among the leading British companies in this type of work are Kelvin Hughes, the General Electric Company and the Mullard Company, which has done some work in the application of ultrasonics to sterilising. Kelvin Hughes has built up a considerable market for marine echo-sounding equipment incorporating a crystal source of ultrasonic waves. By transmitting these to the sea bed from the ship's bottom, and measuring the time that they take to bounce back, a clear picture is obtained of the sea bed, or of the size of any shoals of fish that they may strike. Trawlers are making considerable use of this equipment; some fishermen maintain that they can identify the type of fish from the echo they receive, though the makers are probably more modest in their claims.

Kelvin Hughes have recently adapted these echo-sounding principles to the detection of flaws in castings, while GEC has developed similar equipment for the Dunlop Rubber Company to test tyre solidity. As specifications become more exacting, so industry becomes increasingly dependent on non-destructive testing, and ultrasonic flaw detection is sometimes more accurate, and less dangerous, than radiography. It will, for instance, reveal hairline faults and air pockets that X-ray tests could miss. But important though it is, this is not the main, nor the most exciting, of the possibilities of industrial ultrasonics.

The alternative type of high-powered, low-frequency transducer is the product of Mullard Ltd.—the only company, it claims, marketing apparatus that will produce sound waves of this power. Several of the applications at present being groomed for their commercial debut rely on the effect of high-powered sound waves on liquids. The intermittent pulse of the wave builds up a wall of pressure before it, followed by a sudden drop in pressure in its wake. This produces in liquids a phenomenon known as "cavitation," as a result of which the structure of liquids appears to be changed by the rapid pressure impulses. It is worth noting that this phenomenon of cavitation is produced only when the waves are passing through a liquid where they meet some resistance. It does not take place in air, which is easily displaced; hence the waves are quite harmless to anyone who might get in their path.

The first practical outcome of the company's research, once the high-powered ultrasonic generator was perfected, was a small soldering iron for aluminium. In this case, cavitation is produced in the liquid solder itself, and used to erode the oxide film that prevents the satisfactory tinning of aluminium by any other known method. As the film is eroded, so the solder instantly coats the metal and leaves a tinned surface that can be soldered to any other surface by conventional and reliable methods. If this process becomes widely accepted, it may remove one important restriction on the use of

aluminium. It could, to take one example, open a wide field for the substitution of aluminium for copper electrical wiring with a big saving in cost and in weight.

Soldering irons and a tinning bath using these new methods are already on the market. The company is now sufficiently confident of the drilling capability of ultrasonics to attempt a series of field trials by offering a different type of unit to certain owners of soldering irons which would, in effect, convert them into portable hand drills. Here the sound waves are used to bounce abrasives against the material to be drilled; they do so with surprising efficiency and tools have been developed that cut through materials ranging from diamonds and glass to tungsten carbide with speed, accuracy, and a clean surface. If acoustic energy can be used in this way to cut exceptionally hard materials without any effective wear on the tool face—usually tool wear is exceptionally heavy because the head is cutting materials as hard as itself—it would greatly reduce the time and cost of machining. At present, experimental ultrasonic tools can cut to an accuracy of two thousandths of an inch; this figure may be improved but some limits to cutting accuracy are likely to be imposed by the faint scattering effect of the abrasive.

It is expected that ultrasonics can be developed for mixing liquids. Pigments can be broken down at the same time that they are being mixed into the paint, thus cutting down—and perhaps cutting out—the long process of ball milling. Emulsions of antipathetic liquids can be prepared in the same way. Both processes make use of cavitation. Even more important, if cavitation is set up in molten metal, and ultrasonic waves continue to pass through as it sets into an ingot, the formation of large crystals in the centre of the ingot seems to be inhibited and the crystal structure remains uniform throughout the ingot. If this principle can be applied industrially the outcome will be an ingot with uniform physical properties, making the process of rolling into sheet a far simpler job than it is today, when varying crystal structure leads to variations in the properties of the sheet.

The scientists who have brought the application of ultrasonics to its present point have considerable faith in the future of these developments. There are other uses of equally intriguing potentiality. Ultrasonic waves can be used to promote chemical reactions by breaking down tightly-knit compounds like carbon tetrachloride. They can also be used to de-polymerise—that is to break down long chains of molecules into short ones; artificial blood plasma is being produced commercially by such means. Some mills are experimenting with ultrasonic waves to clean wool and rayon waste, literally shaking the dirt off the fibres. The same process can be applied to raw wool, but its value depends entirely on the value that the processor puts on the recovered fibre. Ultrasonic waves will also clear smoke, but unless it is necessary to trap exceptionally small particles, or an exceptional fire hazard is present, existing plant does the job better and cheaper. Recovery of carbon black might be one such special case.

Ultrasonic ageing of whisky has been attempted, and the results are claimed to be good. The subtle chemical process that takes place during years of ageing can, it is said, be cut down to a matter of hours—though distillers and vintners may need a lot of persuasion before they abandon their time-honoured methods and their heavy

investment in ageing cellars. One German distillery and two Rhenish wine companies are, however, installing high-frequency ultrasonic plants for ageing. It is an open question whether ultrasonic waves can be used to sterilise food and other perishables. Milk has been pasturised efficiently, but cavitation caused chemical change that affected its taste. Further work may, however, lead to more promising results. Some medical uses have been suggested, but no treatment of this kind is attempted in this country, and in the United States it has been banned.

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Ultrasonics research has reached the stage where much of the work is now passing out of the laboratory into the hands of the production engineers; it is here that the difficulties arise. For example, the Mullard company is primarily engaged in producing valves; but as electronics develop, the valve makers may have to decide whether to take on increasing responsibility for the design of much of the equipment in which their valves now form the major component and which no other manufacturer is at present ready to undertake. Mullard has gradually begun to build large pieces of electronic equipment such as linear accelerators for Harwell and it would not be stepping outside the company's self-imposed boundaries to supply, as it is doing, the generators (essentially inaudible "loud" speaker systems) and the small transducer heads needed to produce ultrasonic waves of useful power.

These new applications have developed with such speed that the company finds itself already marketing soldering equipment (of which three sets are sold at £85 each to the United States for one in this country), a tinning bath (at £500) and would appear to be about to put a small power tool, with its own jigs and fixtures, into production. This has come about because the transducer, the contortions of which give rise to the waves, has to be built into the working head of the machine, but it involves taking a big step outside the confines of electronic engineering as it is generally understood. Such are the responsibilities and the problems of modern innovation. Research leads to new principles; the application of those principles involves manufacture in new fields. Any company can be forgiven for a certain hesitation whether to develop along new and strange paths. Yet, from the progress that is being made in all aspects of electronics, it may be only a matter of time before the industry is led by its own technical resourcefulness into fields far outside the immediate limits of electronics themselves.

The Motor Industry

Some startling changes, technical and economic, now confront the British motor industry. After several years of unexampled demand, the industry is facing a period of intense competition abroad and at home. A special section in next week's issue of *The Economist* will discuss what kind of cars the industry should produce and where it may expect to sell them.



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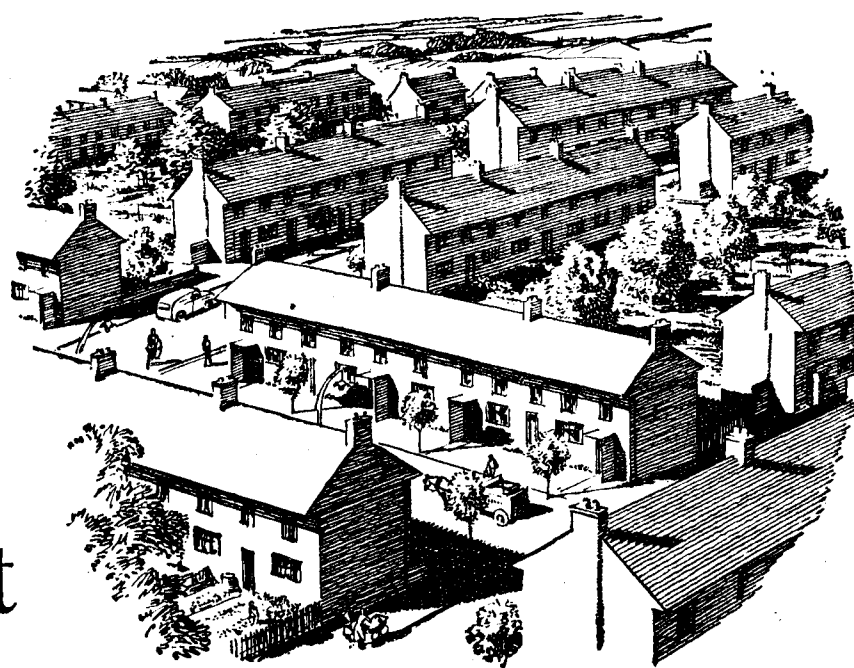
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★ ★ ★

OF ALL WHO DO business hereabouts it is perhaps the insurance man who understands best of all how diverse are the personalities and interests, and how varied the needs and circumstances of these 'average' households. For his job has to do with the most intimate of family financial affairs; to carry it out faithfully he has to bring a very personal service to bear upon problems that are never quite the same in any two homes.

★ ★ ★

AN INDISPENSABLE feature of this service is the regular collection of life assurance premiums when these can most readily be paid—usually at intervals that match the frequency of the pay-packet. But for this there would be many families in this typical street who would almost certainly make no voluntary provision for the future. Among the hundred or so homes there is hardly one where no industrial assurance policies are held. For most of them regular personal saving depends essentially upon the service the insurance man brings to the door.

IN ELM ROW this saving fulfils more often than not a twofold purpose. First and foremost it provides life assurance. There are few whose Home Service Insurance budget does not include provision for financial aid in the event of the breadwinner's death.

THE SECOND and increasingly popular role of Home Service Insurance is to build up a modest reserve of capital for future use. Twenty or thirty

years ago the majority of industrial assurance policies taken out were 'whole life' contracts. To-day most new policies are effected with the expectation of enjoying their benefits during life time.

IN THE ELM ROW households, as in most other homes throughout the country, it is the insurance agent to whom the family looks for help and guidance in choosing, from among the wide range of policies, the scheme best suited to domestic needs and means. The very regularity of his visits and the understanding of family problems and aspirations that he inevitably acquires gives him an authority as friend and confidant that is accepted as a matter of course in the homes at which he calls.

IN THIS RESPECT, the agent's responsibilities as family adviser have widened appreciably over the past few decades. The average citizen has set his sights on new standards of life for himself and his family. He looks to his insurance policies as a means of helping to provide future amenities that enable him to look forward to retirement with pleasure rather than anxiety. Endowment assurances maturing at the critical time when careers have to be chosen may spell all the difference between blind alleys and worthwhile jobs for his children. These family plans depend for their fruition upon the services of the insurance man which transform thrift from a conscious effort into a habit.

THIS IS WHERE the domestic economies practised in Elm Row touch upon the wider economy of the nation as a whole. For Home Service Insurance is long-term thrift with a purpose—a purpose which can be fulfilled adequately only if the saving is steady and continuous. This stability, a characteristic of insurance contracts, earns the industry the important place it occupies in our economic life.

HOME SERVICE INSURANCE adds £50 million to the nation's net savings every year. Much of this depends upon the thrift of the 'average' families who live in Elm Row and elsewhere. But it is the personal painstaking service of the insurance man—who knows Elm Row not by the numbers on the front doors but by the people who live behind them—that makes this thrift effort possible.

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Business Notes

Technical Success

Measured against the limited objective assigned to it, the Treasury's cash-and-conversion operation has been successful, and indeed has probably surpassed the best expectations. When the conversion lists closed last Monday, £345 million of 1½ per cent Serial Funding Stock 1952 and £374 million of 2½ per cent National War Bonds 1951-53 had been converted out of total holdings of £450 million and £522 million respectively—a somewhat smaller proportion than had been expected for the former issue but a bigger one for the latter. The £253 million of stock that remains to be repaid in cash—comprising £105 million of Funding stock due on November 14th and £148 million of War Bonds due on March 1st—is, therefore, covered by the cash subscriptions of £317 million with £64 million to spare. When the operation was first announced just over a fortnight ago, most people were guessing that the balance was likely to fall on the other side of the account—leaving the Treasury with the need to borrow a marginal sum on floating debt in order to finance its commitments.

Judged by technical standards, the authorities are entitled to congratulate themselves on a tidy and workmanlike achievement. Without disturbing the market, and without giving away any perceptible "turn" to subscribers, they have cleared out of the way—or, rather, pushed a little further on—nearly £1,000 million of impending maturities that could have been embarrassing. Had the operation been less effectively managed, they might have been faced with such substantial borrowings on floating debt as would have seriously aggravated the rising trend of bank deposits and the marked excess of bank liquidity. But, when due credit has been given for the technical achievement, it has still to be reiterated that this operation falls far short of the objectives that should inspire monetary policy in present circumstances. There was and is a clear need for genuine funding of debt—for striving continuously to lighten the weight of short-term Government debt held by the banking system by selling medium or longer term debt to the wider public, thereby moderating or stopping the rise in bank deposits and mitigating the evil effects of the excess of Government spending. Secondly, if this primary objective is set aside or deferred because the authorities fear to disturb the market, there still is need to pursue the secondary objective of mopping up the excess of bank liquidity—if only as an earnest of continued adherence to the principles of the monetary policy introduced last November.

This latest operation is in no sense a genuine funding; and even to the second of these objectives it makes only a tiny contribution. Many people, realising that the banks' preponderance in the cash applications was inspired by the official desire to see a reduction in liquidity ratios—possibly from last month's level of 38 per cent to about 34 per cent—had wrongly assumed that the net result of the operation would be a reduction of roughly this order. But in fact the £253 million of stock that must be repaid in cash by March 1st next (involving an increase in Treasury borrowings from, or a reduction in its repayments to, the banking system) is roughly equivalent to the amount of floating debt that the banks have just sold in order to finance their cash subscriptions. (A peculiar feature, incidentally, is that these bills were treated as surrenders for cancellation by the authorities, and not as "departmental" purchases.) In other words, although the immediate reduction in liquidity ratios has been sharp, the net effect of the loan operations, when they are completed next March, will have been very small. The £64 million of surplus cash that the Treasury has secured represents little more than 1 per cent of last month's total of bank deposits.

Problems Postponed

Thus, the operation has really done no more than to hold the line in the face of impending maturities. Moreover, even the technical success has depended overwhelmingly upon the co-operation of the banks. Before the operation was mooted, it was being argued by believers in the virtues of orthodox policy that if the authorities were really seized of the principles they professed earlier in the year, they ought not to rely upon suasion even for the purpose of ensuring a renewal of the stocks with which the banks were saddled in the special funding operation of last November. But, in fact, it is now clear that full conversion of bank holdings of the 1952 Serial Funding Stock was taken for granted; the suasion, regarded as superfluous for achieving that result, was reserved for the task of procuring cash subscriptions from the banks. Bank subscriptions, taking cash and conversion applications, probably accounted for not much less than two-thirds of the total applications from the public as distinct from the "departments" (which must have contributed substantially to the conversion).

Although the operation was thus strongly buttressed, it has enabled the Treasury to gain only a little time. Obviously, it would have been utterly unreasonable to have tried to foist stocks on to the banks any longer; but, since their help was being enlisted in dealing with the technical problem in the short-term market, it might have been expected that the authorities would have made a simultaneous offering to the general public of a medium or longer stock. As it is, the broad effect has been to replace 1952 debt by 1955 debt, and to push roughly one-quarter of the original total of 1953 maturities into 1954. This is illustrated by the following table, which shows the effects of the operation on the stocks concerned after the unconverted portions have been redeemed:

	ORIGINAL ISSUES	For cash	By conversion	TOTAL
1952 1½% Funding Stock..	450	135	242	577
1953 1½% Funding Stock..	200	135	242	577
2½% War Bonds ...	522	67	68	485
1954 1½% Funding Stock..	350	115	409	524
1955 3% Funding Stock..	...	115	409	524
	1,522	317	719	1,586
Less Treasury Bills redeemed				64
				1,522

In other words, the immediate problem has been solved at the cost of ensuring that it will recur, in substantially the same form, at the same season in each of the next three years—for, in addition to the above maturities, £810 million of bonds finally mature early in 1954, £735 million early in 1955 and £426 million in 1956. But the fact that the Treasury has treated the market gently on this occasion, and has relied instead upon co-operation from the banks, suggests that it is not unduly perturbed by the burdens of re-financing that loom ahead. In the circumstances, it is perhaps a little surprising that the market has not saluted its reprieve—a short-term reprieve—more noticeably than it did in the first half of last week.

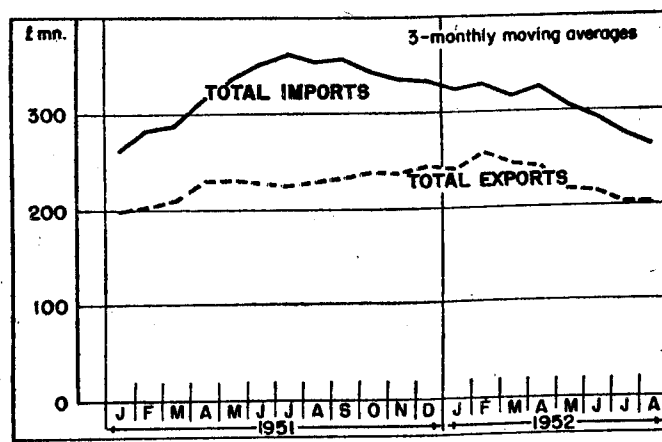
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Trade Gap Still Narrowing

So far as it is possible to judge from the provisional trade figures it seems that there was a further improvement in the overseas trade balance in September. The value of imports declined by £25 million on the month, but exports

rose by £6 million and since re-exports were virtually unchanged, the surplus of imports (cif) over exports (fob) was reduced between August and September by no less than £30 million to £44 million. This is the lowest import surplus for any month since November, 1950. Too much stress should not be put on the sudden fall in imports to £238½ million last month; in September, 1951, and September, 1950, imports also showed a reduction of at least £20 million below the corresponding August levels. Last month's improvement in exports to £186 million arises from the fact that there was one more working day in September than in the previous month. As a result, the daily rate of exports was again reduced, but only by 1 per cent compared with 6 per cent between July and August. Shipments to North America seem to be maintaining the improvement achieved earlier in the year. Exports to the United States at £12 million were

BRITAIN'S OVERSEAS TRADE



a little above the monthly average of £11½ million in the third quarter. Exports to Canada last month amounted to £11 million and the monthly average for the third quarter of some £12 million was 28 per cent higher than the rate in the first half of the year.

Because of variations in the number of working days in each month, a comparison of the trade figures month by month does not always show longer term trends in imports and exports with clarity. An attempt is made to avoid this difficulty by adopting three monthly moving averages in the accompanying chart. It shows that exports, after reaching record heights in the first quarter of the year, dropped sharply in the next few months but now seem to be declining more slowly. Imports have fallen far more steeply than exports, and the momentum of their fall is increasing. Balance achieved by a reduction of total trade has its obvious dangers for a country whose future depends upon greater trade. But, for the time being, the improvement in the terms of trade is softening the harmful effects of a continued reduction in the value of imports.

Larger Stocks

The Chancellor of the Exchequer has lately emphasised that the improvement in the British trade balance has not been secured at the expense of stocks. Raw material stocks at the end of September were on the whole higher, and in some cases considerably higher, than a year earlier. This favourable comparison may owe something to the decline in industrial demand earlier in the year and to a steady flow of imports on completion of contracts made before there was any thought of imposing restrictions. Stocks of selected raw materials up to the end of July, the last date for which official figures are available, are given in the accompanying table. For eight out of the nine commodities listed, stocks were higher than in July, 1951, the single exception being copper. The trend shown in these figures has been maintained into

September. During the first six months of this year, compared with the last six months of last year, the consumption of copper increased by 16 per cent, whereas consumption of lead fell by 36 per cent, of zinc by 4 per cent, of softwood by 9 per cent, of cotton by 30 per cent, of rubber by 6 per cent, of sulphur by 12 per cent, and of wood pulp by 8 per cent.

UNITED KINGDOM STOCKS OF RAW MATERIALS

Unit	Copper	Lead	Zinc	Soft-wood	Cotton	Wool*	Rubber	Sulphur	Wood-pulp
	'000 tons	'000 tons	'000 tons	'000 stds.	'000 tons	mn. lb.	'000 tons	'000 tons	'000 tons
End of: 1951									
July	121.1	28.0	34.5	318.6	262	166	46.41	102.4	287.9
Oct.	123.6	47.3	35.7	618.5	293	145	63.74	115.5	332.9
Nov.	120.1	56.7	31.4	676.0	283	141	68.95	104.8	334.8
Dec.	119.3	74.0	37.5	723.6	282	141	70.02	99.4	357.6
1952									
Jan.	111.8	89.8	44.5	734.2	276	149	76.10	97.2	375.4
Feb.	108.1	104.2	47.1	699.8	269	144	63.71	105.4	378.8
Mar.	108.5	110.6	53.4	669.0	280	143	62.69	105.3	374.7
April	112.8	116.3	64.9	646.0	292	162	62.75	109.9	375.0
May	119.1	120.3	79.4	648.2	285	171	69.80	142.0	395.9
June	111.7	121.6	87.5	657.0	282	177	64.52	148.6	426.6
July	112.6	116.3	111.2	676.9	274	181	60.46	189.4	423.2

* Estimated clean weight. Source: Monthly Digest of Statistics.

Apart from commodities such as copper, of which there is still a world shortage, United Kingdom stocks should remain satisfactory for at least some months. There is no immediate prospect of any reversal of the more favourable terms of trade that have been of such signal assistance to the balance of payments this year. Production of many materials that were thought critically scarce only a short time ago is now beginning to match demand. But a sharp rise in industrial demand in the United States or in Europe could quickly alter the present appearance of greater ease.

Towards Realism in Steel Costs

The increase in the price of pig iron that was ordered by the Minister of Supply this week marks a first step—if a timid one—towards charging steel producers in this country the actual costs of the steel-making materials they use. It arises primarily from a slight modification of the price charged for imported iron ore by the British Iron and Steel Corporation (Ore) Ltd., which with another company acts under the control of the British Iron and Steel Federation as a bulk buying agency for all the iron, steel, and steel-making materials that the industry brings in from overseas.

Since the war, BISC (Ore) has sold foreign ore at less than the price, including freight, that it has had to pay on the world market; until 1950 the resulting loss was borne by the Government, but since 1950 it has been financed by a general levy throughout the industry on ingot output. Last year's sharp rises in the price of foreign ore and the cost of freight brought the loss resulting from this sales policy to a very high figure, and the levy on steel ingot output had to be raised accordingly. This year, world ore prices have remained high, and since the steel industry obtains most of its shipping on time charter it will probably have reaped little advantage as yet from the slump in freight rates. The bargaining over next year's supplies of ore is already going on. It is not easy to foresee much decline in ore prices; the Americans are out of the European steelmakers' market for ore, but German demand is growing. On the other hand, BISC (Ore) can at least expect to pay less for shipping tonnage.

The postwar policy has naturally meant an artificially low domestic price for imported iron ore. The federation, the nationalised corporation, and the Minister have now agreed

that the pig iron makers should "be charged prices for imported ore more nearly approaching the true cost of purchase and transportation." It cannot be said, however, that this particular approach is likely to bring the prices and costs very close to each other unless next year's ore costs come down remarkably. The increases in the price of pig iron vary from about 10s. to £2 10s. a ton, and appear in the main to pass on the whole increase in the price of ore direct to the iron consumer. Taking into account the ferrous content of these imported ores, the average increase per ton of ore would obviously be considerably less than the average increase in pig iron prices. But the home price charged for imported ore has not been changed since 1950, according to a Ministry statement, though the landed cost, to judge by the Trade and Navigation Accounts, has gone up during the last two years from just under £3 to nearly £6 a ton. And even in 1950, the price that BISC (Ore) charged pig iron makers for this ore may have been somewhat less than the actual price it had to pay. All sides of the industry's tripartite government, therefore, deserve encouragement for this modest concession to realism in iron and steel prices. But there is still a long way to go.

Who Pays?

No increase in the price of steel will follow upon this week's increase in the price of pig iron. The cost to steel-makers is to be entirely offset by a decrease in the ingot levy that they pay on each ton of steel output. It has not been announced whether this change has been accompanied by any adjustment in the levy on scrap, and the rebate for pig iron, used in making steel. Whether this has happened or not, it seems obvious that within the industry the change will be to the advantage of works that make pig iron—and later steel—from home ores. If these works sell their pig iron, they gain an increase in price while their cost of home ore (which is far cheaper than imported, though it requires more coke and higher capital charges per ton of output) remains unchanged. If they use their pig iron to make steel, they benefit from the cut in the ingot levy on steel output, thus cutting their steel production costs. This would appear to be confirmed by the fact that the only change in steel prices consequent upon the change in the price of iron is a slight reduction in the price of hot finished steel tubes. Stewart and Lloyds, the industry's most important home ore producer, is at the same time a very important producer of these hot finished tubes. How the change will affect the works that use imported ore, or a very large proportion of scrap, is less easy to judge. But it makes Stewart and Lloyds look an even better favourite, in present circumstances, among the steelworks that the private investor would most like to denationalise.

The German Economy

A Special Survey

Page 205 of this issue

Outside the steel industry, the effect of the price changes will fall mainly upon the ironfounding industry. About 60 per cent of the foundry pig iron used by this industry is made from home ore and will therefore not be affected; other types of iron will cost from 2½ per cent to 18 per cent more. These increases will presumably be passed on to their customers, among which the motor industry, in particular, may feel the effect. These customers for iron, however, have no solid ground for complaint over the change; they have been, and to a smaller extent are still, incidental beneficiaries of the steel industry's complex pattern of holding down its material prices by means of levies. It has never been found practicable to apply to these ironfoundry customers the levies that the British Iron and Steel Federation has been able to raise from its own steelmakers and from steel founders. They have enjoyed the benefit of artificially low prices since the war, and this week's change does no more than bring their costs, too, slightly nearer to reality.

The Specialloid Case

The prosecution at the Old Bailey of two former directors of Specialloid Ltd. under the Prevention of Fraud (Investments) Act, 1939, ended on Monday with their conviction on two of the counts in the indictment. Section 12 of this Act (which did not come into force until August, 1944) created three new offences in connection with the offering of securities for sale, subscription or underwriting. These are: knowingly making a misleading, false or deceptive statement, or forecast; dishonestly concealing material facts; or "recklessly" making a misleading, false or deceptive statement or forecast. Uncertainty has existed over what this last offence involved. Last month, when the Crown asked that the prosecution should be heard by a High Court judge, counsel stated that the Common Serjeant had ruled that fraud was an essential ingredient in it, while Mr Justice Humphreys had held that it was not; the question for the jury was whether the degree of negligence became "reckless" conduct. It cannot be said that this prosecution has cleared up this uncertainty. The jury found the two defendants guilty of dishonest concealment of material facts and of making a forecast which they knew to be misleading, false and deceptive. They were not called upon to give any verdict on the third count in the indictment, which involved "recklessness."

Nevertheless, the case is important, for it reaffirms the need for the greatest care on the part of directors (and, by inference, on the part of their professional advisers and accountants) when making statements intended to attract new capital. Specialloid Ltd. was fully employed during the war making pistons and piston rings for internal combustion engines, and it prospered accordingly. Its profit for the year to March, 1945, was £55,574. As the war neared its end the situation changed. The internal accounts of the company showed, so the prosecution alleged, a trading loss of £23,000 in the quarter ended June, 1945, and one of £77,000 for the six months to September, 1945. The trading loss for the full year to March, 1946, was £150,000. Against that the company had the benefit of an EPT refund, put at £193,000. The case against the two defendants was that, between March and November, 1945, during their negotiations for a capital placing, they failed to inform the issuing house of the trading loss and left it with the impression that the company was still earning a profit. It might be argued that an EPT refund can be regarded as a portion of an earlier year's profit coming back into the company's hands; but the relevant point is the failure to disclose the fact of the refund. The crux of the case, from the public point of view, was that, in this difficult trading year, an incomplete set of figures was used to induce strangers to the company to invest £100,000 of their money in it. Mr Justice Donovan, in his summing up, said that directors

ought to be strictly honest in all their representations about how the business was going. There is no new doctrine in this dictum—just a reminder of the weight to be attached to the word "strictly."

* * *

Dollars in the Air

An announcement from the American ambassador's office in Paris this week has caused something of a stir in the British aircraft industry by suggesting that the United States Defence Department was prepared to spend a sum amounting to \$225 million on the purchase of aircraft in Europe. In the last budget, the Defence Department was voted a considerable sum to cover the supply of arms for Western Europe, some of which was to be spent as defence support on equipment built in the Nato countries. The placing of those contracts is in the hands of the Defence Department's officers in Europe, who asked the Nato secretariat some months ago for proposals of the numbers and types of aircraft it would recommend for "off-shore" purchase in this way.

It is an outline of a report on those proposals that has been published in Paris; before the orders are actually placed the Defence Department has to be satisfied that the aircraft recommended comply with the terms laid down when Congress voted the money for their purchase some months back. It seems fairly certain that the performance of the aircraft, and their delivery dates, will meet these conditions; but American military procurement procedure is fraught with pitfalls and it is too early to rule out possible difficulties over prices. But since a large number of aircraft—originally put at 1,700—is involved, and there is clearly no way of providing them from the United States, the "evaluation tests" now going on may not be unnecessarily protracted. In any case, there is no risk of a postponement of the orders while the matter is referred back to Washington for approval. The Defence Department already has the money, and complete authority to spend it for this purpose.

There are some grounds for hoping, therefore, that the Nato proposals will be agreed to, although it is now admitted that rising costs will mean that the numbers of aircraft that can now be obtained for the \$225 million appropriated will be smaller than was first hoped. When the scheme was drawn up, it was expected that Britain would provide 500 Vickers-Armstrong's Swifts at an estimated cost of \$69 million and Holland and Belgium would build a further 500 under licence at a cost of \$42 million. A sum of \$86 million was allocated for the purchase of Mystère IVs in France and \$26 million for Venom night fighters to be built in Italy under licence from the de Havilland company.

* * *

Comets on the Counter

Since the British aircraft industry has been under fire in recent weeks for its reputed inability to deliver new aircraft within a reasonable period, it may seem surprising that Vickers are able to assure delivery of as many as 500 Swifts to Europe as well as meeting considerable RAF commitments. In few cases do the facts appear to justify such hasty accusations. The de Havilland company, which has been the principal, but not the only, target of the critics, has given an account of recent negotiations with airline operators that puts matters in a rather different light. The company appears to have undertaken not only to meet individual operators' requirements for 50 Comet IIs in 1955, but also to begin delivery of the Comet III, carrying between 60 and 80 passengers over effective stage lengths of more than 3,000 miles, by late 1956. This is quite as early as the most optimistic American forecasts of jet transport deliveries, and since the Comet III's doubled payload involves a major feat of re-designing, such a date hardly seems unreasonable. The rate of Comet production is "actually in excess of orders in

hand" and the company suggests that it would be even higher if operators were ready to put their signature to firm orders.

Much the same arguments seem to apply to the Vickers Viscount. The company has firm orders for 58 of these aircraft, and negotiations are well advanced for roughly another 60, for which it is offering delivery late in 1954. No case has yet arisen of a Viscount sale being lost because of unsatisfactory delivery dates. Such facts seem to put the ball back in the airline operators' court. No airline wishes to give an appearance of lack of enterprise in an industry where enterprise is the foundation of success; yet, when it comes to the point, some operators seem to experience a certain psychological difficulty in committing themselves to gas turbine aircraft to replace piston-engined transports.

A considerable feat of organisation within the aircraft industry has made possible the simultaneous undertaking of the rearmament and civil aviation programmes. The recasting of the defence programme, from rapid rearmament to continuous re-equipment with new types, has eased the pressure on the factories, and extensive resort to sub-contracting of components and of complete designs to other manufacturers less fully occupied should be bearing fruit by 1954, the critical date for deliveries. Rolls Royce, which supplies engines for the Comet II, the Viscount and the Swift, has extended its own lines and has built a new factory, and three additional companies have also been called in to manufacture its engines. Both Vickers and de Havilland have made extensive use of sub-contracting companies for the building of complete wing or fuselage assemblies; in addition, Vickers has obtained increased factory space at Hurn and de Havilland has sub-contracted the building of complete Comets to Short Brothers and Harland at Belfast. The Bristol Aeroplane Company is likely to come to a similar arrangement with Canadair, Ltd., in Canada, in order to double existing capacity for the turbo-prop Britannia. This can hardly be called unenterprise. Steps have been taken to expand output of eminently saleable aircraft and to turn the industry's technical lead to good advantage. The industry cannot fill large orders for immediate delivery off its existing production lines, and no serious prospective buyer would expect it to be able to do so.

* * *

Cotton in Egypt

General Neguib will soon have to make up his mind what to do about Egyptian cotton. Successive Egyptian governments have attempted to hold cotton prices at artificially high levels in complete disregard of world demand. This policy resulted last season in a series of crises in the Alexandria market which led to reductions in the fixed minimum prices. But buyers not unnaturally continued to hold back, and stocks accumulated. The Egyptian Government's stocks last May were put at about a million kantars of cotton—mostly Ashmouni—and at the end of that month the government suspended the export taxes for the remainder of the season in another vain attempt to get the trade moving. Further extensive purchases by the government amounting probably to another million kantars—mostly Karnak—have since been made at its guaranteed prices. Prices have fallen sharply and heavy book losses have been incurred on these stocks.

At first sight, it might appear that the easiest course for the Egyptian authorities is to cut their losses, to sell their stocks for what they will realise and end the price support scheme. Such a policy would have the merit of providing Egypt with urgently needed exchange, and the cotton industry throughout the world would welcome the freeing of the Alexandria market. But it would also be most unpopular, for cotton is Egypt's major source of wealth; a collapse of prices would bring ruin to large sections of the population. The difficulties are increased by the planting of a large



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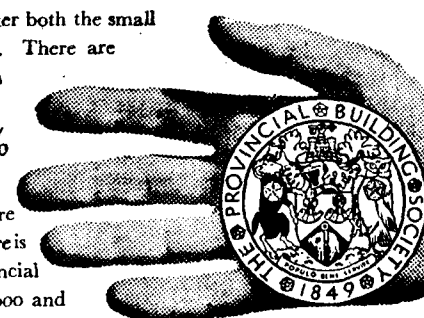
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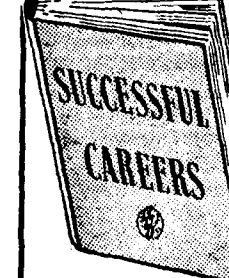
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acreage of Karnak from which both yield and quality are exceptionally good. As a result, Karnak prices now stand at a very small premium over Ashmouni. Moreover, while stocks of Ashmouni can generally be disposed of to the Egyptian mills—if necessary by offering a concealed subsidy—no such ready outlet awaits the longer-stapled Karnak. In the past the only method of disposing of Karnak without placing it on the market has been by barter deals with Russia and there is no sign that Russia is willing to take any additional quantities at present. Perhaps Egypt might look at the possibilities of an arrangement with the main consuming countries to dispose of agreed quantities of cotton as was done in the case of wool through the Joint Organisation.

Freight Market Recovery

Although there is as yet no sign of a repetition of last year's pressure of demand for tramp tonnage, the freight market is at any rate moving out of the summer doldrums, and rates are beginning to improve for chartering ahead into the winter months as well as for spot tonnage. The Chamber of Shipping tramp freight index, which takes only sterling fixtures into account, moved from 79.2 in August to 87 in September (1948 = 100), thus reversing, if only slightly, a downward trend that has been consistent since the figure of 190.5 in October last, apart from a slight hesitation in May. The index for August, 1951, 149.3, happened to be the lowest reached during that year, and it is likely that the figure of 79.2 for last August will prove to be the low point of the freight index in 1952. Since the end of September the modest rise in freight rates has been continued, and charterers are generally beginning to show more interest in covering their requirements fairly well ahead.

During August and September a shortage of tonnage developed on the North Pacific coast of America and in Australian waters, although there was a surplus in the North Atlantic. The rate for heavy grain from the North Pacific to the United Kingdom accordingly increased during September from about 73s. 9d. to about 85s., and since then 92s. 6d. has been paid. Meanwhile, American coal chartering for Europe began to revive a little, with the result that after a low level of about 26s. per ton rates began to advance to as much as 34s. 6d. for Rotterdam. The rate for sugar from Cuba to the United Kingdom also advanced slightly, from 52s. 6d. to 53s. 9d. per ton during September. Inquiries are renewed for grain from Western Australia, and the ruling rate has moved from about 80s. in August to about 92s. 6d. Moreover, there is a considerable movement of grain from North America to India, and the resumption of chartering for Black Sea grain has also helped to increase the demand for tonnage. Exceptional movements of cargoes, such as grain to the Argentine and coal to Pakistan, both from the United States, are also contributing to employment, and the fact that the St. Lawrence season is nearing its end has brought rates for U.K. shipments up to 10s. per quarter, an improvement of nearly 2s. on earlier fixtures.

Commonwealth Trade in 1951

In recent years the Commonwealth share of total world trade has hovered steadily around 30 per cent. In 1951, when the volume of total world trade was slightly higher, Commonwealth exports accounted for 29.1 per cent of world exports, compared with 30.5 per cent in 1950. Commonwealth imports accounted for 32.6 per cent of the world total compared with 30.2 per cent in the previous year. Among the five largest trading countries of the world the United Kingdom continued second and Canada fourth ; USA was first, France third and Germany fifth.

But although the fall in total Commonwealth exports and

the rise in total imports were only slight, they were sufficient to produce the serious balance of payments difficulties of 1951 and convert a surplus into a deficit. The countries largely affected by the drop in exports in 1951 were the United Kingdom and to a smaller extent Canada and Australia; nearly all Commonwealth countries increased their imports.

The United Kingdom is still by far the largest trading country of the Commonwealth, and accounts for roughly one third of the exports and 40 per cent of the imports. The Colonial territories taken together recorded in 1951 imports

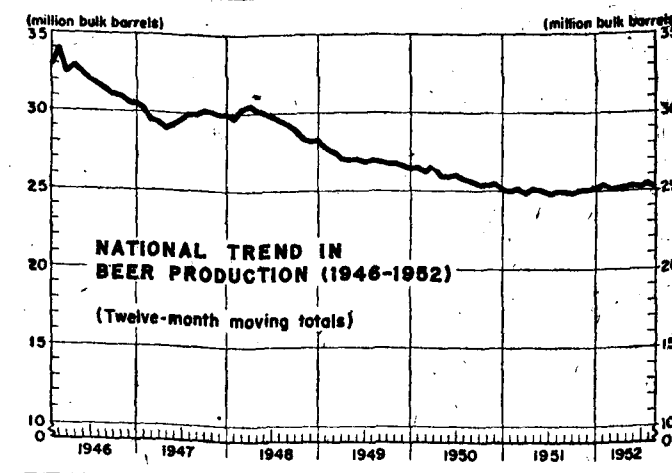
Country	Exports*			Imports		
	1949	1950	1951	1949	1950	1951
United Kingdom.....	1,844	2,256	2,707	2,275	2,608	3,914
Canada.....	819	1,041	1,345	738	1,043	1,385
Australia.....	427	593	725	363	503	751
New Zealand.....	146	182	247	120	158	203
Union of S. Africa.....	141	212	291	315	307	470
Southern Rhodesia.....	29	42	46	55	59	86
India.....	353	408	568	521	408	647
Pakistan.....	116	168	277	137	138	184
Ceylon.....	76	113	138	77	88	117
Colonial Territories.....	739	1,245	1,695	797	1,053	1,477
Total Commonwealth.....	4,720	6,285	8,104	5,422	6,392	9,280

* Including re-exports.

of £1,477 million and exports of £1,695 million, a larger volume of trade than any individual Commonwealth country apart from the United Kingdom. The trade of the Commonwealth countries is shown in the accompanying table taken from the recently published survey of the Commonwealth Economic Committee.* Except for Canada, which carries on a large part of its business with the USA, almost half the trade of the members of the Commonwealth consists of trade with one another. Between 70 and 80 per cent of the trade of New Zealand and Southern Rhodesia in 1951 was with other parts of the Commonwealth.

Strong Ale and Froth

The only safe conclusion about the monthly figures of beer output is that as a guide to the trend in beer production or consumption they are anything but safe. Weather varies in any given month in different years; Easter jumps about between March and April, and Whitsun between May and June; there may be 4 or 5 week-ends—the trading peaks—



in a month; and as the proportion of bottled beer, which keeps longer than draught, increases, it becomes more difficult to relate production to consumption. Any comparison of single months in successive years seems inevitably to lead to premature pessimism or optimism.

* Commonwealth Trade in 1951. Stationery Office. 1s.

Even a cumulative monthly comparison may be erratic. In the first month of 1952 beer output was 10 per cent higher than a year before; in the first two months it was only 1.4 per cent higher; after six months it was only 0.7 per cent higher. The July output was the highest since 1947. But those who hailed it as signalling a new trend are now faced with an August figure of 2.22 million bulk barrels—the lowest since 1936. The July figure raised 1952 output to date to 2.5 per cent more than 1951, the August figure now cuts this lead back to 0.6 per cent. There has been too much short-term judgment in recent times about output in this particular industry. It might be a good thing if comparisons were confined to groups of months in which some of the disturbing influences cancelled themselves out; the quarterly figures may be less misleading, provided that Easter did not jump from the first to the second quarter.

Two questions remain unanswered. What is the general trend? And how representative is it? Some leaders of the brewing industry fear that demand may decline further, particularly in the South of England. Yet, although it may be too soon to speak of a revival, the postwar decline does seem to have ended. The moving annual total, which eliminates seasonal fluctuations, shows a change in general direction in the summer of 1951, and the low August figure this year makes little difference. But whether the gradual upswing since then is temporary or permanent depends on varied and possibly conflicting factors: wages, prices, the beer duty, taxation in general and the whole economic climate.

The swing of public taste from draught towards bottled beer makes the national trend an even less useful guide to the experience of individual firms. The postwar fall in consumption has been borne wholly by draught beer; bottled beer now forms one-third of the total output, compared with a quarter in 1938. The shift varies between areas, and its effects vary between different brewing companies. In the short run the effect turns on bottling capacity, which small as well as large brewers are installing fast, but in the long run it may partly depend also on the readiness to develop "free" sales.

Last Testament for Havana Railways?

United Railways of Havana will be sold, if at all, at a knockdown price—thanks to the policies adopted by the only possible buyer, the Cuban Government. The chances of such a sale now seem to be brighter—a possibility not unconnected, perhaps, with the recent change of government in Cuba and with the fact that Cuba has a good deal of sugar for sale. To facilitate a prompt sale, if and when the Cuban Government makes an offer, the directors of United Railways have submitted a scheme to simplify the company's capital structure and to give the directors power to sell without first consulting the holders of any stock or the trustees for any of the debenture holders. The capital reorganisation scheme will provide for a more equitable distribution of the proceeds of any sale than if the old Laocöon-like structure were left standing.

This involves drastic steps—the wiping out of all interest arrears, the conversion of preference and ordinary capital into a single class consolidated stock, and the replacement of a conglomeration of debenture stocks (with one or two exceptions) by a mixture of income loan stocks and consolidated stock. These income loan stocks are to be divided into two classes, so that a three-tier capital structure will result. At the top of this pyramid will stand the debenture stocks of the Havana Terminal Railroad, the servicing of which is the responsibility of United Railways. Holders of these debentures are in effect guaranteed the repayment in full of their original investment of £850,000 and will also receive a slice of the consolidated stock issue; a dollar clause attached to the first income loan stock will protect the capital

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A NORTHERN manufacturer paid gratuities to old employees on their retirement and to dependants of employees who died while in his service. Just before the war, he was embarrassed when several claims came together and coincided with a decline in trading. Warned by this experience he decided to put in a pension scheme financed by an insurance company, so that benefits could be assured in advance by premiums recognised as a normal business expense. The new arrangements have been more satisfactory both for him and the staff.

The scheme was handled by Robt. Bradford (Pensions) Ltd., who are specialists in designing pension schemes and have unrestricted choice of the entire insurance market because they are independent of all insurance companies. Their impartial advice and wide experience costs you nothing. One of the directors will be pleased to discuss cases and possibilities with you.

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value of their holdings—and their holdings alone—against any further depreciation of the pound against the dollar.

From the proceeds of a sale the first income loan stock, of which £2,318,000 will be issued, would be repaid in full. Unsecured creditors outside Britain would be paid off next, and limited compensation would be paid to the staff and directors of the railway. After these payments, two-thirds of any balance left over would be distributed to the holders of the second income loan stock (subject to the limit set by the par value of the stock of £3,429,500) and the remaining third to the owners of the consolidated stock. A price of about £5 million, over and above a sum sufficient to pay off unsecured creditors in Cuba, might be acceptable if it were offered; if so, stockholders would all get some slice from the cake. This prospect, together with the endorsement of the scheme by the institutions and by the trustees for the holders of the existing debentures, should make the proposals acceptable to the holders of all classes of stock.

British Glues' New Process

The glue industry is not normally found in the vanguard of technical progress; but a new and radical advance in the method of extracting fat from bones used in glue-making seems likely to have repercussions throughout the oil and fats industry. British Glues and Chemicals, Ltd., the biggest manufacturer of animal glues in the country, has evolved a new technique of breaking down the cell structure of animal matter in order to remove the fat contained within those cells from the gelatinous material required for glue. The accepted method of extracting these fats is by heat, with or without the additional use of solvents, but it now seems highly probable that an alternative method of cold rendering can replace it. British Glues has installed equipment in its factories, designed by the company's technical director, that breaks down the animal matter under water pressure which, in effect, bombards the cellular tissue like breakers on a sea wall; under this intermittent pressure the cell walls give way, and the fat is washed out.

This process has two advantages over the accepted method of heat-rendering: the quality of the fat extracted does not suffer deterioration, which is always difficult and often impossible to avoid when heat is used; hence the quality of this by-product appears to be improved and is certainly easier to control and to specify. The soap-making tallow is at present commanding a price of £95 a ton compared with £42 a ton for tallow extracted by the conventional heat-solvent method. The second advantage is in the speed of the process. "Impulse rendering," as it has been called, is a continuous process, while rendering by heat is a batch process. The former removes the fat from the bone (British Glues' raw material) in "rather less than a second"; fat and bone are then separated by gravity and the fat is led off for storage less than three minutes after the bone was first loaded on to the plant. Heat rendering formerly used takes 20 or more hours and the difference between the extraction rate is negligible. The saving in fuel, space and capital cost is self-evident, but against it must be set the industry's existing heavy investment in the older type of equipment. This may stand against the early introduction of impulse-rendering into other fat-extracting industries where fat is extracted from animal materials as a major product, not a by-product. Pilot tests suggest that the technique is just as applicable to the extraction of oils from edible fish, animal and vegetable matter as it is to extraction from bone; but those industries too have considerable sums tied up in heat-rendering plant. British Glues, which is solely responsible for the new process, has entered into an agreement with an American engineering company, the Sharples Corporation, in order to develop it in North America. The company is prepared to license the process in other territories and is in some cases providing the equipment.

More Money for BIM?

No single observer could hope to assess with justice the value of the work done by an organisation such as the British Institute of Management. To be fairly equipped, he would need to have sat through scores of papers at a dozen conferences, and to possess a mind that miraculously sifted out the cogent points without accumulating irritation at the inevitable overlap of repetitive abstraction. He would need to have attended many committees, to have read a mass of publications, and to have taken to the institute a wide range of specific problems requiring assistance. He would need, if he were to judge this deluge of information, argument and advice properly, a large number of entirely different lifetimes of experience. In fact, he would have to be several hundred different managers.

Judgment set aside, the observer can record not only the BIM's account of its first five years but the degree of support it has won in British industry. Up to the end of March, it had gained 1,248 corporate subscribers, and its council includes a fair sprinkling of leaders in a number of British industries. It completed last year a merger with the Institute of Industrial Administration, which now becomes its "professional wing," and it is sponsoring a service within industry for the confidential exchange of information on executives' salaries. It is publishing a journal, a review, and a service of "Management Abstracts," in addition to occasional pamphlets on different aspects of management; and it has now become a British centre for distributing reports comparing productivity and performance in American factories and industries. It is conducting research into business statistics, office management, and the structure of organisation in business enterprises. It has built up an elaborate library and information service upon its subject, handling a large volume of queries upon such subjects as incentive payments and training for management.

The Institute has not, however, yet persuaded British industry that it is worth supporting in full; so far, its income of £63,000 a year from business subscriptions, research grants, and publications covers only just over half of its expenditure. The remainder, last year, was covered by a Government grant of £58,000. This Government support was promised in the first instance only for five years, and the Committee therefore approached the Board of Trade to ask for continuing assistance. This year it has been granted £50,000; it comments that

while this practical evidence of support is encouraging, the sum mentioned . . . is inadequate, notwithstanding the continuing growth of our subscription income, if the Institute is to carry out the full functions of a central institute of management.

It is still negotiating, therefore, for "an appropriate long-term arrangement" with the Government. Hesitation in Whitehall is perhaps easy to understand, for it is inevitably hard to assess the full efficacy of such an institution. In the long run, certainly, BIM must become self-supporting, for the only real evidence of its value to industry is the value that industry is prepared to pay for it. Nevertheless, if British industry were fully alive to its enlightened self-interest, management might not need improvement. In the short run, money spent on improving it is almost certainly worth while; and in this case a fairly small increase in support from public funds might pay a big dividend in helping BIM do its highly necessary job.

More Cocoa Round the Corner

Present estimates, which may be somewhat conservative, put the prospective world output of cocoa in 1952-53 at 744,000 tons, or some 75,000 tons more than last year. The weather during the next few months will decide. Last year's crop, which at first promised to be a record, turned out exceptionally small because heavy rains during the autumn

severely damaged the crop in the Gold Coast and Ivory Coast, while across the Atlantic drought reduced output in Brazil. Until the crop is gathered, no estimate can really be safe. Yet the most recent estimate—which is based on official forecasts for the main countries—seems unduly modest since it gives a total which is about 20,000 tons lower than the average for the three years 1949-51. For instance, trade sources put the estimate for the Gold Coast at 250-260,000 tons. Output throughout West Africa this year is expected to show an increase, particularly from new trees planted during the last five years. Conditions seem generally favourable in most growing areas; heavy rain has fallen in Nigeria but does not seem to have caused much harm so far.

The cocoa markets are at present marking time. Buyers are cautious because of uncertainty about the probable level of demand, and for their part the West African Marketing Boards are not pressing supplies on the market. Prices declined during the early part of September but have since

WORLD PRODUCTION OF COCOA BEANS
('000 long tons)

	1950-51	1951-52	1952-53
Gold Coast	262	211	245
Nigeria	110	108	110
Ivory Coast	60	45	56
French Cameroons	50	48	51
Other Africa	33	32	39
Brazil	134	105	105
Other America	72	73	82
Dominican Republic	32	22	30
Other W. Indies	18	20	18
Asia and Oceania	7	7	8
WORLD TOTAL	778	671	744

Source: Messrs. Gill & Duffus, Ltd.

recovered slightly. The trend should become clearer in a few months' time when supplies will be larger and when American buying normally begins on a large scale. Latest reports from the United States, however, are not encouraging; stocks are not low and consumption of confectionery so far this year has been below last year's level. Some improvement may take place when—and if—this year's fall in cocoa prices is reflected in cheaper confectionery.

Shorter Notes

Some confusion about prospective softwood imports has now been cleared up. The Ministry of Materials informed the Timber Federation that permitted imports of softwood into the United Kingdom during 1953 will be not less than 1 million standards. Last month, the Ministry announced that import licences for 500,000 standards during 1953 would be made available at once. This statement led to the mistaken belief that this figure would constitute the total for the year, and an immediate scramble for licences resulted. This week's statement should satisfy the trade; a million standards should meet requirements at about the same rate as this year without any heavy drawing on stocks, which at the end of July amounted to 676,900 standards.

The decision of the Rank Organisation to concentrate its film production at Pinewood and to sell the Denham film studios is now being followed by preparations for a sale by auction of the studio's technical equipment, furniture and fittings. This sale is expected to take place early next year; no details have yet been released of any negotiations for the sale of the studio property itself, though earlier this year there was a suggestion that the EMJ group might be interested in acquiring it for television purposes.

A guide to the Excess Profits Levy has been prepared by the Federation of British Industries. Copies of the guide, which has been written as simply as possible to explain the major provisions of this complicated levy, can be obtained from the FBI, 21, Tothill Street, S.W.1, at 1s.

Holders of the unsecured loan stocks in Cable and Wireless (Holding), now one of the biggest investment trusts in this country, are being offered the right to convert their holdings into a longer-dated first charge 5 per cent debenture stock (1972-77) at par. Two issues are affected, comprising £3,632,662 of 3 per cent stock and £4 million of a longer dated 4 per cent stock. Of the 3 per cent stock, £2,257,683 is due for redemption at the end of next December and the balance at the end of 1953. Owners of this stock are being given the right to convert the whole of their holdings into the new 5 per cent debenture. Owners of the 4 per cent unsecured loan stock, which is due for final repayment at the end of 1960, are being given the option to convert half of their holdings into the new debenture stock.

The Ministry of Food has bought the whole 1952-3 output of the British and South African whaling companies at a price "to be determined by a formula" which will be between £70 and £78 a ton for No. 1 oil. A similar offer made last year at a price of about £110 a ton was rejected by all but two companies; but later in the year the Ministry was able to buy the output of the other companies at lower prices.

The latest estimate by the United States Department of Agriculture puts the prospective cotton crop at 14,413,000 bales. This is higher than last month's estimate of 13,889,000 bales—presumably the damage caused by drought is not now thought to be as serious as was originally feared. Cotton prices in New York weakened following the announcement.

BURMA MINES LIMITED

An Interim Report of Burma Corporation (1951) Limited, dated 25th September, 1952, has been received from Rangoon on some of the more important features of the Corporation's activities pending finalisation of the Accounts to 30th June, 1952, which is subject to some delay.

During the twelve months to 30th June, 1952, sales of products obtained from processing surface stocks amounted to:—

Refined Piglead	4,798 tons.
Refined Silver	231,670 ozs.

and 3,251 tons of other products,

all of which realised satisfactory prices. Surface stocks remaining are estimated to yield ultimately 1,400 tons refined lead; 180,000 ounces silver; plus some quantity of other products.

Available labour at the Mine has been utilised solely on repairs and maintenance in preparation for the resumption of mining, the initial target being 8,000 tons per month. For this target a trained labour force of 1,600 is required. The force has been increased from 497 on 1st February to 1,058, and recruiting still continues; but it is too early to say whether the recruits mostly drawn from indigenous sources will be adequate to requirements.

Rehabilitation of the Mansam Falls Hydro-electric Power Station now in progress will bring available hydro-electric power to 4,000 kW., the minimum required for extraction and treatment of 8,000 tons of ore a month.

Despite continued, though much reduced, sabotage by insurgents, Burma Railways have been able to restore traffic on the main line sufficiently to meet current requirements.

Company Notes

British Celanese.—Since the end of the British Celanese financial year in June there has been an improvement in trade, but it is not as yet certain whether the recovery has progressed sufficiently to transform the trading loss which the group suffered in the last quarter of the financial year into a profit. Indeed the chairman, Mr. G. H. Whigham, points out that it is impossible at the moment to forecast the future level of profits or dividends, though he hopes to be able to give shareholders more up-to-date information on the state of trade at the annual general meeting at the beginning of November.

There are some signs of improvement, particularly in sales at home and in export sales of yarn; accumulated stocks are being liquidated and idle machinery is gradually being brought back into commission. But as yet the recovery in trade has not spread to every side of the business, and Mr. Whigham warns shareholders that "it will be some considerable time before the effects of the recession on production and on profits are fully overcome."

The period of convalescence is likely to be prolonged. Even if the group's markets regain their former buoyancy, part of the skilled labour force that was lost during the recession will have to be replaced, while the technical difficulties of bringing rayon plant into production again are more serious than for other textile manufacturers. Again, a considerable accumulation of stocks has still to be liquidated. At the end of June stocks held by the British Celanese group stood at nearly £7.4 million after £900,000 had been written off; the increase of about £1.3 million

	Years to June 28, 1951	1952
Consolidated earnings:—		
Trading profit	8,015,826	3,181,261
Total income	8,139,945	3,307,458
Depreciation	713,788	632,734
Taxation	1,137,486	1,612,611
Net profit	3,154,092	933,622
Ordinary dividends	(a) 185,753	217,098
Ordinary dividends (per cent)	(a) 16	11
Retained by subsidiaries	40,446	Dr 39,576
General reserve	1,000,000	
Replacement reserve	1,000,000	100,000
Added to carry forward	75,267	73,902
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	8,345,907	9,522,403
Net current assets	12,104,200	13,763,264
Stocks	6,059,158	7,371,746
Cash	4,324,253	4,253,729
Reserves	5,330,646	8,456,520
Ordinary capital	2,211,333	3,759,267

(a) After a special stock write-down of about £900,000.
(b) Including special dividend of 7 per cent, absorbing £81,267, paid last December, but relating to the financial year 1950-51.

in the book value of stocks was due almost entirely to the accumulation of unused raw materials and unsold finished products. The fact that stocks of finished products are being reduced more rapidly than stocks of raw materials suggests in itself that the recovery in trade has not yet become rapid.

In company with the chairman of Courtaulds, Mr. Whigham believes that the long run prospects for the rayon industry are still good. The group, again like Courtaulds, is backing its belief by pushing ahead with its programme of expansion and development. In the last financial year the gross book value of the group's fixed assets increased by £1.6 million to £18.3 million and at the end of June outstanding capital commitments were put at nearly £2.5 million. The slump in the textile trades has not severely disrupted the group's long term plans but its effects will probably make their mark on the full accounts that will cover nine months' trading to the new accounting date at the end of next March.

Calico Printers.—The preliminary statement issued by Calico Printers shows as clearly as the full accounts of British Celanese how the sudden switch from boom to slump has affected every corner of the British textile

industry. In the year to June 30th trading profits earned by the Calico Printers group fell sharply from £4,397,000 to £1,709,000. Before striking the past year's figure for profits full provision had been made for stock depreciation, though the amount written off is not disclosed in the statement. But it must have been substantial and may account for a large part of the precipitate decline in earnings.

An equally sharp reduction in the charge for taxation, from £2,321,000 to £346,000, provides a welcome cushion to the effects of the recession upon net profits, but as the group has again had to provide over £1 million for maintenance and depreciation, the group's net profits have fallen from £1,021,318 to £296,737. This latter figure has been struck after writing back £246,000 from an EPT provision no longer required. This non-recurring credit of £246,000 has enabled the directors to set aside £250,000 (against £700,000) to a general reserve and to maintain the ordinary dividend at 12½ per cent. Presumably the strength of the group's reserves encouraged the directors to maintain the ordinary dividend; in this connection shareholders will note that the reserve against stocks and debtors has been left intact and that profits have borne the full brunt of stock depreciation. At the current price of 33s. the £1 ordinary stock units yield £7 11s. per cent.

Fisher and Ludlow.—The decline in vehicle production in this country suggests that the Fisher and Ludlow group will earn smaller profits in the current financial year, already six months old, than in the year to March 31st last. In that year a modest advance in profits, from £1,148,995 to £1,222,726, was achieved, but it may be that the fall in profits this year will be almost as moderate. The group has probably already felt the pinch of falling sales of motor vehicle bodies and of Bendix domestic appliances. To some extent, however, the effect upon profits of this reduction in sales may be counteracted by an increase in earnings from defence contracts and from the production of mechanical handling equipment.

But if shareholders should expect some reduction in profits, any increase over and above the 22½ per cent ordinary dividend paid for the year to March 31st would be improbable; the question would rather be whether a dividend of 22½ per cent may be maintained. Here the strength of

	Years to Mar. 31, 1951	1952
Consolidated earnings:—		
Trading profit	1,148,995	1,222,726
Total income	1,152,551	1,234,311
Depreciation	245,432	257,350
Taxation	515,857	584,857
Net profit	328,167	342,169
Ordinary dividends	75,470	75,470
Ordinary dividends (per cent)	22½	22½
Retained by subsidiaries	93,804	119,455
Added to carry forward	129,518	118,431
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	1,212,217	1,194,726
Net current assets	3,299,156	3,584,824
Stocks	1,587,459	1,733,201
Cash	1,129,549	1,594,625
Reserves	2,107,678	2,347,314
Ordinary capital	638,904	638,904

10s. ordinary stock at 36s. 3d. yields £6 1s. per cent.

the group's balance sheet rather than any fall in profits appears to be the principal arbiter. Last March the balance sheet was undeniably strong. A further increase in the group's productive capacity had been achieved without imposing any strain upon liquid resources. Indeed, the group's cash balances had actually risen, from £1,129,549 to £1,594,625, amply covering the group's outstanding contracts for capital equipment of £200,000. Such a high degree of liquidity may encourage shareholders to feel that the ordinary dividend will be maintained at 22½ per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Oct. 8, 1952	Price, Oct. 15, 1952	Net Yield, Oct. 15, 1952	Gross Yield, Oct. 15, 1952
War Bonds 2½% '51-53	99½	99½	1 1 9	2 13 10
War Bonds 2½% '52-54	99½	99½	1 11 1	2 17 1 1
Exchequer 2½% 1955	98½	98½	1 15 8	2 18 10
Ser. Funding 1½% '52	99½	99½	(g)	2 14 8
Ser. Funding 1½% '53	98½	98½	1 18 5	2 14 0
Ser. Funding 1½% '54	97½	97½	1 19 6	2 15 9
Ser. Funding 3% '55	100½	100½	1 11 10	2 19 8
War Bonds 2½% '54-56	98½	98½	1 14 3	2 19 4 1
Funding 2½% '52-57	99½	99½	1 11 4	2 19 7 1
Nat. Def. 3% '54-58	99½	99½	1 13 8	3 3 7 1
War Loan 3% '55-59	98½	98½	1 15 10	3 3 8 1
Savings 3% '55-55	92½	92½	2 5 11	3 16 3 1
Funding 2½% '56-61	91½	91½	2 7 8	3 12 8 1
Funding 3% '59-69	86½	86½	2 12 7	4 3 9 1
Funding 3% '66-68	87½	87½	2 21 2	4 2 7 1
Funding 4% '60-90	97½	97½	2 9 5	4 7 10 1
Savings 3% '60-70	85½	85½	2 13 0	4 2 7 1
Savings 2½% '64-67	83½	83½	2 13 6	3 19 9 1
Victory 4% '20-76	100½	100½	2 1 3	3 19 6 1
Savings 3% '65-75	82½	82½	2 12 1	4 4 7 1
Consols 4% (aft. 1957)	86½	86½	2 8 7	4 13 0 1
Consols 3½% (aft. 1961)	77½	77½	2 7 5	4 10 4 1
Treas. 2½% (aft. 1975)	57½	57½	2 6 0	4 7 8 1
Treas. 3% (aft. 1966)	67½	67½	2 6 7	4 8 10 1
Treasury 3½% '77-80	89½	89½	2 8 2	4 4 11 1
Redemption 3% '86-96	78½	78½	2 7 9	4 1 9 1
War Loan 3½% aft. 1952	78½	78½	2 7 3	4 10 8 1
Consols 2½% (aft. 1961)	58½	58½	2 5 0	4 5 9 1
Br. Elec. 3% '68-73	83½	83½	2 12 4	4 4 3 1
Br. Elec. 3% '74-77	82½	82½	2 11 2	4 3 6 1
Br. Elec. 4½% '74-79	99½	99½	2 5 5	4 6 2 1
Br. Elec. 3½% '76-79	88½	88½	2 8 1	4 3 10 1
Br. Trans. 3% '78-88	78½	78½	2 10 8	4 5 0 1
Br. Trans. 3½% '88-93	83½	83½	2 12 4	4 4 3 1
Br. Gas 3% '90-95	76½	76½	2 9 3	4 3 6 1
Br. Gas 3½% '99-01	90½	90½	2 9 1	4 4 7 1
Br. I. & S. 3½% '79-81	88½	88½	2 8 7	4 5 1 1

(a) To earliest date. (f) Flat yield. (g) To latest date.
(s) Assumed average life 15 years approx. * Ex dividend
(q) 199 18s. 6d.

Last Two Dividends	Ordinary Stocks	Price, Oct. 8, 1952	Price, Oct. 15, 1952	Yield, Oct. 15, 1952
(a) (b) (c)				
40 b	20 Anglo-Am. 10/-	6½	6½	4 19 0
5 a	25 Anglo-Iran 1/-	5½	5½	5 5 3
12½ b	7½ Assoc. Elec. 1/-	71/6	72/6	5 10 4
20 b	7½ Assoc. P. Cem. 1/-	100/-	101/3	5 8 8
22½ c	10 Bass 1/-	125/-	125/-	6 17 2
20 c	5 Boots 5/-	20/-	20/-	5 0 0
8½ b	3 Brad. Dyers 1/-	24/-	24/-	9 11 8
4½ a	6 Br. Celanese 10/-	24/3	24/9	4 8 11
...	Br. Motor Cp. 5/-	30/10½	31/10½	...
12 b	6 Br. Oxygen 1/-	51/1½	51/10½	5 7 11½
3 b	3 Can. Pac. 25/-	36½	36½	4 10 6
5 a	7½ Coats 1/-	44/4	45/-	5 11 1
5 a	6½ Courtaulds 1/-	37/-	36/9	6 2 5
15 c	2½ Cunard 1/-	34/6	34/8	8 13 11
7½ a	15½ Distillers 4/-	16/9	17/-	5 5 11
17½ c	17½ Dunlop 1/-	46/3	46/3	7 11 4
12½ c	15 Ford 1/-	49/-	49/9	6 0 8
7½ a	15 Gen. Elect. 1/-	39/6	40/6	5 11 1½
5 a	10 Guest Keen 1/-	53/6	54/-	5 11 1
17 b	7½ Guinness 10/-	31/-	30/3	5 10 2½
5½ b	5½ Hawker Sid. 1/-	38/6	38/3	5 4 7
13 c	5½ Imp. Chan. 1/-	43/6	43/6	5 19 6
18½ b	13½ Imp. Tobacco 1/-	55/3	55/3	7 4 9½
8½ c	2½ Int. Nick. n.p.	88½	88½	5 7 5
17½ c	17½ J. Burg. Con. 1/-	49/-	48/6	7 4 4
10 b	5 Lancs. Cotton 1/-	37/6	38/1½	7 17 4
10 b	7½ Lon. Brick 1/-	61/3	61/3	5 14 3
15 a	65 Marks & Sp. A 5/-	43/6	43/9	4 11 5½
15½ b	6½ Monsanto 5/-	25/7½	25/7½	4 10 0
10½ b	6 P. & O. Def. 1/-	51/-	51/-	6 10 9
7½ a	17½ P. Johnson 10/-	35/6	36/9	6 16 1
7½ c	100 Prudential 'A' 1/-	34	34½	5 10 6
200 c	50 Rhokana 1/-	23½	22½	8 19 9
5 a	10 Rolls Royce 1/-	59/4½	59/4½	5 1 0
15 a	12½ Shell Stk. 1/-	83/1½	82/6	5 11 0
12½ b	13½ Tube Invest. 1/-	55/9	55/9	4 9 8½
15 b	5 Tur. Newall 1/-	92/6	93/9	4 5 4
6 a	8½ Unilever 1/-	46/3	46/3	5 16 9
10 c	12½ Union Castle 1/-	22/-	22/-	5 13 8½
5 b	5 Union Disc. 1/-	41/-	42/-	4 15 3
7½ a	7½ Utd. Molass. 10/-	31/-	31/6	6 5 9½
50 c	50 U. Sta. Betong 1/-	36/3	35/-	28 11 5
10 b	2½ Vickers 1/-	43/3	43/6	5 14 11
27½ b	15 Woolworth 5/-	42/6	42/6	5 0 0

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 14%.
(e) Yield basis 16%. (f) Yield basis 22-9 gross. (A) Yield basis 12½%. (B) Yield basis 6½%. (m) Yield basis 19-8%.
(n) Yield basis 40%. (o) Yield basis 20%. (p) Yield basis 11½%. * Ex div. † Free of tax.

EXCHEQUER RETURNS

For the week ended October 11, 1952, total ordinary revenue was £53,001,000, against ordinary expenditure of £78,729,000, and issues to sinking funds £560,000. Thus, including sinking fund allocations of £1,443,000 the deficit accrued since April 1, 1952, was £330,675,000 compared with a deficit of £56,556,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53 £'000	April 1, 1951 to Oct. 13, 1951	April 1, 1952 to Oct. 11, 1952	Week ended Oct. 11, 1951	Week ended Oct. 11, 1952
REVENUE					
ORD. REVENUE					
Income Tax	180,422	469,740	498,928	8,898	8,210
Sur-tax	123,000	37,800	35,600	1,000	1,300
Estate, etc., Duties	175,000	101,400	77,600	2,500	3,200
Stamp	57,500	33,600	25,950	1,100	600
Profits Tax & EPT	452,000	167,200	206,300	4,800	6,900
Excess Profits Levy	5,000	...	...	...	...
Special Contribution	2,000	1,875	950	40	...
And other Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,872	811,615	845,328	18,338	20,210
Customs	104,350	532,162	549,612	21,125	19,593
Excise	772,000	388,200	367,988	5,500	5,130
Total Customs and Excise	1,815,500	920,362	917,600	26,625	24,723
Motor Duties	64,150	12,634	16,734	415	510
Surpl's from Tradg. PO (Net receipts)	12,000	65,927	...	...	...
Broadcast Licences	15,000	5,000	5,050	...	48
Sundry Loans	26,000	19,023	18,805	...	...
Miscell. (incl. Surpl. plus War Stores)	110,000	69,116	63,430	5,627	7,510
Total Ord. Rev.	4,661,375	1,903,687	1,862,847	51,048	53,001
SELF-BALANCING					
Income Tax on EPT Refunds	209,235	96,200	100,700	2,600	3,000
Total	4,870,610	2,000,000	1,963,547	53,734	56,029
EXPENDITURE					
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	267,322	301,885	3,015	4,327
Payments to N. Ireland	40,000	19,051	20,330	...	...
Other Cons. Funds	10,000	5,340	4,633	382	2
Total	625,000	291,713	326,854	3,397	4,329
Supply Services	355,436	165,779	184,922	65,700	74,400
Total Ord. Expd.	417,936	194,951	216,707	69,097	78,729
Sinking Funds	...	10,732	17,443	1,114	560
Total (excl. Self-Bal. Expd.)	417,936	196,024	213,552	70,211	79,289
SELF-BALANCING					
Post Office	209,235	96,200	100,700	2,500	3,000
Income Tax on EPT Refunds	4,900	2,816	2,704	289	28
Total	439,350	205,225	229,627	72,897	82,317

After decreasing Exchequer balances by £65,797 to £3,059,234, the other operations for the week increased the National Debt by £33,972,066 to £26,181 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	10
Export Guarantees Act, 1949, s. 3	170
Housing (Temp. Accom.) Act, 1944, s. 8	183
EPU (Fin. Provs.) Act, 1950, s. 3	375

NET ISSUES (£ thousand)

Post Office & Telegraph (Money) Act, 1950	900
EPT Refunds	34
Local Authorities Loans Act, 1945, s. 3(1)	4,700
New Towns Acts, 1946 and 1952	905
Cinematograph Film Prod. (Special Loans) Acts, 1949 and 1950	200
Misc. Fin. Provs. Act, 1946, s. 2(1) War Damage: Board of Trade	1,000
Town & Country Planning Act, 1947	100
Finance Acts, 1946 and 1947, Postwar Credits	286
Total	8,125

Statistical Summary

CHANGES IN DEBT (£ thousands)	
RECEIPTS	PAYMENTS
Nat. Savings Certs. 900	Treasury Bills 271,172
3½% Def. Bonds 2,555	2½% Def. Bonds 1,050
1½% Serial Funding 199,522	3½% Def. Bonds 1,624
Stocks, 1953 and 1954	Other Debt 1,066

ODEON THEATRES AND SUBSIDIARY COMPANIES

PROGRESS FULLY MAINTAINED

GROUP RESULTS AN ALL-TIME RECORD

EADY SCHEME: CONTINUATION VITAL TO BRITISH FILM PRODUCTION

The fifteenth annual general meeting of Odeon Theatres Limited, and the annual meeting of its subsidiary companies, British and Dominions Film Corporation Limited, Gaumont-British Picture Corporation Limited, Odeon Associated Theatres Limited, and Odeon Properties Limited, were held on October 10th at the Dorchester Hotel, London, W., Mr J. Arthur Rank, DL, JP, the chairman, presiding.

The following are extracts from his statement which was circulated with the report and accounts:

In my last statement dealing with the group accounts for the 52 weeks ended June 23, 1951, I was able to report good progress in the financial rehabilitation of the group.

I am very happy to present to you this year accounts which show that this progress has been fully maintained. From these accounts you will see that our financial position and profit-earning ability have been markedly improved.

You will recall that at June, 1949, our financial position was severely strained as a result of the reverses suffered in the large-scale production of British films.

The two following years were fully occupied in dealing with the many problems which arose from this cause.

During this period, under the guidance of the managing director, Mr John Davis, the organisation of the group was closely examined with a view to reducing administrative expenses, improving the efficiency of our operation and raising the enthusiasm and morale of the personnel.

The results for the year under review, namely, for the 53 weeks ended June 28, 1952, demonstrate the beneficial effects of this policy.

The trading results for the period showed a marked improvement over the previous one and in fact are an all-time record in the history of the group as now constituted. At the same time, we have been successful in effecting further substantial reductions in the funded and unfunded indebtedness of the group.

ODEON THEATRES LIMITED

CONSOLIDATED BALANCE SHEET.—Revenue reserves show a substantial increase of £1,045,954 and now amount to £1,421,645.

Loan capital, including mortgages, debentures and secured notes at £16,733,443 shows an aggregate reduction of £1,911,275 when compared with £18,644,718 last year.

I am also glad to record that the first and second secured notes of British Optical and Precision Engineers, Limited, amounting to £1,750,000, which fell due for repayment either at December 31, 1952, or 1954, were the subject of a funding operation which was completed in 1952.

BANK LOANS AND OVERDRAFTS.—Between June 23, 1951, and June 28, 1952, the bank indebtedness of the group has been reduced by a further £2,437,008 and now amounts to £6,776,738. Thus compared with the position at June 25, 1949, a total reduction of approximately £9,500,000 has been made.

FILM PRODUCTIONS.—The stock value of film productions including the substandard

film library at June 28, 1952, amounted to £2,996,779.

A year ago it was necessary to make provision for losses on unreleased films. I am happy to say that at June 28, 1952, we have not considered such a provision necessary.

The contingency provision shown as a deduction from the value of film productions on the consolidated balance sheet amounts to £437,155. This provision is designed to cover the uncertainties which must always exist in the distribution of films, particularly overseas.

CONSOLIDATED TRADING PROFITS, less losses, subject to depreciation, interest, etc., amounted to £6,397,278 for the year, as compared with £5,125,230 for 1950-51. This marked improvement is principally due to the fact that net losses on film production and distribution (before depreciation) amounted only to £25,094 in the year under review, as against £1,182,099 in 1950-51.

After deducting £925,359 (1951, £921,876) for outside shareholders' interest, the profit attributable to Odeon Theatres Limited, is £834,620, as compared with £138,227 in the previous year.

GAUMONT-BRITISH PICTURE CORPORATION LIMITED

The financial position of this group shows a substantial improvement.

Revenue reserves at £4,958,236 are £374,972 greater than last year, due to the addition of retained profits.

The trading profit for the year, subject to depreciation, interest, etc., is £2,895,094, and compares with £2,852,264 in the previous year. Depreciation absorbs £549,016 (£542,522 in 1950-51) and after crediting interest and commission receivable and deducting interest payable, audit fees, etc., the Group profit before taxation amounts to £2,126,963 as compared with £1,994,999 last year.

After allowing for £355,885 for outside shareholders' interests, the net profit applicable to the Corporation is £331,079 (1950-51 £426,920).

BRITISH AND DOMINIONS FILM CORPORATION LIMITED

Revenue reserves have been increased by £98,608 to £867,088, as compared with £768,480 last year.

NATIONAL PROVINCIAL BANK

I have referred in previous years to the support which our bankers have given during our difficult years and the happy relationship which we have had with them. It has given me considerable satisfaction to see the amount by which we have reduced our bank indebtedness during the last three years—thus proving that the confidence which the bank placed in your company and its management was justified.

FILM PRODUCTION

It has been said in some quarters that owing to the financial problems with which the country is faced the importation of foreign

films should be reduced and the output of British films increased and that if necessary this position should be achieved by legislation. I do not subscribe to this view, and am surprised that it should be put forward as a practical proposition in view of the unfortunate experience which the industry suffered as a result of such a policy in 1948-49.

I believe that the British production industry will expand slowly, surely and economically if it is allowed to develop its creative talent without political interference.

I am convinced that the basic factor which must always control the volume of British film production is the availability of creative talent.

THE EADY FUND

I referred last year to the extension of the Eady fund for a period of three years to August 5, 1954, and expressed the view that such an extension would assist in solving the immediate film production problems. I believe that, by and large, it has done this.

The Eady scheme is a voluntary scheme adopted by all sides of the industry. It is obviously desirable that it should be a voluntary scheme, but it is vital that the future continuance of the scheme after August, 1954, is considered and settled now.

The existing arrangements expire in August, 1954. Experienced and prudent producers know that they will have to make decisions long before that date as to their future production policy if arrangements have not been made to extend the existing scheme.

I think that all those who understand the problems of the industry are now satisfied that while entertainment tax is maintained at its present level the British production industry cannot persist on a sound and economic basis without some financial support similar to the Eady scheme.

I envisage that unless arrangements have been completed by the spring of 1953 for an extension of the Eady scheme, the present level of production will commence to fall, and by August, 1953, will be coming to a standstill.

Producers realise that unless their forthcoming productions can be released early in 1954 they will not secure the benefit of the existing Eady fund and based on past experience a programme of films cannot recover its cost in these circumstances.

I know that serious and far-seeing members on all sides of the industry realise the necessity for an extension to the existing scheme and are beginning to appreciate the importance of dealing with the problem now. It must always be remembered that a firm production programme is not one which can be altered quickly, and that policy decisions once made normally do not become effective from a commercial point of view until many months later.

It would be a tragedy if, owing to delay in dealing with the extension of the Eady scheme, all the work which producers as a whole have done to put their house in order should be disrupted and lost.

In so far as this group is concerned, we shall materially curtail film production in

August, 1953, unless we know that the production side of the industry will be receiving support under a proper scheme after August, 1954. This policy is essential in the shareholders' interests.

I was pleased to note from the debate in the House of Lords on July 21st last, and from the reply to a question in the House of Commons on July 29th by the President of the Board of Trade, that HM Government have intimated that they are in favour of a continuation of the Eady scheme, but wish this to be arranged on a voluntary basis by the industry itself at an early date.

This expression of policy by HM Government is most encouraging, and you may rest assured that as far as this organisation is concerned, we shall do everything possible to further this policy.

QUOTA

First feature British quota for the year ending October 1, 1951, was set at 30 per cent. I am happy to inform you that all our theatres satisfied their legal obligation. The quota for the year ending September 30, 1952, has been fixed at the same percentage. I anticipate that our theatres will also satisfy this quota.

While I believe that a British quota is necessary and desirable, I must admit that it has been no easy matter to fulfil this obligation and this has necessitated playing a number of programmes which did not necessarily appeal to the general cinema-going public. I am certain that it is essential to give British producers encouragement to make further efforts to produce films of high entertainment value.

ENTERTAINMENT TAX

During the year the industry has again had to spend a great deal of time in wrestling with the problem created by the unfair discrimination in the rate of entertainment tax which it has to pay as compared with other forms of entertainment.

Unfortunately, these efforts have produced little by way of results.

In the 546 theatres operated by this group the public paid during the year under review £30,018,278 by way of admission prices, and of this total no less than £11,808,831 was drained off as entertainment tax representing 7s. 10d. of every £1 taken at the box-office, or 39 per cent of total paid admissions. We suffered a decrease of 3.16 per cent in the number of admissions as compared with 1951, but, despite this, paid in entertainment tax an increase of 10.52 per cent, or over £1 million, an absurd and unhealthy position. I consider that the industry is entitled to tax relief, and that if this were granted the Treasury as well as the industry would gain by the maintenance or increase in box-office attendances.

THE UNIONS

In my speech 12 months ago I referred to our relationship with the trade unions, and made special reference to the difficulties being experienced by the production side of the industry as a whole in its relationship with the Association of Cine and Allied Technicians. Since then the Joint Industrial Council for Film Production has carried out some effective work which could not have been achieved if agreement had not been reached between the three trade unions.

I, therefore, feel justified in expressing the hope that the representation of ACT with the National Association of Theatrical and Kine Employees and the Electrical Trades Union to form the employees' side of this Joint Industrial Council, although the association is not without difficulties and problems, may nevertheless tend to improve the

relationship between the employer and employed in our film studios.

EXHIBITION

DOMESTIC.—In my view this group as the proprietors of two important chains of cinema theatres which are British controlled, carries a definite responsibility to support British production.

During the year we have played 34 British first features, in 17 of which we had no financial interest, and 16 British supporting features in which we were financially interested in only two.

OVERSEAS.—Our theatres, both those directly operated by us and those which are in association with partners, have made further material progress during the year. Their efficiency of operation has been further improved. Attendances have been maintained and, what has been most gratifying, the demand from the public for British films in the countries concerned has increased.

DISTRIBUTION

DOMESTIC.—The extensive reorganisation of our domestic distribution to which I referred last year has been completed with gratifying results. The appointment of Mr K. N. Hargreaves as managing director of General Film Distributors Limited, has proved a wise one and our relationship with independent exhibitors is better today than it has ever been before.

EASTERN HEMISPHERE.—The hard work which has been put in in recent years is bearing fruit. I am happy to say that we have an efficient and enthusiastic distribution operation in all territories.

CANADA.—The remittances to this country from the distribution of British films by our Canadian organisation were, during the year under review, the highest which we have ever achieved. I am hopeful this revenue will continue to expand.

UNITED STATES.—Some of our films have had outstanding successes in the large centres. We have also made some progress in the smaller ones, but even so the territory still remains a difficult one.

STUDIOS

Pinewood has been in steady production during the whole year, the tempo increasing as the year progressed.

Nine films have been produced in which we have participated financially: "Hunted," "The Card," "The Importance of Being Earnest," "Penny Princess," "Something Money Can't Buy," "The Planter's Wife," "Venetian Bird," "Meet Me To-night," "It Started in Paradise." We anticipate that in the current year we shall produce at least 15 films in these studios.

Apart from the productions which I have already mentioned, we have participated financially in the Ealing production programme for the year, which comprised "I Believe In You," "His Excellency," "Where No Vultures Fly," "Secret People," "Mandy."

MANUFACTURING COMPANIES

I have referred to the refinancing of British Optical and Precision Engineers Limited, a most important financial operation and one which has done much to stabilise the affairs of this company and its manufacturing subsidiaries.

The results for the year ended December 29, 1951, showed a profit before tax of £515,641 being an improvement of £321,760 as compared with the previous year.

One-third of the turnover for the year ended December 29, 1951, was secured in the export markets.

CINEMA-TELEVISION LIMITED.—This company has made steady progress during the year under the able guidance of its managing director, Mr Darnley-Smith, and has been extending its interests and activities. Particular progress has been made in the development of specialised cathode ray tubes and photo-electric cells.

The company has, as you know, for many years been actively interested in the development of a large screen television system for use in the motion picture cinema.

We believe that in the coming years large screen television will play an important part in public entertainment.

The problem of the right to use the air by the cinema industry has not yet been solved. We hold the view that the development of large screen television is a development of modern science and that we should have made available to this industry channels which can be used as a matter of right and not as a matter of bargaining with the other vested interests.

BUSH RADIO LIMITED.—A record turnover has been achieved by this company during the year although the market for the sale of radio and television receivers has been disturbed by fiscal measures.

DIRECTORATE

In my last statement I referred to the outstanding service rendered to the group by Mr John Davis, the deputy-chairman and managing director of Odeon Theatres Limited. I must again place on record the board's appreciation of his brilliant administrative powers and sound judgment which have contributed so largely to the satisfactory trading results and the improved financial position which I have been able to report to you.

CONSULTANT ACCOUNTANTS

I have referred in previous years to the invaluable advice which we have received from Messrs Peat, Marwick, Mitchell and Company, and particularly from their partner, Mr R. G. Leach. The year under review has been one of consolidation and, on behalf of myself, Mr John Davis, my colleagues and the shareholders, I again wish to thank Mr R. G. Leach for the generous help and advice which he has given to us continually throughout the year.

PERSONNEL

The policy to which I referred last year of the development of young and enthusiastic manpower has been continued, and is being of material assistance to us. I believe that we have today the best pool of potential executive manpower of any company in this industry. I wish to thank them sincerely for their services during the year.

THE FUTURE

Our major financial difficulties have now been overcome. The personnel and organisation of the group are in first-class order. We face the future with a measure of confidence in the knowledge that if the cinema industry is given reasonable conditions in which to operate we shall maintain our important position in it, and I hope to be able to present satisfactory trading results to our shareholders.

At the meeting of Odeon Theatres Limited the report and accounts were adopted.

At the meetings of each of the other companies the report and accounts were also adopted.

A vote of thanks warmly congratulating the Chairman, Deputy Chairman, and their colleagues on the remarkable recovery shown in the accounts was proposed by a shareholder and carried unanimously.

THE GREAT UNIVERSAL STORES, LIMITED

A YEAR OF SUBSTANTIAL PROGRESS

MR ISAAC WOLFSON'S STATEMENT

The thirty-fourth ordinary general meeting of The Great Universal Stores, Limited, was held on October 15th in London, Mr Isaac Wolfson (chairman and managing director) presiding. The following is an extract from his circulated statement with the report and accounts for the year ended March 31, 1952:

The year under review has again been a record one, despite more difficult conditions experienced during the last six months' trading.

PROFIT AND LOSS ACCOUNT

The consolidated trading profit is £10,007,555 as compared with £8,161,150 last year. To the above-mentioned trading profit must be added dividends from trade and other investments, etc., of £58,999, making a total revenue of £10,066,554. From this has been deducted depreciation of fixed assets £740,654, remuneration of auditors £52,579, interest paid £635,274, dividends and profits attributable to outside shareholders of subsidiary companies £279,006, leaving a net distributable revenue before taxation of £8,359,041. Taxation takes the substantial sum of £5,365,365, leaving a net distributable revenue after taxation of £2,993,676, as compared with £2,318,595 last year. The consolidated trading profits as compared with last year show an increase of £1,846,405.

INCREASED DIVIDEND

For the year ended March 31, 1951, a total dividend of 40 per cent, less tax, amounting to £284,631 was declared on the ordinary stock of the parent company.

In view of the continued large net earnings cover, your directors feel justified in recommending an increased dividend payment for the year. It is, therefore, proposed that a final dividend of 18½ per cent, less tax, be declared upon the company's ordinary stock as doubled by the capital bonus issued subsequent to the date of these accounts as referred to in the directors' report and later in this statement.

This is equivalent to a payment of 50 per cent for the year on the original ordinary capital, excluding the share bonus, and compares with 40 per cent per annum paid for the previous year. The above total dividend for the year amounts to £353,853, as compared with £284,631 for the previous year, and is covered eight times by net distributable earnings. The above dividend represents only 3 per cent, less tax, in relation to the net assets employed in the group.

GROUP ASSETS

The assets of the group, which are of a fixed nature (mainly properties), form 20 per cent of the total assets of the group. The balance of 80 per cent represents current assets, which enjoy a high degree of liquidity in so far as very large sums of cash are continually revolving in respect thereof in the normal course of trade of the group.

Total current assets at £51,474,232 represent an increase of £4,410,708 in relation to last year, whereas total current liabilities have increased by £844,625. Thus the surplus of current assets over current liabilities is now £21,542,261, as compared with £17,976,178 last year.

CAPITAL AND RESERVES

The issued ordinary capital of the parent company has increased by £12,500 to £1,348,013 as at the date of the accounts.

Capital reserves now stand at £6,263,397, being an increase of £476,423 over last year.

Revenue reserves, including undistributed profits and the amount set aside for future income tax, total £11,733,838, being an increase of £3,080,844 over last year.

The above total capital and revenue reserves of the group now amount to £17,997,235, which is five times the total issued capital or over thirteen times the amount of the issued ordinary capital of the parent company as at March 31, 1952.

From the above it was, therefore, apparent that the issued ordinary capital of the parent company of £1,348,013 was out of all relation to the real capital employed in the group.

The consent of Her Majesty's Treasury was, therefore, obtained to the capitalisation of £1,348,013 of reserves of the company to be applied in paying up in full 5,392,052 A ordinary shares of 5s. each (non-voting) to be allotted by way of a bonus to existing holders of ordinary stock units registered on May 8, 1952, in the proportion of one new share of 5s. each for every 5s. stock unit then held, that is one for one. Thus the ordinary share capital of the parent company is now doubled at £2,696,026.

These new ordinary shares rank for the final dividend to be declared in respect of the year under review, that is, to March 31, 1952.

TRADING CONDITIONS DURING YEAR

I am gratified to be able to report that, through the medium of our 702 channels of retail distribution at home we again served a larger number of customers than ever before and that our sales increased by 15 per cent over the previous year.

PAST AND PRESENT PROFITS

In my supplementary remarks on the accounts for the year ended March 31, 1948, I stated that we were budgeting over a four-year period to earn annual trading profits in the group of not less than those shown for the above-mentioned year which amounted to £2,928,448. Those four years have now elapsed and I am pleased to record how conservative our estimates were when I state that the actual trading profits for those four years were:

Year ended March 31, 1949	£ 4,576,290
" " " " 1950	5,896,913
" " " " 1951	8,161,150
" " " " 1952	10,007,555

This makes an aggregate trading profit for the four years of £28,641,908, out of which there has been provided during that period £14,965,907 for taxation.

In conclusion, difficult conditions may continue for some time, and it would be unwise to make any forecast as to future results. Retail sales for the group for the current year to date are in excess of last year, and I am hopeful that results will continue to be satisfactory.

The report and accounts were unanimously adopted.

BURBERRYS LIMITED

COTTON AND WOOL PRICE VARIATIONS

OUTLOOK IMPROVING

The thirty-third annual general meeting of Burberrys Limited was held on October 9th in London.

Mr Geoffrey Bostock, FCA, the chairman, in the course of his speech, said:

Ladies and gentlemen: My statement on the accounts for the year ended March 31, 1952, which is printed with the report and accounts, was written some five weeks ago and since that date there have been variations in the prices of cotton and wool, the former having gone down and the latter having gone up in that period. What affects us is, of course, the difference between prices at March 31, 1952, and today, as our accounts are based on prices ruling at March 31st.

The prices of both these commodities are of great importance to us as not only are we manufacturers of raincoats, which have a world wide reputation, but we are equally well known as merchants of high-grade cloth, which we supply to countries in many parts of the world.

In my statement I said that there were no very definite signs of an improvement in demand, but I am now able to say that in the last eight weeks there has been an improvement in our retail sales and in wholesale orders booked.

DIFFICULTY OF FORECASTING

Whilst the directors very much regret the setback the company has suffered, they always had in mind that the sellers' market had to end some time. Their difficulty was that having to buy twelve months in advance they had to forecast twelve months ahead what supplies would be required to maintain an adequate stock with a sufficient range of new styles to satisfy our customers at home and abroad. I think any of us would find it difficult to forecast now what we shall want in twelve months hence.

I venture to say that all companies in the woollen and cotton trades, whose accounts ended at March 31, 1952, had to write off large amounts to bring their stocks down to the values ruling at that date, and in our particular case, this was unavoidable.

Many companies had substantial reserves and were thus enabled to continue dividends, though often at reduced rates. In our case, as I have pointed out on several occasions, no profits were ploughed back during the 16-year period when the preference dividend was in arrear and so we have not reserves which we would be justified in using for dividends in view of the insufficiency of our liquid capital in this period of inflation.

The board are carefully reviewing the company's organisation to see what improvements are possible and, in particular, the costing system is under examination. We are fully aware of the changed conditions throughout the world and that we are up against competition. We have a very good list of agents situated throughout the world—except behind the Iron Curtain—and we have our own branches in New York and Paris, and, unless prices fall necessitating further amounts to be written off stocks, and provided the indications of the improvement in sales in the last eight weeks continue, I shall expect a moderate profit in the current year.

The report and accounts were adopted after the chairman had replied to questions and comments by stockholders.

RANSOME & MARLES BEARING COMPANY

SHORTAGES AFFECT OUTPUT

The thirty-sixth annual general meeting of Ransome & Marles Bearing Company, Limited, was held on October 10th at Newark, Mr F. W. Baker (the chairman) presiding.

The following is an extract from his circulated statement:

Output during the year under review has been affected through material shortages, particularly in the first six months of the year, nevertheless the turnover has been an all time record. This has applied to both volume and value; in the latter case increased prices have contributed but these increased prices have not reflected the full extent of the considerable rise in the cost of raw material and wages. Benefits arising from continuing development and increasing productivity of our factories have been passed to our customers by absorbing a substantial portion of these increased costs.

The balance from trading account of £994,103 shows an increase of £181,446 over the previous year.

PURCHASE OF NEW PLANT

During the year £420,770 was expended on the purchase of new plant. In addition, delivery was made of some of the plant in respect of which payments on account were included in the 1951 plant additions. Since the payments relating to these machines amounted to £126,000 the effective increase to our plant was £546,770.

Taxation absorbs an additional £104,000 at £430,000, so that the net profit, £357,755, shows an increase of only £12,299. This indicates the drain which penal taxation makes on cash resources, a drain which the abolition of initial allowances and the imposition of Excess Profits Levy has accentuated. It must also be remembered that depreciation allowances are totally inadequate and bear no relation to present day replacement costs.

The directors recommend that the amount available for appropriations should be dealt with by making the same final distribution as last year, viz., a dividend of 12½ per cent and a bonus of 5 per cent, absorbing £91,875, and by carrying £100,000 to general reserve, £10,000 to special pension fund trustees and increasing the carry forward by £58,354 to £208,533.

Referring to the balance sheet the liquid position is one of considerable strength showing a surplus of liquid assets of £2,535,811.

NEW FACTORY AT ANNFIELD-PLAIN

The cash and tax reserve certificates show a total of £704,967. There are, however, capital commitments of £666,430, a large proportion of which is in connection with the new factory at Annfield Plain as was a portion of the expenditure on plant during the current year.

Construction of this factory has been delayed through material shortages, but good progress is now being made and it is hoped that production will start in the early part of 1953. The resulting increase in output will be of material assistance in dealing with our order book, which is at present of record size.

Your company continues to enjoy a full order book and, with expanding facilities and the widespread demand for its products over many fields of engineering, there is every prospect of another satisfactory year.

The report was adopted.

INDUSTRIAL FINANCE AND INVESTMENT CORPORATION

A YEAR OF CONSIDERABLE DIFFICULTY

MR J. N. BUCHANAN'S STATEMENT

The annual general meeting of the Industrial Finance and Investment Corporation, Limited, will be held on November 7th at Winchester House, Old Broad Street, London, E.C.

The following is the statement by the chairman, Mr J. N. Buchanan, DSO, MC, which has been circulated with the report and accounts for the year ended June 30, 1952:

The year under review has been one of considerable difficulty. Proposals published in July, 1951, for the control of dividends put a temporary stop to a number of propositions we were dealing with. The smooth working of the company was further impeded by the general uncertainty created by the crisis last autumn in the country's balance of payments, followed by new and increased taxation of companies' profits, dearer money and additional restrictions on investment.

FALL IN INVESTMENT VALUES

It was inevitable that these events should be reflected in our accounts. There has been a substantial fall in the value of our investments and a drop from the previous year's high figure of profit from finance business and on realisation of investments. On the other hand, investment income has shown a further increase, and shareholders will, I hope, find the final result satisfactory.

For some time the investment income has been sufficient to cover our fixed charges and the dividend paid. As the revenue from this source has increased, the board see no reason for not recommending the same dividend. Since the whole of the depreciation of investments could not then be met out of the balance of the year's profit, we decided to draw on the investment fluctuation reserve which was set up for this purpose.

As is shown in the accounts, this depreciation has resulted in a substantial reduction in the income tax we have to pay. The amount of the reduction has been transferred to the investment fluctuation reserve as a set-off against the depreciation.

TAXATION CHARGE

In comparing the charge for taxation this year with the previous year, it should be borne in mind that in the previous year we received considerable relief from income tax because of the change made in 1950 in the basis on which our investments are valued. A very small balance of this relief has fallen into this year. For the same reason and because a large part of our revenue consists of franked investment income, no liability to profits tax has arisen on these accounts.

In the result, the total of the investment fluctuation reserve and the carry-forward on profit and loss account has fallen by £12,000. During the company's year the *Financial Times* index of industrial Ordinary shares fell from 135.8 to 105.5, which were nearly the highest and the lowest points reached since the war, and it is very satisfactory that, despite our investments being valued individually on the most conservative basis, the year's profits have been sufficient to maintain the dividend and meet the depre-

ciation with a draft of only £12,000 on reserves.

CURRENT YEAR'S OUTLOOK

The outlook for the current year is still uncertain. Since June 30th there has been a rise in Stock Exchange prices, which has benefited the company. In view of the uncertainty, however, an unusually high proportion of our funds is in cash or short-dated investments. This, and the more difficult conditions in trade and industry generally, may affect our investment income temporarily but not, it is hoped, to a material extent.

From my earlier remarks you will appreciate that our managing director and his staff have had a trying year. The results show how efficiently the difficulties have been dealt with. On your behalf as well as that of the board, I wish to congratulate and thank them all.

FOY, MORGAN & COMPANY

The seventeenth annual general meeting of Foy, Morgan & Company, Limited, was held on October 10th at the offices of the company, 16 Eastcheap, London, E.C.3, Sir Gerald Lenanton (the chairman) presiding.

The following is his circulated statement:

The forecast in my statement last year of better trading prospects during 1951 was, owing to exceptional circumstances, greatly exceeded. It cannot be expected that such a result will recur in the near future.

After payment of dividends on the company's preference and ordinary capital and transfers to the preference share redemption fund and pensions account, there remains a carry forward of £267,113 on profit and loss account. Your directors propose, as will be seen from the resolutions set out in the notice convening the annual general meeting, that of this sum £184,779, together with £15,221 of reserves, making a total of £200,000, be capitalised and applied in paying up 200,000 7 per cent cumulative preference shares of £1 each.

The total paid-up capital of the company would thereby be increased to £557,610. The net carry forward will be approximately £82,000.

The report and accounts were adopted and the resolutions increasing the capital of the company were approved.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

The Economist Intelligence Unit

22 Ryder Street, St. James's,
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TAP AND DIE CORPORATION, LIMITED

INCREASED TURNOVER

The second annual general meeting of this company was held on October 16th in London.

Mr D. G. N. Lloyd-Lowles, the chairman, in the course of his speech, said: Our trading profit has increased from £379,230 last year to £596,099 this year. It would have been the wish of your directors to pass on as much of this increase as possible to the shareholders but the incidence of heavy taxation, coupled with the more difficult trading conditions now being encountered, have led them to propose the maintenance of the dividend at last year's level of 36 per cent with the addition of a bonus of 1½ per cent.

Trading conditions in the year under review were good and the group turnover exceeded that for the previous year by 35 per cent in value. Overseas trade in over 40 different countries accounted for more than one-third of our turnover and showed an increase of 25 per cent over the previous year.

Our turnover this year has so far been maintained but the volume of orders is not so large and it would be unwise to forecast that our profits will be at the same level.

The report was adopted and at a subsequent extraordinary general meeting resolutions were passed approving the board's proposals to increase the capital of the company to £1 million by the creation of 3,500,000 ordinary shares of 3s. each and 500,000 ordinary shares of 5s. each; to capitalise part of the share premium account and distribute it among the shareholders as a bonus issue of shares, and to consolidate all the ordinary shares into shares of 5s. each.

E. W. TARRY & CO.

INCREASED TURNOVER

The annual general meeting of E. W. Tarry & Company, Limited, was held on October 15th in London.

Sir Harold Fortescue Flannery, Bt. (the chairman), in the course of his speech, said: The turnover for the year exceeded by a substantial amount that of the previous year. The trading profit was £199,370, compared with £162,469 in 1951, and the net profit for the year was £64,886.

In the Union of South Africa, the permits granted to us being favourable, we were able to maintain a steady flow of supplies to our branches. In Southern Rhodesia, our branches reported steady trade conditions, while in Northern Rhodesia there has been much activity and development.

The turnover for the five months of the current year exceeded that of the corresponding period a year ago. Whether or not the sales will be maintained at a high level for the remainder of the current year is difficult to estimate.

The capital reserves include the share premium account of £100,000, and your directors consider that this sum should be capitalised so as to bring the capital account more into line with the assets employed in the business. The consent of the Treasury Capital Issues Committee has been received.

In view of the satisfactory results, the board feel justified in recommending an increased dividend to the ordinary shareholders by way of a bonus of 5 per cent, in addition to the dividend of 15 per cent.

The report was adopted, and at a subsequent extraordinary general meeting the proposed increase of capital and bonus issue were approved.

BEAUTILITY FURNITURE LIMITED

STEADY PROGRESS

The twenty-first annual general meeting of Beauty Furniture Limited was held on October 10th in London, Mr Herbert E. Down, FCA, the chairman, presiding.

The following is an extract from his circulated review on the accounts:

It is with some pride that I present the twenty-first annual accounts of your company. Growth throughout the years has been steady and constructive and your company has again made progress in a year which has been one of the most difficult for industry.

Turnover has again increased considerably, while net profit at £296,204 is advanced by £61,706, compared with an increase of £69,855 in the preceding year. Taxation absorbs £170,674, an increase of £37,499.

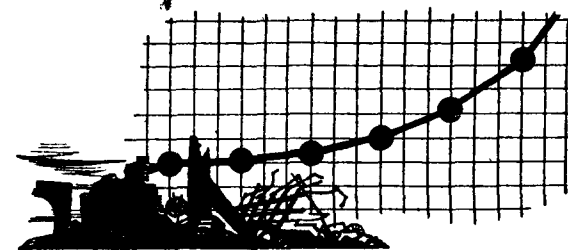
Reserves.—£10,750 has been added to the reserve in respect of Initial Allowances on plant and machinery, bringing the total up to £30,750. General reserve receives £30,000 as in the previous year and now amounts to £205,000. A special reserve of £40,000 has been made for stock contingencies. Total capital and reserves employed in the business amount to £824,412, compared with £710,382.

It is proposed to pay a final dividend of 25 per cent, making 40 per cent for the year, which is the same as last year.

I have referred on previous occasions to the constant improvement in design and value which characterises your company's productions. This policy is yielding satisfactory results up to date in that turnover has been maintained compared with last year.

The report was adopted.

THE GERMAN ECONOMY



Divided It Stands

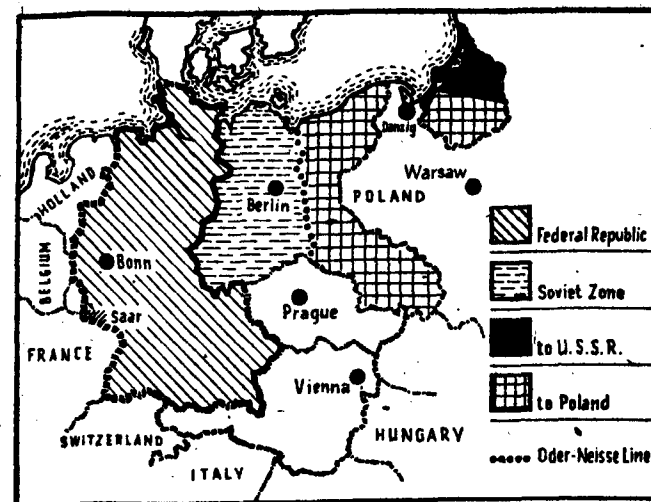
UNTIL quite recently, Western Germany's rise from the ashes of total defeat was treated almost as if it was one of the miracles of history. Now, however, various questions are being asked about it, as politicians, economists, strategists and businessmen try to reach conclusions about the future of a country whose fate is so closely linked with their own. It is asked whether the early reunion of Germany is the only solution to the problems caused by partition; whether the social system has become dangerously unstable; whether Germany's economic success is built on such flimsy foundations that it would collapse without further American aid; whether German competition in export markets is a serious threat to British industry; and what part the German economy will play in European defence. The object of this survey is to give some help in answering these questions.

All surveys of postwar Germany must start with the brutal fact of the dismembering of the country along the Oder-Neisse line and again at the Elbe. In area, the present Federal Republic comprises only 52 per cent of the Reich of 1937. Before the war this area contained 57 per cent of the population of the Reich; now it holds 75 per cent of the German nation. (The density of population is, however, still lower than that of Britain or the Low Countries.) The partition left the greatest concentration of industry in Western Germany, while the areas with the biggest surplus of grain, sugar and potatoes were lost to Poland and the Soviet Union. Innumerable industrial concerns in the west had properties in the east which fell into Communist hands; the textile industry was particularly hard hit, as spinning and weaving had been separated, in west and east. In the first postwar years, indeed, the difficulties created by partition were indescribable. The chaos caused by millions who had fled westward for their lives, or had been expelled

from their homes in the lost eastern territories, was superimposed on the vast movement of refugees from bombed areas.

But the effects of division have now been overcome to a remarkable extent. Trade agreements have partially offset the results of splitting an integrated economy. True, a gap still remains in the Federal Republic's supplies of home-grown food, and this affects the balance of payments. In general, however, the problem caused by partition has changed; it is no longer one of supplies but of lost markets. The Ruhr, which used to sell two million tons of steel a year to Eastern Germany, now watches with anxiety the erection of the *Huettenkombinat Ost* and other giant steelworks that will make the Soviet zone self-sufficient in a few years' time. And the day can be foreseen when the "little Ruhr" that is being developed in Upper Silesia and Teschen under joint Czech, Polish and Soviet auspices will compete with German coal. These are prospects that must be faced in the event of continued division at the Elbe, and they make it all the more imperative for Western Germany to develop markets at home, in the area of the Schuman coal and steel pool, and in the backward countries overseas.

The two parts of Germany have now grown so far apart that the remaining economic difficulties caused by their separation are small compared with those of 1945; indeed, any abrupt reunion now would cause an economic crisis. But partition has left at least one lasting mark on Western Germany. The nine million people who came to the west without capital have not all been absorbed, and they still represent a heavy burden on the economy. The number that find work is practically offset by the stream that still flows in from the Soviet zone.



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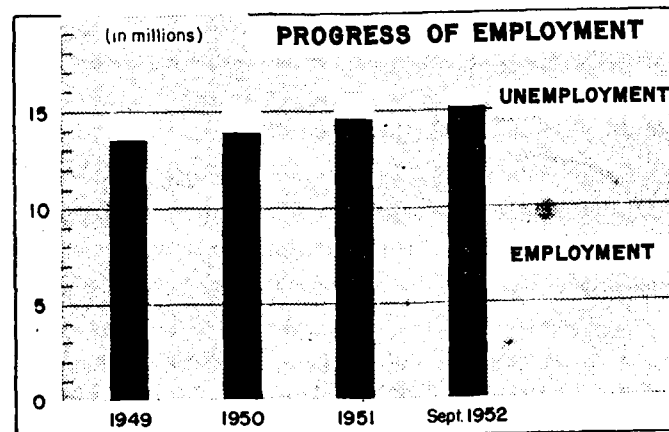
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The Statistical Picture

IN 1939 there were 39.3 million people in the area that is now the Federal Republic. In 1950 the census showed 47.7 million, of whom 25.3 million were women and 7.8 million were Germans expelled from other territories; and by the middle of 1952 there were 48½ million.

The high figure of unemployment is the outstanding fact in the social structure of the Federal Republic. At various times it has been taken to indicate that social and political conditions were extremely unstable, that a dose of controlled inflation was needed, and—in American calculations—that Germany could provide a



large reserve of manpower for an army and for defence production. And German employers have quietly indicated from time to time that they could not have made such demands on their men if the labour exchanges had not had long waiting lists. All these deductions are accurate, except the need for controlled inflation; but several reservations must be made. In the first place, the latest statistics show a big drop in unemployment. Indeed, in September the German press surprisingly announced that, on the basis of calculations used by the United Nations, there was full employment in Western Germany. As the figures at that time showed 6.25 per cent of the labour force to be out of work, the statement seemed exaggerated—at least by postwar definitions of full employment. But it corresponds to the actual experience of employers in the towns. The explanation lies in the fact that some of the people who register at the labour exchanges are practically unemployable, some do not seriously mean to take jobs, and others are doing part-time jobs without notifying them. Probably not more than 600,000 are actually unemployed and potentially employable, and they include tens of thousands of young people who have not been trained, partly because the Germans insist on maintaining the old standards of training for apprentices. But there is clearly a substantial reserve of labour, and, if prejudices could be overcome, a further reserve could be found among women.

National Income

The Federal Republic's financial contribution to defence (which has hitherto mainly taken the form of paying the costs of the occupation) is now based, like that of members of the North Atlantic Treaty Organisation,

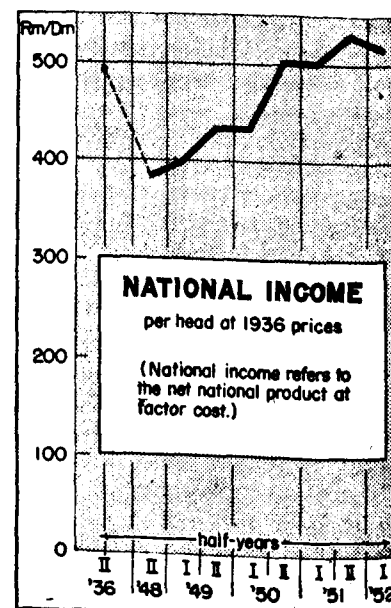
on estimates of its gross national product. Computations of the national income have thus become particularly important and controversial, and international comparisons are sometimes based on differing definitions. Figures based on gross national product at market prices—that is, net national product at factor cost plus indirect taxes, minus subsidies and plus depreciation allowances—show that the percentage increase every half year since the beginning of 1951 up to the end of June, 1952, has been 9 per cent; 12.7 per cent; and 0.2 per cent.

When they fixed the German defence contribution for 1952-53, the Three Wise Men appointed by Nato said that the Germans were underestimating the likely rate of increase in the gross national product. But the Germans are now pointing out that in the first half of 1952 there was almost no increase at current prices, and that even the five per cent rise for the current Nato year that the Wise Men considered too low an estimate will probably not be reached. The Germans may still be proved wrong if the second half of 1952 shows as big an increase as that of 1951, or if defence orders are placed by the Allies on a larger scale. But the present levelling off of production and the delay in forming a German army suggest that the spectacular increases of the past year will not be repeated for some time.

The Wise Men agreed that, as Germany had exceptionally heavy burdens and a relatively low national product, the percentage of the latter to be allocated to defence should be less than in Britain, France or the United States. Accordingly, the percentages of gross national product allocated were 14.4 per cent in 1951-52 and 17.6 per cent in 1952-53 for the United States; 10.9 per cent and 12.8 per cent for Britain; 10.6 per cent and 11.0 per cent for France; and 10.5 per cent for the year 1952-53 for Germany.

It is enlightening to compare the German distribution of national income with the British. In the first half of this year, only 55.7 per cent of Western Germany's gross national product went into private consumption, while in Britain, in 1951, the figure was 70.4 per cent. In Germany, the state took 16.8 per cent, in Britain 17.3; and while in Britain gross domestic investment represented only 16 per cent, German investment accounted for 25 per cent. Moreover, 2.5 per cent of the German national product went into net foreign investment, whereas the British accounts showed a net disinvestment overseas of 3.7 per cent.

In the last year, savings have resumed their place in German private budgets, and the total of savings is now DM4 billion (£330 million)—a remarkable sign of



confidence in a people who have twice in a generation lost everything through inflation, and who now live on the borders of Soviet-occupied Europe.

The gross inequality of wealth characteristic of the first postwar years still exists. There are still said to be 18 million people living below the level of subsistence; but this is probably an exaggerated figure, as few Germans will have filled in the relevant questionnaires accurately. Great numbers are, however, undoubtedly living in extreme poverty, and not all of them are of the working class; some are dispossessed landowners, former officers and civil servants. But the extremes are being reduced. After the outbreak of the Korean war, prices rose less in Germany than in most other European countries. Real wages have risen, more jobs are constantly found, shares are increasing in value and dividends are now being paid. The Germans are, however, still working longer hours for lower wages than the British. Excluding miners, the average wage of a male worker in industry in May of this year was DM1.60 (2s. 11d.) an hour, or DM82.23 (£7) a week, and the average working week for men in industry was 48.2 hours.

Better Wages, Bad Houses

The German worker is far better off in terms of real wages than he was a few years ago. If 1938 levels are taken as 100, industrial wages per hour are now about 192 as against only 93 in 1949, while the cost of living index was 168 last July against 160 in 1949. But for the appalling housing conditions, the worker would even be better off than before the war. He has an unlimited choice of things to buy, and no trade union restrictions prevent him from working overtime to buy them. A great deal is now being spent on holidays. As for housing, 400,000 dwelling units a year are going up, but although the credits provided for private building have led to an astonishing number of new offices, shops, restaurants and better-class flats, relatively few homes have been built for workers. The need is so vast that it can never be fully met unless Germany is reunited and millions of refugees return to their old homes.

The federal finances are in better shape this year than at any time since the war. Hitherto the Minister of Finance has never known at the beginning of the fiscal year what sum he would have to raise for occupation year costs. Now he has the assurance that the Allies will keep their demands down to DM600 million a month; and it has also been agreed that, from the date of ratifi-

Arms or Exports?

THE upward surge of German industrial production since the currency reform of 1948 has been impressive. But it has levelled off this year, and it has not been unbroken in the past. The "little slump" which alarmed business circles in 1949 showed how deflationary symptoms can suddenly appear even in a country where potential demand is still almost unlimited. This year again, there was some depression in the textile trade, and gloomy talk was heard; but there was in fact no cause for general alarm, and when some prices had been reduced, production and sales of consumer goods rose again, while savings continued to go up even in the holiday season. Never since the collapse has there been such general confidence both in the currency and in



cation of the European Defence Community treaty until June 30th, 1953, Germany's total defence expenditure is not to exceed DM850 million a month. After that, the amount of Germany's contribution is a matter to be thrashed out between Bonn, the EDC and Nato.

Meanwhile, some other features of the federal finances deserve to be noted. Occupation costs or defence absorb 39.5 per cent of expenditure in the federal Budget of DM23.3 billion for the year ending on March 31st next, and financial aid to Berlin (which Bonn reckons as defence expenditure) takes another 2.7 per cent. The cost of social welfare, pensions, building and other subsidies, which together account for 41.2 per cent, is substantially equal to that of defence. The war has thrust a heavy burden of social relief on to Germany. Although the unemployment fund itself shows a surplus, relief and pensions have to be paid not only to refugees, disabled persons and war widows, but also to the retired civil servants of Hitler's swollen Third Reich, and to the former regulars of the *Wehrmacht*. Some of the budgetary strain is, however, relieved by the fact that little need be allocated to servicing internal debt.

Taxation, which together with Customs duties is to provide over 89 per cent of the revenue during the current year, is less easy to analyse, since the system is extraordinarily complicated. There is no doubt that German taxes are extremely high, and the company tax is, theoretically, higher than in Britain. But allowances are manifold and generous, and the scale of income tax is not so progressive as in either Britain or America. Moreover, tax evasion is widespread; German civic ethics have deteriorated greatly during the years of rule by party bosses and the bitter struggles of the postwar years under an occupation regime.

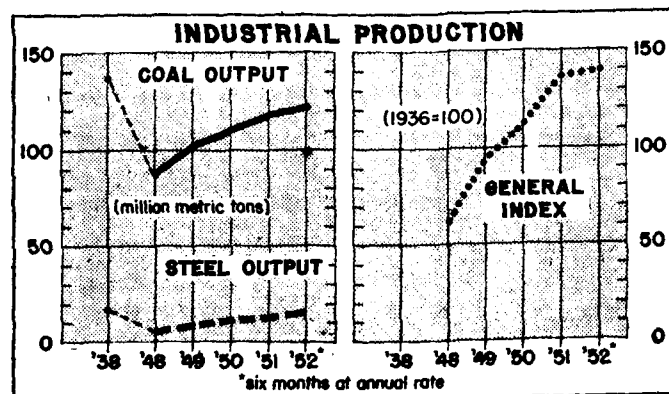
peace, and that, in a country which is extremely sensitive to fear of inflation and war, is vital.

Last November a peak of industrial production was reached, when the index figure (1936=100) rose above 150. It has been below 140 this year, but the signs are that the trend is slightly upwards again. The fact that the drop in unemployment has not been reflected in still higher figures of output is simply due to the fact that less overtime is being worked.

Output in the coal and steel industries, however, has not risen to anything like the same extent as output in industry as a whole. In June this year, the index for coalmining was only 110 and for iron and steel only 106

(1936=100). In the coalfields, daily output is still not much more than 400,000 tons a day, a figure which should have been reached several years ago. Why so little progress should have been made latterly under German control after a good beginning under very efficient British direction is a puzzle. According to the German experts, it is due to lack of capital. Some DM3 billion (£250 million) is needed for expansion and modernisation if the 25 per cent increase requested by OEEC is to be achieved, and it is hoped that this will now be provided through the Schuman pool. In the meantime, a small increase in output has been achieved through incentive wages and improvement in the lamentable housing conditions of the Ruhr.

There are, however, grounds for believing that there is another reason for the comparatively low coal output. The Allied action in breaking up the steel-coal combines of the Ruhr has been partly responsible. For years now, coal managements have not known in whose hands ownership of the mines would eventually lie, and the regrouping of the concerns is still not completed. Moreover, nobody can yet tell what the effect of the Schuman pool will be on competition in export markets for coal. Uncertainty about the future has, it is thought, led mine managers to pursue a cautious policy. Some day, there may be a rapid and big increase in cheaply produced Ruhr coal; but meanwhile the Ruhr's steelworks have had to depend for much of their output on imported



American coking coal, paid for at first in steel products and latterly in free dollars.

Crude steel output is now running at the rate of 16½ million tons a year. That is to say, the Ruhr is rapidly overtaking Britain. German plans for expansion have multiplied since it became evident that restrictions would be lifted and the new concerns took final shape out of the old steel-coal combines. In the next few years, output should rise to at least 19 million tons; indeed, plans for greater production of flat products call for a crude steel supply of some 21 million tons.

The Ruhr is not impressed by arguments to the effect that there will be too much steel or that the modern strip mills of France can supply German shortages within the Schuman community's single market. The Germans note that their output is still no higher than it was in the Reich of 1913, while that of all the other producers has multiplied. They see no reason why the Schuman pool should not, as its founders intend, open up a mass market in Europe, and give the Germans access to French North Africa. Moreover, German steel industrialists believe that, if the Soviet Zone were reunited with the Federal Republic, the Ruhr (if it were financed by some new form of Marshall aid) would be so occupied with raising the

standard of living in Eastern Germany that it would be immune from any world slump. German heavy industrialists are inclined to look beyond the present period of rearmament, on the assumption that there will either be a war, in which case the Ruhr will be finally destroyed, or that there will be a *détente* and disarmament. For this reason, it is American, rather than British or French competition that is most feared in the future.

Reluctance for Rearmament

Clearly, the great question that faces German industry is whether arms will again be produced. The obstacles in the way of a new armaments industry are considerable. Destruction and dismantlement have effectively smashed the big munitions works in the west, and many of the main assembly plants were in areas now in Soviet hands. The Krupps works at Essen will not be rebuilt for arms production as long as Herr Alfred Krupp is alive. The industrialists who were imprisoned by the occupation powers can hardly be expected to follow the turn of 180 degrees that has taken place in the victors' attitude towards German rearmament. Moreover, the German industrialists do not have happy memories of Hitler's rearmament drive. At the outset, they welcomed his programme because it rescued their works from the depression, but they quickly found themselves subject to a rigid system of state controls that was galling in the extreme.

Hardly any of the old "Ruhr barons" are now left, but those industrial leaders who still have the outlook of the old entrepreneur rather than the manager will avoid anything that leads to state control; and arms contracts inevitably mean controls. For that reason, among others, industrialists who manufactured for the *Wehrmacht* are today concentrating their plans on building steelworks and similar projects for India, Egypt or Latin America. For the same reason, the entrepreneurs of the Ruhr are turning away from crude steel or coal, and are devoting their energies to the manufacturing ends of the reorganised heavy industrial combines, for they see the basic industries now passing under the Schuman High Authority; they know that they will be socialised if the Social-Democrat party comes to power; and they dislike the fact that in steel and coal concerns labour representatives already have the right to a joint share in management. The Bonn Government is also very chary about arms production. The policy of the government, as well as of industry, is in the first place to continue Germany's export drive. It is realised that to convert factories to armaments would mean the investment of about a billion dollars—and the same sum might be needed in a few years' time for reconverting to civilian production. American offshore orders for such semi-civilian goods as optical instruments are wanted, but there will undoubtedly be difficulty about inducing Germany to turn its hand to munitions.

Nevertheless, there are several factors that modify this picture of flat opposition. In the first place, if Germany has armed forces of its own as part of the European Defence Community it will be obliged to contribute towards their equipment. The Americans have promised to provide all the initial heavy arms and much of the light equipment. But this situation will change if the central "Ministry of Supply" of the EDC operates as intended, for it will place contracts for the whole community with Germany, among other countries. More-

over, the EDC treaty requires the bulk of each member's contribution to defence be spent internally.

It is also certain that when the time comes the new German forces will demand German weapons. Already a strong body of opinion is claiming that the *Wehrmacht's* light machine gun was superior to anything the Americans have and there will be general readiness to supply basic materials, machine tools, and parts for armaments. Special alloy steels, for example, will be produced again. British and French industries are already using German machine tools to ease the strain on their resources.

It is, therefore, almost assured that Germany will, in one form or another, take part in Western armament production. But, according to German intentions, arms will have to be additional to an increase in civilian production and exports. The government will press for an

Foreign Trade and Balance of Payments

THE rate of increase in Germany's foreign trade has been spectacular. It has doubled since 1949, reaching a total of \$7 billion in 1951, and exports alone rose by 75 per cent last year. By far the greatest proportion of trade is with the countries of the European Payments Union. In the first half of this year no less than 77 per cent of exports went in this direction. The result has been the extraordinary change in Germany's position in the Union; from being the biggest debtor, it has become the largest creditor, with a cumulative credit of \$443 million at the end of September, 1952. There has, admittedly, been a decrease recently in the rate of Germany's monthly surplus with the Union, owing to increased imports into the Federal Republic. There was actually a German deficit in trade with the United Kingdom in July and August, and in August the same held good for trade with the Dominions as well. However, Germany continues to run a surplus in trade with every other one of the EPU countries.

Both the earlier deficit and the present surplus have been partly due to non-recurrent causes—but the deficit much more so than the surplus. The main cause of the rush to buy after the Korean war was the general belief that sterling would be revalued. A second reason was the German importers' swift action in piling up stocks of raw materials before prices had risen to the post-Korean peak. German exporters were then placed in a good competitive position by the post-Korean import-boom. Thus, the drastic change for the better in Germany's balance with the Union is partly the natural consequence of the earlier buying spree. It was also the result of the restrictions on imports imposed by the German authorities at the time. Now that the position

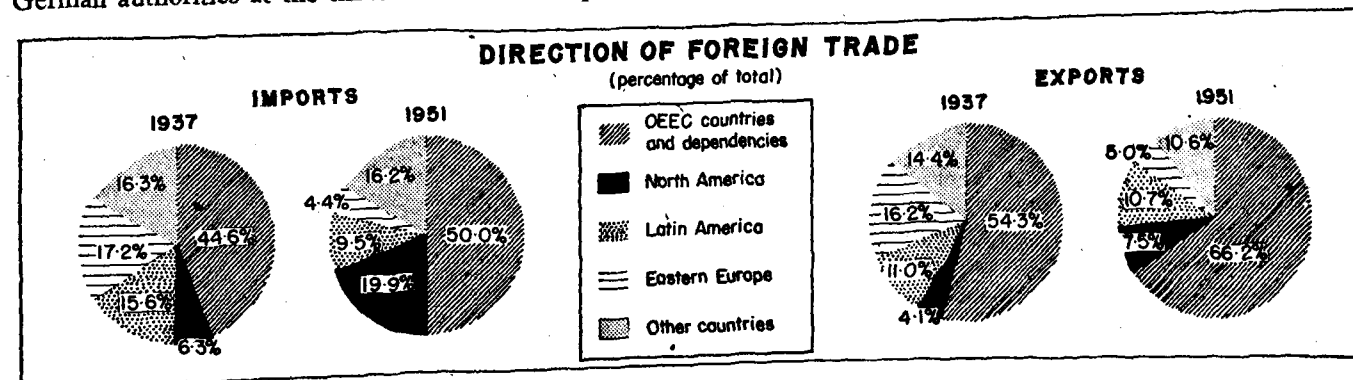
American loan to be used for expanding industry in general as well as for the conversion of works to defence needs. If this general expansion is made possible by American aid, Germany will probably be able to finance its defence contribution and to maintain, or even slightly increase, its present standard of living. Otherwise it is difficult to see where the finance is to come from. The Ministry of Finance will not increase taxation, and the Ministry of Economics will not impose restrictions on consumption; the market for state loans is very limited, and there is a general determination that defence shall not be financed by inflation, either open or concealed in the Schachtian manner. Defence, in short, is not to halt Germany's struggle to gain its due place in the world, but to aid it. This is the intention of the German nation; and the chief lesson of occupation has been that nothing lasting can be done in Germany against its will.

is reversed, Germany has taken measures to foster imports, but with only limited success. Stocks are now depleted, but importers will only buy when they consider raw material prices have reached their lowest current level. The Government will not liberalise imports further, because that would open the German market to a flood of vegetables and similar produce.

In the short run, therefore, Germany's surplus in EPU will be brought down by the need to build up stocks. In the long run, it will also be decreased by the amount of sterling which is to be transferred by Germany to Israel, as part of the recent settlement; and by the transfer that has to begin next year under the London settlement of the Reich's prewar debts.

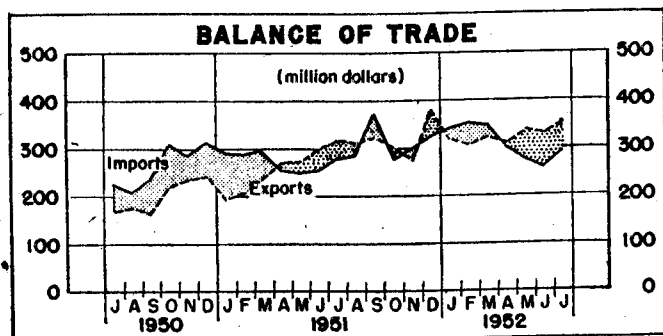
With the dollar area, Germany's visible trade continues to show a surplus of imports, and this is inevitable as long as wheat and coal have to be imported. American coal imports into Germany are now falling, but the Federal Republic's dependence on imported grain is not likely to be reduced much further. This year 1.6 million tons of wheat will come from the countries in the international pool, much of it from the dollar area. Unless this situation can be changed, Federal Germany's abnormal dependence on dollar imports will continue.

Nevertheless, Germany's dollar deficit is not by any means as alarming as the export-import statistics would indicate. Dollar-earning invisible exports are considerable, notably the services rendered to and the dollar expenditure by Americans in Germany. This latter item has risen rapidly as more GI's and their families have moved into the country; nearly \$120 million were received in exchange for marks from American agencies



in Germany in the year ending last June. As a result, the balance of payments with dollar areas at the end of the first seven months of this year showed a small credit for Germany of \$1.2 million.

This again understates the position as regards the *Bank deutscher Laender's* gold and dollar reserves. During the same seven months, these rose by \$139 million, chiefly owing to payments from EPU. The Bank's total gold and dollar reserves reached over \$500 million at the end of July. This is by all counts an extraordinary record for a country whose currency notes were issued in



1948 without any backing at all. With American blessing, Germany's economic leaders are now seeking a way in which the Deutschemmark can be made convertible.

In forecasting the future, it is as well to note that Germany's reserves will not be drawn upon for transfers under the London debt agreement. The German financial authorities stress that the creditors agreed that transfer shall only be made out of current trade surpluses; and they agreed that trade agreements should be framed in such a way as to leave Germany with a surplus. This simplifies Germany's task of payment except to the dollar creditors. The chances of building up a dollar surplus on trade account depend in the main on the amount of offshore defence orders that the Mutual Security Agency places in Germany. So far very few such contracts have gone to German firms, partly because there is a general reluctance to tender for very large orders that require retooling to carry out. The German Government is, however, pressing both for more offshore orders and for an American loan for industry. If both are granted, the outlook for German production and the dollar balance is good.

Trade with *Latin America* has proved disappointing. High hopes of this market were raised at the outset of the German export drive, and seemed justified by the way in which sales expanded and long-term contracts for capital equipment were secured. But payments difficulties have intervened. It is now realised that Germany must find some way of selling to countries that cannot afford to pay. German exporters feel that business must go on, but not at their expense. They look to the state to find some way of expanding markets in underdeveloped lands. Various proposals are put forward, including the formation of a credit institution such as the US Export-Import Bank that would finance backward countries, particularly those whose products are too dear to compete in the world market. It is also proposed that transit trade, such as the sale of Brazilian coffee to Eastern Europe, should be built up, and more individual German firms should transfer capital to set up branch enterprises overseas.

All such ideas reflect the determination of the Germans to shun restrictions as a means of curing economic

troubles. At the same time, industry is insistent that the risks involved shall be borne by the state. Collaboration with other nations is desired. It is realised that Germany cannot provide much capital for developing the backward lands; but that if the International Bank, for example, were to do so, the German export trade would benefit. Germany, in short, claims a part in schemes such as Point Four and the Colombo Plan.

Loss of Eastern Trade Resented

The state of trade with the *Soviet bloc* points to the need for some such opening for German enterprise. Since 1936, exports to the Soviet bloc (including China and Eastern Germany) have declined from 15 per cent of total exports to 3 per cent, and imports from 16 per cent to 3.9 per cent. And the latest indications are that the trade agreements with the satellites are not working well, partly because satellite goods are not competitively priced.

This drastic proportionate decline in trade with the Soviet area is serious for several reasons. Before June, 1941, Germany imported grain from the Balkans and the Soviet Union. Now it must buy from the dollar area. China was a large source of soya bean, which made up a deficiency in protein that exists today. (The average consumption per head of meat is lower than it was before the war, and lower than in Britain.) And the Soviet Union provided a market for German capital equipment during the great slump. The need for such an outlet may arise again.

The German authorities are conscientiously operating the system of export licensing to which all countries receiving American aid adhere, but there is general resentment at the loss of eastern trade. It is galling that exchanges with fellow-Germans in the Soviet Zone should be subject to the restrictions of the American Battle Act, and that trade agreements could not be concluded directly with Moscow. Further, there is a general belief that Germany has been forced to reject Communist contracts that have then been taken by less closely controlled nations. Finally, the Germans resent having to



buy goods from China through Hongkong or some other more indirect channel and pay hard currency for them. One of the first actions to be taken when the new contractual agreements with the Western powers are ratified will be to try to conclude trade pacts and exchange trade missions with Moscow and Peking. However, the present evidence suggests that Moscow will continue to try, for political as well as economic reasons, to channel all trade with the Soviet bloc, including China, through Eastern Berlin. Thus it will still remain to be seen how Germany can be given an alternative outlet in the underdeveloped countries of the Western world.

How the "Miracle" Came About

THERE is nothing miraculous about the recovery of Western Germany. On the contrary, it has been a plain example of natural cause and effect. Stripped to essentials, it has shown how human beings behave when they are in desperate need and the instinct of self-preservation is suddenly given not only the stimulus of hope but free play. To adapt the well-known metaphor, Germany at the time of the currency reform of 1948 was not like a fat and hard-worked donkey that needed a stick as well as a carrot to push it on; rather, it was like a starved beast tethered in a desert that suddenly had the tether removed and a large carrot placed in front of its nose. Even an idle beast would respond to this stimulus, and the Germans are the very opposite of idle.

How was the tether removed, and of what was the carrot composed? First, there was the currency reform, and the accompanying restoration of freedom to the price system. Together, these actions put money back in its rightful place as the hair-spring of the whole economy. Secondly, American aid primed the pumps by providing a flow of raw materials and food. Thirdly, a skilful financial policy has shown how both taxation and credit can be manipulated so as to favour investment and to restrain consumption. These three factors were interdependent. The currency reform could not have succeeded without the food and raw materials that American aid supplied, and the currency would have collapsed again if it had not been for the new monetary policy; while, on the other hand, until the decision was made to cut away over ninety per cent of outstanding money, all other measures were useless.

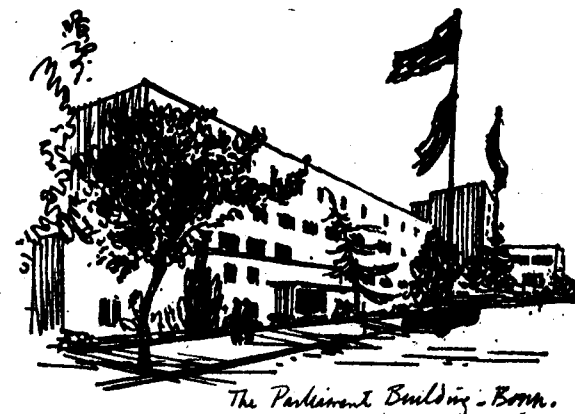
The Currency Reform

The day after the currency reform, the whole situation changed. Not only were the shops suddenly full of goods, but rationing and nearly all price controls were swiftly abolished. For some time, admittedly, it was feared that the quota of currency issued to the public to meet their immediate needs had been too big; but the rush to produce saved the situation. Few of the sceptics of 1948 would now deny that Dr Erhard's bold experiment, the abolition of state controls on all but a few basic commodities, has justified itself. The prices that established themselves in 1948 were certainly higher than those they replaced, but since the latter were the wholly theoretical "stop prices" of 1936 the comparison was meaningless. There was a strange reluctance among both Allied officials and German Socialists to admit that before 1948 Germany had been on the Lucky Strike standard, with American PX stores and displaced persons' camps as the central banks of issue. The illusion was long maintained that the mark had been a valid currency, and that prices and wages had really been at the level at which they were frozen in 1936. The new prices were high in relation to wages, and they still are, but a man knows that by working harder he can buy the goods; and this is of particular importance to the Germans, who have lost so much of their property and are determined to buy it all back. Above all, the absence of labour unrest has shown

the popularity of Dr Erhard's policy. Today, any attempt to reintroduce rationing would cause something like panic, and goods would vanish again from the shops. This fact must be borne in mind in any discussion of methods of financing defence.

American Aid

Yet, if the reforms of 1948 freed the wheels of the German economy from the rust of years, it was aid from the United States that got the wheels turning over. In this connection, there was a sting of truth in the late Dr Schumacher's words when, demanding that the Allies should send Germany more food in the hungry postwar years, he declared that "total victory means total responsibility." If the Allies had not occupied Germany, they would not have done so much to rescue it. (It is worth recalling that the British have



not confined themselves to dismantling war plant; they were, for instance, the first to start the feeding of school-children.) Above all, if American troops had not been among the occupying forces, Congress would not have granted the relief funds that preceded Marshall Aid in Germany. The part that the Americans have played in putting the country on its feet cannot be overestimated. Expressed in money alone, the total of United States assistance is formidable; relief funds and Marshall Aid together have amounted to \$3.4 billion, and a small amount of aid from the Mutual Security Agency is now being received. But the help Germany has received from the Americans is more than a matter of dollars granted; they have undertaken the most varied beneficent activities, the sum of which defies computation.

Monetary Policy and the Rebirth of Capital

If currency reform was a bold leap taken in semi-darkness, and American aid a blend of enlightened self-interest and natural generosity, the third element in German recovery was of a different nature. The federal *Bank deutscher Laender* and the other financial authorities have had to navigate a long and tricky course to reach their objective, the restoration of the country's ability to produce. It was not easy, especially in the early stages, to avoid both inflation and deflation. On the one hand, the destruction of capital meant that production had to

be restarted on credits; on the other, public purchasing power had to be strictly limited. To achieve the first of these aims, the banks have issued lavish short-term credits at very high interest. Many firms, desperate for capital, used these short-term advances for the long-term purpose of buying new plant. It was a risky business, but it has paid. The banks, as well as the manufacturers, have made big profits. Bankruptcies are now fewer than before the war; indeed, they are probably too few. Counterpart funds from American aid have provided a valuable source of medium and long-term credit. The expansion of note and coin circulation has been kept in a healthy relation to the expansion of production and other factors in the national economy. And, while production was thus stimulated, the purchasing power of the public was restricted by low wages and salaries and high prices. It was not until production was well up that the trade unions pressed and secured their claims for higher wages; meanwhile, the worker had to fill his pay packet by overtime.

In these conditions, capital investment has been extremely high, and is now proceeding at the rate of DM23 billion (£1.9 billion) a year. Self-financing has played an extraordinarily large part. The entrepreneurs have been able to recreate capital by charging whatever prices they liked (except for coal and, until recently, for iron and steel); there is no true free market economy in Germany—there is only freedom from state controls. Although in theory price rings do not exist, there is little evidence of free competition. However, the special conditions of postwar Germany offer some justification for cartels; a manufacturer who had to rebuild his shattered factory on credits needed some form of protection against a rival whose property was intact, and the system of price-fixing by trade associations has helped to prevent inflation and to recreate capital.

So has another German custom, the practice of building up huge company reserves by writing down plant to a nominal value and paying low dividends. Astonishing facts came to light when the issue of new Deutschmark balance-sheets after the currency reform enabled firms to revalue their assets without incurring tax penalties. In spite of the loss of over 90 per cent of liquid assets through currency reform and the losses due to destruction, partition and dismantling, many companies have been able to revalue their Deutschmark capital at a higher figure than the former Reichsmark total, and many more have revalued at the same figure.

The coal and steel companies, admittedly, have not been able to invest out of profits to the same extent as

other concerns, for the prices of their products were controlled. They have received credits from counterpart funds, and are supposed to benefit from an investment fund that is to be levied on the profits of other enterprises, but the latter project is too complex to be effective. The iron and steel industry will therefore need several billion marks to modernise itself on the scale of the British and French industries.

Finally, it remains to be added that the recreation of capital through self-financing by industry has been generously aided by the manifold tax allowances that have been granted by the State. These are no longer as large as they were, but they are still very extensive. Company reports repeatedly record that investments have all been covered by depreciation allowances. A move is now being made to abolish taxes on profits distributed as dividends, in order to promote a new market for capital issues.

To sum up, many things have limited the expansion of German industry, but lack of finance-capital has not been among them; and it is fairly safe to predict that German capital will in future be forthcoming to a surprising extent for any project that the Government and the public consider necessary to promote German national strength.

Old and True

What does this analysis add up to? As the pieces of the jigsaw are fitted together, a familiar, indeed a classic, picture emerges. If the special circumstances attendant on Germany's postwar experience are set aside, and certain qualifications are admitted with regard to German national habits, it becomes clear that the country's record of recovery between 1948 and 1952 contains a lesson of universal value. Germany has been able to accelerate its rate of production and to restore its international balance of payments because it has given both individual and corporate enterprise the fullest incentives. It has done that by wielding the monetary weapon skilfully and without inhibitions. By freeing the price system, it checked consumption and simultaneously goaded the wage earner into frenetic activity. By offering industry lavish but costly credits, it applied a similar goad to the entrepreneur; and by so manipulating the taxation of industry—which in principle is very high—as to encourage the ploughing back of profits, it enabled him to rebuild his capital at an astonishing pace.

The price, of course, has been a temporarily low standard of living for most Germans. But the rising indices of real wages and consumption and the drop in unemployment indicate that the German people are not having to wait very long for its reward. A policy whose essence was to stimulate the formation of capital at the expense of consumption has shown that it need not involve an indefinite postponement of all increase in consumption.

The German economy has demonstrated the unchanging truth of the often forgotten axiom that, apart from windfalls, the only way a country can increase its national income, and thus improve its individual standards of living, is by working and saving. The "miracle" of German recovery proves to be no more than a well-worn platitude; but, to the clear sighted, it should for that reason be all the more impressive.

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LEADING ARTICLES

- Refugees from Reality - - - 213
- Between Devil and EDC - - - 215
- Expediency and Copyright - - - 216
- Inflation in Australia - - - 218

NOTES OF THE WEEK - - - 220

Mr. Attlee as Disciplinarian; Emergency in Kenya; The Engineers Consider; Mr. Vyshinsky's Flying Wedge; Hot War in the Cold; New Season in Vietnam; Copper Strike; Fiddling with Foreign Exchange; Persia Loses its Whipping Boy; Europe Eyes the Commonwealth; South Africa is Warned; Flogging or Prison; Probation Studies; German Trade Unions Remain Moderate; The Marshal and the Caudillo; Production or Financial Stability?; Tied Cottages in Scotland.

LETTERS TO THE EDITOR - - 226

BOOKS AND PUBLICATIONS - 229

AMERICAN SURVEY

- Making Capital Out of Communism - - - 233
- Farmers in Two Minds - - - 234
- Strike Against Stabilisation; Campaigners Go East; Trouble Ahead for Traders; Money Talks Politics; Before the Supreme Court; Shorter Notes.

THE WORLD OVERSEAS

- "The Europe of Charlemagne"? 238
- Declining World Production; Stalin on the Fifth Lap; Negrub and the Junta; House Warming for Uno; Southern Rhodesia and its Neighbours; New Stage in Finland.

THE BUSINESS WORLD

- Shipping in Rough Waters - - 247
- Development Areas Revisited—II 249

BUSINESS NOTES - - - 252

No Change in Cars?; More Power to the Jet; Comets and Airworthiness; The "House" Divides; Fall in Bill Rates; Export Subsidies Again; Forecasts Wear Thin; British Deals in Dollar Stocks; Good News in Rubber; Changes in EPU; The Film Producer's Share; Imports Fall Faster; Textile Exports on the Mend?; Oliver Twist Airlines; Tin and Cheap Sterling; Shipyards' Output Declines; Shorter Notes.

COMPANY NOTES - - - 261

STATISTICAL SUMMARY - - 262

COMPANY MEETINGS - - - 263

THE MOTOR INDUSTRY 265-280

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Refugees from Reality

YESTERDAY was United Nations Day, the anniversary of the coming into force of the San Francisco Charter, and in many countries statesmen were recalling the aims of that charter and pointing to the need for further sustained efforts to safeguard peace. Indeed, with the General Assembly in session in New York but apparently trying to mark time until the Americans are safely past polling day, this is a most appropriate moment to reassess the general problem of peace-keeping in the harsh light of present reality. For it is clear that that light is altogether too harsh for many people, not only in the new United Nations building but in this country and elsewhere, who find it pleasanter to don either blinkers or tinted glasses and to look away from the central problem in search of some easier path to peace. This is no new phenomenon. A hundred years ago, *The Economist* was commenting with gentle acidity on the departure of a number of English ladies and gentlemen for a "peace congress" on the continent, at which pious sentiments were expressed and equally pious resolutions adopted in a vein familiar to our own generation. The Briand-Kellogg "pact of perpetual peace," that abiding monument to the futility of pacification by paper, is now almost a quarter of a century behind us. But, if escapism in international affairs has at times been even more prevalent than it is today, it has never been so dangerous. Nor, indeed, has it ever taken so many different shapes.

Its simplest form is that of which rose-tinted spectacles are the symbol: the attempt to pretend that things are not as bad as they seem. Although two disastrous wars have made it less easy for a statesman to find a receptive audience for this attitude, the fact that it has not lost all its appeal is obvious, not only from Mr. Bevan's present efforts to assume what at one time was Mr. Baldwin's mantle, but, more disturbingly, from such speeches as that delivered by the Prime Minister at the Pilgrims' dinner last week. For the most part, however, the mere use of rosy tints no longer suffices. Public opinion is sufficiently alive to the dangers of our time to demand that a political leader should offer some positive proposal to lessen the threat of war; and, for this reason, the pink glass is seldom plain. More often, its reassuring glow is merely the basis for a more elaborate optical device.

Such devices may be classified under three heads: the microscopic, the telescopic, and the common blinker. The Briand-Kellogg pact may be taken as the prototype of current microscopic escapism, the essence of which is to concentrate the eye on the fine type of a well-drafted text. Under the lens is displayed a five-power peace pact, a convention on human rights, or some similarly impressive document, containing enough resounding phrases to satisfy the emotions, and a mass of detail whose analysis, clause by clause and comma by comma, effectively distracts attention from the thinness of the paper. Whether the motive of those who prepare such texts is instinctively escapist or deliberately diversionist, they serve the same purpose: the untidy, unmanageable world of reality is excluded, and discussion is restricted

to the finer shades of meaning in a document whose implementation depends on factors outside the tiny field visible through the lens.

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Much of the above applies also to the telescopic devices, but these do not purport to offer any immediate solution to the world's problems. Their devotees prefer the longer view. Taking their stance on an eminence from which it is easy to overlook the difficulties in the nearer foreground, they peer at the far horizon and there descry the outlines of the ordered world that is to be. This technique makes it possible to plan in the most minute detail the layout of the new Jerusalem, without having to grapple with the bothersome business of getting there. Moreover, since one's fellow men are much less trouble at a distance than they are at close quarters, assumptions can be made about the good behaviour of mankind in the far-off federal future that would be hard to maintain in the light of contemporary events.

Yet, despite the attractions of the two techniques already described, the most common escapist device remains the traditional blinker. It is popular, presumably, because it leaves a greater impression of reality. He who dons blinkers does not find himself looking at a piece of paper or at a misty horizon; he is allowed to look at something perfectly real and immediate, the only limitation being that he cannot see the much more important thing alongside it. His self-appointed leaders can usually argue not only that their projects are admirable in themselves, but also that they are sanctioned by high authorities ranging from the Sermon on the Mount to the San Francisco Charter. And indeed such projects are almost always both admirable and authenticated, but none the less capable of dangerously distracting attention, and enthusiasm, from more vital objectives.

Thus, poverty in Asia, Africa and Latin America is real enough, and its eradication is a noble and useful aim. The exclusion from membership of the United Nations of a dozen or more sovereign states is an unjustifiable anomaly which cannot continue indefinitely. The fact that, while common criminals are brought to trial, the world lacks machinery for punishing the men who launch aggressive wars in which millions die, is an ironic paradox, and there is much to be said for the idea that an international criminal court should be created to sentence such offenders against peace. But it must be asked whether those who canvass these and other causes, both in the halls of the United Nations and in their own countries, are not diverting into them an enthusiasm that is so badly needed for a more vital purpose. And, without questioning the integrity of all who pursue such causes, it must also be asked whether some of their champions have not deliberately turned aside from the straight but steep path that leads to peace, in order to make apparent progress, and political capital, on easier by-ways.

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What is this straight path? It is well enough defined in the preamble to the United Nations Charter, which sets out, as the first two definite lines of action required of the member nations, "to practise tolerance and live together in peace," and "to unite our strength to main-

tain international peace and security." For most peoples, though not all, the practice of tolerance is not difficult. But the second obligation is a harder one. As the General Assembly was told on the first day of its general debate by the External Affairs Minister of New Zealand,

the military and economic burdens of collective action must be borne by the majority of states supporting the action, rather than by a willing minority. . . . Mere verbal or voting support is not enough.

This principle, as Mr Webb pointed out in the same speech, applies not merely to the present struggle in Korea but to the whole task of organising joint resistance to aggression. And it is a difficult principle. "To unite our strength" means to pay a price in effort, in money, and in lives. It means having to accept all the frictions and frustrations of teamwork between unequal partners. It means a long and patient struggle, without heroics, without interim dividends, without even a glimpse of the Delectable Mountains. No politician on an election platform can hope to get stormy applause for a speech in this vein. No writer of letters to the newspapers can exhibit his personal talents to effect if he confines himself to such realism. No voluntary organisation can sweep the country off its feet by restating the obvious so bluntly. It is obviously far more attractive to dally among grandiose projects for financing the development of backward countries, for outlawing genocide, or for re-writing the UN Charter, especially if one can create the impression that these are much more advanced ideas than the pedestrian one of merely deterring aggression by resisting it. Yet there was never a time when it was more important for the nations that want peace to hold fast to that pedestrian idea. In Korea, Mr Acheson told the Assembly last week,

the aggressor, having defied the United Nations and lost, having found himself pushed back behind his initial line of attack, now counts for victory upon those of faint heart who would grow weary of the struggle. . . . It is in Korea that our whole structure of collective security is meeting its supreme test. It will stand or fall upon what we do there.

International escapism was, perhaps, understandable in the days when, even to the far-sighted, no practicable means of deterring an aggressor was visible. Today, when such means are steadily developing before the eyes of every man, it is inexcusable. Worthy though some of its incidental objectives may be, they must remain subsidiary to the central cause of defending peace; and those who elevate them to a higher position must face the charge either of refusing to face facts, or of deliberately and cynically manipulating the idealism of their more simple fellows.

The Motor Industry

A survey of the technical and economic problems facing the British Motor Industry in the period of intense competition ahead

PAGE 265

Between Devil and EDC

IT was to be expected that France and Germany would pause, sooner or later, to think and argue before contracting the marriage that M. Schuman and Dr Adenauer have arranged for them in the European Defence Community. It has always been possible—indeed, it is still possible—that either party might prefer a long engagement to a sudden and successful courtship. There is much to be said for patience and caution in pressing on with this match; for both countries the surrender of national sovereignty in defence is a momentous step, even for the Germans, who have not yet regained it. But the circumstances that make it possible at all are transient; the Soviet attitude may become less frankly hostile, the Germans may become too confident of their growing strength to accept the limitations of the community of six, the ardour for European unity might flag for lack of achievement. Both the French Foreign Minister and the German Chancellor therefore feel that speed and boldness—even the *fait accompli*—are needed if their Parliaments are to take the first step towards federation and final reconciliation.

In everybody's mind, moreover, is the knowledge that this whole complex story began with the American insistence—over two years ago—that Germans must take part in the defence of Western Europe. The defence community and the European Army are in origin French conceptions, designed to make the best of a bad job—that is, to allow the creation of German divisions without danger to France. That they have also become objectives of German policy designed to give it equal status in Europe is a later development—a development which explains why the *Bundestag* seems disposed to ratify the necessary treaties before the year is out, whereas the Assembly is quite likely to refuse or delay ratification. For better or for worse, the strategic planning of the Atlantic partners is based on the assumption that there will soon be a Defence Community and that German divisions will begin to make their appearance under Nato command sometime between 1954 and 1955. Not so long ago it was the Germans who seemed most reluctant to play their part; feeling against rearmament was strong and it was widely said that Nato was not strong enough to protect the Federal Republic from any measures the Russians might take to prevent the reappearance of German forces. Now the demand is heard from political leaders that Germany should have forces in one form or another to give it a voice in the world's affairs. As the demand grows, so the fear increases in France that M. Schuman is following a path that can lead only to humiliation, and possibly disaster.

These fears have lately exploded before the public in speeches made by M. Herriot, the third highest citizen of the Republic, and by M. Daladier, who has for some time been interested in finding out what price Moscow would pay to avert German rearmament. It looked for a day or two as if M. Pinay's coalition cabinet might be deeply affected by the impact; but it has now rallied and the EDC treaty is to be put before the Assembly on November 15th for detailed examination in committee. Whatever happens, the damage has been done. Things have been said and done which arouse indignation and

misgivings in Germany. There is a crisis of confidence which, if it persists, might become a crisis of western policy.

The treaty that is being called in question is the result of many months of hard and detailed negotiation and, in fact, anticipates with its system of checks and balances many of the criticisms which are now being made and are discussed by our Paris correspondent on page 238. The French are particularly worried by those clauses which define the relative voting strength of governments in the Ministers' Council of the community, and by the regulations controlling the withdrawal of troops by member governments for domestic or colonial uses. They feel, too, that the treaty would allow the Germans to build up a large militia and police force outside the community's control. But these specific objections are only symptoms of deeper objections. First is the fact that an attempt to maintain simultaneously parity with Germany in EDC and resistance to Viet-minh would strain French resources to breaking point and further increase Germany's economic preponderance. Second is the hesitation, sympathetically understood in this country, to be left *tête-à-tête* with the Germans but without the British to hold the balance. Although the security of France against aggression is covered several times over by Nato, American and British guarantees, it is the day-to-day political and psychological dealing with Germans that the French fear—without the British chaperon. They feel, therefore, that a real Franco-German reconciliation must take place—notably over the question of the Saar—and every possible political safeguard must be secured before national sovereignty in defence is given up. A European political system first, if humanly possible with the British in it, and the defence community afterwards—that is the demand of those who want to delay ratification of the treaty in the hope that an alternative policy may somehow present itself.

What, in fact, are the possible alternatives? If in six months there is still no EDC the pressure for German rearmament (by 1955) without its safeguards will be very strong. The Americans will not accept indefinitely—and neither will the British, once they come to count the cost—a state of affairs in which Germans play no part in the defence of Germany. American and British troops stationed between France and the Soviet Union there certainly will be so long as relations with Moscow do not improve; so much is implied by the solemn guarantees that have been given. But the forces will not be increased beyond their present numbers, which are obviously too small for their task. If, therefore, German rearmament begins in spite of everything, it can be controlled only in two ways: either by making the Federal Republic a full member of Nato—which the French still refuse to contemplate—or by agreement between the Germans on one side and the Americans on the other; for it is the United States which would have to order and pay for much of Germany's equipment. That Washington would take this course with reluctance is virtually certain; but, failing an agreement with the Soviet Union on Germany, what other possibility is there?

There are Frenchmen who privately hope that the Russians will see an opportunity in the present situation to offer better terms for a four-power meeting on Germany. But there is no public sign of this. Published Soviet terms hold out a prospect which no Frenchman can safely accept: a united and unoccupied Germany, under constant political and economic pressure from the Communist East, controlling its own army and forbidden to belong to any western defence organisation. Nor is this a prospect that sensible and democratic Germans can accept. Likewise, the time for talking about a neutralised and disarmed Germany has passed. To bring unarmed, free western Germany into unity with armed, police-controlled eastern Germany would be for allied policy—and for any French government—an act of suicide. It would bring Soviet power to the Rhine within a decade.

Within the present limits of western policy and strategy, which are largely dictated by the manners of Moscow and the size of the forces it keeps at the edge of the Iron Curtain, it is not possible to see any practical or desirable alternative to the Schuman-Adenauer policy which produced the coal-steel pool, offers the defence community, and is drafting a federal constitution for Western Europe. Some Frenchmen will urge that Britain could save the whole situation by becoming a full member of the European Defence Community. The only realistic reply to this suggestion is that which has been made *ad nauseam* in these columns. Any European organisation which this country could join as a full member would have to be sufficiently loose to allow freedom of military, financial and political action in the world outside Europe. An organisation which had the power—as a federal body would have—to exercise a veto on the number of British troops and aircraft available for

the Middle East and Asia, on the allocation of defence expenditure and on other vital policy decisions is entirely unacceptable to any British Government. Yet a looser organisation, such as Britain might join, would not provide those legal safeguards against German military resurgence and economic domination that France demands. Nor would it produce a federal community. Europeans have to choose between a tight and genuinely federal organisation with the British outside, or a less rigid and effective body with the British inside.

It should surely be clear by now that this country's interest in the integrity of France and its good relations with Germany is so strong that Britain outside, but closely linked to, a defence community would pursue precisely the same aims and exercise just the same influence as it would inside. All that can now be given to France—and to Germany, for it, too, is a partner—is more assurances on paper; but they will add nothing real to the safeguards of the European community. Its security lies ultimately in the Anglo-American co-operation which is the backbone of the Atlantic Community. It is persistently overlooked in France and elsewhere in Europe that the defence community is bound in practice and by treaty to be subordinate to the powerful 14-nation group of Nato. If all that was required were to be a German contribution to defence it would be best secured by making Germany a member of Nato; but what is also required is that France, Germany and others should unite politically through the crucial act of surrendering sovereignty in defence. The EDC offers the possibility of both. If the French Assembly refuses ratification it will check—perhaps wreck—the movement towards a united Europe without checking German rearmament; and months of delay will cause great mischief.

Expediency and Copyright

LIPSERVICE and legislation notwithstanding, few forms of monopoly arouse much anxiety in Britain: and copyright, understandably, least of all. For the essence of copyright is private monopoly—in the mechanical reproduction of literary, dramatic, musical, and artistic works. But this monopoly is consciously granted, for a limited time, as one element of an implied bargain. Such works are of special benefit to the community. So the community grants a special privilege as an incentive to the intellectual endeavour required to bring them forth. It forgoes, for a time, its power to obtain these works in the way that it obtains the works of any other man's hand and brain, by paying the price they would fetch in a freely competitive market; and allows the creative artist—or his publisher—to charge during this meantime what the traffic will bear.

But copyright can only subsist in the material record of these works, not in the ideas that form them. And it seems to have originated at the instance of the publisher, who desired an exclusive right that could be assigned to him, at least for long enough to recoup his original investment in producing the material record. This widens the bargain; and ever since it was first codified in 1709, the protection given by copyright in Britain has been widening, and its term lengthening. The technical developments of the last half-century, in particular, have created—or may seem to imply—a wide variety of ancil-

lary privileges, loosely labelled "copyright," for the owners of reproducing "contrivances." The latest development of such apparatus, and the question whether it justified even further extension of such rights, was partly responsible for the setting up of the Board of Trade committee that has just published a lengthy report on copyright.

But this committee had more important duties than finding a formula by which the Cup Final might be televised. It was directed to examine the existing law of copyright and report whether changes were required, particularly because of technical changes or to accord with international practice, but also for any other reasons. And it has indeed explored many ramifications of the subject: for example, the relation between artistic copyright and the registration of industrial designs (during which it decided, among other things, that no copyright should subsist in a toy soldier); the right of "fair dealing" with copyright works, by quoting them in a review or micro-filming parts of them in a reference library; and the right of the "libraries of deposit" to receive a free copy of every publication (which it upheld, but would not extend to bodies desiring similar rights over films and gramophone records). Some of its recommendations for alteration of the Copyright Act of 1911, or the preparation of a new, comprehensive, and better-arranged act, bear witness to its meticulous study of such

detailed problems. Unfortunately, its two main recommendations—designed to reconcile British with international copyright law, and to codify such "performing and performer's rights" as broadcasting—are not convincing and suggest undue regard for expediency.

Almost by accident, it would seem, continued adherence by this country to the international copyright convention first signed at Berne in 1886 may now require a reversal of a public safeguard introduced into British copyright law in the Act of 1911. The total period of copyright in Britain, as in the other countries adhering to the Berne convention, is the life of the author plus 50 years after his death. This is an indefinite period, affording widely differing periods of protection, for example, to the early works of Bernard Shaw and Rupert Brooke. But the United States—where monopoly of any kind is a sore point—is almost alone in setting a definite period running from the date of publication (the period is 28 years, with an option to the author, but not the publisher, to extend it for another 28).

In 1911, however, Britain modified the total period of copyright by "compulsory licence" and "licence of right" provisions similar to those inserted (and recently extended) in its patents legislation. For the last 25 years of the copyright period these allow any publisher to bring out the work, provided he gives written notice and pays royalties of 10 per cent on all copies sold to the owner of the copyright. The other Berne signatories make no such proviso; but the revised convention signed at Rome in 1928 bound signatories to conform with the international period of copyright only so far as was consistent with their domestic laws. The revised convention drafted at Brussels in 1948, which Britain has not yet ratified, omitted this reservation; and the committee holds that if Britain does sign the draft revised at Brussels, it must repeal the licensing provisions inserted in 1911.

Upon this interpretation, the committee has little hesitation about throwing these provisions overboard. Their advantages, it holds, in no way compare with the benefits of Berne. It doubts whether the provisions have in practice served their original purpose—to secure earlier republication of works that remain of interest to the public. It points out that at present copyright does not prevent the early production of cheap editions of books long before the period of full protection has expired. This is incontrovertible; but at present the "licence of right" provisions are in force. Would publishers continue to bring these cheap editions out so soon if these provisions were removed and the period of unchallenged monopoly were again extended?

How long ought copyright to last? Inevitably, the answer must in practice be arbitrary. In theory, perhaps, long enough to recoup the author for his pains and the publisher for his first investment in reproducing the work; plus, more dubiously, a further period in which to recoup also, from a successful work, part of the investment in putting out other new and untried works. But this monopoly right already lasts far longer than the great bulk of publications remain saleable or the author can be attracted to continue his endeavours, and probably longer than the publisher would need to cover this and several other investments. The American system, which allows the author of the exceptional work—but not the publisher—to renew his right to its rewards, is more practical

and more equitable than those of Britain or Berne. Indeed, the lack of a common copyright policy for the English-speaking world is the most important gap in international copyright arrangements; and any change in British policy that would facilitate closer agreement with America would be more valuable to this country than the present convention if the choice had to be made. But to extend the period of complete monopoly—which is what the committee suggests—is to move in precisely the opposite direction. Moreover, it may not even be required for continued adherence to the revised Berne convention. Is it certain that the other signatories would prefer Britain to remain outside the convention rather than accept a renewed reservation on the term of copyright?

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Rights over public performance carry the extension of "copyright" much wider than any the book publisher enjoys. These rights, which cover what the purchaser of a reproduced work does with it after he has paid for it, apply to sheet music and gramophone records already; and the committee, after a most instructive discussion of the subject, recommends that they should be extended to television broadcasts. Such performing rights are exercised at present by central bodies set up to administer them, the Performing Right Society and Phonographic Performance, Ltd. Both bodies issue licences on payment of fees to owners of sheet music or gramophone records who wish to give public performances of the works, or may prohibit performance. This performing right over records, incidentally, appears to have arisen from the drafting of the 1911 Act rather than from any intention of the gramophone companies. At that time they asked for protection only against the "pirating" of direct copies of their records; and indeed specifically added that the purchaser of a record should be assured the right to play it however he wished. But a judicial decision in 1933 established that a right over public performance did, notwithstanding, belong to the gramophone companies; and since then they have guarded it jealously, under pressure from the Musicians' Union.

The latest "performing right" at issue concerns the broadcasting of public spectacles such as sporting events. Sporting promoters have no copyright in such events, though they can refuse access to their property. They feel, with justice, that the broadcasting of television, and to a lesser extent of sound versions of such events—and particularly the reproduction of these broadcasts in public—may diminish their patronage from spectators prepared to pay for admission. A television broadcast of football, for example, might diminish admissions not only at the match concerned but at other matches taking place at the same time. The promoters sought a "copyright" in order to charge the broadcasting authorities for such broadcasts, and in some cases to restrict their performance in public.

The committee, however, has chosen another way. It proposes that a performing right shall be created not in these events, but in the television (though not the radio) versions of them, to be owned by the broadcasting authorities, not the promoters of the spectacles. This, the committee holds, will enable the BBC to charge a fee for public performance; and from these fees it can raise enough money to pay the high fees demanded by the sports promoters for admission to the events.

This is an ingenious proposal, though it might prove

more difficult than it sounds. But it is not easy to see what it has to do with copyright. The committee shows very clearly that it recognises that these performing rights for contrivances such as gramophone records have little to do with "fundamental copyright," the protection of a creative artist's work; it admits, indeed, that they deserve some other name. It knows that these rights may be abused, and may require independent review of their exercise and the fees charged; but it makes no recommendations, partly because it feels that changes might raise the possibility of a musicians' strike "which we are not qualified to judge." The Musicians' Union, which a fortnight ago was suffering heavy criticism for its ban on a foreign conductor, may congratulate itself on having recorded this quiet victory last week.

It must still be asked whether this unsought pseudo-copyright in public performance, arising from no more than a judicial interpretation, should not be repealed. It is hard to believe that the committee would have recommended its continuance for gramophone records, Musicians' Union or not, if it had not been concerned to create a similar right for the broadcasting authorities.

Inflation in Australia

THE Federal Arbitration Court of Australia has before it an appeal from the Australian employers that the working week should be extended from 40 to 44 hours and that the basic wage—now over £11 a week—should be reduced by nearly £3 a week. The trade unions have, not surprisingly, rejected the proposal, but the last word, according to Australian law, lies with the court. Its powers to fix wages are supplemented by the provision that the minimum wage must be adjusted at quarterly intervals to the cost of living as computed by the Commonwealth Statistician, and in times of normal stability, this mechanism and the court's control have had a steadying effect. But clearly it could never have been intended to apply this provision to abnormal periods. During the war, price, wage and profit controls were imposed and maintained until 1947 when, in a referendum, the Australian people rejected the continuance of price fixing by the Commonwealth and the power to fix prices reverted to the States.

Since that time the Arbitration Court has found itself manoeuvred into the position of deciding crucial economic issues in an atmosphere of violent inflationary pressure and strong party disagreement. The automatic quarterly linking of the wage rate with the cost of living gave an automatic spin to the inflationary spiral four times a year. But the suspension of the process would have been tantamount to a wage freeze at a time when prices and profits were said to be "finding their own level." In the event, the spiral has continued and in October, 1950, even received an extra spin, as the result of the court's decision, in view of the immensely prosperous wool sales, that the economy could carry an increase of £11 in the basic wage, in addition to the routine quarterly increase. The court has felt compelled to reject the employers' request that the automatic quarterly readjustment should be put in abeyance pending its judgment on the claims of the employers. Another rise of 11s. occurred at the beginning of August, bringing the wage to an Australian average of £11 7s. a week. Two years ago it was £7 6s.

This anxiety for a quick and convenient formula has involved the committee in somewhat embarrassed manoeuvres to protect "social service organisations" against arbitrary exercise of such rights—they advocate that a supervisory tribunal should be set up, but remain "unable to express a firm opinion" on the exact powers it should have. Without some convenient formula, the sports promoters would remain able to charge the BBC for access, and other film or television organisations could bid up the fees; but that does not justify giving the BBC yet another monopoly right. In its absence, admittedly, the BBC would be left with the problem of persuading its viewers to pay higher licence fees if it wanted to raise the money to finance a bigger and better television service. But that, properly, is the BBC's business, not the business of a committee charged with the examination and improvement of copyright law in Britain. Even the rights that the existing law was designed to offer have been widened and extended to a degree that may be prejudicial to the public interest. No case has been made out for making accidental extensions permanent, and inventing others.

The inflationary pressure represented by this startling leap is a fundamental threat to the stability of the Australian economy. It would be dangerous enough if it represented no more than the effect of postwar dislocation. In fact, it reflects something deeper and more dangerous—a fundamental maladjustment in the use of Australian resources. Before the war, capital and labour were already withdrawing from primary production and the land. Before the war, the urban conglomerations of Sydney and Melbourne had grown up. Before the war, bitterness in industrial relations in key industries was an obstacle to high output and productivity. The war simply reinforced much that was already potentially out of balance and the postwar inflation has done the rest.

After the fall of Singapore, Australia was compelled to improvise a large industrial effort to back up its armies and to make good its isolation from other sources of supply. At the end of the war, the Labour Government in Australia, in common with many other governments, expected a slump in the high prices for food and raw materials. In its determination to see full employment maintained it sought to establish in peacetime activity all the industrial capacity that had been created for the war effort. Before the war, the number of men working in agriculture and mining on the one hand and industry on the other was about equal. In 1950, the proportion was of the order of 500,000 in primary production to 800,000 in industry.

This booming full employment coming after the suppressed demand of the war created the normal postwar inflation and, after the removal of Federal price control in 1947, the upward surge set in. It was accentuated by the scale of migration—a little less than 200,000 a year—and by the record height of the export prices for primary products (which make up 80 per cent of Australia's exports). It was also assisted by political developments. In 1949 the election brought into power a conservative government, pledged to oppose controls. In 1950, the budget, framed on the eve of a political campaign to make effective legislation banning the Communist party,

was the opposite of severe. It was only in 1951 that some attempt began to be made to deal with inflation at its real source—the gross excess of demand over national supply.

The Budget introduced higher income tax and purchase tax on some luxury articles. It also allowed for a surplus. At the same time, some curb began to be placed on fresh private investment by the application of capital issues control and the development plans of the States were checked. Yet this relatively mild dose of deflation was quite insufficient to check demand. The pressure upon Australia's foreign reserves became so great—its international balance fell from £A843 million in June, 1951, to £A362 million in June, 1952—that, after the meeting of the Commonwealth Finance Ministers in January this year, the Australian Government took the step of introducing drastic import cuts which in some categories were as much as 60 per cent of the 1950-51 level. At the same time, alarmed no doubt by the unpopularity to which even the mildest deflation had given rise, it retreated from some of its deflationary measures. Only in one sphere—in the development plans of the States and in the cutting of migration—has deflationary pressure been fully maintained.

Unhappily for Australia and the Commonwealth, this is the sphere in which contraction conceals the worst dangers for the future of the economy. The investment of the States covers transport, power, forestry and above all water—water which is Australia's fundamental limiting factor and the key to its advance. Since the war, the basic sectors of the economy have been relatively neglected. Investment in them has increased, but not in proportion to the money and manpower that have gone to manufacturing on the fringe of the cities—including the majority of British migrants and a high proportion of British capital. Primary production has declined and only high prices have concealed the fact that wool production is stationary while wheat, meat and dairy farming are all shrinking.

But the worst relative decline of all is in roads and railways, in electricity and in water. In fact, in many areas, increased agricultural output would be useless since transport does not exist to move increased supplies. Moreover, the dislocations in the transport system and the continuous shortages of power undermine the efficiency of the new industries. In the short run, since they are protected by tariffs—and by import cuts—their relatively high cost may not appear to enter into the national balance sheet. Nor can anyone fail to be amazed at the patience with which town dwellers accept power cuts, temporary shortages of food and uncomfortable transport. But in the long run, the maladjustment of the whole economy must be of concern not only to Australia but to its partners in the free world.

In the first place, the fall in primary production and the stagnation in basic development mean that the Australian economy itself must abandon hopes of rapid expansion. The logic of the present situation is the cut in migration that has recently taken place. Without expanding food, expanding water and expanding power, the economy will be stunted. The pyramid cannot rise high if the base is too small. Australia can, in theory at least, afford this development. Provided the population expands only slightly, about 12 million people could feed themselves and develop an autarkic industrial system fairly comfortably in a continent of Australia's size. In the short run, the communities which would suffer most directly

from such a development would be Australia's neighbours.

All those nations which need food, Britain first among them, stand to suffer when in the next decade Australia ceases to be an exporter of food—which it must do if present trends continue. The hope that Australia, with a vast potentially rich hinterland for minerals, will play an important part in expanding world production of raw materials would have to be laid aside. Last but not least, an Australia that no longer produced a food surplus, whose transport was in disrepair and whose electricity supplies were woefully inadequate might be a liability and not an asset in time of war.

These risks and dangers do not go unrecognised. Unhappily, while government and people may be at one in wishing to avoid the consequences of unbalance they are deeply divided when it comes to willing the difficult means of doing so. The Government coalition is hampered by the fact that the manufacturing interests which should be curtailed are among its most influential supporters. Joint action between the Commonwealth and the six States is rendered difficult by the different political composition of their governments—three out of the six States have Labour majorities. The public may dislike inflation but it is generally believed to dislike even more fervently the deflationary measures needed for a cure. Many Australian observers have come to believe that only a severe economic crisis can convince the Australian people of the need for more workers on the land, for more pioneering in the "outback" and for harder and longer effort at the work bench in the cities.

Ireland's Prosperity

Every post from Ireland now brings us intelligence of its rapid improvement. Never before was so large a quantity of cattle purchased at the Scotch fairs for Ireland as this year; and if some of the people continue to pour out of it to the West, from the East there is pouring in a stream of wealth and a new race of men. An activity and spirit—says a local journalist—for a long time unknown, animate all classes. A new vitality is imparted to the effete frame. Markets are brisk and good, rents never better paid, poor-houses are empty, and the only trade stagnant is that of political agitation. The people who are left and the new comers are so busy providing for their own welfare, that they have neither time nor inclination to join in any effort to pull down the Church or upset property. Belfast, of which the wealth is increasing week by week, promises, we are told, to rival Liverpool; and "throughout Ulster the traveller is gladdened at every step by proofs that the effects of trading and manufacturing prosperity extend very far beyond the vicinity of its chief emporium." The healing hand of Nature is fast closing the wounds she made, and with her wonted benevolence she seems not to have removed a terribly diseased limb till it was necessary to save the body, and she is now restoring it to health and vigour unknown for ages. . . . It is not our present duty to refer to the causes of the permanently degraded condition of the bulk of the Irish. . . . We are more willing to record with satisfaction an improved sense of duty in all, which, combined with the great improvement already made, encourages the hope that improvement will be permanent, and that Ireland, blessed with unbounded fertility, will never again relapse into its former degradation, to be chastised again by similar sufferings.

The Economist

October 23, 1852

NOTES OF THE WEEK

Mr Attlee as Disciplinarian

Mr Attlee may have come late into the field in the Bevanite struggle, but now that he is there he is displaying a characteristic stubbornness. On his recommendation the Labour Shadow Cabinet rejected Mr Bevan's compromise proposal that his group should not be wound up but should throw open its doors to all members of the party. It then took the drastic step of proposing to the parliamentary party a motion calling for an end to all parties within the party unless specially authorised, and to an end to the slanging match. Since these requirements apply to both sides in the dispute, they commanded the support of those sitting on the fence and were duly endorsed at the meeting of the parliamentary party on Thursday by 188 votes to 51; 53 members were either absent or abstained. The open meeting staged by the Bevanites on Tuesday was thus the first and last of its kind.

Though this is by no means the end of the Bevanite bid for power, it is an important victory for Mr Attlee and the orthodox leaders. They have publicly asserted their authority over Mr Bevan at Westminster, and have made it clear that the parliamentary party is not going to have its affairs run by management committees in the constituencies, many of them in areas which have never returned a Labour candidate and are never likely to return one. Moreover, this vote means that the parliamentary party has agreed with Mr Attlee that the Bevanites were a "party within a party"—a charge which has been at the heart of all the counter-attacks on the Bevanites—whether from union leaders or others ever since Mr Richard Stokes first used the phrase in a speech early in August. Mr Attlee has indeed focused the controversy on the issue of loyalty, on the need for all members of the party, however senior and however wide their support in the constituencies, to abide loyally by majority decisions. It is by this test, as well as by whether they cease to act as an organised group within the party, that Mr Bevan and his colleagues will now be judged.

This places on the party leaders an equal responsibility to allow the Bevanites freedom to express their views while policy is being formulated. Even so, the Labour party has thus imposed a much stricter discipline than exists in either the Conservative or Liberal parties, which have never threatened to expel a member for having his own views on policy within the general framework of the party's aims. The Labour party, with its memories of 1931 and its tradition of solidarity against the boss class, has a much greater fear of deviation. And its leaders are understandably anxious to prevent such incidents as Mr Bevan's Bermondsey speech in April, 1951, when he tried, while still a member of the Labour Government, to force the Cabinet's hand on the shape of the Budget by publicly announcing that he would never agree to the imposition of charges in the health service—at the very time that those charges were being discussed in the Cabinet.

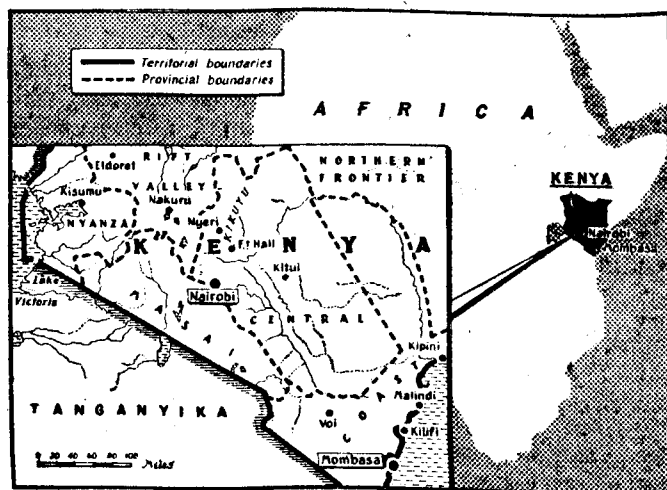
Emergency in Kenya

Mr Lyttelton's two statements on Kenya, and events themselves, have left no doubt about how serious the terrorist activities of Mau Mau have become. On Monday night a state of emergency was proclaimed in the colony; a battalion of the Lancashire Fusiliers arrived from the Middle East; and a big round-up of suspected leaders of the secret society was begun. These include Mr Jomo Kenyatta, the leader of the Kenya African Union, a political organisation. It should still be emphasised that the violence is confined to a small part of the colony and is undertaken by a small minority of the Kikuyu tribe. But, according to Mr Lyttelton,

Mau Mau terrorism is carefully planned, centrally directed and its object is to destroy all authority other than Mau Mau. Its leaders are establishing their own courts in their attempt to usurp the functions of government.

This is a complete answer to those who have described the emergency legislation passed by the Kenya Government to deal with Mau Mau as unjustifiable and as a symptom of hysteria among the European population. It is significant that so far no member of the Opposition has criticised the emergency measures, though there have been questions on detail. In particular, Mr Griffiths asked for reassurance, and received it, that Mr Kenyatta's detention did not mean that the Kenya African Union itself would be proscribed. As he pointed out, it should be made clear beyond doubt that Mr Kenyatta is being detained for Mau Mau activities, and that his association with the Kenya African Union is irrelevant, lest the whole of that body turn against the Government.

The prompt suppression of Mau Mau cannot, of course, be the end of the matter, and the Opposition welcomed Mr Lyttelton's announcement that he is visiting Kenya next week



"to consider, with the Governor, plans for the future development of the colony." The membership of the Royal Commission, which is to investigate social and economic problems in the three East African dependencies, has still to be announced, and presumably it will be many months before it can make its recommendations. If promise of action has to wait till then, the danger of sporadic acts of violence will remain, and relations between Africans and Europeans, on which visitors to Kenya have spoken so favourably in recent months, may become thoroughly embittered.

The Engineers Consider

The engineering wages dispute is reaching a new climax. The employers' offer of an extra 2d. an hour amounts to 7s. 4d. for a 44-hour week (the shipbuilders offered 7s. 6d.), which is about as much as the arbitration tribunals have given to other unions whose members want compensation for the rise in the cost of living. The provincial bus workers were recently awarded 7s., electricity supply workers were given 2d. an hour, and on Tuesday the Railway Staff National Tribunal awarded adult railway men an extra 7s. a week. Increases of this order seem now to be considered reasonable and usual.

But there are many in the unions who are not interested in what is reasonable and usual. There are even some who would rather that rearmament and exports were disrupted by the ban on piecework and overtime than that a satisfactory wage increase should be negotiated. The general unions

the confederation will no doubt be prepared to accept the employers' offer; but the craft unions, having set their original demand too high, may easily be persuaded to regard 7s. 4d. as "an insult." Since Tuesday, three important district branches of the Amalgamated Engineering Union have declared in favour of imposing the ban on overtime and piecework which was postponed when wage negotiations were resumed. The decision will be made when the executives of the confederation meet in London next Wednesday.

The employers justified their original refusal of a wage increase by pointing to increased competition in their export markets and the danger of being priced out of them. The publication of the latest export returns may make the unions less inclined to dismiss these arguments as mere excuses for meanness: between the second and third quarters of this year engineering exports fell by 15 per cent and exports of metals and metal products by 19 per cent. The shadow of unemployment cast by these figures may have a sobering effect on the unions. On the other hand, they have been encouraged, by the employers' last minute offer, to think that when it comes to a trial of strength a ban on overtime cannot be allowed to come into force; and they still feel that they have been treated unfairly by an industry which will make profits out of arms, if not out of exports, for a long time to come.

Mr Vyshinsky's Flying Wedge

Visitors to successive United Nations Assemblies have long been accustomed to the sight of Mr Vyshinsky advancing briskly through the lobbies in the centre of a formation of the kind known on American football fields as a "flying wedge." Apart from protecting the Soviet Foreign Minister's flanks and rear, this purposeful phalanx of advisers is also a remarkably apt symbol. Not for nothing have the Russians sent to this year's Assembly the strongest delegation they have ever mustered. The ink was barely dry on Mr Stalin's prophetic utterances about inevitable conflict between the non-Communist powers before Mr Vyshinsky and his impressive entourage were hastening across the Atlantic to ensure, to the best of their considerable ability, that the prophecies should be fulfilled.

In the non-Communist front there are plenty of promising crevices into which they can now insert their wedges. Apathy over the Korean war, instinctive revulsion at the mere suggestion that germ warfare has been launched, and anxiety for a share in the offers of trade with the Communist world so temptingly held out during the summer, are all elements on which propaganda can play. Moreover, the Russians probably hope that the delicate hints of lessened tension dropped in Moscow earlier this month may lead one or more of the United States' partners to feel that it might steal a diplomatic march on its allies by encouraging an individual approach by the Soviet government.

But the Communist press has made it clear that the biggest wedge of all is to be driven into the crack between the western powers and the Asians. The Assembly is to be made a platform where "the wrongs of imperialism" may be exposed, where the western governments can be manoeuvred into "voting against the colonial peoples," while the Soviet Union comes nobly to their defence. In the past Mr Vyshinsky's efforts in this direction have had some noteworthy successes; but it may be questioned whether it was wise to preface his new offensive by such a frank revelation that rifts in the free world are essential to Soviet policy. Even the sincerest anti-westerner among the Asian delegates at the Assembly may pause for a moment before accepting the direct patronage of Moscow.

Hot War in the Cold

On Wednesday the United States Defence Department announced the biggest number of American casualties in Korea in any week since June. Nearly a thousand Americans

were killed, wounded or captured last week, and casualties were also heavy among South Korean troops, who have played a major role in resisting the present Communist offensive. Although the Chinese have undoubtedly suffered even more heavily, their losses have not yet deterred them from pressing their attacks, which have now continued for three weeks, during which time several of the key hilltops have changed hands a dozen times. If this is not a major enemy offensive on last year's scale, it is nevertheless far from insignificant.

It is easier to tell what the Communist onslaughts do not mean than to find their real meaning. They have not been launched for the sake of their stimulating effect on the home front; on the contrary, the Chinese and North Korean peoples have hardly been told anything about them. Nor were they a reprisal for the suspension of the truce talks, for they began before that happened. Their original objective might have been a swift advance on Seoul, which lies only fifty miles south of the sector where the main attack was launched; but that objective must by now have been abandoned in view of the staunch allied resistance. If the Communists' intention was to improve their tactical positions before the winter closed in, it has been largely frustrated. If it was to demonstrate their superior strength on the eve of the United Nations Assembly's debates, that, too, has not been successful.

But it remains possible that the Chinese offensive was undertaken in order to sharpen controversy, both in Uno and between the American political parties, as to the value and the means of maintaining the Korean front. To the Communist leaders, it is a matter of indifference how many casualties are suffered by their own troops for the sake of such a purely political objective. There is not the slightest sign of this campaign being brought to an end on terms that the United Nations commander can honourably accept.

New Season in Vietnam

The seventh campaigning season in Indo-China has opened with sharp fighting and a reverse for the French and the Vietnamese in the fall of garrisoned posts in north-west Tonkin beginning with Nghia Lo. It would be wrong, however, to deduce that this in itself is a vital setback or a direct threat to the French hold on the Red River delta. The outlying and isolated garrison of Nghia Lo, with a strength of less than five hundred men and temporarily deprived of air support owing to the weather, was outnumbered by about seven to one in a specially mounted Vietminh attack. Although the defeat has a local significance which should not be minimised, the operations have not so far affected the main French position in the delta area.

For the larger scale fighting that is to be expected during the next four months both sides have been preparing hard during the summer. Unless there is a sudden drop in morale on the government side, these preparations are likely to have benefited the French and Vietnamese quite as much as the Communist-led Vietminh. With the mountain routes under French air attack, the Chinese are thought to have been able to deliver to the Vietminh about 3,000 tons of stores per month. Unless Peking decides to send China's own armies over the border in force, this is hardly enough to outweigh the now massive support reaching the government from the American arsenals.

Although the topical importance of the war in Indo-China varies both in French internal politics and in French-American relations—always great, it again looks like being specially prominent in the immediate future—the struggle plays a constant role in Far Eastern strategy. The outcome of the new campaigning season is therefore being closely watched in the rest of South East Asia; but there is less sign than there was a year ago of possible Chinese preparations for invasion. If the war can still be confined to Indo-China,

■ full-scale Communist victory seems unlikely, even in Tonkin. During the next few months this should add to the significance of the gradual hand-over of real political power by the French to the Vietnamese which is now going on.

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Copper Strike

The strike of the African miners on the Northern Rhodesian copper belt raises more important issues than whether or not their demand for a higher wage is justified. Their union, which is notable among African trade unions for its solidarity and sense of responsibility, is asking for an increase of 2s. 8d. a shift. This would about double the money wage—African miners are also paid by free board and lodging—of the lowest-paid workers, and the union has rejected the smaller offers made by the companies. If profits were the sole criterion, the companies could afford the full 2s. 8d., but they assert that the Africans are already being paid all that is justified by the work they do.

It would be truer to say the work they are allowed to do, and it is taken for granted that the Africans are really striking for the right to do more skilled work which would justify higher wages. The companies would be willing to train the Africans for semi-skilled jobs, but they are faced with the colour bar maintained indirectly by the European Mineworkers' Union. By an agreement made between this union and the African union at an early stage of its formation, no African can take over a job performed by a European except at the same rate of pay and with the same living conditions.

Obviously, nothing can be done to implement the recommendations of the Dalglish Commission, which early in 1948 proposed that certain types of work exclusively performed by Europeans should progressively be made open to Africans, so long as this obstacle to African advancement exists. But the issue has political implications as well. It is probably true to say that if the European mineworkers agreed to accept the Dalglish recommendations, they would be taking the biggest possible step towards securing the Africans' support for Central African federation—or at least towards weakening their opposition. Otherwise, whatever happens to the federation plan—which the Europeans wish to see adopted—they will lay up for themselves a store of trouble for the future. Since the Africans are not being given free rations while the strike lasts, the present dispute may be over quickly—and the Africans left more embittered than before. But the Europeans should be aware that, in the present mood of Africans, the barrier to their advancement cannot be maintained indefinitely, and they would surely prefer to remove it by agreement rather than under duress.

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Fiddling With Foreign Exchange

It is a pity that Mr Butler refuses to raise the travel allowance above £25 for the twelve months beginning on November 1st. This breaks the agreement of the Organisation for European Economic Co-operation, which binds all member countries to allow at least £35 for tourists. Of the other members, Austria allows no foreign exchange to tourists except on special application, and Norway allows £25; but the other countries all allow £35 or more.

It is not only international agreements that are brought into disrepute by the British travel allowance. More serious is the effect it has on respect for the law in this country. Now that holidays abroad are a mass movement of about a million people each year, there are many who do not want to spend much more than £25. Last year, when the allowance was £100, the average British tourist abroad spent

between £40 and £45 including his fare—which means that in the country he visited he spent just about £25. But many people who want to spend more can still do so without very much difficulty. Probably the majority of tourists change the five pounds that they are supposed to keep for travel in Britain and for paying customs dues; and anyone who has a friend abroad may get more. Public opinion may be somewhat disgusted by accounts of lavish spending abroad, but few people feel that it is gravely unethical to scrape up a little extra currency, so that they do not spend the entire holiday counting their sous.

A raising of the allowance to £35 would cost little in foreign exchange. It would be better to rely on the general policy of disinflation to keep tourist expenditure within reasonable bounds, and to raise the allowance to a level at which the inducement to break the law would be less strong.

* * *

Persia Loses its Whipping Boy

From the moment last week when Dr Mossadegh proclaimed to the Persian nation, in a broadcast 85 minutes long, that diplomatic relations with Britain had become "pointless," he had played himself into a position from which it was difficult to retreat, unless he could announce some huge compensating success. Why, then, did his cabinet wait a week before delivering the Note that broke off relations? Possibly it needed time to arrange representation in Britain by the Swedish Government. Possibly it hoped that the American Embassy, which was doing its best to dissuade Dr Mossadegh from a decision so negative and unfruitful, would offer a bigger dollar gift than the \$10 million down which it had suggested in the Truman-Churchill offer. He did not directly ask for this, but there was common talk of it in Teheran.

Economic and psychological relations between the two countries had reached such a point that the breach will not have a profound effect. Trading will not cease, but it is usually impaired when business men can get no advice from a consul or commercial attaché on the spot. The accompanying table shows that any falling off is likely to hurt Persia more than it hurts Britain:

ANGLO-PERSIAN TRADE							
Persian Trade (\$ million)				British Trade (£ million)			
	1950*	1951*	Jan. to April, 1952		1950	1951	Jan. to Aug., 1952
IMPORTS				IMPORTS			
Total	206.0	248.4	56.7	Total	2,608.2	3,914.2	2,450.5
From UK	54.4	49.1	6.9	From Persia	47.8†	33.1†	2.4
Percentage ..	26.4	19.8	12.2	Percentage ..	1.8	0.8	0.1
EXPORTS				EXPORTS			
Total	648.7	590.0	43.4	Total	2,256.1	2,706.6	1,841.8
To UK	133.7	92.5	4.1	To Persia	30.3	19.5	3.8
Percentage ..	20.6	15.7	9.4	Percentage ..	1.3	0.7	0.2

* Includes imports by oil companies and exports of oil. † Includes imports of oil.

Psychologically, too, the Persian Government stands to lose. Many will get a moment of uplift at seeing the Union Jack being furled and the turbaned Sikh and arms of Queen Elizabeth II disappearing from the imposing gate in the Piccadilly of Teheran, but nationalist leaders will lose a long-standing asset. Hitherto, one of Dr Mossadegh's chief rallying cries has been the need for unity and alertness in face of the "sabotage and intrigues" of the British embassy staff, who were blamed for ills that had nothing whatsoever to do with foreign relations. Who will be whipping boy when the grievances continue, even though the British are gone?

Europe Eyes the Commonwealth

Europe is showing some anxiety about the way in which officials of Commonwealth governments have been discussing in London for over a month such matters as imperial preference, convertibility, trade policy and even the price of gold—all of which closely affect its governments. Yet not a single informed account of what has passed in the conference rooms has been allowed to emerge. Whitehall's curtain of secrecy has been so effective that ill-founded rumours are rife. It is imagined that Britain and the Commonwealth are planning a new "imperial isolationism," a Schachtian autarky to overcome the dollar problem. It is true that Britain and the Commonwealth are determined to do something this time about the recurrent dollar crises. For this reason alone some concrete proposals must be expected to emerge when there have been two Commonwealth meetings within a year. Canada, for one, will not be content with polite platitudes.

Until Ministers have concluded their talks late in November or early December, no official pronouncement will be made; but two things can be said now to dispel the worst of Europe's fears. First, that there is no likelihood of any increase in the margin of Commonwealth preference. Since many Commonwealth goods (particularly food and raw materials) enter this country duty free, Britain could increase the margin of preference accorded only by raising its tariffs on foreign goods; but this would cause a further rise in its cost of living. If Commonwealth countries reduced their tariffs against British manufactures, they would merely intensify British competition with their own growing domestic industries.

The second point is that the Ministers will do nothing that is likely to antagonise the United States, or even Europe. The dollar problem is international, and not peculiar to the Commonwealth. The Dominions recognise that development and solvency go together and that they can be achieved only by expanding the volume of international trade. Mr Butler's explicit undertaking last July, that any policy decided at the conference would have to be co-ordinated with both Western Europe and the United States, was seriously meant. The Commonwealth is, it is true, a family of nations, but like most families it is not a self-contained economic unit.

* * *

South Africa is Warned

Last Saturday, for the second time this year, Europeans were killed and mutilated by a crowd in Africa. The events in Port Elizabeth were on a much smaller scale than those in Cairo last January; but the spirit which has just led to the brutal death of four white South Africans was the same as the flame which swept through the Egyptian capital nine months ago. At both ends of the continent race hatred ran riot. Although on Saturday, it is true, seven Africans also died under the bullets of the police, the murder of the Europeans was the result of deliberate incitement to arson and violence by a group of men playing on an anti-white feeling which was already there.

In spite of the extreme *apartheid* policies of the Malan Government, this is new in South Africa. Such acute tension between the races has not hitherto been a feature of the national life, however illiberal the prevailing white attitude, and it certainly serves as an ugly warning which the Nationalists would do well to heed. By all accounts the reports of the riots have indeed been received with a sense of shock in the Transvaal.

It will, however, take far more than this to check the South African Government in its present course. Nor is it easy to see just how Dr Malan and his colleagues could now do enough to relieve the tension without reversing engines completely. That might mean not only dropping the severity of *apartheid* but materially modifying the general policy of racial segregation to which nearly all white South Africans, in the

United Party as well as on the Nationalist side, subscribe. It is not practicable simply to switch overnight to the kind of liberal magnanimity which outsiders are too prone to recommend. The problems of such a large and racially conscious white community, living among Africans at a very much earlier stage of development, are too complex and deep-seated. But the lesson of Port Elizabeth is that the initiative is passing from white hands. Unless something is done to arrest this trend of events, the Nationalists will defeat their own ends, at an immense and tragic cost in blood and hatred to all South Africa.

* * *

Flogging or Prison

The last time the House of Lords debated flogging for crimes of violence, there was a Labour Government, and the advocates of flogging had a poor chance of a sympathetic reply. But the Conservative party is, on the whole, as strongly in favour of corporal punishment as the Labour party is in opposing it, and the Conservative peers and the judges who this week demanded the restoration of flogging may have hoped for better success.

Fortunately, the Lord Chancellor was able to resist the demand for what he and Lord Templewood, the chief opponent of flogging among the Tories, called panic action—rightly so, for this time Lord Goddard, the Lord Chief Justice, and others demanded the reimposition of flogging not only for those crimes for which it was abolished in 1948 but for "all forms of felonious violence." As the Lord Chancellor said, the clock would be put back a hundred and thirty years—and this in spite of the fact that the number of crimes for which corporal punishment could be imposed before 1948 has actually fallen since then. This may not prove very much; but the one thing it does not prove is that the abolition of flogging has led to an increase in this class of crime.

Those who oppose flogging are not sentimentalists. They are just as horrified at the general increase in crimes of violence as the Lord Chief Justice. They are only concerned to find the most effective deterrent, and they are convinced that longer sentences of imprisonment are more effective than flogging. Lord Goddard finds it distasteful to pass long sentences of imprisonment on young men, and until the implications of the Criminal Justice Act are fully faced, no one should pretend that prison is likely to reform peculiarly vicious offenders. But the public will be better protected from them if they are shut up for a long period than if they are flogged, sentenced to short terms of imprisonment and then set loose again. The public's best protection, however, remains the police. If people directed as much emotion and energy towards strengthening the police force as towards demanding the restoration of flogging, they would be taking the most practical step they could towards protecting their persons and property.

* * *

Probation Studies

Two years ago the social affairs section of the United Nations Secretariat issued a book tracing the spread of probation from the United States and this country to the Commonwealth and the development of similar measures in some

Autumn Book Supplement

will appear in next week's issue of *The Economist*

European countries. Recognising probation as a constructive method of dealing with offenders, the United Nations suggested the formation of study groups in order to consider the legal and practical difficulties which prevent other countries from adopting it. As a result, a European Seminar on Probation is being held this week, and it is fitting that the United Kingdom should act as host to the representatives of the 17 nations taking part.

Probation in this country is a flexible method of dealing with offenders because almost any kind of condition may be attached to it, and because it is applicable to almost any crime except murder and treason. It is more than just an alternative to institutional treatment, for it introduces the principle that an investigation of the social background of the offender should be allowed to influence the court in determining how it should deal with him. In continental legal systems sentencing is comparatively inflexible because there is no common law and a specific punishment normally follows a specific crime. Moreover, the finding of guilt and the passing of sentence is one indivisible process. Social investigations, therefore, if they are to affect the sentence, have to be carried out before the finding of guilt. The disclosure of their results, sometimes in open court, may do great harm to the accused person, whether he is innocent or guilty. In this country, on the other hand, guilt must be established before the court may ask for information, including reports by the probation officer, about the person charged with an offence.

In many continental countries, however, there have been developments in the direction of probation, usually in the form of suspended punishment. Sometimes sentence is pronounced but not carried out if the accused remains of good behaviour during a certain period; sometimes the imposition of punishment is suspended and the sentence itself is not pronounced. These suspensions are often accompanied by some sort of supervision. But no continental country has as yet a trained and professional probation service of the kind

that has proved so valuable in Britain. If they can be applied within the framework of different legal systems, there are useful lessons to be learnt from British practice.

* * *

German Trade Unions Remain Moderate

The Congress of Federal Germany's trade unions was held last week-end in Berlin, where the atmosphere is conducive to political realism. Perhaps for that reason, the delegates showed more moderation than had been expected in some quarters. It is true they elected as chairman Herr Walter Freitag, head of the metalworkers' union, who is more uncompromising than his predecessor, Herr Fette; but he has declared against extra-parliamentary action by the unions to enforce their demands for joint direction of industry and the public services. It was not their business, he said, to "put things right that the electorate messed up." This probably means that under Herr Freitag the unions will not repeat the strikes of last spring against the works council law. Herr Freitag, who is a stalwart Social-Democrat, will doubtless concentrate upon securing his party's backing for the unions' demands: a legitimate policy for which nobody can reproach him.

The congress also showed political judgment by rejecting the invitation to joint talks that had come, inevitably, from the Soviet German trade union federation. The West German unions' executive will have nothing to do with men who exploit German workers on the orders of Moscow. Like other champions of national unity, they draw a sharp distinction between Russians, with whom it might be a good thing to negotiate, and German satellites, who are disliked and despised.

On most issues of foreign policy, the congress avoided specific decisions, because the unions are split—particularly

on rearmament—and did not wish to stress the fact. Even on home affairs the congress showed little ability to frame a concrete programme. The demand for a forty-hour week was adopted, but it is difficult to believe that the German workers will be ready to press it. The main struggle will certainly be, as hitherto, over the unions' claim to parity in the direction of private and public enterprises. So far labour representatives have gained a minority vote on the boards of private firms; but employers will fight with all means to prevent any further encroachment on their powers.

Already, the conservatives are blaming Dr Adenauer and his Christian-Democrats for giving away too much to the unions, and are trying to form a solid bloc of the right. The tendency is therefore towards greater extremism on right and left. But this development, deplorable though it is, is not yet dangerous.

* * *

The Marshal and the Caudillo

Marshal Juin's indiscretions are becoming too frequent for comment to keep pace with them; but his latest excursion into politics is of considerable interest. In an interview given to the monarchist review, *Destino*, he declared that Spain must play a part in European defence and implied that Spanish units should be incorporated into a European or Nato army. Marshal Juin founded his argument on the truism that there is no sense in allowing various countries to be defeated separately, and on the more controversial assertion that no European unit could be complete without Spanish participation. He urged closer collaboration with Spanish interests in North Africa and evoked sentimentally the days of 1925 when French and Spanish troops together quelled the revolt in the Riff.

This interview coincided with General Franco's speech to the civil war veterans on the battlefield of Alto de los Leones. The Caudillo exalted his old comrades in arms for having been the first to wage the European fight against Communism. He spoke of the danger of war and argued that traditional liberalism—for which he shares Stalin's contempt—was not a sufficient force against the red peril. In a deft reference not only to his own position but to that of France, General Franco urged that weaker partners in common defence should be given economic aid without being exposed to "interference in internal affairs."

These pronouncements by the Marshal and the Caudillo put the whole question of Spanish participation in European defence back into the picture. In their protracted negotiations with Spain, the Americans have discovered the truth of the old proverb, "love is like a Spanish inn where you only find whatever you have brought along yourself." The Spaniards are demanding a formidable price for the use of naval and air bases and there is little prospect of agreement until well after the American elections. General Franco's collaboration is really quite unimportant, and something more is needed to justify it than a blend of Catholic solidarity, military calculation and sentimental memories.

* * *

Production or Financial Stability?

The declining trend in Europe's production is causing grave concern to member countries of the Organisation for European Economic Co-operation. It was, indeed, one of the main topics discussed by the Council of Ministers at their meeting in Paris this week, when they examined the draft fourth annual report. Industrial output is not only failing to rise at the average annual rate of five per cent agreed by the Council twelve months ago; it has declined quite noticeably in both the first and second quarters of this year. All countries, even Germany, have now an output that is measurably lower than the peak reached in the fourth quarter of last year.

The question really is whether production should be boosted at the expense of inflation. The Council was unable to give a clear-cut decision, for at the same meeting it adopted the report of the special working party on internal financial stability. This suggested that inflation had still to be overcome; indeed, the stubborn deficit in Western Europe's total and dollar balance of payments suggests that domestic consumption and investment are still too high. But, it is asked, will a further cut cause increasing unemployment?

If, in the final analysis, the choice lay between increasing the value of money and maintaining current high levels of employment, most countries would choose the latter. But unless those countries can increase their productivity at a rate greater than their overseas competitors, such a policy must in the end lead to some form of devaluation, whether it be by means of export subsidies, floating exchange rates or a straight reduction in the dollar exchange rate. The OEEC's fourth annual survey, which will be published in December, should shed some light on these vital matters, even though the light might be heavily shaded by careful wording and significant omissions.

* * *

Tied Cottages in Scotland

No debate on rural housing, in Parliament or elsewhere, can avoid the essentially insoluble problem of the tied cottage. It is a problem which varies in importance and urgency according to place and circumstance. Where farming is intensive and settlement correspondingly dense, there may, in these days of buses and bicycles, be no reason why the farm worker should not live in his village and go daily to his place of employment like anyone else, thus escaping the uncomfortable pressure, and risk of dislocation to his private life, which even in the best conditions are inseparable from a service tenancy. Quite apart from uncertainty of tenure, it is much more comfortable for his family to live as part of the village community, with its school, shops and transport, than in the isolation of an outlying farm cottage. The argument against the tied cottage as a feudal anachronism is reinforced by more positive arguments in favour of good country planning.

Both arguments were well to the fore, powered with all the emotional force generated by memories of oppression, in Labour speeches last week on Clause 3 of the Scotland (Housing) Bill, which provides that subsidies may be granted for the private building or repair of tied cottages and that local authorities may be required to submit schemes to that effect. Their traditional and well-founded distaste, however, could not do away with the fact that Scotland provides what is practically a limiting case in the tied-cottage controversy, the tied cottage providing, over large areas, the only practicable means of housing the farm worker. It is the isolated farm with a cluster of cottages, not the substantial village with a constellation of farms, which has always been typical of agriculture in these areas and must, for reasons of sheer topography, remain typical in the future. The smooth running of such farms, with all its implications for the national food supply, depends on their adjacent cottages being as exclusively available to their own working staff as a stationmaster's house is exclusively available to the stationmaster.

Some Labour members, recognising that the tied cottage is a necessary evil, still maintained that no such evil thing, however necessary, should be subsidised by public money; an attitude which, however natural, does little credit to their common sense. Nothing will ever make service tenancies, whether on farms or elsewhere, really satisfactory. But since the grant of public money can be, and under the Scotland (Housing) Bill will be, used as a lever to enforce the employer-landlord's conformity with a decent code of conduct, the recognition of the tied cottage's permanency which such a grant implies should bring a net diminution of its disadvantages to the tenant.

How much horse power in a raincloud?

There is more energy in a raincloud than in an atomic bomb—and one day we may know how to tap it: there is inexhaustible power in the tides, and people have envisaged a time when we may use so much of it as to alter the orbit of the moon. . . . Perhaps the windmill will stage a comeback, lifted on an aluminium tower to a height of a thousand feet or more. And what of solar radiation? . . . Or will cheap power from atomic fuels outdistance all the rest? Who knows? . . . But one thing is certain—whether the power station of tomorrow be a forest of steel masts or an atomic reactor buried in a concrete hill, it will owe something to T.I. Not in components alone, but in the practical devices that take shape when T.I. specialists are called in.

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Letters to the Editor

Icelandic Fisheries

Sir,—In your issue of October 11th your Note about the Icelandic fisheries says that "In May, Iceland redrew the outer limits of what it claimed were its territorial waters, from point to point instead of parallel to the shore, and prohibited foreign fishing activities on the landward side of the new lines." I would like to call your attention to the fact that this ban also includes Icelandic trawling, so that Icelandic vessels are entirely subject to the same rules as foreign vessels.

I think that when you say that "Relations between the fishing industries of Iceland and Britain are now thoroughly embittered," you are making an overstatement and I, at least, have the feeling that responsible people from both sides will soon be continuing the friendly relations which fortunately have existed between them for a long time.

Later you say that

From the point of view of British deep-sea fishing interests, the most damaging section of the judgment is that which allows a country to adjust its territorial limits over coastal waters to its own fishing needs.

In connection with this I would like to draw your attention to the fact that although the fishing needs in Iceland play a very important role in this matter, the conservation of the fishing grounds, which are about the most important breeding grounds for cod and other white fish, has just as much influenced the Icelandic Government in the action taken, and the rules promulgated in the spring were based on an Act of 1948, which primarily deals with the preservation of breeding grounds for the purpose of fish conservation. Ninety-five per cent of Icelandic exports consists of fish and fish products, not 70 per cent as you state.

The regulations did not come into full effect at once. They were published on March 19th, but came into force on May 15th, and this was done so that Icelandic as well as foreign fishing vessels could have sufficient time to adjust themselves to the new rules.

Lastly, I would like to mention that the Grimsby trawler skipper who was fined for breaking the rules was proved to be 1.1 mile within the new limit or, in other words, 0.1 mile within the old 3-mile limit.—Yours faithfully,

AGNAR KL. JÓNSSONS,
Icelandic Minister.
17 Buckingham Gate, S.W.1

Aid and Anglophobia

Sir,—Out of respectful consideration of Lady Astor, Mrs Braddock, Dr Summerskill and Mme Anna Pauker I have always liked to give the pre-eminent place among the Sublime Futilities to the proposition that we must look to a great increase in the direct participation of women in public affairs to bring toleration, gentleness and the rule of sweet reason to a quarrelsome world. I am a little distressed at the threatened sup-

planting of my old favourite by the current solemn doctrine that great sacrifices must be made to invest in backward countries for the purpose of (1) gaining their friendship, (2) turning their minds from Communism.

We have been investing abroad for a couple of centuries and, to round off our experience, we have been able since the war to learn through America what it is like to be at the receiving end. The results of this international economic intimacy are thus not a matter of conjecture. Two of them at least can be foretold with a certainty that is unique in the field of politics. The first is that the giver or lender will be heartily detested. The second is that it will create the nucleus to form, and the conditions to nourish, whatever variant of communal hatred the next generation may find most satisfying.

One can only speculate on the shape and colour which fashion and circumstance may give to future anglophobia, but it is interesting to note, in passing, that so shrewd a judge as our own Mr Bevan considers that the well-tried "Capitalist Exploiter" and "Imperialist Warmonger," even after such a long and brilliant innings, are still good for years of useful work.—Yours faithfully,

JOHN F. CALDWELL
Cheadle, Cheshire

Five Years of Monnet Plan

Sir,—In the article published in your issue of October 18th, it is said that "with the exception of Belgium, no other West European coal producer is within sight of its prewar rate of production."

I should like to inform you of the facts relating to the production of coal in Spain. Compared with a yearly total of 7,339,971 tons, including bituminous coal, anthracite and lignite, in 1935 (the last year before the civil war), the rhythm of production in 1952 is more than one million a month, which makes a yearly total of from 12 to 13 million tons. This figure, which has been the annual average in the last years, nearly doubles the figures for the period before the civil war. The maximum pre-1936 figure was 7,655,883 tons in 1932.—Yours faithfully,

J. M. RUIZ-MORALES,
Economic Counsellor
Spanish Embassy,
London, S.W.1

Britain Puzzles Canada

Sir,—Your issue of September 20th contained a letter of mine in response to an article which appeared the previous week and which mentioned the Canadian's perplexity at the United Kingdom's attitude to their Government orders.

My letter contained one inaccuracy which needs correcting. I stated that lack of progress payments was one of the

reasons handicapping new firms. The Canadian Government has rightly pointed out that on defence contracts they give progress payments up to 90 per cent. In other departments, progress payments are not usually offered, and I am sure it will be realised that new firms are understandably reluctant to press for progress payments when they know that competitive tenderers have no need to do so.

Your article of September 13th also referred to a United Kingdom circular actively discouraging overseas governments from ordering British armaments. I have made enquiries and am informed by the Board of Trade that this circular was a legacy from

a time when supplies were severely limited. It is now under review as part of a general review of the procedure for obtaining defence orders which is being carried out following the decision, announced by the Prime Minister in the House on July 30, to increase exports of armaments.

We are all mindful of the immense help which the Canadian Government has given this country, and it is good to learn that every difficulty is being investigated to help trade and good will to flow in both directions.—Yours faithfully,
C. I. ORR-EWING
House of Commons

The Lebanon Follows the Fashion

Sir,—It would be very difficult to understand what happened in Lebanon last month without taking into account a certain rigid rule in public life and political behaviour that we call confessionalism. The aim of confessionalism is to create and keep a certain equilibrium of prestige in public administration between the various religious groups. Parliament is elected on this basis, and it is practically agreed among all religious communities that the President of the Republic should be a Maronite, the Prime Minister a Sunnite and the President of Parliament a Chiite. Posts in public administration are also distributed on that basis.

The actual state of public administration under the presidency of El-Khoury was well described in your article, but two main facts that obliged the former President to resign were not mentioned:

1. The big majority of the Lebanese people and the majority of Lebanese cities and villages joined in a general strike asking for El-Khoury's resignation and the end of his presidency.

2. All Sunnis in Parliament took the decision to abstain from forming any government until El-Khoury's should resign. This was the direct cause that brought matters to a head and not "refusal by Parliament to co-operate with any cabinet proposed by the President." In fact, 52 Members of Parliament out of 77 supported the former President to the last moment, and presented to Parliament a petition in that sense.—Yours faithfully,
Beirut

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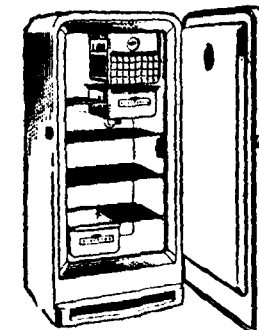
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THIS EXAMPLE of one of Honoré Daumier's famous caricatures of bourgeois society first appeared in the French comic journal *Charivari*. The title of the picture is a pun on the name of the subject, Baron Joseph de Podenas.

Daumier, who was born at Marseilles in 1808, often modelled his subjects in clay before drawing them on lithographic stone. His satirical drawing of King Louis Philippe as "Gargantua", which was published in *La Caricature* led to his imprisonment for six months.

That Daumier's work continued to appear even after his imprisonment epitomises the traditional freedom of the Press in a free world. In contemporary times the caricaturist continues to satirise public figures with no hindrance except the censorship of good taste exercised by the Press itself.

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Books and Publications

Brown Studies in South Africa

The Peoples and Policies of South Africa. By Leo Marquard. Oxford University Press. 258 pages. 16s.

South Africa is in the news and on the publishers' book lists. In the last few months Miss Jean van der Poel has given new historical interpretations in "The Jameson Raid"; Mr Vladimir Halperin's study of Milner and the empire has dealt with the aspects of South African history that form a chapter in British imperialism; we have had an impressive personal statement from a South African labour leader, Mr Solly Sachs; the journalist's seeing eye has produced "Report on South Africa"; the extra mural tutor has done his very competent best in Mr John Hatch's "Dilemma of South Africa"; the South African Institute of International Affairs has made a partially successful attempt to assess the economic resources of Africa south of the Sahara; those who like the cosy anecdote might try Mr Francis Gérard's "Springbok Rampant."

And still they come. But the latest of the current reports, from Mr Leo Marquard, far from being redundant, is the only one of plain facts plainly stated, and none the worse for that. It is not the background for all the others, but the corrective, or, better, the touchstone; and if the book shows a large measure of agreement with Mr Sachs's rather clanging stridency, or the occasionally golden-syrupy, determinedly sympathetic enthusiasm of Mr Davidson, the agreement is an indication of its value and of theirs.

Mr Marquard writes carefully without "angle"; but his standpoint is that of the true liberal, summed up in his own sentence "Western civilisation cannot be maintained by denying rights but only by extending them." With that as an axiom, he introduces the many peoples of South Africa, describes their government and administration, analyses their politics, policies and parties (the best part of the book) and discusses their religion, education, and their "colonies"—the last a section in which just enough is said to prove that the subject is beyond the scope of the book. Unfortunately, there is nothing about economic structure, little about industrialisation, agriculture, or the trade unions, and only slight but thoughtful comment on the disastrous economic implications of Dr Malan's policy of apartheid. This is doubly a pity because the divorce of politics from economics is the fundamental mistake of much South African thinking today. Concentration on the economic problems of the country, including the tragic progress of Africans "from barbarism to pauperism," would render the political problems much more capable of solution, and is in fact the only fruitful approach.

A suggestive point Mr Marquard makes in passing is that while by its policy South Africa may win the

adherence of illiberal white communities elsewhere, it will lose any chance of leadership in the continent as a whole, south of the Sahara. The weight of population, though not of economic strength, is already in West Africa, and the political initiative may ultimately pass there. The politicians of the Union are forfeiting its predominance in Africa and its reputation in the world.

Economic Liberalism

Aperçu d'Histoire Economique Contemporaine. 2 Vols. By Louis Pommery. Librairie de Médecis. Paris. 722 pages.

This ambitious survey of economic history from 1890 to 1952 is, in fact, the history of an idea and of the successive attempts to prove it false. M. Pommery's two volumes tell, with impeccable lucidity, the story of the decline of economic liberalism in its nineteenth-century guise. The work is divided into distinct parts by the course of events itself, but M. Pommery begins by assessing the forces militating against classical liberalism and examines whether or not the very momentum of liberalism bore within itself essential flaws. M. Pommery defends the thesis that the disruption of political equilibrium caused by the 1914-18 war had a series of consequences which made the 1929 crisis inevitable. The premature return to the gold standard in England, the collapse of German currency and the uncritical American boom originated directly in the postwar situation. M. Pommery's patriotism betrays him, however, into minimising the role of France in the general debacle. The deliberate undervaluation of the franc as a trade weapon should be taken into account.

Up to that point, and in his account of the 1929 crisis, M. Pommery covers familiar ground, although he tends to illuminate events from the refreshing point of view of a convinced liberal, for whom the natural sanity of economic processes has again and again been sacrificed to political intervention. It is in its survey of the "great experiments" (1933-38) that this book asserts its value. M. Pommery discusses in turn the New Deal, the economics of Nazism, the second Soviet Gosplan, statism and syndicalism in Italy, and the economics of Japanese expansion. Where his discussion is less satisfactory is in its account of the incoherence and lack of initiative displayed in France after the 1936 devaluation. Deliberately, perhaps, M. Pommery avoids going beneath the surface of the Blum and Reynaud experiments.

The second volume deals with the

period after 1939 and offers an important comparative analysis of war economy as practised in the first and second world wars. This whole subject of total mobilisation may become increasingly important in the near future and the brevity of M. Pommery's observations on the subject is disappointing. The same applies to the question of economics under occupation, although M. Baudin's "Esquisse de l'Economie française" does something to fill the gap. The entire second volume is somewhat weaker as it is based on a rather indiscriminate mass of recently published material and lacks the advantage of perspective. The brief sections on postwar Japan, EPU or industrial development in the Soviet Union read like summaries of press-cuttings. But M. Pommery's mastery reasserts itself in the concluding survey of the economic world picture on the threshold of a new half-century. The pages on European unity, nationalisation of industries, and the phenomenon of perennial inflation, form a declaration of economic liberalism in the wake of alternative experiments which M. Pommery has tested and found wanting. Nothing could be plainer than his conclusion: "Il faut choisir entre la liberté individuelle et la dictature policière." For the author, only one choice is possible.

Land and Poverty

The Land System in Palestine: History and Structure. By A. Granott. Eyre and Spottiswoode. 359 pages. 21s.

The conclusion which the reader seems intended to draw from this survey is that the stagnation in agrarian matters that marked Ottoman rule continued, in large measure, under the mandate, which failed to undertake "any planned or well-thought-out action for the improvement of the condition of the fellah." The book is marred by statements such as the following:

The Palestine legislator and administrator... made it their primary object to limit the reconstruction and the development of the country. At first they used indirect means and concealed their intentions, but in the end they came out into the open and tried to put the Jewish activity, the mother of progress, on a bed of Procrustes.

This may arouse the suspicion that the writer is concerned to justify the thesis that more land must be found for Jewish immigrants "not only through the acquisition of new and additional areas but also through the development of those the Jews already possess."

The historical background is briefly sketched. The statements that the *iqta* system corresponded to the system of feudal fiefs in the West and that the Arabs "left in full force the administrative and legal systems" of the Byzantine and Persian empires are somewhat

sweeping. The changes in landownership in more recent times are shown, but the author's argument is not always easy to follow. For example he states that profound changes in agrarian matters took place under the Ottomans, but on the next page we are told that

since in the course of centuries only slight changes took place in the economic structure of the country only slight alterations are to be found in the forms of land tenure. Only from about 1870 did development commence to become more rapid.

The book is, however, a valuable contribution to its subject. The conditions of insecurity which prevailed under the Ottomans are clearly shown; the emergence of large landed estates is traced and in this system the writer sees the main reason for agricultural stagnation and the miserable condition of the *fellaheen*. He shows that there has been an increase in small ownership in the past seventy years, and that this, under the mandate, was accompanied by an increase in cultivation. The origins of *waqf* land are discussed, and the tendency of private owners to convert their property into *waqf* to safeguard them from confiscation is noted. In this institution the author sees a great hindrance to the spread of prosperity.

The social structure of the Arab family group (the *hamula*), the reasons for the impoverishment of the *fellaheen*, their indebtedness, and their tendency to be transformed into landless agricultural labourers are described. Such problems as the fragmentation of holdings are discussed in detail, and the main lines of Jewish rural development are sketched. In a final chapter on tenancy and leasehold the evils of the old system of tenancy are emphasised. It would appear from this survey that while the main lines along which the *mesha'a* village and the tenancy system of Palestine have developed are common to most Near and Middle Eastern countries, there are considerable differences in detail.

Pests and Weeds

Untaken Harvest. By George Ordish. Constable. 170 pages. 15s.

In the folklore of agricultural economics there are no two more respected dogmas than that of a growing world population inexorably starving to death, and of the fantastic crop losses caused by pests and diseases. To which farmers properly retort that humanity can have all the food it wants if it is prepared to pay the price of more intensive farming, of land reclamation and, above all, of pest control. A totally misleading impression of the crop losses caused by pests and weeds has been created by expressing them in terms of the market value of the crop in a year when prices were inflated by scarcity. Mr Ordish uses a different yardstick; he expresses losses in terms of the land and labour spent in cultivating crops that yielded no harvest.

Had it not been necessary to offset the low yield of infected crops by growing

a bigger acreage, that land and labour could have been put to other use. But the author is equally aware that protection can prove more costly than the marginal value of the crop, and one of the most interesting sections of this book is devoted to evolving a formula of what he calls the cost/benefit ratio, to calculate the profitability of applying partial or complete preventive measures against attacks of varying intensity. From the examples given, it would appear that partial pest control yields better returns than complete control. It is also evident that pest control pays best on the semi-luxury crops and sometimes not at all on those that the nutritionist considers to be socially the more important.

If the wasted acres under cultivation of low-price infested crops are to yield a harvest, it rests with the chemists and machinery makers to reduce still further the costs of protecting them; failing which the market value of the crop must rise until it equals the marginal cost of control. But this raises other difficulties not touched in this book. More powerful and persistent chemicals can reduce the cost of protection, but they do so at the price of introducing new dangers to both sprayer and purchaser of the crop, simply because they are more toxic and more persistent than the weaker, safer sprays they replace. The cause of food production has been done a disservice in the past by the sentimental confusion of social with economic factors. Mr Ordish is typical of the new generation that has sworn to eschew this muddled thinking, but the question of the toxicity of pest control technique may be the one case where social needs have to be taken into account.

The Defeat of the U-Boat

U-Boat, 977. By Heinz Schaeffer. William Kimber. 207 pages. 15s.

This book is the first from Germany to give some idea of the physical and tactical conditions under which U-boats operated in the Battle of the Atlantic. The author served eighteen months during the most critical period of that battle as watch-keeping officer in a U-boat, and was then put in command of a smaller boat for training new crews in the Baltic training ground. At the age of twenty-four, just as the war was ending, he was sent out on his first operational voyage in command of U-977. When off the Norwegian coast he learned by radio of Germany's impending surrender, but, in doubt as to the authenticity of the order to cease operations, he placed before his crew the alternatives of returning to Norway or escaping with their boat to Argentina. Sixteen of the older men, mostly petty officers with families in Germany, elected to be put ashore at night on a lonely stretch of the Norwegian coast. With a remaining crew of thirty-two men, mostly inexperienced, and with his periscope unusable, the captain headed for the Azores, and then on to Argentina. For sixty-six days, in order to escape the attentions of the Allied patrols, he

kept his boat submerged, running on the Diesel engines and using the Snort. His description of this voyage, the eventual safe arrival at Buenos Aires and the interrogation by suspicious authorities who were convinced that he had brought Hitler with him—these are the most readable parts of an otherwise patchy story.

The author suggests that Radar, as used by the Allies, was the main cause of the defeat of the U-boat, and that if only Dr Walther's hydrogen peroxide propulsion and the Snort had been used earlier, Germany might have achieved its object. He also gives us glimpses of Radar and Asdic decoys, and other devices that enabled U-boats to evade destruction. But one should not be taken in by all this. The fact is that the German submarine campaign was defeated not just because the Allies had a new weapon in Radar, not even because the German counter-measures came too late, but because the various and costly British and American resources on the sea and in the air were all vigorously applied against this menace to our very survival. It is unfortunate that the public should have to learn of this vital aspect of the war from the random memoirs of its late enemies.

A Problem for Management

Industrial Leadership and Joint Consultation. By W. H. Scott. The University Press of Liverpool. 207 pages. 12s. 6d.

Dr Scott has presented, in this excellent work, the findings of investigations conducted in three Merseyside firms to try to deduce the effectiveness of joint consultation. He has selected three companies which by virtue of their different history, degrees of prosperity, and size, etc., form a composite sounding board from which to take readings of the various reactions which must exist in dissimilar industrial atmospheres.

Early on, Dr Scott strikes at the root of the problem—"the conception of industrial democracy as being primarily a matter of creating the 'right machinery' has undoubtedly for the moment prevailed."

As the evidence is produced, it becomes increasingly apparent that apathy and lethargy (surely by now almost national characteristics) are prevalent. The majority of employees when interviewed about their works' councils or committees were either just not interested, or frankly sceptical of managements' intentions, or else they just condemned it as a waste of time. Joint consultation, by bringing together management and workpeople in formal discussion, was to have contributed much to industrial Utopia; but, in fact, it has failed, Dr Scott suggests that much of the blame for this failure may lie with management. He claims, and he produces plenty of evidence, that management has been content to pay lip-service to an idea. If joint consulta-



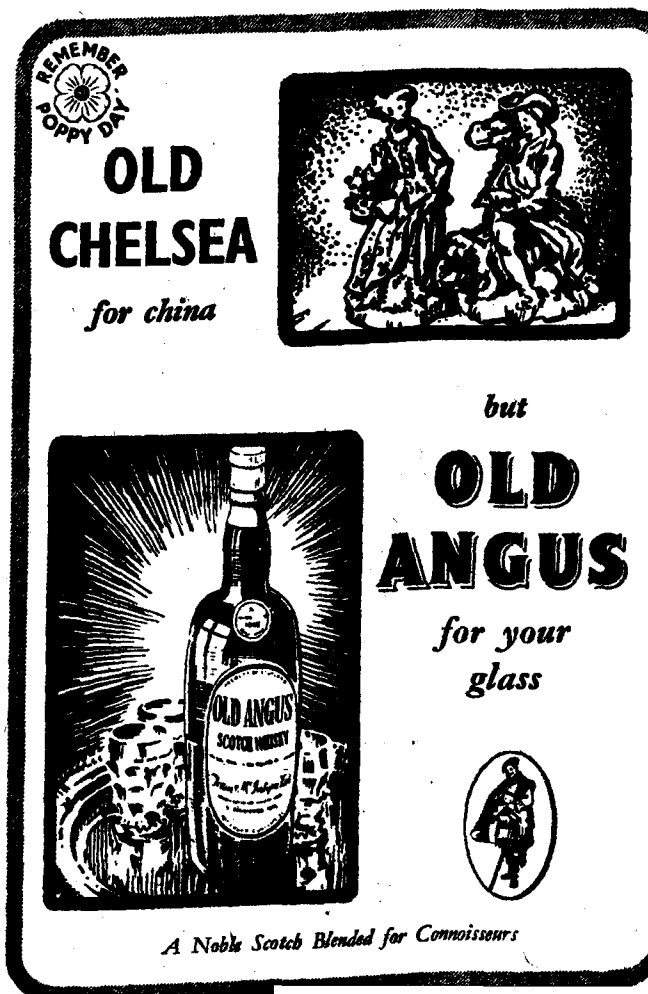
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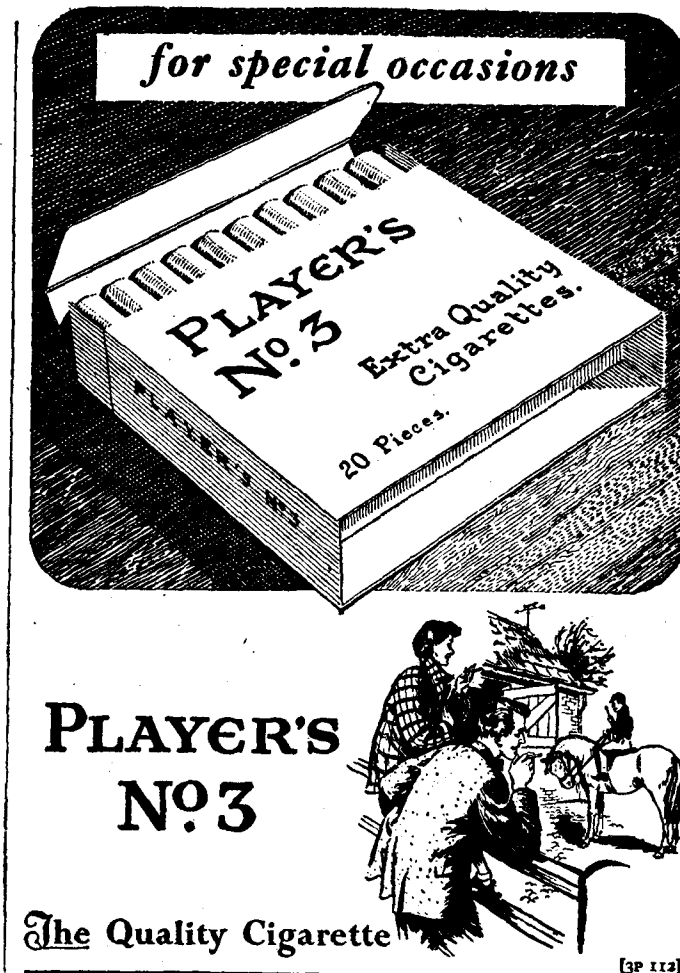
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[3P 112]

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tion is going to succeed it must become, as it were, a state of mind; working groups at all levels in the industrial hierarchy must get together and discuss their problems. The desire for an interchange of ideas and opinions must permeate the whole structure from top management to the factory floor. As Dr Scott says:

The first requirement of joint consultation, so far as the worker is concerned, is the development of consultative relations in the primary working group, between foremen, charge-hands and operatives.

In a world which is becoming increasingly conscious of the need for greater productivity, there are many who mention, perhaps tentatively, but certainly hopefully, that inviting phrase "human relations in industry." It is a subject in danger of suffering from an excess of jargon and woolly-minded thinking. Dr Scott's admirable study does much to present this problem in its true perspective. His conclusions, and some of his cures, are supported in an appendix written by an executive of one of the firms co-operating in the inquiry. It is a book full of invaluable material.

Creative Interpretation

Utility and All That: And Other Essays. By D. H. Robertson. *Allen and Unwin.* 206 pages. 18s.

Professor Robertson's only too rare ventures into print shine like a good deed in the naughty world of economic controversy. This Laureat of learning pursues Truth with a glee and disregard of dignity suggestive of a puppy halfway down a rabbit hole; he manœuvres intractable and nebulous concepts with a virtuosity which never degenerates into verbal juggling; he suffers fools, if not gladly, at least with dismissive tolerance; he grinds no axes; and he demonstrates that the most abstruse and stratospheric themes of the learned journal's *avant garde* can be fit subjects not only for the intelligent layman's attention but also for his keen enjoyment.

For some of the essays and reprinted lectures collected here, this last would be too comprehensive a claim. They are addressed to audiences not indeed, of high academic specialists, but nevertheless to a public having some considerable expertise in economic theory or practice. "The non-academic reader is warned," says Professor Robertson, characteristically, in his Preface, "that Nos. 4, 6, and 13, while not highbrow by modern standards, are probably of a different order of stodginess from the rest." No. 13 is, as it happens, a brief "background paper," written for a discussion group of the International Economic Association and dealing with the international terms of trade—as illustrated by Lewis Carroll's *Agé Agé Man*. The desire to quote, amounting almost to a frenzy, must be repressed; but readers of Professor James Meade's "Balance of Payments" are urgently referred to pages 176-177 of "Utility

and All That." Similarly those economists—some of them of quite respectable attainments—who have been more or less completely baffled by the developments of modern welfare theory as expounded by Mr I. M. D. Little, Professor Hicks and Professor Samuelson, may find a refreshing enlightenment in the title essay, disarmingly but deceptively described by the author as "an interim report by an idiot to his fellow idiots."

But if it is as an interpreter of the *avant garde* to the main body of economists—or to *avant gardistes* in other economic specialties—that Professor Robertson performs his most characteristic function, that does not imply in him any aversion from the parallel job of sorting out, for a much wider public, the economic implications of current events. The essays on the "Problem of Exports," 1945, on "Western European Economic Union" (broadcast in 1948), "Britain and European Recovery" (1949) and "British National Investment Policy" (January, 1952) are well within the layman's grasp, and reveal at once their author's consistency and his shrewdly realistic sense of political possibilities. If this book stimulates one regret, it is that only one essay—"Some Notes on the Theory of Interest"—displays Professor Robertson the powerfully original thinker rather than Professor Robertson the interpreter. But the regret is really ill-founded. Interpretation, as it is exemplified here, is in itself a high creative activity.

Australia's Economic Crisis

Australian Production at the Crossroads. *Angus and Robertson.* 154 pages. 12s. 6d.

This book consists of six papers read at the Australian Institute of Political Science at the end of January, 1952. The authors, mainly economists distinguished in the Australian scene, all agree that there should be greater production in Australia; the majority also argue that the pattern of the economy should be changed, although there is less agreement on what the pattern should be. In general, the papers insist that agricultural production must be greatly increased and there is a recognition that the importance of agricultural production in Australia has never been properly appreciated by the various Governments. As a result, there has been little real incentive in the past for the farmer to increase his production. But the contrary condition has existed for almost two decades in secondary and tertiary industry. Successive Governments have offered real incentives to firms in this sector of the economy to expand—and they have done so, as many believe, at the expense of the all-important primary industries and of the development of the base of the economy.

The authors reveal clearly the resulting weakness of the Australian economy—the lack of balance in investment, the distorted pattern of the economy, and the failure to arrest the spiral of inflation. They are less clear in suggesting

remedies. Special emphasis is placed on achieving higher levels of production as a means of combating this inflation. The problem of greater productivity is also quite generally recognised. Here, however, the papers become more interesting for what they fail to say than for what they record. Little reference is made to the responsibility of management in this field, and indeed one speaker (the Minister for Labour) endeavoured to place the responsibility for the failure of the two sides of industry to co-operate on the subservience of the Labour party to the trade unions. This view was strongly opposed by a moderate trade union leader, who showed more understanding of the basic problems of productivity than any of the speakers.

Naturally, since the papers were delivered to an Australian audience, the scale of Australia's great resources and its potential scope for development are taken for granted. Nor does the book give any real impression of the political scene, which so completely controls the present crisis in the Australian economy. Without such information the reader will find it difficult to obtain a real idea of the true forces which influence the problems discussed here in their purely economic sense.

Text and Reference Books

"Investment Companies." Twelfth Annual Edition, 1952. By Arthur Wiesenberger. (New York) A. Wiesenberger & Company. 384 pages. \$15.00.

The American investment trust movement, with the exception of a very few small companies, is barely yet a quarter of a century old. But it already shows enormous variety in its manifestations. The most striking difference with English and Scottish investment trust practice is the wealth of information available, and Mr Wiesenberger's annual compilation has become the standard source. Here will be found every figure that the interested investor could reasonably require—calculations of "leverage factors" and "price volatility" as well as the complete portfolios of 84 trusts.

Chambers's Encyclopædia World Survey. *George Newnes.* 368 pages. £3.

The editor of this Survey describes its main object as being to "provide a self-contained review of contemporary topics." It covers the period since the latest publication of Chambers's Encyclopædia: 1950 until February, 1952.

The book starts with a calendar of events, followed by articles dealing with international affairs and with the main branches of national life; arts, sciences, industry, etc. The chief emphasis, perhaps only to be expected, is on the United Kingdom. The second part of the book deals with foreign countries, region by region.

The emphasis throughout seems to be on the general reader, for although there is a great deal of information in this survey, it is not arranged in such a way that it can be used as a work of reference for obtaining facts quickly.

AMERICAN SURVEY

Making Capital Out of Communism

Washington, D.C.

HAD an American been among those men of varied nationality who sat down to write an essay on elephants—with the Pole writing on "The Elephant and the Polish Question," the Englishman on "How to Shoot an Elephant" and the Frenchman on "L'Eléphant et L'Amour"—he would undoubtedly have chosen the title of "The Elephant and Communism." For the elephant is the Republican symbol, and there is no topic about which members of the Republican party talk so much as they do about Communism, and few about which they know so little. Long years of opposition have spared them the responsibility for assessing Soviet motives, for deciding when or where to oppose Soviet expansion and for preventing, or correcting, the infiltration of government departments by Soviet agents. They have been free to search for Communists where they wanted to find them—among government officials appointed by the Democratic Administration.

Considering the fervour for the Popular Front in the nineteen-thirties and the motley crew taken into wartime agencies and later, when those agencies were hastily disbanded, dumped in the State Department for sorting, it is remarkable that so few examples of espionage were found and that nothing more serious than the Hiss case developed. But used with skill by the McCarthys, large and small, these few cases have succeeded in scaring a people who have less experience of spying and being spied on than European nations. Americans seem to expect foreign spies to label themselves as such, or, at least, to have the good manners to join a few Communist organisations. It was seriously suggested, early in the campaign, that Mr Stevenson could not be trusted as a President because, having worked in the State Department with Mr Hiss for a few months, he had not instantly recognised him as an enemy agent. If Mr Churchill were running for office in the United States, he might just as well be called "soft on Communism," because he was Prime Minister at the time that Dr Karl Fuchs was first employed by the Government.

Many of those who were General Eisenhower's most enthusiastic supporters early in the year believed that he was the only man with any chance of winning the Republican nomination who would be willing and able to keep the most important problem of the time—how to deal with the Communists at home and abroad—out of politics. It is his failure to do this, indeed his willingness to use the methods of the extremists, even if not in their most extreme form, that has driven people who never voted for either Mr Roosevelt or Mr Truman into vocal opposition to him. It has also, if the polls are any guide, persuaded many more, particularly among the less educated classes, who always voted for Mr Roosevelt and Mr Truman, to rush for protection from the devil under the wing of a military hero.

When the General told an audience at Green Bay, Wisconsin, that the purposes that he and Senator McCarthy had "of ridding the government of the . . . subversive and the disloyal are one and the same" and when he later said in Montana that he intended to rout "the pinks" as well as

"the Communists" out of the government, he was implicitly asserting that, to his knowledge, the government contained "pinks," Communists, the subversive and the disloyal. Coming from an ordinary politician trying by every means in his power to get back into office this kind of statement could be assessed at its real value; coming from a man supposed to be above partisan politics, who has been in the inner councils of the Administration for most of the last ten years, it is likely to be taken by the innocent at its face value. General Eisenhower knows, as well as the President and every other responsible official, that, as General Bedell Smith said in such an unfortunate way, the head of every government department must always act on the assumption that his organisation has been infiltrated by enemy agents. And that, no doubt, would be General Eisenhower's explanation of the meaning of what he has been saying. It is not, however, what it has meant—nor, in the opinion of most people, what it was meant to convey—to the more ignorant members of his audiences.

Mr Stevenson was justified in asking a few questions of the General. "Would he fire J. Edgar Hoover?" Mr Hoover, the head of the Federal Bureau of Investigation, has never been criticised, even by Republican members of Congress. "Would he fire General Bedell Smith?" General Smith was the Republican candidate's own former Chief of Staff; his bald statement, given in quite another connection, that he took it for granted that there were enemy agents in the Central Intelligence Agency, which he heads, recently created a sensation. He has since made amends by saying that he would think himself lucky if he got as much co-operation from the next President as he had done from Mr Truman. Finally the governor asked

Would he discharge General Smith's deputy, Allen Dulles, the brother of his own chief adviser on foreign affairs? . . . Is the Republican candidate seriously interested in trying to root Communists out of the government or is he only interested in scaring the American people to get votes?

But answer came there none.

Perhaps it was too much to expect a party which has been out of power so long to refrain from exploiting an issue which could be represented as purely domestic. What did come as an unpleasant shock, however, even to those who had no great hopes of keeping the campaign on the level where the Governor started it, was the willingness of General Eisenhower to make political capital out of the world's fight against the Communists in Korea. He must have been remarkably ignorant if he did not know that the South Koreans had suffered more casualties and had more troops in the front line than the United States and that new troops were being trained and armed as fast as possible. Yet he

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

preferred to pretend that there was "no sense" in American troops being there and that we must "make certain that those South Koreans . . . defend their own lines."

In speech after speech and at whistle-stop after whistle-stop, there has been the suggestion that the presence of a soldier in the White House will ensure an end—a quick and successful end—to the Korean war. Mr Stevenson's answer at Spokane, Washington, was to say:

I will not play politics with war and peace. Our men are fighting in Korea so they will not have to fight in Alaska, Spokane or Omaha. They will come home from Korea just as soon as our national safety permits. And, for my part, I deplore the suggestion that they can come any sooner. There is no trick that can end the Korean War—as I am sure the General knows full well.

Not only does the General know it, but his advisers are careful to point out that when he promises to find "an intelligent and honourable way to end the tragic toll of American casualties in Korea" he makes no specific promise about when he will be able to do it. That, however, is something that the audiences seeing the great hero and listening to him for a few minutes fail to notice.

It is this aspect of his campaign which, Mr Joseph Alsop said a week or two ago, is responsible for the remarkable fact that the reporters who have been travelling with the General, who were warmly sympathetic to him at first and some of whom even went to Paris to urge him to be a candidate, are now "almost solid for Adlai Stevenson." This is not the way political correspondents normally react during a campaign. Mr Ernest Lindley, discussing the same phenomenon in the magazine *Newsweek*, recalls that 50 Washington correspondents were almost equally divided between Mr Willkie and Mr Roosevelt in 1940 and between Mr Roosevelt and Mr Dewey in 1944. In 1948 they were 37 favoured Mr Dewey to 7 for Mr Truman. Mr Alsop's explanation is that the reporters have had to watch audiences taking at their face value the General's

intimations, which are not exactly promises but sound perilously like promises . . . that he will "bring the boys back home" and fill their places in the battleline with South Korean troops. . . . His hearers fail, so to speak, to read the fine print on the back of the contract. And the newspapermen are more or less forced to read the fine print simply because the contract is offered to them so often.

The opinion of reporters may be no guide to the feelings of the electorate. But to anyone who knows that a reference to the "fine print on the back of a contract" is an American euphemism for a legal way of getting out of an awkward commitment, this is a damaging indictment of the men who have led the General through his "crusade." Their battle-cry now seems to have been borrowed from General MacArthur—"There is no substitute for victory."

Farmers, in Two Minds

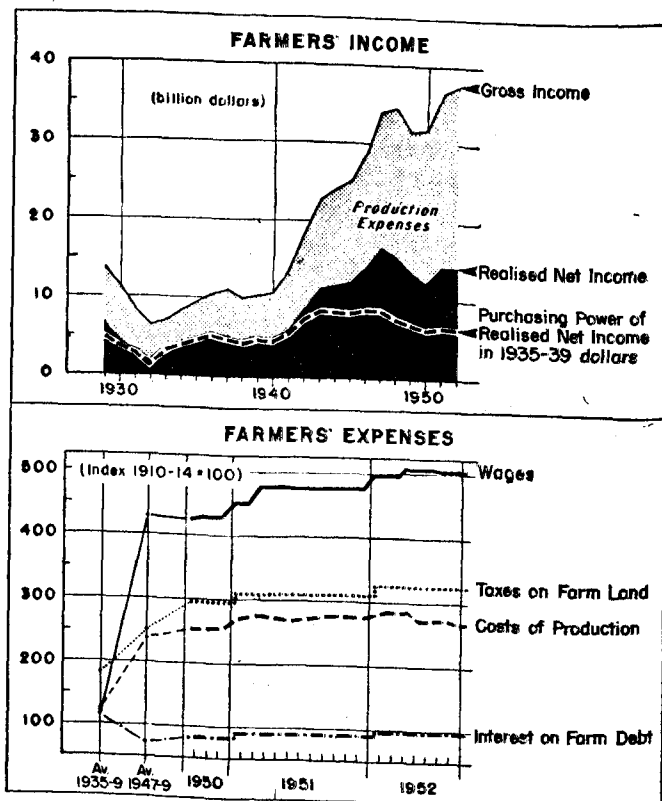
[FROM A SPECIAL CORRESPONDENT]

ACCORDING to orthodox election theory, middle western farmers vote Republican when they are prosperous, Democratic when they are worried. The truth of the theory is tested every four years, but this year the prophets hesitate to interpret it in practical terms of votes, not only because it led them seriously astray in 1948, when the middle western farm states surprisingly supported Mr Truman, but also because this year farmers are both worried and prosperous at the same time.

This has been a good year for them. Production of both crops and livestock has been greater than ever before and demand will almost certainly be maintained during the

coming season. Farm prices have admittedly fallen a little since midsummer. The price of wheat, at its seasonal low, has dropped nearly to the level at which the government is obliged to support it, and maize, with a record-breaking crop in prospect, may fall below this level at the height of the harvest. Beef prices are down a little, as a four-year build-up of stock nears its peak; the annual count next January is expected to show a rise of six to seven million head in beef cattle. The related price of hogs is down even more noticeably. Nevertheless, on the whole prices are above parity, the level at which they are supposed to ensure the farmer a fair return in terms of what he must buy, and cash income from farm marketings is expected to be a little higher in 1952 than in 1951.

At the same time, however, the farmer's costs are rising. Prices received by farmers for the things they sell were off three points on the index in mid-September compared with a year earlier and prices paid for the things they need were



up two points. The rise was not in the commodity part of the index; it came from increases in tax and interest rates and in wages paid to hired help. The last index was up by 6½ per cent and the 2 per cent rise in interest rates reminded farmers that their mortgage indebtedness has been growing these last two years in a way that recalls the short-lived joy-ride of 1920. As a result farmers feel squeezed; moreover, they foresee something more painful than a squeeze before long. Demand for their products is high because of the prosperity engendered by heavy defence expenditures. When these level off, or begin to drop, as is planned for the second half of 1953, farm prices are likely to take their historic place as leaders of the economic down-swing. And when the agricultural boom recedes, the mountains of costs accumulated in the postwar years will be uncovered.

So, because present prosperity is not an election issue, and because agricultural policy can only provide a partial answer to worries about future swings in demand, the farm programmes of the two parties will probably not influence the farmers so much as some other factors, when they go to the polls in ten days' time. In any case, the difference between the position of the two candidates is not very marked. At the National Ploughing Contest at Kasson, Minnesota, early in September, both Governor Stevenson

and General Eisenhower, as one farmer put it, "promised Heaven with a white fence around it." Mr Stevenson announced that he favoured price supports at 90 per cent of parity, the level now on the books. So did General Eisenhower. However, contrary to the impression given by the press, the General did not actually advocate a farm programme providing for 100 per cent of parity. He only said:

All I know of farmers convinces me that they would rather earn their fair share than have it as a government hand-out. And a fair share is not merely 90 per cent of parity—it is full parity.

Since then Governor Stevenson has not gone much further, though he devoted considerable space to farm objectives in his San Francisco speech and has declared his opposition to the controversial Brannan Plan, originally devised by Mr Truman's Secretary of Agriculture as a way of supporting the prices of perishable commodities. General Eisenhower, meanwhile, has been caught between the factional differences in the Republican party. His Kasson speech, supporting the present farm programme, represents the influence of Republicans like Representative Clifford Hope, of Kansas. He was responsible for that part of the Hope-Aiken Act of 1949 which provided for the continuation of the existing system of farm price supports for a period, now extended to 1954, before the application of the Aiken part of the Act, which inaugurated a new method of calculating parity and provided for flexible rather than rigid price supports.

As soon as the Kasson speech was given, the agricultural pressures that are behind the Aiken position were applied to the General. Chief among these was that exerted by the American Farm Bureau Federation, which has persistently and consistently advocated flexible price supports. Another influence was Mr Milton Eisenhower, the General's brother, whom he regards as the brains of the family and who is president of Pennsylvania's State Agricultural College. General Eisenhower's speech at Memphis, Tennessee, was the result. Introduced by the Farm Bureau's past president, Mr Ed O'Neal, the General reaffirmed his support of the present law for the two years it had to run. But, after noting that "the mandatory price support of 90 per cent of parity will expire at the end of 1954" which "means that we have just two years—beginning next January—to plan ahead," he inferred he was for something different thereafter, and proposed a bipartisan commission to canvass possibilities.

General Eisenhower is perhaps afraid that if farmers base their choice on specifically agricultural questions they will be guided by memories of what Democratic Administrations have done for them and of what they suffered under the last Republican Administration. Certainly he has constantly emphasised the bipartisan character of recent farm policy and in his wooing of the midwestern farm vote, which has been more concentrated than has that of Governor Stevenson, he has made the Korean conflict the main issue. Farmers resent this war even more than do other groups in the population, because conscription has taken boys away from the land where labour is now permanently scarce, and where the absence of a man is felt much more acutely than in a factory.

The Korean war will certainly be one of the farmers' chief considerations should they vote this year, as seems likely, not on the particular issues that concern them as agricultural producers, but on the general ones that concern them as citizens. Other general issues will be "the mess in Washington," Communism in government, big bureaucracy, federal expenditure and deficits and so perhaps back to the special issue of prices again. And on this basis, as far as can be judged in mid-October—and it must be remembered that farmers are always extremely reticent about their voting intentions—it looks as though the advantage lies with General Eisenhower, not only in those midwestern farm states, such as Kansas and Nebraska, that are always considered safely Republican, but in others, such as Iowa and Minnesota, that were so unexpectedly Democratic in 1948.

American Notes

Strike Against Stabilisation

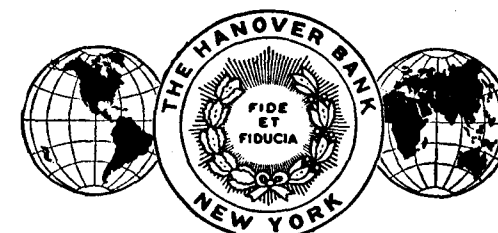
Mr John L. Lewis has always refused to recognise the government's right to interfere in negotiations between himself and the coal companies. The official reason why his 350,000 miners have stayed away from work this week, without any direct instructions from Mr Lewis, is that they are protesting against the companies' refusal to pay the full \$1.90 a day increase in wages which was agreed in September, rather than against the decision of the Wage Stabilisation Board which made the companies liable to penalties should they pay more than \$1.50. But no one doubts that this is in reality an attempt by Mr Lewis himself to destroy the whole policy of economic stabilisation in order to demonstrate his own power and independence.

The coal case was the first major test of the new board, which was reconstituted by Congress after its predecessor had capitulated to the steel workers. Another capitulation had been forecast and the labour members of the twelve-man board were indeed prepared to give Mr Lewis all he asked. However, the industry and public members insisted that

a wage stabilisation programme under which an excuse was found for approving every increase requested by a powerful group would be a fraud.

They refused to go above the 18 cents an hour which they found to be justified by the rise in the cost of living and by the board's duty to maintain a fair relationship between coal wages and those in other industries. This would bring the basic daily wage in the mines to \$17.85 instead of the \$18.25 which had been agreed between Mr Lewis and the coal owners.

The decision was as unexpected as it was courageous, since the board might have sheltered behind the excuse that the rest of the anti-inflation programme was already mori-



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bund. The announcement was delayed, whether by luck or good management, until after Mr Lewis had endorsed Governor Stevenson for the Presidency, the first time this life-long Republican has supported a Democrat since 1936. It remains to be seen whether Mr Lewis will now change his mind; his miners, more independent in political than in economic matters, have usually voted Democratic, but their decisions this year are likely to be influenced by their feeling that the government has forced them to strike. President Truman, however, can hardly interfere in the dispute on the miners' behalf without making a laughing stock of his contention that the Republicans are to blame for weakening the controls on inflation. With plentiful stocks of coal above ground, it will be the end of the year, with the election well over, before the effects of the strike become serious and there is no urgency about a settlement. When one does come, it may save the faces of both Mr Lewis and the board, by providing the disputed 40 cents a day in the form not of higher wages but of "fringe" benefits, such as holiday pay and increased night shift differentials, in which the miners have lagged behind some other industries.

Campaigners Go East

This week, the penultimate of the election campaign, both presidential candidates, and General Eisenhower's "other opponent," President Truman, have come to the east coast. The General has followed the President into New England, while the President has been touring Pennsylvania, and Governor Stevenson is in New York, where Governor Dewey is at last taking an active part in the campaign on the General's behalf. These are the heavily populated industrial areas where electoral votes are most thickly concentrated. So are the racial and religious minorities, the Poles and Italians, the Jews and the Negroes, who can decide the vote of a closely contested state. This was therefore naturally the moment chosen by Mr Truman, who has never shown any signs of squeamishness in this campaign, to suggest that General Eisenhower is anti-Semitic and anti-Catholic and has identified himself with the "master race" idea, from which he freed Europe, by embracing such Republican Senators as Mr Nixon and Mr Jenner, who had voted for the McCarran Immigration Act. This Act, sponsored by a Democrat, although one whom Mr Truman repudiates, perpetuated the discrimination, first authorised by a Republican Congress in 1924, against immigrants from southern and eastern Europe in favour of those from the Anglo-Saxon countries.

As Mr Truman's accusation was released, the General was making a declaration of faith in a liberal immigration policy, and a promise to seek revision of the McCarran Act, in terms as inspiring as those in Mr Truman's original veto of the Bill. It seems as if Mr Truman, in this attack on a man so closely associated in the public mind with the liberation of Europe's oppressed peoples, has perhaps gone beyond the limits not only of good taste but of political advantage. That the Republicans are by no means sure that this is so is, however, shown by their hasty efforts to secure testimonials for General Eisenhower from such prominent Jewish leaders as Rabbi Silver and Mr Bernard Baruch. Mr Truman himself maintains that the press distorted his remarks.

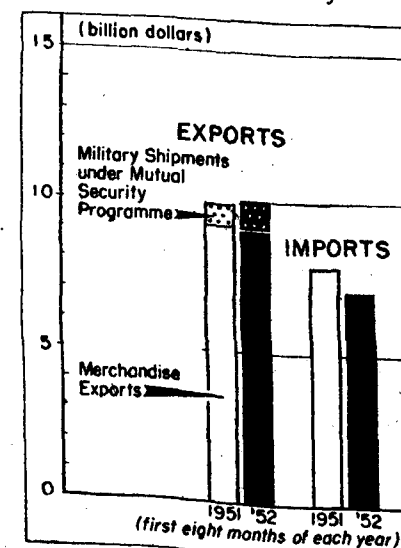
Whether or not the Republicans are the party of Nordic supremacy in the eastern cities, there is no doubt that the Democrats in the South are the party of white supremacy. These words actually appeared on the Democratic ballot in Alabama on which Mr Sparkman, now the Democratic vice-presidential candidate, was elected to the Senate, and the Republicans are using this evidence against him to the full in their final assault on the vital Negro vote. But General Eisenhower touched the same pitch when he accepted the support of Governor Byrnes of South Carolina, a firm believer in Negro segregation. And the most sensational desertion

to the opposite camp this week was the General's loss, not his gain. Senator Morse of Oregon, one of his earliest supporters in the Republican party but always something of a lone liberal ranger, has decided to vote for Governor Stevenson, in disgust at the General's "surrender" to the Republican "reactionaries."

Trouble Ahead for Traders

The decline in American exports, which has now persisted long enough to indicate a trend, is causing serious concern. Exports in June, July and August were below the average for the earlier part of the year, below comparable months of 1951, and well below the 1951 average. If it were not for military aid shipments, which have been 31 per cent higher for the first eight months of 1952 than for the same period of 1951, the export total for the entire eight months reported this year would be lower than for the comparable time in 1951. Slower sales are particularly noticeable in farm commodities, textiles and machinery, all of which find an important part of their market abroad.

American imports, however, have suffered an even sharper drop, as the rest of the world knows only too well. From January to August other nations sold \$732 million less to the United States than they did in the same period last



Source: US Department of Commerce.

can get along without them if it must, an indifference that particularly affects Europe.

American purchases from Europe now represent only 18 per cent of US imports compared to the prewar figure of 30 per cent. This illustrates the shift in America's trade from Europe to the western hemisphere, which is also seen in US exports to Europe; they fell from 45 per cent of all exports before the war to 30 per cent last year. On the other hand, imports from North and South America have risen from a prewar average of 38 per cent to a postwar figure of 57 per cent of the total. The rise in US sales to these countries, from 35 per cent to 46 per cent of all exports, although smaller, still gives a favourable balance to the United States because of the greater value of its total exports. While the United States is financing the Canadian and Latin American deficit by private investments in primary production, financing Europe's deficit with the United States through foreign aid programmes may well be reduced still further, if not halted altogether, by the new Congress. Should this happen, the consequent losses of sales by farmers and by armament and machinery manufacturers in America may bring pressure from these special interests for reductions in American tariffs and other import restrictions. They will probably try to show their countrymen the urgency of enabling Europe to earn more dollars so that it can continue to buy from American farms and factories.

Money Talks Politics

It may set an unhealthy precedent for political candidates to have to reveal their private resources, as General Eisenhower has, rather grudgingly, after Governor Stevenson's implicit challenge. But there is wide agreement that it would be healthy to have much more publicity about the money that is spent on campaigning. The limits of \$3 million for a national committee and \$25,000 for a Senatorial candidate set in 1939 by Congress have long been ludicrously inadequate and are openly, and legally, disregarded by both major parties. Candidates, however virtuous, find they have to turn a blind eye to money spent in their behalf. Senator Douglas estimates, for example, that \$200,000 is needed to conduct a Senate campaign in a big state, and the total spent this year on all the campaigns may run as high as \$80 million. Nothing like this will be reported, however. In 1944, spending of \$20 million was reported, but the actual total is believed to have been twice that. Television, which costs \$30,000 or more for a good half hour, is partly responsible for the higher price of a political career, but the cost of travel, literature, even confetti, and everything else has risen too. Much more is commonly spent on a contest for a seat than the victor can ever hope to receive in salary, and it is hard to refuse contributions from questionable or interested sources.

This year the Democrats are having to make a virtue of necessity. They never can rely on as many big contributors as the Republicans can, and Governor Stevenson's high-mindedness has discouraged the professional touch in party finance. Mr Beardsley Ruml, the fertile originator of the "pay as you earn" tax scheme, has come to the rescue with a plan for a million \$5 contributions, an amount which, it is considered, will make the giver feel he has a stake in a Stevenson victory, but is not so large as to make him think twice. Each contributor will receive a certificate, with a graceful word of thanks from Governor Stevenson printed on the back, and the assurance that \$3 will go directly to the national Stevenson-Sparkman campaign. The rest goes to local war chests.

The immediate aim is to keep Governor Stevenson on the air and the television screens, where he is so effective, and where he needs to be kept if he is to become as well known as General Eisenhower. The Democrats complain that poverty has brought them "within an eyelash of having to cancel some of the Governor's broadcasts." Their anxiety has been increased by news of a Republican plan for a television and radio blitz in the last fortnight of the campaign in twelve of the doubtful states. General Eisenhower made a number of two-minute films and recordings some time ago. The head of "Volunteers for Stevenson" got no satisfaction from the Federal Communications Commission when he protested that this "circumvents the principle of equal television and radio time for rival candidates." The FCC would interfere only if Democratic money was turned down. But the complaint that the advertising agencies are being called in to sell the Republican candidate "like soap or bubble-gum" may moderate the Republicans' enthusiasm for swamping the air waves. If they do, the question of how loudly money should talk in politics may have to be answered after the election.

Before the Supreme Court

With the exception of the steel seizure case, which set a constitutional limitation upon the President's powers, the Supreme Court last year managed to avoid any profoundly controversial issues. Most of the cases which the Court has agreed so far to review this year—it normally turns down about three-quarters of those filed—are equally unlikely to become *causes célèbres*. They are varied enough, however, to preserve the nine Justices from boredom.

The Court will rule, for example, on feather-bedding; whether it is legal, under the Taft-Hartley Act, for printers to insist on setting advertisements in "bogus type," type, that is, that will never be used because the advertisers send matrices prepared elsewhere to the newspapers. About 5 per cent of printers' time is spent "setting bogus." Similarly, may the Musicians' Union force a theatre to hire a local band, which will never take its instruments out of their cases, when a better-known one is engaged? The Court will hear contentions that, when a company gives seniority credit to all its workers for time spent in the services, it discriminates against ex-servicemen who worked for it before they joined up. Discrimination of another kind is involved in the argument of the Federal Trade Commission that a buyer is responsible for making certain that any discounts he may manage to secure are not unfair to other buyers. A more colourful case, with a broader sweep, is Arizona's old complaint that thirsty and growing California is soaking up more than its fair share of the life-giving waters of the Colorado River.

But the decision that may well prove a landmark will come on three cases concerning segregation in the southern schools. One, involving South Carolina, was sent back to the lower court at the last session, though two justices protested that any new information would be irrelevant; at least this manoeuvre gained time and postponed an explosive issue until after the election. Indeed, hearings are not scheduled to begin until December, and the decision probably will not come until next spring. The question is whether segregation, of itself, involves a denial of the "equal protection under the law" guaranteed to everyone under the Fourteenth Amendment of the Constitution. For many years the doctrine has been that facilities for the two races might be separate, but they must be equal.

Segregation is enforced in the schools of seventeen states, although in 1950 the Court ordered Negroes to be admitted to university courses. In the three present cases, involving schools in Kansas, South Carolina, and Virginia, the Court may find some way of postponing a decision on the constitutionality of the "separate but equal" theory. A finding that segregation is unconstitutional would apply, at first, only to the school systems concerned, though eventually it would affect all southern states. But South Carolina's Governor is Mr Byrnes who, with Governor Talmadge of Georgia, has announced that he will turn all the schools over to private groups rather than mix white and Negro children. Similar tactics failed when the Supreme Court ruled that Negroes must be allowed to vote in party elections. But this is a much more emotional issue.

Shorter Notes

Five major oil companies which are the subjects of a special grand jury investigation into their alleged international cartel practices will probably go to the Supreme Court in an effort to have the case transferred from Washington, D.C., to New York. A lower court has already rejected their appeal, which was based on the fact that 14 of the 23 members of the jury are government employees; the oil firms maintain that this constitutes a "packed jury" already biased in favour of the government.

Gardeners in America are no longer to be told that chemical soil conditioners will do most of their work for them, for the Federal Trade Commission has begun a campaign to halt the "false and misleading" advertising used by some of these firms. A formal complaint has been made against the makers of "Fluffium" for such "gross exaggerations" as saying that one gallon of their product will condition as much soil as 15 bales of peat moss for one-eighth the cost, and that the gardener has only to spray the mixture on his soil once for conditioning that will last indefinitely.

THE WORLD OVERSEAS

"The Europe of Charlemagne"?

(From Our Paris Correspondent)

LAST week-end the treaty for a European Defence Community was hauled out of the boat-house and pushed gingerly down the slips into the turbulent lake of French politics. Nobody at all broke a champagne bottle on it and the splash made by the boat when it hit the water for a moment looked big enough to swamp it. But these first reactions must be interpreted with some caution. For by Wednesday M. Pinay had weathered the crisis; his Radical and right-wing Ministers were prevented from jumping overboard and M. Schuman is still punting steadily ahead.

It was M. Edouard Herriot, President of the National Assembly, who addressed his fellow Radicals at Bordeaux with the first lapidary words: "The treaty contravenes the French constitution since it entails an abandonment of national sovereignty without reciprocity. Certain advantages accrue to Germany, but none to France." Since M. Vincent Auriol had already signed the EDC treaty on behalf of the French Republic, M. Herriot's remarks were rather startling. They referred to the preamble of the 1946 constitution which runs: "On condition of reciprocity France agrees to such limitations of sovereignty as may be necessary for the organisation and defence of peace. . . ." (Apart from the question of German reciprocity opponents of the treaty urge that the clauses whereunder the European Defence Commission appoints generals of higher than divisional rank and the EDC's Assembly may increase or reduce budgetary expenditure and receipts are exorbitantly at variance with the French constitution.)

Sour Grapes and Spilt Milk

But the octogenarian Radical did not limit himself to legal criticisms. He viewed the whole prospect of German rearmament with horror—all the more so, he said, because Great Britain had no place in the undertaking. M. Edouard Daladier, who has something less than the dignity of M. Herriot, took pleasure in squeezing a good many sour grapes over the spilt milk:

We are turning the Potsdam agreement upside down and, as a start, we give Germany back its army and armament. Because we are afraid of Russia we are rebuilding the Europe of Charlemagne. But Russia is merely applying the Potsdam and Yalta agreements and it was nobody but the architects of those treaties who placed Russia a few hundred kilometres from our frontiers and a few score kilometres from German key-positions.

After the orations had died down it was the turn of the younger generation; of MM. René Mayer, a seasoned European "integrationist," and Edgar Faure, who is something of a dark horse in foreign policy. Both men disagreed with their senior colleagues and as Ministers naturally accepted the treaty as it had been negotiated. M. Mayer said, however, that ratification should not be attempted before the United States had a new President and the Saar a new statute satisfactory to both France and Germany. M. Faure, for his part, set two conditions external to the treaty. France must no longer fight alone in Indochina and the European Army should be covered by a European political authority.

Meanwhile the UDSR (a small, modernised Radical party) was holding its congress at Clermont-Ferrand. The Minister of Defence, who is a sound but unexhilarating

speaker, reaffirmed his conviction not only that there must be an EDC, but that France must be its pioneer and the pioneer of the European political authority. M. Paul Reynaud also supported the EDC from outside the government. "We must take care lest the German tree blinds us to the Russian wood." This sentiment was a far cry from MM. Herriot and Daladier.

While Radicals and UDSR were deliberating, M. Pinay was at his home town, Saint Chamond. During a small ceremony at which the Prime Minister was pinning medals on some nuns, a journalist asked him his views on the European Army. In a message which ran through France like wildfire, M. Pinay was misreported as saying something to the effect that it would be all right if there were no Germans anywhere near its General Staff. This misrepresentation naturally thickened the pall of anxiety.

The general impression of the debate is simply one of prematurity. Somebody said in Paris a month ago: "Every official says the EDC will be ratified, but find me a deputy who sees himself voting for it!" The remark still holds. The time is by no means ripe for the Assembly to debate the treaty. Early next year things may be quite different. The Saar dispute may have subsided: the President of the United States may have clarified French prospects in Indochina and North Africa. There are indeed several distinct snags to the EDC in the minds of many Frenchmen. Most of the politicians—except the Communists and a few others who believe implicitly in Soviet non-aggression—recognise the need for a German defence contribution in men and money during the next two or three years. But they are most unwilling that the EDC—for them the sole acceptable mode of German rearmament—should start off in circumstances highly unfavourable to France. About 150,000 French Union (non-Vietnamese) troops are engaged in the East until further notice, including a large fraction of French NCOs. The Indochinese diversion drastically reduces France's European availabilities. So, potentially, does the steadily deteriorating situation in North Africa.

Doubts about Germany

Can the United States, and to a lesser extent Great Britain, by an act of high policy in these areas take some of the pressure off France and so increase the French military forces and financial resources available in Europe? At present the drain is increasing in spite of American aid. At the same time many Frenchmen feel doubts about the future behaviour of a Germany entirely out of allied control, vaguely encouraged by the United States, divided and crammed with displaced persons. They are therefore reluctant to hasten rearmament, which under the Treaties of Germany, is to be synchronised with the end of the occupation: or rather, they feel that France should somehow be rewarded for permitting the handcuffs to be unlocked. All seem agreed that the reward should be confirmation of French pre-eminence in the Western Mediterranean; for without the African link France is not only no longer a world power but not even complete as a European country. No other country in Europe controls quasi-metropolitan areas comparable to Morocco, Algeria and Tunisia.

So much for considerations of power extraneous to the treaty

proper. But there are also points of internal structure which French politicians find worrying. The articles in the treaty which are causing most concern are 12 and 13. Article 12 allows the immediate detachment of European forces from the European army to quell disorders within a member's own state. Article 13, on the other hand, postulates that a withdrawal for use overseas must be specifically sanctioned by the EDC command. The French, with their North African and Indochinese worries, feel that this puts them at a marked disadvantage. But a similar objection could be raised against Nato and whereas France can maintain an army outside Europe, Germany is prevented from doing so by the contractual agreements with the allied powers. To the French rejoinder, based on Article 11, that Germany can build up a militia at home, it should be pointed out that any credits voted for such a purpose in the Bundestag would be public and subject to foreign scrutiny. The French are also worried about the weighted voting system within the Ministers' Council of EDC, but other Germans have declared themselves willing to agree that their own and French voting power should always be equal irrespective of financial contributions to the common budget.

Finally, in the field of pure national feeling and in detachment from questions of Germany and Russia, there is a real repugnance against liquidating the French army. This current of feeling—particularly strong in the *Rassemblement* of General de Gaulle but extending also far over to the Left—is not much affected by the fact of present French military weakness. One might rather say that French military patriotism is even made the keener by it, so that the one desire of many is to revive the ancient institution of the French army; it is, after all, the oldest army in Europe and its virtual absence is in French eyes quite abnormal. Against the old die-hard nationalist military conception, one political party, the "Integrationist" M.R.P. is pitting the ideal of a European force to be forged by the French. Several generals, especially Général de Larminat, head of the French military delegation at the EDC negotiations, fully support the pioneering Plevin plan against "le képi." It is worth noting, moreover, that the Socialists, however anti-German, did not attack EDC, and seem reconciled to it as a lesser evil. There is little doubt that, all things considered, the European army is the road to salvation. But it is probable that French hearts and heads will speak against it for a while longer until events justify the whole conception further and until perhaps certain changes have been made in the treaty itself. Last Sunday's hearty expostulations were, indeed, not nearly so unpromising as they looked.

Declining World Production

If Stalin is fully briefed on United Nations statistics, he must be rubbing his hands with glee, because the latest data for the April-June period of this year show world industrial output falling for the second successive quarter. The trend is so general throughout the free world, that observers must undoubtedly begin to wonder whether the long awaited post-war recession has not already begun. The decline in production, moreover, has occurred at a time when most countries are engaged on rearmament and when domestic inflation is still a major issue for many of them. Admittedly the defence programmes have been retarded or stretched out, but these decisions are more likely to affect output in the second half of the year than in the first.

The decline in world production (excluding the Soviet Union) was almost three per cent during the first six months of this year. In Western Europe it amounted to almost four per cent and the rate of decline tended to increase in the second quarter. In Britain industrial production continued to rise in the first three months and then fell quite suddenly by eight per cent between March and June. American peak output was reached in the second quarter of 1951 but the

decline in the second half of that year, apart from seasonal movements, was modest. This year output has continued to fall and at a more rapid rate; between April and June it was some four per cent smaller than in the last quarter of 1951. The countries least affected are the "inner six"—the members of the European coal and steel community. Their industrial production in the second quarter of this year showed a slight rise on the first three months, but it was still one per cent below the peak of the last quarter of 1951 and the monthly figures suggest that the declining trend is continuing even for this group.

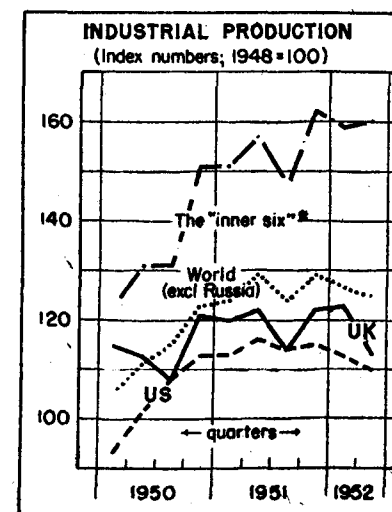
The data for the Communist world are not reliable. It would, however, seem from United Nations statistics that production in these countries is either being maintained or declining at a less rapid rate than that of the free world. This would not be surprising, for in a fully controlled economy there is no reason for production to decline so long as the supply of raw materials is adequate.

But statistics cannot be taken at their face value. They show what has happened without indicating the causes. And it is the causes that are important in any discussion about the possibility of a world wide slump. An accurate analysis would require a division in the figures between goods produced on government account and goods produced for the civilian sector. Unfortunately such a division is not available. But from a knowledge of what has happened over the

past eighteen months it would seem that between June, 1951, and June, 1952, defence production was more or less maintained or declined slightly, while civilian output fell quite sharply. The decline in retail sales after the first quarter of last year occurred in both Europe and the United States. In the nine months following the outbreak of hostilities in Korea, people rushed to the shops and built up private stocks, and they were able to live on those stocks during the following twelve months. It is only recently that retail sales have again started to recover.

If this analysis is correct it would seem that during the second half of 1952, civilian production should expand once more while defence production declines or at least does not increase—in which case total industrial output might not show any marked recovery during the current six months period.* Output in the third quarter is always seasonally low because of the annual holidays, so that the testing period will be the last three months of this year. If output then is still falling at an appreciable rate, those who forecast an imminent slump might well be proved correct.

At the present time it would be fair to say that the world is in a state of precarious balance. That, indeed, is an achievement after the tremendous disturbance created by the Korean commodity bubble. But the vital question is which way will it swing? And here the United States will play a dominant role. If it is true that America is entering another phase of modest inflation, the world economy might be kept on an even keel for the next nine or twelve months. But as soon as the rate of American government expenditure and of American domestic investment declines—and it seems almost bound to in the second half of next year—the precarious balance is likely to be converted into a downturn. For Europe even a "prosperous recession" in the United States could spell trouble, as 1949 showed only too vividly.



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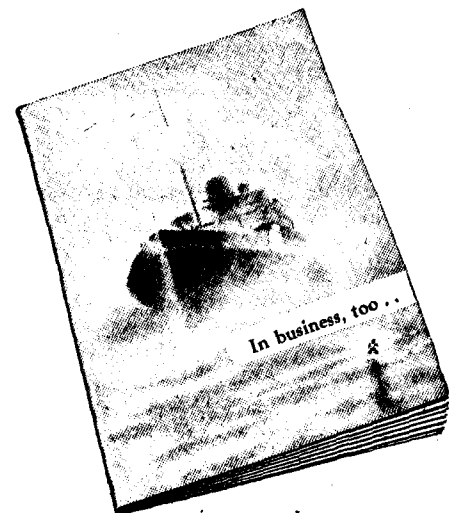
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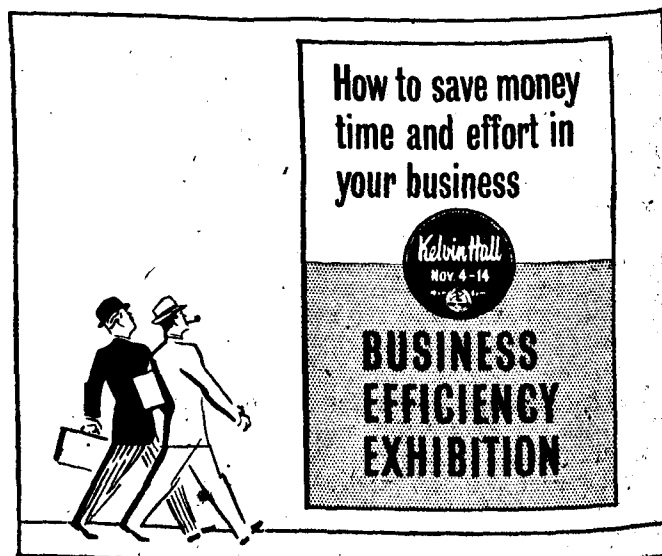
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House Warming for Uno

[FROM OUR UNITED NATIONS CORRESPONDENT]

THE storm warnings which were flying when the General Assembly convened in its new Manhattan home have by no means been taken down, but the first gusts of wind have been lighter than expected. Mr Acheson, whose angry polemic at the Paris meeting last winter disturbed the British and the French, showed himself mild, grave and shrewdly diplomatic, as befitted a man whose government must shortly face a national election. Mr Vyshinsky produced his usual diatribe and attracted a full house even though it was Saturday morning, but his variety is far from infinite, and custom has staled it. The castigating adjectives and the scorn were there, but the old fire was gone; the white-haired warrior seemed an aged and shrunken figure trying to pretend to lost vigour. The fact that he had ceded to the Poles the right to present the main Communist proposals may have fostered this impression, and it is always possible that a hint of failing powers is merely one more weapon in an ample armoury; but intentional or not, the hint was there, and the corridors felt it.

Old Assembly hands tended to dismiss the Vyshinsky speech as merely a repetition of things said too often to command attention, but certain elements deserve comment. The speech lasted an hour and fifteen minutes; with the exception of a short gibe at the Secretary-General and his economic report, the first forty minutes were devoted to the charge that the United States was keeping the Korean war going to make money out of it, and to a plea that the war be ended in accordance with the latest Communist proposals. In this sustained castigation the United Nations as an avenging force was tacitly dismissed. The United Kingdom and France were mentioned in parentheses, but the chief target of abuse was the United States, guilty in the Russian mind of all possible crimes including that of waging germ warfare. It was apparent in the language Vyshinsky used that Russia now wishes its charges of germ warfare to be accepted as proven facts. No mention was made of the American effort to get an impartial body such as the International Red Cross to examine them for the Security Council. That the Soviet Union had blocked this effort was something which the Assembly was not supposed to know. Thus far the Americans have been so thoroughly convinced of their own innocence that they are said not to have planned to assert it before the Assembly. Mr Vyshinsky's attack on this point may cause them to change their minds and take effective advantage, for once, of the world forum which he uses with such consummate skill.

Home for Christmas?

There is now little doubt that the Korean war will receive ample, not to say acrimonious, attention during the nine weeks of discussion on which the Assembly has embarked. It is not, however, the only point of anguish. On the agenda are 71 items, and at least six potential storm centres have already appeared—the six items which countries concerned tried to have excluded from the agenda. The protestants included South Africa, the Ukraine, the Czechs and the Russians, with France giving notice that it would not try to exclude the items on Morocco and Tunisia, but registering protest at their inclusion and declaring that it would not discuss them. Item 22, the question of Indians in South Africa, raised such a storm in the Assembly that at one point the delegates refused to accept the President's ruling on a point of procedure.

Whether the Assembly can get through its 71 items in the nine weeks allotted is highly doubtful. Thus far it has lost one day, attributed in the corridors to Mr Acheson's difficulty in framing a speech that would express the American point of view no matter which party comes to power on November

4th. Other nations, however, have also shown an unprecedented reluctance to speak their minds in the general debate, and unless the committees can by an act of will banish the American election from their minds and work as well before it as they expect to afterwards, the chance of adjourning by December 20th seems remote.

It is still too early to know whether the United Nations' new quarters will make for speed or leisure. Physically they are far more comfortable than were the temporary quarters at Flushing Meadow, and tardy delegates will no longer have the excuse afforded by distance from lodgings or from pertinent documents. The new Assembly chamber is, for all its size, an easier place for discussion than some of the smaller council chambers, and it has about it a flattering air of brilliance and importance which should discourage dullness. Whether it can evoke wisdom remains to be seen.

Southern Rhodesia and its Neighbours

[FROM A CORRESPONDENT IN SOUTHERN RHODESIA]

WITHIN the next six months we shall know whether the draft federal scheme for British Central Africa is to be translated into reality. The Prime Minister of Southern Rhodesia, Sir Godfrey Huggins, has very properly committed his government to a referendum on this issue and the day of decision is likely to fall in March next year. Thirty years ago a similar referendum was held in Southern Rhodesia to decide whether this dependent territory, three times the size of England, should be incorporated as a fifth province in the Union of South Africa or become a self-governing unit of the Colonial Empire. By a majority of 2,785 votes the electorate chose responsible government. That they decided wisely is obvious from the economic progress of the past 30 years.

Since no British Government would now agree to give Northern Rhodesia responsible government, Mr Roy Welensky and his elected colleagues in the Northern Rhodesia Legislative Council see in the proposed federation their only hope of achieving a greater measure of control over the administration of their territory. So highly do they value such a constitutional advance, with the added security it implies, that a majority of the Europeans in Northern Rhodesia are quite ready to see a big slice of their buoyant revenue paid into the Federal Treasury to ease the burden Southern Rhodesia now carries, and to subsidise the development of the poor relation of the proposed federation—Nyasaland.

For the people of Southern Rhodesia, who have it in their power to thwart the plan by opposing it at the forthcoming referendum, the issue is not nearly so clear-cut. They already enjoy a large measure of self-government. Notwithstanding the reservations that remain in their constitution, they are treated for all practical purposes as a full member of the Commonwealth. Their Parliament is wholly elected and its proceedings are more akin to those of the House of Commons than the proceedings of any colonial legislature, where the government benches are occupied by civil servants and the power is conveniently balanced by the inclusion of members nominated by the governor.

Furthermore, Southern Rhodesia's economy is broadly based. Tobacco, gold, asbestos, textiles, cattle hides, chrome ore, coal and coke and fifty other commodities are regularly exported. Its general development—especially in the fields of public utilities, social services and local government—is at least a generation ahead of that of the two northern territories with whom it is now asked to pool its destiny. Apart from the possibility of enjoying a greater share of the prosperity generated by Northern Rhodesian copper, Southern

Rhodesia appears to have little to gain on the economic front by federation. It is, however, being argued that a bigger economic unit would attract more development capital, particularly from North America. If that contention is correct, the gain will be somewhat bigger.

On the political front, there is certainly no gain and possibly some loss. To the extent that powers are surrendered, the Legislative Assembly in Salisbury will be reduced in status. Fundamental matters such as external affairs, defence, immigration, transport and communications will be controlled by a federal assembly in which the Southern Rhodesian representatives will be in a minority and where some members will be elected or nominated to represent specific racial interests. Such a concept is as foreign to Southern Rhodesia as it is to the United Kingdom. In these circumstances, it is not surprising that opinion south of the Zambezi is sharply divided on the federal proposals. The publication next week of the reports of the three commissions set up to examine various aspects of the federal plan—fiscal, judicial and civil service—may help to crystallise opinion more definitely; but meanwhile the bulk of the electorate is strictly neutral.

At present there are three groups. The first believes that any form of closer union is better than none. This group forms the hard core of the United Central Africa Association, of which the Prime Minister of Southern Rhodesia, Sir Godfrey Huggins, is president. The second group, epitomised by the White Rhodesia Council but by no means confined to its members, opposes any form of closer union with the "Black North," before Southern Rhodesia has itself attained full dominion status. The third and now by far the largest group—which may shortly find expression in the establishment of its own organised platform—favours closer union, but fears that the present terms are unworkable. Inevitably, the UCAA has attracted many place-seekers who see in the achievement of Central African Federation the fulfilment of their dreams of personal advancement. Equally inevitably, the WRC has attracted the "little Rhodesians" who, with a conservatism matched only by that of the Africans (with whom, nevertheless, they have no wish to associate themselves), prefer the safety of things as they are to the dangers of the unknown.

Far more interesting, because their votes will decide the issue, are the members of the neutral group. These include several distinguished leaders of opinion and many of the Prime Minister's political supporters. They have studied the White Paper more carefully than most and, though they may be mistaken, their conclusions will have to be rebutted convincingly if the referendum is to go in favour of federation. Of course, they object to the proposed African Affairs Board. Their objection is not to the provision of safeguards for African interests, but to the new principle involved—the principle of an independent body, answerable to no electorate whose members are, in effect, nominees of the Secretary of State, to sit in judgment on what the elected government proposes to do. They would prefer an Upper House, where African interests could be specifically, directly and strongly represented, to apply the necessary check without infringing the traditional right of the "Commons" to be answerable only to the electorate.

This neutral group also objects to Southern Rhodesia having only a minority of seats in the Federal Assembly (even when the three members specifically elected to represent African interests are included). They are conscious that the territory has a long experience of self-government, has three times as many Europeans as the other territories combined, and has far outstripped the other territories in economic progress. Finally, and most important of all, they object to the introduction of racial discrimination into the legislature. They argue that the Europeans will never outnumber the Africans and, if politics are thus encouraged to develop on racial lines, the white man can have no secure future in

Central Africa, whatever the importance of the contribution he has made to its economic and social development. They favour the maintenance and extension to Central Africa as a whole of Southern Rhodesia's common voters' roll, to which Africans, Asiatics and people of mixed blood are admitted on equal terms with Europeans as they achieve an accepted standard of civilisation. They argue that such voters will place country above race and give concrete and effective form to the theory of political partnership on which the hopes of the federalists are so firmly based.

Whatever the division of opinion, which, on this particular issue, cuts right across normal party affiliations in Southern Rhodesia, all three groups have one aim in common. They wish to see Central Africa as a unit under the British flag, steadily growing in strength and influence, owing undivided allegiance to the Crown and making the best use of the resources with which Nature has endowed these half-million square miles of the African continent. If the issue to be decided at the referendum were merely the principle of closer union, there can be no doubt that, in the Rhodes tradition, a large majority would plump for federation. But the imperfections, as Southern Rhodesians see them, of the federal plan as it stands at present have occasioned many doubts and fears, which the final conference in London next January must acknowledge—and assuage as best it can.

New Stage in Finland

[FROM OUR SCANDINAVIAN CORRESPONDENT]

THE fall of the Finnish coalition government last week may mark the end of a short but significant epoch in Finland's political development. It was the third regime in succession which Mr Kekkonen had headed. It had lasted from September last year not without both internal and external strains and stresses. The main difficulty has been the obstinate self-seeking parochialism of Mr Kekkonen's own Agrarian party. Last March, after disagreements with his own supporters, he handed in his resignation as a means of bringing them to order. This time he has had to dissolve his government in face of his party's stubbornness, or, more accurately, in face of the opposition of the powerful Agricultural Producers' Central Association (LCP) which, as such, has no parliamentary representation.

The trouble arose when it was proposed to raise considerably the ruinously low controlled rents for houses as from October 1st. The Social Democrats agreed to a 20 per cent increase in rents provided that the prices which a proposed law was to guarantee for agricultural produce should be based on the autumn 1951 level. The Agrarians and Social Democrats, who were the backbone of the coalition (which also contained two Swedish ministers and an independent foreign minister) agreed on this. But powerful pressure groups outside Parliament, the LCP and the primarily Socialist Trades Union Congress (LO) refused to support the decision.

A paradoxical situation has thus arisen in which parties which have many good reasons for disagreement have agreed on a major matter, but are forced by the extra-parliamentary differences of their main supporting bodies to break up their coalition. Perhaps, as conditions have become more difficult for Finnish trade and, recently, for Finland's farmers, who are contending with record rains and a lost harvest, the coalition was doomed to eventual breakdown. But it has a good record: it has been encouraging to see the growing toleration and increasing statesmanship of several of its leading members, whose earlier attitude had caused some foreboding. What comes now is difficult to say. Both Mr Kekkonen and Mr Fagerholm, the Social Democrat leader, have publicly stated that the coalition is the best basis of any new government. To recreate it, however, they will have to discipline their powerful supporters, and that may take a long time and even new elections.



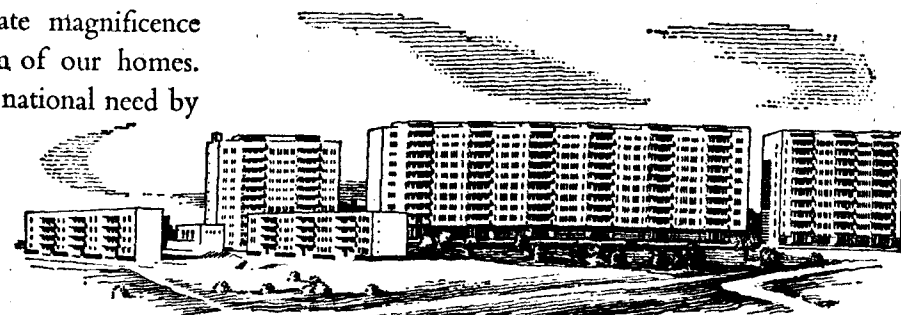
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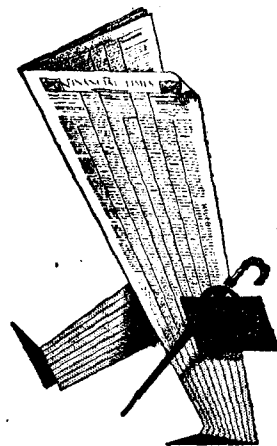
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IN large areas of South America, up to half of the population suffer from the effects of Chagas disease—an illness that causes acute debility, fever, and often idiocy, paralysis and death. There is no known cure for Chagas disease, and, until recently, there was no effective method of preventing its spread, for the large, bloodsucking bugs that carry it are immune to most insecticides. In 1948 I.C.I. undertook experimental work in the control of the Chagas disease carrier when a technical service man from I.C.I. General Chemicals Division visited South America in connection with the use of "Gammexane" insecticides. Laboratory tests carried out in Chile, Argentina, Brazil and Uruguay gave such promising results that a full scale field-trial was arranged. This took place at an up-country village in Uruguay where the interior of every infested building was sprayed with a "Gammexane" preparation. The trial was an outstanding success. A single application of this powerful insecticide wiped out the entire bug population of the village. As a result of this technical service work by I.C.I., campaigns to eliminate Chagas disease are now being undertaken in a number of South American republics.



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THE BUSINESS WORLD

Shipping in Rough Waters

JUST over two years ago, ships were being laid up because freight rates had fallen so low as to make some of the voyages on offer unprofitable. The Chamber of Shipping index of tramp freight rates was in the region of 25 per cent lower than in 1948. In recent months ships have been laid up again, though there has been a slight improvement in rates in recent weeks. For four months freight rates have been lower than the 1948 average; considering that operating costs have increased in the last two years, the margins that recent rates have offered have been about as low as in mid-1950. In the interim, however, shipping—of which international industry British shipping is only one sector—experienced almost unprecedented prosperity, as demonstrated by the behaviour of the freight index. The average in 1951 was 173.7 (1948=100), more than double the average for the two previous years.

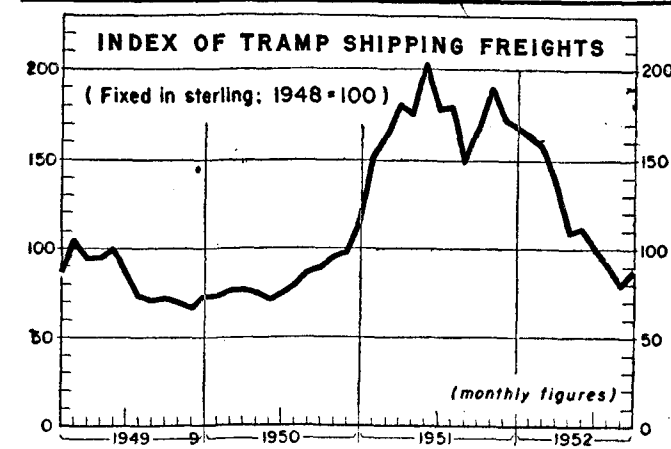
The reasons for this unexpected boom in the demand for shipping space are common knowledge. They sprang indirectly from the outbreak of hostilities in Korea; but the war in Korea was not directly responsible for the shipping boom. Several months elapsed after that outbreak before freight rates began to rise; the war is still going on, although at a slower pace, but freight rates are back to the pre-Korea level. When the demand for basic commodities and raw materials causes a rise in their prices, the rates paid for the ships that are needed to carry them also rise; and the reverse naturally follows. Several extraneous factors also added their weight to the demand for shipping. The coal crisis in Europe, for example, could not have come at a more unfortunate time—from the charterers' point of view—and the liner companies' demand for extra tonnage to cope with the increased exports of British manufactured goods pushed the price up further.

While freight rates were skyhigh the more responsible shipowners were not so complacent as might have been expected during one fat year among so many lean. In the first place, the high earnings of almost every type of vessel hardly disguised the steady increase in operating costs of every kind. Seafarers' wages were increased in March, 1951, and again in January, 1952, in accordance with demands based not on higher freight rates, but on the increased cost of living, and the last increase alone added well over 10 per cent to the wage bill. While shipowners' earnings have dropped, the cost of living has not, and the reasons that justified the wage increases still apply. The circumstances have not yet arisen, although they might, when the shipowners must go to their employees and ask them to accept a reduction in wages. That has happened before—and, incredible as it may sound in these days, the seamen agreed.

Industrial relations in shipping, however, are something of a model for other industries: the recognition of common interest is perhaps easier in so free an international market. Few shipowners, therefore, are yet

heard complaining about the wage element in their increased costs. Port charges, however, are a different matter; and costs in port since the war have increased by leaps and bounds. At the height of the boom the very pressure of traffic caused congestion in many ports, thereby delaying ships, increasing their operating costs and in turn cutting down the amount of tonnage available on the charter markets. Now that the volume of traffic passing through the ports has declined, this aggravated congestion has been relieved for the most part; but port tariffs have not been lowered. Moreover, the deficiencies in operating equipment that make ports unable to absorb any extra pressure of traffic still remain.

Another major element in operating costs is the price of coal and oil bunkering. Both fuels rose in price with freight rates; it is the cost of oil fuel that principally affects the modern ship. The higher that freight rates rose, the higher the oil fuel prices became, and at one time a physical shortage of oil stocks occurred. That situation has passed, and oil prices have been reduced (as again last week) since freight rates began to reflect the fall



in demand for ships. The oil companies, in announcing recent changes in their prices, have attributed them in part to rises or falls in the level of freights. For a shipowner to reply that the price of oil bunkers has affected the trend of freight rates would be to start an argument as unprofitable as one about hens and eggs.

A chain reaction, nevertheless, is set off in a period of inflated demand for commodities and for ships. It sets off demands for increased prices throughout industry, and increased wages all round. Shipowners have not been able to find the way out of the spiral any more than others. The materials they use have gone up in price, and with them the general costs of maintenance and repair—heavy items on a piece of capital equipment that has a definitely limited life. Insurance premiums, too, have responded in the usual way to the increased costs of maintaining ships in a seaworthy condition.

During the period of high freight rates, shipowners were fully capable of absorbing such increases in operating costs in their stride; but they were aware of the difficulties that would arise when rates became less remunerative. That was only one of the reasons why many of them called the freight boom "unhealthy." During the boom inefficient ships were as able to secure business as the efficient. Anything that would carry a cargo could find one, and an old ship in being would fetch a better price than a new one on the stocks. Furthermore, hundreds of ships from the United States "mothball" fleet were dusted and put back to work. It would have been folly in the circumstances not to have made use of this strategic reserve; but inevitably it aroused fears that it would be used by a governmental authority to depress commercial freight rates. That fear will remain so long as the mothball fleet remains afloat, although in fact the ships released were withdrawn from service without undue reluctance when it was apparent that the peak of demand had passed.

Last year's boom brought out the significance of this government-owned reserve of ships. To meet allied military requirements, the American Government was able to draw upon only a fortuitous "buffer stock" of shipping. This might have been interpreted to suggest that a strategic necessity existed for a permanent and self-replenishing supply of merchant tonnage. In fact, the use of these ships had the practical effect, once the immediate strategic dangers had receded, of reducing the opportunities for commercial shipowners to earn the funds necessary to replace their fleets. Sooner or later the issue must be faced by the United States and its allies together. If a strategic reserve of merchant ships is necessary, and the events of 1951 went far to suggest that it may be, how is the existence of that reserve of ships to be ensured? Is the reserve fleet that now exists under the American flag, as a result of wartime exigencies, to be replaced in due time *en masse*, as it was built? And is this to be done at the expense of the taxpayer, regardless of economic considerations? Moreover, if it is decided to maintain such a reserve to meet the special needs of war, ought it to be employed to stabilise rates in a peacetime boom, thus depriving the main allied merchant fleet of the earnings out of which it must draw the funds for its normal replacement?

For the Americans this is a painful dilemma. Aware as they are of the vital importance of a plentiful supply of merchant shipping in time of war, they cannot themselves operate a sizeable merchant fleet efficiently enough to compete with the other maritime nations. They do their best to hold what they have by means of shipbuilding and operating subsidies, reservation of coastal trade, protection and discrimination of one form or another, and the operation of the so-called "50-50 clauses" in the various dollar aid agreements. The other maritime nations, and particularly those of Western Europe, have a different tradition. In the past they have always succeeded in maintaining their merchant fleets and keeping them at work earning foreign exchange. Their success, it is true, has not by any means been a result of deliberate Governmental policy; but in the event their shipping services have become a principal source of strength in their national economies. Since the Second World War the Americans have been exhorting their poor relations in Europe to increase their industrial productivity, lower their prices and boost their exports to the dollar area. If there is one industry in

which the European maritime nations can beat the Americans hollow on a purely competitive basis it is shipping—and shipbuilding, too. But this particular form of competition is apparently unacceptable in the United States, and too often the requirements of defence are pleaded as the excuse for the various protectionist devices that are employed to vitiate it.

This is in the realm of international politics, where shipowners sometimes fear to tread. In the domestic sphere, however, British shipowners are complaining that the politicians have little real understanding of the situation. In Parliament and outside, from time to time, politicians take pleasure in congratulating the shipping industry upon having replaced its war losses to such an extent that the strength of the Merchant Navy, ton for ton, is what it was in 1939. Shipowners reply in vain, it seems, that the amount of dry-cargo tonnage is not only much less than it was before the war but even less than it was last year, and that its average age is ever increasing. So far the politicians have not suggested that this decline is the result of lack of enterprise on the part of shipowners.

Shipowners, for their part, lay the blame primarily on the high rate of taxation and secondly on the method of arriving at tax liabilities and assessing depreciation allowances, in the special circumstances of their industry. Their arguments are familiar enough by now. The capital assets of shipping are of high value and short life; they must be replaced in entirety, not piecemeal, and in present conditions the cost of replacement is three or four times the cost of the original ship. And shipping, like other industries has to pay income tax, profits tax and perhaps excess profits levy before provision can be set aside to cover the additional cost of replacements.

The exceptional period of high profits, through which the shipping industry has just passed, is not a favourable background to any proposal that suggests special concessions for the industry. On the other hand, now that profits of any kind are problematical, any alleviation of the tax burden will have less effect. Meanwhile, as time passes and Royal Commissions deliberate, the competition for the carriage of the diminishing volume of international seaborne trade increases, and the Germans and the Japanese, with the benevolent approval of their governments, are beginning to throw the weight of their new-found and highly efficient modern fleets into the arena. The new Elizabethan merchant adventurers are not going to have the advantages of their forebears.

The Motor Industry

A survey of the technical and economic problems facing the British Motor Industry in the period of intense competition ahead

PAGE 265

Development Areas Revisited—II

Rearguard Action or Offensive?

THE movement of industry to the development areas is commonly discussed almost exclusively in terms of branch factories. But branch factories are a modern innovation and exercise only a limited influence on the location of industry. The big changes in location have usually resulted more from the rapid growth of firms on the spot than from the opening of branches by firms established elsewhere. It is surely to the firms that are already operating in the area that one ought to look first for its industrial salvation. If they are helpless, can a dribble of branch factories coming from outside alter the long-term trend? As for the short-run, is it not a snare and a delusion to think of combating unemployment by means that are most unlikely to add to total employment faster than about one per cent per annum? Location policy can never be what so many people imagine it to be—a simple device for plugging holes in the good ship "Full Employment" wherever they develop.

If location policy is looked at from the point of view of the firms already in the development areas, rather than of branch factories, some interesting questions arise. Why can these firms not themselves expand, occupy additional premises and make new products? Are they succeeding in doing so or are the development areas being spoonfed with enterprise from without? There can be no harm in the government's going into the factory-building business, and erecting nearly as high a proportion of the smaller factories as local authorities are erecting of new private houses. But is it necessary to try to fill them by imposing discriminatory restrictions on factory-building elsewhere? Might not more be done to induce firms already in the district to take on new responsibilities, to consider whether they might not develop new products or supply new markets? If the real danger before the areas is renewed industrial decay, the only real prophylactic is renewed industrial growth, and preferably growth from the parent stem unless the existing complex of industries is incapable of sprouting.

The government is by no means oblivious to this line of reasoning. Apart from the direct aid that it offers to some industries—not necessarily concentrated in the development areas—its control over industrial location is not exerted solely over branch factories. It also tries, for example, to smooth the path of local firms by the offer of suitable factory premises in these areas at low rents. It is doubtful how important this is. Messrs Hague and Newman, whose study of costs in setting up clothing branch factories* was mentioned in a previous article, insist that rent and rates are a small item in costs and that the difference between London and South Wales in this respect is insignificant. On the other hand, many firms that lack the resources to build a new factory for themselves are prepared to move to an industrial estate where at least the fixed capital is found for them. Although the unit cost in clothing manufacture attributed to rent and rates may be about the same in London and South Wales, the lay-out of a modern Welsh factory may in fact pay a high dividend in relation to the cramped if not tumble-

down accommodation in which clothing factories are often housed elsewhere.

Whatever could be done to put new life into the firms already in the development areas and graft new activities on old, there is a clear danger that insistence on shunting the growing industries of the country into the areas with high unemployment rates may enfeeble the whole industrial structure. This danger has perhaps been lost sight of in the talk over "footloose" industries. It is perhaps natural to conclude, when all the locational factors on which stress is usually laid by economists have been shown to be unimportant (as in the clothing trade) or to be swamped by the organisational problems involved in setting up a branch (as in shoes), that the choice of location must be largely a matter of indifference to most industries—the manager's convenience apart. This is a very dubious conclusion. But even if it were accepted, what would follow? That the manager's convenience should be ignored? Some might conclude just the opposite. In Puerto Rico, for example, the first moves to bring in new industry have been to build a modern \$9 million hotel, to finance a number of good restaurants and to project a series of small mountain resorts for weekends and holidays. These manoeuvres have been highly successful, measured both as profit-making ventures and in terms of the number of new factories attributable to them. No doubt circumstances are different in Britain; but even here a rather more indirect approach to control of location might yield useful results. Or is the conclusion that no harm can result from pushing an industry like clothing into the development areas? This too is highly doubtful. As Messrs Hague and Newman point out, we do not know how many firms decided not to expand at all when they were not allowed to expand *in situ*.

The crucial issue, however, is whether, even if all the rest is granted, the development areas have a special claim on the industries of this type. If clothing factories can go almost anywhere without loss of competitive power, ought they to be dumped in those areas that happen at the time to be suffering from unemployment to a slightly greater extent than elsewhere? Is it not equally arguable that they should go to the areas that in the long run are most worthy of development? Should they, for example, be put down alongside coalmines that are in course of being closed or alongside coalmines that are just being sunk?

This is no academic issue. However mobile some industries are, the major industries of the country are not easy to move about. No one thinks it a matter of indifference where coalmines are sunk, land is farmed, oil refineries are erected, steelworks are expanded, soda ash is manufactured, or ships are built. Even the aircraft industry could not be re-located without a damaging loss of efficiency. Yet it is these industries, far more than boots and shoes, textiles, radio valves and the like, that control the eventual distribution of the population. The government is consulted by most of the basic industries on matters of location, and consultation may even involve

* Costs in Alternative Locations, by D. C. Hague and P. K. Newman. Cambridge University Press, 12s. 6d.

reference to the cabinet ; but the decisions must generally be made on commercial or strategic rather than social grounds. From time to time, therefore, one or other of the basic industries is bound to begin tugging at the existing pattern and making the distribution of population lurch this way or that. Is the right policy in such circumstances to make the lighter industries lurch the other way ?

The answer to this must be to some extent tied up with housing policy. If housing sets a limit to the pace of development in an expanding area, it sets a limit simultaneously to the rate of labour transfer. There is then a strong case for preventing an aggravation of the shortage of labour, by limiting the competition of the more mobile industries for labour, and diverting those industries to areas where workers are idle. If the expanding area is a single large town such as London, whose growth feeds on itself and does not derive primarily from natural resources or acquired skill, there is a case, as the Barlow

BRITISH FACTORY DEVELOPMENT* SINCE THE WAR (TO JUNE, 1952) IN DEVELOPMENT AREAS AND ELSEWHERE

Development Areas and Regions	New Factory Floor Space		Insured Population 1948 (incl. new entrants to insurance)		Relative Development Index
	'000sq.ft.	%	'000's	%	
North East D.A.	14,392	12.1	988	4.8	252
W. Cumberland D.A.	1,172	1.0	51	0.2	500
Total Northern Region..	16,025	13.5	1,243	6.0	225
South Wales D.A.	16,233	13.7	669	3.2	428
Wrexham D.A.	213	0.2	34	0.2	100
Total Wales	17,998	15.2	923	4.5	338
South Lancs. D.A.	1,880	1.6	138	0.7	229
Merseyside D.A.	3,217	2.7	583	2.8	96
Total N.W. Region	15,392	13.0	2,917	14.1	92
Scottish D.A.	11,875	10.0	1,159	5.6	179
Total Scotland	14,838	12.6	2,111	10.2	123
E. & W. Ridings Region.	9,565	8.1	1,800	8.7	93
WEST & NORTH BRITAIN	73,818	62.3	8,994	43.6	143
Of which :-					
All D.A.'s	48,982	41.3	3,622	17.5	236
N. Midland Region	11,007	9.3	1,407	6.8	137
Eastern Region	5,875	5.0	1,074	5.2	96
London & S.E. Region..	7,642	6.4	5,190	25.1	25
Southern Region	2,981	2.5	941	4.6	54
S. West Region	3,996	3.4	1,068	5.2	65
Midland Region	13,128	11.1	1,975	9.6	116
EAST & SOUTH BRITAIN.	44,629	37.7	11,655	56.4	67
GREAT BRITAIN	118,447	100.0	20,650	100.0	100

* New factories and extensions to existing factories completed and/or occupied in Great Britain during the postwar years up to June, 1952 (excluding schemes with less than 5,000 square feet of covered floor space and excluding war-damage replacements). Source: Board of Trade.

Committee argued, for making a determined effort to restore a new balance with the rest of the country and putting a continuing brake on development in it, not merely a temporary one. But if there are a number of smaller expanding areas, scattered over the country—as may now be true—there is no reason why they should not be allowed to grow at a time when little or no waste either of labour or of “social capital” is involved. So long as houses, schools, and other services are being provided in every part of the country, it does not make much sense to talk of social costs of movement when a limited migration takes place from one area to another (unless, indeed, one is thinking solely of the loss of community

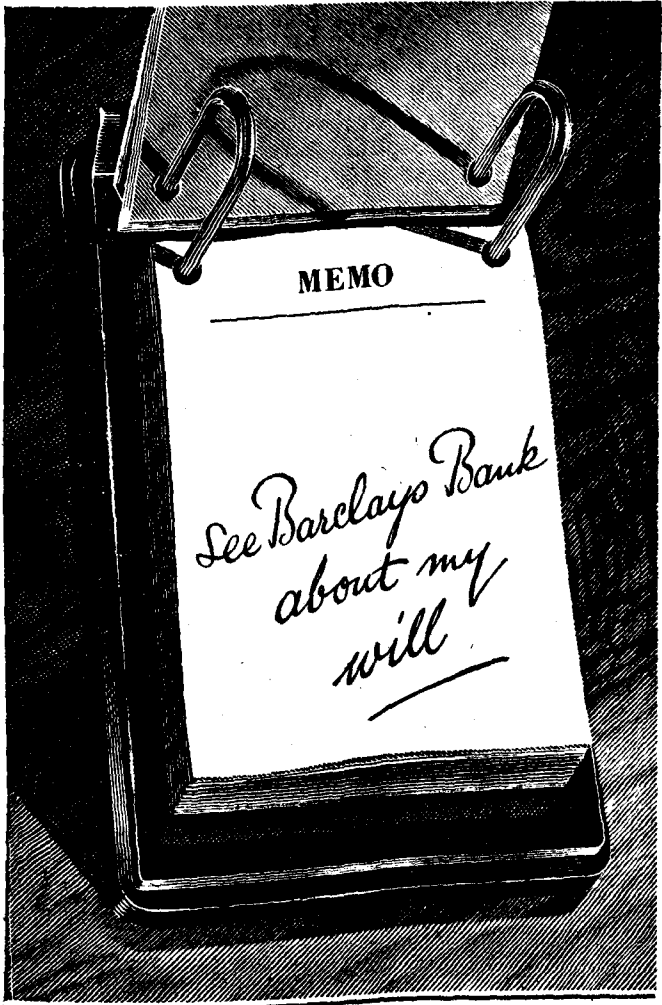
life in the one area and allowing no gain in the other).

In the catechism of the politicians, migration from declining areas is still anathema. Yet it has not only continued on a large scale but is actively supported in a most unexpected quarter—by the town planners. There has been plenty of wild talk about “decanting” the “surplus” population of the larger towns into other areas to which industry is simultaneously to be relegated by some sleight-of-hand vaguely described as “planning.” In the development areas this line of thought only makes sense if it implies that location policy should actively promote a movement both of industry and of population out of the areas altogether.

*

It will be obvious that, however many new facts about costs in branch factories have been added to our knowledge, there is still a great deal to clear up before a final assessment of development area policy can be made. In the accompanying table postwar factory development in the development areas and other parts of Britain is compared with the distribution of the insured population (since no accurate figures of existing factory space exist as a base) and a rough index of “relative development” is calculated. But this inevitably leaves other questions unanswered. On what scale are people still leaving those areas ? Where are they going and how do they succeed in finding houseroom ? It is perhaps significant that the Scottish development area has been losing population at a rate not much below that of the twenties. Do the new industries represent a net addition to industrial employment in these areas, or are other industries being pushed out at about the same rate as the new industries come in ? Again, there is evidence that at least some offset must be allowed for. The idea that it is easier to recruit labour in the development areas than elsewhere is not always well founded. Moreover, the new industries seem to have contributed more towards bringing women into industrial employment than towards overcoming unemployment amongst men. Finally, where are the boom-towns of modern Britain, and what thought is being given to their problems in comparison with the energy lavished on the towns that are in decline ? Is there not a danger of fighting an everlasting rearguard action without ever leaping to the offensive, by selecting the towns and districts that are destined to grow, and making sure that their growth, instead of being marred by hasty improvisation, is eased by the constructive intervention of central government agencies ?

Sooner or later the issue is bound to be raised, whether the present development areas are to be regarded as permanencies, whether their boundaries are ever to be redrawn or some are to be de-scheduled. It is a fair guess that although additions to the list may be made, deletions are most unlikely. Is it necessary, then, to contemplate a steady expansion until nearly the whole country is included under the act ? This would seem a fantastic outcome. The more feasible line of advance, as has recently been proposed, would seem to be to extend some of the powers enjoyed by the Board of Trade in relation to the development areas so as to allow them to be applied to the country as a whole. The government would then be able to take a more comprehensive view of their responsibilities, instead of feeling under a constant compulsion to shepherd new or expanding enterprises in the direction of the development areas.



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The reduction in the supply of bills has led the discount houses to reverse the tactics they followed at the tenders while the issue was rapidly rising. The pressure upon them in financing a steadily mounting intake of bills—involving a

bigger risk that they might be forced to meet marginal needs for cash by expensive borrowings at the Bank of England—was reflected in a rise in the average allotment rate of discount from under 47s. per cent in early May to a peak of nearly 49s. 9d. per cent last month. Twice this month, however, the discount market has raised its bid price for the bills—on each occasion by 2d. per cent. At last week's tender this adjustment produced a fall in the average allotment rate by 7½d. per cent. Hence this average rate, at 48s. 4d., is now fully 1/16 per cent below its peak. Unfortunately, however, the Treasury's continuing deficit and the impending repayment of the £105 million of unconverted Funding stock will cause a re-expansion of the bill issue before the phase of big tax collections opens—which may explain why the banks, in their market operations, have not been very responsive to the fall in the tender rate.

Export Subsidies Again

The British delegation at the Gatt meeting in Geneva has now served notice that it will propose that stricter provisions against export subsidies should be written into Gatt when the terms of that agreement are reviewed. Mr John Leckie, the British delegate, was speaking in support of the Greek complaint against the United States export subsidy on raisins; the United States delegate replied that this subsidy was merely aimed at keeping American exports of raisins at their pre-war level and to counteract some countries' restrictions on dollar imports.

This disagreement about the morality of direct export subsidies shows how difficult is the problem that confronts the IMF committee that has been asked to look into—and presumably to find ways of stamping out—hidden export subsidies in the form of dollar retention schemes and tax rebates. The article in *The Economist* of September 27th, which discussed these hidden subsidies, has drawn a stream of comment—and not a few protests—from the European countries concerned. One of the main complaints has been that there is a beam in Britain's own eye, in the fact that British purchase tax is levied on goods at the moment of their sale in the domestic market so that export production is spared. Another point made by Continental sponsors of dollar retention schemes is that they have the thoroughly desirable effect of allowing dollar exporting industries to re-equip with dollar capital equipment; many of the "free dollars" earned by Dutch and German exporters are used in this way. Finally, the Dutch authorities argue that their dollar retention scheme cannot possibly lead to increased spending on foreign goods; the 10 per cent retention is allowed only on the dollar proceeds of direct Dutch exports (not re-exports) and these dollars are not transferable to commodity shunters (in fact, they are not transferable to anybody at all—although the goods that can be bought with them are). It is true that Dutch transit traders are allowed to buy goods in soft currency countries, and to keep—or, if they wish, freely to transfer—all but 10 per cent of the dollar proceeds from the resale of these goods in the United States; but this, it is argued, is not a reflection of hidden Dutch export subsidies, but of its normal exchange control system. Quite clearly, the dollar retention schemes and other export subsidies now in operation in Europe are firmly entrenched and popular with both the governments and the traders of the countries concerned; so long as sterling and other major world currencies remain inconvertible, any effects by international bodies such as Gatt and the IMF are not likely to do much to stamp them out.

Forecasts Wear Thin

The most important item on the agenda of this year's Cotton Board conference at Harrogate last weekend—a report on the recent Buxton international cotton textile industry conference—was kept back until the last session of the last

day. What a thousand Lancashiremen, representing all sections of the cotton industry, most wanted to hear was the Cotton Board's explanation of its high estimate of the industry's likely exports next year—1,350 million square yards for 1953, compared with actual exports of 850 million square yards in 1951 and estimated exports of only 746 million this year. Their eagerness for an explanation had certainly not been lessened by the opening speech of the conference, in which Mr Thorneycroft, President of the Board of Trade, made it cruelly clear the industry must not look to Whitehall for extra assistance. Delegates waited with some impatience for the report on the Buxton conference. But this turned out to be devoted mainly to the stale news that, first at smaller international meetings at home and abroad, beginning in 1947, and finally at Buxton, the Cotton Board had induced millowners in other textile exporting countries to admit that the world's existing productive capacity is in excess of the ability of markets to absorb cotton textiles. As was already known, the Buxton conference made no plans to prevent the building of more mills. But having laboriously implanted the idea of surplus capacity, the Cotton Board clearly places some hope on restriction by auto-suggestion.

When it finally came to the 1,350 million square yards export estimate, spokesmen of the Board formally explained that it was a reasonable expectation of the trade lost only on account of the war and postwar conditions that could now be regained. This did not satisfy Mr Naesmith, general secretary of the Amalgamated Weavers Association, and himself a member of the Cotton Board, who pressed for further elucidation. The Board maintained that a defeatist target was at all costs to be avoided and that an optimistic one was infinitely preferable, and that if Lancashire had set itself a lower target and then exceeded it, other exporting nations would charge it with flooding the market—the very thing the Buxton conference had been called to avoid. No outsider would wish to criticise unfairly Lancashire's own attempts to propel itself out of the doldrums of the world trade in textiles: and the international contacts achieved at Buxton were almost certainly worthwhile. But forecasts admittedly inflated by wishful thinking may be worse than none at all: next time the textile manufacturers meet perhaps they will be able to stand a little realism in British—and other—forecasts.

British Deals in Dollar Stocks

Some market analysts in New York have put part of the blame for the recent unsettlement in Wall Street on sales of dollar securities by the British Treasury. Although these reports are grossly exaggerated, there may be an element of truth in them. After the final repayment in 1951 of the British Government's wartime loan from the Reconstruction Finance Corporation, the underlying collateral securities were freed; those that had been merely borrowed from their British owners were returned to them, but a portfolio of securities (probably worth about \$500 million) remained in the undisputed ownership of the British Government and was held in the Exchange Equalisation Account. It seems probable that some switching has recently been taking place in this portfolio, and that the British Government has been taking its profit on certain common stocks (including, reputedly, some 100,000 Amerasia Oil Corporation shares) and reinvesting the proceeds in other securities. It should be emphasised, however, that these operations have not added up to any sudden dumping of securities on the market; in particular it should not be assumed that the British Government has been selling its dollar securities and turning the cash into its reserves.

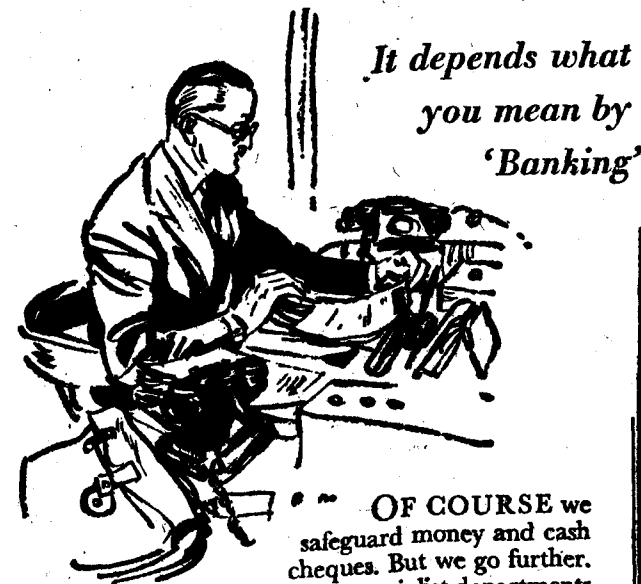
Good News in Rubber

American consumption of natural rubber may increase by some 120,000 tons a year because of the reported decision

of American manufacturers to use more natural rubber and less synthetic. During the first eight months of this year American consumption totalled about 800,000 tons, of which 282,500 tons, or 35 per cent, was natural and the rest synthetic. From the beginning of October the proportions are being adjusted to 45 per cent natural and 55 per cent synthetic rubber. It is believed that natural rubber may eventually reach 50 per cent of the total consumed in the United States—provided there is no change in relative prices of synthetic and natural rubber in the meantime. The main reason for the present changeover is that the current price of No. 3 RSS rubber, the grade chiefly used by the American industry, is slightly lower than 23 cents a lb, at which price general purpose synthetic is sold. But butyl synthetic is an exception; this type is largely used in the manufacture of inner tubes and is still considerably cheaper than No. 1 RSS, the only grade of natural rubber suitable for this purpose.

World production of natural rubber was expected to exceed consumption by 300,000 tons this year, but in fact the stockpile has probably absorbed the whole of this potential surplus. But the rubber market will not be wise to rely on similar purchases to absorb next year's surplus. World production of natural rubber is falling, but unfortunately consumption has been lower this year than last. If American consumption of all types of rubber does not fall much below 1.2 million tons next year, the consumption of natural rubber in the United States should increase to about 550,000 tons. This would still leave the consumption of synthetic rubber at nearly 700,000 tons, although it could sink to 510,000 tons before controls on the use of natural rubber would be reimposed.

The rubber market has given a cautious welcome to the news of the change in United States policy. Spot prices of rubber in London rose by ½d. to 22½d. a lb on Wednesday, but they are unlikely to increase much further, because if that happened natural rubber would cease to be competitive



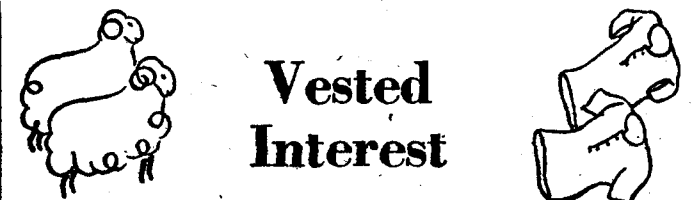
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with the synthetic product. From the point of view of Britain's dollar earnings, the probable rise in American consumption is particularly welcome. Dollar earnings from Malayan rubber have fallen sharply this year, not only because of the reduction in price but also because a much smaller quantity has been shipped to the United States than in 1951.

Changes in EPU

The United Kingdom has now duly received the gold that it earned from EPU in September; its surplus—and thus its gold receipt—in that month has now been officially confirmed at £13,242,857; this is the first surplus the United Kingdom has earned with Europe since May, 1951, and it remains to be seen whether it represents the start of a new chapter in the story of EPU. The recent meeting of the Managing Board of EPU did not, however, suggest that any such new chapter will have to be worked through under very different rules from those that have obtained hitherto. The Managing Board's main tasks were to study the questions of an increase in the German and the Dutch quotas. Each of these countries has now an accounting surplus in excess of 75 per cent of its initial quota. The Board has recommended an increase in the Dutch quota from \$355 million to \$455 million, but no recommendation has yet been made about the German quota. The Managing Board has also been analysing the suggestion made in its last report that Latin-American countries might be included in the membership of EPU. A detailed statistical exercise has been started to measure the precise effect of such an inclusion—an exercise that might with advantage have been made before the suggestion was ventilated in the report. On the basis of this study, it now seems unlikely that Latin-American countries will be asked to become fully fledged members



A short time ago we had a phone call from a manufacturer of woollen goods. He was concerned about the heavy increases in customs duties recently imposed in Venezuela on textiles. Was this likely to kill his export trade to that country?

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of EPU. It does seem, however, that the use of the EPU mechanism might facilitate certain compensation transactions between Western Europe and Latin-America.

* * *

The Film Producer's Share

Two years ago, few people in British film production would have said that in this country "the proportion of [net] box-office receipts flowing to the producer [is] less illiberal than in other countries of the world." Even today, many technicians would deny it. But the British Film Producers' Association has said so, in its annual report this week. It is clear that, in the view of the producers at any rate, the increased "Eady levy"—by which producers of British films receive a farthing or three-farthings on every seat sold in British cinemas, over and above their ordinary commercial earnings from film hire—has been enough to make film production here once again a reasonable proposition.

The levy was one of those convenient makeshifts, common in British practice, that serve a purpose without tying the Government to a specific policy, and become by degrees part of the customary order of things. But it may not pass into established custom so easily. The people who pay it, the cinema exhibitors, are themselves encountering hard times, even apart from the heavy burden of Entertainments Duty; and the levy is one item in their expenditure that is entirely voluntary. As a result of agreeing to pay it, they did obtain some concessions in duty in 1950 and 1951—though these may not have been as large as were expected. Nevertheless, they are required to pay the levy by nothing more binding than the word of their trade association. Only a few exhibitors are refusing to pay, and the fraction of the total levy that their contributions would represent is even more insignificant. But many other exhibitors would probably hesitate to renew the undertaking to pay it for longer than the present term, which ends in August, 1954, however much the producers may feel that this is "money which Parliament intended that they should pay over to British production." The cinema business still hopes for more relief from duty; and some exhibitors feel an "Eady extension" should be retained as a bargaining counter. They are not, as a body, worried by the fact that given the present term of the levy producers can hardly enter into commitments for making films after about March next year; though the major circuits, which have links with production, support extension now.

Therefore the future of British film production, despite its present comparative health, remains unsure. Urged to extend the levy system as a statutory regulation, the Government has blandly replied that it is the industry's business. It seems likely that the system will be extended eventually, even if less soon than the producers hope. But even the last government, which devised various forms of support for film production, never quite committed itself "not only to protect the industry indefinitely, but also to aid it financially for as far ahead as can be seen." Nor is this Government very likely to commit itself; though it is perhaps equally fair to guess that it will continue to follow that policy without saying so.

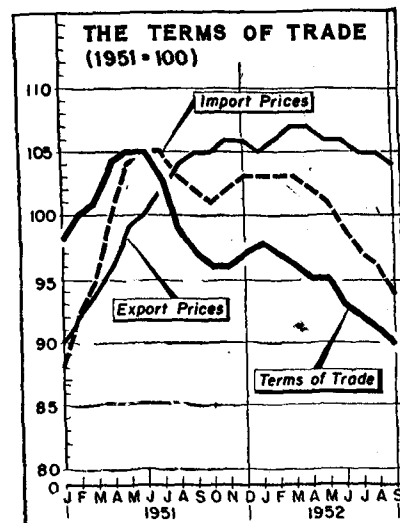
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Imports Fall Faster

The decline in imports gathered speed in the third quarter. Most of the reduction again fell on raw materials, but the value of food imports declined more steeply than it did earlier this year. During the first half of the year declines in price were mainly responsible for the fall in the value of imports of raw materials, but in the third quarter the expiry of old contracts enabled larger cuts to be made in volume. In all, foreign raw materials cost Britain £305 million in the third quarter, compared with £367 million in the second quarter. For example, imports of paper-making materials, which were among the few raw materials

affected by the Butler cuts, declined in the second quarter mainly because of a fall in woodpulp prices; but the spectacular fall in the third quarter reflected a sharp reduction in volume as well. The fall in the value of imports of textile materials continued in the third quarter when there was a seasonal falling off in arrivals of raw wool.

Prices of foodstuffs have generally been higher this year than in 1951, and the slight reduction in the value of their imports conceals a larger cut in volume. However, in the third quarter a seasonal fall in the price of food imports helped to reduce the amount spent on food by £50 million, compared with the second quarter. Grain and flour imports were sharply down, following exceptionally heavy imports



A fall in the terms of trade indicates a movement favourable to this country.

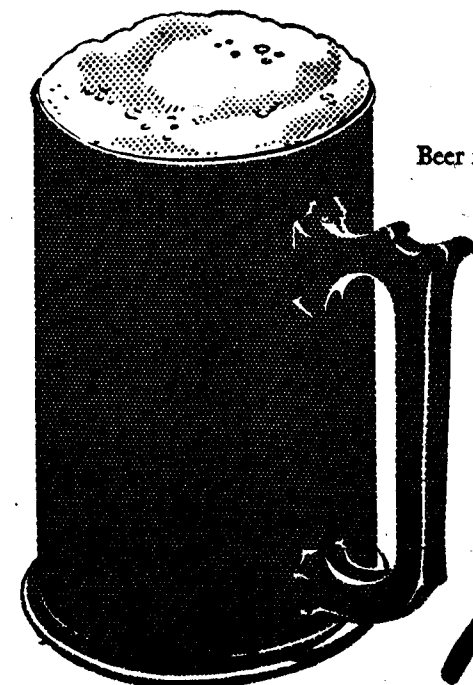
in the first half of the year. The import category "Other Food" showed a sharp fall in the third quarter; this was partly due to a decline in the quantity of sugar imported but mostly to cuts in the import of a number of unrationed foodstuffs. And the reduction in the dollar allocation for tobacco is now beginning to tell: imports rose in the third quarter, but not to the same degree as during the same period last year. Supplies for the rearmament drive continue to form an excep-

tion to the general downward trend of imports. Imports of non-ferrous metals remained at the high rate of the first two quarters and so did imports of machinery, which for the first nine months of the year have amounted to nearly double their value in the same period last year. Much of the sting has been taken out of the reduction in imports by the fall in prices, which are now some 8 per cent lower than they were a year ago. This movement is still continuing. In September import prices fell by two points owing mainly to a further sharp fall in raw material prices, but also to the seasonal fall in the price of foods. Export prices fell by one point in September; prices of textiles renewed their downward drift and for the first time since the end of 1950 the price of metal and engineering exports also declined. However, the terms of trade were still moving in this country's favour; they have improved by no less than 14 per cent since the middle of 1951.

* * *

Textile Exports on the Mend?

This year, unexpectedly, textile exports have provided the exception to the rule. They were declining steeply in the first quarter of the year when most other exports were reaching record heights. But now that almost all this country's major exports are falling, textiles seem to be pulling out of the dive. In the third quarter they totalled £82 million compared with £88 million in the second and £119 million in the first quarter. Admittedly, the second quarter contained rather fewer working days than usual, but on a daily rate basis the fall in textile exports between the second and third quarters was little more than half the corresponding decline between the first and second quarters. Wool textiles are in the van of the recovery. In spite of a slight fall in September, they rose to £30.2 million in the third quarter, an increase of £2.6 on the quarter; there had been a fall of £6.4 million between the first and second quarters. Exports of cotton goods, on the other hand, continued to fall sharply in the



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third quarter, though the September figure showed a slight improvement. In the quarter they totalled £28.8 million, or little more than half the amount for the third quarter of 1951. Silk and rayon exports in the third quarter amounted to £8.3 million, which was only slightly less than the second quarter figure, partly in consequence of a recovery in the South African market.

Although exports of metal-using industries remain higher than a year ago, the trend in recent months is not encouraging. Exports of metals and metal products, which had risen slightly in the second quarter compared with the first, fell in the third by no less than 19 per cent, on a daily rate

THE TREND OF SELECTED BRITISH EXPORTS
(£ million)

	1951				1952		
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.
Coal	5.5	6.4	7.7	9.7	10.9	13.7	15.8
Iron & steel man...	37.3	41.8	38.2	42.3	47.7	48.5	41.8
Machinery	78.5	91.6	93.4	99.6	112.9	105.9	97.6
Cotton goods	46.8	56.8	54.5	51.3	49.8	36.2	28.8
Wool goods	46.8	49.2	45.5	37.2	34.0	27.6	30.2
Silk and artificial silk goods	14.5	16.9	17.5	15.4	13.6	9.5	8.3
Chemicals & drugs, etc.	30.0	36.4	37.9	38.7	40.5	35.3	31.0
Vehicles	105.3	124.9	116.2	133.8	138.9	123.1	106.5
China & earthenw.	3.6	4.1	4.5	4.5	5.0	4.1	3.0
Whisky	6.2	7.1	7.9	8.4	8.2	8.0	7.9

basis. On the same basis, engineering exports declined by 15 per cent in the third quarter compared with a fall of 3 per cent in the second quarter. Within the group, exports of machinery followed this general drift downwards, though shipments of machine tools remained remarkably steady. Exports of textile machinery fell only slightly, in spite of the much vaunted world wide recession: the third quarter's figure was indeed a little higher than that for the second. Exports of vehicles have fallen more steeply than those of machinery; though there was a sharp increase in exports of cars to North America during the third quarter, it was not sufficient to offset the continued decline in the major sterling area markets. Coal exports this year present a marked contrast to the general trend; they have increased steadily, and in the third quarter they reached a level more than double that of the same period last year.

Oliver Twist Airlines

In spite of a highly successful year, in which fortune has favoured them both politically and economically, the independent air transport operators still labour under a sense of grievance. Since the Government threw open the development of new routes to all operators, more than 60 applications have been made for licences to operate new services, ranging from short-range domestic to transatlantic routes. In the twelve months ending June 30, 1952, members of the British Independent Air Transport Association, to which most of the independent companies belong, have doubled the freight that they carried: they flew more than 6.5 million ton miles and the number of passenger miles flown increased by 40 per cent to 154 million. The capacity of their combined fleets increased by a million pounds to a total of three million pounds, only 800,000 pounds smaller than that of British European Airways. This suggests that the industry must be in a far healthier condition than it was a year ago—when, admittedly, it looked so sick that the future of some of its members hung in the balance.

Having staked their claim to their due share in expanding air traffic the independents are now asking for Government assistance to buy aircraft in which to carry it. The association's report says that one of the "major questions of policy" that remains to be settled by the Government is "how the independent operators are to find new aircraft

with which to operate new services." In view of the difficulty of getting private capital, the association argues that the "Government will have to prime the pump either by giving a guarantee to private capital loans or themselves ordering the aircraft for hire-purchase by operators." Even though, as the association suggests, the trooping operations of the independents give them a measure of strategic importance, any proposal that the Government should put up money for operations too risky for the City calls for stronger justification than this. Nor is it wholly true that the difficulty the companies have had in their search for the funds with which to buy aircraft (in particular, Bristol Britannias at £600,000 apiece) is due to the lack of serious study given by "financial interests" to the air transport industry. One of the most successful of the independents was backed by one of the big insurance companies and is proving a profitable investment. Moreover, many of the aircraft manufacturers are themselves prepared to offer hire-purchase terms to their customers. If British companies prove that they can take advantage of the opportunities offered with existing facilities, however limited, they will not have to wait long for capital to finance further expansion.

* * *

Tin and Cheap Sterling

The committee of the London Metal Exchange has recently called the attention of its members to the "deep concern" of the Bank of England at the loss of hard currency that has been suffered as a result of the use of cheap sterling in financing purchases of tin in the London and Singapore markets. Very large quantities of tin purchased in this way have recently been re-sold in dollar countries—to the detriment of direct exports from the sterling area. The members of the Metal Exchange have, therefore, been asked to ensure that any tin purchased from them "is solely for industrial use in the stated country of destination." This is the latest indication of the continuance—indeed the growth—of cheap sterling operations in the commodity markets. Transferable sterling has recently hardened to over \$2.69-70, a figure at which the discount on the official rate is no more than 3 per cent; it says much for the perfection of the technique of commodity shunting that at this level Continental merchants should still find it profitable to engage in transactions of this character. London metal traders will no doubt strive earnestly to comply with the new request, but it is difficult to believe that they will really be able to plug all the leaks. In fact, the authorities' latest method of trying to check these deals seems unlikely to be any more successful than its previous method of relying on gentleman's agreements with the central banks of the countries concerned. It has become clear recently that these central banks are not giving their co-operation to the British Exchange Control as fully as had been hoped; it would be expecting a great deal of them to act as policemen for a mechanism in which they themselves have no faith.

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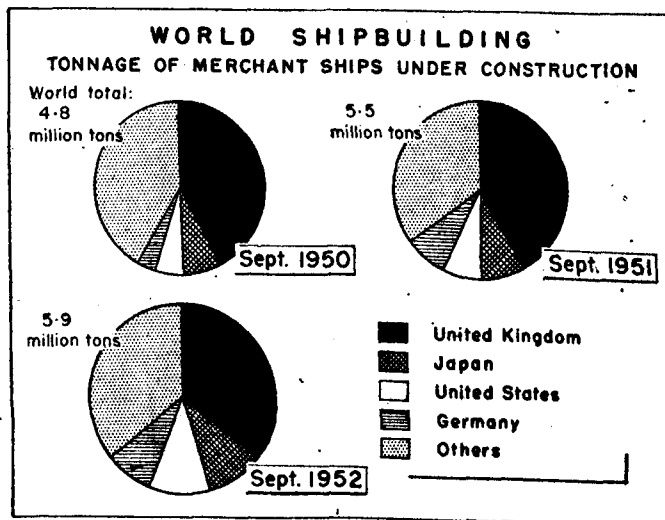
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Shipyards' Output Declines

The doubts that have been felt about the complaints of shipbuilders that they have been starved of steel seem to be dispelled by the latest shipbuilding returns compiled by Lloyd's Register of Shipping. They show that in the third quarter of the year work in progress in British shipyards declined, against the rising trend in the rest of the world. While the tonnage of ships under construction abroad rose by 264,449 tons gross to a total of 3,802,391 tons, the total here dropped by 13,759 tons to a total of 2,062,482 tons. This compares with a total of 2,270,621 tons only six months ago. Even more revealing figures show the tonnage of vessels on which work has begun but which have not reached the launching stage. This amounted to 1,745,292 tons twelve months ago, but has now declined to 1,534,025 tons. There is no question of any lack of orders, since the tonnage for which plans have been approved or material ordered has risen from 1,989,706 tons to 2,684,263 tons in the same period; and even though the rate of new orders received so far this year has been less than last, new contracts booked exceed the tonnage of ships completed, which is 939,366 tons gross.

Another disturbing feature of the returns is the rate at which the work in the yards of foreign competitors is increasing. Work in progress in Japan during the quarter increased by 603,500 tons, in Germany by 67,165 tons, in Sweden by 43,965 tons and in Italy by 36,523 tons. In Britain work was begun on less tonnage than was launched, but the reverse was true of most other countries, particularly Germany and Japan, whose speed of delivery is putting them at a distinct advantage in the competition for new orders. Apart possibly from craftsmanship, the only advantage that British shipbuilders now have over Germany and Japan is the lower cost of steel. Steel in these countries is more expensive, but labour costs are lower, and are likely to be much lower if the British shipbuilding trade unions get their way; and much earlier delivery dates can be guaranteed.

The British advantage of cheaper steel, however, is entirely lost if adequate supplies are not available. The industry's allocation for the third quarter was lower than in the second, and for some shipbuilding areas amounted to only about 60-65



per cent of their demands for merchant vessel building. In the fourth quarter the allocation was raised by 8 per cent, and it has been announced this week that it will go up again by 9 per cent: which suggests that supplies early next year may still be some 30 per cent below what the industry is asking for.

Shorter Notes

The Export Credits Guarantee Department is to extend to exporters to dollar account countries in Latin America the special facilities that it already affords to exporters to the United States and Canada.

The boom in the Rhodesian copper belt has led to another batch of excellent trading results, this time from the "Rhoango" group. Rhokana has raised its ordinary dividend from 200 to 225 per cent, following an increase in its "normal profits" from £10.5 to £11.5 million. The controlling company, Rhodesian Anglo American, has raised its ordinary dividend from 55 to 62½ per cent, in line with the expansion in its "normal profits" from £14.8 to £19.5 million. As far as British shareholders are concerned, however, dividends will be taxed at a rate that is reduced by an allowance for double taxation relief. Half of last year's dividends were treated as tax-free distributions, as these dividends were partly payable out of profits earned before the companies emigrated to Rhodesia.

The International Materials Conference has made a supplementary distribution of 29,800 tons of crude sulphur for the last six months of 1952, additional to the distribution announced in July of 3,200,260 tons.

The return of premier grade motor spirit from February next has focused some attention upon the fact that one of the major companies, Regent Oil, has no catalytic cracking unit for the production of such spirit in this country. Regent, which is controlled jointly by Trinidad Leaseholds and Caltex, is anxious to make clear that Trinidad Leaseholds has recently completed in Trinidad a modern "cat cracker" costing between £4 and £5 million; the motoring public will be able to obtain the premier grade of Regent motor spirit as well as of other brands.

Company Notes

Thomas W. Ward.—Although the value of total sales by the Thomas W. Ward group increased from £26,624,000 to £29,077,000 in the year to June 30th, the group's trading profits remained practically unchanged, at £2,026,077. The increase in the value of turnover appears to have been due almost entirely to an increase in prices, which has clearly been matched by an equivalent increase in costs; in fact, since the figure of £2,026,077 for trading profits includes an element of "windfall profits" following the increase of £2 a ton in the price of scrap iron and steel in August, 1951, it is probable that the group's margins of profits upon sales were reduced in the last financial year. Thanks to a reduction in the charge for taxation, net profits have risen fractionally, from £753,287 to £761,134. But as this increase was so slight, the directors could not do more than maintain the ordinary dividend at 20 per cent, and repeat the appropriation of £200,000 to the general reserve.

There have been almost as few changes in the consolidated balance sheet as in the

	Years to June 30, 1951	1952
Consolidated earnings:		
Turnover	26,624,000	29,077,000
Trading profit	2,026,244	2,026,077
Total income	2,139,736	2,138,765
Depreciation	208,975	243,654
Taxation	1,092,866	1,076,564
Net profit	753,287	761,134
Ordinary dividends	116,875	115,500
Ordinary dividends (per cent)	20	20
Retained by subsidiaries	203,099	186,179
Contingencies provision	200,000	200,000
General reserve	200,000	200,000
Added to carry forward	Dr. 38,773	Dr. 22,226
Cons. balance sheet analysis:		
Fixed assets, less depreciation	2,505,257	2,831,817
Net current assets	4,060,874	4,330,111
Stocks	2,614,851	3,309,759
Cash	1,366,558	1,135,749
Reserves	3,438,259	3,801,009
Ordinary capital	1,100,000	1,100,000
£1 ordinary share at 75s. 1½d. yields £5 9s. per cent.		

profit and loss account. The group's investment in stocks has increased in line with the increase in turnover, but the increase in the book value of stocks from £2,614,851 to £3,309,759 has taken place without making any serious calls upon the group's liquid balances. In effect, Thomas W. Ward has marked time, but in the current year it may suffer some reverse in its fortunes. Orders that the group has received are being worked off more quickly than new orders—particularly from overseas buyers—are being obtained. Moreover, it seems likely that a further rise in costs may eat into profits, and the chairman warns shareholders that "it would not be wise to count on results remaining as good as over the last two years."

Broken Hill Proprietary.—The full accounts of Broken Hill Proprietary for the year to May 31st last, which are drawn up in Australian pounds, show that the group's trading balance increased from £7,645,466 to £8,132,290, but that net profits made a somewhat smaller advance from £1,876,053 to £1,915,233. The rise in profits reflected increases in both output and prices. An improvement in coal supplies supported the increase in production of pig iron and steel in the company's works at Newcastle; the production of pig iron increased from 738,877 to 843,712 tons and of steel from 757,064 to 822,715 tons. Work from the end of the financial year a further increase in prices has taken place and this is now to be followed by a third dose. This third increase will have to be made at a time when the demand for pig iron in Australia is declining; the company's output of pig iron is already in excess of Australia's current requirements, but arrangements have been made to export the surplus.

The increase in output has been made

possible by a further extension of the group's productive capacity. In the last financial year the net book value of the machinery, plant and equipment owned by the group rose from £24,915,992 to £30,890,792; at the same time the book value of stocks increased from £10,593,218 to £14,341,154. Both these increases are a reflection of the inflation of prices as well as of the company's growth. Taken together, they have made a serious call upon the group's liquid resources despite the issue of new shares in 1951. In the consolidated balance sheet, cash balances (net of the unsecured overdrafts owed by the group) are shown to have fallen very sharply, from £3,963,430 to £435,637.

In estimating what ordinary dividends are likely to be paid by Broken Hill, investors should give considerable weight to this decline in liquid resources. In 1951-52 the company maintained the ordinary dividend at 8½ per cent, but the final dividend of 4½ per cent was paid in May on the increased ordinary capital of £24,944,196. The company has already paid an interim dividend of 4½ per cent on the new capital for the current year. This suggests the directors will decide to do no more than to maintain a full year's dividend rate of 8½ per cent. The sterling equivalent of this dividend rate is 6½ per cent, so that on this basis the £1 ordinary shares at the current price of 31s. 10½d. yield 4.2 per cent.

Fairey Aviation.—The boom that the aircraft industry is enjoying is not fully reflected in the accounts of Fairey Aviation for the year to March 31st last. Group trading profits have risen by £148,817 to £804,832, but—as taxation has risen by £167,025 to £417,501—net profits have actually fallen. It is not possible, however, for aircraft manufacturers to link profits earned in any particular financial year to the deliveries of aircraft actually made in that year. In consequence, no less than £525,000 of the profits of £804,832 reported in the last financial year represented profits arising from contract settlements reached during the year, but from deliveries actually made in earlier years; similarly in 1950-51 a sum of £420,000 was credited to the trading profit of £656,615. In the latest accounts no credit has been taken for goods delivered in the year, but still awaiting price settlement at the end of last March; nor, as in the past, has any credit been taken for profits accruing on work in progress. For this reason the provision for British taxation does not cover income tax, profits tax and EPL arising on such profits.

The tax provision has, however, risen so sharply (from £250,476 to £417,501), that the group's net profits have been reduced from £404,493 to £382,994. This figure amply covers the maintained ordinary dividend of 25 per cent, which absorbs £134,892. The directors have reduced the appropriation to the general reserve from £150,000 to £100,000, but this has been balanced by an increase in the profits retained by subsidiaries, from £57,202 to £124,361. The expansion of the group's productive capacity to meet the demands of the rearmament programme has put a considerable strain upon the group's financial resources. An increase in the net book value of fixed assets (from £787,517 to £1,040,451) and in the book value of "stock, work in progress and goods delivered awaiting price settlement" (from £2,508,673 to £5,035,682) has been accompanied by a decline in cash balances from £1,325,784 to £360,979 and by an increase in bank overdrafts from £89,400 to £919,990. At the moment the directors believe that the best way of financing the increase in working capital is by borrowing from the banks, but, in order to be able to tap the other source of new money—the capital market—if this is necessary, the directors are proposing that the company's existing borrowing powers should be doubled. At the current price of 31s. 6d. the 10s. ordinary shares yield just over 7.9 per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Oct. 15, 1952	Price, Oct. 22, 1952	Net Yield, Oct. 22, 1952	Gross Yield, Oct. 22, 1952
War Bonds 2½% '51-53	99½	99½	1 0 3	2 14 0
War Bonds 2½% '52-54	99½	99½	1 0 3	2 17 3
Exchequer 2½% 1955	98½	98½	1 15 7	2 18 11
Ser. Funding 1½% '52	(g)	(g)		2 8 1
Ser. Funding 1½% '53	99	99	1 18 6	2 14 4
Ser. Funding 1½% '54	97½	97½	1 19 6	2 15 11
Ser. Funding 1½% '55	100½	100½	1 11 8	2 19 8
War Bonds 2½% '54-56	98½	98½	2 13 6	2 18 8
Funding 2½% '52-57	98½	98½	1 11 0	2 19 4
Nat. Def. 3½% '54-58	99½	99½	1 13 9	3 3 10
War Loan 3½% '55-59	98½	98½	1 14 11	3 3 8
Savings 3½% '55-65	92½	92½	2 5 10	3 16 3
Funding 2½% '56-61	91½	92	2 7 3	3 12 3
Funding 3½% '58-63	86½	86½	2 12 4	4 3 6
Funding 3½% '66-68	87½	87½	2 10 8	4 2 11
Funding 4½% '60-90	97½	97½	2 8 10	4 7 3
Savings 3½% '60-70	85	85½	2 12 8	4 4 5
Savings 2½% '64-67	83½	83½	2 13 4	3 19 7
Victory 4½% '20-76	100½	101½	2 0 7	3 18 10
Savings 3½% '65-75	82½	82½	2 11 11	4 4 5
Consols 4½% (aft. 1957)	86½	87½	2 8 3	4 12 5
Consols 3½% (aft. 1961)	77½	78½	2 7 0	4 9 9
Treas. 2½% (aft. 1975)	57½	57½	2 5 9	4 7 2
Treas. 3½% (aft. 1966)	67½	68	2 6 5	4 8 5
Treasury 3½% '77-80	89½	89½	2 8 3	4 5 0
Redemption 3½% '86-96	78½	78½	2 7 6	4 1 5
War Loan 3½% aft. 1952	76½	79	2 6 11	4 20 2
Consols 2½% (aft. 1975)	58½	58½	2 4 9	4 5 5
Br. Elec. 3½% '58-73	83½	83½	2 12 6	4 4 5
Br. Elec. 3½% '74-77	82½	82½	2 11 1	4 3 5
Br. Elec. 4½% '74-79	99½	99½	2 5 4	4 6 1
Br. Elec. 3½% '76-79	88½	88½	2 8 2	4 5 11
Br. Trans. 3½% '78-88	78½	78½	2 10 7	4 4 11
Br. Trans. 3½% '88-93	83½	83½	2 12 6	4 4 11
Br. Gas 3½% '90-95	76½	76½	2 9 4	4 3 7
Br. Gas 3½% '99-01	90½	91½	2 8 10	4 4 5
Br. I. & S. 3½% '79-81	88½	88½	2 8 6	4 5 0

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Assumed average life 15 years approx. * Ex dividend. (i) 99 18s. 6d. (j) 99 19s. 3d.

Last Two Dividends	Ordinary Stocks	Price, Oct. 15, 1952	Price, Oct. 22, 1952	Yield, Oct. 22, 1952
(a) (b) (c)				
40 b	20 Anglo-Am. 10/-	6½xd	6½xd	4 19 0
40 b	25 Anglo-Iran 10/-	5½	5½	5 5 6
12½ b	74½ Assoc. Elec. 10/-	72½	72½	5 10 4
20 b	74½ Assoc. P. Cem. 10/-	101½xd	101½xd	5 8 8
12½ b	10 a Bass 10/-	125½	125½	6 18 7
20 c	5 a Boots 10/-	20/-	20/-	5 0 0
8½ b	3 a Brad. Dyers 10/-	24/-	24/-	9 11 8
4½ b	6 a Br. Celanese 10/-	24/9	24/3	4 10 9
...	Br. Motor Cp. 5/-	31/10	32/6	...
12 b	6 a Br. Oxygen 10/-	51/10	52/1	5 7 4d
3 b	3 a Can. Pac. 10/-	56½	56½	4 13 9
5 a	7½ Coats 10/-	45/-	45/-	5 11 1
5 a	6½ Courtalds 10/-	36/9	36/3	6 4 2
15 c	24 a Cunard 10/-	34/6	34/-	8 16 6
7½ b	15 b Distillers 4/-	17/-	17/-	5 5 11
17½ c	17½ Dunlop 10/-	46/3	46/3	7 11 4
12½ c	15 c Ford 10/-	49/9	50/3	5 19 5
7½ a	15 b Gen. Elect. 10/-	40/6	40/6	5 11 1½
5 a	10 b Guest Keen 10/-	53/9	53/9	5 11 8
17 b	7 a Guinness 10/-	30/6	29/6	5 13 11½
5½ b	44 a Hawker Sid. 10/-	38/3	37/9	8 6 0
13 c	5 a Imp. Chem. 10/-	43/6	44/6	5 16 10
18½ b	13½ Imp. Tobacco 10/-	55/3	55/3	7 14 9
32 c	22½ Int. Nick. n.p.	86½	86½	5 12 7
17½ c	17½ J. Burg. Con. 10/-	48/6	48/10	7 9 4
10 b	5 a Lanes. Cotton 10/-	38/1	38/1	7 17 4
10 b	7½ Lon. Brick 10/-	61/3	61/3	5 14 3
15 a	85 b Marks & Sp. A 5/-	43/9	44/6	4 9 11½
15½ b	68 a Monsanto 5/-	25/-	24/-xd	4 13 9
10½ b	5 a P. & O. Def. 10/-	51/-xd	50/8xd	6 12 0
7½ a	17½ P. Johnson 10/-	36/9	36/9	6 16 1
185 c	100 c Prudential A 10/-	34½	34½	5 10 6
50 a	175 b Rhokana 10/-	22½	21½	10 9 4
5 a	10 b Rolls Royce 10/-	59/4	60/7	4 18 11
15 a	12½ b "Shell" Stk. 10/-	82/6	80/7	5 13 7
12½ b	13½ Tube Invest. 10/-	55/9	55/9	4 9 8½
15 b	5 a Tur. Newall 10/-	93/9	95/-	4 4 3
5 a	8½ Unilever 10/-	46/3	45/-	6 0 0
10 c	12½ Union Castle 10/-	22/-	22/-	5 13 8½
5 b	5 Union Disc. 10/-	42/-	42/-	4 15 3
16½ a	16½ Uda. Molass. 10/-	31/6	31/6	6 5 9m
50 c	50 c U. Sna. Betong 10/-	35/-	36/3	27 11 8
10 b	24 a Vickers 10/-	43/8	43/8	5 24 21
27½ b	15 a Woolworth 5/-	42/6	43/-	4 18 10

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 14%. (e) Yield basis 16½%. (f) Yield basis 22.9 gross. (g) Yield basis 12½%. (h) Yield basis 6½%. (i) Yield basis 19-8%. (j) Yield basis 40%. (k) Yield basis 20%. (l) Yield basis 11½%. * Ex div. † Free of tax.

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Statistical Summary

EXCHEQUER RETURNS

For the week ended October 18, 1952, total ordinary revenue was £52,653,000, against ordinary expenditure of £103,693,000 and issues to sinking funds £409,000. Thus, including sinking fund allocations of £17,852,000 the deficit accrued since April 1, 1952, was £382,125,000 compared with a deficit of £92,837,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53 £'000	April 1, 1951 to Oct. 20, 1951	April 1, 1952 to Oct. 18, 1952	Week ended Oct. 20, 1951	Week ended Oct. 18, 1952
REVENUE					
Receipts into the Exchequer (£ thousand)					
Ord. Revenue	180,422	487,536	510,115	17,796	11,187
Income Tax	123,000	38,900	36,700	1,100	1,100
Sur-tax	175,000	104,400	80,600	3,000	3,000
Estate, etc., Duties	57,500	34,900	27,050	1,300	1,100
Stamps	452,000	172,000	213,600	4,800	7,300
Profits Tax & EPT	5,000	...	...	...	...
Excess Profits Levy	2,000	...	...	...	...
Special Contribution and other	...	...	...	...	...
Inland Revenue	...	1,915	950	40	...
Total Inland Rev.	261,872	839,651	869,015	28,036	23,687
Customs	104,350	554,447	570,347	22,285	20,735
Excise	772,000	395,000	373,818	6,800	5,830
Total Customs and Excise	1,815,500	949,447	944,165	29,085	26,565
Motor Duties	64,150	12,645	12,742	...	108
Surpl's from Tradg. PO (Net receipts)	12,000	65,927	...	...	...
Broadcast Licences	15,000	5,000	5,050	...	...
Sundry Loans	26,000	19,666	18,805	643	...
Miscell. (incl. Surpl's War Stores)	110,000	72,230	65,722	3,114	2,293
Total Ord. Rev.	4,661,375	1,964,565	1,915,500	60,878	52,653
SELF-BALANCING Post Office	209,235	100,000	104,600	3,800	3,900
Income Tax on EPT Refunds	4,900	3,239	2,752	423	48
Total	4,875,510	2,067,804	2,022,852	65,101	56,601
EXPENDITURE					
Issues out of the Exchequer to meet payments (£ thousand)					
Ord. Expenditure	575,000	289,415	324,748	22,093	22,862
Int. & Man. of Nat. Debt	40,000	19,051	20,330	...	...
Payments to N. Ireland	10,000	5,340	4,870	...	231
Other Cons. Funds	...	...	...	...	...
Total	625,000	313,806	349,948	22,093	23,093
Supply Services	355,436	173,228	192,825	74,500	80,600
Total Ord. Expd.	4,179,367	2,046,104	2,279,773	96,593	103,693
Sinking Funds	...	11,298	17,852	566	409
Total (excl. Self-Bal. Expd.)	4,179,367	2,057,402	2,297,625	97,159	104,102
SELF-BALANCING Post Office	209,235	100,000	104,600	3,800	3,900
Income Tax on EPT Refunds	4,900	3,239	2,752	423	48
Total	4,393,502	2,160,641	2,404,977	101,382	108,050

After decreasing Exchequer balances by £97,789 to £2,961,445, the other operations for the week increased the National Debt by £68,094,743 to £26,249 million.

NET RECEIPTS (£ thousand)	
Housing (Temp. Accom.) Act, 1944, s. 8	1,145
Cinematograph Film Prod. (Special Loans) Acts, 8(1)	256
	1,401

NET ISSUES (£ thousand)	
Post Office & Telegraph (Money) Act, 1950	900
EPT Refunds	60
Export Guarantees Act, 1949, s. 3	20
Local Authorities Loans Act, 1945, s. 3(1)	6,000
Misc. Fin. Provs. Act, 1950, s. 2(1): Northern Ireland Exchequer	1,500
Coal Industry Acts, 1946 to 1951	5,600
Overseas Resources Developmt. Act, 1948, s. 17(1): Colonial Development	750
Misc. Fin. Provs. Act, 1946, s. 2(1), War Damage: War Damage	3,000
Finance Acts, 1946 and 1947, Postwar Credits	314
	18,144

CHANGES IN DEBT (£ thousands)

RECEIPTS	PAYMENTS
Treasury Bills ... 27,505	24% Def. Bonds... 645
34% Def. Bonds... 3,060	3% Def. Bonds... 1,341
Tax Reserve Certs. 1,461	3% Ter. Annuities 1,908
Ways and Means Advances ... 39,975	Other Debt:—
	Internal..... 14
	3,906

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bk. of Eng-land		
1951						
Oct. 20	3250.0	2315.4	371.0	...	200.0	6136.5
1952						
July 26	3000.0	1459.5	285.5	2.3	...	4747.3
Aug. 2	3020.0	1430.3	264.4	...	...	4714.7
" 6	3040.0	1403.3	265.4	1.0	...	4709.7
" 16	3030.0	1450.6	279.8	...	...	4760.4
" 23	3020.0	1462.9	307.0	...	...	4789.9
" 30	3040.0	1445.7	292.1	...	...	4777.8
Sept. 6	3050.0	1443.1	309.3	...	...	4812.3
" 13	3070.0	1479.9	288.7	...	...	4838.6
" 20	3090.0	1470.4	316.6	...	...	4877.0
" 30	4554.6		278.8	8.3	...	4841.6
Oct. 4	3120.0	1471.8	258.9	...	...	4850.7
" 11	4320.6*		248.0	...	...	4568.6
" 18	4348.1*		288.0	...	...	4636.1

* In consequence of official purchases of tender bill or connection with cash subscriptions to the new issues of serial funding stock, it is impossible to calculate the division between tap and tender bills until all the bills purchased have passed their original maturity date.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Min. Rate %
	Offered	Applied For	Allotted		
1951					
Oct. 19	250.0	339.9	250.0	10 2.97	64
1952					
July 18	230.0	322.9	230.0	49 3.88	59
" 25	220.0	317.2	220.0	49 3.88	56
Aug. 1	220.0	320.5	220.0	48 11.99	58
" 8	230.0	295.1	220.0	49 0.41	68
" 15	220.0	284.6	220.0	49 0.39	70
" 22	240.0	301.1	240.0	49 4.31	73
" 29	250.0	318.9	250.0	49 4.42	72
Sept. 5	260.0	308.6	260.0	49 8.58	79
" 12	260.0	308.9	260.0	49 8.61	80
" 19	260.0	331.1	260.0	49 8.12	61
" 26	260.0	309.0	260.0	49 8.54	79
Oct. 3	250.0	312.4	220.0	49 0.53	69
" 10	220.0	309.9	200.0	48 11.90	51
" 17	220.0	315.8	220.0	48 4.14	64

On October 17th applications for 91 day bills to be paid from October 20 to October 25, 1952, were accepted dated Monday to Saturday as to about 64 per cent at £99 7s. 11d., and above in full. Treasury Bills to a maximum of £230 million were offered on October 24th. For the week ended October 25th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Total 27 weeks ended Oct. 13, 1951	Oct. 11, 1952	Week ended Oct. 11, 1952
Savings Certificates:—			
Receipts	91,800	72,900	4,000
Repayments	75,900	77,300	3,100
Net Savings	15,900	Dr 4,400	900
Defence Bonds:—			
Receipts	30,344	32,198	2,565
Repayments	39,151	41,384	1,995
Net Savings	Dr 8,807	Dr 9,186	560
P.O. and Trustee Savings Banks:—			
Receipts	369,805	389,498	16,933
Repayments	438,717	454,336	15,984
Net Savings	Dr 68,912	Dr 64,838	949
Total Net Savings	Dr 61,819	Dr 78,424	2,409
Interest on certificates repaid	18,593	21,201	888
Interest accrued	67,758	69,462	2,478
Change in total invested	—12,654	—30,163	4,019

BANK OF ENGLAND RETURNS

OCTOBER 22, 1952
ISSUE DEPARTMENT

Notes Issued:—	Govt. Debt...
In Circulation 1443,487,380	11,015,100
In Bankg. Department... 56,869,443	Other Govt. Securities ... 1485,784,150
	Other Sec. ... 686,751
	Coin (other than gold) ... 2,513,999
	Issue ... 1500,000,000
	Gold Coin and Bullion (at 248s. per oz. fine) ... 356,823
	1500,356,823

BANKING DEPARTMENT

Capital	Govt. Sec.
14,553,000	315,224,930
Rest. 3,221,750	Other Sec. ... 20,750,183
Public Depts. ... 34,107,086	Discounts and Advances ... 6,485,200
Public Accts. ... 9,932,071	Securities ... 14,284,983
H.M. Treas. Special Acct. 24,175,015	
Other Depts. ... 342,576,669	Notes ... 56,869,443
Bankers ... 278,084,277	Coin ... 1,613,949
Other Accts. ... 64,492,392	
	394,458,505

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
	Oct. 24	Oct. 8
Issue Dept.:		
Notes in circulation	1346.5	1446.5
Notes in banking department	53.8	53.8
Government debt and securities*	1396.8	1496.7
Other securities	0.7	0.7
Gold and coin	2.9	2.9
Valued at s. per fine oz.	248/0	248/0
Banking Dept.:		
Deposits:		
Public Accounts	15.0	13.3
Treasury Special Account	4.5	24.2
Bankers	300.0	275.2
Others	91.9	64.3
Total	411.4	377.0
Securities:		
Government	335.6	317.2
Discounts, etc.	14.1	8.4
Other	24.6	13.7
Total	374.3	339.3
Banking dept. reserve	54.3	55.4
" Proportion "	13.3	14.7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,950 million to £1,500 million on August 27, 1952.

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

	Oct. 16, 1951	Oct. 7, 1952	Oct. 21, 1952
Cereals and meat	170.8	193.8	192.0
Other foods	180.1	190.9	191.3
Textiles	257.2	217.2	215.2
Minerals	362.9	369.7	371.9
Miscellaneous	198.4	184.6	185.1
Complete Index	222.6	220.8	220.4
1913=100	306.3	303.7	303.2

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

SILVER					GOLD	
1952	London	New York	Bombay	Bombay		
	per ounce	per ounce	per 100 tolas	per tola		
	d.	c.	Rs. a.	Rs.	a.	
Oct. 16...	73.0	83.25	156 14	86	10 1/2	
" 17...	73.0	83.25	156 3	86	1	
" 18...	Markets Closed		Market Closed			
" 20...	73.0	83.25	156 9	86	5	
" 21...	73.0	83.25	157 9	86	15	
" 22...	73.0	83.25	157 13	87	5	

COMPANY MEETINGS

ALLEN HARVEY & ROSS, LIMITED

EVENTFUL YEAR FOR DISCOUNT MARKET

MR G. M. B. PORTMAN'S STATEMENT

The ninth annual general meeting of Allen Harvey & Ross, Limited, will be held on November 13th at the company's offices, 52, Cornhill, London, E.C.

The following is the statement of the chairman and joint managing director, Mr G. M. B. Portman, which has been circulated with the report and accounts for the year to September 30, 1952:

The company's balance sheet as at September 30, 1952, and the profit and loss account are now before you for your consideration and adoption.

The year has been, almost from its start, very eventful for the London Discount Market, which has experienced some return to the realistic practices of more than 20 years ago.

BANK RATE

The first six months of trading by your company saw two rises in the bank rate causing heavy depreciation in the investment and Bill holdings: the resultant loss, however, was far less serious than might have been expected upon a sudden change from long years of cheap money, as your company had been able to set aside from past profits a contingency fund more than sufficient to provide for depreciation, and although the net profit for the year is lower, the second half of our year has shown a satisfactory margin of profit. The surplus shown in the balance sheet under capital and revenue reserves has increased by £24,000 as compared with last year and the directors again recommend a transfer to general reserve of £25,000, bringing the reserve up to £150,000, and leaving the amount carried forward to the credit of the profit and loss account at almost exactly the same figure as a year ago.

Our liability for profits tax is of course reduced and this is reflected in a lower figure at which sundry creditors account stands. Of the investments held on September 30th the maximum life was 2½ years and the average life was 9 months.

PURCHASES OF BILLS

The company's purchase by tender of Treasury Bills over the whole year fell from £342 million to £305 million, and purchases of Commercial Bills increased very slightly during the year, from £43,419,000 to £43,981,000. In analysing these figures for the whole year we see that although there was an increase of 27 per cent over the first six months of the previous year, since April purchases of Commercial Bills have fallen by 25 per cent below the figure for the corresponding period in 1951. Such is probably a common experience owing to the fall in the market values of raw materials and the higher cost of this type of finance.

The changes in bank rate have produced at least one very welcome consequence: Discount Houses have at last a reasonable margin of running profit on their holdings of Treasury Bills so that they have less need to seek a substantial running income from short bonds.

Your directors desire to express complete satisfaction with the work of the company's staff, for which all concerned are very grateful.

OLYMPIC PORTLAND CEMENT COMPANY, LIMITED

A BONUS ISSUE

The forty-first annual general meeting of the Olympic Portland Cement Company, Limited, was held on October 17th, in London.

The Hon. Gerald H. G. Williamson, the chairman, in the course of his speech, said: The trading profit, before charging depreciation and depletion, has again increased from £172,757 in 1950/51—itsself a record—to £236,404 in the year under review. The net profit, £83,461, shows an increase of £28,456. An interim dividend of 7 per cent was paid on February 9th last and the board now recommend a final dividend of 8 per cent and a bonus of 5 per cent.

The general reserve now stands at £314,067. Over recent years it has been built up more rapidly with the object in view of augmenting the company's issued capital, which the board consider has been completely out of line with the true underlying value of the assets. A capital of £250,000 is comparatively small and could restrict the company's credit facilities on the Pacific Coast.

The board decided a few months ago to make application to HM Treasury for permission to issue the balance of the authorised capital to members as a capital bonus in the ratio of one new share for each old share held, and, for the purpose, to capitalise £250,000 of the balance on general reserve.

The report was adopted and the board's capital proposals were approved.

LEWIS BERGER & SONS, LIMITED

MR THOMAS LILLEY'S REVIEW

The seventy-third annual general meeting of this company was held on August 7th in London, Mr Thomas Lilley, the chairman, presiding.

The following is an extract from his circulated statement for the year to March 31, 1952:

The profit before taxation was £930,010, compared with £810,054 in the previous year. The paint trade and the Berger group have passed through times of extravagant customer demand and raw material shortages with the consequent sellers' market conditions. Then the policy of the group was to concentrate on tailor-made specialist products. During that period the new range of products based

VITAMINS LIMITED

INCREASED TURNOVER

At the annual meeting held recently, Mr H. C. H. Graves, chairman, said that in 1951 226,000 fewer men and 248,000 fewer women died than would have done so if death rates had still been at the 1901 rates. Whose was the credit?

Some credit was due to improved sanitation and hygiene; even more to great advances in surgical and medical methods. But with what *weapons* had doctors and others effected this revolution? Primarily, (a) with the newer knowledge of nutrition and, (b), with the products of the pharmaceutical industry—insulin, the sulphonamides, the antibiotics, the vitamins and other wonders. Their company was proud to have played a part under both heads.

It was objected that these *weapons* cost money. Of course they cost money!

All agreed that the NHS must be efficiently and economically administered. Their Board, faced at the latter part of 1951 with almost daily rising costs, had decided against any increases in prices of their pharmaceutical products. This had an adverse effect on trading margin, but they had gained in esteem, and justly enough in turnover!

Their world-known product Bemax was part of "the newer knowledge of nutrition." Their pharmaceutical products, primarily in the vitamin field, held an honourable place with the medical profession.

On the agricultural side, sales of their Vitamealo products for cattle, pigs and poultry continued to grow. The "newer knowledge of nutrition" applied to animal husbandry produced marginal economic effects—favourable effects—which the farmer could appreciate more readily perhaps than the rest of the community—because the quicker maturity of his livestock, the better conversion ratios of food into flesh or milk or eggs produced for him a marginal effect where he could feel it, in his pocket book. Once again, Vitamealo-reared pigs had won 4 of the 6 Pig Championships at Smithfield and 88 per cent of all carcass awards.

Trading profit at £41,518 should be compared not only with the last year's record figure of £63,755, but with the previous figure of £10,870. The recession was due to the decision not to increase selling prices in 1951—a decision abundantly justified by the effects on turnover.

"Current assets £621,643," comparing with £226,065 only three years ago, was a fair measure of their business increase. They were now in a "buyers market" for raw materials and on their increased turnover were benefiting accordingly. They planned to meet the capital commitment of their new Crawley factory, if necessary, without recourse to the capital market; although a funding operation might later be desirable.

Their Company was now well placed and organised to take advantage of the intense activity and development begun in 1940 and which had continued unabated. There were remarkable opportunities which planned research had put in their way. Adverse national or world events apart, the directors, management and staff of Vitamins Limited and of their main subsidiary, Agricultural Food Products, Limited, as a united team confidently faced the future.

The Report and Accounts were adopted.

SIAMESE TIN SYNDICATE, LIMITED

RECORD PROFIT

The forty-fifth annual general meeting of this company was held on October 23rd in London, Mr Kenneth O. Hunter, chairman, presiding.

The following is an extract from his circulated statement for the year 1951:

The output of tin during the year from dredging operations (including those of the wholly owned subsidiary) amounted to 1,564 tons as compared with 1,525 tons in 1950. In addition a further 61 tons were produced from the re-treatment of tin shed tailings, giving a total production of 1,625 tons which is slightly less than the 1,658 tons which were mined last year. Total yardage at 7,469,100 cubic yards was approximately 1 million cubic yards below the previous year's output, due almost entirely to the fact of the subsidiary company's dredge being out of action for the greater part of the year, but the production so lost was approximately offset by the increase achieved by the Peck dredge, and, to a lesser extent, by the Ngow dredges in working richer ground.

The average price realised on the sale of our product was approximately £721 per ton ore, a rise of about £150 a ton on 1950. This increase accounts for an expansion in revenue of nearly £223,000 which is, however, to

some extent offset by a parallel rise in mining costs of about £103,000.

The net profit before taxation at £489,335 is an increase of more than £139,000 on 1950 and is in fact the highest which has been recorded in your company's long history. It has, however, been necessary to provide no less than £311,800 in respect of United Kingdom taxation. We are proposing a final dividend of 25 per cent (making 150 per cent for the year).

The report was adopted.

BANGRIN TIN DREDGING

INCREASED TONNAGE

The thirty-second annual general meeting of this company was held on October 23rd, in London, Mr Kenneth O. Hunter, chairman, presiding.

The following is an extract from his circulated statement for the year 1951:

The output of tin ore from dredging was maintained at 1,098 tons, as compared with 1,101 tons last year. In addition, a further 34 tons was obtained from the re-treating of tin shed tailings, making a total of 1,132 tons of ore recovered, which is the highest tonnage in the company's history apart from the peak year of 1937 when 1,164 tons were mined. This result has been achieved despite the fact that No. 2 dredge ceased operations on September 29, 1951, on completion of the treatment of the dredgeable ground in the old Bangrin area.

The main reason for the increase is the higher average value of the ground worked which was 0.72 lb per cubic yard, as opposed to 0.67 lb per cubic yard in 1950; both these values are well above the average for the remainder of our leases.

The substantial increase in the world price of tin at the end of 1950 and during the first months of 1951 was not fully maintained, but the satisfactory average of £711 per ton ore was nevertheless realised on the year's production, resulting in a net revenue of £803,783. The profit figure of £405,633 shows an increase of £86,625 on the previous year, and is a record in the company's history. Unfortunately at £272,730 the amount of taxation also reaches a peak and the net available surplus amounts to no more than £173,524 as against £140,139 in 1950.

The report was adopted and the proposed final dividend of 10 per cent, making 70 per cent for the year, was approved.

The Motor Industry

BRITISH CARS IN WORLD COMPETITION

A CONSPECTUS OF CARS

THE RIGHT ROADS FOR BRITAIN

Over-Square Engines Higher Compression

British Cars in World Competition

IN the first half of 1950, 262,507 motor cars were made in this country, a rate of 10,150 units a week; France produced 122,799 cars in the same period, and Germany produced 92,416, giving a joint weekly output of 8,300 units. In the second quarter of 1952, British output was running at a rate of 8,800 a week, but the joint French and German output had reached 13,000 a week. In 1950, British car output was nearly one-quarter above the production rate of Germany and France put together; by the middle of 1952, Germany and France had established a lead of nearly one half over this country. This dramatic change gives cause for hard thinking.

So long as shortage of dollars restricts the sale of American cars in the major export markets of the world, and so long as British car exports to their principal markets enjoy a tariff preference, the incursion of competition from European car manufacturers may not seem a matter of grave concern. But already in some neutral markets, such as Holland and Switzerland, the German and French factories, with the advantage of lower transport costs, have established a clear lead in sales. If this lead were to enable them to secure the greater share of all neutral markets, a major section of Britain's export trade would be menaced.

An article on a later page argues that certain French and German cars offer accommodation and performance, relatively to their weight and cost, superior to those of British lightweight vehicles and comparable to British models in the cruiser-weight class. The German and French automobile industries, taken together, are probably concentrated to a greater degree than the British car industry. Two leading Continental models, the 750 c.c. Renault and the Volkswagen, are each produced at rates of 2,000 a week, which is higher than the output of any single British model. Labour costs per man hour are lower; machine equipment is probably, as up to date at the Renault works as at any British factory; utilisation of machinery and tools is higher than the British rate. In the long run, the British car industry will maintain its exports at a high level only by matching the value of German and French models.

Industrialists often assert that a flourishing export trade can be based only on a thriving home market. Although the postwar experience of the British motor industry may seem to contradict this assertion, the classical pattern of the motor car industry throughout the world has been that manufacturers have sold the bulk of their outputs in their home markets at prices making a more than proportionate contribution to overhead costs, so that they could sell for export at ex works prices closer to their marginal costs of production. As a result, export prices, despite transport costs and import duties, have tempted the foreign customer. During the postwar years, the export demand for British cars has been intense. The Government and the industry, in a combined operation, have taken advantage of this opportunity by severely restricting sales of cars at home. The industry has sold the bulk of its output abroad at prices which have covered a full share of overhead expenses and yielded a reasonable profit. British manufacturers as a whole have sold motor cars, commercial vehicles, components and spare parts, to the value of more than £1,000 million in the five years to the middle of 1952. Meanwhile, the shortage of cars in the home market has maintained used new cars at a big premium above list prices; the more popular models after two years' use have commanded, at least until recently, a considerable premium above their retail price plus purchase tax, and more than twice their list price, ex tax.

But in the last two years, this happy state of affairs has changed considerably and cars are no longer easy to sell. Many importing countries until recently were purchasing cars and other goods in excess of their means; these countries have taken remedial measures and their own purchasing power has proved inadequate to absorb imports on the old scale. Smaller markets which had formerly received modest allocations of the more popular cars have stepped into the gap, but it may not be long before they begin to show signs of saturation. Increasing continental competition implies that the present volume of British car exports will be maintained only if prices are reduced significantly. Export prices can no doubt be reduced and still leave some profit over marginal pro-

NOTICES

CANADIAN PACIFIC RAILWAY COMPANY.—(Incorporated in Canada with Limited Liability).—CANADIAN PACIFIC RAILWAY PERPETUAL FOUR PER CENT CONSOLIDATED DEBENTURE STOCK—NEW BRUNSWICK RAILWAY FOUR PER CENT DEBENTURE STOCK—CALGARY AND EDMONTON RAILWAY FOUR PER CENT DEBENTURE STOCK—ATLANTIC AND NORTH-WEST RAILWAY FOUR PER CENT FIRST MORTGAGE REDEEMABLE DEBENTURE STOCK.—In preparation for the payment of the half-yearly interest due January 1, 1953, on the above Stocks, the Transfer books will be closed on November 17, 1952, and will be re-opened on January 2, 1953.—R. F. TREMAYNE, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. October 18, 1952.

H. M. INSPECTOR OF TAXES IN INLAND REVENUE DEPARTMENT.—The Civil Service Commissioners announce that the closing date for the special recruitment of Inspectors of Taxes by interview of candidates with first and second class Honours degree is October 31st.

THE ASSOCIATION OF INCORPORATED STATISTICIANS.—December examinations for Registered Statistical Assistants and for final Associateship will be held in University of London Examination Halls, Imperial Institute, S.W.7, December 2 to 4, 1952.—Further details and prospectuses may be obtained from the Association at Management House, 8 Hill Street, London, W.1.

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MARKET RESEARCH.—A vacancy exists in the Market Research Department of a well-known manufacturing company in the Home Counties for a young honours graduate in economic subjects, with some experience of Industry or Commerce. The post, that of Assistant to the Consumer Research Manager, offers exceptional opportunity for gaining a wide experience in the planning and operation of Market Research enquiries. The initial salary will not be less than £550 p.a., plus non-contributory pension and life assurance benefits.—Applicants are invited to write in confidence, giving full details of their age, qualifications and experience, to Box 93.

COMPANY Secretary/Accountant, qualified, aged 37, present remuneration £1,200, desires appointment which will allow full scope for a keen executive brain.—Box 96.

PRINTING Executive, possessing all essential connections for complete production of special brochures and books, offers services to principals contemplating same.—Box 67.

SENIOR Export Executive, world-wide experience, fluent French, German, Spanish seeks appointment commerce/industry.—Box 93.

YOUNG MAN, 24, junior director London export house, six years' experience international commerce, world travelled, languages, seeks position at home or abroad, preferably Canada or Mexico, where ideas, initiative and hard work count.—Box 95.

OTHER NOTICES APPEAR ON PAGE III OF COVER.

duction costs. But if export prices are to be reduced, the industry will look to the home market for a greater contribution to overheads and profits. The only effective way of securing this result in the long run is to reduce retail prices and expand the home market.

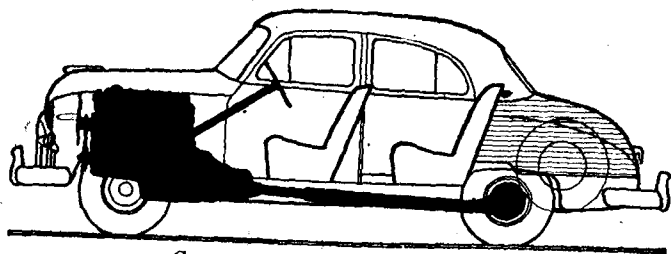
What is the scope for a major expansion of home sales? The first step towards the answer is to compare the number of cars in use with the distribution of personal incomes in this country:—

MOTOR CARS IN USE				
		(000)		
1920	1925	1930	1935	1938
186	590	1,075	1,505	1,944
1947	1948	1949	1950	1951
1,944	1,961	2,131	2,258	2,380

The next table gives the Inland Revenue's return of incomes (before tax) for 1949-50:—

Income	No. of Incomes	Cumulative	No. in receipt of family allowances	Cumulative
Over £1,000	654	654	116	116
£1,000-£900	121	775	22	138
£900-£800	184	959	37	175
£800-£700	313	1,272	63	241
£700-£600	592	1,864	137	378
£600-£500	1,262	3,126	315	693
£500-£450	1,075	4,201	275	968
£450-£400	1,523	5,725	377	1,245

In comparing the number of cars in use with incomes at the different levels, allowance must be made for cars used exclusively for business purposes and the (much larger) number used partly for business and partly for pleasure. A considerable number of private cars must be chargeable against Schedule D assessments of business



General Motors CHEVROLET

profits and this fact alone makes any conclusion from a comparison of cars in use and the distribution of incomes rather tentative. On the face of the figures, there seems to be a substantial number of people with incomes below £600 a year who are running cars.

Some evidence in support of this conclusion emerges from a regional analysis of new registrations in recent years. This suggests that the smallest proportionate increase in vehicles registered from 1938 to 1950 was in county boroughs and the urban counties of London, Middlesex and Surrey, and the largest increase among the counties, and particularly in counties of a rural character where incomes generally run lower.

If it is true that families of modest income can afford a car despite high prices of new and second-hand cars and high running costs, the large number of families in the £600-£500 a year bracket and in the £500-£450 bracket represent a potential market which might be developed at a lower level of costs. The largest element in the cost of car ownership is taxation. A car with a retail price, excluding purchase tax, of £500, run for 7,000 miles a year at 30 miles per gallon, and written off over eight years costs about £125; to this taxes add £80

—more than 60 per cent. A similar sum for a car costing £315 and doing 38 miles per gallon shows a cost of £90 a year plus £57½ per cent for taxes. These are reasonable estimates of the cost of motoring in a new car. In normal times, when second-hand prices are in sensible relation with prices of new cars, the less affluent can

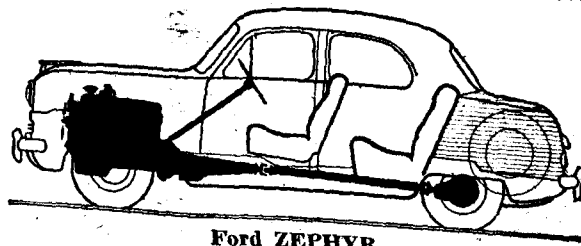


Vauxhall WYVERN

obtain their motoring by buying second-hand cars, to suit their requirements; by such means, and by motoring less than 7,000 miles a year, those with marginal incomes can become motorists.

If the number of owners of cars is to be increased, the present heavy burden of taxation will have to be reduced. Taxation now adds about 60 per cent to the cost of motoring; and yields about £335 million a year—ten times the Exchequer's contribution towards the roads. If all forms of taxation on motoring were cut by three-quarters, reducing the burden to no more than 15 per cent, the motorist would still be contributing a full share to the upkeep and improvement of the roads. If, in addition, the motor industry provided a vehicle that would give the most modest motor car at the lowest cost, a further reduction of 10 or 20 per cent could be expected in the cost of motoring. The total cost of ownership might be brought down, both for the new car buyer (if he bought the cheapest car offered) and for the second-hand buyer, to little more than half of the present cost. A really ultra-economical car produced on a scale comparable with American practice would make economical motoring possible to millions, in this country and abroad, to whom the idea of owning a motor car is now utterly remote. In that event, the potential volume of motor car exports would far outstrip the present figures.

For fifty years, motoring has been over taxed. Motor cars have been treated as if they were "visible symbols of the selfishness of arrogant wealth." That attitude largely explains the wasted years between the wars, when the development of the motor industry and of roads was strangled by taxation. If, instead, automobile develop-



Ford ZEPHYR

ment had been encouraged, some millions of man years wasted in unemployment might have been used to good account, and by 1939 this country would have been equipped with a greater engineering industry, a fine road system, a stronger balance of payments, and a significantly higher standard of living. A policy of encouragement could enable the industry over the next thirty years to play a part in the affairs of the nation comparable to the contribution of the automobile industry to American life.

When the artist's vision — the craftsman's touch —
are thus united, the already broad field of human experience
is both extended and enriched.

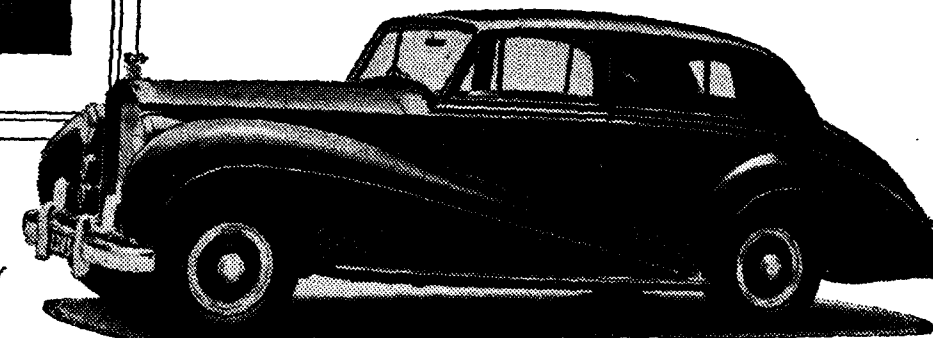


ROLLS-ROYCE

THE BEST CAR IN THE WORLD

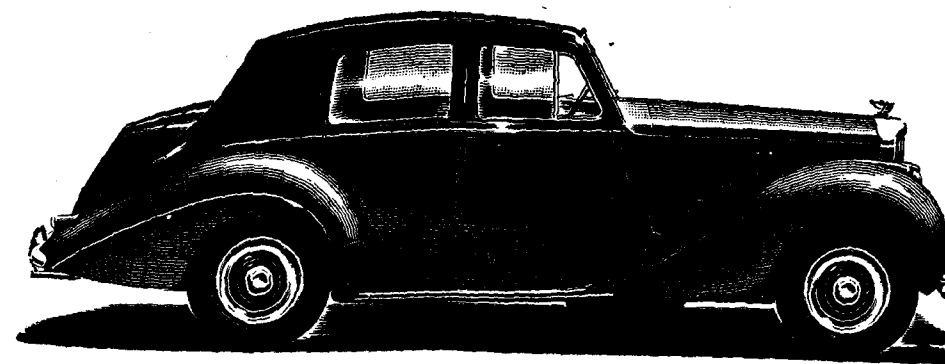
ROLLS-ROYCE LTD., 14-15 CONDUIT STREET, LONDON, W.1

This study of Sarah Siddons, most celebrated actress of her time, shows the touch of Gainsborough at its most masterly. Reproduced by permission of the Trustees of the National Gallery, London.



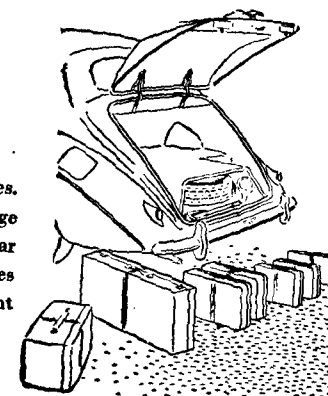
Announcing important new developments

on the **BENTLEY** sports saloon



The Bentley Sports Saloon now presented incorporates many improvements and additional features. A lengthened chassis enhances the appearance already improved by re-styled body work; luggage space has been increased to double the capacity of previous models; modifications to rear suspension add to comfort and the recently introduced 4½ litre engine still further improves performance. These modifications and the introduction of hot and cold air de-misting equipment are only a few of the additional features now incorporated in the Bentley.

BENTLEY MOTORS (1931) LIMITED, 14-15 CONDUIT STREET, LONDON, W.1



A Conspectus of Cars

VISITORS to the motor show which opened at Earls Court this week will find a cosmopolitan range of cars. German cars are not represented, but this exception apart, the leading motor manufacturers are showing cars from Canada, the United States, France, Italy and Spain. Earls Court provides an opportunity for measuring the British products against those of their overseas rivals—not in terms of sales achieved, for these are governed by currency regulations and import restrictions as much as by competitive efficiency, but in terms of price, performance and style. The twin tables on page 272 of this article sets down the leading characteristics of the more important British cars, and of a representative selection of American and European cars. Most of the figures in this table are derived from the reports on road tests published by *The Motor*, by whose courtesy they are used here.

Size as a Factor

When the European makers base their plans on attracting a mass market for their cars, they must allow for one most important element—that of size. American motorists want, and commonly manage to afford, cars as big as they can conveniently use. The standard car, whether cheap or dear, will carry six persons and a lot of luggage smoothly and almost silently. For the ordinary motorist in the United States, bigger size or better performance, even if it cost nothing, would add scarcely anything to the convenience and utility of owning a car. He can, at some increase in cost, get a larger car of even more splendid appearance, with fiercer acceleration and greater power. Alternatively, at a similar or very slightly lower price (and facing a bigger loss on resale) he can obtain a rather smaller car, which will probably be easier to handle provided that the driver is prepared to shift the gears himself instead of relying on an automaton in the gear box. But for the ordinary motorist any deviation from standard is likely to mean less good value for his money.

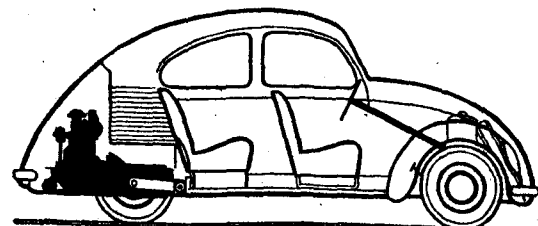
It is possible to predict with some confidence the probable line of development of the American standard car. Automatic transmission is at present an optional extra; in spite of the enormous investment of money and brains in the development of low-cost automatic systems, they still add about 10 per cent to the selling price and inevitably increase fuel consumption. But the strong preference of the American public for automatic transmission is most tangibly shown by readiness to pay for it; such systems seem bound to become standard equipment within the next three or four years. This week's announcement that Rolls-Royce have decided to instal the General Motors' automatic transmission as an option for overseas customers suggests that British developments in this field are much less far advanced. Power-assisted steering is now being offered as an extra on the heavier and more expensive cars, and power-assisted brakes, too, may in time become common for the standard saloon car. In respect of size, however, the American manufacturer seeking major markets has to forgo nothing of the ideal in order to keep the price of his product within the reach of his customers' pockets. This is one of the most important elements in the enormous strength of the American automobile industry.

But only the North American market has that character. Car makers outside the United States have a far more complex problem: How large a vehicle can the largest possible number of customers afford? The tables show the diversity of answers to this question.

The Cruiser Weight Answer

Immediately after the war, when the archaic horsepower tax was abandoned, opinion in Britain favoured a car to seat up to six persons, but with smaller power and weight than the standard American car. By concentration on a cruiser weight vehicle of this size—with corresponding uniformity of components—manufacturing costs, it was argued, would be brought so low that the cruiser weight vehicle would earn the leading place in the world's markets outside the United States. The *Standard Vanguard*, the *Ford Zephyr* and *Consul*, and the *Vauxhall Velox* and *Wyvern*, are the natural expressions of postwar thinking.

The *Standard Vanguard* was the first to appear, with a four cylinder 2.1 litre engine and a kerb weight of 24½ cwt. Ford and Vauxhall re-equipped their plants more extensively and although their new models were thus delayed, they may have gained valuable savings in the weight and in the man-hour cost per vehicle. These two companies have produced answers of extraordinarily close similarity. Both have overhead valve engines of 3½ inch bore and 3 inch stroke, a six-cylinder version for the more expensive, a



VOLKSWAGEN

four-cylinder version for the more economical. In each case the six-cylinder version is about one cwt. heavier than the four cylinder; and it may be guessed that the additional cost is less than £20. The Ford cars weigh each about one cwt. more than the corresponding Vauxhalls; the interior dimensions of the Vauxhall are very slightly more generous and the economy slightly greater; the Ford engines develop rather more power, at all events at full engine speed, than the Vauxhall, and thus give a slightly better performance at higher road speeds.

Vauxhall, which in prewar days never produced an 8 h.p. car when four of the "Big Six" probably found that this was the size in greatest demand, can hardly contemplate a major effort in this range. This company's facilities at Luton have been severely limited by Government policy; and it has opposed any suggestion of setting up plants elsewhere—in notable contrast to the policy of its parent, General Motors, which has tended to favour dispersed and smaller manufacturing units. The Luton plant also builds a considerable, and highly successful, range of commercial vehicles; Vauxhall's output may account for 40 per cent of the total.

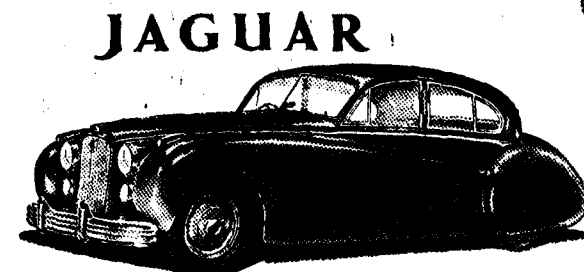
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**THIS YEAR
 OF GRACE
 SPACE
 PACE**

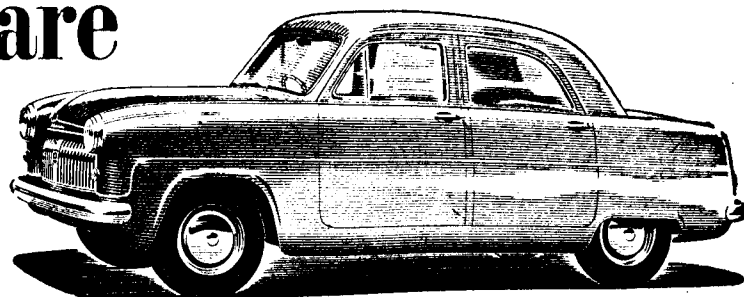
Enhancing British prestige by yet another year of success in international motoring events, Jaguar Cars are meeting with ever increasing acclaim in the World's markets. In the past year 83% of all Jaguar models were sold overseas, bringing to Britain no less than 10 million dollars as part of their great export earnings.



THE FINEST CAR OF ITS CLASS IN THE WORLD

See the actual record-breaking Jaguar which exceeded 100 m.p.h. for 7 days and nights, on the JAGUAR STAND 168 Earls Court.

Five-Star cars are Exciting



CONSUL

* The Motor says...

PERFORMANCE

ZEPHYR-SIX—“Outstanding performance... the engine turns with really electric motor smoothness... will out-accelerate any car in its class.”

CONSUL—“Good all round acceleration... very smooth... conforms to an acceptable standard of silence.”

COMFORT

ZEPHYR-SIX—“Will carry six people in comfort—with room to spare.”

CONSUL—“The Front suspension is unique... an extremely comfortable ride... good bump absorption... an entire absence of pitch or float.”

SAFETY

ZEPHYR-SIX—“Accurate and sensitive steering... potent braking system... very safe.”

CONSUL—“Tenacious road holding... on corners... ease of control... the steering is notable for lightness.”

STYLE

ZEPHYR-SIX—“Clean attractive lines... fine styling... sensible lack of ostentatious decoration.”

CONSUL—“That rare vehicle — an everyman's car that is basically good by any standard.”

CONSUL: £470 plus P.T. £262. 12. 3

* The Autocar says...

PERFORMANCE

ZEPHYR-SIX—“A genuine speed of over 80 m.p.h. — will cruise all day between 60 and 70 m.p.h.”

CONSUL—“Full advantage has been taken of modern ideas in design. A quick no-fuss getaway from cold.”

COMFORT

ZEPHYR-SIX—“Roomy without being cumbersome... the interior — neat yet business like.”

CONSUL—“The suspension permits very little roll... riding is level on average surfaces—severe shock is absorbed.”

SAFETY

ZEPHYR-SIX—“The steering — light and very positive... the brakes — powerful yet progressive... visibility is extremely good.”

CONSUL—“The car rides extremely well and has powerful brakes... steering is fingerlight yet definite.”

STYLE

ZEPHYR-SIX—“A very satisfactory car... has a clean external appearance with balance of line.”

CONSUL—“A smart car entirely in the modern style... clean lines and a smooth appearance... one of the outstanding cars produced since the war in the popular class — has handling qualities that would be acceptable on a car of any price.”

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Greater Value than ever since price reductions



ZEPHYR-SIX

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Ford
★★★★★
MOTORING
THE BEST AT LOWEST COST

Ford, whose products include Fordson tractors and commercial vehicles, have continued to produce their 8 and 10 h.p. cars, which have many common components. The Ford Consul and Zephyr showed—for example, in their completely novel front suspension—that the company was not afraid to depart from established practice where it found advantage in so doing; and when the small Ford appears, it may be hoped that it will be a car of notable overall economy.

When the Standard company decided to devote itself to the cruiserweight car (made with the same engine as that of the Ferguson tractor) it gave up the 8 h.p. Standard, which many good judges held to be the best of the prewar small cars. A “bored-out” version of its engine was, however, embodied in the Triumph Mayflower, which was obviously aimed at a market above the lowest. It is expected that Standard will shortly be producing a car in the smallest class, and aiming at the highest degree of economy. If so, this car will be a very different article from the new Triumph sports car which has been unveiled this week.

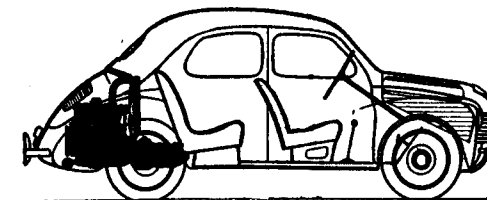
Among the Eclectics

The Nuffield Organisation is in a position to get a share of many markets. The two Wolseley models give it a stake in the dearer market; the Riley and M.G., which must have paid off their tooling costs long ago, provide a stake in the sports car market. The M.G. Midget is probably the only British vehicle selling in America at a price that earns a full margin of profit; with deliveries there of the order of 100 a week, it is selling at a rate probably as high as that of any other imported make. In the cruiserweight range, the Morris Six and Morris Oxford provide slightly less ample accommodation than the Fords, Vauxhalls and Vanguard of this class. The performance and economy of the Morris Six is reasonably comparable with that of the Zephyr and Velox though its weight is 3 cwt. or so greater. The Morris Oxford compares similarly with the Consul or Wyvern. The Morris Minor is generally regarded as one of the best current examples of British design and is now much improved by the fitting of the Austin 800 c.c. overhead valve engine.

The principal cars in the Austin range are the A.125, comparable in accommodation with the full size American saloons, the A.70 with a kerb weight of 25½ cwt, the A.40 (19½ cwt) and the A.30 (13½ cwt). The three last-named cover the range of popular British sizes in rather closer steps than some other manufacturers judge to be fully economic. The Austin A.30 has the distinction of being the lightest car made by any of the major organisations. With a weight of 13½ cwt, however, it is still not a car to satisfy the utmost demand for economy. Its weight is almost as great as that of the classic Model T Ford, which had an engine of almost three litres capacity, and more than twice that of the first Austin Seven which at its introduction weighed 6½ cwt. It is 10 per cent heavier than the 4 c.v. Renault; the latter with an engine developing 19 h.p. against the Austin's 30 h.p. gives almost the same performance, and a fuel consumption which shows a 20 per cent economy. It seems likely that the Renault engine, with its modest output, is conservatively loaded and should give a longer trouble-free life than a more heavily stressed power plant. The Renault's low weight evidently follows a ruthless scrutiny of every item, and the use of components specifically designed for

this vehicle without regard to any other. But the mounting of the engine at the rear is an important factor in its lighter weight. The Renault gives passengers as much space as the A.30; but, since the engine occupies the space between the rear wheels, and the lock of the front wheels limits the width of accommodation in front, luggage which the A.30 would take in the boot has to go on the roof of the Renault.

Price reductions recently announced for the Humber Pullman and a new Super Snipe result in a lower price-weight ratio than might be expected in their class; to produce the Super Snipe at a profit for 50 pence per lb must call for notable manufacturing efficiency. The Humber Hawk is a sound example of a cruiserweight vehicle, though at 26 cwt somewhat heavy, and therefore more expensive to build, than the Vauxhall and Ford six cylinder cars giving similar accommodation and disposing of greater power. The Hillman Minx is the Rootes Group's leading contribution among the smaller vehicles. Its good looks must help its sale considerably, and it is not surprising that sales of the Minx in the American market have been nearly as large as those of any other British car. It is noteworthy that none of the principal Rootes pro-



RENAULT 760 c.c.

ducts had overhead valve engines until the announcement last week of the new engine for the Super Snipe; but presumably the substantial investment in machinery and works reorganisation for such a change are under consideration for the smaller engines.

The Top Class

Of the vehicles made by British manufacturers other than the Big Six, the most notable are the Bentley and the Rolls-Royce, and the Jaguar. The two former are designed to appeal to those who are prepared to pay a high price for distinction and for refinement. The recently announced Continental Bentley, with a body by Mulliners, offers a saving of some 3 cwt. on the standard saloon, and a top speed of 115 miles per hour.

The Jaguar Mark VII is the only British car which, at its price in the home market, offers value for money comparable with corresponding cars in the United States. The accommodation is about as spacious as in the standard American saloon car, though the front seats are designed for two people in utmost comfort rather than for three on a bench seat. The performance is a little better than that of the larger American cars selling at a higher price. Its lack of an automatic transmission may well be accounted a virtue by many owners abroad to whom it appeals. In handling qualities and in road holding and braking, on any but the straightest of roads, the enthusiastic driver must find it a better car than any American product. To produce this car, in quantities which by American standards are very small, at a price which enables it to sell on its genuine transportation merits in the American market, is an outstanding achievement of design and manufacture. The new Armstrong Siddeley and Humber Snipe may be regarded as a bid for a share of this market.

Current British Cars

	Kerb weight cwt.	Price (£)	Pence per pound weight	Fuel Consumption (m.p.g.)					Maximum Speed (m.p.h.)		Maximum Top Gear Gradient: 1 in 20	Acceleration (secs.)		Engine Capacity (c.c.)	Brake H.P.	At revs. 000's per min.	Dimensions (ins.)				
				At 30 m.p.h.	At 40 m.p.h.	At 50 m.p.h.	Mean	Test by "The Motor"	Level	1 in 20		10-30 m.p.h. in top	0-50 m.p.h. through gears				Panel to rear squab	Width		Seat to Roof	
																		Front seat	Rear seat	Front	Rear
British Motor Corporation																					
Austin A 125 Sheerline.....	583	1,307	72.8	22.0	22.5	20.0	21.5	14.2	80.7	71	8	7.3	12.4	3,992	...	...	74	55½	56	36	33
Austin A 70 Hereford.....	253	627	52.3	54.5	32.0	29.0	31.8	21.9	80.5	65	11	11.5	14.6	2,199	68	3.4	66½	56	56	37	35½
Austin A 40 Somerset.....	19.5	467	51.3	43.0	40.0	31.5	38.2	29.9	68.8	58	11.1	12.3	21.2	1,200	42	4.4	66	50	50	36	35
Austin A 30.....	134	355	56.4	...	...	...	...	...	...	...	...	...	...	800	30	4.8	56½	47	44	35½	35½
Morris Six.....	25.6	640	53.7	34.6	31.8	29.8	32.1	20	82.5	66	14	10.9	15.3	2,215	70	4.8	64	50	51½	37	35½
Morris Oxford.....	204	510	52.8	37.5	33.0	27.0	32.5	25.7	67.3	50	124	12.6	21.4	1,476	41	4.2	64	50	51	36	36
Morris Minor.....	16	405	54.2	48.2	47.3	40.0	35.2	39.8	60.1	34	18	19.9	37.1	919	27	4.4	58	48	47½	36	35
M G 1½ litre.....	204	635	66.6	47.0	40.0	33.0	40.0	29.5	69.6	56	12.5	12.0	18.8	1,250	46	4.8	60	45	46½	37	34
M G Midget Sports.....	171	530	65.1	38.0	34.0	27.5	33.2	26.7	77.2	65	10	9.9	12.2	1,250	54.4	5.2	...	45	...	35	...
Riley 2½ litre.....	294	1,055	76.7	31.5	26.3	24.5	27.1	19.6	90.1	75	11.2	9.7	11.9	2,443	100	4.5	61	50	52	35	36
Wolseley Six-Eighty.....	26.1	720	59.1	30.5	30.0	26.5	29.0	21.8	85.3	74	10	10.7	15	2,215	72	4.6	67	51	51	37	35½
Wolseley Four-Fifty.....	233	660	60.3	38.0	35.5	31.0	33.6	27.0	70.7	55	12.8	12.9	18.9	1,476	...	4.0	67	51	51	37	35½
Ford																					
Ford Zephyr Six.....	224	532	50.2	24½	24	23½	24.0	23.7	79.8	69	8.2	7.5	14.0	2,262	68	4.0	70	51	50	35	36
Ford Consul.....	214	470	46.3	36.5	36.0	30.5	34.3	23.4	72.6	58	12	11.9	17.3	1,508	47	4.4	72	51	50	35	36
Ford Prefect.....	161	370	48.2	45.0	39.5	34.5	39.8	33.2	61.1	47	11.7	11.1	22.8	1,172	30.1	4.0	64	43	45	36	34½
Ford Anglia.....	144	313	45.6	52.5	45.5	37.0	45.0	36.2	57.2	37	16.6	13.5	38.3	933	23.4	4.0	63	43	48	37½	36
Rootes Group																					
Humber Pullman.....	424	1,395	70.3	25.5	22.0	19.0	22.2	16.5	82.2	66	10.6	10.4	15.6	4,086	100	3.4	...	53	60	37	35
Humber Super Snipe.....	351	830	50.2	22.5	21.0	19.0	20.8	17.7	81.6	73	7.6	8.0	13.1	4,086	100	3.4	72	54	59	37	35
Humber Hawk.....	26	725	59.9	33.0	29.5	25.5	29.3	24.2	71.4	58	8.6	9.6	18.7	2,267	58	3.4	67½	53	55½	38½	35
Hillman Minx.....	184	470	54.5	40.5	36.5	32.0	36.3	32.1	67.2	50	13.1	13.0	21.4	1,265	37.5	4.2	68	49	49½	36	33
Sunbeam Talbot 90.....	271	865	68.2	32.0	33.5	31.5	32.3	23.7	84.5	67	10.4	12.0	14.6	2,267	70	4.0	58	51	50½	38	33
Vauxhall																					
Vauxhall Velox.....	21.8	535	52.6	36.0	34.5	30.0	33.5	23.6	80.4	68	9.7	9.3	15.1	2,262	64	4.0	69	53½	55	36	34½
Vauxhall Wyvern.....	21	495	50.7	44.0	40.0	34.0	37.6	30.4	71.6	54	11.7	13.8	22.1	1,507	40	4.0	69	53½	55	36	34
Standard																					
Standard Vanguard.....	244	590	52.2	32.5	30.5	27.5	30.2	22.9	78.7	67	10.4	11.7	14.4	2,088	68	4.0	64	56	56½	36½	37
Triumph Mayflower.....	183	450	51.7	42.0	40.0	34.5	42.2	28.3	62.9	47	12.7	14.0	26.6	1,247	38	4.2	61	45	50½	36½	34
Alvis																					
Alvis.....	31	1,250	86.3	29.5	26.5	24.0	26.7	19.5	88.7	78	7.9	8.6	11.2	2,993	83	4.0	65	50	51	40	36
Bentley Mark VI.....	364	3,100	182	22.5	21.0	19.5	21.0	16½	100	86	6.8	7.9	10.1	4,566	...	...	72	50½	56	35	35
Daimler Consort Saloon.....	31	1,333	92.6	26.5	24.0	23.0	24.5	21.5	77.6	63	11.5	11.2	16.9	2,522	70	4.2	74	52½	55½	37	35
Jaguar 2-seater XK 120.....	254	1,130	94.9	27.5	26.5	24.0	26.0	19.8	124.6	108	7.1	6.7	7.3	3,442	160	5.4	...	50	...	40½	...
Jaguar Mark VII.....	344	1,140	71.0	26.0	25.5	23.5	23.6	17.6	101.0	92	7.6	7.9	9.8	3,442	160	5.2	66	55	58	35	37
Jowett Javelin.....	214	695	69.4	34.0	35.0	32.5	33.8	25.6	77.6	67	10½	11.1	15.3	1,486	50	4.1	66	50	49	35	35
Lagonda																					
Lagonda.....	29.1	1,925	141.0	25.5	23.5	21.5	23.5	17.0	90.2	77	10½	12.2	12.9	2,580	105	5.0	66	51	54	46	31
Rover 75.....	281	955	71.3	33.0	31.5	27.5	30.7	23.9	78.3	62	10.6	11.7	16.3	2,105	75	4.2	75	52	52	34½	31
Singer S M 1500.....	231	725	65.7	32.5	29.5	28.5	30.2	25.5	73.6	57	13½	14.7	17.0	1,497	48	4.2	66	51	53	38	33½

American and Continental Cars

The Ford Model T and Forty-Niner are included for their historical interest.

	Kerb weight cwt.	Price		Pence per lb. weight	Fuel Consumption (m.p.g.)				Maximum Speed (m.p.h.)		Maximum Top Gear Gradient : 1 in 20	Acceleration (secs.)		Engine Capacity (c.c.)	Brake H.P.	At revs. 000's per min.	Dimensions (ins.)				
		Currency	£		At 30 m.p.h.	At 40 m.p.h.	At 50 m.p.h.	Test by "The Motor"	Level	1 in 20		10-30 m.p.h. in top	0-50 m.p.h. through gears				Panel to rear squab	Width		Seat to Roof	
																		Front seat	Rear seat	Front	Rear
Alfa Romeo 1900.....	22.6	2.4 m. lire	1,418	134.5	36.0	34.6	31.4	22.8	102.8	95	11.2	...	12.8	1,884	93	5.4	63½	51	52	38	36
Cadillac Series 62	371	\$3,384	1,210	69.8	24.0	23.5	21.0	17.0	99.7	84	...	3.6	11.6	5,420	160	3.8	82	63	60	37	37
Chevrolet Styleline	304	\$1,615	578	39.7	27.5	24.5	21.5	16.0	85.1	72	4.7	5.7	15.0	3,850	98	3.6	74	57	57	37	36
Chrysler Imperial	411	\$3,596	1,284	65.5	19.0	19.0	17.5	14.4	101.2	85	8.3	...	11.8	5,440	180	4.0	79½	57	59	39	35½
Citroen Six	264	869,200 frs.	881	71.3	25.0	23.5	22.0	19.1	81.8	69	9.9	9.5	12.6	2,866	76	3.8	74	50	52½	35	34
Citroen Light 15	22	629,230 frs.	638	62.2	33.5	31.0	27.5	25.2	72.6	54	12.1	11.1	15.7	1,911	56	4.3	65	47	49	36½	34
Fiat 1400	22½	1.4 m. lire	824	76.2	33.0	32.0	29.0	24.2	74.4	48	17.8	24.0	28.0	1,395	44	4.4	67	53	55	38	35
Fiat 500 c.	11½	730,000 lire	430	78.3	73.5	58.0	56.5	40.4	60.3	...	22	26.8	34.6	570	16½	4.4	...	46	...	37	...
Ford Forty Niner	27½	...	...	...	27.5	25.5	23.0	18.4	90.2	77	8½	9.4	10.6	3,700	95	3.3	70	60	58	38	34½
Ford Model T	134	...	...	...	32.0	...	...	28.5	42	35	11.1	12.8	35.8	2,890	...	...	...	...	...	...	...
Henry J. 4 cyl. saloon	222	\$1,520	542	52.3	32.5	29.5	26.5	23.4	74.1	64	8.8	10.5	15.1	2,200	68	4.0	68	58	57	34	33
Hudson Commodore 8 Club Coupe	334	\$2,485	890	56.9	24.5	22.5	21.0	16.0	90.3	74	8½	9.1	13.6	4,160	128	4.0	67	67	69	37½	37
Lancia	224	2.3 m. lire	1,315	127.0	28.0	30.0	28.5	27.0	86.0	63	13.5	16.2	17.2	1,754	55.2	4.0	71	51	53	35	34
Mercedes Benz type 300.....	35.4	19,900 dm.	1,690	102.6	24.5	24.5	24.0	16.2	100.9	87	11.1	11.2	10.4	2,996	115	4.6	77	54½	60½	...	39½
Mercedes Benz type 220.....	26.5	11,750 dm.	...	...	30.3	28.3	26.4	18.9	89.1	75.8	11.8	12.8	14.7	2,195	78.8	4.8	66½	50½	53	39	38½
Mercedes Benz 170 S.....	25.4	9,950 dm.	692	58.4	35.0	35.0	32.1	23.7	75.2	61	14	15	19.4	1,767	52	4.0	65½	46½	53	32½	33½
Mercedes Benz 170 Diesel ..	24.1	8,950 dm.	740	65.8	66.0	48.0	41.0	74.0	64.3	33	17	17.5	32.5	1,697	38	3.2	64	41½	47½	31½	34½
Nash 600 Airflyte	27½	\$1,981	712	55.4	26.5	27.5	25.5	23.7	79.3	59	9½	8.6	16.2	2,830	83	3.8	83	64	62	35	36
Nash Rambler	23	\$1,808	649	60.5	35.5	34.0	30.5	25.2	80.9	67	7.0	7.5	14.1	2,830	82	3.8	66	55	53½	35	34
Renault Frégate	24.9	860,000 frs.	872	75.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Renault 760 cc.....	12	458,000 frs.	464	82.9	62.0	53.5	43.5	49.7	56.7	41	13.1	14.4	37.6	760	19	4.0	60	50	49	35	34
Simca Aronde	18½	712,000 frs.	734	86.2	46.5	39.0	32.5	34.1	73.9	52	13.9	16.2	18.7	1,221	44.5	4.5	63	51	50	37	35
Studebaker Champion 5-seater Coupe	26½	...	...	...	30.0	28.5	24.0	19.0	78.5	62	8½	8.8	18.0	2,780	80	4.0	76	56	57	37½	33
Volkswagen Type 11.....	14	4,600 dm.	382	58.5	...	...	...	...	57.3	...	26	...	29.4	1,131	25	3.0	55	...	53	38	35

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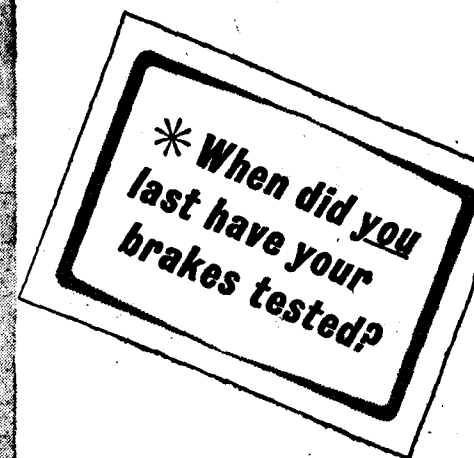
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European Competitors

In Italy, Fiat accounts for almost 90 per cent of total production and only Lancia and Alfa Romeo are significant among other producers. In the cruiser weight class, Fiat offer two models, the 1900 c.c. and the 1400 c.c., with similar bodies—a policy parallel to that of Ford and Vauxhall. Both versions, however, have four-cylinder engines—the 1900 having a longer stroke, while the 1400 has a stroke/bore ratio even smaller than the present tendency of technical thought would demand. Both engines, however, seem to be inflexible in character, yielding a reasonable output only at a high rate of revolutions—though, as a corollary, they are no doubt able to stand up to continuous fast driving on the autostrade which English engines of comparable size would find punitive.

The Fiat 500 c.c. is a modification of a vehicle first produced some twenty years ago, but it cannot yet be considered an outmoded solution of the problem of a "minimum" motor car. Its weight is comparable to that of the Renault, but the accommodation it gives is much smaller. With an engine of two-thirds of the capacity of the Renault, it gives almost the same power at full speed, but performance at moderate engine or road-speed is definitely less good, and the petrol consumption higher.

New Ideas from France

Among the French cars of medium size, Citroen is an established and yet still revolutionary concept in design. When first introduced nearly twenty years ago, the design was a most notable departure from current practice, with front-wheel drive and a body which took full advantage of the absence of a fore and aft propeller shaft to give a flat floor and ample accommodation. No other private manufacturer in the last forty years has ventured an investment on the heavy scale needed for quantity production on a model so different from what the public had learned to accept. Yet success has kept the design going for twenty years and it is now incorporated in two models. The most notable French competition to the British cruiser weights is the Renault Frigate. This has a four cylinder, 2 litre engine and a body offering fully as much space as the Fords and Vauxhalls. Independent suspension on all four wheels—which no other cruiser weight car in large production has adopted—should give notable road holding. The fuel economy claimed by its makers is surprisingly high, as also is the kerb weight at 24.9 cwt. Current production is said to be at the rate of 130 a day, working up to 250 a day—at which figure the potential output of 60,000 a year might well be higher than that of any British cruiser weight car. It is indeed surprising to find that its price in the French market is lower in relation to weight

What is an Over-square Engine?

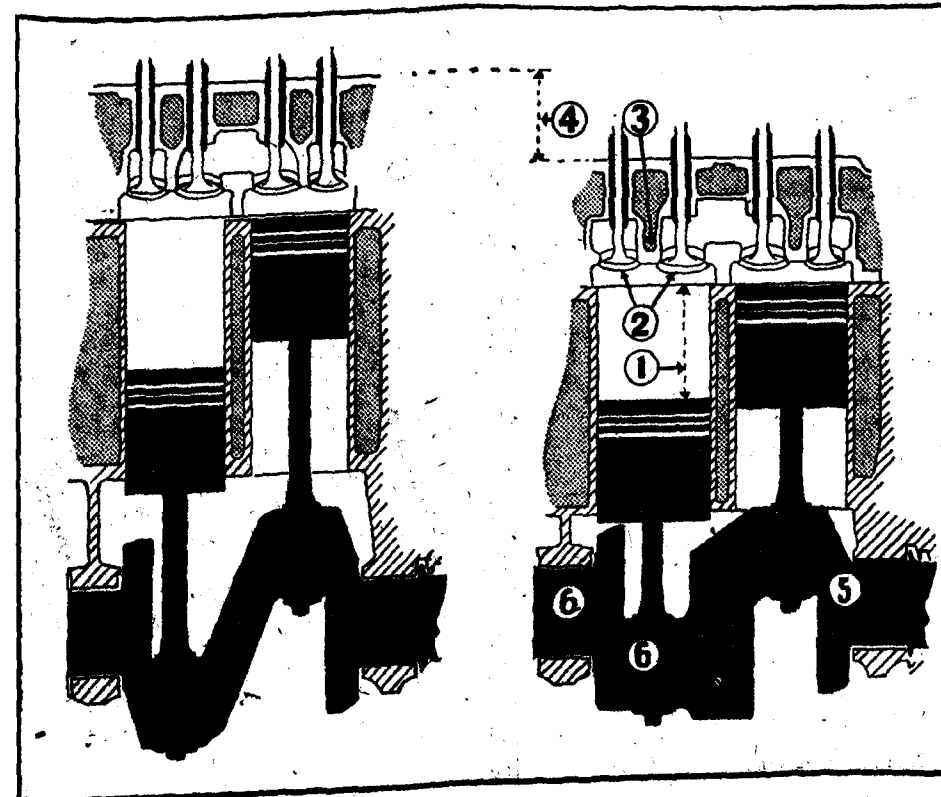
A NUMBER of car manufacturers are changing the characteristics of their engines from the conventional narrow bore, long stroke unit shown on the left to one in which the stroke is shortened and the bore widened until both stroke and bore are of equal dimension or, as in some cases, until the bore is in fact wider than the stroke is long—hence the name "over-square." British manu-

facturers for many years concentrated on the use of a narrower cylinder bore and a longer piston stroke—not, indeed, on calculations of technical advantage, but because the old system of motor taxation based on horse-power rating forced them to adopt such dimensions in order to keep the notional horse-power of the engine down to the minimum; the actual horse-power developed from such engines

depended on the engine revolutions, which had to be correspondingly high to secure a given performance. The change to a flat rate of tax has released engine designers from such artificial restrictions. The superiority of the "over-square" over the alternative type of engine is not universally accepted, but it does seem to have certain advantages which make for rather longer engine

life. The piston itself can travel more slowly since it has a shorter distance to move in a given time (1). The diagram shows that the valves can be made larger (2), and the wider bore of the cylinder leaves space for water cooling between the valves that could not previously be contrived (3). The shorter piston stroke reduces the height of the entire engine (4) making for a more compact unit. As a result, it becomes possible to stiffen the components and to lengthen both the main bearings and those on the connecting rod (5 and 6), making for sturdier construction all round.

Over-square designs cannot be introduced without complete re-tooling of existing engine plants when major changes in models are being made, such as those that have recently taken place in the Ford and Vauxhall factories. Apart from these instances in which over-square engines have been adopted, there is a general tendency among other manufacturers to reduce the length of the piston stroke short of adopting a "square" engine.



To some extent, this investment in road transport arises from changes in industrial location. Dispersion from the older industrial areas has meant that for part of British industry there is no alternative to road transport, unless an inordinate amount of packing and handling is accepted. But a second advantage—perhaps greater—lies in its flexibility. Road transport permits saving in packing materials and containers, since the risk of damage is smaller than it is with the multiple handling necessary on the railways. This increase in the cost of packing materials and containers has contributed to the growth of road transport; so has the need for rapid transport to keep factories working smoothly in a period beset by shortages and delays in obtaining materials. Vehicles have also often been required, in this period of full-employment, to bring factory workers from a wider radius, particularly in the newer industrial areas.

*

Road transport since the war has become integrated into the varying methods of production and distribution

of an increasingly large number of firms. For many businesses, purely on the basis of cost, investment in road vehicles pays. It would be even more economic if the road system were brought up-to-date. An example of the benefits that may result from a good road scheme is to be found in the Liverpool-East Lancashire trunk road, completed at a cost of £2½ millions. Half of the traffic on the old roads has been absorbed by this road; it is estimated to save £600,000 a year in vehicle operating costs. According to the British Road Federation, tests have shown that such modern roads allow vehicles to run on 40 per cent less fuel, and in some cases to halve the running time, cut tyre wear by 15 per cent, and reduce expenditure on repairs and maintenance by 10 per cent; and it is argued that, with the right type of roads, operating costs per ton-mile for the heavier type of goods vehicles could be cut by almost one-third. One of the most direct handicaps that poor roads impose is on the motor industry's power to compete in export markets. Manufacturers are producing vehicles that are sold abroad to run at speeds of 50 m.p.h. and upwards; but

Higher Compression and Premium Petrol

The compression ratio of an engine measures the relation between the combined volume of the combustion chamber and cylinder when the piston is at the top, and at the bottom, of its stroke. The smaller the space that remains when the piston is at the top of its stroke, the greater will be the pressure set up in the combustion chamber and the higher the thermal efficiency secured from the engine. The power output of an engine for a given fuel consumption can therefore be improved by raising the compression ratio.

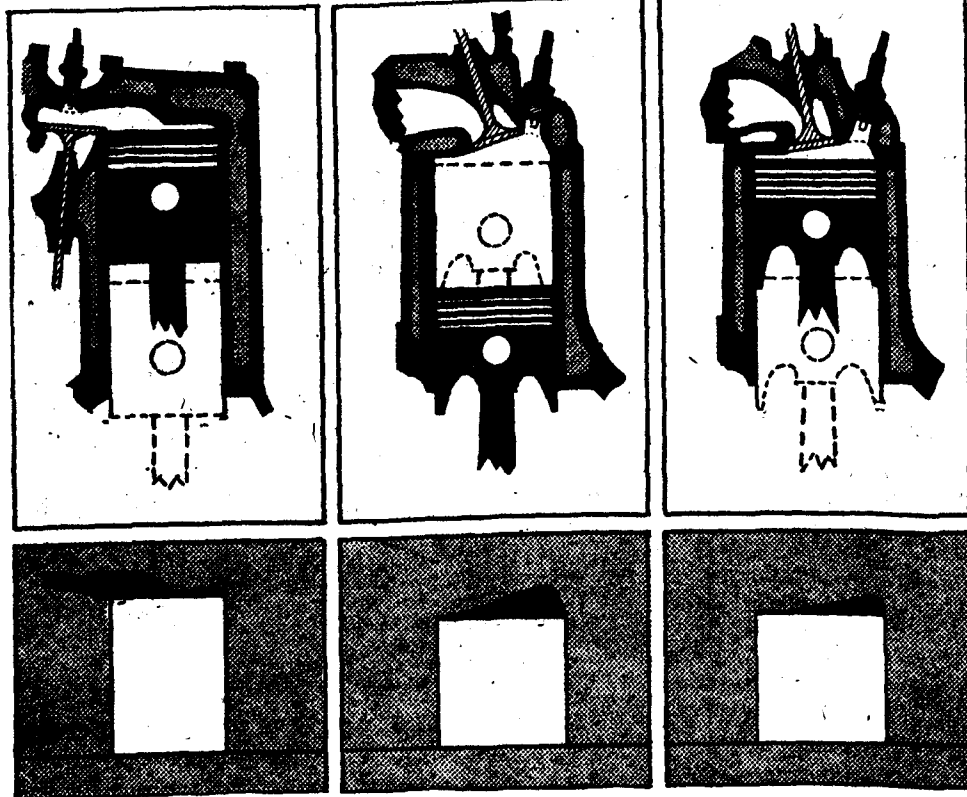
The diagrams, reading from left to right, show what happens when the compression ratio is raised from 6.5 to 1, which was the standard prewar figure, to 8 to 1, which is the present maximum, and then to a theoretical figure of 10 to 1 which represents the probable limits to which a reciprocating petrol engine could

go. Compression ratios can be raised only if suitable fuel is available. Petrol of around 80 octane, which seems likely to become the standard "premium" grade gives its best results at ratios of up to 8 to 1; higher ratios demand higher octanes, and only a change from premium grade 80 octane to aviation grade 100 octane would make it possible to go much above an 8 to 1 ratio. It seems unlikely that petrol of such high octane value would ever be freely available at the pump, and hence that manufacturers would embark on the production of cars with compression ratios beyond 8 to 1.

British manufacturers, however, will now have considerable room for improving the compression ratios of their engines. The majority of cars are designed with compression ratios between 6.8 and 7 to 1 and a few go as high as

7½ to 1. The principal reason why these figures are so low stems from the limitation of pool petrol to 72 octane; and those few manufacturers who designed postwar engines with ratios a little below 8 to 1 had to reduce them when 80 octane petrol was not available. Manufacturers across the Channel have not suffered so long from this limitation of unsuitable fuel, and a number of their cars have been rated up to 8 to 1.

To raise the compression ratio of an existing car is a comparatively simple operation involving the machining of a fraction from the base of the combustion chamber, so lowering it and immediately increasing the compression ratio. Some British manufacturers are about to take this step, but it is a change that imposes greater stresses on the engine, and therefore one that is easier to make on the short-stroke square engines which are sturdier than the long-stroke engines unless, the latter have been specially designed for working at high compression.



Shell X-100 Motor Oil provides the greatest protection against engine wear



When the Jaguar XK120 made history recently by covering 16,800 miles in 7 days and nights at over 100 m.p.h., it gave proof of the supremacy of Shell X-100 Motor Oil. The condition of the engine when stripped down was a remarkable tribute to the protective properties of this great oil.

Whatever the make of your car you can have the same protection from acid-action—main cause of engine wear, that enabled Jaguar to compress over two years' normal motoring into one week.

Ask your garage to drain out your old oil and refill with the correct grade of Shell X-100. If your car has covered a high mileage and the engine has not recently been completely stripped, the oil should be changed again after the first few hundred miles and the filters checked. Winter protection. Acid Action does most damage during

the cold, damp winter months. Shell X-100 neutralises this Acid Action and keeps engine surfaces constantly covered with a tenacious protective oil film.

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they cannot balance their production with a home demand for the same types so long as the larger commercial vehicles here have to conform with a speed limit of 20 m.p.h.—which in practice means schedules based on 16 m.p.h. and may require 15 per cent more vehicles to be used on the transport system.

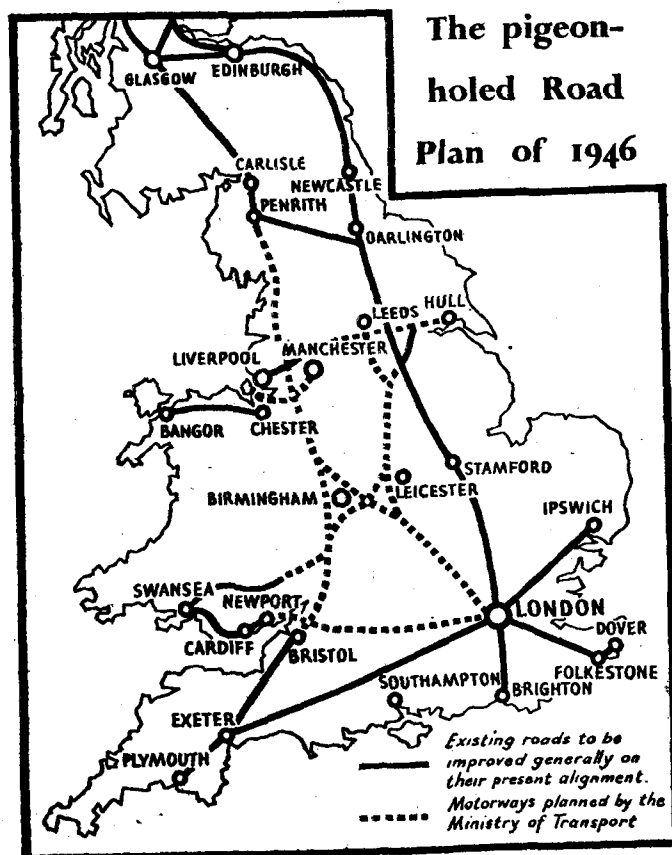
No postwar government has lent to the advocates of investment in roads as willing an ear as for example, other public utilities have been able to command. Mr Brunner indeed pointed out last week that electricity since the war has been allowed to spend about 50 per cent more than has been spent on the roads since the

whatever improvements are carried out need to constitute, in themselves, a complete scheme; isolated stretches of first-class road will achieve little more than the present policy of mending and patching. It would certainly be possible to finance the construction of a series of major new road works on the toll principle. Many roads and bridges have been built in the United States on this principle, the most recent being the Pennsylvania Turnpike. The tendency in the United States seems to be to extend this method of road finance in order to supplement the general road building programme undertaken by the Federal or State governments.

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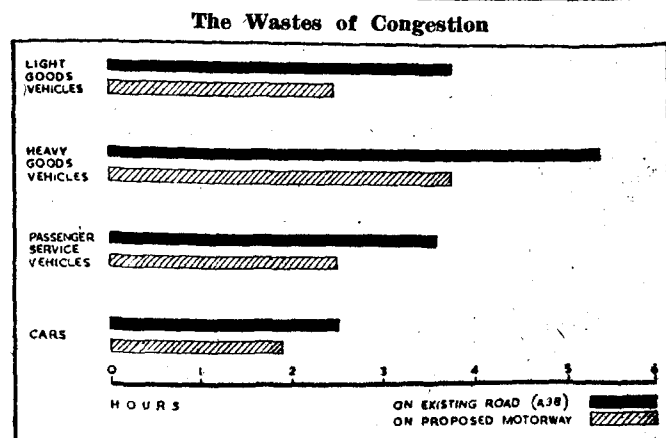
It may be argued that road users already contribute enough in taxation, both on their vehicles and on their fuel, to provide sufficient funds for any scheme, however ambitious, of new and improved roads. From the economic point of view, moreover, road development requires the same consumption of materials, manpower and other resources, however the finance is found. Private finance of toll roads, therefore, may seem only a rather desperate solution for a problem that clearly should be a public responsibility. Even so, do not the crippling disadvantages from which British road transport now suffers justify radical solutions? Under the present taxation system in Britain, the road user has no influence whatever upon the provider of the track, despite the heavy burden of road taxation that he pays. There seems little ground for hoping, therefore, that in the reasonably near future trade and industry are likely to receive any help in cutting down their transport costs by an improvement of the road system. In these circumstances, it may well be that road users themselves would find it a worthwhile investment to build a network of modern roads, even without government finance.

The case for improvement of Britain's road system, is essentially simple. Much of the effort that industry is making to modernise equipment within the factory and to increase productivity in manufacture is being frustrated by the inefficiency with which its product, at all stages of manufacture, is being transported to and from the works and into consumption. Without a commensurate invest-



beginning of this century. In 1946 the Labour Government approved a comprehensive 10-year plan for modernising the road system, divided into three stages. The first, covering two years, was to catch up with arrears of maintenance accumulated during the war, to improve "blackspots" for accidents and to begin reconstruction in blitzed areas. The second, to last three years, was to complete the work of the first phase and start certain big new construction schemes. Bridges were to be strengthened and congestion in London and other cities was to be relieved. In the last five years of the programme there was to be a thoroughgoing reconstruction of the principal national routes, including a large mileage of motorways. No action whatever has yet resulted from this plan. Even the bare maintenance of the roads has been cut to a dangerous extent, while some £3,500,000 has been spent on roadworks that cannot yet be used because they have been left unfinished.

Even given the apparently unyielding reluctance of the Government to allocate funds for new road work, there may exist an alternative method of providing at least the framework of a system of modern roads. This alternative is the more practicable because of the fact that



Based on a survey made by the British Road Federation in 1949.

ment in roads upon which modern motor vehicles can operate efficiently the whole production process—which ends only when the goods reach the consumer and not before—cannot reap the full benefits of the efforts now being made here and there along the line.

The Economist

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November 1, 1952

LEADING ARTICLES

Labour after Battle	- - - -	281
Shades of Himmler	- - - -	283
Comment and Defamation	- - - -	284
Western Stakes in North Africa	- - - -	286

NOTES OF THE WEEK

Peace and Honour; Khartoum, Cairo and London; Conservatives Gain Favour; Engineers Are Polite; Kenya Crossroads; France's Open Wound; Mao Over Malaya; Bidding for the Overseas Chinese; Ownership or Control?; Planning Unplanned; Federation Technicalities; Europe's Search for Dollars; M. Pinay's Hidden Strength; Socialists and European Union; Guarding British Treasures.

LETTERS TO THE EDITOR

AMERICAN SURVEY

Clouded Crystals	- - - -	300
According to Dr Gallup	- - - -	301
New England's Favours	- - - -	302

White House via Korea?; Pushing Down the Communists; Metals—Too Little and Too Much; Gadgets for Candidates; War Between the Textile States; A Kettle of Frozen Fish; Shorter Notes.

THE WORLD OVERSEAS

Italian Balance Sheet	- - - -	307
-----------------------	---------	-----

At Coal-Steel Headquarters; Battle Act and Boycott; The New Rhone Barrage; Soviet Central Asia—I; Free World and Eastern Europe—II; Independent India's Civil Service.

THE BUSINESS WORLD

Profits off the Boil	- - - -	317
Cheaper Life Assurance	- - - -	319

BUSINESS NOTES

Trade and the President; Production Still Depressed; Sterling Ascendant; Deposits Rise, Despite the Loan; Liquidity Ratios Now; Steel Shortage Fades; More Cars and Less Exports; Confusion in the Second-hand Market; Experiment with Zinc; Rayon Recovery; Steel Arguments and Realities; An Option on Wool; Bradford Reserves Judgment; Britain Lends More Aluminium; Fuel without Policy; Encyclopaedia of Gilt-Edged; OFS and Anglo-American; Insulin without Exploitation; The Size of Coal; Shorter Notes.

COMPANY NOTES

STATISTICAL SUMMARY

COMPANY MEETINGS

AUTUMN BOOKS

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Labour after Battle

THE opening of the new session of Parliament next week will coincide with a new phase in the thinking and conduct of the Labour party. It may not be on balance an improvement, but at least it will be different from the intrigues and indecisions of the past eighteen months. The "Bevanite" struggle, in the form in which it has dominated British politics during that period, is over. This is the implicit admission of the statement published on Thursday in Mr Bevan's own organ, *Tribune*. He has bowed to the orders of the majority of the Parliamentary Labour party; his friends will no longer act as an organised group in open opposition to the decided policies of Mr Attlee and the other members of Labour's front bench.

Mr Bevan's retreat does not mean that the contest for the future leadership of the Labour party has been irretrievably decided against him; still less does it mean that the debate on Labour policy, which underlies the personal struggle for power, is exhausted. But there is a decisive change. The policy debate will now be conducted in different terms and by different methods. The struggle for power will be renewed, but it is unlikely again to take the form of a regular minority protest against Mr Attlee's authority.

This is welcome, if only because it should make Labour politics rather less undignified than they have been since Mr Bevan's friends were freed from such restraints that his presence in the cabinet imposed between 1945 and 1951. But the outsider is concerned with Labour's battles less for their dignity and charity than for their bearing on the party's future policy, whether in opposition or in office. And here the significance of Mr Bevan's retreat is unusually difficult to assess. The controversy has turned almost entirely on personalities and party organisation, not on policy. Both sides have appealed primarily to the party's loyalty: on one hand, loyalty to its present leaders; on the other hand, loyalty to the older enthusiasms and prejudices of socialism. Neither side has ever challenged the other by producing a coherent policy.

The effect of recent events on future policy is likely, nevertheless, to be profound. It follows from the nature of Mr Bevan's work during the past eighteen months. The essence of his achievement is summed up in two facts which are now indisputable: Mr Bevan gained the sympathy of the majority of the rank and file of active Labour party members; he quite failed to gain the confidence of the party's oligarchy, of the trade union leaders, the Labour MPs, the officials at Transport House—the oligarchy of those who bear practical industrial and political responsibilities.

The sympathy of the rank and file was put beyond doubt at the Morecambe conference, by the success of all the six Bevanites who competed for the seven places on Labour's executive committee that are at the disposal of the party's constituency associations. This was the easy reward for eighteen months of propaganda appealing to all the stock emotions and familiar ideas of the party zealots—their desperate

reluctance to believe that an arms race could have anything to do with a socialist foreign policy; their determination to believe that present discontents must have the same cause as the evils they had fought in the thirties; their faith that nationalisation and planning are disappointing only because they have not gone far enough; their hope that profits can always be squeezed more and social services can always be extended a little farther. The one coherent principle in Bevanism has been the attempt to tell the faithful Socialist that the world is still what he believed it to be, with only the very minimum of concessions to postwar experience. For the party workers in the constituencies, the formula has proved to be as successful as it is simple.

On the long view, this may be the depressing lesson of the past eighteen months. In the short run, it is the demagogic nature of Bevanism that has made its retreat this week unavoidable. The doctrine that went down so well in the constituencies was just too simple for Westminster and Transport House. In spite of his evident popularity with their followers, no Labour leaders of any significance climbed on to Mr Bevan's wagon. Even those on the Left who might have been expected to be his natural allies have in fact stood uneasily aside. Mr Bevan as a leader failed to win the trust of any experienced politician. When, therefore, the Right wing of the party decided that his success with the constituencies made a counter-attack essential, it had the support not only of the trade union leaders but also of a large majority of Labour MPs. At the party meeting last week the Bevanites were in effect declared to be guilty of conspiracy, and while denying the justice of the verdict they have felt compelled to recognise its force. For the time being, their activities as a party within a party are over. And if they were resumed, Mr Attlee would now have a recognised code of "loyal" behaviour by which to appeal to the party in the country for their condemnation. It would be foolish to assume that Bevanism is dead, but certainly its renewal in anything like the old form would meet with far stronger opposition than did its inception. Mr Bevan's position may not be hopeless, but it is weaker now than at any time since the general election.

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Such is the present state of the Labour party. Its obvious advantages, compared with what went before, unfortunately have to be weighed against the two heavy costs that have been incurred. In the first place, Mr Bevan has been weakened only by imposing on Labour MPs a far more rigid discipline than has ever before been experienced in British politics. In this matter freedom should not be confused with democracy. It is not objectionable that within the Labour party the oligarchy has triumphed over the zealous rank-and-file. The case for decision by counting heads applies to the community as a whole, not to a political party. The function of the parties in a parliamentary democracy is to present on the issues of the day a point of view acceptable to about 50 per cent of the electors. That can never be the view of the active ranks of party workers; it must be worked out by the full-time politicians who combine party principles with a lively appreciation of national circumstances and political possibilities. In this sense, a good party in a democracy is necessarily itself an oligarchy. But if it is a healthy party it is an oligarchy with freedom of discussion and respect for the individual conscience.

In fighting Bevanism the Labour party has adopted rules that could be exploited, if power once fell into illiberal hands, on dangerous authoritarian lines.

No doubt this extreme danger is remote, and the party's present leaders intend to use their power as liberally as possible. But the new rigidity and discipline are unhealthy enough even if they prove to be only a slight brake on the new thinking and discussion that Labour so obviously needs. The brake is made more regrettable by the second cost of the battle against Bevanism—the unthinking move to the Left that has occurred in many departments of Labour policy. The orthodox leaders have not ignored the popularity of Bevanism in the constituencies. They have resisted, at least in part and temporarily, its influence on foreign policy—though even there the concession they made on German rearmament was considerable, and there can be no certainty that it is the last. Immediately, the whole party has gone a long way towards Bevanism in its gropings towards a domestic policy. Here the leaders have truly truckled to the rank and file. What Mr Morrison and others had fought against since 1948 slipped into the policy resolutions at Morecambe without protest. The Labour party has expressed its intention of carrying out more "major" acts of nationalisation when it is next in office.

A general declaration of this kind is not, of course, decisive. What happens between now and the next election—in particular, the recurrence or otherwise of crisis conditions—will do far more to determine the Labour programme than any words that have been spoken yet. But a sharp bias towards the Left has unquestionably been introduced. It has been fashioned in the heat of battle with Mr Bevan. It is not based on the fresh thinking that the Fabians and others have set for themselves but have as yet hardly begun. It is not the movement to the Left that in one sense is bound to come as Labour turns to fill the vacuum that had developed before its defeat with some positive ideas. On the contrary, the leftward view that has now gained strength is still that of twenty years ago, of the class war and the omnipotent state. The experience of the postwar years remains undigested.

No one can deny Labour the right to become a doctrinaire Socialist party if it wants to be. But it is not entitled to hold up the processes of government, or in the meantime to abuse the duties of opposition, because it has no clear policy. That is still the chief danger. The generalities about policy to which the party's leaders are now committing themselves are dangerous chiefly because they are to a large extent insincere. It is no secret that many of the men who have for the present defeated Mr Bevan do not want to undertake more nationalisation. They are fully aware that the real task of Labour policy is to find the roads to the expanding national income, to the more rigorous economy, that it cannot yet promise to the country. These are the things that have so far been the real casualties of Bevanism. For a year Labour has been squabbling instead of thinking, and in the upshot it has vastly strengthened the inhibitions against honest thought. It may not be too late to break down the inhibitions again, but men like Mr Morrison and Mr Gaitskell should feel very sure of success before they take any pleasure in the resistance to Bevanism or set any store by its permanence. And it is hard to see any basis for such confidence.

Shades of Himmler

THERE is some reason for gratitude that Hitler's former paratroop commander, General Ramcke, should have chosen to be indiscreet in public. Had he not called the western allies war criminals, had he not boasted that it was an honour to be on the blacklist of civilised opinion, the meeting at which he spoke last weekend might have attracted no attention. That would have been a pity. For the reappearance of 5,000 men of the Waffen SS, marching through the beflagged streets of Verden, enjoying the hospitality of their old, notoriously Nazi garrison town, was an event not to be missed. There had been hopes that Himmler's élite corps would not be heard of again, that the death's head symbol would never show itself again on the streets of Germany. But now, suddenly and subtly, the challenge has been made: to the authority of the allied occupation, to the conscience of the German public and to the moral courage of its government and administrators. It is the first whisper of a question that has barely been asked outside Germany itself: shall men of the SS take part in the defence of Europe?

The incident is of symbolic rather than legal importance; it is only the thin end of the Nazi wedge which the decision to rearm has brought into view. Neither General Ramcke nor the organisers of the rally appear to have offended against German law; the shock troops of the SS, which was branded at Nuremberg as a criminal organisation, have taken care to reappear under cover of a "welfare organisation." Among the men gathered at Verden there were doubtless some who genuinely failed to understand why those initials still stunk in the nostrils of Europe and Russia. Likewise, it is true, there were some decent and deluded men conscripted into the Waffen SS when war had taken its toll of the specially indoctrinated, systematically brutalised guardsmen of the earlier days. And some, at least, of those present at Verden have disavowed all sympathy with General Ramcke's speech and preferred, like Generals Gille and Hausser, devotion to democracy. Yet, when every allowance has been made, there remains the fact that most former SS men find it safe to be proud of belonging to that organisation, for the grave reason that German public opinion has never faced the truth about it. It insists on forgetting the loathsome career of Heydrich, the dreadful "liquidation units" of the SD, the "hardening" of young men by the brutal guard duties of Buchenwald, the systematic extermination of "inferior races," the dedication of these guards to Himmler's vision of a Germanised Europe ruled by a warrior caste.

It is this forgetfulness, this turning aside from the shameful truth that can still corrupt and wreck democracy in the Federal Republic, when it is about to take an ally's place beside its former enemies in Europe. Public opinion, confronted with the ideas and personalities of the past, is still either timorous or cynical. In Bonn itself, in Dr Adenauer's cabinet, permeating a thin layer of enlightened men and women in public life, there is to be found an admirable Christian courage. It has expressed itself in small things and big: in the justice done to the memory of those who conspired against Hitler in 1944; in the compensation—inadequate though it is—to Israel; in the suppression of the fanatical SRP; and in the Chancellor's stubborn and skilful labours to

find a new relationship with France through a united Europe. But it is a stripling spirit, as good German democrats know; and the danger they fear most, as they nurse its strength, is that military revival will bring with it the stealthy growth of a state within a state. It is this spectre that looms up behind the Verden incident. What General Ramcke said matters less than the circumstances in which he said it. Every German is watching to see whether the incipient defiance passes unrebutted.

A spokesman of the Federal Government has expressed regret about the matter. He could hardly do less and Dr Adenauer could hardly do more—for the law has not been broken. The question is now whether the Allied High Commissioners can intervene. They undoubtedly have the power to treat the speech of General Ramcke as incitement to disorder; when the Conventions with Germany are ratified they will retain only the right to protect the security of their forces and to assist the German government against "subversion of the liberal-democratic basic order, a serious disturbance of public order or a grave threat of any of these events." It would be difficult to bring the Verden incident into any of these categories, and it would be unwise to do anything at this time which would turn insolent generals into patriotic heroes and so strengthen the hands of those chauvinistic elements which charge Dr Adenauer with acting as a tool of the Allies. So far as possible German parliamentary democracy must be allowed to assert its own authority against its enemies, and the occasion for doing so must be carefully chosen by the German government.

On the other hand, there are dangers in doing nothing. Most Germans respect authority only when it is backed by force. Some of them will now be saying that it takes a paratrooper to put the foreigner in his place. And the decent democratic minority will watch anxiously to see whether these boasts are true. They have seen a steady flow of war criminals released; they have seen Field Marshal Kesselring, set free by an act of clemency because he is a sick man, accepting—as if nothing had changed in 25 years—the presidency of the Stahlhelm. These events are all warnings to the new German state that freedom may be abused and generosity treated as weakness.

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There is, probably, little more to be done about this incident than to treat it as a warning. If graver incidents occur London should get its information and decide on its action more quickly. But there are things that can be usefully said, even after some pause for thought. In the first place, British public opinion will not tolerate the revival in any form of the SS organisation. Criticism, even insult, may have to be tolerated; but the reappearance of that "desperate sworn fellowship," as Dr Kogon has called it, must be prevented. How that is to be done is a matter for discussion between the Allied High Commissioners and Dr Adenauer; but that it must be done should be declared publicly. Secondly, no officer or man who volunteered for the SS should be allowed to take any part in the recruitment, organisation and training of the German contingents for the European defence community. It is the prospect that their services

may be needed "against Bolshevism" that has encouraged its members to re-form their fellowship.

It seems to have been overlooked outside Germany that 18 months ago the German Soldiers' League let it be known that its members would not assist in rearmament unless all discrimination ceased against the Waffen SS and all war criminals were released. So far the Verein Deutscher Soldaten has not been called on to make good its words, but the time may not be far off, and it is necessary to face the issue now. It is unthinkable that France and other members of the EDC would allow their serving soldiers—even if they were willing—to work with former members of Himmler's special and shock troops. If no stipulation to this effect exists in the secret military protocols of the defence treaty, the Americans, British and French should consider a joint declaration to the German government that volunteers to any branch of the SS should be excluded from the European Army and that conscript members should be employed only after the most careful investigation.

Such a step would cause a storm of indignation; it would probably cause a political crisis that would delay German rearmament and ratification of the conventions. But it is a crisis better faced now than later. Many Germans who would feel bound to protest publicly would be secretly grateful that they had been relieved of the responsibility of making the first stand against the Nazi implacables. Men and women would be obliged to choose in their minds between solidarity with the past and an honourable determination to make a fresh start. On the allied side, concentration on this single issue would clear the confusion that surrounds the debate on

German rearmament and the treatment of war criminals. About some cases and some trials there have been doubt and controversy; about the condemnation of the SS there has been no doubt at all. If it could be shown that the German Government and the Allies insist on drawing the line somewhere, in maintaining one principle among the compromises that Europe's danger has made necessary, then public opinion would rally more confidently behind the plans to let Germans play a part in the Atlantic community's defence.

Every German who takes seriously the effort to make democratic institutions work in his country knows that the real test will come when his civil authority is called on to control the military. The European Defence Community will provide some safeguards—that is one reason why a number of Germans support it—but the final responsibility will rest with the men in power in Bonn. If the agitation to release and rehabilitate war criminals is allowed to go to the point where the SS re-emerges as a select brotherhood among the cadres of the new German divisions, irretrievable harm will occur to Germany and to the West. The arguments for restoring sovereignty to the Western Germans and for rearming them within freely negotiated limits are still strong; and it is equally clear that a German government cannot be strong if it is dependent on the former enemy. But there must be a policy for dealing with the risks of military revival, which are as apparent to Dr Adenauer and his advisers as they are to Germany's western allies. The Verden incident may not be the occasion for action now, but it is certainly an occasion for thought and consultation about action later.

Comment and Defamation

MR HAROLD LEVER'S Bill to amend the law of defamation received the Royal Assent this week. In its career, which began last December when Mr Lever won first place in the ballot for private members' Bills, it has experienced almost as many escapes from disaster as the heroine of an early film serial. In committee, it sometimes failed to find a quorum; when it did, it was deluged with amendments. On its third reading in the House of Commons, it beat the clock by no more than four minutes. In the last week of the Session, the House of Commons refused to accept all the Lords' amendments, and the Bill passed its final stages only because the Lords did not insist. But in the end virtue has triumphed; and in the case of this Act, the virtues are considerable.

In general, its effect is to relieve the British Press from the burden of anomalies and inconsistencies that have developed since the law of libel was last amended some sixty years ago; it also clarifies the liabilities of those responsible for broadcasting. At the same time it makes other useful but comparatively minor changes in the general law of defamation. The Bill as introduced was based on the report of the Porter Committee, published four years ago, and its substance has not seriously changed during its hazardous ten months before Parliament. The changes made by the Act can be grouped under four heads: the protection given to newspapers when reporting what is said on occasions of public interest; "unintentional" libel; the defences of justification and fair comment; and broadcasting.

Newspapers have an absolute privilege in reporting

what is said in Parliament and in the Courts of this country, however defamatory of an individual those statements may be. They also have a qualified privilege in reporting what is said at some public meetings; the qualification is that the report, besides being accurate, must be made in the public interest and published without any wrong motive or malice. These privileges are essential if a newspaper is to keep the public informed of what is said and done by public bodies of every kind, but the list of public meetings to which this qualified privilege applies was drawn up in 1888 and there have been some remarkable changes in the shape of public administration since then. The new Act makes two important changes. It leaves the occasions of absolute privilege untouched, but it splits up those where a qualified privilege exists into two groups. In the first are all proceedings in Dominion legislatures and courts and in international organisations of which this country is a member. Qualified privilege applies to reports of these, as now. In the second group are the public meetings of most domestic bodies in this country, including the general meetings of public companies (the full list is given in the schedule to the Act). A qualified privilege is given to such reports, but the privilege will be lost if the newspaper fails to publish such "reasonable" letter or statement in explanation or contradiction on being required to do so by any person who claims that he has been defamed in the report. This right to reply, and to secure the publication of the reply, is new.

The next two changes in the law, over the pleas of

"fair comment" and "justification" in reply to what is said to be a libel, give additional protection to newspapers—on the face of it, from their own mistakes. Comment is as much the business of a newspaper as news and, just as news should be fact, comment should be based on fact. But no human organisation can escape making some factual mistakes. The press has always claimed that provided a newspaper proved that the substance of the statement complained of was true, it should be entitled to the verdict. The Courts became unfair to the press when they ruled that one untrue statement in an article containing comment could destroy the efficacy of a defence of fair comment. Sections 5 and 6 of the new Act restore the balance. If the comment is fair on the basis of what facts are proved to be true, the defendant's plea will be accepted. Similarly, where a defence of "justification" is made, inaccuracy in some facts will not invalidate the defence if what is proved to be true is enough to do substantial damage to the claimant's reputation.

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An "unintentional" libel as defined by the new Act is the publication of allegedly defamatory words "innocently in relation to" the person who claims that he has been defamed. The phrase is clumsy, but it is hard to define the situation in any other way. The most celebrated instance of an unintentional libel is the case of Mr Artemas Jones. A newspaper published a slightly scandalous account of the goings on of a fictitious character, who was given the name of Artemas Jones. The Court's ruling was that, even if the newspaper did not know that a Mr Artemas Jones existed, the article was libellous of the real Mr Jones. Ever since this case, newspapers have been in danger of being penalised for excusable ignorance as well as for carelessness or error. Under the new Act, anyone who publishes what he claims is an innocent defamation may offer to "make amends," which involves publishing a correction and apology, and he must be prepared to put on record in a sworn statement all the facts which, he says, establish his "innocence." If he has offered the amends and is successful in proving his innocence, he has a defence to an action for damages based on the defamatory words. The section of the Act creating this new defence is one of the most involved in it, and the Courts may well be called upon to interpret its meaning; but at least newspapers now have some defence against the purely gold-digging action—and, even more important, against the threat of it.

The fourth group of sections deals with broadcasting. Section 1 makes defamation in a broadcast a libel, not a slander. Section 9 gives the news broadcaster transmitting from a station in this country the same protection that a newspaper has, and Section 16 limits that protection to broadcasts for general reception.

The Act makes a number of other amendments to the general law of defamation. A person slandered in respect of his office, profession or business need not prove that he has suffered actual monetary loss before he can recover damages. A parliamentary or local government election candidate no longer has a qualified privilege over what he says about his opponents, and a defendant in a defamation action may reduce his own liability by showing that the claimant has already recovered damages for the same words from someone else.

Much of Parliament's discussion of the Bill concerned

points that do not appear in the completed Act. One was whether the Court of Appeal should be given the power to cut down excessive damages awarded by a jury to a successful claimant; this was pressed by Lord Jowitt in the House of Lords. It was argued in reply that juries give excessive damages in cases other than libel actions, and that the powers of the Court of Appeal ought to be considered separately in another Bill. This is a fair answer provided that Parliament finds time for such another Bill. Its record over the Porter report itself is not encouraging. Another debatable subject was the "group" libel. The civil action of libel is an action by an individual to recover damages for the loss he has suffered. A prosecution for criminal libel is based on the belief that the person libelled will be provoked by the libel into a breach of the peace and that the libeller should be punished for his provocative words. Neither quite meets the case of a defamation of racial or religious groups. The group libel clause for this Bill, as originally moved by two Labour MPs, would have created a new criminal offence—that of publishing anything calculated to bring any body of persons, distinguishable as such by race, creed or colour, into hatred, ridicule or contempt. An amendment moved by Lord Silkin would have given each member of the group defamed a personal civil right of action, but exercisable only with the consent of the Attorney-General. Both proposals failed to win majority support, partly because a criminal libel prosecution is still something of a safeguard, partly because of the extreme difficulty of finding any set of words which would not limit freedom of speech far more seriously than anyone wished.

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The Act does not make any revolutionary change in the law of defamation, save possibly to establish that a newspaper in some cases may—and in other cases must—offer space for reply or correction to an individual it has chosen to write about. The Attorney-General claimed for the Act, in the opening debates in Parliament, that it restored the balance between the writer and the publisher and the person written about. That is its real value. Freedom of speech is always a matter of balance, of taste and responsibility as well as of law, and if any one ingredient gets out of balance it is the public that suffers. The press may muck-rake, but so did Florence Nightingale and Elizabeth Fry. The press may make money for its proprietors but, then, so did John Wilkes, for himself. If the press could have written more freely about the activities of Mr Stanley before the Lynskey Tribunal began its hearings, many people, including some of those who suffered most in the investigation, would have had every reason to be grateful. There is nothing in the Act which weakens the duty of the press to take care. What the Act does do is to minimise some of the consequences of the disability the press shares with the rest of the community—its inability to be omniscient.

The Defamation Act, 1952, joins the small group of private members' measures that have brought about some definite improvement in some specific section of the country's laws. It joins Sir Alan Herbert's Matrimonial Causes Act, 1937, and the late Miss Ellen Wilkinson's Hire Purchase Act, 1938. If it is not risking serious embarrassment to say so to a Labour MP at the present time, Mr Harold Lever has certainly earned the gratitude of the press of this country.

Western Stakes in North Africa

THANKS to a vote in the United Nations Assembly last week, two complaints against French policy in Tunisia and Morocco launched by the Arab-Asian bloc are rated as urgent and are to be discussed directly after the debate on the war in Korea. All that need be said about their high place on the agenda is that it implies that there is in North Africa a threat to peace, which there is not. The votes in favour of urgency were inspired by extraneous motives in every case save that of the Arab-Asian plaintiffs, who feel a duty to keep needling the one major colonial power that survives in Moslem territory. The Soviet bloc voted in order to make trouble for a western power. The United States also voted for it; it has since officially explained to France that the American delegate, Mr Gross, made a mistake. But Mr Gross is a diplomat of experience; he may have conceived the order of the agenda as unimportant compared with the tactical advantage of lining up alongside the Asian members in the hope of influencing their votes on the Korean war.

If this was American reasoning, it left out of account a major interest of the United States to which attention is only now being drawn. French North Africa constitutes half of the south coast of the Mediterranean. Its tranquillity is vital to the security of the area. Its air

bases, some of them already manned by Americans, are the lifeline to Nato's south-eastern outposts in Greece and Turkey. To stimulate its nationalists into unpromising attitudes by giving their case against France such high priority is to reduce the chances of bringing them to amicable agreement. His vote, of course, incensed France, which is easily able to prove that its men and money have brought immense material benefits to the Tunisians and Moroccans. France can also prove, both by statistics and by evidence for the eye, that it has done more to improve the lot of the poorer classes than has any independent state of the Middle East. No North African Moslem believes this, but it is immediately apparent to any dispassionate person who walks through the slums of Cairo and Baghdad and then through those of Tunis and Algiers. France's current reward for its efforts is the complaint by Tunisians that the posts for which they have been educated have been usurped by Frenchmen, and the complaint by the Moroccans that a policy of leaving their institutions intact has channelled the whole modern development of their country into French hands.

There is substance in these African grievances, but they are not topics on which other tutelary powers, who themselves have created similar grievances elsewhere, are entitled to indict French policy. In the last year, however, French decisions in both Tunisia and Morocco have caused justified exasperation in the western world, a feeling that has been reflected in both American and Turkish voting at Uno. A year ago both these Governments—allies of France in Nato—acceded to M. Schuman's plea that the Moroccan question did not warrant discussion by the Assembly, since it was in process of solution by direct negotiation with the Sultan. Six months ago both of them deprived the Arab-Asian bloc of the support that it needed for lodging the Tunisian complaint before the Security Council. But, this October, both voted to place the two issues on the Seventh Assembly's agenda. The change is significant.

The tale of events in Tunisia and Morocco that caused them to change their decision has been told in these pages. The main conclusion it shows is that the perennial conflict between the claims of North African nationalist and European settler, which are championed in Paris respectively by the Socialists and the Radicals, has a particularly damaging effect whenever a coalition cabinet in Paris needs the support of both parties. French policy in both Morocco and Tunisia has wavered for over a year, either oscillating between concessions first to one faction and then to the other, or else postponing necessary decisions. This failing has produced some disastrous results. It has given latitude to the men on the spot in North Africa to frame policy according to personal taste—sometimes violent and near-Nazi, sometimes would-be seductive but flabby. A Paris policy that is itself short-sighted has never directed the settlers to look ahead. It has made friendly Africans despair of France's ability to grasp that they have grown up and need a different relationship; it has united all sectors of African opinion—rulers, nascent bourgeoisie, proletariat—as never before.

A majority of the settlers, and many people in France also, do not accept these facts. They still believe that it

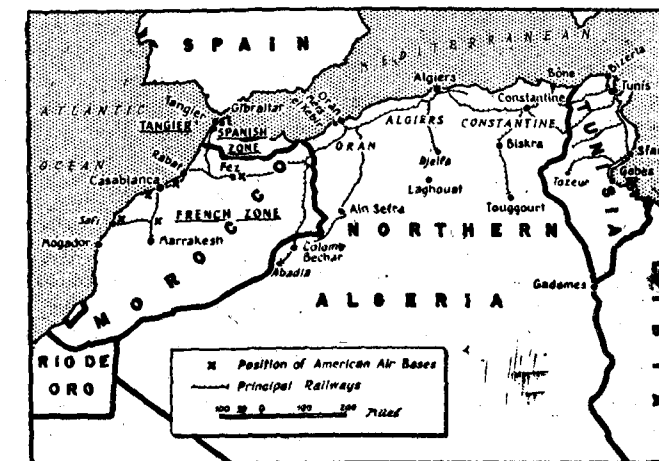
is possible to divide the Tunisians and Moroccans into a ruling class that needs to lean on France for survival, and a proletariat that obeys a few ringleaders but is good at heart. They still believe that French policemen have only to manhandle and deport these ringleaders, and all will go on as before. Two notorious incidents confirm this analysis of their attitude: one was last year's "March on Fez and Rabat" (whereby the Resident General in Morocco, then Marshal Juin, tried to remind the Sultan that without France his throne was still vulnerable to Berber animosities); the other, this year's arrest by the Resident General in Tunisia, M. de Hautecloque, of the whole of a Tunisian cabinet because the Bey refused to dismiss it for sending an emissary to Uno. Both events are proof of French failure to assess the strength of an emotion that now suffuses the whole free world of Asia and Africa.

Frenchmen full of good will towards the Tunisians and Moroccans are also handicapped by the rather different political position prevailing in Algeria. The three northern provinces which form its hard core are run as an integral part of France; they contain over a million French settlers, some of whom are Algerian to the fifth generation. Algeria's Moslems have since 1947 been French nationals and, subject to an educational qualification, have a vote for the French Parliament. Both in outlook and in management, Algeria is different from the protectorates, and France has natural misgivings lest alterations in the status of the latter should cause domestic upheaval in Algiers. Yet, if these considerations are allowed continuously to delay the internal autonomy promised to Tunisia and Morocco, their peoples will seek other champions.

There are only two ways out of this dilemma. One is to do what Marshal Juin seems to wish: to proclaim that Nato security in North Africa is assured so long as sufficient forces are kept there and no notice is taken of nationalist grievances, whether voiced locally or before the United Nations. The other is to remind the settlers that France keeps its promises, that autonomy for Tunisia and Morocco is therefore inevitable, and that Frenchmen who wish to go on living and earning there must either propose a system whereby they are represented in purely Tunisian and purely Moroccan institutions—for instance, by means of some device giving them double citizenship—or else must reconcile themselves to living there as foreigners. Any half-measures, such as attempts to hang on to privilege, harm not only France, but also Nato, because they diminish security by forcing the Moroccan and Tunisian nationalists into an eastern

as opposed to a western connection. The objective both of France and of the Nato powers ought to be to vest these people with the dignity of an African and Islamic identity and to enlist them as active and willing allies.

The tragedy in the sequence of events that has brought the two topics before Uno is that the French cause will not benefit if a debate is held in which its case goes by default, because M. Pinay's government regards the matter as one of domestic jurisdiction. Indeed, the chances of compromise will be reduced, for the North Africans will increasingly feel that their best friends lie eastward, and will also feel more inclined to strike attitudes from which it is difficult to retreat. The



only way to stop this unhappy train of events would make great demands on French statesmanship. It would mean renouncing the case for domestic jurisdiction, which is in any case thin in protectorates which have sovereign rulers; it would mean allowing those members of the Cabinet who think the time has come for major treaty revision in both Tunis and Morocco to prevail over those who cling to outdated forms; and it would mean using Uno as a forum for expounding France's past work and present intentions, including the time-table (never yet laid down) whereby the promised autonomy is to be secured. Such a step would ask a very great deal of a cabinet and Parliament which are raw from experiences in Indo China, and hyper-sensitive about pressure from Washington. It may be asking too much; but there is now no other discernible way of securing a vote that will align a majority of Tunisians and Moroccans where, if treated with understanding, they want to be—in alliance with France and the West.

Labour's Greater Share

Though labourers may have been to the present period redundant, it has been our duty, nevertheless, for a considerable time past, to record, quarter after quarter and year after year, with rare exceptions, an increasing number of marriages as well as an increasing number of births. At the same time great attention has been paid to the improvement of the public health; and though our faith in the success of the Sanitary Association, the Board of Health, and the Sewers commissioners is not very strong, they can hardly have made their great clatter for several years, stirring up parish authorities to abate nuisances and whitewash houses, without having effected some trifling improvement in the sanitary condition of our towns. What they have been attempting to accomplish, has, at the same time, been more certainly promoted by that freedom of trade which has allowed the people . . . to get a more abundant supply of food than formerly. . . . Far, therefore, from entertaining any apprehension of a want of people from the present emigration, we are inclined to regard it as a relief. . . . When it is said that wages are rising, and that the cost of railways and of agriculture will be increased, it is not meant that there will be increased difficulty in making and maintaining railways and cultivating the ground than at present—it is not implied that labour will become less efficient or less intelligent. What is meant is simply that the labouring classes will get a much larger share than hitherto of the produce of labour. . . . It is not supposed either that less work will be done or less wealth produced; on the contrary, emigration implies, in the end, a more profitable employment of labour, greater enterprise, and greater production. All these things imply a great coming change in the relations of different classes, which will gradually affect the distribution of property, make many present arrangements of little use, and some it will altogether extinguish.

The Economist

October 30, 1852

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NOTES OF THE WEEK

Peace and Honour

In the twenty-eight long months since the first Communist invasion of South Korea, the reason why the United Nations went to that country's help has become blurred in many people's memories. In an able speech at the UN Assembly last week, Mr Acheson wiped off the blurs and left a clear picture. He reminded the representatives of sixty nations how, ever since 1946, the Russians had rejected every move towards the reunification of Korea on the grounds that it violated "the absolute authority of the Soviet Union in the northern zone"; how they repelled the UN commission sent to Korea by the Assembly under a decision taken by 43 votes to none; how 53 nations had supported the Security Council's decision to help defend Korea, while only the Soviet bloc opposed it. He recalled that at the time of the invasion there was still a UN commission in Korea, and that it had reported unanimously that South Korea could not possibly have been the aggressor. He contrasted the small and lightly armed forces that South Korea had in June, 1950, with the aggressors' large conscript armies, equipped with tanks, aircraft and heavy guns, with Soviet advisers down to battalion level, and backed by universal military training.

The Secretary of State was equally lucid about the truce negotiations. He cited the United Nations Command's aims in these talks: to stop the fighting once the aggressor had been repelled; to guard, as far as possible, against further fighting; and to bring about a fair exchange of prisoners. The Command had successively agreed to let the Communists repair airfields during the truce, to accept Poles and Czechs as members of the supervision group, to let Communist teams verify prisoners' refusal to be sent north, and to deliver all prisoners to a neutral area where they could freely choose whether to go north or south. But it could not use force to hand unwilling prisoners back: "We cannot buy peace at the price of honour."

Mr Acheson's dispassionate review made a strong impression on the Assembly, and Asian delegates were particularly interested in his point that the UN Command, although opposed by Communist forces operating from China, had limited the conflict to Korea and intended to continue that limitation. Mr Acheson is to be congratulated on telling the naked truth about Korea. His speech has been criticised as too uncompromising and likely to frustrate unofficial attempts to shift negotiations from Korea to a suitable capital. He was, on the contrary, fully justified in surrendering no part of the substance of a strong case for the shadow that has been flitting around the UN corridors.

Khartoum, Cairo and London

For the first time for very many years an Egyptian statesman has publicly given Great Britain the benefit of the doubt. General Neguib has had the broadmindedness to agree with certain notable Sudanese, whom he has been entertaining in Cairo, that a proposition which has British blessing—the Sudan Government Statute—is a disinterested and forward looking piece of policy. He agrees to work it, subject to some amendments on which he and his Sudanese visitors have agreed.

The constitutional position regarding the Statute was described in *The Economist* of September 27th. Each of the two co-domini had the right to comment on it before November 9, 1952. It provided for the period between the inauguration of self-government and the exercise of self-determination, and laid down that, during that time, the British Governor General should be head of the state.

General Neguib agrees; but he lays down two limiting conditions. The Governor General must be "advised in the exercise of his functions" by a commission of five—one British, one Egyptian, two Sudanese and one Indian or Pakistani. If any decision of theirs were to "conflict with his responsibilities," he must refer the matter to both co-domini, as he must also do in matters of foreign affairs.

Great Britain has never recognised the act whereby the Wafd unilaterally denounced the condominium agreement, and Egypt therefore has a right to a say in the Sudan's future. During the steps towards self-government which have taken place since 1948, it has hitherto consistently refused to play its part as joint ruler, because its king proclaimed sovereignty in the Sudan; meanwhile its leaders accused Britain of going ahead with plans for Sudanese independence out of imperialist motives. General Neguib has had the moral courage to drop this futile attitude and to work for better relations not only with Khartoum but with London.

The agreement was reached only on Wednesday night. First comments from Khartoum, coming in as *The Economist* goes to press, suggest that it may not find universal favour there. Some Sudanese factions feel that the chief Sudanese signatory, Sir Abdel Rahman el Mahdi Pasha, has no right to speak for the country as a whole. They would be foolish to let this emotion stand in the way of a proposal that is so much to their national advantage. Some of the British citizens on the spot are said to be nervous for a different reason—lest the loophole for reference of so many of the Governor General's duties to both co-domini means a return to a familiar stalemate. Their trouble is that over the years of Egyptian boycott they have let themselves forget that the Sudan is a condominium. The proposals now made may not work with the smoothness of a one-man show, but at least they are workable, and it is General Neguib's turn to be given some credit—credit for the intention to work them well.

Conservatives Gain Favour

The voters of the Cleveland division of Yorkshire have earned more attention than has been given to them. They have made it possible to question the stock assumption that Mr Churchill's Government is unpopular; they may even have indicated that the assumption is out of date.

As by-elections go, the polling at Cleveland last week was fairly high—71.3 per cent of the electorate, compared with 85.1 per cent a year ago. It is therefore surprising that the Labour majority was reduced by as much as 1,560. Indeed, the Conservative candidate gained a slightly higher percentage of the votes cast than was given to him at the general election—45.9 per cent instead of 45.2 per cent. Technically, therefore, the evidence of Cleveland is that in the past twelve months there has been a swing of 0.7 per cent of the electors from the Labour to the Tory side. It is not, of course, evidence that can be accepted in itself. By-elections are never a safe indication of the way people will vote when the next government is at issue; at Cleveland the Labour organisation may well have been over-confident; while the Labour candidate was new to the district, the Conservative had fought before—in short, one straw certainly does not establish the direction of the prevailing wind.

But when all these allowances have been made, it remains fair to say that a few months ago most people would have judged it to be inconceivable that the Tories should do as well as they have done at Cleveland. A more reliable indication of the general opinion of the country will be provided

next week by the marginal constituency of High Wycombe, which the Conservatives gained narrowly from Labour last year and where the by-election will be nearer than usual to the mood of a general election. But unless Labour regains this seat by a sweeping majority, it is reasonable to conclude from Cleveland that people are at any rate a little happier about the Government than they were—though it may be only because they have had their summer holidays.

Engineers Are Polite

The executive committees of the shipbuilding and engineering unions, which met again on Wednesday, voted by a majority of ten to one that the employers' offer of 7s. 4d. a week (7s. 6d. in shipbuilding) was "inadequate;" they asked for a renewal of discussions. After all their fire-eating and threats, it was hardly to be expected that they should joyfully accept the employers' offer; and sponsored as it was by the Amalgamated Engineering Union, on whose initiative the claim for £2 a week was first put forward, the resolution was almost mild in tone. The Communist-inclined unions—the Electrical Trades Union and the foundry workers—put forward a resolution demanding that the long-threatened ban on overtime and piece-work should be imposed immediately; but this was rejected by a substantial majority. On a resolution urging acceptance of the offer, almost one third of the votes were cast in favour. It is fair to guess that the confederation would be glad to settle for another halfpenny an hour added to the present offer of 2d.—that is, for 9s. 2d. a week. If the employers will not offer that, the ban on overtime may yet be enforced. But it is clear that the unions have sobered down a great deal.

The change of heart has two causes. The engineers are bound to be influenced by what is happening in other industries. All three railway unions have now accepted the railway tribunal's award of 7s. a week; and this week the miners' demand for an increase of 30s. a week was turned down by the industry's arbitration tribunal without any award at all. An even more important influence for moderation has been the fall in exports. The returns published last week must have been sobering enough. The announcement on Monday that more cars are to be released for the home market, coupled with talk by the chairman of the Austin Motor Company about the "horrible spectacle of unemployment," may also have promoted caution. The engineers can no longer persuade themselves that because rearmament is in their hands they can get all their own way.

Kenya Crossroads

There are signs that the Kenya emergency is being treated by some people as a test case of British colonial policy. On the one hand are those whose attitude may be summed up as follows: this is what comes of giving political advancement to people who are not ready for it; stop talking about constitutional reform and racial parity on the Legislative Council, and get on with plans for economic and social development. On the other hand are those who are anxious lest the repressive measures that the Kenya Government has been obliged to take will be maintained by pressure from the European settlers when the emergency is over; lest, in the meantime, they have the effect of driving the mass of Africans to the extremists' side and of losing the Government the support of the moderate African leaders.

Both points of view were clearly represented in the House of Lords debate on Wednesday. To some extent the first is the view of the Conservatives and the second of the Labour party. To some extent they merely pose in another form the old issue of good government or self-government; and to some extent they are both perfectly right. Whether or not

economic grievances are a major factor in Mau Mau's campaign of violence, the growth of a landless, homeless, workless African class must be a continual source of danger. The Governor's programme of economic and social measures, which he announced in the Legislative Council this week, is therefore to be welcomed. Among short-term measures he laid special emphasis on African housing and on bringing new industries into production.

But those who urge what may be called the political solution are equally right in protesting that all these measures, however vigorously pursued, will be of little avail if Mau Mau terrorism leaves behind it a sullen and resentful African population, denied political expression for its leaders. The announcement of the formation of a provisional executive committee of the Kenya African Union, most of whose former leaders have been arrested for Mau Mau activities, is significant, for it shows what great store the moderate African leaders set by political organisation. The Kenya Government's difficult task is to win their co-operation without giving the Europeans the impression that it is not dealing firmly enough with the terrorists.

France's Open Wound

Whether or not one agrees with everything President Auriol said in his speech of patriotic pride at Donzère-Mondragon, there is no doubt that his remarks on Indo-China deserve careful attention. He emphasised a fact that is often forgotten: in monetary terms the defence of Indo-China has already cost France more than twice the amount received under the entire Marshall Plan. In human terms the losses have been appalling; before the start of the most recent campaigns, well over 30,000 French soldiers and some 1,500 officers had died. This latter figure means that the

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graduating classes of France's military academy at St. Cyr are sent directly to Indo-China, and that few survive to grow into future staff officers and generals.

As long as France is compelled to carry on alone, it cannot be expected to play a fully effective part in European defence or to see German rearmament with dispassionate clarity. As President Auriol clearly stated, France conceives its commitment in Indo-China to be of concern to the entire free world. In terms of the defence of free Asia it ranks with, or above, the action in Korea and the defence of Malaya. Legitimate grievances over this issue, moreover, give a ready motive for national sensitivity and shortsightedness over such questions as North Africa and the Defence Community.

The fact that the war has remained a kind of colonial action removed from UN interest and participation has created an explosive situation in French opinion. Bitter opposition against campaigns in which every gain is nullified by climate and time is no longer the prerogative of the Communists. Yet in defiance of a long tradition of individual freedom, the French government is jailing Communists for "demoralising the army" by their frank criticism of the war. The possibility has to be faced that it will become a condition of M. Schuman's success with his European policy that the simultaneous emergence of Vietnam as a fully-fledged state and the withdrawal of French forces should be covered by international action. What this could be it is extremely difficult to determine. Direct American intervention would merely provide the excuse for more conspicuous Chinese intervention on the side of Vietminh. It is, perhaps, for those governments of free Asia which are members of the United Nations to think about ways in which that organisation could be seized of the matter; but it must not be done in such a way as to create yet another North African issue. And if that is to be avoided the initiative must come from the French Government.

Mao Over Malaya

A captured document published this week shows that the Communist leaders in Malaya have ordered their gunmen to give less time to attacking and intimidating civilians, and in general to confine their activities to the more important military objectives. This directive was apparently issued nearly a year ago; but it has not been put into effect with any great haste. It is curious that it should come to light so soon after the Asia "peace conference" in Peking, for it fits in neatly with the resolutions of that motley assembly. There much was said of the ease with which different political systems could co-exist, and it was unanimously declared that Asia could successfully defeat the forces of war through "the co-operation of all persons of goodwill." The Malayan

Communists would not secure such co-operation if they continued their insensate attacks on Asian, as well as European, civilians of both sexes and all ages.

During the Peking conference there were few references to the Soviet Union and fewer still to Communism. This is no new tactic for "peace" movements in the West, but it must have produced a rather hollow sensation in the Chinese capital, where propaganda is franker and less disciplined. The new line for Asia is clearly that of the united front, with all manner of cultural contacts—including cynical exploitation of the Eastern religions—to back it up, but based primarily on nationalist and anti-western sentiment. Malaya, however, sets the new Communist regional command in Peking some special problems, which were clearly indicated in the references made to it. Malaya was equated with Korea and Indo-China as a major battle-front; the standard formula was "the wars of aggression in Korea, Vietnam, Malaya and other countries," and there were endless appeals for the removal of foreign troops from all three countries. The fact that all this could be said without a single opprobrious reference to Britain, while the United States was deluged with abuse, will seem strange only to those who are unfamiliar with Communist methods. But the organisers of the conference must have regretted that the only Malayan delegate they could lure to Peking was apparently a Chinese—a fact that probably explains why no place could be found for Malaya among the eleven vice-chairmen of the new "peace" liaison committee.

Bidding for the Overseas Chinese

Whoever is going to be the next President of the United States, there is no indication that American policy is likely to be so modified in the near future as to allow a Communist conquest of Formosa. The confidence now felt, both in the island itself and among anti-Communist Chinese abroad, in the stability of American support for Nationalist resistance has had the effect of making the Nationalists a less ghostly factor in Far Eastern affairs than they were a year ago. When Chiang's remnant retreated to Formosa after the collapse on the mainland the ten million or so "Overseas" Chinese, including the well-to-do business and commercial classes, hastened to line up on the side of the Communists, who were credited with the intention of pursuing moderate policies. But the wholesale massacres of "counter-revolutionaries," the ruthless extortions from the urban middle classes, and the tactics of obtaining foreign exchange by imposing heavy fines on families with relatives abroad so that they must appeal to the latter to pay them, have caused alarm and disgust.

A result of this gradual change in the situation is the Overseas Chinese Conference now being held in Taipei, with 262 delegates from 28 Chinese communities in foreign countries, mostly from South-east Asia. It has resolved to set up an association, organised in seven regions, to cover Chinese residents all over the world and support the Nationalist Government's "policy for reconquering the mainland." This is the first organised challenge to the grip of the Communists on the Overseas Chinese, which has so far been strong, not so much because of widespread conviction as because of the apparent lack of any political alternative. The struggle for their allegiance is of great importance for South-east Asia, if not immediately for China itself; for these numerous and wealthy communities cannot be directly coerced by Peking. They would have freely adhered to the new regime in China if it had lived up to its early promises, but as it manifests more and more its real character, they are tending increasingly to oppose it.

Chiang Kai-shek's recent appeal to the United States for an end to the "neutralisation" of Formosa, so that Nationalist forces may be free to attack the mainland, need not be taken too seriously at this stage; but there is now a prospect of a

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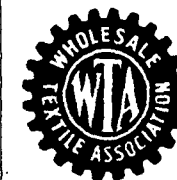
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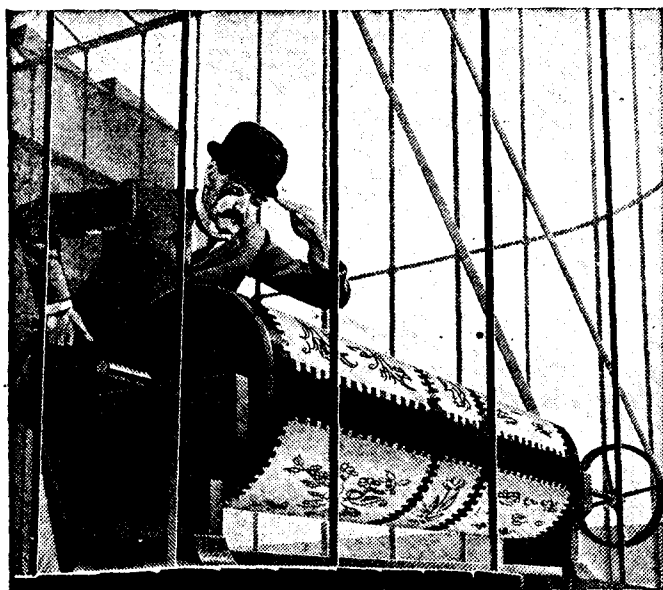
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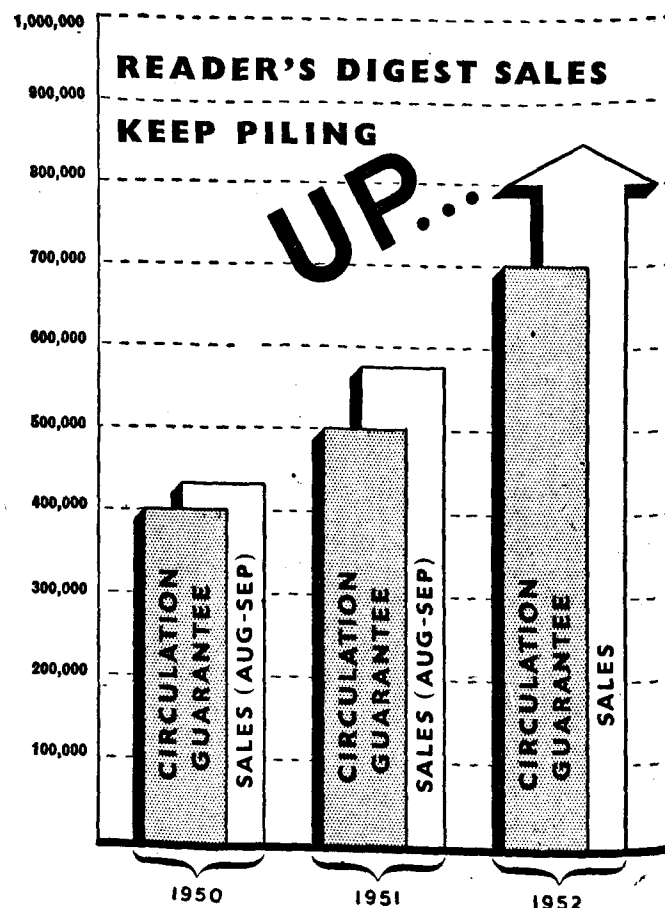
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prolonged coexistence of two rival Chinese governments, both based in Chinese territory and bidding against each other for support among ten million Chinese who are still free to choose. This is a situation which has no parallel in other countries captured by Communist revolutions.

Ownership or Control?

Last week's parliamentary debate on the iron and steel White Paper gave little hope of sufficient agreement to make the iron and steel industry safe from fresh upheavals. Yet it also showed that the objective conditions for agreement exist. The area of common ground is much greater than in many measures that have remained undisturbed on the Statute Book after the Government which produced them has departed. It is agreed that iron and steel needs a special measure of public control. It is agreed that because the industry's products and markets are varied, and because of the goodwill and prestige of its constituent firms, management should be decentralised rather than monolithic. It is agreed that control, however exercised, should be general and indirect. It is agreed that the practical problem is to reconcile responsiveness to national needs, long-term as well as immediate, with the initiative and commercial aggressiveness needed to make costs and techniques competitive.

Is this reconciliation best effected by national ownership, as under the nationalisation statute, or by the agency of an outside organ of regulation as proposed in the White Paper? What, if the second alternative is preferred, should be the nature of such an organ's powers? Through what machinery should the powers be exercised? And over how wide a field? These are strictly practical questions to which ideologies are relevant only as fog is relevant to navigation. There are, it is true, few observable facts to form the basis of rational decision. But there was sense in Mr Sandys's point that public ownership, whatever its original statutory form, is inevitably a powerful centralising force and thus a threat to flexibility and initiative. Against this may be set another argument, well established from the history of statutory commissions: that outside agencies, however admirably suited to supervision, are clumsy and frustrating instruments of active control. Mr Morrison hit this nail on the head with his warning of "a state of bureaucratic interference—checks, balances, starts and stops" which could be worse than nationalisation.

The proposed extension of control—from a comparatively narrow basis of ownership to a basis of supervisory power affecting nearly ten times as many firms—may accordingly be seen either as an advantage or as a danger. It certainly shows the Government to be as much alive as the Opposition to the need for regulation, while a number of Labour speakers showed themselves to be quite as much alive as the Government to the need for initiative. Where so much common ground demonstrably exists, it is a depressing commentary on the Labour party's morale that the "Strauss threat" should remain its last word on the future of iron and steel.

Planning Unplanned

While it is willing to hold a public inquiry if one is demanded, the Government has this week made plain its intention to develop Gatwick as the alternate airport for London. Recent controversy on this proposal, inside and outside the House of Commons, has raised questions wider than its particular merits and demerits. The scheme is expensive, and its total cost cannot, at this stage, be accurately forecast. But this does not necessarily mean that it is ill-considered or reckless. There must always be an element of speculation in the finance of long-term capital projects, whether of nineteenth-century railways or of

twentieth-century airports; and if optimism in estimating costs has in the past been a besetting sin of government departments in general, and of the Ministry of Civil Aviation in particular, there are indications that in this matter at all events the planners are willing to profit by the lessons of experience.

A much more serious matter is the want of liaison, foresight, or both, which has produced a head-on clash between the interests of the airlines and those of the new town of Crawley. Once it is granted that Britain must have an efficient and expanding civil aviation service, the provision of proper airports becomes an unquestionable necessity. Wherever these are placed, they will constitute a nuisance more ruthlessly pervasive than any sardine factory, pottery bank or cement works. It is the boast of town planners, and particularly of new town planners, that their wisdom and foresight produce (or will produce) incomparably better results than the blind greed of nineteenth-century private enterprise with its jumble of factories and houses; and so indeed they should. The new town of Crawley, with all its heavy cost both in money and in local upheaval, was supposed to present in prospect a fine flower of that wisdom and foresight. It may now be doomed to form a sort of Station Approach to what has been enthusiastically described as a "Clapham Junction of the air."

This is obviously regrettable, but have the town planners anyone but themselves to blame? The Gatwick scheme has been talked about for the last ten years; and, since, for obvious technical reasons, the choice of sites for a major airport must always be narrow, the Government's decision to overrule the interests of the town seems to be justified. However the blame may be apportioned, the upshot is a lamentable failure in that very co-ordinating and harmonising of economic activity which it is the object of planners to achieve. As guardians of the public interest, they have laid themselves wide open to the old question—*quis custodiet ipsos custodes*?

Federation Technicalities

Hitherto, most of the discussion on the plan for Central African federation has centred on the attitude of the various communities and the extent to which their wishes and fears are met by the constitutional proposals. In the last few months, however, three commissions have been studying the main technical questions involved in federation—the public service, finance and justice—and their reports were published this week (Cmd. 8671-3).

At this stage, when the fate of the federation proposals is still in the balance, detailed discussion of the technicalities of federation seems a little premature, although all the proposals contained in these reports are obviously of great importance if federation is actually put into force. The fiscal commission, for instance, had to decide such questions as the shares of the federation and the three territories in the total revenue. It proposes that the proceeds of the basic income tax should be allocated in the proportions of 60 per cent to the federation, 17 per cent each to Southern and Northern Rhodesia, and 6 per cent to Nyasaland; and it recommends that these proportions should be written into the constitution, subject to a review by an independent commission after three years. On expenditure, the fiscal commission provides for nearly £6 million a year for development in addition to the cost of existing projects and those to be financed from loans. At this point, the commission touches on what may be called the politics of federation. It states that the federal government will have to pay special attention to development in Northern Rhodesia and Nyasaland to bring them up to Southern Rhodesia's level—an emphasis on the federal government's functions regarding development that will not be lost on the opponents of federation.

The politics of federation are also reached in the report of the civil service preparatory commission. Thus, it assumes that the African Affairs Board would have the right to intervene if it considered that the avenues of advancement open to Africans in the federal service were not being safeguarded by the proposed Public Services Commission. The rights of the African Affairs Board are, indeed, a constitutional matter, and the determination of constitutional issues is dealt with by the judicial commission. It recommends that the jurisdiction of the proposed federal supreme court over such issues should be prescribed in the constitution, and that there should be no appeal from the court's decision except by leave to the Privy Council. But since the constitution can be amended, the ultimate safeguard for African interests is political, not judicial. It will depend on whether the Government and Parliament in this country agree to allow the amendment.

Europe's Search for Dollars

Despite the success of the Marshall Plan in bringing European production back to or above its prewar level, the dollar gap is still the most serious of Europe's many economic problems. The struggle to achieve internal financial stability has not been entirely successful; although the threat of inflation continues, production is tending to decline, or to rise only very slowly. But overshadowing all this is the persistent deficit in many countries' balance of payments and an even greater deficit in their balance with the dollar area. In consequence the move towards liberalisation of trade has been reversed. In this setting the Council of Ministers of the Organisation for European Economic Co-operation has been discussing what it should do in the year ahead.

A permanent solution involves adjustments in the production and employment structures of most European countries and also of the United States; but countries are still unwilling, for political reasons, to make or even permit such adjustments. Europe has, therefore, once more sought a palliative not a cure. It has accepted the Butler principle of "trade not aid." That at least is a step in the right direction, for it makes the United States a partner instead of a patron. But the suggestions that the United States must adopt a more liberal commercial policy and that it must invest on a substantial scale in underdeveloped areas are at this stage purely academic. It is doubtful whether the complete abolition of the American tariff would enable Western Europe to earn sufficient extra dollars to balance its dollar accounts. What is more important is to give a guarantee to European exporters that no additional obstacles in the American market will be placed in their way for a period ahead. This would encourage new exporters to try their luck there, because at present the initial cost of entering the American market is very high and has to be amortized within a very short period.

American investment in underdeveloped territories, with the proviso that the dollar capital could be spent on buying European goods, could help towards a solution. But it would involve transferring productive resources in Europe from consumer goods industries to capital goods industries. These dollars would be spent in Europe only if European prices and delivery dates were fully competitive. For certain types of capital goods British and German prices are certainly competitive with American; but delivery dates are another matter. All the underdeveloped areas want to develop rapidly; they are not willing to wait three or five years for delivery of equipment. And it is here that the size of American industry plays an important part. The requirements of these areas would represent a significant proportion of Europe's current output but only an insignificant part of America's. In these circumstances the United States is always likely to be able to give quicker delivery.

M. Pinay's Hidden Strength

It is now eight months since M. Pinay took office. From the early days both his friends and critics have regularly predicted his imminent fall on economic policy. They were convinced that he would be unable to master France's inflationary problems, that in spite of his exhortations prices would continue their rise, and that in their wake would follow the usual sequence of industrial disputes, wage increases and further political bitterness. In fact, current prices are only a little above the March level and M. Pinay is still there.

People in France are now saying that his master stroke was the decision to tie wages to the cost of living. The necessary legislation was passed in July and its first critical test came late in August, when the official cost of living index threatened to reach the point at which a wage increase was automatic. Faced with this disaster French businessmen, farmers and speculators managed between them to muster sufficient restraint to hold prices below the danger mark. To economists it has been something of a surprise to realise that, in an economy where everyone is inflation-conscious and where most prices are fixed by private collective agreements, the introduction of a sliding scale wage policy can act as a check to inflation. A policy of this kind puts the whole population on notice that once they allow prices to push beyond a very clearly marked point, the entire economy will once more be thrown out of control.

The recipe, of course, is not for general application. It would probably fail in countries like Britain where peoples' experience of price movements is limited to comparatively small fluctuations in the value of money. In other cases and at other times, moreover, a sliding wage scale would be a positive disadvantage, since it would severely handicap any government that wished to pursue a policy of reducing consumption and increasing investment. It would also be naïve to believe that the restraint of French monopolists is the whole story. M. Pinay has been greatly helped by the fact that, ever since he took office, world prices of raw materials have continued to fall and estimates of world crops have been consistently high.

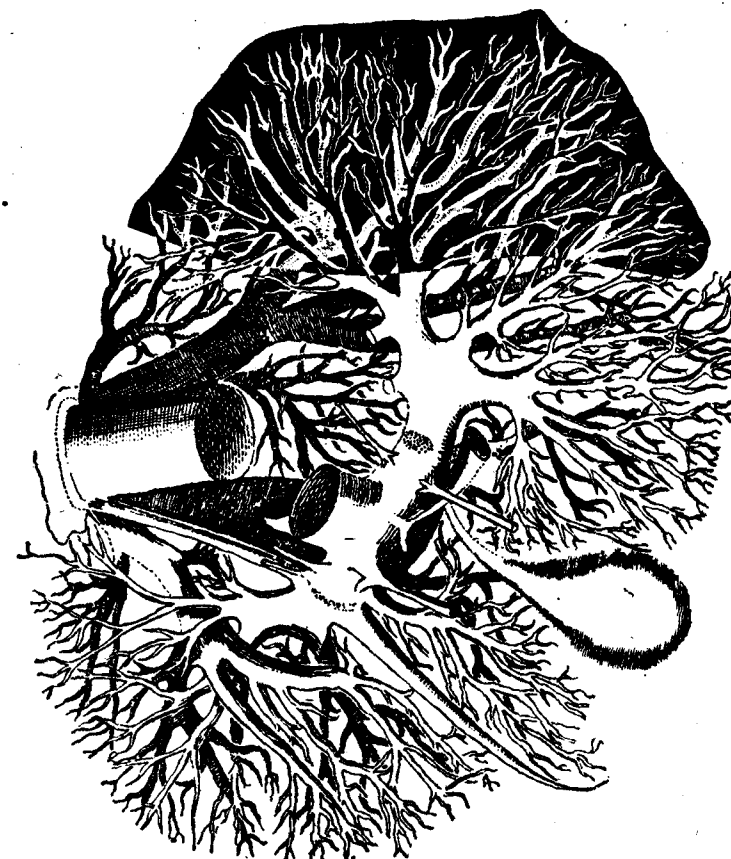
Socialists and European Union

It has always been obvious that European federation, even the partial and limited version now being considered by the six nation *ad hoc* assembly, is a difficult undertaking; but its prospects are being made even more uncertain by the growing opposition of many European Socialists to an organisation in which they will be outnumbered by a Conservative-Catholic majority. In the assembly of the coal and steel community the Socialist membership, including the German Social Democrats, amounts to 21 out of 78, or less than one third of the total. In the assembly that is planning a European political authority the abstention of the German Left reduces the Socialist group to only 15; and there is no sign that the Germans who outweigh all the other "little Europe" Socialist parties put together, will undergo a change of heart towards a defence community which, in their view denies Germany complete equality and abandons the struggle for national unity.

In the eyes of their Continental comrades the real villains of the piece are the British and Scandinavians, who could greatly swell the Socialist ranks in any representative federal assembly but feel unable to join any exclusively European body. Their total membership (excluding the Finnish party) is over 7 million, while the "little Europe" Socialist parties (leaving out the Saar) can muster only 610,000 members between them. Lengthy and arduous debates at the recent

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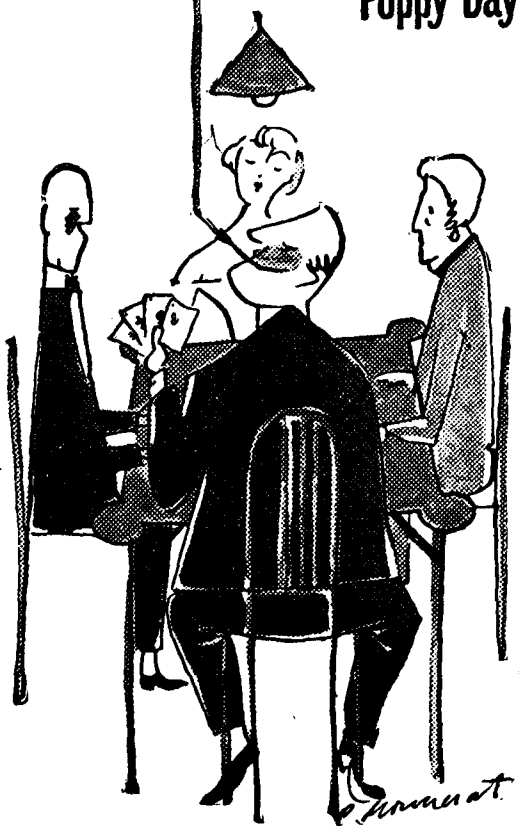
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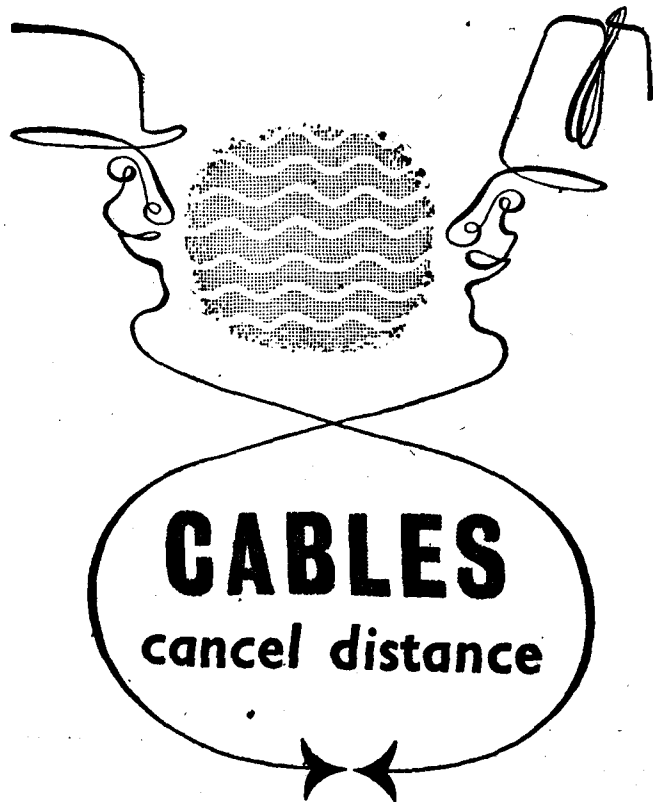
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meeting of the Socialist International in Milan did nothing practical to bridge this division. All the European parties, however, were agreed that Britain and Scandinavia must at any rate be closely associated with the six-power Community. Indeed, the French Socialists have made this a condition of their support of the Community in which they fear German predominance.

This is not a realistic attitude. The associated British would be able to talk but not vote, which means causing the maximum of trouble with the minimum of result. Few of them would understand, or care deeply about, the issues that divide the Christian Democrat from the Continental Socialist; British, French and German men of the Left could bitterly disagree about policies affecting the planning of economic life and the standard of living that would come before a European assembly. The pretence that there is, or could be, a solid European Socialist front except in stark and frustrating hostility to the Centre and the Right is one that the British Labour Party should examine carefully.

* * *

Guarding British Treasures

A committee under the chairmanship of Lord Waverley has been considering how best to prevent the steady depletion by export of Britain's works of art. A measure of control over such exports is exercised already, through export licensing. The Board of Trade has a panel of artistic advisers, who are consulted before an export licence for a suspected work of art is granted. This arrangement is far from satisfactory. It makes use of a system that was devised for a

completely different purpose—to ensure that British exports showed a fair return in foreign exchange. It works badly for everyone: it imposes an impossible task on the expert, overwhelmed, perhaps, with requests for his advice, supplied with inadequate descriptions, and unable to see the proposed export without a journey, sometimes to the quayside. It is disappointing—it may even be disastrous—for the seller, who is unlikely to get such a good offer in the comparatively impoverished home market. It is infuriating for the buyer, whose purchase is thus torn from his grasp. And it has not even been completely effective in preventing the sale of important works.

Lord Waverley's committee can see no way of preventing this arbitrary interference altogether, but thinks that it should be limited to articles worth more than £1,000 and more than 100 years old, the value of more modern articles being hard to establish. An owner who is prevented from selling abroad would have to be offered a fair price at home. This should not necessarily be as much as he would have got by exporting, but it should be the international market value as assessed by an expert committee. It is hoped that normally the national collections will make these purchases, and for this purpose the committee suggests that the grants-in-aid to them should be increased. If, nevertheless, no purchaser, public or private, makes a suitable offer, the committee thinks that the money must be found by special parliamentary grants.

Any suggestion for larger grants-in-aid for anything must be viewed with great suspicion. But there is no doubt that the purchase grants now made to the national collections are small. And here, as with Britain's neglected historic houses, is an item of expenditure that unfortunately cannot be put off until better days. Losses cannot be made good another time.

Letters to the Editor

Refugees from Reality

Sir,—The leading article in your last issue seems to us both superficial and cynical. Leaving aside the last sentence, which in effect dismisses as blind or dishonest all those who are working for children, better health, better food and similar aims, we would particularly contest your statement that the "central cause" for the United Nations is "defending peace." First, the prevention of war is negative and sterile in itself and cannot, therefore, be a sufficient or worthy overriding aim for such an organisation as the United Nations. Of course, one can do nothing to make a better world if there is war. But its prevention is a means to an end—a vital means, the primary and perhaps the most important means, but still not the end. Secondly, to "defend" or "maintain" peace is in the long run impossible. We have so often been truly told (but have largely disregarded the truth) that peace, to mean anything, has to be positively created; or, to put the obverse of this, that we must work to remove the causes of war. The work of WHO, UNICEF, FAO, ILO, and many other agencies, is directed to just this object—to eliminate ills and to satisfy basic wants, to make mankind happier and in so doing to lessen many, at least, of the causes of international tension and enmity, by lessening human resentment and bitterness.

To make it at all possible to prosecute these great, constructive, creative projects the ring must at the same time be held, the flood waters retained by strong dykes. But to argue that this must take exclusive priority is to be guilty of equal blindness or dishonesty in not admitting the supreme importance of fighting hunger, disease and poverty as the basic evils; while to dismiss as impractical or dishonest idealists those who are trying to persuade nations to accept the vision and duty of mutual help in adversity is to encourage those who would merely preserve their own skins and to make it far more difficult to attack the fundamental causes of the war which you, and we too, so desperately wish to prevent.—Yours faithfully,

L. O. LYNE
MICHAEL LUBBOCK

London, W.1

[The article did not condemn all who work for children, health, or better food, nor those who call for mutual help in adversity. It criticised those who placed particular projects, ranging from five-power pacts to an international criminal court, above the central cause of defending peace. It did not claim for the latter "exclusive priority," but argued that to turn aside from it was both tempting and fatal.—EDITOR.]

Correspondence Colleges

Sir,—The suggestion that the ideal curriculum for part-time vocational training made up of a combination of

intensive, disciplined fact-learning and writing practice, followed by discussion classes for ventilating and maturing the information so gained, is dismissed in your article as utopian. This gloomy view is not altogether well founded. While discussion classes provided by education authorities are only practicable in the subjects of sufficient general interest to attract a reasonable attendance, the professional bodies themselves provide the equivalent of discussion classes in their specialised subjects. The Institute of Cost and Works Accountants, for example, holds meetings at over fifty centres throughout the country where members and students listen to lectures and join in discussion. In the larger centres approximately sixteen lectures are held each winter, approximately one half of these being arranged by the students' own organisations. At Coventry special series of lectures and discussion groups have been held on Saturday mornings as a joint arrangement by the Coventry Technical College and the local branch of the institute. At all meetings opportunity is afforded to students to discuss informally with fellow students any matter outside the subject of the meeting, and qualified members are pleased to draw upon their greater experience to help students with their problems.

This is not to suggest that all is well with vocational training for the professions, in some of which at least there is

also a necessity for some form of post-graduate education if the mass of qualified members are to take an interest and part in the development of new ideas.—Yours faithfully,

Kenilworth

J. P. WILSON

Sir,—May an accountant who completed his professional training with the aid of a correspondence course add his comments to your two articles?

First of all, unless one lives in a large urban area, this is virtually the only way to acquire the extensive technical knowledge now required for professional qualifications. Even then, studying at home is more economical of time than attending evening classes, by reason of the travelling involved. Secondly, as far as accountancy students are concerned, membership of a students' society is encouraged. These meetings provide a very useful forum for discussion at a level which I would say is higher than is to be found at evening classes.

Correspondence courses are not without their disadvantages, of which, in my opinion, the striving for a "model solution" is the worst. To most of the problems one meets in professional life there is no such thing as a "model solution." One applies certain principles to a situation where personal and business considerations also require to be taken into account and the resulting solution is generally a compromise. Secondly the answering of list papers, although it may be good practice for the answering of examination questions and the only way by which a tutor can assess a student's progress, does rob the student of valuable reading time. One tends, therefore, to attempt to assimilate the reading in the given text book, work through the lesson supplement, answer the test paper and heave a sigh of relief at the thought that that is one more stage completed.—Yours faithfully,

Birmingham DONOVAN MOORE

Inflation in Australia

Sir,—I read the article in your issue of October 25th with full agreement until I came to its last sentence, suggesting that "many Australian observers have come to believe that only a severe economic crisis can convince the Australian people of the need for more workers on the land, for more pioneering

**AUTUMN
BOOKS**

1952

PAGE 341

in the 'outback' and for harder and longer effort at the work bench in the cities."

Are you sure that these "many observers" are right? It seems to me that other parts of your article argue against them. You point out that before the war "capital and labour were already withdrawing from primary production and the land," and that "the war simply reinforced much that was already potentially out of balance." If the depression of the 1930s failed to arrest the trends which you deplore (and in fact it accelerated them), a "severe economic crisis" in the 1950s would not be likely to do so. It would come about, presumably, through a decline in Australia's overseas earnings, leading to unemployment and reduced imports. I suggest that Australian farmers would then insist on the urban community subsidising their incomes, thus obviating the need to expand export production sufficiently to make up the loss in their own, and the country's external, earnings. In the prevailing temper of Australian politics, such a demand would be humbly acceded to. So also would a parallel demand from the manufacturers for tariffs, bounties and import prohibitions to enable them to make, inefficiently but at a profit, the goods which the country could no longer afford to import, and so provide jobs for the unemployed. The general result would be a further intensification of the kind of trend which you, in company with the British economic mission of 1929, feel so strongly about. Its strictures and recommendations were ignored by Australian producers bent on autarky, and I am afraid yours will be too.—Yours faithfully,

London, W.1

J. D. B. MILLER

The Strange Case of Mr Zukas

Sir,—I should like to comment briefly on your references to Mr Zukas in your issue of October 4th. It is misleading to describe Mr Zukas as having arrived in Northern Rhodesia from Cape Town last year. He was brought as a child by his immigrant parents to Northern Rhodesia, has lived there ever since, and the only sense in which he arrived from Cape Town is that the Northern Rhodesian Government gave him a scholarship to Cape Town University.

I should also like to correct your unfounded suggestion that Mr Zukas's friends have left him in the lurch in custody in Northern Rhodesia in order to embarrass the Northern Rhodesian Government. It is a fact that very many people in Africa and in Europe have subscribed money to support Mr Zukas in his fight; and it was the pure misfortune that the short time limit allowed by the Appeal Court ran out before enough money was obtained that led to the revocation of the leave to appeal. All friends of Mr Zukas regard this as a most unfortunate development.—Yours faithfully,

BASIL DAVIDSON

Braintree

Commodity Price Indicator

Sir,—In your article of July 19, 1952, you launch your new Commodity Price Indicator with sufficient explanation as to its construction. But it is impossible for me, or for anyone, to determine the best price indicator strictly by its performance. I must disagree very strongly with your indicator, and, in particular, with its weights. I cannot understand your choice of an arithmetic weighting scheme. The commodities you have selected have vastly different effects upon world trade; you cannot give equal weight to tea and to wheat. The value of wheat trading is far greater than that of tea trading. A system of representative weights must be used. Your system of arithmetic weights leads to an indicator of the price movement of one unit of wheat, one unit of maize, one unit of coffee, etc. Your indicator as such does not represent world trade.

Further, I cannot understand why the choice of a base period should have afforded so much trouble. The base period does not imply "normality." Any base period would suffice. The base period is but the point from which you measure your readings. No implication of a normal period is inherent in its selection. Base periods are generally chosen, by custom to agree with the base periods of other indexes.—Yours faithfully,

VICTOR R. FARHI

New York

[The commodity price indicator is not intended to measure changes, but merely to indicate changes. Hence a system of weighting is not only unnecessary; it would also be misleading, since any weighting system would have to be based on a unique pattern of expenditure. And relative prices of commodities change considerably even over a period of a year or two. It is true that any year could have been taken as a base period. But since the indicator is in fact an indicator, it was designed to show changes from a period to which people would normally refer—such as the twelve months immediately before the outbreak of hostilities in Korea.—EDITOR.]

Development Areas Revisited

Sir,—In the article in your issue of October 18th it is stated that Mr. Newman and I showed that, in the clothing firms we studied, "transport costs . . . varied from 0.3 per cent of turnover below, to 0.8 per cent of turnover above, costs at a London location." This is incorrect. In no case did we find that transport costs in the Development Area branch were lower than they would have been in London; the additional costs ranged from about 0.1 per cent in one firm to 0.8 per cent in another.

May I also be permitted to explain that, while the National Institute of Economic and Social Research has very kindly allowed our report to appear as one of its Occasional Papers, Mr Newman and I were both on the staff of University College, London, when the inquiry was carried out?—Yours faithfully,

DOUGLAS C. HAGUE

Orpington

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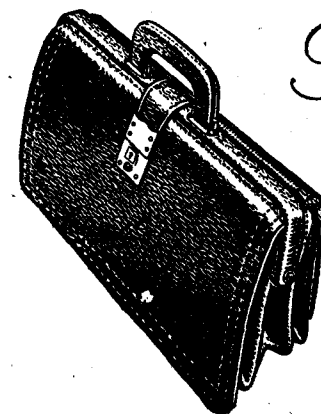
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AMERICAN SURVEY

Clouded Crystals

Washington, DC

THE proposition upon which there is the largest measure of agreement in the United States in this final full week before polling day is that the election has gone on too long. The fruits of sheer fatigue are evident—in the faces and voices and in many of the words of the candidates, in the laboured restatements of old positions on old issues and in the repetitive talk in the bars and railway carriages.

The platitudes of the moment hang in the air like stale smoke:

Two months ago—a month ago—I'd have said Eisenhower . . . I think Stevenson has a very good chance . . . Ike's lost the independent vote. . . . Just the same, there's this It's-time-for-a-change thing, and it goes very deep. . . . They talk Republican but when they get into that polling booth . . . People don't vote on issues and personalities, they vote on what's going to be good for them in their own back yard. . . .

Among those who have been moved and inspired by Governor Stevenson's eloquent liberalism there is a feeling that the United States will somehow be shamed in the eyes of the intelligent free world if it now fails to elect this Wilsonian symbol of the new America. Among those who have been and remain wedded to General Eisenhower there is an almost angry determination to stand by him and to claim that nothing has happened to alter the original argument that he is big enough, wise enough and good enough to hold together and lead a nation with a very tough four years in front of it.

There is no good reason to doubt that when, in the embittered concluding stages of the campaign, each side accuses the other of the worst sort of demagoguery each is believing what it says. When President Truman declared that the Republicans who secured the passage of the McCarran Act and of other legislation affecting displaced persons and would-be immigrants to the United States betrayed an anti-Catholic and anti-Jewish trend of thought, and that by embracing such Republicans General Eisenhower had underwritten such a trend, Mr Truman appeared to be speaking with conviction. But at the same time he provided General Eisenhower with a conviction which led him in turn to say that the Democrats were now "creating distrust, disunity and bigotry by falsely accusing others, including myself, of these evil things."

There are many Republicans who find themselves convinced that the Democrats have "appeased" or been "soft" about the Communists, even if they do not accept what

Senator McCarthy and his imitators say and do not like the way they say it. And there are as many Democrats who believe that the charges of the McCarthy school have been uttered, as Governor Stevenson said in his Cleveland speech last week, by "those who would beguile the voters by lies or half-truths, or corrupt them by fear and falsehood" and in consequence are "committing spiritual treason against our institutions (by) doing the work of their enemies." The Governor went on to tell his big audience:

I said to you in my Acceptance Speech, accepting a nomination that I did not seek, that I would rather lose the election than mislead the people. I meant it. . . . Whether this sort of campaign can be used in a great American election in the year of grace 1952 to defeat the candidate of one of the major parties . . . is not just an issue of today but it must be settled today or it will affect not only American elections but American life for years—perhaps for generations . . .

In Buffalo at about that moment General Eisenhower was saying, also with great earnestness:

"Feel Anything Yet?"



Herb Block in the Washington Post

I would rather look at the record than call names. . . . My only aim is to get the facts and nothing but the facts to every voting American. . . . Our discredited national leadership has been sapping the moral foundation of America.

This assumption of righteousness by each of the parties is no brand new phenomenon, but there have not been many occasions when the independent, free-thinking voter has been confronted by such irreconcilable claims. Some of the tongue-tied prophets suggest that this is why the polls have been indicating an abnormally large "undecided" group. This can also be explained, and has been explained, laboriously and repeatedly, in other ways: the voters do not feel sure whether or not the sacrifice in Korea is justified as the Democrats say it is, or a "bungle" as the Republicans say it is; the voters have been shocked by the evidence of corruption in government, or have recognised that the talk about corruption is nothing but a political ramp. But there is more statistical evidence behind the rather different contention that the undecided group will decide, quite late in the game, to vote, not for the most moral party or for the party which has stated the issues in the most compelling language, but for the party which the individual independent voter has individually concluded offers the best insurance of his individual future.

The Gallup Poll has been showing that the voters divide most narrowly, but slightly on the Republican side, when asked which party they prefer. They have been more noticeably

pro-Eisenhower when asked which candidate they prefer. But when asked which party they believe will do more for them as individuals they have come down heavily on the Democratic side. Those who are inclined to predict a Republican victory are those who believe that the magic of the Eisenhower name and a general "throw-the-rascals-out" sentiment (based on frustration over the Korean war and disgust with the less attractive fruits of twenty years of Democratic rule) will count for most. Those who expect the Democrats to win think that the "don't-let-them-take-it-away" sentiment will prevail when the chips are down. They believe that a lot of people may vote Democratic because they like Governor Stevenson's way and because they have grown disillusioned about General Eisenhower, but they think the election will be clinched by a greater number of people who will vote Democratic because they and their families are, and want to go on, living well.

Neither body of crystal-gazers, however, sounds very sure; for a lack of faith in all polls, a suspicion of all statistics and a most uncomfortable sense of the inscrutability of the voters in the mass prevail in the land this week. How many people have been talking Republican and wearing Ike buttons because it seemed to be socially or commercially safer to do so? How many such men and women have already decided that when the time comes they will pull the curtain across the entrance to the polling booth and secretly vote for Mr Stevenson? Whether this shadowy company is fact or fiction nobody knows. Still less does anybody know with any certainty what will be done by the millions who genuinely do not yet know how they are going to vote and who may put off the final decision until a day or two or even an hour or two before they commit themselves.

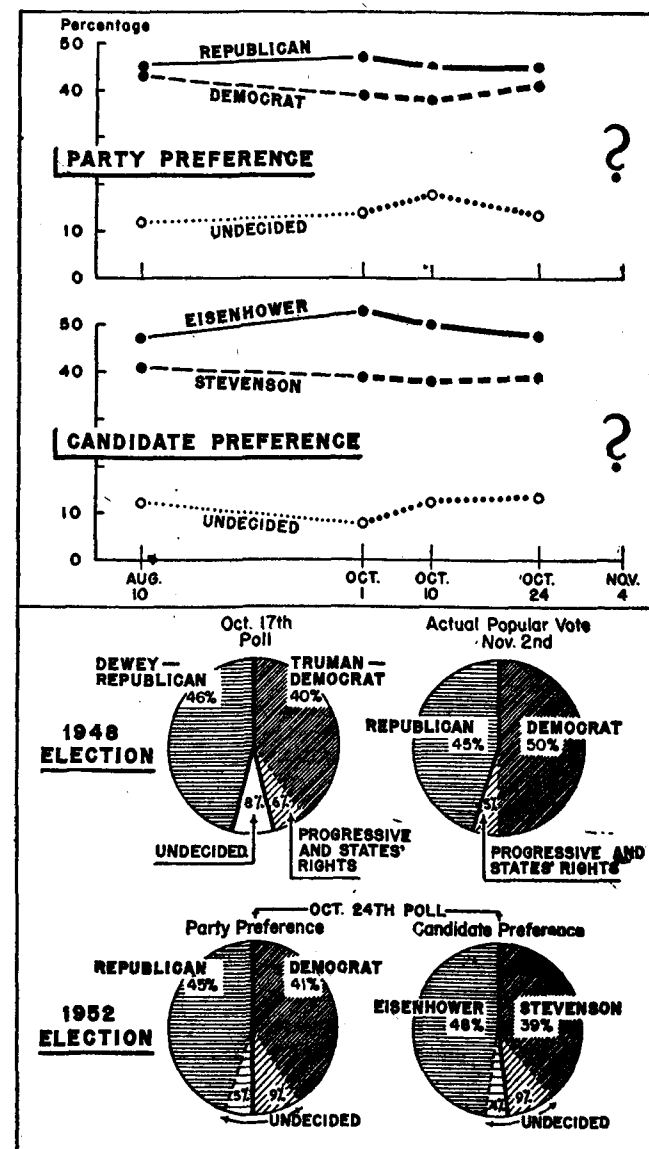
A shared experience, a trend strong enough to produce a pattern, could set off a landslide in either direction. With an Eisenhower landslide the Republicans could take complete control of the House of Representatives and they could win the Senate by holding all the 21 Republican seats involved this year and winning two of the 14 Democratic seats at stake. A Stevenson landslide, or even a fairly definite Stevenson victory, might provide a securely Democratic House and a Democratic Senate at least as firmly held as the one President Truman has lately been working with. A narrowly won Eisenhower victory might, on the other hand, install a Republican President with a Democratic Senate.

The new occupant of the White House will be whichever of the candidates wins 266 or more votes in the electoral college where each state votes as a block for the candidate who receives a majority, however narrow, of popular votes in the state. If it can be assumed, as most of the uncertain prophets do assume, that the Republican revolt in the South will not be powerful enough to lose him any southern or near-southern state, Mr Stevenson seems on paper to have a good chance of landing about 196 electoral votes. He would be over the top if he could carry New York (45 electoral votes) and California (32), or New York and Pennsylvania (32). But these three key states are widely thought to be doubtful. Ohio (25) and Michigan (20) are as widely awarded to General Eisenhower. In the lists which some do and some do not call doubtful there also appear Illinois (27) and Minnesota (11). But it is more than possible that states which both sides have written down as sure can go the other way. There is, in short, no list of states adding up to 266 electoral votes in which the reputable crystal-gazers have full confidence. Before the end of next week everyone will know where he went wrong and by then it will seem to have been faint-hearted and foolish ever to have wondered.

According to Dr Gallup

THE American Institute of Public Opinion blames its failure to predict the outcome of the 1948 presidential election accurately on two mistakes. Surveys were stopped too early to allow for last-minute shifts of opinion and Dr Gallup allotted the undecided votes equally between the two candidates, while post-election surveys showed that the majority of such voters finally cast their ballots for Mr Truman. This year in his latest poll, of which the results were published on October 24th, Dr Gallup gave the Democrats a generous two-thirds of these votes. This had the non-committal result of dividing those polled equally on the question: "If the election were being held today, which party would you like to see win?" But when applied to the question "Which candidate would you prefer?" this allocation gave General Eisenhower a majority of popular votes.

There is so far little indication in the accompanying charts of the growth in Governor Stevenson's popularity which had been expected as he became better known. But Dr Gallup



attaches great importance to the additional question, "Which party do you think is best for people like yourself?" According to the October 24th poll, 50 per cent thought the Democratic party the best for them personally and only 30 per cent the Republican. There is still time for 1948's last-minute swing to the Democrats to be repeated and, as Dr Gallup carefully points out, American presidential elections are frequently "too close to be divined by any known research procedures."

New England's Favours

[FROM A CORRESPONDENT IN CONNECTICUT]

THE attention which the presidential candidates are paying to southern New England suggests that even the homes of the bean and the cod may not be proof against last-minute blandishments. Time was when they were as safely in the Republican pocket as the South was in that of the Democrats, but both certainties have disappeared. Even in this old and thickly settled section, where mill workers and farmers all have their radios, and many have television sets, candidates dare not rely on these mechanical devices. No one can ignore the lesson which President Truman taught in 1948—that it is the whistle stop and the personal appearance which win the votes.

Maine, Vermont and New Hampshire, the three states of northern New England, possess twelve electoral votes, and the chances are excellent that all twelve will be cast for the Republican candidate. Southern New England is less solid in its convictions, and there is reason to believe that at least some of its twenty-eight electoral votes can be had for the

counteract Idaho. This is not a time for neglecting small favours. Moreover, the question marks which hang in the political skies of all three states involve the fate of Governors and the control of Congress. The political composition of the Senate, now so closely divided, may depend on what happens in Connecticut. The death this year of Senator Brien McMahon means that his state must fill not one Senatorial seat but two.

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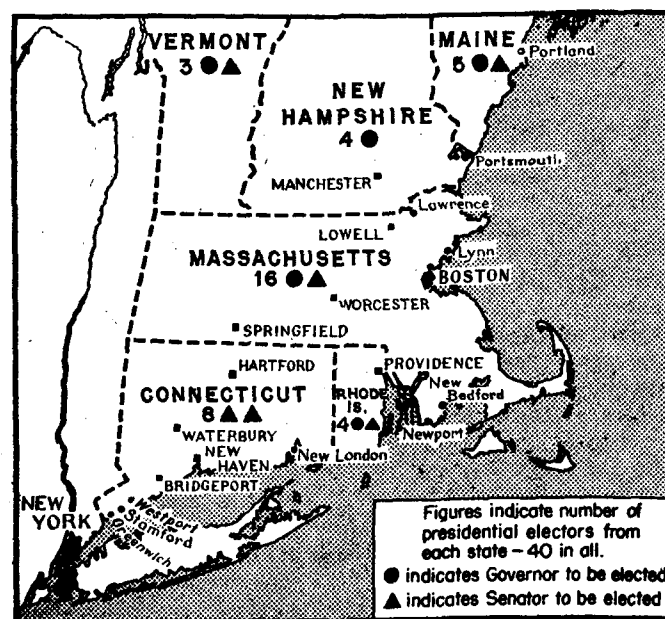
The three southern New England states are linked by economic and political similarities. All three contain large numbers of foreign voters imperfectly absorbed into the older population; all three are heavily industrialised in certain sections and rural in others; all three were staunchly Republican in earlier days and have recently been showing strong Democratic sympathies. All these circumstances sharpen political conflict.

In Massachusetts that conflict rages between the early settler and the immigrant, the farmer and the factory hand, the Protestant and the Catholic, the Irish and the world. It has been said before that both Boston and New York have, in their political life, paid heavily for Britain's ineptness in Irish matters. Boston, at least, is still paying, though since one of its mayors spent part of his term in a federal jail there has been a concerted effort on the part of other citizens to check Irish control of office and patronage. In the present election the Irish-American Governor, Mr Dever, is being challenged by a Republican, Mr Christian Herter, whose ancestors came from Germany in 1848; by this time Mr Herter, who has several terms in Congress to his credit, ranks almost as a Mayflower Yankee. The Senatorial contest is between Senator Henry Cabot Lodge, Jr, seeking re-election behind a name that wakes august echoes, and Mr John Kennedy, whose wealthy Irish father was Ambassador to the Court of St James in the early years of the last war. Both contests are in doubt.

The Irish influence penetrates south into Rhode Island, where the late US Attorney-General, Mr McGrath, whose reputation is now somewhat tarnished, began his political career. This is the smallest of states, a ragged oblong of picturesque coast with 674 persons for every rocky square mile. This dense population is composed mostly of skilled factory workers who give Rhode Island the highest industrial output a head of any state in the union. How all this can be crowded into 1,250 square miles, and leave room for farms, a major naval base and two fashionable summer resorts is a mystery.

In local matters the state's political masters are the Italians, who cast a solid 30 per cent of the vote, and the Portuguese. It was the need to make sure that such groups do not desert their traditional Democratic allegiance this year which tempted President Truman to inject the issue of racial and religious discrimination into the campaign. The more secure of Rhode Island's two Senatorial seats is not at stake; it is occupied by Mr Theodore Green, a Democrat. The other is held less surely by another Democrat, Senator John O. Pastore, Italian by origin, Roman Catholic by faith, who is hopeful of re-election despite the best efforts of his Republican challenger, Mr Bayard Ewing. The Democratic Governor, Mr Dennis J. Robert, also counts on being returned. His

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



asking—if the asking is done in the right way. The puzzle is to find a way which will appeal to the mill hand, the farmer, the new immigrant, the old Yankee and the escapist from New York, who, together, make these states a trio of political crazy quilts.

Massachusetts used to be solidly Republican, but in 1928 its Italian and Irish Catholic voters ranged the state behind the unsuccessful Democratic candidate, Al Smith of New York. Massachusetts has been counted in the Democratic column ever since, but this year its voters show no eagerness to make up their minds. Little Rhode Island, which has also voted for a Democratic President since 1928, expects to give its four electoral votes to Governor Stevenson, but is not a certainty. Connecticut, whose eight electoral votes went to the Republicans by a slender majority in 1948, will probably repeat that choice this year, but the balance between rural Republicans and city Democrats is uncomfortably even.

To make certain of these twenty-eight electoral votes takes more effort than they would be worth in a less hotly contested race. But if all twenty-eight can be won by the Democrats, they would more than offset those of Senator Taft's Ohio. Individually, Rhode Island with four can

Republican opponent is Mr Raoul Archambault, a name supposed to appeal to the numerous French Canadians in this polyglot state. The Democrats expect to carry the state for Governor Stevenson, but the Republican promise of a change is attractive during an industry-wide depression in the textile mills.

Connecticut, south of Massachusetts and west of Rhode Island, is still in a state of rebellion against changes which have been accepted, however grudgingly, by its sister states. Its population is almost equally divided between the older stock and the foreign born or first generation American, with the natives on the short side of the division. Four-fifths of the vote is normally cast along party lines, and so evenly split between the parties that heavy pressure must be focussed on the other fifth to swing any election. From 1936 to 1944 Connecticut gave its eight electoral votes to Franklin Roosevelt, but in 1948 it swung back to what used to be its traditional Republican orbit.

The chance to name two Senators this year has spurred the parties to more than customary exertions. So far the Republican candidates, a New York banker who makes his home in the state's expensive western fringe, and a West Hartford manufacturer, have failed to arouse much popular interest. The real campaigning centres are among the industrial population of the coast and the Connecticut River valley towns. The ladies of Greenwich and Westport may shine at political teas, but in Stamford, Bridgeport and New Haven the parties rely on loud speakers. There, where the Democratic vote is normally heavy, Republicans have brought every weapon into play, even enlisting Senator McCarthy's brand of demagogic appeal to capture the resentful and fanatic.

Two years ago the state leaders would have none of Senator McCarthy, but his much publicised quarrel with Senator Benton, who must now seek re-election, has made him seem so useful that they have recently invited him to sit on platforms with them. It is not impossible that, in spite of devoted attention to the state's many small businessmen, Senator Benton may lose his seat. Not only must he fend off Republican attackers from other states, but he also faces trouble from the old mayor of industrial Bridgeport, who would like to go to Washington. Mayor McLevy, running for the Senate on the Socialist ticket, has no chance of victory, but he may drain off enough votes to defeat Mr Benton. Perhaps this is why he has been enabled to wage a hopeless campaign. On the other hand, Representative Ribicoff, the other Democratic candidate for the Senate, may succeed.

American Notes

White House via Korea?

With so many voters still undecided, both parties are sensitive to anything which may start a landslide. General Eisenhower's promise, if he is elected, to go himself to Korea to seek a speedy and honourable peace is a heavier eleventh-hour blow to the Democrats than Senator McCarthy's much-touted "exposure" of Governor Stevenson, put on the air by a group of old America-firsters. The Governor was prepared for the Senator's attempt to exploit his deposition on Mr Alger Hiss in 1949. He had already told an audience in Cleveland that General Eisenhower and Mr John Foster Dulles, as colleagues of Mr Hiss on the board of the Carnegie Foundation in 1949, were equally endangered by the doctrine of guilt by association. Most thoughtful Americans feel that Mr Stevenson's statement that Mr Hiss bore a good reputation—as he obviously did—should never have been raised in the campaign. There are signs that

Senator McCarthy watered down his text after General Eisenhower denounced "smear by innuendo," though the General named no names and can hardly return any votes the Senator's tactics may have won for him.

General Eisenhower's Korean offer is evidently the "solution" it has long been hinted he had up his sleeve and which President Truman, who rushes in where other Democrats fear to tread, last week demanded should be put on the table. It has attractions for the voters—particularly women, who now outnumber men voters by 2 million—who resent the Korean casualty lists, the conscription of sons and husbands, and high prices. How the negotiators at Panmunjom would be helped by the presence of General Eisenhower—who walked so innocently into Senator Taft's trap—is not easy to see. The high premium he puts on an immediate settlement may even make their task harder, endangering, as Governor Stevenson said, "the unshakable determination to stand firm, the only background against which an honourable and final settlement can be reached." The Governor's reply, delivered after a day of conferences on how to meet the General's latest offensive, was that the root of the trouble was in Moscow, not Korea. This was truer, though probably less effective, than the following hint that the General might be contemplating a widening of the war, a charge designed to smoke the General out.

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If the protest against Korea is the Republicans' ace, prosperity under New Deal measures is the Democrats', and Mr Truman and Mr Stevenson have been playing it for all it is worth. General Eisenhower, in his last swing through the industrial east, has been trying to trump it by belated assurances that he favours high wages and, at the first sign of a depression would bring all the resources of the government into play. Some observers wonder, however, whether Korea is not a much more vivid election issue to the 7,500,000 voters coming to the polls for the first time this year than the rigours of a depression they never experienced. Nearly 75 million voters have now registered and are thus qualified to vote, a 12 per cent increase on the number who registered in 1948, although the voting population has only risen by 3.5 per cent. In New York, at least, the Republican areas seem to have done the best. But it is thought that only about 55 million will actually vote, a smaller percentage of the electorate than the 59 per cent who took sides in 1940. If these estimates are accurate, they hardly point to a massive protest vote.

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Pushing Down the Communists

Two years after the passage of the McCarran Internal Security Act, over the President's veto, the first step has been taken along the road leading to a test of the Act's doubtful constitutionality. The Subversive Activities Control Board has been advised, by a panel which has conducted full hearings, that the Communist party should be forced to register as a "Communist-action organisation," because it is a revolutionary movement dominated by a foreign country. The party is sure to appeal against this ruling, if it is accepted, as it almost certainly will be, by the full board, and it is likely to be another two years before the Supreme Court reaches a decision. Even if the decision goes against the Communists, the party will not be outlawed, any more than it was by the Court's earlier decision in favour of the Smith Act, under which the party's leaders are being sent to prison. But if the Communist party is finally forced to register under the Internal Security Act, its members will be subjected to various special requirements and prohibitions which, in the opinion of the critics of the Act, will merely have the effect of pushing the party still further underground, not of smothering it altogether.

The panel's report appeared, very conveniently for the Administration, just two weeks before the election. Further-

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more, the Attorney-General; as evidence that he is not "soft" on Communism, is pressing for the deportation of a number of foreign-born Communists, including several of the leaders now in jail. In some of these cases denaturalisation proceedings will first be required. They will also be necessary if the Attorney-General is to prove, as he is trying to do, that he is not "soft" on crime either, by the deportation of Mr Frank Costello, the New York gambler now in prison for contempt of the Senate Crime Investigating Committee.

However, the Republicans, with the help of Democrats such as Senator McCarran and Senator O'Connor who seldom hesitate to harass the Administration, are also making a last pre-election attack on Communism in government with deeds as well as words. And there is a strong suspicion that, to some of them at least, the deeds are particularly welcome because they involve incidentally an attack on the internationalist activities of the United States. Mr Paul R. Porter is being summoned home from his important post with the Mutual Security Agency in Paris, to explain why he appears never to have repudiated views expressed nearly twenty years ago when he was a young Socialist. And Mr Whittaker Chambers has once more been brought back from his farm to strengthen the case against those American employees of the United Nations who have refused to tell the Senate Judiciary Committee whether or not they are or have been Communists. To the disgust of the committee, Mr Trygve Lie has refused to stop their salaries, although he has sent them on leave, until the question has been fully considered by a special international panel of "eminent jurists."

Metals—Too Little and Too Much

The new British loan of 20,000 tons of aluminium to the United States and the delay in the repayment of the earlier loan will probably save the American authorities from having to reduce allocations of aluminium for non-essential uses. Manufacturers are already restive at the postponement of the removal of controls on the metal, which had been expected early next year, and are complaining that they are being restricted more severely than their competitors in allied countries. The latest shortage of aluminium is partly the result of the steel strike, which held up the completion of new facilities, but mainly of droughts in the Pacific north-west and the Tennessee Valley, which have meant a drastic reduction in supplies of hydro-electricity in the two chief aluminium producing districts. The shortage has made it impossible to find aluminium for the strategic reserve; furthermore, estimates of the amount of aluminium needed in the event of all-out mobilisation have recently been substantially increased. As a result at the beginning of October the Defence Production Administration announced a third round of aluminium expansion, an addition of 200,000 tons a year, which would bring total domestic capacity to 1,746,000 tons a year by 1955, an increase of over 1,000,000 tons since 1950.

It is expected that private enterprise will be ready to undertake this aluminium expansion, but the DPA has suggested, probably more as a threat than anything else, that the government may itself be forced to make up deficiencies in the output of the six "Band One" heat-resisting metals, needed in large quantities for jet aircraft and other new weapons. Nickel is probably one of the six; the others may be tungsten, cobalt, beryllium, tantalum and columbium. The DPA has instructed the various government agencies concerned to intensify their efforts to save these "Band One" metals wherever possible, in both military and civilian uses, and to do all they can—and there are many means available—to increase output from both domestic and foreign sources, in order that greater supplies may be available for the stockpile.

The stockpile is understood to contain most, if not all, of the lead and zinc that is required as a wartime reserve,

and for this reason metal traders were suspicious of the attempts to steady the market for these metals, made during the late summer by the stockpile buyers. If these attempts were repeated they would almost certainly be assailed as unjustified government interference with free competition. It is therefore unlikely, especially as the expansion in lead and zinc mining appears to have been overdone, that the government will do anything to check the recent fall in prices of these metals, which followed the reopening of the London Metal Exchange, even though a number of marginal mines have already been forced to close. There is, however, beginning to be pressure for government assistance for the smaller mines and for an increased tariff on imported lead and zinc.

Gadgets for Candidates

This has been a "television campaign" and candidates have submitted to the strains and the indignities involved—the lights, the make-up and the hustle—to bring their cases and their faces into the living-rooms of the nation. One invention, designed to mitigate the ordeal, is the teleprompter, an electronic device that slowly unrolls the speaker's text, in large print, outside the audience's sight. The teleprompter, had its first national debut when Mr Herbert Hoover fell out of step with it at the Republican Convention. Further publicity attended General Eisenhower's failure to synchronise with the technicians. But this must have been due to inexperience. For, almost a year before, the device had proved a discreet and invaluable assistant to grateful professionals on television and on the films. With three or four scattered around the room, it is possible to be completely natural. Owners of the device take elections in their stride; they count on a bigger, steadier market from businessmen called on to address a convention or their workers.

A more fantastic brain-child is the talkathon, a patented scheme for placing a candidate on the air for twenty-five hours, prepared to answer all questions telephoned to him and to demand support and contributions he has surely earned. Governor Dewey used a modified talkathon with great success in 1950, but the device did not really catch on until this year as a way of attracting attention to a relatively unknown candidate. Its most triumphant exponent was an obscure Judge Cherry, in Arkansas, who ousted the Governor by talkathon. Regrettably, even its attractions did not enable Mr Len Schmitt to defeat Senator McCarthy in Wisconsin. But Mr Di Salle, who is running for Senator in Ohio, is using it to overcome the lead of his well-established opponent, Senator Bricker.

As seems only fair, the voter will also have the services of science at his disposal when he sits down on Tuesday night to hear the results. The Columbia Broadcasting System is using Univac, the "Giant Brain," an electronic automatic computer, at Philadelphia to compare the returns, hour by hour, with the results in 1944 and 1948. The machine was given about a fortnight to "memorise" these earlier statistics. The National Broadcasting Company, not to be outdone, will rely on the similar but smaller Monrobot to pick out significant trends and help mere humans to predict the result as early as possible.

War Between the Textile States

A government proposal to review the minimum wage which must be paid by mills with government contracts worth \$10,000 or more has provided a new battlefield for the long war between the textile interests still left in New England and those which have established themselves in the lower-paid South. During the past six months workers in the northern mills have had to accept the first general wage cuts since the nineteen-thirties to enable their employers to survive a recession made more bitter by southern competition. The

southern mill-owners refused last year to grant the increases in wages won in the North. As it now has 80 per cent of all cotton and rayon capacity, it is the South which calls the economic tune and the North which must dance. It has political power, too. Southern legislators this year have managed to prevent government contracts from being placed wholly in New England, arguing that whatever distress was relieved there would merely be transferred below the Mason-Dixon line. The formula adopted was so complicated that virtually no contracts were placed until the worst of recession was past.

Northern mill-owners hope, however, that a review of the 87 cents an hour minimum established in 1948, in the light of wages now prevailing, may reduce the wage advantage of 20 to 25 cents an hour which the South enjoys. The Walsh-Healey Act was passed in 1936, at the height of the New Deal, to make sure that government purchases did not encourage sweat-shop conditions or substandard wages. Under the Act the Wages and Hours Division of the Department of Labour (whose Secretary today is Mr Tobin, a Massachusetts man) has three times set minimum wages for textile firms with government contracts. These tend to become the minimum for the whole industry. Each time the industry has been considered as a unit, on the ground that a single market exists for textiles, but the wage set in 1948 was that prevailing in mills in the South-East. It is the contention of New England that a single minimum should continue to be set, but that it should represent wages paid throughout the industry. The Southerners are demanding that there should be a dual standard, as there is in some other industries. Most of the government witnesses appeared to favour the contention of the North, but the southern spokesmen are determined, if they are worsted, to take their case to the courts.

A Kettle of Frozen Fish

To the satisfaction of local Senators, the Pacific tuna fishing industry is being closely studied from all sides by two government agencies—the Tariff Commission and the Fish and Wildlife Service of the Department of the Interior. The first, which held hearings early this year on the desirability of raising the duty on tinned tuna, is now to decide whether imports of fresh and frozen tuna should be caught in the tariff net from which they were saved by the Senate last summer, while the second is considering whether the industry needs the help of price supports or perhaps of a subsidy. From a canning point of view, tuna has become the leading American fish, largely as the result of the efforts of fish packers to create a mass market. All branches of the tuna industry are concentrated on the Pacific coast, mainly around the Southern Californian ports, but packers elsewhere are beginning to tin frozen tuna. This partly explains why many Californian canners favour a tariff which would put up the price of their raw material.

Last year shoals of the frozen fish from Peru and Japan swamped the American market, and there was also a temporary increase in imports of tinned tuna, but over-expansion of the American tuna industry in all its branches also seems to have something to do with the fact that by the end of 1951 the tuna fishing fleet was unable to sell its catches. This has been very pleasant for the consumers of tuna sandwiches, one of the few foods which have fallen steadily in price. Protests against the proposed duty on tuna have also come from the owners of the refrigerated ships which have made the importation of fresh tuna possible and from those in the State Department and elsewhere who are concerned at the contradiction between such a duty and the country's declared policy of building up both the Peruvian and the Japanese economies.

The Tariff Commission has recently refused to help the New England fishing fleet by raising the tariff on frozen fillets of fish such as cod and haddock. The scarcity of meat

during the war and its high price since has meant a greatly increased demand for these fish, especially since they can now be sent all over the country in the frozen form. But New English fishermen are being squeezed out of this expanding market by the more up-to-date Canadian industry, which also has the advantage of prolific fishing grounds nearer to its ports. As a result the leading American packers of these types of frozen fish are moving to Canada and another traditional New England industry is dying of inanition.

But in the State of Washington the fish, with the help of the local opponents of interference from Washington, D.C. have routed another federal agency, for the moment at least. The local courts have refused to allow the City of Tacoma, which had the backing of the Federal Power Commission, to build a dam on the Cowlitz River as part of its hydro-electric development, on the grounds that it would disturb a fish sanctuary.

Shorter Notes

As the result of President Truman's personal intervention in the coal dispute, the faces of all concerned have been temporarily saved and next Tuesday the Democratic candidate should be able to count on the support of the coal-miners, whose votes are especially important in such key states as Pennsylvania and Illinois. The coal owners, who were no more satisfied than was Mr Lewis with the Wage Stabilisation Board's refusal to permit an increase of more than \$1.50 a day in miners' wages, are now going to pay the extra 40 cents in their agreement with the union into a special fund. This will be set aside until some way has been found of getting round the board's objection to it. Meanwhile Mr Lewis has sent the miners back to work for only the permitted rise of \$1.50.

The investors' dream, a bond whose dollar value increases as the cost of living goes up, but cannot fall below the face value of the bond, has come true for workers in a magnesium company. Under the terms of their new union contract, in place of back wages they will be given the bonds, which will be revalued every half-year; interest payments will also be flexible. A new contract entered into by another firm gives every worker an individual paid holiday on his birthday.

Television viewers may not be entertained by future Congressional hearings, as they were during the Kefauver crime investigation, if Congress takes to heart a recent court decision. Two gambling figures, claiming their constitutional rights were infringed by television and radio broadcasts of the sessions, refused to testify. They have been upheld by a federal judge. The conflict between Congressional procedure and constitutional rights was also shown when, in another recent case, the publicity resulting from Congressional hearings was held to have been prejudicial to the fair trial of the accused, an Internal Revenue Collector, whose conviction for corruption has been set aside by the Appeals Court.

Integrating air service with the needs of the communities it serves is the goal of an airport programme ordered by President Truman on the basis of a special study by the Airport Commission, which was set up in February, after several serious accidents. The Commission recommends that cities be protected against disasters by special zoning of airport areas, that stricter traffic control include the separation of military from civilian craft at busy airfields, that more money be spent on new airports and on improving present ones and that helicopter service be developed for postal and freight traffic as well as for bringing passengers from metropolitan centres to outlying airports.

THE WORLD OVERSEAS

Italian Balance Sheet

IN a speech made this week, Italy's Minister of the Treasury, Signor Pella, made it plain that its financial resources were strained to the utmost and that no further rearmament burden could be envisaged. At every stage, over the past few years, Italy has found itself faced with a clear and inexorable choice between monetary chaos on the one hand and unemployment on the other. It has courageously chosen the latter (the latest figures give 2,243,938 unemployed) and has placed the stability of the lira at the top of its programme. Nevertheless, the Government has to undertake a \$160 million a year social welfare programme. With the expansion of exports, the dilemma took on a particularly cruel form. Yet Italy's survival depends on this expansion because of the limited capacity of domestic consumption and the increasing need for imported raw materials. As Italy's credit balance with EPU increased, so did the danger of inflation. A decrease in exports, on the other hand, meant even greater unemployment. Signor de Gasperi's Cabinet acted with great courage. In the autumn of 1951, in order to maintain tight control over domestic credit and bring its EPU account into balance, the Government let down the import barriers and adopted a policy of extreme liberalisation. As a result, Italy's balance of trade has appreciably deteriorated and unemployment has been created in numerous industries.

Comparing the first six months of 1951 and 1952, imports have risen by 10 per cent and exports have declined by 9 per cent. More wheat, raw cotton, iron, and crude oil have been imported, whereas there have been sharp cuts in the export of dried fruit, wines, textiles and non-metallic ores. French import restrictions have led to a decrease in Italian exports to France from a monthly average of \$15 million in the fourth quarter of 1951 to about \$8 million a month for the first half of this year. Imports, however, have remained at an average monthly level of about \$7 million. Imports from the United States average some \$47 million a month, whereas exports rarely exceed \$10 million. With the countries of eastern Europe, however, Italy maintains a favourable balance, exporting some \$14 million worth of goods during the first six months of 1952, as compared with \$10 million worth of imports. Taken all in all, Italy's adverse balance of trade results in a deficit of some 300 billion lire, a figure 60 per cent above that of last year. None the less, its EPU surplus in September still came to 7.7 million units.

This export crisis (as it can be legitimately called) has provoked widespread criticism of the Government's inflexible monetary policy. Arguments are often heard for a partial relaxation of credit and for a somewhat more restrictive tariff policy. Up to now, however, the Government shows little intention of modifying its primarily anti-inflationary stand. The note circulation, moreover, continues to increase. The by 9.1 billion lire, for example, from July to August. The Government will prefer to rely on off-shore purchases and an export credit guarantee which is at present being worked out. Exporters obviously face two risks: that of not being able to sell their goods and that of not getting paid once they have sold them. The Italian Government seems prepared to assume some 75 per cent of the latter risk (as compared with the 85 per cent coverage extended by the British Government). This may indicate that Italian exporters will concentrate increasingly on the "people's democracies" and Latin America, in both of which foreign currencies are scarce and a seller's risks correspondingly great.

In the last few months, there have been signs of recovery. There has been an expansion in investment and consumer goods industries. There has been an increase in the building trades and an important and steady upswing in the tourist trade (in 1951 there were 5.5 million tourists to Italy). The increase in aggregate national income continues even when foreign aid and the growth in population are excluded. Despite floods, moreover, the prospects for a good harvest are excellent and should allow a cut in the grain imports, which reached 940,000 tons in the first seven months of this year. The level of industrial production has, on the whole, been maintained and the sharp decrease in the number of strikes has permitted an increase of 0.7 per cent over the first half of last year.

Life Blood from Abroad

This is largely due, however, to the constant stream of American aid with which the Italian economy has been rebuilt. Allotments to Italy by the Economic Co-operation Administration and the Mutual Security Agency alone totalled \$1,470,700,000 between April, 1948 and May, 1952. Of these \$135,900,000 are as yet unassigned. Life blood from foreign sources is being constantly pumped into the Italian economic system, the latest being in the form of off-shore purchases by the United States which will amount to \$142 million in the first year and will benefit more than 130 separate firms. The notion that the Italian economy is in a state of sound health must therefore admit of rather special qualifications.

With regard to prices, Signor de Gasperi finds himself in a position not altogether different from that of M. Pinay. Although he has obtained definite decreases in wholesale prices, the retail price index continues to cause alarm. After a 12 per cent increase, which reached its climax in January, 1951, wholesale prices are roughly back to a pre-Korean level. Retail prices (depending mostly on food stuffs) on the other hand, have been climbing constantly. If 1938 is taken as unity, prices stood at 58 in January, 1950, at 64 in July, 1951, and at 66 in July of this year, a rise which is not catastrophic but none the less subject to close watching. Wage increases and transportation costs are the main factors involved.

What conclusions can be drawn from this whole picture? It is clear that Italy has done remarkably well in the face of great postwar difficulties. Its monetary policy is a model of classical restraint, albeit suffering from a certain rigidity. So far, the Communist threat has been defeated on the vital industrial front. The constant threat of unemployment has created the paradoxical sight of Communist workers busily manufacturing \$90 million worth of high explosives under American contracts. By imposing considerable hardships on its own population, the Italian Government has succeeded in gaining the respect and confidence of its allies. As a New York bank recently put it, "Italy is a good risk." But it would be foolish to underestimate the elements of stress and instability latent in Italy's economic life. Solutions have still to be worked out for the problems of unemployment and for the backwardness of the South. Whether, for instance, this could be done at the moment without a significant relaxation in the Government's attitude towards credit restrictions must remain an open question. Italy, moreover, will soon be facing increased German and Japanese competition. Its liberal import policies will make the country extremely vulnerable in the race for world markets. The problem of

overpopulation remains unsolved and its permanence seems unhappily assured by immigration barriers on the one hand and Catholic doctrine on the other. But, above all, Italy has a totally dependent economy and every step forward has to be taken with the aid of a foreign crutch. As long as the cold war remains at high tension, the skeleton of American isolationism will remain in the closet and Italy can count on a stream of dollars. If the Communists should launch a real peace offensive, however, or if Republicanism should have a chance to disclose some of its more authentic atavisms, Italy's dependence may prove mortal.

At Coal-Steel Headquarters

[FROM OUR SPECIAL CORRESPONDENT]

ONE day last week a Luxemburg paper devoted several columns to the phenomenon that has recently appeared in the heart of this small European capital: the High Authority of the European Coal-Steel Community. The article conveyed very accurately the blend of pride, curiosity and concern with which most Luxemburgers view the experiment now unfolding in their midst. It was lavishly illustrated, mostly with pictures of the tin-type variety: M. Monnet, Chairman of the Authority, in spirited discussion with Sir Cecil Weir, chief of the British delegation; the six beaming children of M. Coppé, Belgian representative on the High Authority; three cheerful policemen on guard at the Court of Justice; and the first engaged couple, Signor Giaccherio, Italian member of the Authority, and his secretary.

Running through this homely account of the new Community, however, were two contrasting themes. On the one hand, the paper expressed a nostalgia for the old days, more or less insisting that not one millimetre be shorn from the stature of the sovereign Duchy of Luxemburg; and on the other hand it carried a note of anxious hope that the new supra-national authority will in some way help to create a revitalised Western Europe.

These sentiments are not confined to Luxemburg. Much the same thoughts go through the minds of the nine men on the High Authority who, after only three months on the job, are profoundly conscious that their hardest task is how to strike a balance between the pressure of political interests at home and the drive for integration. Above all, everyone is concerned that integration shall be a partnership of equals and that the Community shall become neither the creature of one dominant power nor a Franco-German diarchy.

It is too early to say how these conflicts will be resolved and what shape the organisation will assume. Like all international bodies it will sooner or later acquire a personality of its own; at the moment its outstanding traits seem to be a quiet sense of mission without any fanaticism and an abundance of plunging energy which sometimes creates the appearance of chaos. Until very recently the Authority had little to show for its effort, partly because energies were

diverted to the question of political relations with the Council of Europe at Strasbourg and partly because the technical problems before them are both vast and novel.

Now, however, things are beginning to move. Last week the first communiqué announced the formation of a joint committee to work out in definite form the future association between Great Britain and the Community. This has been a welcome surprise to those who had expected that the Authority might postpone placing relations on a working basis until it had got into its stride and crystallised its own policy. If the Authority has its way, Britain will eventually "muddle through" to a point where it both retains its identity as leader of the Commonwealth and acquires a new identity as an important *de facto* partner of the new Community. The intention is to work gradually towards this end by such means as concerting investment programmes and commercial policies.

The Authority's second communiqué announced the imminent arrival in Luxemburg of some 150 experts. Drawn from governments, trade unions and business, they represent the best and most experienced minds in the coal and steel industries of the six nations. Until the end of the month the Authority will concentrate on picking their brains for the purpose of drafting its first report, due for presentation to the Community's Assembly in January. Their views will be sought on five main topics: the long-term outlook for markets; the general investment programme, including provision for workers' housing; short-term supplies and needs, such as the questions of coal allocation and supplies of iron ore and scrap; the levy, or in other words the special taxation powers of the High Authority; and transport, particularly the removal of discriminatory freight rates.

Free Trading Plans Delayed

With such a report the danger is, of course, that Europe will be presented with yet another compilation of individual national statistics and plans. What is needed and expected from the High Authority is an assessment of total productive capacity among the six, an evaluation of the markets available to them and suggested plans whereby the six, working as a unit, can seize market opportunities in the most efficient manner. If the Authority is to command the respect and co-operation of its subjects, it will have to engage not in the filing of figures but in operational research and planning.

While these discussions proceed, the Authority is also in the throes of devising its own organisational structure. The position is still fluid, but at present it looks as if nine major divisions will be set up: production, investment, marketing, transport, legal, financial, social welfare, progress control and economic (this, perhaps the most important department, would be concerned with the impact of the coal and steel industries on the total economy of the six powers).

It is not intended that any of these divisions should become empires. Current thinking is that no more than two or three officials for each department will be maintained at headquarters. They can be envisaged almost as the management directorate of a business corporation who will call on the advice of outside experts whenever needed.

The common market itself, which the Authority is supposed to establish and then supervise, is still some way off. The original plan called for the coal trade among the six nations to be freed by February and the steel trade by April, but it is now clear that a longer period of study and preparation is required. Among the problems that must first be solved is the question of high-cost Belgian coal production. Under the Schuman treaty the Belgians were to receive financial help from more economic producers in the area to enable them to modernise or shut down coal mines. Now the Belgian coal industry is pleading with the Authority not to make maximum use of the treaty provision that permits it to reduce Belgian coal production by three per cent annually.

Battle Act and Boycott

MR HARRIMAN, the United States Mutual Security Administrator, has now published his first report on operations under the Battle Act. This much-criticised Act, which came into effect last January, requires that the United States should stop aid to any country that refuses to co-operate in restricting exports of strategically important goods to the Soviet bloc. It divides the commodities with which it deals into three main groups. Arms, ammunition, military equipment and atomic energy materials make up the first. If a country knowingly permits these to be exported to the Soviet bloc, all American aid must automatically be withheld from it; but as yet no such case has arisen. The second category includes petroleum products, railway equipment, most non-ferrous metals, and certain types of aircraft, vessels, synthetic rubber, tyres, chemicals, steel alloys, and electrical, metal-working, and other industrial equipment. The general intention is that export of these, too, should be wholly prohibited; but the President is authorised to continue aid to a country sending such goods to the Soviet bloc, if circumstances justify it.

In the six months covered by the report, three known cases of this kind occurred. Denmark supplied the Soviet Union with a 13,000 ton tanker; the Netherlands sent \$240,000 worth of oil exploration gear to Poland; and a grinding machine valued at \$11,000 was shipped from Italy to Rumania. In each instance, Mr Truman directed that aid should continue. In letters to committees of Congress, he pointed out that these exports had been promised before the Battle Act was passed; that the three exporting countries were actively co-operating in the joint defence of the West; that, in the case of Italy, administrative errors were largely responsible for the fact that the machinery was allowed to leave the country; and that, if US aid was stopped, the three countries would have to trade with the Soviet bloc on a scale which would be to its benefit and to the detriment of the free world. The President's views were supported by all the expert departments concerned.

Communist Trade—If it Pays

As regards the third and largest class of goods which it covers, the Battle Act does not envisage a complete embargo, but only a restriction of exports. The premise is that no risk is involved if exports of these commodities to the Soviet bloc are kept at a reasonable level, or that any such risk will be offset by the value of the goods received in exchange. In short, the aim is to ensure that the net advantage of trade in these less strategic goods shall fall to the free nations. The lists of controlled goods are long, and they are frequently amended in view of changing conditions; but the major items are certain raw materials, machine tools, and mining, construction, transport and electrical equipment. This task of control is much more complex than that of handling the embargoed commodities, and the Battle Act does not authorise the ending of American aid to any country that commits a single breach of its agreements in this respect. The President is merely required to stop aid if he finds that a country is not effectively co-operating in the general plan. To date, no such action has been taken.

The delicate nature of this system of joint control emerges clearly from this summary of the Act's provisions. As the report points out, the effectiveness of the controls depends on the extent to which the co-operating nations can agree both on action and on definition. Long before the Battle Act came before Congress, this agreement was a reality. The main industrial nations of the free world had agreed to deny strategic goods to the Communists before the Korean war began, and had set up consultative machinery for that purpose. Since then, they have developed many techniques to defeat the ingenious tricks used by the Communists to

smuggle in military supplies by way of as many as five intermediate countries. There is no better evidence of the value of the control system than the fact that Soviet agents have offered ten times the normal price for some of the contraband that they sought to acquire.

All, of course, is not perfect. There is room for genuine differences of opinion as to what exports are "strategic," and in which category they fall; the wall of secrecy that surrounds the Communist economy makes it difficult to establish the facts. But the Administrator's report is remarkable for the depth of understanding of European and Asian problems that it shows. Although it rightly discusses the possibility of developing new sources of supply in the free world, it repeatedly emphasises that many free nations need some degree of trade with the Soviet bloc. It cites British and Dutch dependence on east European timber, Scandinavian need for eastern markets for fish, the importance of entrepot trade for Hongkong, and the political problems that might arise if a limited amount of rubber from Malaya could not be sold to Russia. (It is noted that, since the United Nations called for an embargo on strategic exports to China, the only rubber shipped there has come from Ceylon, which neither belongs to Uno nor receives American aid.) Throughout, the report is concerned to point out that any total embargo would injure the free world more than the Soviet bloc, and that the Battle Act itself recognises that the control system must be selective. Such a selective system cannot be emotionally satisfying, either to the American who suspects his European partners of backsliding, or to the European who resents forgoing any chance of getting new markets or non-dollar supplies. In the words of the report,

The destruction of free world unity, through the exploitation and distortion of legitimate differences of opinion among the free nations, is a primary goal of the Kremlin's political and propaganda warfare. It is therefore particularly important, here and abroad, to foster the fullest public understanding of the need for effective controls over strategic exports. At the same time, the public must be alert to the dangers of arbitrary or intemperate action.

The report itself will do much to increase this public understanding. As well as expounding the whole case for the controls, it shows how the Communist propaganda machine has tried to exploit the east-west trade issue, not only through the Moscow conference held in April, but by planting rumours about fat eastern contracts obtained by one European country in order to rouse the suspicion of others, and even inventing stories of strategic goods being sent to Russia from Europe in hopes of leading to criticism in the United States. It is precisely such tactics that might lead to "arbitrary or intemperate action," and public opinion in the free world will need to be constantly on guard against them.

The New Rhone Barrage

[FROM OUR PARIS CORRESPONDENT]

FRANCE has made a major and spectacular step forward in the utilisation of its natural resources. The hydroelectric power station opened by the President of the French Republic last Saturday is the largest in Western Europe with a mean annual production of 2,000 million kWh. The world-champion barrage is in Columbia, U.S.A. (13,000 million kWh) and the longest one, at Dneprostoi in the Soviet Union produces 3,500 kWh. Donzère-Mondragon will be the most important of twenty power stations, with a total annual production of 13,000 million kWh, projected by the *Compagnie Nationale du Rhone*.

The CNR is a prosperous state-aided corporation a quarter of whose shares are owned by the state railways, which need as much electricity as they can get. Up to date the corporation, which operates a triple programme of hydroelectricity,

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inland navigation and irrigation, has harnessed the Génissiat falls south of Geneva, with a compensating dam below. It has also built an industrial port downstream of Lyons, and brought water to much farming land and constructed electrical transmission lines to the Paris region. Since French consumption of electricity rose from 23,605 million kWh in 1946 to 36,021 million in 1951 and will be well over 40 million by 1956, the hydroelectrical aspect of the CNR's works is naturally the most immediately significant and the one paramount to the Monnet Plan. But the eventual construction of an easily navigable inland waterway from Marseilles to Geneva would profoundly affect established trade routes—probably to the detriment of Genoa. The Donzère-Mondragon system comprises a reservoir dam producing an increase in water level of over 16 feet and a diversion canal 17 miles long—a smooth waterway broader than the Suez Canal, which short-circuits some turbulent reaches of the Rhone. The "André Blondel" power station at Bollène is equipped with six Kaplan turbines of 70,000 hp, each driving an alternator of 50,000 kW capacity, generating at 10,500 volts. Three turbines are already turning and all six will be in action by 1954. A few hundred yards off the current is transformed to different voltages for connection to the French supergrid and for use on the Lyons-Marseilles railway when it is electrified. Beside the power station is a lock with a drop of 85.3 feet and with power to raise or lower the water-level at a rate of 5½ feet per minute.

As President Auriol proudly pointed out in his speech at Mondragon, this dam is not only a giant step in France's realisation of the Monnet Plan, it is also a first rate example of France's reconstruction and resurgence.

Soviet Central Asia—I

Islam Under Stalin

[BY A CORRESPONDENT]

It is difficult to assess how the Central Asian Republics of the USSR (Kazakhstan, Uzbekistan, Tadzhikistan, Turkmenistan and Kirghizia) have fared within the Soviet Union. Up to 1940 the Soviet press, including that of these Asian Republics, yielded a considerable measure of information and statistics, but even then there were few original or dispassionate analyses. In the postwar period, the press has confined itself to generalities. First-hand evidence of the few refugees from these territories is in some cases vivid and circumstantial but can fill only a few gaps. The following observations, therefore, are offered with a full awareness of the limitations imposed on any outside observer.

Soviet writers on constitutional matters echo Stalin when claiming that the Soviet multi-national state has solved what has come to be called the problem of a "plural society." They claim that "socialist federation" guarantees the harmonious co-operation of diverse nationalities within the framework of a multi-national state, within which both the component entities and the union itself remain truly sovereign. This harmony exists because both strive towards the same end—the creation of a socialist society.

From the very start there was no question that the non-Russian nationalities should be left to evolve whatever type of state they might wish to build for themselves; rather they were to be helped and guided along the road to socialism in exactly the same way as the RSFSR itself. The doctrine of the right of secession, granted in the Soviet constitution, has always been coupled with the proviso that recognition of the "right" does not imply that it need, or should, be used. The criterion of whether or not to exercise it was, in fact, its effect on the advancement of socialism, and only the proletariat of a nation could determine this.

The Bolshevik view of national development has been well

illustrated since 1948 in the Soviet attitude towards the emergence of India, Pakistan and Ceylon. These are not greeted as great nations which have liberated themselves from the imperial yoke to acquire the dignity of statehood. On the contrary, both Gandhi and Nehru are, in their different ways, described as betraying the cause of the masses because the pattern they brought about was not that of Marxism.

The constitution of the USSR contains some of the accepted safeguards of federalism (i.e., legislatures in the constituent republics, and a bicameral legislature for the Union with a Soviet of Nationalities as its second house). But it also contains three features, which are both the result and the instruments of the theory outlined above and which, in effect, tip the balance in favour of a "monolithic" state. Civil and criminal law fall within the jurisdiction of the Union; so do the state economic plans, the over-all budget and the banking system; thirdly, article 126 of the constitution records the fact of government by the single All-Union Communist Party.

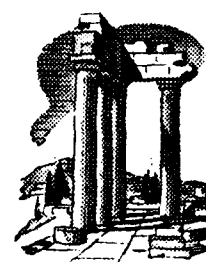
The substitution of Soviet law for Moslem law and of peoples' courts for Koran courts in the Central Asian territories was virtually completed by the end of the first five-year plan, and with it disappeared one of the characteristic features of Islamic society. The emancipation of Moslem



women, and the first steps in their education, were coupled with these reforms and won a good deal of popular support. Conversely, in districts where opposition was strong against emancipation of women it was as a rule equally strong against peoples' courts and the innovations of western law. No serious attempt was made by the Bolsheviks, except as a temporary expedient, to foster or tolerate reform within Moslem practice or customary law itself, such as was achieved in Moslem parts of India; neither did they make the kind of concession represented by the *statut personnel* in French Islamic possessions. The break with the old social order (which, except for blood feuds and slave raids, had been maintained pretty nearly intact under the Imperial regime) was officially completed in something under fifteen years.

The disestablishment of religion and the separation of church from school were brought about in Moslem Central Asia in exactly the same way as in the RSFSR and elsewhere in the Union. In this sphere, perhaps more than in that of law and custom, what might have been fruitful developments within Islam itself were swept away in the uniform pattern of secular reform. The young Bokhara movement in the early 1900s and the introduction of Russian language classes in the Koran schools were each in their way potentially progressive beginnings. But after a laudable and promising start on national lines, Soviet education in Central Asia has developed into a system of compelled russification. Experience in the dependent territories of other contemporary empires shows, however, that, to a lesser or greater extent,

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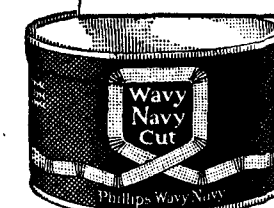
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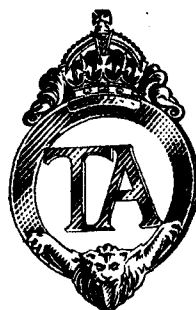
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this tends to be a feature common to all such societies. In Central Asia primary education is at present in the indigenous tongue; Russian, first as a spoken and then as a written language, is introduced in the last three years of primary school; secondary education in the majority of cases has Russian as its medium of instruction, with the indigenous language and literature as compulsory subjects for all children attending the school. At the university or technical college stage, Russian is the sole language. This is not startlingly different from educational practice elsewhere in non-metropolitan territories. What vitiates the Soviet system is not the language in which the education is imparted, but the fact that education itself is one of the acknowledged tools of the Communist Party. For the nationalities of Central Asia this means that the vital force in forging a people's destiny is taken out of its own hands.

Finally, there is the Party. Here again, the two most far-reaching decisions were taken at the outset of the Bolshevik revolution: the Party was to remain a single unit and not launch independent affiliated parties in the peripheral territories, and it was to be rooted in the people, recruiting its members from indigenous groups. The Bolshevik leaders hoped that this would ensure that the local party organisation could never become a force making for particularism, and that it would gain the confidence and acceptance of the local population. That this theory has not worked out flawlessly in practice is shown by the periodic party purges, whose victims in Central Asian territories have been almost always Central Asians, accused of "nationalism."

But it cannot be denied that the Party is the most potent force against national initiative and divergence. The revised Party Statute clearly states the position of the Republican parties within the Union party hierarchy:—

The highest organ of the Republican party organisation is... the Central Committee of the Communist party of the Union Republic. In (its) work (it is) directed by the decrees of the Communist party of the Soviet Union and of its directing organ. (Section V, Clause 40.)

When to this is added the fact that all Party members are liable at any time to be transferred, with little or no notice, to any part of the Union, it is clear that the climate is not favourable to the emergence of a Tito or a Mao Tse-tung.

(To be concluded)

Free World and Eastern Europe—II

American Propaganda for "Liberation"

[FROM A NEW YORK CORRESPONDENT]

SUCH sabotage and subversion as the United States Government sees fit to encourage in the Soviet Union and in the satellite countries of eastern Europe must, perforce, remain cloaked in secrecy. Propaganda, however, is constantly in the limelight. It is conducted by the Government chiefly through the Voice of America, which is now transmitting programmes in Russian from Munich, and it has been criticised on two counts: that it devotes too much attention to the advantages of the American way of life and not enough to the hardships and cruelties of life behind the iron curtain; and that it is unduly hampered by the diplomatic cautiousness inherent in the State Department. It is often, therefore, suggested that government propaganda should be taken out of the jurisdiction of the Secretary of State and entrusted to an independent agency which could talk back at the Russians with no holds barred.

Propaganda under various private auspices, however, is not subject to the qualifications imposed by diplomacy. The

two most important organisations engaged in privately financed and controlled propaganda in the iron curtain countries are the American Committee for the Liberation of the Peoples of Russia, Inc., and the Crusade for Freedom.

Last February the American Committee, representing both Russian and non-Russian peoples of the Soviet Union, elected as its chairman Admiral Alan G. Kirk, former American Ambassador in Moscow. Admiral Kirk, succeeding where others had failed before, unified ten organisations of Russian exiles for joint propaganda against the Stalin regime. At a conference in Munich at the end of June, these organisations formed a committee to sponsor Radio Liberation, a 10,000 watt transmitter under construction at Lampertheim, near Munich. This station, financed and managed by the American Committee, will broadcast to the Soviet Union in Russian, Ukrainian and other languages of the Soviet peoples.

The co-operating organisations include representatives of four groups primarily Great Russian in composition, as well as representatives of organisations of exiles from Armenia, Georgia, Byelorussia, North Caucasia, Turkestan and Azerbaijan. The only important group of exiles from the Soviet Union whom Admiral Kirk did not succeed in bringing into the committee is that of the Ukrainians, who hold aloof from other Russian exiles because the latter oppose the cherished Ukrainian objective of separation from Russia and the formation of an independent Ukrainian state. The Russian exiles other than the Ukrainians want liberation from the Stalin dictatorship but oppose the territorial breakup of the Russian state.

The key role of Admiral Kirk in anti-Russian propaganda work was underlined in August, when President Truman appointed him director of the Psychological Strategy Board. This board, working under the supervision of the National Security Council formulates and co-ordinates United States policy in the field of psychological strategy against Soviet and other Communist propaganda throughout the world. Admiral Kirk was succeeded as chairman of the American Committee by Vice-Admiral Leslie G. Stevens, naval attaché in Moscow from 1947 to 1949, and a close student of Russian affairs. While serving as chairman of the American Committee, Admiral Kirk said that he could not hold out immediate hope for a rebellion within the Soviet Union, but declared that "our best potential allies" are the Russian people, whom he described as the first and oldest victims of Communism.

Crusade for Freedom

The second important private organisation conducting propaganda against Communism is the Crusade for Freedom, which was formed in 1950. Its president is Rear Admiral H. B. Miller. The first chairman of the group was General Lucius D. Clay, who in August was succeeded by Mr Henry Ford 2nd, president of the Ford Motor Company. During two years Crusade for Freedom has raised over \$3 million from 25 million Americans to support its two radio outlets—Radio Free Europe and Radio Free Asia. The latter is operated under the auspices of the Committee for a Free Asia, in San Francisco; the former has transmitters in Munich and Frankfurt in Germany and at Gloria, near Lisbon. Crusade for Freedom plans to raise more money in 1952 to finance additional transmitters in its Europe and Asia networks. In 1951 the organisation also released 13,000 gas-filled balloons which, carried by the wind, took millions of messages of freedom into Communist territory.

Those engaged in government and private propaganda hope that the peoples of iron curtain countries, knowing they are not forgotten by the outside world, will be encouraged to oppose their present Communist regimes, and, if not to overthrow them by force, at least to undermine them by passive resistance and non-co-operation. If and when Communist regimes disappear from the scene in eastern Europe, what

kind of institutions do the exile groups expect to emerge? On June 12th, in the "Williamsburg Declaration of 1952," the exile leaders of Albania, Bulgaria, Czechoslovakia, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania and Yugoslavia, gave a blueprint of the changes they would make in their countries after liberation.

After declaring that secret police, concentration camps, forced labour, trial by torture and intimidation, extortion, arrest, genocide and deportation would be immediately abolished, and that stakhanovism and punitive laws on the discipline of labour would be ended, they stated that "the peasants shall be liberated from forced collectivisation and kolkhozes." The right of private ownership of land shall be restored, and land and other property taken from the peasants for collectivisation shall be given back to those who till the land. Free and independent voluntary trade unions and labour organisations shall be the guardians of workers' rights and interests. The rights and dignity of the worker shall be protected, and his opportunities for social and economic progress, including the right to ownership of property, shall be inviolate. The free peoples of Eastern Europe would form a regional group, and through this group would join in the formation of a United States of Europe.

This programme and others like it announced by exile groups in the United States make no reference to the possibility of restoring the reactionary elements which played a significant, in some cases a controlling, role in the countries of eastern Europe during the inter-war years. The far-reaching, and not always progressive, influence formerly wielded by the Catholic Church in several of the eastern European countries is also passed over in silence. Nor is there any mention of the problems that would arise if and when a liberated Eastern Germany, reunited with West Germany, sought to recover the German lands lost to Poland and the Soviet Union. It is apparently assumed that, once the Russians have retreated within their borders, eastern Europe will have nothing more to fear either from its own former reactionary elements or from a resurgent Germany.

(To be concluded)

Independent India's Civil Service

[BY A CORRESPONDENT IN INDIA]

THE frequently heard *obiter dicta* that the efficiency of the Indian civil service has fallen disastrously since independence implies comparisons that cannot be made. The duties of the prewar ICS and of the post-independence Indian Administrative Service differ in scope, kind, and objective.

The ICS was basically concerned with law and order. While it is true that many District Officers led selfless lives devoted to bettering the lot of the millions in their charge, consciously or unconsciously they were confined within certain limits by the knowledge that they were foreign rulers whose dominion would be upheld with increasing difficulty if it ran counter to the varied beliefs and customs of the ruled. While reforms were initiated and nation-building activities undertaken, the rate of progress in certain directions was set by the need for caution. The ideals of the old Government of India included incorruptibility, justice, and a steady but unspectacular rate of economic progress. If the conception of the welfare state had then existed, the old government would have shrunk from it as the opposite of that for which it stood—a sound but unobtrusive administration that did not impinge on the lives of the people more than necessary. It is no reflection on a fine body of men to say that in their circumstances, with the imperial authority always behind them, a high degree of efficiency was to be expected.

The ideals of the independent Government of India, on the other hand, are those of a welfare state, with which is synonymous an eager readiness to intervene in every form of activity existing, or even imaginable. Before the war, for all practical purposes, the only contact that business men had with the civil services was as channels of communication to, and pressure on, the Government to adopt or refrain from adopting some broad commercial policy. There was not much to be inefficient about. Today, the Government undertakes not merely the general direction of the economy but reaches down into its smallest details. We have internal food procurement and rationing, and state importation of grains running from three to six million tons a year, frequently combined with barter deals in jute or other exports. We have rationing, controls, or direct government intervention in one form or another, in the affairs of the steel, cement, cotton, cloth, sugar, coal, electricity, insurance, banking, civil aviation, and jute industries—a list incomplete but staggering enough when the volumes and quantities involved and the size of the population and of the country are visualised. As if this were not enough, the civil services have also been required to struggle with the partition of the sub-continent, with a *de facto* civil war in 1946-47, with the biggest two-way refugee movement known to history, and with the subsequent relief and rehabilitation of some 8 million people.

Chaos or Democracy?

The Indian Administrative Training Service School was launched in March, 1947, and the first batch of trainees, selected from war service candidates, had hardly been enrolled when they had to be drafted out on special duty to cope with every kind of emergency. Nor did the restoration of peace allow a pause for consolidation. Sardar Patel's ambitious and successful policy of absorbing the princely states covering no less than 645,000 square miles (or more than half of the total area of the whole Union) imposed fresh burdens on the higher personnel of the civil service. Simultaneously, India began to open embassies and legations all over the world and a diplomatic service was created.

Above all, there has been a profound change in the spirit of the administration. In the old days, the District Officer was a benevolent autocrat. Today, his administration must be sensitive to public opinion, otherwise the people may complain about his methods, deeds, or misdeeds, to their local member of parliament, and he may be moved elsewhere with varying results on his career. Critics of the régime hail the effect of this as "chaos"; sympathisers acclaim it as the working of democracy. District Officers are as overwhelmed with new duties as their colleagues in the capitals. Partition has led to large-scale international smuggling between India and Pakistan, and food, cloth, and other controls, as well as to internal smuggling between states. Nor are labour problems as smoothly handled as they could be when a mill manager, faced with trouble, telephoned the police and had a squad restoring order with old-fashioned efficiency within the hour. Labour tribunals are slow and less sure on which side lies the right.

Examples of the enormously complicated tasks of India's overworked post-Independence civil servants could be multiplied, but enough has been said to suggest that comparisons with the efficiency of the ICS are unrealistic. The wholly different problems of the IAS arise from the all-embracing aims of the welfare state, from the itch of inexperienced politicians to interfere in administrative matters, and from the innumerable opportunities for corruption that rationing and licensing offer to politicians as to civil servants. Whether these weaknesses will gradually be eliminated, time will show. But that independent India has survived the shocks attendant upon its birth is in large measure due to the ideals of discipline, duty, and integrity that the handful of remaining ICS officers, now manning key posts in the IAS, are instilling by precept and example in the new service.

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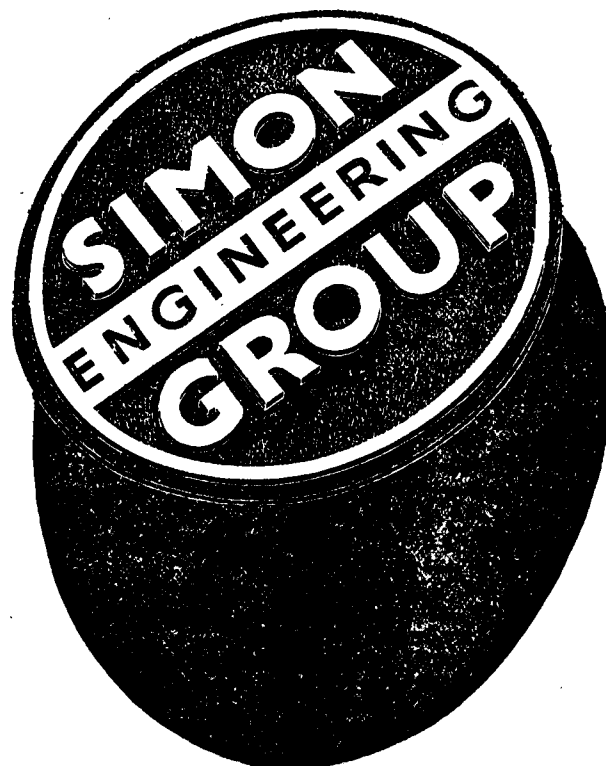
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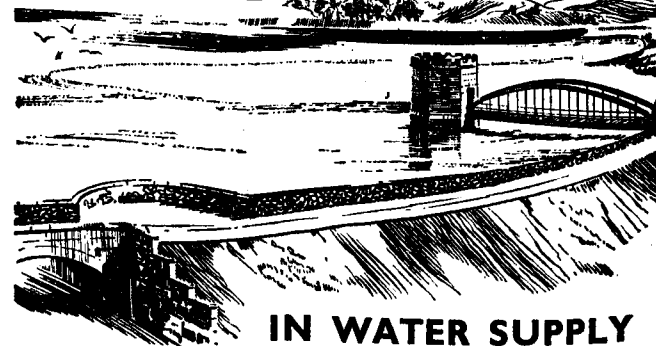
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THE BUSINESS WORLD

Profits off the Boil

THAT ominous word "recession" was first discussed in the board rooms of British companies over a year ago; but only in the past few months has it become the commonplace of the general meeting. An analysis of the trading experience of the 564 companies whose accounts were published between July 1st and September 30th goes some way towards explaining why. When these 564 companies are sorted into thirty-one industrial groups (under the classification used in this week's issue of *Records and Statistics*) it can be seen that in ten of these groups profits earned in the latest year of trading were smaller than in the previous year. This is a startling contrast to the experience between 1950 and 1951. When the 515 British companies that published accounts between July 1st and September 30, 1951, were classified into the same thirty-one groups, trading profits were shown to have risen in all cases.

Moreover, last quarter's figures naturally do not show the full effect of the recent decline in sales. The financial years of nearly half the 564 companies concerned ended on March 31st last. In most cases, therefore—the main exceptions were companies in the woollen industry—bumper profits were earned for about six months before sales and profits began to taper off. Because of this time-lag, and because of the continuance of the boom in building and most sectors of the engineering industry, the aggregate of the published profits still shows an increase on the comparable aggregate for the previous year, though the rate of increase is smaller than that shown by companies whose accounts were published earlier in the year.

The tables accompanying this article, and in *Records and Statistics*, show that the total income of the 564 companies rose by £26 million, or 10 per cent. This 10 per cent increase shown in accounts published in the third quarter of 1952 compares with an increase of 17 per cent in the total income of 831 companies (excluding the exceptional results of nine oil companies) that published accounts in the second quarter of this year, and with an increase of 24 per cent in the total income of the 515 companies (whose financial years spanned much of the boom resulting from the Korean war) that published accounts in the third quarter of 1951. It can also be compared with an increase of 18 per cent (or £271 million) in the total income of the 2,446 companies that issued accounts in the year to September 30th as a whole; these 2,446 companies raised their ordinary dividend payments by £6 million, or 4 per cent. The percentage increase in equity dividend payments declared by companies that published accounts in the third quarter of 1952 was even smaller, at 2½ per cent; in fact, equity shareholders in these companies actually received a smaller rate of return on issued ordinary capital—and, of course, a much smaller return on the capital resources employed in the business—than in the previous year.

The ten groups that reported a fall in trading profits

last quarter were three textile groups (wool, cotton, clothing and footwear), two commodity groups (tea and rubber) and—showing a much smaller fall—five miscellaneous industries (chemicals and paints, warehousing, shipbuilding, oil, and finance and land). The dividing line between those groups that suffered a fairly heavy fall in profits and those that reported only a slight fall (or showed a small increase) seems to be drawn between those that had to write down stocks and those that did not. The stock figures are, in fact, perhaps the most revealing feature of the latest accounts; they suggest that several industries that managed to show an increase in profits on the year did so only because they had not, at the balance sheet date, yet felt it necessary to cut their selling prices—despite the accumulation of unsold goods in their warehouses.

The most significant falls in published profits occurred in the textile trades. In the clothing and footwear group trading profits fell by 35 per cent, in the cotton group by 51 per cent, and in the wool group by 86 per cent—the biggest decline of all. In all three cases these declines were accompanied by a definite slowing down in the rate of increase in stock values, and in the case of companies in the wool group by an actual reduction in these values of 28 per cent. Woollen manufacturers were, of course, faced with the steepest decline in raw material prices during the year, so that profits earned by these companies had to bear the heaviest burden of stock losses. This experience should be contrasted with that of the silk and

PERCENTAGE CHANGES IN PROFITS AND STOCKS

	Percentage change in profits		Percentage change in stocks	
	In accounts published in 3rd qtr., 1951	In accounts published in 3rd qtr., 1952	In balance sheets published in 3rd qtr., 1951	In balance sheets published in 3rd qtr., 1952
12 Industrial Groups:—				
Clothing and footwear	+44	-35	+26	+14
Shops and stores	+15	+7	+15	+9
Cotton	+9	-51	+31	+12
Wool	+52	-86	+53	-28
Silk and rayon	+70	+3	+11	+58
Electrical manufacturing	+27	+17	+3	+35
Chemicals and paint	+25	...	+15	+37
Motors, etc.	+18	+10	+1	+34
Newspapers, etc.	+11	+42	+27	+71
Misc. manufacturing	+29	+6	+23	+24
Engineering	+19	+27	+2	+29
Building	+20	+21	+20	+43
Total (31 groups)	+28	+9	+13	+27

rayon group. Profits reported by silk and rayon companies last quarter still showed a slight increase on the year (of 3 per cent, compared with one of 70 per cent

reported in the third quarter of 1951), while the book value of their stocks increased by 58 per cent (compared with one of 11 per cent). This increase almost certainly represented the piling up of unsold stocks, and more particularly of unused raw material stocks, in the warehouses and factories; at the time these balance sheets were struck, the need for the unpleasant decision to write down stocks had apparently not yet arisen.

The experience of shops and stores straddled somewhere between that of the silk and rayon industry and of the woollen industry. The shops and stores group as a whole reported a further increase in profits and stock values, though on nothing like the scale of increases reported a year or so ago. This result, however, was distorted by the experience of a single company, Great Universal Stores, whose hire-purchase sales continued to increase against the tide of falling sales elsewhere in the retail trades. Some decline in profits and in stock values would probably be revealed if the results of GUS were excluded from the stores group.

*

Three other important industrial groups closely in contact with the consumer (chemicals and paints, motors, and electrical manufacturing) reported a slowing down of the rate of climb in profits, accompanied by a very marked increase in stock values. Here, as in the case of the rayon industry, this increase appears to have represented the accumulation of unsold stocks. In the chemical and paints group, where trading results have been affected by the recession in the plastics industries, there was a very slight fall in profits while stock values increased by 37 per cent. In the motor group and the electrical manufacturing group (where the decline in the sales of radio and television sets and of other consumer goods has played an important role) profits showed a further increase, but at a much slower rate than that reported by similar companies a year ago; this was accompanied by an increase in the value of stocks held by the motor companies of 34 per cent (compared with an increase of only 1 per cent a year earlier) and an increase of 35 per cent (compared with an increase of 3 per cent) in the value of stocks held by the electrical manufacturers.

The close parallel between changes in stock investment and movements in profits can also be discerned in those industries where the recession in trade came too late to be caught in the analysis of accounts published in the third quarter of this year, and in those industries that are not yet likely to be feeling the effects of a serious recession in trade at all. In the first category the most notable example is provided by the sixteen companies in the newspapers, paper and printing group. Profits earned by these companies were still swollen by windfall stock gains; profits therefore jumped by about 42 per cent, while the value of stocks rose by some 71 per cent. This trend will almost certainly be reversed when paper companies whose financial years ended later in the year report their results. Such a reversal in trends need not, however, yet be expected in two other important groups (building and engineering) where profits and stock values have continued to rise quite rapidly. Profits earned by the 48 engineering companies that published accounts in the third quarter rose by about 27 per cent, while the book value of stocks—presumably as a reflection both of bigger sales and higher prices—rose by 29 per cent. Although some of the products of the engineering industry are not now as easy to sell as they were a few

months ago, there is no real reason to suppose that stocks of unsold goods are piling up—certainly they were not doing so when these accounts were struck. An even more spectacular increase in stock values (of 43 per cent) was reported by the 25 companies in the building group; as the housing programme was just getting into its stride when the financial years of many of these companies

PROFITS, PROVISIONS AND DEPRECIATION
(£'000)

	Reports Published July-Sept., 1952		Reports Published Oct. 1951-Sept., 1952	
	564 Companies		2,446 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	237,942	258,022	1,463,474	1,719,624
Income from investments	16,308	18,499	90,171	99,847
Other current income	1,083	499	7,017	5,953
Non-recurring credits	6,963	11,423	36,807	43,014
Total Income	262,246	288,449	1,597,469	1,868,438
Repairs and maintenance	1,363	1,392	11,489	11,661
Depreciation	29,731	32,719	215,324	243,509
Income tax (excl. profits tax)	84,620	92,833	493,868	587,548
Profits tax	32,745	40,782	158,764	215,355
Directors' emoluments	9,273	9,900	41,024	44,170
Administrative charges, etc.	5,341	5,021	33,771	35,254
Contingencies, provisions, etc.	21,849	22,893	140,787	189,228
Pensions	2,849	3,900	20,150	22,959
Minority share in profits	3,375	3,891	17,466	19,359
Profits retained by subsidiaries	14,358	17,709	91,505	114,795
Debt interest	4,804	5,186	25,490	28,555
Preference dividends	6,139	5,098	33,519	32,701
Ordinary dividends	25,470	26,127	149,383	155,463
Revenue reserves	17,249	18,282	123,737	143,959
Brought in (parent company)	37,520	41,600	222,050	243,042
Carried forward (parent company)	41,600	44,316	243,042	266,944

ANALYSIS OF COMPANY BALANCE SHEETS PUBLISHED
JULY-OCTOBER, 1952
(£'000)

	564 Companies			564 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies) —			Fixed Assets —		
Debt	131,067	136,114	Land, property and plant	731,800	799,138
Preference	169,080	170,510	Less depreciation	201,660	225,989
Ordinary	312,471	331,919			
	612,618	638,543		530,140	573,149
Reserves and Surplus —			Trade Investments	133,644	140,009
Capital reserves	153,772	174,667			
Revenue res. and carry forward	327,626	365,584	Intangible Assets	62,138	61,144
Total Capital, Reserves & Surplus	1,094,016	1,178,794	Current Assets —		
Outside Interests in Subsidiaries	62,512	65,948	Stocks	376,514	467,757
			Debtors	289,465	317,524
Current Liabilities and Provisions —			Gift-edged securities	51,981	46,853
Bank overdrafts and loans	117,230	127,757	Other marketable investments	96,713	101,999
Creditors and accrued charges	341,608	394,838	Cash	107,544	163,823
Reserve for future taxation	72,066	85,089			
Other provisions	20,706	21,832			
	531,610	629,516		982,217	1,097,956
	1,708,139	1,874,258		1,708,139	1,874,258

ended, this increase was to be expected—as was the 21 per cent increase in profits.

To sum up: in the year covered by this latest sample of company accounts, the capital goods industries could still see a rather flickering green light ahead of them and only the textile and some other consumer goods industries could definitely see a red one. But for a wide range

of industries that straddled between the investment and the consumer goods sectors the light had very definitely turned to amber. It remains to be seen what effect will be wrought on the finances of industry—and of the country—if this amber light does turn to red. All through the boom, increases in equity dividend payments and in reserve appropriations lagged well behind any advances in trading profits—thanks to the remorseless attentions of the tax collector. But it is these Cinderellas that have also suffered most harshly at the first whiff of trade recession. Equity dividends were sharply reduced—and reserve appropriations even more sharply—by all three of the important textile groups last quarter, and only in the engineering and paper industries was there any notable further increase in dividend payments and in the

amount of profits ploughed back into the business. The recession to date, however, must not be exaggerated. There is no evidence yet that the dividend cuts made by the textile companies this year will be the general lot of industrial investors next year. And, in the field of public finance, the figures so far available suggest that taxes paid by companies for 1952-53 (levied on profits earned in the year to March 31st last) may bring in all that the Chancellor expected when he drew up his budget—although they also suggest that income and profits taxes on company earnings will not be such a fruitful source of revenue in 1953-54. But the general impression remains that these over-milked kine have not emerged from the seven fat postwar years in any fit shape to ride out seven lean years—if the lean years follow.

Cheaper Life Assurance

LAST year the boom in new life business reached what may be a temporary peak. According to figures just published by the life offices' associations the total new business of 75 leading offices (which account for at least 98 per cent of all business transacted in this country) rose by £135.7 million to £728.8 million in 1951; within these totals, new business under group life and group endowment assurances rose by £60.1 million to £135.5 million and that under individual pensions schemes—including "top hat" pension schemes for higher executives—reached £78.2 million. In all, over one and three-quarter million people in this country now participate in schemes with pension benefits (usually, but not always, associated with life assurance benefits); and the premiums attributable to pension and "scheme" business account for some 31½ per cent of the total annual premium income of British life offices. Thanks largely to the buoyancy of this total annual premium income (which rose by just over £26 million to £226.7 million in 1951)—and despite further increases in payments to policy holders, management expenses and taxation—the life and annuity funds of these 75 offices rose by £116 million to £1,895 million last year; in 1950 they had risen by £104.5 million to £1,779 million.

Such, in brief, is the course and anatomy of the latest phase of the boom. There is evidence, however, that the boom is now flattening out, and that the figures for 1952 will not be significantly better than the very good ones for 1951; indeed, sales of individual life assurance policies at home will almost certainly be lower. At first sight this may seem surprising, for total personal savings in 1952 are generally expected to be somewhat higher than in 1951. How far does this indicate that recent reductions in the rates of life assurance premiums have not been sufficient to offset the increased attractiveness of other media for personal savings—as a result of the all-round rise in interest rates?

Broadly speaking, the answer seems to be that the flattening of the boom cannot be attributed to this factor at all. The table on the following page shows the reductions that have been made since May, 1950, in the cost of certain types of life assurance policies and annuities by 43 leading offices. It will be seen that nearly all the offices have reduced their non-profit premium rates in this period; in fact more than a third of the offices in the

table have made reductions in the last three months, while another third did so earlier this year—and many have changed their rates more than once since the war. The base date (May, 1950) in the table and the 43 offices concerned have been chosen to facilitate comparison with the detailed figures set out in the article "What a Life Premium Buys" in *The Economist* of November 18, 1950.

*

There are three important qualifications that need to be borne in mind when analysing the changes shown in the table. First, the figures refer only to annuities and to life assurance policies that do not entitle the holder to participate in profits. Rates of bonus as well as of premium enter into the relative attractiveness of the with-profit contracts of the different offices; and changes in circumstances, such as a rise in the rate of interest, are normally allowed to work themselves out in the rate of bonus. Although a few offices have recently reduced their premium rates for with-profit, as well as for non-profit, life assurances, this is not the normal practice.

Secondly, it is not really possible to work out from the table the relative "cheapness" of the rate of premium of a given office, because of the complexity of the underlying assumptions. To cite only one example: two of the offices in the table offer specially favourable rates to total abstainers. Even if these complications could be allowed for, the comparisons in the table would show which is now the cheapest office only for policies of the type and size and at the age indicated, and only for immediate or split annuities for one sex at one age. It is now almost universal practice to allow reductions in the rate of premium for large whole life and endowment assurances; such reductions are usually on an increasing scale, and some offices quote a particularly attractive rate where the sum assured is above £5,000. Again, some offices are now believed to quote especially low rates for endowment assurance policies effected under "top hat" pension schemes, while some deliberately quote uncompetitive premium rates for all non-profit business—because they prefer to transact most, or even the whole, of their new business on a with-profits basis.

Thirdly, a change in the rate of interest is not the only factor that can affect the cost of life assurance and

THE COST OF LIFE ASSURANCE AND ANNUITIES

Company	NON-PARTICIPATING ASSURANCES				ANNUITIES			
	Sums assured by an annual premium of £25 paid by a life aged 30 next birthday assurable at tabular rates				Cost of £100 per annum payable half-yearly to a male aged 60 last birthday			
	Whole Life Assurance		Endowment Assurance Term 25 years		Split Annuities: Payable for 15 years certain and thereafter until death†		Ordinary Immediate Annuities: Payable only until death†	
	May, 1950	Oct., 1952	May, 1950	Oct., 1952	May, 1950	Oct., 1952	May, 1950	Oct., 1952
Alliance	1,348	1,385	700	710	1,585	1,602	1,345	1,218
Atlas	1,398	1,474	710	735	1,574	1,507	1,330	1,247
Britannic	1,307*	1,425*	683*	725*	1,644	1,644	1,260	1,260
Caledonian	1,345	1,395	699	725	1,636	1,483	1,316	1,185
Clerical, Medical & General	1,277	1,464	674	717	1,512	1,446	1,267	1,237
Commercial Union	1,324	1,415	705	729	1,619	1,549	1,292	1,236
Co-operative	Not Issued	Not Issued	Not Issued	Not Issued	Not Issued	Not Issued	1,266	1,217
Eagle Star	1,351	1,389	713	713	1,645	1,520	1,210	1,167
Equitable	Not Issued	Not Issued	Not Issued	Not Issued	Not Issued	Not Issued	1,190	1,190
Equity & Law	1,290	1,392	690	731	1,484	1,370	1,258	1,213
Friends Provident	1,299	1,429	686	735	1,545	1,382	1,232	1,134
Guardian	1,295	1,467	687	738	1,505	1,376	1,192	1,143
Law Union & Rock	1,333	1,395	708	714	1,593	(a)	1,277	(a)
Legal & General	1,299	1,388	686	710	1,566b	1,566b	1,240	1,134
Liverpool & London & Globe	1,293	1,435	670	709	1,571	1,469	1,290	1,215
London Assurance	1,312	1,366	692	711	1,620	1,544	1,280	1,223
London Life	1,344	1,470	718	746	Not Issued	Not Issued	1,246	1,246
Marine & General	1,348	1,438	703	703	Not Issued	Not Issued	1,262	1,262
National Mutual	1,316*	1,351	676*	714	1,570	1,570	1,288	1,236
National Provident	1,313	1,453	692	742	1,487	1,399	1,222	1,184
North British & Mercantile	1,298	1,369	691	711	1,620	1,514	1,289	1,187
Northern	1,398	1,477	712	743	1,538	1,463	1,278	1,176
Norwich Union	1,325	1,399	709	730	1,631	1,340	1,290	1,231
Pearl	1,436*	1,523*	719*	740*	1,592	1,436	1,319	1,233
Phoenix	1,327	1,456	697	727	1,582	1,467	1,242	1,172
Provident Association of London	1,360*	1,366*	720*	720*	1,546	1,364	1,216	1,216
Provident Mutual	1,372*	1,372*	696*	696*	1,668	1,668	1,230	1,230
Prudential	1,361*	1,432*	698*	723*	Not Issued	Not Issued	1,347	1,195
Refuge	1,339*	1,339*	698*	698*	1,449	1,449	1,266	1,266
Royal	1,293	1,435	670	709	1,571	1,469	1,290	1,215
Royal Exchange	1,348	1,405	700	700	1,636	1,636	1,324	1,216
Scottish Amicable	1,354	1,357	705	708	1,508	1,369	1,231	1,231
Scottish Equitable	1,363	1,357	705	705	1,550	1,550	1,221	1,213
Scottish Life	1,330	1,405	702	722	1,510	1,374	1,224	1,161
Scottish Mutual—General	1,376	1,405	698	713	Not Issued	Not Issued	1,205	1,170
Temperance	1,456	1,492	718	735				
Scottish Provident	1,316	1,376	711	727	1,586	1,522	1,220	1,164
Scottish Union & National	1,333	1,408	707	712	1,557	1,399	1,221	1,171
Scottish Widows	1,310	1,386	699	720	(c)	1,385	1,196	1,146
Standard Life	1,395	1,435	714	725	1,614	1,510	1,210	1,189
Sun Life	1,269	1,415	673	712	1,523	1,467	1,282	1,227
Utd. Kingdom Provident—General	1,293	1,364	674	703	1,561	1,561	1,281	1,235
Temperance	1,345	1,422	688	718				
Wesleyan & General	1,247*	1,313*	656*	683*	1,515	1,515	1,316	1,316
Yorkshire	1,389	1,471	714	735	1,471	1,471	1,227	1,227
AVERAGE	1,332	1,410	697	719	1,566	1,482	1,260	1,208

* Policies affording only restricted cover should death occur through war.
† The life annuities terminate with the half-yearly payment last due before death.

(a) Rates at present under revision.

(b) With a proportionate payment from the last half-yearly due date until the date of death.

(c) Not issued in this form.

annuity contracts. There are at least three other major factors—taxation, mortality and expenses of management—that have to be considered as well. It so happens, however, that recent fluctuations in these three factors have not been nearly as important as fluctuations in interest rates. Income tax on the interest earnings from life assurance funds has been stable for twelve years—at 7s. 6d. in the £; this concessionary rate was granted by the Finance (No. 2) Act, 1940, has been continued ever since, and seems unlikely to be withdrawn. The trend of mortality is in favour of the offices in life assurance business, but against them in annuity business—including staff pension schemes. Expenses of management have risen greatly since the war and are still rising, but so far at any rate the volume of new business (and, with the help of a relatively small wastage from lapses and surrenders, of the total business in force) has been sufficient to absorb rising costs. After making adjustments for the distorting effect of annuity and single premium life assurance business, the percentage of premium income absorbed by expenses in the leading offices averaged 14.3 per cent in 1949, 14.0 per cent in 1950 and 14.1 per cent in 1951.

It is, therefore, largely by reference to the change in interest rates that the recent reductions in premium rates should be measured—and the prospect, if any, for further reductions judged. The second and fourth columns of the accompanying table show the sums that can now be assured under non-profit whole life and twenty-five year term endowment assurances respectively, by a premium of £25 paid by a healthy person aged 30 years next birthday (who is not exposed to any exceptional hazard through occupation, residence or travel). It will be seen that whole life assurance sums now offered by these offices for this premium range from £1,523 to £1,313, a difference of 14 per cent; twenty-five year term endowment assurance sums assured vary from £746 to £683, a difference of 8 per cent. The average whole life sum assured for this premium is £1,410, compared with £1,332 in 1950, an increase of 5.9 per cent; the corresponding averages for endowment assurances are £719 and £697, the increase here being 3.2 per cent. It can be calculated from these figures that the average improvement in terms since May, 1950, corresponds to an increase of approximately $\frac{1}{4}$ per cent in the future net rate of interest assumed in calculating the premiums for whole life assurances, and about $\frac{1}{4}$ per cent for

twenty-five year endowment assurances. In the same period, the net yield (allowing for income tax at 7s. 6d. in the £) on $2\frac{1}{2}$ per cent Consols has risen by $\frac{1}{4}$ per cent, and the net yield to redemption on 3 per cent Savings Bonds 1965/75 has risen by $\frac{1}{4}$ per cent.

It must be remembered that the fact that premiums now being received can be invested more profitably than premiums received in 1950 does not mean that premiums received in future years will also be invested at a relatively high rate of interest. It is no answer to this problem to say that, in theory, it is possible to change the rates of premium for new business whenever the current rate of interest changes. The life offices can never, in practice, prepare the way for exact compensation in this way by matching the maturity dates of their investments precisely and appropriately to the mean term of their liabilities. They must also carry in the back of their minds the thought that—in the long run—a fall of, say one to one-and-a-half per cent in the rate of interest is now rather more likely than a rise of the same magnitude; incidentally, such a fall would also have a more dangerous effect on existing business. When these considerations are borne in mind, it seems reasonable to judge that most offices have now reduced their premium rates as far as they safely can.

In "immediate" annuity business, since the whole consideration is received at once, the complications mentioned in the last paragraph need not enter into the calculation of costs. The cost of ordinary immediate annuities and of split annuities can safely be adjusted in step with changes in the rate of interest. The sixth column of the table shows that the cost of a split annuity of £100 per annum granted by the 43 offices now ranges from

£1,340 to £1,668, a spread of 24 per cent; the average cost is £1,482 compared with £1,566 in May, 1950, a reduction of 5.4 per cent. The purchase price of an immediate annuity of £100 per annum varies from £1,134 to £1,316, or by 16 per cent; the average cost has fallen from £1,260 in May, 1950, to £1,208 now, a reduction of 4.1 per cent. Both types of annuity have thus become cheaper since May, 1950, by the equivalent of an increase in the yield on the purchase price of approximately $\frac{1}{2}$ per cent. Since the mean terms of the liability under both types of immediate annuity contracts are relatively short, this change can fairly be compared with the $\frac{1}{2}$ per cent and $\frac{3}{4}$ per cent increase in the gross redemption yields of War Loan 1955-59 and Savings Bonds 1965-75 respectively. It appears, therefore, that here again the benefit of most of the increase in gilt-edged yields has been passed on to the holders of these annuities.

To sum up: Although the figures in the table accompanying this article need to be interpreted with caution, most offices now seem to have passed on to the public the benefit of the rise in their interest earnings. If the new business figures for 1952 tell a story of less buoyant advance than those for recent years—and the indications are that they will—then the explanation should not be sought in the reduced attractiveness of life assurance policies relative to other savings media. One of the main explanations may be that the recent boom has absorbed a large part of the natural market—and, in this connection, it should not be forgotten that the growth of group pensions business in recent years must have embraced many people who would otherwise now have been taking up individual policies. In life assurance, as in other businesses, the sellers' market may be near its end.

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Business Notes

Trade and the President

Among the many major responsibilities that will devolve upon the next American President, whoever he may be, will be that of deciding which way world trade should go. Both Mr Stevenson and General Eisenhower have proclaimed on the hustings that a long-term solution for the problem of the dollar gap must be sought, whereby world trade might be progressively freed without vast and continuing American grants-in-aid to the Commonwealth and Western Europe. And, behind the scenes, advisers of the present administration have been studying the various ways in which substance might be given to this pious hope.

European and Commonwealth observers would do well to suspend judgment upon any specific proposals that may be canvassed—until after next week's election. In matters financial, only fools rush in when the identity of the possible angel—and therefore the sort of scheme he might be willing to back—is unknown. In the past week, however, considerable publicity has been given to a working document that is known to have been drawn up by the Mutual Security Agency and to have been discussed—though certainly not agreed with—President Truman's Treasury. This MSA scheme is believed to have three main features. First, it recognises that there cannot be any genuine advance to free world trade unless there is a substantial once-for-all increase in world currency reserves; the MSA therefore suggests that sterling and other Nato currencies should be aided along the road to convertibility by supra-national backing, in the form of a reserve fund of several thousand million dollars to which the United States should contribute at least four-fifths and European countries one-fifth. Secondly, the MSA recognises that such a scheme might impose a continuous drain on United States resources unless other members of the new reserve system kept their internal economies under stern control; it therefore suggests that an Atlantic Economic Board should be set up to attempt "co-ordination" of members' economic and trade policies. Thirdly, the MSA recognises that any new world trading system could be overwhelmed by a sharp fall in raw material prices, such as would at present occur at the onset of any American recession; it therefore suggests that an Atlantic Commodity Board should be set up to stabilise raw material prices and production through long-term agreements with leading producer countries. In the next few months a great deal of hard thought is going to have to be devoted to these matters. If any practical new scheme is to emerge, Commonwealth and European countries must not content themselves with speculating on how many American dollars they can hope to get; they must decide—coolly and with an eye on the advantages to be gained—how much delegation of economic sovereignty to a supra-national body they will be willing to offer.

Production Still Depressed

There are no measurable indications yet of the renewed increase in industrial production upon which the Government has been basing some of its hopes for the economy. In August the official index of industrial production showed 99 (1948 average = 100), compared with 102 in July and with 104 in August last year. And on the basis of information received so far, the figure for September seems likely to be 115-116—against 121 in September, 1951. In the first eight months of this year, industrial production was 3½ per cent lower than in the same period of 1951, and the estimate for September would make the comparison slightly worse (though not so bad as July and August appeared in comparison with the corresponding months of 1951).

The indices of output for particular sections of the economy are recorded much more in arrear. In the first six months of the year, production seems to have been higher than a year earlier in building materials, food, metals and engineering; roughly unchanged in vehicles, building and contracting, the public utilities, and mining and quarrying; down in most consumer goods. Coal and steel production are at present both higher than in 1951; and there has been some revival in the cotton industry.

Employment has not increased as much as usual this year, and there has been a sharp fall in the number of vacancies notified to the labour exchanges (which is now a more precise indicator of industry's power to absorb labour than it used to be). Vacancies in September have been fewer than the numbers of unemployed for the first time in any September since the war. At the same time, labour has been shifting towards the defence industries, and more slowly towards engineering as a whole—the shortage of steel, presumably, has limited the capacity of many sections of engineering to take on more workers.

Sterling Ascendant

Sterling has this week been showing every sign of resurgent strength. In the official market it has once again crossed the parity with the dollar, to close at \$2.80½ on Thursday. In the forward market the premium on three months dollars, which at the beginning of this month was around 2½ cents, has narrowed to 1½ cents. This represents an interest rate of about 1½ per cent per annum, and is very little more than the appropriate forward exchange parity indicated by the differential between short-term market rates of interest in London and in New York. The recent demand for sterling against dollars is due to a variety of factors. This is the time of the year when the seasonal demand for certain sterling area products makes its effect on the exchange market. The market is also benefiting from the cessation of the exceptional demand for dollars that followed the short-lived concession for commodity arbitrage between dollar and European countries. But for this relaxation, the sterling rate in New York would probably have continued the recovery that was well under way in the first part of August. The latest recovery in the rate does little more than correct the subsequent dip, which by the middle of September had brought the rate down to its "lower gold point" of \$2.78. The most important factor in the market, however, and one that is reflected in the forward rates, is the covering of semi-speculative, semi-commercial bear positions. With the modest rise in the gold reserve and the prospect of further rises in the coming months, the normal tendency on the part of overseas traders is to cover sterling requirements and not to delay purchases in the hope of later depreciation. The tendency over the summer months was to delay sterling purchases in the expectation that the floating rate, of which there was then much talk, would lead to a lower value of sterling. No such expectations are now entertained and a fair volume of semi-commercial speculation against sterling is being covered.

The other main feature in the foreign exchange market this week has been the strength of the guilder. This is also a somewhat delayed phenomenon, reflecting the improvement in the Dutch balance of payments that has been apparent for some months past in the European Payments Union settlements. The guilder's underlying strength would have become apparent earlier but for the dollar-EPU arbitrage scheme, which created a considerable demand for

sterling on Dutch account. This demand for sterling led to a weakening of the guilder from Fl. 10.56 at the beginning of September to Fl. 10.71½ in mid-October. From that point, however, the rate has moved against sterling, to Fl. 10.66½. The market reports some important purchases of guilders on behalf of oil companies. Another factor is that with transferable sterling now at \$2.70 (representing a discount of only about 3½ per cent on the official rate) commodity shunting is losing a great deal of its attraction; consequently, Dutch demand for sterling is losing one of its main elements. Security sterling has also continued its upward trend this week, and has strengthened from \$2.58½ to over \$2.60.

Deposits Rise, Despite the Loan

The October statement from the clearing banks will come as a disappointment to anyone who hoped that any perceptible degree of funding of bank deposits would have resulted from the Treasury's recent loan operations. Although sales of the new Serial Funding Stocks ostensibly produced £317 million of cash early last month, net bank deposits rose by £15 million in the four weeks to mid-October. Two factors account for this seeming paradox. The first is that most of the so-called "cash" subscriptions for the new issues came from the banking system, which, of course, had to finance itself by selling bills to the authorities to a more or less equivalent amount. The clearing banks' participation, on the evidence of the October statement, appears to have amounted to about £221 million, for that is the extent of the rise in the aggregate investment portfolio during the month—a rise that, incidentally, raises both the total portfolio (£2,142 million, against £1,555 million in October, 1951) and the ratio to deposits (34.7 per cent) to the highest level ever recorded. Further "cash" subscriptions also came from other banking institutions, including the discount market, that may be presumed to have mainly financed themselves in much the same way, by operations that had their eventual counterpart in purchases of bills by the Treasury itself. The only portion of the nominal £317 million of cash subscriptions that could produce a reduction in bank deposits was that furnished by non-bank subscribers other than the "departments" themselves.

This residual and "genuine" portion of the cash subscriptions—the portion not financed, in effect, by the banks or by the authorities themselves—might have been expected to amount to some tens of millions. If no other influences had been at work, bank deposits would have fallen correspondingly. The fact that they actually rose by £15 million instead is explained by the second distorting factor—the financing of the Treasury's current deficit. The domestic deficit amounted to rather more than £100 million in the four weeks most nearly corresponding to the dates of the banking statements, before allowing for finance secured from tax certificates and small savings. While the loan operation enabled the Treasury to redeem floating debt, its current need for cash has been compelling it to re-borrow. It would be rash to try to guess the relative strengths of these conflicting factors. On the one hand, it is clear that the extent of the Treasury's reliance on the banks for current finance has been appreciably understated by the smallness of the month's rise in deposits; on the other hand, this need for finance has completely obscured the small margin of "genuine" cash subscribed for the new loans.

Liquidity Ratios Now

In consequence of these re-borrowings by the Treasury, the month's net decline in the banks' liquid assets fell appreciably short of the £221 million that was in effect converted into investments. Holdings of Treasury bills dropped by £170 million and total liquid assets by £207

million (including a further small decline in commercial bills), so that the total, at £2,120 million, has not even been restored to its level of end-June last, and is still roughly £140 million above the low point reached after last year's funding. In conjunction, however, with the month's rise of £41 million in gross deposits, the contraction suffices to cut liquidity ratios to roughly the extent envisaged when the conversion was announced. For the clearing banks as a group, the ratio has fallen from 38.0 to 34.4 per cent, its lowest since May. This still comfortable level is likely to be reinforced in a fortnight's time, when the Treasury re-borrows for the redemption of the £105 million of 1952 Serial Funding stock that remains unconverted; and, until the big tax-gathering season opens in the New Year, it will be fortified still further by the financing of the current Exchequer deficit.

A scrutiny of the figures of the individual banks throws interesting light on the technique of the conversion, and incidentally substantiates the claim that the formula suggested by the authorities to the banks was more flexible than that adopted last year. The range of liquidity ratios shown by the "Big Seven" banks individually is still as much as 3½ points (from 33.1 per cent for Lloyds Bank to 36.6 per cent for the two northern banks), but among the "Big Five" it is less than 2 points, compared with over 3 points in September. To achieve this closer approach to uniformity required "cash" subscriptions to the loans related to the previous level of liquidity ratios rather than to the size of the bank. Thus it happens that the largest bank (the Midland) subscribed the smallest proportion of deposits (less than 2 per cent), whereas three banks put up over 5 per cent.

Steel Shortage Fades

One of the first specific indications by which the Government's decision to re-adjust the rearmament programme "so as to lighten the burden on engineering" may be judged is the easing of the shortage of alloy steels. Both supply and demand have changed this summer. The alloying materials have become considerably less scarce, and have allowed an increase in the production of alloy steels to about a million tons a year, compared with a rate of about 850,000 tons a year ago. On the other side, defence demands do not seem to have risen as much as total output has done—and presumably much less than they would have been expected to increase in the original paper plans for rearmament. In these circumstances, the Government has taken the opportunity to simplify its steel allocation system by giving consumers using alloy steel for approved purposes a single authorisation of all types of steel, within which they may acquire carbon or alloy qualities according to their needs and the producers' power to satisfy them. This reduces paper and administrative costs; and it will allow some flexibility in the exercise of demand. The current allocation system can make little allowance for changes in a consumers' demand for different qualities of steel; as supply becomes a little easier the paper authorisations tend to pile up in the wrong places.

This weakness is not confined to the allocation of alloy steels; and perhaps the most encouraging sign of this week's decision is that it suggests that an end to steel allocation as a whole may not be far off. The uses of alloy steel are still restricted by "end-use prohibitions" which specify the grades of alloy content allowed for various kinds of alloy steel product; and the Alloy Steel Directorate supplied by the industry to the Ministry of Supply will still remain formally in being, to administer these regulations. Nevertheless, this relaxation is one indication of the general fading in the steel shortage that has been expected for months. There remain certain products that are still tight—plates, small billets for engineering, small bars, and drop forging qualities of steel are examples—but in the main supply is not far out of balance with demand. Once supplies of these particular products

improve, there will remain no excuse for maintaining the clumsy allocation system; and it should not be retained too long to cover such special cases.

More Cars and Less Exports

The Minister of Supply admitted this week that releases of cars to the home market are substantially exceeding the number originally intended; and his admission was followed—actually within a few hours—by an appeal from Mr L. P. Lord, the chairman of the Austin Motor Co., for a freeing of cars from purchase tax, in order to save the motor industry from imminent unemployment. These two statements together constitute a remarkable confession of failure on the part of both the industry and the Ministry to implement the policy laid down at the beginning of the year. It was intended then to restrict deliveries of cars to the home market to a maximum of 60,000; all the rest of the industry's output of cars was to be sold abroad. But since the early months of the year exports have been falling consistently below their 1951

levels—not so much because British cars were ceasing to be competitive, but because overseas import restrictions were shutting them out of markets in which, so it is believed, there is still a considerable measure of unsatisfied demand.

Had Government policy been consistent, the logical consequence of this loss of export business would have been a reduction of output by the industry; but, in fact, this has never happened, and is never likely to happen. Within the Ministry of

Supply, home quota figures have always been regarded as notional, whatever interpretation the central planning bodies have put upon them. This year there have been two retreats from the supposed policy. A face-saving manoeuvre was carried out during the summer, when the fixed home quota of 60,000 cars was replaced by an understanding that the industry would export 80 per cent of its output, which implied a home quota of 90,000 cars. Yet by the end of August, more than 84,000 cars had been sold at home, and in the past month or so the industry has been selling only between 50 and 60 per cent of its output abroad. In spite of this, the allocation of steel to the industry has been increased considerably for the fourth quarter of the year. This would be sufficient to raise the rate of production during that period up to, if not above, last year's total of 476,000 cars, whereas output during the first eight months has been at the rate of only 420,000 cars a year. This expected rise in output has created the situation that prompted Mr Sandys to say "we recognise that in the immediate future the industry will probably not be able fully to achieve its export target and, therefore, for the time being, will have to sell more on the home market." It seems probable that some 150,000 cars will be sold at home this year, compared with 109,000 last year. On this indication, deliveries in 1952 will be even higher, for it is difficult to believe that the circumstances that led to the imposition of import restrictions on British cars are so transient as the Minister's words might seem to suggest. Although the motor industry claims to have the best export record among the metal-using industries, it is not so obvious that the production of more cars for sale at home is the best use to which the extra steel could be put.

Confusion in the Second-hand Market

Meanwhile, the prospect of increased releases of new cars is one that may deal a body blow to the highly organised trade in ex-covenant cars. The prices of these cars have been falling throughout the year, but during the summer it was still possible, as the accompanying table shows, for the owner of an ex-covenant car of popular make to get more for that car than he paid for it when new. This possibility arose mainly from the fact that the rate of purchase tax had risen from 33½ to 66½ per cent within the period between his purchase and sale, and there had also been a rise in manufacturers' basic prices. There are no ruling second-hand prices for either of the new cars produced by Ford or Vauxhall because none of the models is yet "ex-covenant."

Between the early summer and autumn, prices had fallen by as much as £100 a car and Mr Lord's action in suggesting the possibility of a reduction in purchase tax may already have cut them by, say, a further 20 per cent. On the day after his speech dealers were at a total loss to know what prices either to ask or to offer, and the salesmen of new cars were in an even less enviable position. With some 250,000 of home orders still on its books, the motor industry has no reason to believe that it cannot find buyers for all the cars that are likely to reach the home market in the months before the Budget—even though the rate at which new cars are being turned down when offered to "buyers" on the lists is

INDEX OF CAR PRICES
1950-51 List Price (incl. tax)=100

	1950-51 List Price of New Models	1952 Second-Hand Prices of 1950 Models				Current List Price of New Models
		Jan.	April	July	Oct.	
Ford Anglia.....	100	222	217	184	160	149
Ford Prefect.....	100	212	212	174	156	146
Morris Minor.....	100	219	209	183	153	152
Austin A 40.....	100	208	203	167	150	144
Hillman Minx.....	100	202	202	166	151	145
Vauxhall Wyvern*.....	100	206	204	157	141	143
Vauxhall Velox*.....	100	188	188	141	127	145
Standard Vanguard.....	100	170	167	125	109	139
Austin A 70.....	100	173	169	121	110	142
Rover 75.....	100	188	183	136	115	134
Jaguar Mark VII*.....	100	162	154	103	81	141

* Model changed.

causing consternation. For this reason, distributors have been at some pains to avoid actually exhibiting cars for immediate delivery in their showrooms; instead, they tend to dispose of their surplus to other dealers who still have effective buyers on their lists. These tactics have the secondary effect of underpinning second-hand prices, which are governed by the relative scarcity of new cars. Nevertheless, the figures for second-hand prices ruling in October are probably on the generous side.

But the industry has not yet made a convincing case for reduction in purchase tax. It is important for it to maintain a high volume of output in order to keep down costs, and the incidence of purchase tax does weigh heavily on cars at all price levels. On the other hand, a deterrent of this kind may be the only means of encouraging the industry to make the maximum effort to hold its ground in the export markets. It will need a considerable volume of unemployment (of which, for all Mr Lord's fears, there seems little immediate prospect) to justify any measures that are likely to swell still further the volume of cars sold at home.

Experiment with Zinc

On January 1st private dealings in zinc are to be resumed on the London Metal Exchange, and so another step will be taken along the road of freedom. But if zinc, why not copper? For zinc, to Britain, is much more a dollar commodity than copper. The Government doubtless regards



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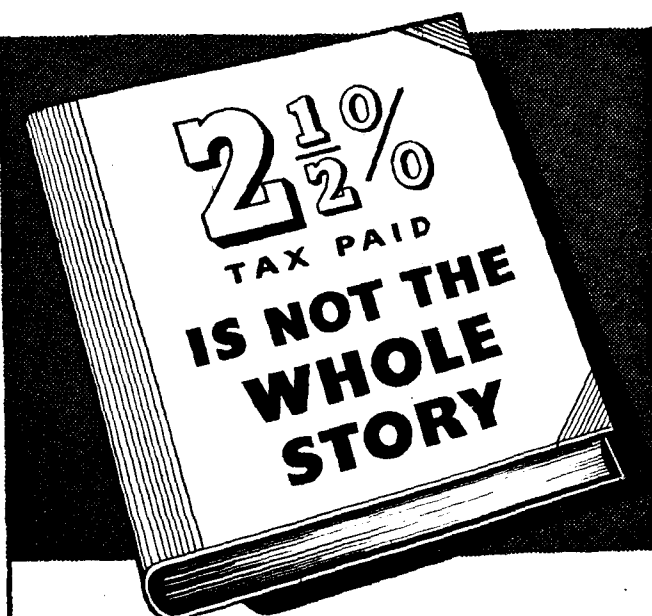
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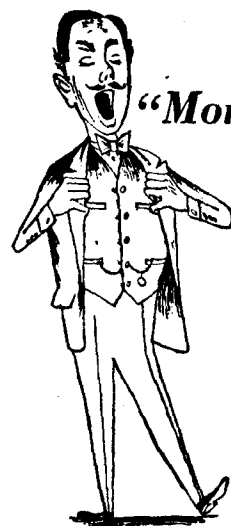
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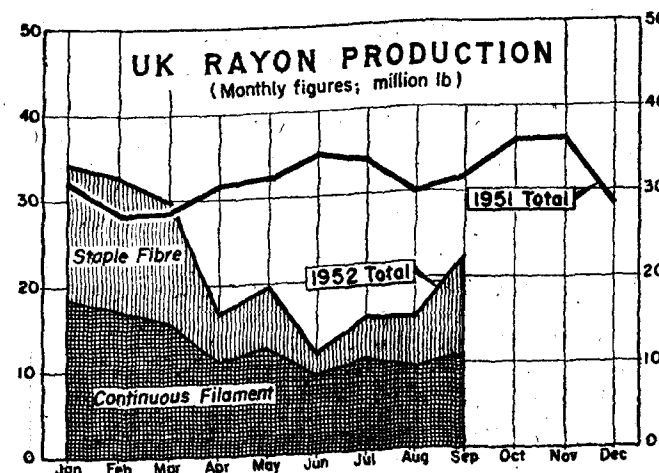
this as an experiment that if successful could be soon extended to copper. What are the chances of success with zinc? Demand for the metal has recently been weak in all countries, and this week the Ministry of Materials reduced its price from £118 a ton to £110, following a decline of one cent per lb in the New York price.

Whether the experiment will cost Britain dollars is another matter. Nearly half of Britain's requirements come from the dollar area—Canada and the United States. The rest comes from Australia, Rhodesia and Europe. Canadian supplies will continue to come to Britain, because British users like the Canadian quality and because of the traditional trade links between the two countries. The United States, which is a net importer of zinc, is a marginal supplier from which Britain buys (apart from making use of its refining capacity) only when supplies are scarce. In fact less American zinc is likely to come into this country under private trade than under government trade. American exporters are unlikely to accept the lower price that may well rule in a free London market; the British Government bought from the United States because it wanted large quantities, particularly for its stockpile, and America was a convenient supplier for this purpose.

Another possibility that might cost dollars is that Europe might buy dollar zinc through the London market. This is considered unlikely, because on balance Europe is a net exporter. The chances of success, therefore, would seem to be high, particularly as larger quantities of Rhodesian zinc are expected to come to London in future.

Rayon Recovery

The sharp rise in rayon production during September, rather than the actual total achieved, suggests the industry has recovered from the worst of the slump. The quantity of yarn produced, 22.4 million pounds, was still far below the industry's capacity, but it represented a rise of 46 per cent on the total for the previous month. The improvement was, moreover, most marked in rayon staple, which has borne the brunt of rayon's troubles. Last winter, staple fibre production was running at a rate not much below 17 million pounds a month, but in June it dropped as low as 2.4 million pounds. Production in September recovered to 11.5 million



pounds following a minor famine in the mills where stocks of staple had been allowed to run down so low that they were quite inadequate to support the revival in demand for rayon cloth. Shortages of this kind are being revealed in all stages of textile production, because, for months past orders have been placed on a day-to-day basis. Thus the normal autumn improvement in trading has found all sections of the industry, from the mills to the retailer, without an adequate reserve of new stocks.

The rise in staple consumption is confirmed by the fact that production of spun rayon yarn from staple fibre in the first two weeks of October regained the level of twelve months ago. In the week ended October 11th Lancashire produced 1.8 million pounds of spun rayon yarn and 580,000 pounds of cotton and rayon mixtures; these figures compare with a total of 1.8 million pounds of spun rayon and only 320,000 pounds of mixtures in the corresponding week last year. These figures are hopeful. Whether demand will recover sufficiently to employ the total capacity of the industry is not yet certain. Producers are not yet intending to bring all their closed plants back into commission.

Steel Arguments and Realities

Only a few sentences in the Commons debate upon steel last week contributed much that was fresh in the way of information or argument about the practical problems of the industry. Mr Sandys revealed that pending re-sale of the nationalised steel companies he proposed to make them subject to the powers of the Monopoly Commission. When asked if the Commission might investigate the setting of steel prices he answered that its attention might, rather, be aroused "if these companies individually engage in anything in the nature of restrictive practices," though a Conservative back-bencher later hazarded the view that "it will probably be illegal in a relatively short time in this country to try to get collective agreement to fix prices." Mr Sandys spoke moderately about the industry's system of adjusting steelmaking costs by levies and subsidies upon steel and raw materials, which the White Paper on denationalisation proposed that the new Steel Board should be given statutory power to continue:

It has undoubtedly helped to maintain stable and relatively low prices of steel. Nevertheless, it possesses all the disadvantages of any system of price averaging in that it masks real costs and interferes with the healthy operation of normal economic forces. But it would be quite impossible to end that system overnight without very serious disturbance to both consumers and producers. On the other hand, I am sure that that is the direction in which we must try to move.

The Minister can fairly argue that the last change he authorised in the price of pig iron did move in that direction. It is to be hoped, as various Liberal and Conservative spokesmen suggested, that when the Steel Bill is published it will embody broad instructions to the proposed board to promote genuine competition in the industry.

Perhaps the only other important practical issue that was touched upon was steel development. Various Opposition speakers trailed new estimates of what the industry ought to have done since the war—Mr Edelman had measured the current demand of the steel-consuming industries and found it to be 19 million tons (of crude or finished steel?)—and doubted whether the money would be found from private sources or the Treasury for the further developments that the industry has envisaged. Mr Robson Brown spoke of a feeling "in some quarters"—apparently industrial rather than political—that such further development should aim at a capacity of perhaps 18 million ingot tons, rather than the 20-21 million tons to which the industry has informally committed itself. Such feelings are hardly surprising in an industry where development seems fated to remain shadowed by political uncertainties; they may also be based upon less sanguine estimates of demand for steel than some of the planners are pleased to venture.

An Option on Wool

A futures market for wool is to be opened in London early in the New Year. This announcement, made by the London Produce Clearing House Limited (a subsidiary of

United Dominions Trust Limited), took Bradford and the London woolbrokers by surprise this week. Earlier this year the whole question of a wool futures market was studied by a sub-committee of the Wool Textile Delegation, which decided that such a market could offer no immediate practical advantages. But the sub-committee added that there were many occasions when the facility to cover transactions by hedging in a futures market would be of great benefit to individual firms. There was obviously a minority opinion in Bradford in favour of setting up such a market.

Although wool is a sterling commodity, the only futures markets dealing in it are located in New York, Antwerp and Roubaix. The London wool market deals in spot supplies, whilst the primary markets (those situated in the producing countries) are regarded by manufacturers as forward delivery markets, in that wool bought there is available only some three to eight weeks after purchase. The essence of the futures market is the facility to deal in "options"—to buy and sell futures contracts rather than bales of wool. The initial standard contract on the new London market will probably be for merino 64's tops; only later, when the market has gained experience, will a standard contract for raw wool be introduced.

Bradford's objections to a futures market are partly psychological (or almost ethical), partly technical and partly economic. Many Yorkshire manufacturers think it "wrong" to deal in options rather than in the commodity, in that this permits speculation by people not primarily concerned with handling or processing the wool. Before the war, the Liverpool cotton futures market showed on occasion that outside speculation may exaggerate price-swings, instead of damping them down as a futures market can normally be expected to do. But if a futures market operates properly, it can offer an important service to the trade, by providing facilities for insurance against future price fluctuations.

The technical objection is the difficulty of establishing differentials for grades both below and above the standard contract. Although it is true that wool prices generally vary together, there is no fixed relation between the prices of the different types, nor do the prices differ in accordance with any calculable mathematical formula—or at least they have not done so in the past. Bradford's economic objection is that manufacturers like to balance their own books in their own way, and therefore require a futures market only in exceptional periods such as last year. Further, if the market is not successful, Bradford claims, it can have serious repercussions on the wool market.

Bradford Reserves Judgment

The value of a futures market to any trade is that it reduces the risk of holding stocks of raw material and semi-manufactures, a risk that can be great in a period of uncertain prices. In recent weeks, Bradford could have made good use of hedging facilities, for the modest recovery in textiles caught it without stocks, and both combers and spinners are now having to quote the first quarter of next year as their earliest delivery date. In a sellers' market, that hardly seems to be the way to do business, particularly as continental manufacturers, who have used a futures market for years, can offer earlier delivery.

But the need for a market is not sufficient to make it work, and a futures market, like an insurance scheme, can work properly only if it gathers together a large enough volume of trade. The promoters of the scheme are satisfied that the market will be used by American merchants and manufacturers, because in New York they can only hedge on a duty-paid price. Moreover, those British and foreign merchants who have recently been hedging in New York and Antwerp would no doubt switch to London. But it remains to be seen whether these groups can supply an

adequate volume of business. It will take some time to convince Yorkshire that this is a valuable addition to existing trading facilities. The market will have to enable the fastidious wool manufacturers to get the particular types they want; and it will have to demonstrate its power of reducing price fluctuations and not accentuating them. It can do this only by working closely with the existing London wool exchange, not independently of it.

Britain Lends More Aluminium

Once again Britain is to release to the United States aluminium produced in Canada under contract to this country. Production capacity for aluminium in the United States, now the world's largest producer of the metal, has been greatly increased during this year; but drought has caused serious power shortages in the Pacific North-West and Tennessee Valley and brought about a considerable fall in output. To meet the resulting shortage Britain has agreed to the diversion of another 20,000 tons of the metal from Canada—10,000 tons in December and the remainder during the first quarter of next year. In addition, this country has agreed to postpone its right to the replacement next year of the 15,000 tons of aluminium diverted to the United States earlier this year. The earlier loans last winter amounted to 25,000 tons, so that over about fourteen months Britain will have lent America 45,000 tons of aluminium, none of which now needs to be replaced before 1954.

Meanwhile, the Ministry of Materials, the sole importer of the metal, has raised its price to consumers in Britain. The Ministry described this increase, by £9 to £166 a ton, as due partly to a rise in production costs and partly to the appreciation of the Canadian dollar. While the United States has run into this unexpected shortage, supplies of aluminium in Britain have increased so steadily that the metal appeared likely to become relatively plentiful. Imports, which were at the average monthly rate of 14,786 tons during 1951, rose to a monthly rate of 18,574 tons during the first half of 1952 and still higher, to more than 22,600 tons, in July and August. Production of virgin aluminium here has been maintained at about 2,500 tons monthly, a little higher than last year, though there was a slight fall in the production of secondary aluminium in the summer. Consumption of virgin aluminium has been rising steadily; it reached 23,000 tons in June, compared with 16,000 tons in June 1951. Although a voluntary distribution system operates for aluminium in this country, there is little difficulty in meeting existing industrial and defence requirements. In recent weeks there has been a slight falling off in demand though this has had no effect upon the world price. Though the new loan to the United States will necessarily limit British imports for some months, the Ministry is confident that it will be bringing in enough to satisfy requirements here.

Fuel without Policy

In the Commons this week, Mr Lloyd managed to outline the Government's views on fuel policy—and on the Ridley Report—while mentioning fuel tariffs once, in half a sentence. Most other speakers followed his example of omission, with some honourable (and some pathetic) exceptions; but hardly a politician present could steel himself to agree with the Ridley Committee that if a scarce fuel was being sold below cost its price should be put up.

From the committee's 40 recommendations the Government has selected a few, mainly uncontroversial, for acceptance. It believes that industry should be invited to set up and finance (with the assistance of the National Coal Board) an independent advisory service on fuel efficiency;

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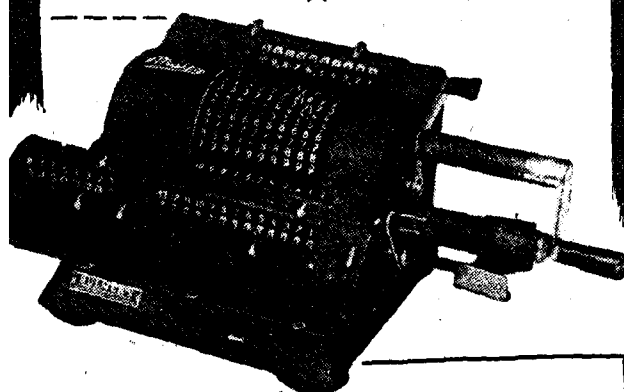


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when this is functioning properly the Minister (against the committee's advice) proposes to cut down the work of his own advisory service. Broadly, it accepts the committee's advocacy of improved solid fuel appliances for domestic heating. It will encourage their manufacture, and may award a "hallmark" for those reaching a given standard (though it hesitates to mark each type with the actual "room efficiency" attained under test conditions); but it will not give financial incentives to put in such appliances, either to consumers or to local authorities building housing estates. Nor is it yet prepared to give industrialists any incentive through tax concessions or low interest rates to install fuel-saving rather than other capital equipment. And it has turned down both of the central bodies proposed by the Ridley committee; the joint planning board to deal with the issues on which the nationalised fuel industries may have to work together, and the tariffs advisory committee to examine the pricing policies that these industries adopt.

The Minister has a good case for caution on some of the committee's proposals; and on joint fuel production projects, at any rate, co-ordination hardly needs any new planning board, providing he does his own job properly. But it seemed rather disingenuous to quote the committee's verdict that consumers' choice could be relied on to bring about the best use of fuels without its essential rider—"provided that fuel prices closely correspond to the relevant costs of supplying the different fuels." The committee found that fuel prices today do not closely reflect costs, and suggested measures that might make them do so. So far, at any rate, the Minister has shirked this issue. Public attention to the whole question has slackened during a year in which sagging industrial output, rather than higher coal production, has banished the immediate coal shortage. But if industrial production is to begin rising once again, the shortage is certain to recur; in the last few weeks, indeed, fuel consumption has begun to rise.

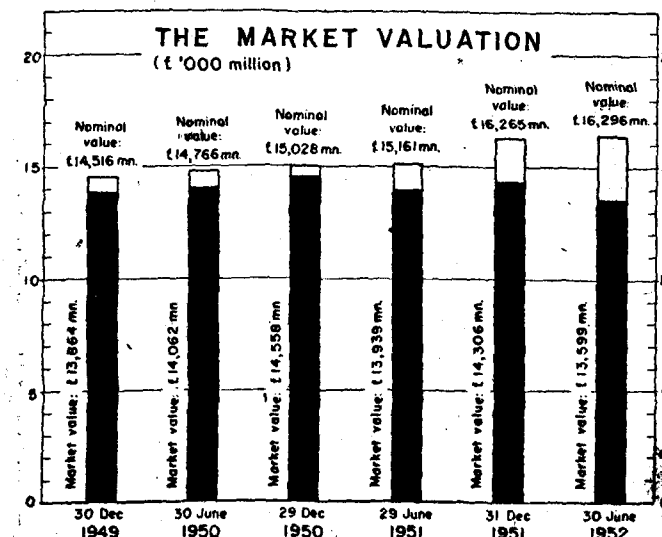
Encyclopædia of Gilt-edged

For the last seven years many serious students of gilt-edged have leant, to a degree that needs to be gratefully acknowledged, on that ever-expanding encyclopædia of the Funds, *British Government Securities in the Twentieth Century*. This major work of reference—which is issued, for limited private circulation only, by a leading firm of investment brokers—grew from what now seem relatively modest beginnings in November, 1945, to a 600-page second edition in June, 1950. It has now been further expanded by a 217-page supplement, covering the period from 1950 to October, 1952. There are times when the stern Stock Exchange code of anonymity, which forbids public ascription of authorship to an individual Stock Exchange firm, can be positively embarrassing to a grateful public press.

The new supplement, from which the accompanying chart has been abstracted (as one straw from a valuable haystack), brings up to date the authors' analysis of the structure of the gilt-edged market, the history of each individual gilt-edged issue, the published holdings of the national debt commissioners and a wide range of miscellaneous information. It is prefaced by a penetrating survey of events in the market since the mid-summer of 1950. The investment habits of three main characters play a part in this survey. First, the authors believe that private investors no longer regard their investments in gilt-edged as semi-permanent, but are now showing a new sensitivity to changes in the internal and external economic prospect; the concentration of their relatively small transactions "has a greater effect on prices than fewer institutional deals representing far more stock in the aggregate." Secondly, the activity of institutional investors in the last two years is described in some detail; the authors declare, *inter alia*, that the rapidly growing pension funds are now "a factor in the markets second

only in importance to the banks and insurance companies," and they reveal that the persistent appetite for shorter medium-dated stocks—in particular Defence 3 per cent and War 3 per cent—"is generally supposed to derive from Colonial or Dominion sources." Finally, this survey includes some interesting allusions to known or suspected

BRITISH GOVERNMENT SECURITIES— NOMINAL AND MARKET VALUES.



official intervention in the market in the last two years. The authors state regretfully that a full examination of official transactions is impossible, and suggest that any attempt at this might "savour a little of *lèse-majesté*." If so, *The Economist* has clearly been guilty in the past of high treason; and it must gratefully acknowledge that exhaustive statistical surveys such as this major one have helped it to do so.

OFS and Anglo-American

Small private investors have long been chary of risking their funds directly in the development of the new gold mines in the Orange Free State, and the danger that the political powder keg in South Africa may explode has lately made them more chary still. It is not surprising to find, therefore, that in the latest major financing to be publicly announced, the finance house concerned is itself playing a very large part. Of the £12½ million required by three mines in the Anglo-American group—President Brand Gold, President Steyn Gold, and Welkom Gold—only £5½ million is to be raised by a direct offer of shares to investors. President Brand Gold is offering its shareholders 2,500,000 5s. shares at 17s. 6d. each (compared with a current price of 19s., in the ratio of one new share for every three held; the Anglo-American Corporation is to subscribe for a further 250,000 shares at the same price. Each of these shares gives subscribers the option to take up a further share at 22s. 6d. each at the end of April, 1954. The corporation has underwritten the first issue, and has given a guarantee that it will either subscribe for any shares not taken up by option holders or will fill in the gap by a loan. Until the date at which the options can be exercised, the corporation will lend any money President Brand Gold may require at 6 per cent.

The corporation is also granting loan facilities to President Steyn and Welkom at the same rate of interest. The whole of the £4,000,000 required by President Steyn Gold may be provided by direct loans from the corporation, although the corporation has an option to provide up to £2,000,000 permanently by taking up 2,000,000 President Steyn 5s.

shares at 20s. each (compared with a current price of 17s. 3d.) before the end of June, 1955. Half of the £3,000,000 required by Welkom Gold is to be met by the sale of its holdings of 800,000 shares apiece in President Brand and President Steyn to the Anglo-American Corporation. The remaining £1,500,000 may be lent directly by the corporation—or, alternatively, the corporation may exercise an option (in full or in part) to take up 1,000,000 Welkom ss. shares at 30s. each (compared with a current price of 20s. 6d.). Any loans made by the corporation to President Steyn and Welkom will be repayable between 1957 and 1962.

Insulin without Exploitation

The Monopolies Commission was asked to investigate the supply and distribution of insulin because one company, Burroughs Wellcome Limited was responsible for more than a third of the supplies (the company in fact produces about half the total output) and because membership of British Insulin Manufacturers, the association to which the producers belong, restricts competition between them.

The Commission's report published this week, shows that there are no grounds for fearing that the close association between the four producers, Burroughs Wellcome, Boots, British Drug Houses and Allen and Hanburys, will in any way "operate against the public interest." Since the beginning of the war, they have pooled their knowledge of the delicate process of extracting insulin from animal pancreas. They use techniques that cannot be protected by patents and are therefore closely guarded as trade secrets. The outcome of their collaboration, which still obtains, has been a spectacular increase in yields of insulin and, in the opinion of the Ministry of Health, the raising of the quality of British insulin to a standard equalled only by that obtained in Scandinavia. The companies sell at the same price, with the Health Service as the principal customer but each is free to lower its prices. The Commission finds that the producers neither fix prices nor operate a stop list.

They are, in short, following a practice common throughout the pharmaceutical industry where production of a standard drug is often carried out by a few companies on behalf of the whole industry. Research and investment costs are frequently so high in relation to the quantities produced that this may often be the only economic method of supply. Hence it follows that a preparation sold under a variety of trade names may be predominantly the product of a few manufacturers. Burroughs Wellcome is the dominant producer in the field of insulin; in penicillin production Glaxo and the Distillers Company are the leaders. The reason why insulin was chosen for special investigation may, perhaps, be found in a paragraph in the report that refers to incidents in the thirties when an import duty was imposed on foreign insulin. The investigations of the Commission show that the industry has developed considerably since then.

The Size of Coal

Domestic consumers this week have been offered a special inducement to take smaller coals: "untreated smalls" are to be sold cheaply and off the ration. Ampler coal stocks today have enabled the Ministry to offer the inducement; but the request would have had to be made in any case. The more coal that is cut by machine, the smaller it gets—by present mechanical cutting methods. That is to say, less of the coal that reaches the pithead is in large lumps, much more in the smaller sizes, and a growing proportion in "untreated smalls." This has held good for years, with increasing mechanisation and less favourable seams, and may continue for many more; but its effect is felt with varying weight by the ordinary consumer. This year, with

output not increasing much and considerably larger exports being planned, the National Coal Board and private exporters have begun to find some discrimination in the kinds of coal that the overseas consumer will buy. In its annual report in May, the board said "if exports increase again, smaller sizes

GRADES OF COAL SOLD, 1946 AND 1951

	1946		1951		Difference (Million Tons)
	Million Tons	%	Million Tons	%	
Large	61.2	35.0	64.4	31.3	3.2
Unscreened	15.5	8.9	15.9	7.7	0.4
Graded	34.0	19.5	41.9	20.5	7.9
Treated Smallsm...	21.9	12.6	34.1	16.5	12.2
Untreated Smallsm...	32.0	18.4	39.2	19.0	7.2
Other coal & slurry	5.6	3.2	6.2	3.0	0.6
Anthracite	4.2	2.4	4.1	2.0	0.1

will have to be supplied to the house coal market"; and now they are to be. As yet, the consumer will not be obliged to take them simply because coal is being put into stock all along the distribution chain. If industrial demand recovers, the domestic consumer might not be offered the choice for long.

At the same time, the favourite small coals of the domestic consumer—anthracite and the best briquettes—remain scarce. The board still has only one—now considerably enlarged—plant making "phurnacite," which is an excellent but expensive carbonised briquette, and is planning another, which should eventually bring the total output—225,000 tons in 1951—to about 350,000 tons. Dr Bronowski, the board's director of research, expects to be able to make such fuels from a much wider range of coals in future—and not "the old-fashioned shepherd's pie of coal remnants which has given the briquette its horrible reputation." But this is well in the future; in the meantime, the householder may have to do what he can with much smaller ordinary coals.

Shorter Notes

Almost all the Persian lamskins from Russia and South West Africa offered at the London auctions this week were sold. Prices at the London sales were well maintained, though at the New York auctions a week before prices had dropped from 12½ to 15 per cent compared with those at the September sales. Prices in London were at most only about 7½ per cent lower than in September, and at the last auction unchanged or even slightly higher. The comparative strength of the market came largely from Continental buying, mainly from Germany and France.

I. G. Farben, the German Dye Trust, intends to settle its obligations to foreign creditors. The proposed settlement will be subject to the final results of the London conference on German debts. The proposals apply to claims in Reichsmarks for debts that were incurred before May 9, 1945, and to claims in foreign currencies for debts that were incurred before September 1, 1939, and were still due to the same creditor on June 15, 1950. Under the present foreign exchange regulations, payments to creditors in settlement of such claims can only be made in blocked D-marks.

Two tobacco companies, Gallaher and Cope Brothers, have announced their intention to amalgamate. Holders of the £437,500 of ordinary stock in Cope Brothers will be offered an equivalent amount of Gallaher ordinary stock; the amalgamation will only become effective if holders of not less than 90 per cent of the ordinary capital of Cope (or such lower proportion as Gallaher may accept) take up the offer.

Company Notes

Calico Printers.—The full accounts of Calico Printers for the year to June 30th show in only the barest outline the effects of the trade recession upon the company's fortunes. Once account is taken of the transfers to and from reserves against stocks and debtors, the group's trading profits are shown to have fallen from £5,214,216 to £1,475,686; but there is no indication of how much (if at all) a depreciation in stock values has been responsible for this decline in earnings. It seems probable that an EPT refund of £248,574 has influenced the directors in their decision to maintain the ordinary dividend at 12½ per cent, at a net cost of about £132,000. This can bring only cold comfort to share

	Years to June 30, 1951	1952
Consolidated earnings:—		
Trading profit	5,214,216	1,475,686
Total income	5,383,108	1,861,658
Depreciation, etc.	1,004,549	1,065,888
Taxation	2,320,867	348,564
Net profit	1,053,029	289,545
Ordinary dividends	131,955	131,955
Ordinary dividends (per cent) ..	12½	12½
General reserves	762,484	238,260
Added to group carry forward ..	79,417	Dr 102,303

	Years to June 30, 1951	1952
Cons. balance sheet analysis:—		
Fixed assets, less depreciation ..	6,860,671	7,284,346
Net current assets	9,613,881	8,366,750
Stocks	7,836,457	8,284,997
Cash	1,233,885	467,302
Reserves	9,784,344	9,114,298
Ordinary capital	2,010,736	2,010,736

£1 ordinary stock at 32s. 3d. x d. yields £7 15s. per cent.

holders—as, indeed, does the balance sheet. Nearly £8.3 million, compared with £7.8 million the year before, remains locked away in stocks, while the group's holdings of quoted investments have been reduced from £2.8 million to £2 million. At the same time the group's cash balances have been run down from £1.2 million to £467,000 and its bank overdrafts have increased from £321,000 to £870,000. As yet equity shareholders have been sheltered from the chill winds of the slump, but the high level of stock investment and the decline in liquid balances suggest that their shelter may not be a very snug one.

Horlicks.—The annual address of the chairman of Horlicks is a model of uninformative caution, and shareholders will find it difficult to trace in detail the course of their company's fortunes in the year to March 31st. They can only surmise that—as with other companies in close contact with consumers—it was a rise in costs throughout the financial year, and a fall in sales in the last quarter of the year that caused the group's trading profits

	Years to March 31, 1951	1952
Consolidated earnings:—		
Trading profit	711,665	659,138
Total income	723,042	717,735
Depreciation	81,666	90,400
Taxation	356,273	332,265
Net profit	198,554	194,957
Ordinary dividends	80,417	80,417
Ordinary dividends (per cent) ..	30	30
Retained by subsidiaries	8,531	91,106
Added to carry forward	110,718	11,225

	Years to March 31, 1951	1952
Cons. balance sheet analysis:—		
Fixed assets, less depreciation ..	1,706,790	1,916,848
Net current assets	1,132,542	1,913,911
Stocks	784,017	1,243,043
Cash	471,393	469,384
Reserves	1,910,307	2,336,592
Ordinary capital	500,000	625,000

£5. ordinary stock at 24s. x d. yields £6 5s. per cent.

to fall from £711,665 to £659,138. Thanks to a reduction in the charge for taxation, the fall in net profits was even smaller (from £198,554 to £194,957), so that the directors were able to maintain a dividend rate of 30 per cent on the increased ordinary capital of £625,000.

The directors have concentrated on reinforcing the reserves of subsidiaries rather than those of the parent company; this may not be unconnected with the labour problems and consumer resistance that the American subsidiary has been experiencing.

The new money that the group received from the issue of ordinary shares and a debenture stock last year has been quickly absorbed by an increase in investment in both fixed and working capital. The most notable increase has taken place in stock values, which have risen from £784,017 to £1,243,043; this in itself suggests that stocks were beginning to pile up at the end of March. The chairman is as reticent about the future outlook as he is about the company's past experience, but clearly no increase in dividends is in prospect.

Hawthorn Leslie.—The accounts of Hawthorn Leslie for the year to June 30th continue the tale of prosperity in the shipbuilding industry. The company's profits advanced from £563,975 to £783,543, and—in spite of an increase in taxation from £281,852 to £442,397—net profits rose from £205,689 to £272,507. The directors were therefore able to increase the appropriation to the general reserve from £140,000 to £180,000, and to raise the ordinary dividend from 12 to 15 per cent. This increase in equity payments was certainly justified by the company's profit record and by the strength of the balance sheet. Like most other shipbuilding concerns, Hawthorn Leslie receives considerable sums from its customers on account of work in progress, and thus does not suffer from acute working capital problems. In the latest year the book value of stocks and work in progress increased from £507,574 to £796,558, but the company received £1,118,167 (against £1,322,697) "on account in excess of work in progress." The company's liquid balances are therefore undeniably strong. Cash balances have been reduced from £1,590,994 to £803,645, but this has been offset largely by an increase in the book value of quoted investments from £1,388,936 to £2,076,107. The company's interests in the building of tankers should ensure a full order book and good profits in the current year. A high level of profits and a high degree of liquidity could mean faster dividend warrants. At the current price of 23s. 6d. x d. the 10s. ordinary stock units yield 6½ per cent.

John I. Thornycroft.—At first sight the very sharp decline in Thornycroft's trading surplus, from £1,047,000 to £612,000 in the year to July 31st, seems to afford an odd contrast to the bumper profits shown by Hawthorn Leslie and some other shipbuilders. But shareholders will remember that Thornycroft—unlike Hawthorn Leslie—has substantial interests in commercial vehicle production as well as in shipbuilding. In any case the completion of contracts—and thus the profits—of shipbuilding and marine engineering concerns fluctuate very sharply from year to year. In 1951-52 the company's trading surplus included only £66,000 in respect of delayed settlements, while the 1950-51 figures included a similar credit of £475,000. If these figures are excluded from the reckoning, the surplus is shown to have fallen only from £572,000 to £546,000. The directors have decided in effect to maintain the ordinary dividend at 15 per cent, but the appropriation to a general reserve has been reduced from £225,000 to £94,330. At the current price of 51s. 3d. the £1 ordinary shares yield £5 17s. per cent.

SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to Oct. 29		British Funds and Guaranteed Stocks	Price, Oct. 22, 1952	Price, Oct. 29, 1952	Gross Yield, Oct. 29, 1952
High	Low				£ s. d.
100½	99	W. Bds. 2½% '51-53	99½	99½	2 12 4
100½	97½	W. Bds. 2½% '54-56	99½	99½	2 17 4
99½	96½	Exch. 2½% 1955	98½	98½	2 18 6
100½	99	S. Fundg. 1½% '52	(m)	(n)	2 5 11
100½	97½	S. Fundg. 1½% '53	99	99	2 14 8
99½	96	S. Fundg. 1½% '54	97½	97½	2 16 1
100½	100	S. Fundg. 3½% '55	100	100	2 19 8
99½	95½	W. Bds. 2½% '54-56	98½	98½	2 17 7½
100½	97½	Fundg. 2½% '52-57	99½	99½	2 18 9½
100½	96½	N. Def. 3½% '54-58	99½	100½	3 2 8½
100½	96½	W. Loan 3½% '55-59	98½	99½	3 2 10½
92½	87	Savings 3½% '55-65	92½	92½	3 16 6½
94	88½	Fundg. 2½% '56-61	92	92½	3 11 9½
88½	81½	Fundg. 3½% '59-69	86½	86½	4 2 10½
88½	82	Fundg. 3½% '66-68	87½	88	4 2 1½
100½	94½	Fundg. 4½% '60-90	97½	97½	4 7 1½
87½	80½	Savings 3½% '60-70	85½	85½	4 3 9½
85½	79½	Savings 2½% '64-67	83½	84	3 19 3½
101½	98½	Victory 4½% '20-76	101½	101½	3 18 9½
84½	78½	Savings 3½% '65-75	82½	83½	4 4 1½
90½	81½	Consols 4½% (aft '57)	82½	82½	4 11 10½
82½	73½	Conv. 3½% (aft '62)	78½	78½	4 9 6½
60½	53½	Treas. 2½% (aft '75)	57½	58½	4 6 4½
71½	62½	Treas. 3½% (aft '66)	58½	68½	4 7 7½
89½	83	Treas. 3½% '77-80	89½	89½	4 5 0½
78½	73½	Redemp. 3½% '86-96	78½	78½	4 1 1
81	72½	W. Loan 3½% aft '52	79½	77½	4 9 10½
61½	55½	Consols 2½%	58½	59½	4 4 6½
85½	78½	Br. Elec. 3½% '68-73	83½	83½	4 4 1½
84½	77½	Br. Elec. 3½% '74-77	82½	82½	4 3 4½
99½	97½	Br. Elec. 4½% '74-79	98½	99½	4 6 2½
91	84½	Br. Elec. 3½% '76-79	88½	88½	4 3 8½
79½	72½	Br. Tpt. 3½% '78-88	78½	78½	4 4 9½
85½	78½	Br. Tpt. 3½% '88-93	83½	83½	4 4 1½
72½	67½	Br. Gas 3½% '90-95	76½	76½	4 3 6½
93½	87½	Br. Gas 3½% '96-97	91½	91½	4 3 10½
89½	83½	Br. Iron & Steel	88½	88½	4 4 9½
		3½% '79-81....	88½	88½	4 4 9½

(e) To earliest date. (f) Flat yield. (j) To latest date. (m) 99 19s. 3d. (n) 99 19s. 7d. (s) Assumed average life 13 years approx. * Ex dividend.

Prices, Year 1952 Jan. 1 to Oct. 29		Ordinary Stocks	Price, Oct. 22, 1952	Price, Oct. 29, 1952	Yield, Oct. 29, 1952
High	Low				£ s. d.
8½	5½	Anglo-Am. 10/-	6½	6	5 0 0
8½	5½	Anglo-Iran 1/-	5½	5½	5 7 10
78/9	66/-	Assoc. Elec. 1/-	72/6	72/6	5 10 4
104/90	90/-	Assoc. P. Cem. 1/-	101/3	101/3	5 8 8
131/6	110/-	Bass 1/-	123/9	122/6	7 0 0
23/-	17/-	Boots 5/-	20/-	20/-	6 0 0
26/-	19/10	Brad. Dyers 1/-	24/-	23/6	9 15 9
30/-	18/3	Br. Celanese 10/-	24/3	24/3	4 10 9
32/10½	25/10	Br. Motor Cp. 5/-	32/6	30/1½	...
57/2	45/9	Br. Oxygen 1/-	52/1½	51/7½	5 8 6½
47½	35½	Can. Pac. 25s.	55½	55½	4 14 8
52/9	39/9	Coats 1/-	45/-	45/-	5 11 1
46/-	30/7½	Courtaulds 1/-	36/3	36/3	6 4 2
39/-	29/9	Cunard 1/-	34/-	33/6	8 19 1
20/6	16/4½	Distillers 4/-	17/-	17/-	5 5 1½
61/3	42/6	Dunlop 1/-	46/3	45/7½	7 13 5
51/4½	42/9	Ford 1/-	50/3	49/-	6 2 5
46/1½	35/9	Gen. Elect. 1/-	40/6	42/6	5 4 9½
56/6	45/6	Guest Keen 1/-	53/9	53/6	5 12 2
37/7½	27/6	Guinness 10/-	29/6	29/6	5 13 1½
39/4½	31/6	Hawker Sid. 1/-	37/9	37/9	5 6 0
47/4½	38/7½	Imp. Chem. 1/-	44/6	43/6	5 19 6
59/4½	52/3	Imp. Tobacco 1/-	55/3	55/3	7 4 9½
88½	75½	Int. Nick. n.p.	88½	88½	5 15 6
71/3	46/-	J.Burg. Con. 1/-	46/10½	46/3	7 11 4
43/1½	30/6	Lancs. Cotton 1/-	38/1½	38/9	7 14 10
62/3	52/3	Lon. Brick 1/-	61/3	61/3	5 14 3
46 7½	34/-	Marks Sp. A. 5/-	44/6	44/6	4 8 5½
28/9	21/6	Monsanto 5/-	24/-	23/-	4 17 10
54/-	42/-	P. & O. Def. 1/-	50/6	50/6	6 12 0
39/3	31/-	P. Johnson 10/-	36/9	36/9	6 16 1
38	31½	Prudential 'A' 1/-	34½	34½	5 10 6
26½	18½	Rhokana 1/-	21½	19½	11 12 3
63/9	44/3	Rolls Royce 1/-	60/7½	61/10½	4 17 0
86/-	76/10½	'Shell' Stk. 1/-	80/7½	78/1½	5 17 3½
59/6	48/9	Tube Invest. 1/-	55/9	55/9	4 9 8½
97/-	77/9	T. & Newall 1/-	95/-	93/1½	4 5 1½
49/6	38/9	Unilever 1/-	45/-	45/6	5 18 9
24/4	20/3	Union Castle 1/-	22/-	22/-	5 13 8½
42/7½	36/6	Union Disc. 1/-	42/-	41/-	4 17 7
37/6	25/10½	Utd. Molass. 10/-	31/6	31/6	6 6 1½
59/10½	31/-	U. S.ua Betong 1/-	36/3	38/1½	26 4 7
47/7½	40/-	Vickers 1/-	43/6	42/9	5 16 1½
44/4½	38/6	Woolworth 5/-	43/-	44/3	4 16 1

(d) Yield basis 14%. (e) Yield basis 16%. (f) Yield basis 22.9 gross. (g) Yield basis 12½%. (h) Yield basis 6½%. (i) Yield basis 40%. (j) Yield basis 20%. (k) Yield basis 11½%. * Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the week ended October 25, 1952, total ordinary revenue was £56,964,000, against ordinary expenditure of £56,070,000, and issues to sinking funds £640,000. Thus, including sinking fund allocations of £18,492,000 the deficit accrued since April 1, 1952, was £381,871,000 compared with a deficit of £82,089,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53 £'000	April 1, 1951 to Oct. 27, 1951	April 1, 1952 to Oct. 25, 1952	Week ended Oct. 25, 1952	Week ended Oct. 25, 1951
REVENUE					
Receipts into the Exchequer (£ thousand)					
Ord. Revenue	180,422	503,672	523,385	16,136	13,270
Income Tax	123,000	40,000	37,800	1,100	1,100
Sur-tax	175,000	107,400	82,500	3,000	1,900
Estate, etc., Duties	57,500	36,000	27,500	1,100	500
Stamps	452,000	177,400	222,100	5,400	8,500
Profits Tax & EPT	5,000	...	...	...	...
Excess Profits Levy	2,000	1,945	1,000	30	50
Special Contribution and other	...	...	...	...	...
Inland Revenue	26,187	866,417	894,335	26,766	25,320
Total Inland Rev.	104,350	568,277	591,529	13,830	21,182
Customs	772,000	422,062	381,103	27,062	7,285
Excise	181,550	990,339	972,632	40,892	28,467
Total Customs and Excise	64,150	13,440	12,742	795	...
Motor Duties	12,000	65,927	...	2,000	...
Surpl's from Trade	15,000	5,000	5,050	...	...
PO (Net receipts)	26,000	19,666	18,805	...	...
Broadcast Licences	110,000	74,957	68,899	2,728	3,177
Sundry Loans	466,137	203,774	197,246	73,181	56,964
Miscell. (incl. Surpl. War Stores)	209,235	103,200	108,600	3,200	4,000
Total Ord. Rev.	4,900	3,309	2,901	70	149
SELF-BALANCING Post Office	487,551	214,425	208,396	76,451	61,113
Income Tax on EPT Refunds	...	...	...	...	...
Total	...	...	...	...	...
EXPENDITURE					
Issues out of the Exchequer to meet payments (£ thousand)					
Ord. Expenditure	575,000	290,639	328,595	1,224	3,848
Int. & Man. of Nat. Debt	40,000	20,637	21,999	1,586	1,669
Payments to N. Ireland	10,000	5,566	5,183	226	313
Other Cons. Funds	625,000	316,842	355,778	3,036	5,830
Total	355,436	179,156	198,065	59,247	51,240
Supply Services	417,936	210,837	235,583	62,283	56,070
Total Ord. Expd.	...	11,448	18,492	150	640
Sinking Funds	417,936	211,983	235,433	62,433	56,710
Total (excl. Self-Bal. Expd.)	209,235	103,200	108,600	3,200	4,000
SELF-BALANCING Post Office	4,900	3,309	2,901	70	149
Income Tax on EPT Refunds	439,502	222,644	246,583	65,703	60,859
Total	...	...	...	...	...

After increasing Exchequer balances by £22,896 to £3,184,341, the other operations for the week increased the National Debt by £12,144,065 to £26,262 million.

NET RECEIPTS (£ thousand)

Overseas Resources Devt. Act, 1948, s. 8(1)	100
Colonial Development	...

NET ISSUES (£ thousand)

Post Office & Telegraph (Money) Act, 1950	900
EPT Refunds	181
Housing (Temp. Accom.) Acts, 1944 and 1947	20
Local Authorities Loans Act, 1945, s. 3(1)	7,500
New Towns Acts, 1946 and 1951	750
Coal Industry Acts, 1946 to 1951	2,600
Finance Acts, 1946 and 1947, Postwar Credits	324
Total	12,275

CHANGES IN DEBT (£ thousands)

RECEIPTS	PAYMENTS
Treasury Bills	16,138
Nat. Savings Certs.	900
3½% Def. Bonds	1,840
Tax Reserve Certs.	1,250
Other Debt	20,635
Internal	40,763
	28,620

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
1951				
Oct. 27	3270.0	2287.8	362.8	175.0
1952				
Aug. 2	3020.0	1430.3	264.4	...
" 6	3040.0	1403.3	265.4	...
" 16	3030.0	1450.6	279.8	...
" 23	3020.0	1462.9	307.0	...
" 30	3040.0	1445.7	292.1	...
Sept. 6	3050.0	1443.1	309.3	...
" 13	3070.0	1479.9	288.7	...
" 20	3090.0	1470.4	316.6	...
" 30	4554.6	278.8	8.3	...
Oct. 4	3120.0	1471.8	258.9	...
" 11	4320.6*	248.0	...	...
" 18	4348.1*	288.0	...	...
" 25	4364.3*	263.0	...	...

* In consequence of official purchases of tender bill in connection with cash subscriptions to the new issues of Serial Funding Stock, it is impossible to calculate the division between tap and tender bills until all the bills purchased have passed their original maturity date.

TREASURY BILLS

Date of Tender	Amount (£ million)	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1951			
Oct. 26	230.0	313.4	230.0
1952			
July 25	220.0	317.2	220.0
Aug. 1	220.0	320.5	220.0
" 8	230.0	295.1	220.0
" 15	220.0	284.6	220.0
" 22	240.0	301.1	240.0
" 29	250.0	318.9	250.0
Sept. 5	260.0	308.6	260.0
" 12	260.0	308.9	260.0
" 19	260.0	331.1	260.0
" 26	260.0	309.0	260.0
Oct. 3	250.0	312.4	220.0
" 10	220.0	309.9	220.0
" 17	220.0	315.8	220.0
" 24	230.0	321.3	230.0

On October 24th applications for 91 day bills to be paid from October 27 to November 1, 1952, were accepted dated Monday to Saturday at about 62 per cent at £99 7s. 11d., and above in full. Treasury Bills to a maximum of £220 million were offered on October 31st. For the week ended November 1st the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Total 28 weeks ended Oct. 20, 1951	Oct. 18, 1952	Week ended Oct. 18, 1952
Savings Certificates			
Receipts	94,300	75,900	3,000
Repayments	78,400	80,300	3,000
Net Savings	15,900	Dr 4,400	...
Defence Bonds			
Receipts	32,114	35,559	3,161
Repayments	40,981	42,719	1,335
Net Savings	Dr 8,867	Dr 7,360	1,826
P.O. and Trustee Savings Banks			
Receipts	382,666	403,305	13,807
Repayments	451,355	469,557	15,221
Net Savings	Dr 68,689	Dr 66,252	Dr 1,414
Total Net Savings	Dr 81,656	Dr 78,012	412
Interest on certificates repaid	19,230	22,041	840
Interest accrued	70,191	71,926	2,464
Change in total invested	-10,695	-28,127	2,036

BANK OF ENGLAND RETURNS

OCTOBER 29, 1952

ISSUE DEPARTMENT

Notes Issued:		
In Circulation	1444,214,651	Govt. Debt... 11,015,100
In Bank, Department	56,142,172	Other Govt. Securities... 1485,707,323
		Other Sec. ... 764,265
		Coin (other than gold) ... 2,513,312
		Issue of Gold Coin and Bullion (at 248s. per oz. fine) ... 356,823
	1500,356,823	1500,356,823

BANKING DEPARTMENT

Capital	14,553,000	Govt. Sec.	299,444,930
Res.	3,261,980	Other Sec.	34,650,098
Public Deps.	35,732,632	Discounts and Advances	9,295,200
Public Accts.	13,543,589	Securities	25,354,898
H.M. Treas. Special Acct.	22,189,043	Notes	56,142,172
Other Deps.	338,289,505	Coin	1,599,917
Bankers	271,552,328		
Other Accts.	66,737,177		
	391,837,117		391,837,117

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
Issue Dept.:		
Notes in circulation	1351.8	1445.4
Notes in banking department	48.5	55.0
Government debt and securities	1396.7	1496.8
Other securities	0.8	0.7
Gold and coin	2.9	2.9
Valued at s. per fine oz.	248/0	248/0
Banking Dept.:		
Deposits:		
Public Accounts	14.5	10.6
Treasury Special Account	7.2	24.2
Bankers	303.9	277.8
Others	93.1	65.2
Total	418.7	377.8
Securities:		
Government	332.2	318.7
Discounts, etc.	20.8	6.2
Other	33.8	14.0
Total	386.8	338.9
Banking dept. reserve	49.7	56.6
"Proportion"	11.8	14.9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,550 million to £1,500 million on August 27, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

	SILVER	GOLD
1952		
Oct. 23...	73.0	85.25
" 24...	73.0	85.25
" 25...	73.0	85.25
" 27...	73.0	85.25
" 28...	73.0	85.25
" 29...	73.0	85.25

TRADING

The total sales for the year showed an increase of 21 per cent over last year and represented an all-time record both in value and volume in the history of the company. This very gratifying result was largely due to the orders in hand at the beginning of our financial year, together with those obtained during the ensuing nine months. Since March, however, we have experienced—common with many other commercial concerns—a recession in demand which still exists. Stockholders must, therefore, not expect the record sales of last year to be repeated this year, although, thanks to our efficient manufacturing operations and energetic selling methods, we are confident of our continued ability to obtain our full share of any available business in our comprehensive lines of office equipment. In short, profits are certain to be lower during the current year, although not sufficient to prevent stockholders from receiving a satisfactory dividend on their investment.

MACHINES AND SUPPLIES

Our list of new machine users continues to grow satisfactorily, and it is particularly

RONEO LIMITED

TOTAL SALES AN ALL-TIME RECORD

GROWING LIST OF NEW MACHINE USERS

SIR GREVILLE MAGINNESS'S SPEECH

The forty-fifth annual general meeting of Roneo Limited was held on October 29th at the Holborn Restaurant, London, Sir Greville S. Maginness (chairman of the company) presiding.

The chairman said:

Ladies and gentlemen:

The directors' report and accounts for the year ended June 30, 1952, have been in your hands for the prescribed period and, in accordance with our usual practice, I presume I may take them as read.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The net profit for the year is £213,524 after providing £457,768 for taxation and £130,640 for depreciation and amounts written off.

It is proposed to transfer £40,000 to general reserve, £80,000 to Plant Replacement Reserve, and £10,000 to investment reserve, thus bringing the total of these three reserves to £710,000. Your board consider it essential to continue the policy of ploughing back profits in view of the greatly increased costs of replacing capital assets, financing stocks at ever-rising levels, and expanding the business of the company as and when circumstances permit.

Dividends, less tax, on the 6 per cent and 10 per cent preference stocks have been paid for the year. An interim dividend of 5 per cent, less tax, on the ordinary stock has already been paid, and it is now proposed that a final dividend of 12½ per cent, less tax, be distributed, making 17½ per cent, less tax, for the year. After providing for these reserves and dividends there remains a balance of £34,515 to be added to the sum of £241,410 brought forward from last year, thus making the total amount to be carried forward £275,925.

STEEL EQUIPMENT

The continued shortage of steel sheets has again militated against maximum sales in this section of our business. I sincerely hope that this state of affairs will change in the near future, and that we shall once more be able to offer the full range of standard lines to our customers, both at home and overseas.

I am pleased to be able to report continued progress in the supply of banking equipment both in this country and abroad. This is a specialised job to meet exacting requirements and covers everything from a detailed survey to the design, construction and installation of not only standard lines, such as desks, filing units, systems, etc., but also counters, posting and sorting racks, public writing tables, board-room tables, and other special equipment. This specialised service is equally available for any offices where modern steel equipment is required, and the success which has marked our efforts following these comprehensive surveys only serves to prove that it still pays "to call in Roneo."

EXPORTS

Our sales abroad increased by 34 per cent compared with the previous year, thus reaching a further landmark in the history of the company and representing a valuable contribution to one of the most vital problems which this country has to face. They were, in fact, over three times the figure for 1947—a notable achievement upon which we can congratulate ourselves. Here again, the best results accrued during the first half of the past financial year, and I am sorry to say that since then further restrictions of one sort or another have begun to operate. Such important markets as Australia, New Zealand, India and South Africa have all either prohibited or curtailed imports. The political situation in Egypt and in the Middle East generally has also had its effect in those markets. Needless to say we can only sell our goods in those countries where imports are possible and it is sincerely to be hoped that these controls and restrictions will prove to be of a temporary nature and will be lifted at no distant date.

NATIONAL SITUATION

It has been my practice in recent years to review what appeared to me to be the leading facts in the general situation of this

country by way of background to the consideration of the results and future prospects of our own company, and I should like again to review the position as it exists today.

During the past year the situation has been dominated by the grave deterioration which occurred in the latter half of 1951 in our international balance of payments and the consequent running down of our gold and dollar reserves, and the threat to the future position of the £ sterling.

Since the war this country has passed through a succession of crises in its economic life, and on two previous occasions in the postwar period we have been faced with similar though not such serious threats to the £ sterling. On the first occasion we were saved by the grant of Marshall-Aid and, on the second occasion, we had to seek a remedy through a 30 per cent devaluation of the £ sterling. During the whole period, however, we have seldom been in a position when we could view our current balance of payments with satisfaction, although towards the end of 1950 we were accumulating gold and dollars at a rate which, at that time, appeared to justify the suspension of Marshall Aid to this country.

GOLD AND DOLLAR RESERVES

That situation did not long continue and, as I pointed out last year, in the third quarter of 1951 we lost the equivalent of £210 million of our gold and dollar reserves and, as a consequence, those gold and dollar reserves at September 30th stood at some £1,160 million. The position in the ensuing weeks—during the General Election campaign—deteriorated very rapidly and, although the new Government took steps to reduce our imports, nevertheless by March, 1952, our gold and dollar reserves had fallen to the equivalent of a little over £600 million, and if the rate of loss between September and March had continued we should by now have exhausted those reserves.

Since March there has been a considerable slackening in that rate of loss and we may derive some encouragement from the announcement made by the Treasury on October 2nd that there was a small increase in the reserves during the month of September, and also from the White Paper issued on October 6th which showed that this country had achieved during the first half of 1952 a surplus of £24 million in its balance of payments on current account with the rest of the world. Nevertheless the present position far from giving any ground for solid satisfaction must continue to cause serious concern to us all. The significance of our gold and dollar reserves is only fully appreciated when it is borne in mind that about half the world's trade is today conducted in sterling, and these reserves may be called upon to meet deficits with non-sterling countries in the current balance of payments not only of this country but of all the countries in the sterling area. It is essential that this country and the rest of the sterling area should not only achieve a balance of payments with the rest of the world, but that a substantial surplus should be earned so that the reserves can be built up again to a sufficient level to avoid any further repetition of

the crises which we have experienced in recent years.

THE ALTERNATIVES

It is clear that there are only two ways of achieving this: either by a further reduction of imports or by a considerable expansion of our exports.

In my view, we should if possible avoid any further reduction in our imports, not only because such reduction can only result in a lowering of our standard of living and the danger of widespread unemployment through the restriction of supplies of raw materials which we must import from overseas, but also because in the long run the expansion of world trade must be our objective. In fact, even in the short run, the cutting of imports frequently produces retaliatory action by other countries and, by reducing our opportunities for export, makes our problem all the more difficult.

The expansion of exports today presents us with greater difficulties than at any time since the war. The sellers' market which exporters enjoyed has now disappeared everywhere. We are faced with intense competition from all quarters, and the rapid recovery of the industrial power of Germany and Japan is now a major factor in international trade. Moreover, many of our competitors are able to quote firm prices and in this respect the British exporter is, at the present time, at a serious disadvantage.

DOWNWARD TREND OF EXPORTS

Our difficulties in expanding exports are brought out clearly by the downward trend in the volume of exports which has taken place since the first quarter of this year, and it is clear that the reversal of that trend will depend upon a reduction in our costs, not only in the export industries themselves but also in those basic industries—such as fuel and power and transport—whose costs are reflected in the costs of all other industries. It is essential that the country should realise that the current upward movement in wages will undoubtedly add an additional handicap to British exporters, and may well defeat their efforts to maintain—let alone increase—their trade in overseas markets.

In speaking of exports we must not lose sight of the considerable contribution to the solution of our balance of payments problem which invisible exports can make. Our shipping and the banking, insurance and merchanting services, which this country with its long experience and unrivalled techniques can provide, do not for their current earnings require the importation of any appreciable volume of raw materials into this country. For such services as banking and insurance, however, to make their maximum contribution, it is essential that the confidence of people overseas should be re-established in the stability of the £ sterling.

INTEREST ON OVERSEAS INVESTMENTS

Until the last war this country was able to pay for some 20 per cent of its imports by the interest on its overseas investments—investments which it had been possible for our fathers and grandfathers to build up in the period when this country still enjoyed the lead in industrial development which it owed to the Industrial Revolution having occurred earlier in these islands than in other countries. As a result of the war, we have lost a substantial part of those investments and, as the Chancellor of the Exchequer himself recently pointed out, we have been transformed from the world's biggest creditor with a surplus of about £3,500 million to a debtor position of about £2,500 million. Perhaps we were too ready before the war to take for granted the advantages which the foresight and the industry of earlier generations had secured for us, and it is somewhat

difficult for people in this country to accustom themselves to the idea that as a nation we no longer enjoy the benefits of an unearned income.

In contrast to our prewar position, we have since the war been dependent, first, on loans and later on Marshall Aid provided to us by the generosity of the American people. We cannot, however, expect to receive further assistance of this character and, as a people, we must get out of our minds the idea that the world owes us a living. As the Chancellor has further pointed out, over and above all this the change in the terms of trade has added up to £1,000 million a year to our import bill as compared with prewar, which is equivalent to another three hours' work per week by every worker in this country to get the same amount from abroad as we got before.

A CALL FOR MAXIMUM EFFORT

In such a situation as I have described, everyone in this country must recognise that we shall only be able to avoid reductions in our standard of living and widespread unemployment if we all put forth our maximum effort and apply ourselves conscientiously to our job, whatever it may be.

While we recognise the vital necessity of the defence programme, I think that there are many of us who are not convinced that the Government has yet tackled the question of reducing government expenditure in other directions with nearly sufficient vigour and determination. A situation in which some 40 per cent of our national income is absorbed by taxation is one which, even in the most favourable circumstances, could not be healthy. In present circumstances, its effect is to frustrate that initiative and enterprise by which alone our industrial and commercial position in the world was built up, and by which alone it can be restored. I would not wish to enter into the controversial question as to where economies can most readily be achieved, but just as the Government is calling on industry to do what is clearly its duty so industry is entitled to ask that the Government should tackle this question of government expenditure and taxation with a will and an energy which we have not yet seen applied to it.

In conclusion, I should once more desire to pay a sincere tribute to the staff and all employees, both at home and abroad, who by their loyal services have contributed effectively to the satisfactory results shown in the accounts before you.

The report and accounts were adopted.

NATIONAL CANNING COMPANY

RECORD TRADING RESULTS

STRONG FINANCIAL POSITION

MR S. W. SMEDLEY ON THE CONTINUED PROGRESS

The twenty-first annual general meeting of the National Canning Company Limited was held on October 28th at St. Ermin's Hotel, Caxton Street, London, S.W.1, Mr S. W. Smedley (chairman and managing director) presiding.

The secretary (Mr F. G. Pickett) read the notice convening the meeting.

The following is an extract from the address by the chairman which had been circulated with the report and accounts for the year ended May 31, 1952:

Ladies and gentlemen,—It is now 21 years since this company was formed to take over the shares of Wisbech Produce Cannery, Limited, which name has since been changed to Smedley, Limited. The business was commenced in 1924 and owned factories at Wisbech and Evesham. Since that time we have acquired the following assets:

In 1931 a large factory at Dundee was purchased and equipped; in 1932 we erected a factory at Spalding and equipped and opened a factory at Paddock Wood, Kent; in 1935 all the shares of British Fruit, Limited, owning a factory at Faversham, were acquired; in 1936 Angus Fruit Farms, Limited, was formed to purchase six farms in Scotland; in 1938 all the shares of Baird Wolton and May, Limited, owning a cannery at Barming, Kent, were purchased and 1,200 acres of farm land at Evesham were bought; in 1940 the shares of Strathmore Fruit, Limited, with a small cannery at Blairgowrie were purchased—this factory has since been sold; in 1941, 266 acres were added to the farmland already owned in Scotland; in 1946 a controlling interest in Jersey Canning Company, Limited, was acquired, and a factory at Blairgowrie was bought and converted. In 1949 a factory at Coupar Angus, not far from Blairgowrie, was purchased and equipped and commenced operations in

1950; in 1950 we extended our farming interests in the Wisbech area and purchased a further 200 acres.

In addition to the foregoing, during the past 15 years we have expended substantial sums in equipping five of the factories for the processing of frozen foods.

With the exception of an issue of £100,000 in Preference shares in 1933 and £75,000 in Ordinary shares in 1939, which together realised £201,250, all the above purchases have been financed entirely out of the company's own resources.

I have been directly interested in fruit growing and buying for over 50 years, and in canning in this country for the past 30 years. The last 21 years of my life have been entirely devoted to your company and its subsidiaries and I am proud of the way in which it has grown and of the fact that I am at the head of executives and work-people who have contributed to the growth of the company and to the results for the past year which, for the first time, show trading profits of over £1 million.

THE YEAR'S RESULTS

From the consolidated profit and loss account you will see that the group profit, before taxation, amounted to £1,149,492 as compared with £937,942 in the previous year. £630,679 is required for taxation, against £516,759 for the year to May 31, 1951, and, after the net retention in the subsidiary companies of sums amounting to £225,562, against £298,000 last year, the net profits attributable to the National Canning Company amounted to £274,220 compared with £99,429 in the previous year.

The profit and loss account of the National Canning Company itself shows a surplus for the year of £156,252 to which should be added £174,676 brought forward from the previous year and £117,968 adjustment for

prior years' taxation, mainly the charging out to subsidiaries of profits tax previously borne by the holding company, making £448,896 available for distribution. Your directors have transferred £200,000 of this sum to the general reserve, bringing that fund up to £500,000 and, after payment of the dividend on the Preference shares, they recommend for your approval the payment of a dividend on the Ordinary shares at the rate of 20 per cent, subject to tax, which will leave us with the sum of £197,183 to carry forward into the current year's trading. Your board also recommend that £46,750 of the general reserve be capitalised and issued in fully paid Ordinary shares to Ordinary shareholders in the ratio of one new share for every ten held.

EVER-GROWING MARKET

The quick frozen food department is being developed on sound lines and is contributing steadily to our earnings and, in this connection, we have under consideration plans for a considerable extension of our facilities for quick freezing. We began to develop this side of the company's business some years before the war and there has now been sufficient time to establish the fact that quick frozen foods are here to stay and that there is an ever-growing market for such products alongside our canned goods.

I would particularly like to draw your attention to deals we have put through with American and Canadian firms this summer—perhaps some of you may have seen mention of it in the press. They were for 250 tons of fresh frozen raspberries in bulk to New York and large quantities to Canada, all grown on our Scottish farmlands. Scottish-grown raspberries are the best in the world and we hope these orders, which this year amounted to many thousand dollars, may be the forerunner of others which will not only benefit your company but will also help our country's export trade.

Since I last addressed you the supplies of tins have so improved that we are hoping for a record pack. We are carefully watching our costs with a view to keeping our prices as low as possible consistent with maintaining the high quality of our products.

THE OUTLOOK

Ever since the end of World War II in 1945 I have been looking for signs of recession in our business, but I am bound to admit that so far, since that date, we have gone from strength to strength. We have a good EPL standard and, over the years, we have built up a position of considerable financial strength, which will stand us in good stead if and when difficult times come along.

So far as the year to May, 1953, is concerned, our pack to date has shown a further increase, and the majority of crops have been good. In view of this, unless anything unforeseen occurs, it is reasonable to infer that we should have another satisfactory year's trading.

Last, but not least, I am always glad to take the opportunity which this occasion provides to thank all the executives and employees of the group for their loyal co-operation and work towards the progress of our company, and I am sure I can call upon the shareholders to support me in this sentiment.

The report and accounts were adopted and the dividend of 20 per cent was approved.

The retiring directors, Mr E. Ronald Crammond, Mr G. W. Osborne, Mr G. P. Smedley, Mr David Lowe, CBE, and Mr H. J. Browning were re-elected, and the remuneration of the auditors, Messrs Price Waterhouse and Company, having been duly fixed, the proceedings terminated.

BERALT TIN AND WOLFRAM

MR F. GATES ON THE OUTLOOK

The twenty-fourth annual general meeting of Beral Tin and Wolfram, Limited, was held on October 30th at Winchester House, Old Broad Street, London, E.C.

Mr F. Gates, chairman of the company, presided.

The chairman, in the course of his speech, said:

The accounts for the year ended March 31, 1952, now presented, tell a clear story of an exceptionally prosperous year, which leaves the company in a strong financial position. I see little in the figures on which I can usefully comment, but it is interesting to note that out of each £100 realised from mineral extracted and sold nearly £50 was retained in Portugal by way of wages, purchases of stores, power, etc., and taxation, and that out of the remaining £50 nearly £30 had to be paid in UK tax. Out of the surplus of sales proceeds over working costs, over 75 per cent was taken in taxes by the two countries, and this percentage may be even greater during the current year, since Excess Profits Levy was only applicable for the last quarter of the year under review.

PRODUCTION AND ORE RESERVES

Production of wolfram and tin concentrates during the year averaged a little over 200 tons per month, and a substantial proportion of the wolfram was sold to the US Government in compliance with a request from the Portuguese authorities for sales against dollars.

The rate of production has been maintained since the end of March last at about the same figure, but the contribution made by the block of ground immediately above main adit level, the richer areas of which were worked out during the war years, is falling off. Every effort is being made to secure production from lower-grade ground in various parts of the mine which can only be worked profitably while the wolfram price is high and thus to avoid prejudicing the future of the mine by undue encroachment into the high-grade areas in the heart of mineralisation on No. 1 level (200 feet below main adit).

Work on No. 1 level has disclosed a granite-greisen intrusion, the shape and extent of which have not yet been fully determined, and the behaviour of the veins running close to and through this intrusion is being studied. It is certain that mineralised veins persist far below No. 1 level and I am glad to say that Professor W. R. Jones, who carried out a geological examination in May last, has reported most encouragingly on the probability of mineralisation continuing in depth.

WOLFRAM SALE CONTRACTS

The Ministry of Materials' buying price for wolfram, which stood at 485s. per unit at March 31st last, has since fallen to 410s., so that the fixed price contracts with the US Government and the Ministry of Materials, of which I spoke to you at our last meeting, for about 40 and 50 long tons per month respectively at prices substantially higher than the current prices, now stand the company in good stead. These contracts expire at end-June and end-September, 1953, respectively.

In an endeavour to secure the company's position still further ahead the board have concluded further contracts with the US Government and the Ministry of Materials.

The contract with the US Government, to which reference was made in an announcement in the press on September 12 last, arose out of the considerable interest which the

representatives of the Government have shown in the potentialities of the Vale da Ermida area after an inspection of the area by one of their engineers.

Under the contract the US Government undertakes to purchase up to about 2,500 long tons of wolfram over a period of five years beginning October 1, 1952, at fixed prices for deliveries during each of those years. The prices for each of the first two years are both well above the current market price and the price fixed for the subsequent three years is not too far below it. The company undertakes to deliver under this contract all wolfram produced from the Vale da Ermida area but it is important to note that it has the right to make up any deficiency from other sources, and the contract terms as regards quantities and times of delivery are very flexible.

More recently still, a contract has been made with the Ministry of Materials for the sale of 100 tons of wolfram per month from October, 1953, to September, 1955, inclusive at the market price current from time to time with "floor" and "ceiling" prices which the board think reasonable. The company has the right to terminate the contract should circumstances change so that profitable working at the "floor" price becomes impossible, and the Ministry reserves the right to terminate it not earlier than September 30, 1954, should they cease to control wolfram in this country.

MONTHLY DELIVERY FIGURES

In order to give the clearest possible summary of the outstanding contracts I would explain that the company is entitled thereunder to make monthly deliveries of wolfram concentrates as follows:

Until end June, 1953	150 tons at fixed prices and 50 tons at the market price current from time to time.
From July 1 to Sept. 30, 1953	90 tons at fixed prices and 50 tons at the market price.
From Oct. 1, 1953, to Sept. 30, 1954	40 tons at a fixed price and 100 tons at the market price subject to agreed "floor" and "ceiling" prices.
From Oct. 1, 1954, to Sept. 30, 1955	The same as for the previous year, subject to the Ministry's right to terminate the contract for 100 tons per month.
From Oct. 1, 1955, to Sept. 30, 1957	40 tons at a fixed price.

NEW AREA

The conclusion of this new contract with the US Government justified the board in pressing on vigorously with the preparations for bulk testing of the Vale da Ermida area and with the reconditioning of the old mill at Panasqueira. It is expected that bulk tests on ore extracted from the area will be commenced early in 1953; future plans will, of course, depend upon the results disclosed by these tests. If the recovery of mineral is such as to permit profitable operation at normal tin and wolfram prices, the large tonnage of mineralised ground in the area will constitute an important addition to the company's ore reserves and our production of tin concentrates will be appreciably increased. The opportunity is being taken to reopen some of the old wolfram stopes at the top of Panasqueira hill, ore from which can conveniently be treated in the Panasqueira mill.

The report and accounts were adopted.

THE KAMUNING (PERAK) RUBBER AND TIN COMPANY, LIMITED

SIR JOHN HAY'S STATEMENT

The forty-third annual general meeting of The Kamuning (Perak) Rubber and Tin Company, Limited will be held on November 19th at 52-54, Gracechurch Street, E.C.3.

In his statement circulated to stockholders the chairman, Sir John Hay, said:

Although we gladly acknowledge and fully appreciate the greater energy and resourcefulness which are being employed under General Templer's leadership to combat violence and disorder in Malaya, the satisfaction which may be derived from evidence of improvement must be tempered by a loss which I am about to record here and by the recollection of the fact that this is the fifth year in succession in which I have had to report to you that danger to life and destruction of property still remain a continuing threat. We have to deplore the death by murder in April last of one of our assistants, Mr J. C. Ward, a young man of twenty-three who had hardly completed a year's service with us, but in that short time had given promise of developing into a valuable member of our staff, and who by the manner of his death gave an example of outstanding courage.

After reviewing the company's domestic affairs, with particular reference to the excessive taxation borne by the rubber industry, Sir John went on to say:

It is perhaps natural that catchwords used in this country to foster political prejudice should become current in a land like Malaya, which has only recently reached political consciousness. Consequently, at times we find rubber companies domiciled in this country referred to with opprobrium as capitalist. Capitalist in that context is no doubt meant to conjure up a picture of a man exercising oppressively excessive financial power. This is a highly imaginary figure, remote from realities. The average holding of stock in this company is no more than £59 and the average net dividend paid to the average stockholder during the last twenty years is equivalent to slightly less than £3 per annum, a sum sufficient to provide him with one cigarette a day or a weekly pint at the "local" of what is known in some quarters as "wallop." The rubber-producing industry is largely financed by the savings of the little man and it is his money which has helped to establish and develop an industry which has proved to be the mainstay of Malaya's economy and has become the biggest dollar-earner in the Empire. But the reward he receives for so investing his savings is quite inadequate as an incentive for continuing providence. Unless, therefore, the investor is to be given fairer treatment and a bigger share of the profits of the enterprise he has financed, the sources of capital will dry up, enterprise and development will languish and the talk now current about developing Colonial countries will become only an empty dream.

NEED FOR FAIRER TREATMENT

The price of rubber has now reached a level which leaves little profit, even to a company so relatively favourably placed as ours. Our net revenue for the current year is likely to be only a fraction of what we earned during the period now under review. With the end of purchasing for stockpile in sight, the natural rubber industry is about to enter into sharp competition with synthetic, with its powers of competition seriously impaired by heavy taxation, which in the case of United Kingdom companies is equivalent to nearly 70 per cent of their profit, and by

conditions which militate against industrial efficiency and require heavy expenditure on security measures, much of which has to be met by the producer. Perversely, the present has been chosen by state governments to increase land rents. In some cases they have been multiplied several times over. This company, happily, is exempt from this latest impost.

In striking contrast with this is the fostering care with which the United States Government tends and protects its synthetic rubber. It is largely exempted from the taxation to which other enterprises are subject, it is guaranteed a market; it is financed by the virtually inexhaustible resources of its governments, it is officially encouraged, sustained and helped in all its operations.

The forbidding prospect of competition on such unequal terms, with all that it may imply in its impact upon the material well-being of the people of Malaya, on efforts now being made to restore law and order, and its possible effect upon the industry's sorely needed dollar earnings, has led in some quarters to a mood of escapism and a dangerous eagerness to seek relief by some dramatic stroke. It is this mood which is productive of proposals which have little foundation except in abstract reason and which offer promises which on closer examination are found to be illusory. The present situation requires a strong injection of economic realism, expressed in sound and practical measures. We should seek again and with all necessary skill and determination to convince the United States authorities of the great importance on economic and political grounds of their removing all discrimination against natural rubber. Our slogan should be "Not money aid, but fair trade."

On our own side, the heavy burden of taxation so precariously poised on an unstable rubber industry should be lightened and spread more evenly on a wider and firmer basis. Given these conditions—to regard them as unattainable would surely be defeatist—and a general appreciation of the need for economic and efficient production of natural rubber, need we be so fearful of competition that we must seek doubtful refuge in dubious schemes?

FINNEYS SEEDS

The sixth annual general meeting of Finneys Seeds Limited was held on October 27th in London, Mr Ernest Cornwall (the chairman) presiding.

The following is an extract from his circulated address:

I have much pleasure in presenting the report of the directors and the accounts for the year which ended on June 30th last. They reveal a very satisfactory year's trading.

Net profits have increased despite increased taxation. After appropriating £10,000 to investment reserve, we are able to repeat a final dividend of 7½ per cent, making 12½ per cent for the year, and to carry forward rather more than we brought in.

The gratifying improvement in our earnings is a reflection of our greatly increased turnover. This was mostly in the agricultural seed and seed grain departments, due in no small measure to our policy of keen selection and careful roguing of strains and stocks and the handling of the highest possible quality from the very best growers.

In his first year as sole managing director, Mr Boustead has more than justified our confident expectations and has merited our warmest commendation.

To all our officers and staff, travellers and agents, our sincere thanks are due for efficient and devoted service.

Regarding the forward position, the harvest having been good and early, we have been able to commence the autumn grain season a fortnight earlier than usual, with orders in hand in excess of the corresponding period last year.

Although we suffer with others the vagaries of the weather, the demands of the Exchequer, and many restrictive trading measures due to the unfortunate balance of payments position, we have a very live business in a live industry and no effort will be spared to maintain and improve the position we hold in this, the most essential of our country's basic industries.

The report was adopted.

STRATFORD-ON-AVON PRODUCE CANNERS, LIMITED

INCREASED TRADING AND NET PROFITS

The twentieth ordinary general meeting of Stratford-on-Avon Produce Canners, Limited, was held on October 27th at the Welcombe Hotel, Stratford-on-Avon, Colonel N. C. Joseph, the chairman, presiding.

The secretary (Mr G. E. Smith) read the notice convening the meeting and the report of the auditors.

The following is the directors' statement, which had been circulated with the report and accounts for the year ended May 31, 1952:

Your directors are pleased to report the trading profit for the year amounts to £95,080, compared with £81,155 last year. The profit and loss account shows the net profits amount to £42,280, compared with £37,836 for the previous year. The increased profits of the year, coupled with heavier taxation now operating and including Excess Profits Levy for five months of the company's year, have increased the tax charge from £39,313 to £48,149. The proposed dividends to the ordinary shareholders for the year amount to £9,774, or 23 per cent of the available net profits, and after writing £10,000 off the investment of 2½ per cent Treasury stock, the amount transferred to reserves is £21,097, which is 50 per cent of the net profits.

At the last annual general meeting it was agreed to set aside the sum of £5,000 to commence a pension and gratuity scheme for our employees. Since that date your directors have adopted a pension scheme with an insurance company and will in future make payment of an annual premium, the sum of £5,000 will not therefore be required.

SUBSTANTIAL CONTRACTS

With anticipated easing in tinplate supplies it is reasonable to expect an increase in competition. Your company is favourably placed to meet whatever conditions may arise. The past fruit season has been very satisfactory and the prospects for sales of canned vegetables are excellent, the company already holding forward contracts running into substantial figures. The jam department output continues to develop substantially.

In accordance with the articles of association Mr G. E. Smith and Mrs D. Edkins retire from the board and, being eligible, offer themselves for re-election. We take this opportunity of thanking our employees for their continued loyal services during the year. The auditors, Messrs James, Stanley and Company, have intimated their willingness to continue in office.

The report and accounts were adopted; the proposed dividends were approved and the retiring directors were re-elected.

THE FINANCIAL NEWS LIMITED

DIVIDEND MAINTAINED

VISCOUNT BRACKEN'S SPEECH

The fifty-fifth annual general meeting of The Financial News Limited was held on October 28th at Winchester House, Old Broad Street, London, E.C.2, the Right Hon. Viscount Bracken, PC (chairman of the company), presiding.

The secretary (Mr A. E. Knock) having read the notice convening the meeting and the report of the auditors, the chairman said: Though nine months have passed since the death of General Dawnay, our sense of loss has not diminished. We cannot over-estimate the shining services he rendered to us or how much we owe to that willing, able, gay and gallant gentleman. In his place as our vice-chairman we have elected Colonel Crosthwaite-Eyre.

Our consolidated profit before tax for the year ended June 30, 1952, amounted to £112,536. After provision for taxation, the amount available for dividends is £50,047, and if you approve the payment of a final dividend of 35 per cent, making 60 per cent for the year, the rate which we have paid for the past six years, the carry forward of the company and its subsidiaries will be increased by £6,721. This does not, of course, take into account the proportion of the undistributed profit of The Financial Times, Limited, which is attributable to our shareholding in that company.

There have been no important changes in the balance sheet figures. In the consolidated balance sheet, current assets exceed current liabilities by £163,558.

PROGRESS OF PUBLICATIONS

Let me now say something about the affairs of the various publications in which we are interested.

The Financial Times: The Financial Times made good profits in 1951, and maintained its dividend at the rate of 25 per cent. There has been a considerable improvement in newsprint supplies and The Financial Times is now able to satisfy public demand for the paper and to broaden its services to readers.

The Investors' Chronicle: The circulation and advertisement revenue of The Investors' Chronicle showed a satisfactory improvement. Now that the cost of paper has diminished we may hope for an increase in profits during the next financial year.

The Banker: The Banker had a profitable year. Increased advertisement and sales revenues more than offset increased costs, and good profits were earned.

The Practitioner: The circulation and advertisement revenues have steadily increased, and we believe that its earning power should show a considerable improvement during the present financial year.

The Economist: As you know, your company holds a half interest in The Economist. Here again circulation and advertisement revenues are at record levels.

I have given you a report of the affairs of our subsidiary companies and I am not going to deal with the economic problems of the world. They are the constant concern of our newspapers. All that is left for me to do is to say how grateful we are to the staff that serves The Financial Times, Limited, and to the staffs of our subsidiary companies.

The report and accounts were unanimously adopted.

TRAWLERS GRIMSBY, LIMITED

LARGER TRADING PROFITS

The thirty-second annual general meeting of Trawlers Grimsby, Limited, will be held on November 19th in London.

The following is an extract from the statement by the chairman, Mr J. Carl Ross, circulated with the report and accounts for the year to March 31, 1952:

The total of our trading profits is £276,957, inclusive of net income of a non-recurring nature amounting to £19,500. This is an increase of £4,642 on the year to March, 1951, after due allowance has been made for income of a non-recurring nature in both years.

The net profit is £52,466, which compares with £51,828 in 1951. This in some respects may be considered to be a satisfactory result during a difficult year of trading. However, it is an exceedingly small return upon the value of the assets employed by your company and also upon the turnover which this year totalled almost £5 million, an increase of 20 per cent upon last year's figure. It is proposed that a final dividend of 10 per cent, less tax, be paid, making 15 per cent, less tax, for the year, and to transfer to general reserve £10,000.

Reserves are considerably higher and consist of an increase of £83,175 in the reserves of subsidiaries; in the parent company Excess Profits Tax refund is increased by £6,312, and a sum of £35,681 has been released from reconditioning of vessels account. The overall increase in reserves and profit and loss balances is £134,837—a not inconsiderable sum.

The price of oil is of material importance, 20,000 tons being our approximate annual consumption. From a pre-devaluation price of £4 14s. per ton it had risen to £9 11s., but at the present time it is £8 8s. It is hoped that the reductions in cost will continue along with the price of wire, sisal and manilla ropes.

Fishing conditions have not been easy—average catches tend to be less, and during 1952 to date the average price of fish has also been less, compared with the same period of 1951. This is due in some part to unrestricted importations of foreign caught fish—mostly Icelandic and German.

TRAWLING COSTS

A breakdown of our trawling costs may be of interest—for each 20s. received at a sale of our fish by auction there was spent on: Fuel (coal or oil), stores, ice and fishing gear, 7s. 11d.; crew's wages, 5s. 5d.; depreciation of vessels, 1s. 9d.; dock expenses, 1s. 7d.; repairs, 1s. 7d.; other shore expenses, 10d.; insurance, 7d.; tax, 7d.; transfer to reserve (replacement), 4d.; profits (distributed to shareholders), 2d.

The trading companies operate in all the major ports and in many of the larger cities and towns. It is pleasing to report increased business in almost every department, but increased costs of operations are adding materially to the price of fish to the housewife. There cannot be cheaper fish than at the present time until the costs entailed by trawlers and the costs of distribution are reduced.

Since March 31st and up to September 30, 1952, trading conditions in our industry have deteriorated and the results of your company for this period cannot be regarded altogether as satisfactory. However, it is hoped that the position will improve to some extent by March 31, 1953, and that the results for the current year will not be regarded as unreasonable in the circumstances.

THE OLD BLEACH LINEN COMPANY, LIMITED

TRADE RECESSION REDUCES PROFIT

The nineteenth annual general meeting of The Old Bleach Linen Company, Limited, was held on October 29th at Randalstown, Mr Norman F. Webb, the chairman, presiding.

The following is a résumé of the chairman's annual report for the year ending June 1, 1952:

After recording the loss the company had sustained in the death of Mr A. H. Johnson, OBE, last May, the chairman referred to the recession of trade which all markets had experienced, and the disappointment of the hopes of a revival in the spring.

Turning to the accounts, the profit on trading at £89,006 showed a decline of £82,133 in comparison with the figure for May, 1951. After adding the balance forward from last year and allowing for depreciation (£25,874) on their customary basis, and deducting other usual expenses, including provision for taxation, interest on Bank accommodation and unsecured notes, etc., there was a sum of £141,150 available for appropriation compared with £159,068 in 1951.

From that, after providing for the year's dividend on the 6 per cent cumulative preference shares to June 30, 1952, less tax (£12,600), and the interim dividend of 5 per cent on the ordinary shares representing £3,938 net, there was left £124,612, out of which the directors recommended a final dividend of 2½ per cent, making 7½ per cent for the year on the ordinary share capital. With that provision absorbing £1,969 and the transfer of £8,000 to the trustees of the staff and executive directors' pension funds, there remained a balance of £114,643 to be carried forward.

RECORD EXPORTS

The company's plant expansion programme was now practically complete. With the object of consolidating all fixed assets in the parent company, the buildings and plant, etc., originally allocated to the Furnishing Company at the time of its formation, had now been returned to The Old Bleach Linen Company Limited.

In line with that policy had been the board's decision not to proceed with the transfer of the fixed assets represented by the carpet factory and machinery to Old Bleach Carpets, Limited; consequently, the entire holdings of all subsidiaries now rested in the hands of the parent company.

Liquid assets stand at £1,086,568 against current liabilities of £641,722. Total stocks valued on the customary conservative basis of cost or market value, at £897,145, may look high, but with a comprehensive line such as Old Bleach, going to the retailer, who expects quick delivery, this is inevitable.

The drop in trading and profit figures was regrettable, but under the conditions prevailing in the textile trade generally, the results were not to be considered altogether unsatisfactory. Export figures for the period were up on last year, which had been a record for the company.

After one of the slackest summer seasons' trading in memory, autumn buying was showing a considerable improvement, and looms in certain sections were working overtime, and, in some cases, on two shifts.

The report and accounts were adopted.

THE ELY BREWERY COMPANY

MR L. NIDDITCH ON SUCCESSFUL YEAR'S TRADING

The fifty-sixth annual general meeting of The Ely Brewery Company, Limited, was held on October 23rd at Pontypridd, Mr L. Nidditch, FFS (Eng.), FVI (chairman, managing and financial director), presiding.

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

Ladies and gentlemen,—It is with much satisfaction that I present to shareholders the fifth accounts since my election as chairman and after approval of the reconstruction scheme I evolved early in 1947, with the result that no shareholder was deprived of any capital loss or dividend arrears. I am pleased to report that we have more than maintained trade and profits in spite of money tightness.

Last year I concluded my review with the following sentence: "The outlook is clearly open to a cheerful interpretation on the part of all shareholders." The same outlook applies to the future.

We have continued to increase our patronage to some extent in about 60 per cent of our houses, which I am sure you will agree augurs well for the future. In the current financial year our trade again shows a slight increase in barrelage sales. Our strategic planning of the last two or three years is now bearing fruit, with prospects of still better results to come. Our trade last Easter, Whit-sun, and August Bank Holiday weeks were records.

Those of the employees of the company whom we selected for promotion to executive office during the last three or four years are all showing excellent promise, and I can assure you that we are a very happy, courteous, and co-operative team. With the help of all other employees, we have made Ely Brewery a respected and successful company. Furthermore, all employees now approach their work with a buoyant and eager outlook towards continued prosperity.

NEW PRODUCT

Last Easter we marketed a new light ale in nip-size bottles to retail at the round and convenient figure of 6d. This we have

named "Druids Ale," and I am pleased to say it has taken most satisfactorily and achieved its intended purpose, including that of being an easy drink for ladies to enjoy in the company of their husbands or friends in a congenial atmosphere when to spend a greater sum on a larger bottle of beer or spirits might perhaps be somewhat inconvenient.

The increased bottled sales over the whole country for the last four years is about 10 per cent over 1948. Our bottled beer sales have increased by 125 per cent.

Quite a goodly number of shareholders, I am pleased to note, increased their holdings during the year. In all, your directors signed almost 700 share certificates since our last annual meeting, and in giving a warm welcome to these new shareholders I again also thank all old shareholders for their continued confidence in your board, and for the many kind letters I have personally received.

TRADING RESULTS

The profit and loss account of £348,257 shows that we earned £40,000 more than the previous year after a greater expenditure of £7,000 on repairs to houses and £2,000 more to employees' bonus at £5,700: £2,069 as depreciation on casks, and £5,000 amortisation on brewery plant is being applied. Although the future outlook shows promise we have deemed it prudent to provide for uncertainties resulting from official policies and create a contingencies reserve of £10,000. We are also placing £15,000 to reserve fund. Taxation requires £118,000, and so configures liquid resources at an oppressive rate. The present party in official control was voluble as a critic when profits tax was raised to 30 per cent—and later to 50 per cent—and then finds solace and self-persuasion at fixing 45 per cent (less income tax) when reaching power. It is difficult to assess promises and courage with wisdom when out of or in power.

We have already declared an interim dividend of 3½ per cent, less tax, on the ordinary capital, and now propose and recommend a final of 3½ per cent, less tax, making

in all 7½ per cent for the year. We also recommend a further tax free distribution of 1½ per cent in cash out of realised capital gains account. In addition, we also recommend a 5 per cent, tax free, accretion bonus in cumulative preference shares to the extent of one £1 5 per cent cumulative preference share for every 80 ordinary 5s. units held as at December 8, 1952. I must point out that the several share bonus issues made in the last four years about equal the undistributed profits of the last six years, and, as yet, takes no account of the general vastly improved capital position and rise in assets values.

CAPITAL ACCOUNT

Briefly reviewing the capital account, our cash acquisitions and transfers from leasehold account since 1947 amount to the satisfactory increase of £355,000, of which £20,094 was incurred for this financial year in cash. In all since 1947, £149,000 was paid from cash resources. Our plant and machinery has been added to by £26,000 this year. Motor vehicles, which mostly comprised aged vehicles with heavy, worrying maintenance, now stand at £20,300, after depreciation of £17,000, and are all in excellent condition.

THE COMPANY'S DEBENTURES

It is of interest to note that this company's debentures have been and still are being quoted at around 94 per cent—being approximately 15 per cent higher than the average market price of 4 per cent debenture stock. This is the highest price compared even with the first dozen strongest and most successful "blue chip" companies in the country, and, I believe, higher than any other brewery company's debentures. Since last July little of this stock has come on the market.

I conclude by expressing my personal thanks, together with those of my board, to all employees and tenants for their continued enthusiastic co-operation and loyalty, which has played no small part in achieving the most satisfactory year's results.

The report and accounts were adopted, and at a subsequent extraordinary general meeting a resolution was passed capitalising £31,420 of the undivided profits of the company and authorising a bonus issue of one 5 per cent cumulative preference share of £1 for every 80 ordinary stock units of 5s. each at present held.

THE ROYAL BANK OF CANADA

BONUS DECLARATION

The Royal Bank of Canada has declared a bonus of twenty-five cents per share for the year ending November 29, 1952—payable December 15, 1952, to shareholders of record at close of business on November 15, 1952.

By Order of the Board,
T. H. ATKINSON, General Manager.

October 30, 1952.

PROPRIETORS AND DIRECTORS with controlling interest in Private Companies manufacturing and selling proprietary lines through Grocery and/or Ironmongery Trades are invited to communicate with large London Manufacturing and Selling Concern, with a view to discussing working arrangements and eventual sale of shares, thus avoiding possible difficulties at retirement or death. Write in confidence, Box 101.

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EXECUTIVE, early thirties, seeking fresh fields, would welcome opening, not necessarily commercial, in progressive and interesting work. Considerable administrative ability, overseas experience, languages, drive, used to responsibility. Salary not first consideration.—Box 99.

OTHER NOTICES APPEAR ON PAGE 34 OF COVER.

AUTUMN BOOKS

1952

The Public Duty of Economists

TO ask whether economists are doing their duty by the public may seem the expression of an unworthy doubt. Never has the professional economist been more active in public concerns, never have the economics departments of universities been bigger and busier, than in the years since the war. Nevertheless the question needs asking. For the primary social job of economists, arising out of the very nature of economics, is neither to legislate nor to administer; nor is it completely performed by concentration on even so right and noble a pursuit as the disinterested search for abstract truth. Economics is essentially a study of human action, of rational choice between alternatives and of the circumstances in which choice is made. If it is to have any aim or value otherwise than as an arena for intellectual athleticism, its aim must be to make choice more rational, that is, more self-consistent, and its value must lie in the illumination which it provides for those making the choice.

In a dictatorship or oligarchy it suffices if a *corps d'élite* is capable of confronting the situation "either—or." In a *laissez faire* society, grossly irrational choosers gravitate to a position where their irrationality hurts only themselves. But in a social democracy, where a large part of economic decision is genuinely though indirectly collective, both the quality of initial choice and the process of putting it into effect depend on the capacity for rational choice of the Common Man, the Average Voter. This capacity is not a natural and universal characteristic; it is a capacity of the fully adult mind. Few if any individuals entirely and reliably outgrow the small child's propensity to demand incompatibles, to howl because the same threepence will not buy an ice cream cornet and a chocolate bar; which is why one is always hearing that it is "politically impossible" to act on any other assumption than that one can have one's cake and eat it too. Moreover, willingness to be rational is not enough; not only planners and legislators, but those on whose votes and whose co-operation, in a free society, they depend, must have the data on which to use such rational powers as they possess. Hence the special importance, in Britain today, of the economist's role as general educator; as illuminator and clarifier of the alternatives between which choices are made.

How far does the economist impact on public opinion fulfil this role? One indispensable index to their success can be found in their writings for the lay public—a public, that is, excluding both their present colleagues and the already specialised aspirants to that status. One must, of course, classify further. The economists' "lay public" include high-level administrators; City men and others familiar with large-scale business problems and procedures, laymen only in the sense that they have never followed or have not kept

abreast of a particular academic discipline; the professional classes or intelligentsia; ordinary Home Service and Light Programme citizens in all walks of life; and school children. How have these, in fact, been served?

The first two classes, one may conclude on a survey of the economists' recent output, have been reasonably well provided for. They are comparatively well equipped, by practical experience and interests as well as by probable intellectual calibre, to listen in on the professional economists' mutual debate. The mere "intelligent layman," too, if willing to take a good deal of trouble and apply himself really hard, can hitch an intellectual ride on a number of excellent up-to-date general textbooks for undergraduates—the names of Benham, Boulding, Cairncross, Eastham, Phelps Brown and, from across the Atlantic, Samuelson, all spring to mind. Or he may turn, justly confident of finding matter within his range, to the relevant volumes of the Home University Library or Hutchinson's University Library, or to the Cambridge Economics Handbooks on special subjects. But the proviso is important. He must be willing to become, for the time being, a serious student; which means not merely exerting a student's conscientious application but exerting it on acquiring a mastery of the economist's analytical tools. If his curiosity and perseverance give out, it is hardly surprising.

The economists do serve him better with comment on current and particular problems than with basic texts. But when, as often happens, these comments are markedly polemical, he remains painfully aware of inability to use his judgment on them and to disentangle from the argument of, say, Professor Cole, Dr Balogh or Mr Harrod, the element of light from that of heat. Even when the writer's intention is most purely expository or his personal angle most clearly stated and accordingly easy to discount, a reader lacking knowledge of background and principle misses the full benefit of information and argument. One can indeed cite books to which this criticism does not apply. Professor McCord Wright's "Capitalism" provides the finest postwar example; Professor Lerner's "Economics of Employment" provides another. Both, it must be noted, are American; no British economist has similarly catered, except by the essay or lecture, for the most willing and conscientious general reader.

The comparatively lowbrow Average Man—who makes up the greater part of the voting collectivity—is even less well served. It was, indeed, for the Average Man that Mrs Gertrude Williams wrote that superlative Penguin, "The Economics of Everyday Life"; a gallant and, within limits, brilliantly successful attempt at filling the most obvious gap in the citizen's bibliography. But this is the exception that proves the rule. Had its author been (with all due respect) a

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top-flight academic, the book might never have been written. And between her necessarily very sketchy, though admirable, outline and the over-academic Introductions and Elements designed primarily for university students there lies a horrible void where pullulate the school textbooks written by parrots for parrots, *biblia abiblia* relevant neither to the development of rationality nor to the understanding of the economic scene but only to a once-for-all regurgitation on examination paper.

Why this deficiency? There is the natural aversion of scholarly minds from those crude first approximations, oversimplifications, and sketchy descriptions, called for in really elementary writing for non-intellectuals whether in schools or elsewhere. There is the bent, characterising just that intellectual type most frequently attracted to economics, towards abstraction and *a priori* reasoning; a bent unpropitious for the ordinary reader's preferred approach, which is from real-life description to underlying principle, from diversity to unity, from concrete to abstract. There is also the preoccupation of so many of the best economic minds with administration, either of university affairs or in public service, and with politics. There is, perhaps, discouragement in face of the public's preference for just those confident snap answers which it is not the business of economics to proffer.

The ideal "Economics for Laymen" is easier to specify than to write. It should be predominantly factual, setting its matter in a solid framework of statistical magnitudes—beginning perhaps with the aggregate national income and its distribution between different income types and between individuals; instilling, in fact, that sense of proportions so essential to economic realism. (It is unlikely to surpass in this respect Professor Hicks's invaluable "Social Framework," which, however, is not comprehensive enough to fill the whole bill.) It should give a picture, vividly recognisable in terms of the reader's personal experience and knowledge of current events, of the processes of getting and spending, of the organisation and manning of different kinds of business, of the public controls within which it works, of its common procedures. It

should move smoothly from What to How and from How to Why, every generalisation making its impact on a mind already equipped with recognisably relevant evidence. It should hammer home in every context the universal fact and essential nature of economic choice; at the same time it should not outrage the reader's sense of reality by assigning to economic motives, explicitly or implicitly, a primacy which he knows in his bones that they do not always possess. It should indeed make clear, reporting rather than arguing, the political and ethical judgments which impinge on economic decision. It should demonstrate the economic process as a matter of dynamic unfolding, part of the march of history; an endless film, not a still nor a repeating reel. It should—but this is idealism indeed—lightly but genuinely hint the way on towards the heights and the frontiers of knowledge, raising speculations, indicating controversies. Ideally once more, it should be not one book but many; a whole class of economic literature, ranging from the secondary school primer to a new "Wealth of Nations."

Exacting as the specification may be, it is hard to believe that there exists no economist capable of filling it; no one combining the highest theoretical expertise with knowledge of cities and men, and literary gifts with ability to lay his mind alongside the muddled blunt-edged mind of the Common Man; no one having these qualifications and, at the same time, public spirit and energy enough to do this most essential job—which, incidentally, would be a highly remunerative one. Virtue, in this instance, need not be its own reward.

Books referred to:

Capitalism. By David McCord Wright.
McGraw Hill. 246 pages. 28s. 1951.

Economics of Employment. By Abba
P. Lerner. McGraw Hill. 397 pages.
34s. 1951.

The Economics of Everyday Life. By
Gertrude Williams. Penguin Books.
248 pages. 1s. 6d. 1950.

The Social Framework. By J. R. Hicks.
Oxford University Press. 283 pages.
12s. 6d. First edition 1942. Second
edition 1952.

Tyranny Dissected

Hitler: A Study in Tyranny. By Alan Bullock. Odhams. 776 pages. 25s.

It is an excellent thing that this estimate of Hitler's character and achievement should have been made by a liberal historian of the war generation, while the Führer's offences still smell to Heaven, while personal memories of him are vivid and before his rehabilitation is attempted. Here is a cool, readable and acute dissection of how the man from the Vienna doss-house gained and exercised political power. It is not a biography, although the materials for biography are all here; it is, as the author insists, a study in tyranny—such a superior word to "totalitarianism." Mr Bullock has left the way open—and this is not an important criticism—for studies of Himmler, Schacht, Speer and Goebbels

which will explain the extraordinary manner in which Germany gathered and maintained strength between 1933 and 1944.

Unlike many previous writers, Mr Bullock does not underestimate Hitler's ability, nor his quality as a revolutionary. The man who ruled Germany from 1933 to 1945 was, indeed, a political genius; he was a master of the irrational forces in modern society, a brilliant judge of opponents' weaknesses—whether it was the statesmen of the West, the generals of the General Staff or his rivals within the party. Because his judgments were unhampered by any scruples of religion, conscience or simple kindness, his sense of timing was superb, his calculation of

risks bold and subtle. He took the German people with him because he offered them the prospect of power and heroic recovery; and, as Mr Bullock points out, his policy and creed were "the *reductio ad absurdum* of the most powerful political tradition in Germany since the unification" carried to its logical conclusion. As ardently as any Communist, he loathed and set out to destroy the "liberal bourgeois system" in which he had been unable either to earn a living or find happiness.

Hitler's decline began from the moment that he exercised supreme power in war over Germany's forces. Here he overreached himself, and Mr Bullock's account of his struggles with his advisers and his treatment of commanders in the field is of fascinating interest. It provides the climax of the

Presidential Profiles

America's Man of Destiny. By Kevin McCann. Heinemann. 201 pages. 12s. 6d.

Adlai E. Stevenson. By Noel F. Busch. W. H. Allen. 240 pages. 15s.

Adlai Stevenson: The Man and the Statesman. By John Bartlow Martin. Gollancz. 175 pages. 12s. 6d.

No man is expected to be a hero to his personal assistant. But to Mr McCann, who served General Eisenhower from 1946 to 1951, the General is a hero without a flaw. This is reassuring, but it makes for dull reading. "Man of Destiny" is not the intimate biography the publisher's blurb so winningly suggests. Neither is it an illuminating account of the General's services to his country and the free world. It is not only completely uncritical, giving no hint of the disillusionment which was to come when the General entered politics. It is also too scanty and superficial to give the reader any real understanding of the problems General Eisenhower faced and surmounted as head of the Allied Expeditionary Force, as Army Chief of Staff, and as Supreme Commander of the Atlantic Pact forces. The book includes, it is true, a number of unpublished letters and memoranda, which show the General to have been conscientious, patriotic and hard-working. They also suggest, with one or two exceptions, that the General's reputation was won as a man of action rather than of thought, that he is mightier with the sword than with the pen.

The trouble with Mr. Stevenson's biographers is exactly the opposite. They reveal that the Governor belongs to one of America's minor political dynasties, that he is thrifty as only a rich man dares to be, what time he gets up, and what jobs he has done. But those who have read any of the Governor's campaign speeches, will turn to these books, and turn in vain, for the witty, eloquent, courageous texts that have made Governor Stevenson a hero to millions who have never met him. The campaigner has left the campaign biographers far behind. Nevertheless, these short biographies have their uses. Six months ago, the Governor was known, outside Illinois, only for his curious reluctance to run for President. Four years ago, even in Illinois, he was only a forlorn Democratic candidate for

trilogy into which this long book is divided: Party Leader, Chancellor, War-Lord. Almost exactly half way through the story Mr Bullock pauses (in chapter VII) to examine in detail the character of this odious hero, and it is here that those who have time only to taste one course in a rich menu should pause. It is a model of careful, moderate yet critical appraisal. There is one passage of distinction which might do for Hitler's epitaph—though it would be more effective written by a German:

Indifferent towards the suffering of others, he lacked all feeling of sympathy, was brutal, intolerant and callous, and filled with contempt for the common run of humanity. Pity and mercy he regarded as humanitarian clap-trap and signs of weakness. The only virtue was to be hard, and ruthlessness was the distinctive mark of superiority.

the Governorship in a state which had had only three Democratic governors in its history. A wave of disgust with the Green administration swept him into office with 570,000 votes to spare.

Both biographies sketch the difficulties on which Mr Stevenson cut his political teeth and built his reputation. He refused bad deals even to accomplish ends close to his heart; he could have had a badly needed new state constitution if he had been willing to veto a Bill for a crime investigation. He refused to be stampeded into witch-hunting. Mr Busch, who gives up half his book to the Governor's veto messages and speeches and articles written before the convention, includes in full the masterly veto of the Broyles loyalty oath bill. This is proof that long before he was compelled to take on Senator McCarthy, Governor Stevenson had thought long and hard about the problem of domestic Communists and the bigger problem of the Communist hunters. He is a conservative, in the true sense, on civil liberties, and on finance, more interested in improving hospitals and roads and schools than in social innovations.

The article on "Korea in Perspective," written in 1951 and also reproduced in full by Mr Busch, is a reminder that foreign affairs was Mr Stevenson's first love, long before he became enamoured of good state government. He helped to bring the United Nations to life, and the Korean article is a remarkable analysis of what was gained when America decided to stand firm in 1950.

Of these two sketches, Mr Martin's is the slighter and more impressionistic, but he has the gift of making his subject seem to breathe. Mr Busch is more solid. Neither attempts a considered judgment, for which it is certainly too early. Neither book can claim to be more than an introduction to a remarkable man who is only beginning to make his mark on the American and world scene, and will be worthy of much more serious study before he is finished.



AUTUMN BOOKS FROM CAMBRIDGE

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A Mind in Anguish

Lord Acton: A Study in Conscience and Politics.

By Gertrude Himmelfarb

Routledge and Kegan Paul, 260 pages, 21s.

A good deal has been written about Acton since the war, and the reason for this renewed interest is not difficult to see. As Miss Himmelfarb says in her introduction,

Acton is of this age more than of his. He is indeed one of our great contemporaries. Acton was a pessimist and a moralist, a combination hardly likely to endear him to a world that was at the same time expansively optimistic and narrowly materialistic. When the spiritual climate changed, however, Acton found his home . . . Because Acton was never taken in by history, he can speak with authority when history runs amok.

Acton was a bundle of contradictions, and it is no good trying to explain away his inconsistencies. Like his friend Gladstone, he boxed the compass in his political beliefs between his early and later writings, and throughout a great part of his life attempted to maintain simultaneously positions which to more ordinary people appeared plainly incompatible.

The most familiar of these incompatibilities is Acton's combination of devout Catholicism with a doctrinaire liberalism, which led him, while remaining a faithful son of the Church, to attack the crimes of the Papacy more bitterly than a professed anti-clerical. But there were also others. No man ever proclaimed more persistently the duty of the historian to pass judgment, yet, as Miss Himmelfarb points out, many passages in his notes and correspondence show that his imaginative sympathies and sense of mixed motives constantly "frustrated his will for moral indignation." A similar conflict appears in his Liberalism. Proclaiming the revolutionary effect of Liberal ideas, which he declared, constituted a "revolution in permanence," he refused to admit the element of violence which is an essential part of most revolutions. Attempting to preserve the doctrinaire purity of political ideals, he nevertheless found himself driven to condemn a Robespierre and to prefer the tolerant and fruitful compromises of English to the dogmatic and barren rigidity of Continental Liberalism.

These contradictions, far from detracting from the power of Acton's thought, add immeasurably to it. It is the anguish of a mind, striving and failing to reconcile irreconcilable values, which attracts us to him far more than the legendary range of his learning that so much impressed his contemporaries. Miss Himmelfarb's book does full justice to this dominant theme of unresolved moral tension which in the end crippled his creative powers. She traces the conflict in his mind from the early days of *The Rambler* and *The Home and Foreign Review*, through the storms of the Vatican Council and the later breach with Dollinger to the Cambridge Inaugural and the Lectures on the

French Revolution. Her mastery of Acton's writings and of the mass of unpublished material in the Cambridge University Library is impressive without being obtrusive. The wide reading that has given her so convincing a grasp of the intellectual background of the times is employed most economically and compressed into a book of such modest length without detracting at all from the ease and pleasure with which it is read.

This is not a definitive work. So long as the correspondence and notes at Cambridge, into the riches of which Miss Himmelfarb gives us tantalising glimpses, remain unpublished, this can scarcely be undertaken. For the probability is that judgments based on Acton's hitherto published work will have to be drastically revised in the light of this new material. But for the first time, without fuss or unnecessary display, we are here provided with an account which reveals something of the true stature of a thinker whose insight into the problems of morality and politics preoccupying our own time was deeper and more prophetic than that of any of his nineteenth century contemporaries.

Tale of the Sea

One of Our Submarines. By Edward Young. Rupert Hart-Davis, 317 pages, 18s.

Anti-submarine operations are the first concern of the British Navy in wartime, and the hunting of U-Boats has rightly been the subject of many postwar books. But the enemy's activities at sea also gave Britain's small, but intensely keen, submarine branch a chance to carry the war into enemy waters.

From north of the North Cape to south of the Celebes, in the treacherous mists of the North Sea and the unpleasantly clear waters of the Mediterranean, Commander Young served for five years in this hazardous trade. Others may have more war patrols to their credit; other submarine captains may have made larger bags by gun or torpedo, but few could combine the qualities required to be the first RNVR officer accepted for service in submarines, and the first to be given command, with the ability to write such a stirring tale as this.

Here are all the ingredients for an adventure story: the stealthy approach for a torpedo attack; the decision to surface and fight the enemy with the gun; the secret agent landed on the enemy coast; the escape from the sunken submarine. Although it is not always easy to connect the incidents with the main course of the war, because of the almost complete omission of the year when dates are given, the adventure story is well told.

There is, however, more to the book than this. It is also the story of an amateur sailor, with none of the technical background of the normal member of a submarine training class, learning the essentials of an extremely complicated war machine. He can only grasp essentials in the short time at his disposal, so he realises that he must rely more heavily than usual on the knowledge of his fellow officers and men. Gradually he gains skill and confidence and, as he advances

from Navigator to First Lieutenant and from First Lieutenant to Captain, gradually others gain confidence in him.

While the layman need not fear that his enjoyment will be spoilt by too much technical jargon, the expert will not have his feelings outraged by one breath of journalese. All submariners will be glad that their activities have been so ably recorded by one of their own number and in a book which stands on its own merits as a great tale of the sea.

Hackneyed Subject

Atlantic Impact, 1861. By Evan John. Heinemann, 296 pages, 15s.

On an early page of his book Mr John refers to "a politician called Everett." This was the distinguished statesman and scholar who was four times Governor of Massachusetts, President of Harvard College, Minister to the Court of St. James's and Secretary of State of the United States. At a later stage Mr John identifies Edward Everett somewhat more fully as a liar whose "love for Humanity was not accompanied by any love for Truth." This attack upon Everett suggests something of that peculiar combination of innocence and brashness which characterises this book throughout, innocence of familiarity with American history and brashness in judgment upon it.

It is a familiar, almost a hackneyed subject to which Mr John here addresses himself: the Trent affair and the reaction of Britain to the American Civil War and of America to the British reaction. A generation ago E. D. Adams covered the ground pretty thoroughly in two volumes, and a number of monographs have been devoted to it since. None of these is mentioned by Mr John, who approaches his subject with the enthusiasm of a novice and abandons it in the same state. Yet we must be grateful to him for clearing up, in a few swift sentences, some of the problems that have engaged the anxious attention of American historians for many years. Thus we are told that "it is difficult to dispute the constitutional legality of secession" and that disposes of a good many statesmen and scholars who have in fact disputed it. We are assured that South Carolina rebelled against the "grinding modern tyranny" of economic exploitation, a fact which South Carolinians somewhat oddly left out of their Declaration of the causes of secession. We are reminded that the Yankee politicians "rigged the tariff" to the injury of the South, though it was in fact the South that wrote the tariff of 1857. Most remarkable of all, we are solemnly informed that for many Southerners, and even for Jefferson Davis, "slavery was a side issue"—a consideration he failed to make clear in that inaugural address which emphasised the attack on slavery as the chief cause of secession; a fact which the Vice-President, Stephens, failed to make clear in his famous speech calling slavery the

"cornerstone" of the Confederacy.

But it would be futile to list the errors of fact and of judgment that jostle each other on every page of this curious book. Mr John uses the Trent affair as a peg—a pretty long one—on which to hang his reflections on British-American relations at the beginning of the American war; he fails to carry his story on to include the escape of the *Alabama* and the Laird rams and thus gives the impression that it was only the Union government that could be charged with violating international law. His argument is that Americans were wrong on the Trent affair, and that British resentment against the violation of the somewhat obscure law of the time was perfectly understandable. His larger argument is that Britain could not properly be expected to sympathise with the North or to forgo sympathy with the South as long as the Union government failed to make clear that it was fighting to destroy slavery.

Two observations are relevant. First, it was, from the beginning, clear to all that a Confederate victory would greatly strengthen slavery and that a Union victory would weaken or destroy it, and this regardless of official "war aims." If British statesmen failed to see this they were obtuse, and that is not a charge that can be made against Palmerston or Gladstone or Russell. Secondly, the crisis of Gladstone's Newcastle speech—that speech which he later called "the most singular and palpable error" of his career—and of the Laird rams came well after the Emancipation Proclamation. That proclamation was called by the *Edinburgh Magazine* "monstrous, reckless, devilish," and elicited from *The Times* the observation that "impotent malignity is apt to be a very contemptible spectacle." It was not, in fact, the clarification of the slavery issue that silenced the loudest roars of the British lion, but the clarification of the military issue.

As a lively narrative of some of the minor events of this two-year period, as a re-creation of such individuals as the Prince Consort or "Bull Run" Russell, "Atlantic Impact" is entertaining enough, but it is not a serious contribution to history.

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One Who Counted

Fear God and Dread Nought. The Correspondence of Admiral of the Fleet Lord Fisher of Kilverstone. Selected and edited by A. J. Marder. Jonathan Cape. 377 pages. 30s.

Professor Marder has used much the same technique in presenting this collection of Lord Fisher's letters as he used with Admiral Richmond's diaries in "Portrait of an Admiral," also recently reviewed in these columns. But the result is infinitely more successful in the present case. A true portrait of Richmond could not be gained from his diaries; but "Jacky" Fisher was a profuse letter writer, and this selection enables us to form a remarkably clear idea of what sort of a man he really was. Moreover, it is not only the naval student or historian who will benefit from this book. Fisher's interests and activities ranged over a very wide field. He was an acute observer of international affairs at several critical periods; he was mixed up with most of the statesmen and politicians of the early 1900s, and was on intimate terms with Edward VII and the Prince of Wales.

Fisher's outward truculence, his vehemence in speech and writing, his unflinching persistence and his "ruthless, relentless and remorseless" methods inspired many lesser men with awe and earned him bitter criticism from the strongholds of naval conservatism. Yet, after reading these letters, one feels that he was, *au fond*, a humble and lovable man, who deliberately made himself out to be harsh and ruthless in order to achieve his object of tearing the service he loved out of the ruts into which it had fallen during the long years of Pax Britannica. For he was a great patriot, and saw very early what the rise of the new German Navy really meant. Of course he was ambitious, but his ambition was never merely selfish, for we see him, again and again, prepared and even expecting to sacrifice himself in the causes he believed in. His accomplishments, which ranged from revolutionising fleet organisation and tactics to starting Osborne and Dartmouth Colleges and the change from coal to oil fuel, were tremendous. And, in the background from quite early days, we can see the germ of the ideas which culminated in the design of the *Dreadnought*.

While still a boy Fisher wrote that he "could not bear to read [his letters] over twice," and they all have a breathless directness, as if struck white hot from the fiery metal of his mind. It is impossible for anyone to read them without feeling that he has been living on intimate terms with a very great man. "Remember," wrote Lord Esher in 1904, when he and Fisher were sitting on the committee for the reform of the War Office, "not more than a dozen people in England count for anything, and you happen to be one of them." Mr Marder's biographical introductions to each chapter give exactly the right amount of background to the letters which follow. We can look forward greatly to the appearance of the second volume.

Hanging Historian

In the Nazi Era. By Sir Lewis Namier. Macmillan. 204 pages. 12s. 6d.

This is the third volume of studies which Sir Lewis Namier has published on the diplomacy and statesmen of the later 1930s. Like "Europe in Decay," it is composed almost entirely of reviews contributed to the weekly or monthly journals, and at his best—for instance, in the essay on "The German Army and Hitler"—Sir Lewis displays a power of insight which, added to his equipment as a scholar and the distinction of his style, stamps even his book reviews with an unmistakable hallmark.

In his Inaugural Lecture Lord Acton compared the historian to a "hanging judge." It is a description which Sir Lewis might well make his own. He takes no pains to conceal the scorn he feels for many of the transactions and actors he describes. Yet underlying the scorn, and giving to these occasional pieces a unity of conception, there is a serious purpose: to challenge the historical myths that are already growing up about the origins and course of the Second World War.

This is far from being a popular purpose. The unexpected twists of postwar politics, which have led to the rehabilitation of Germany as an ally against Russia, have also given a powerful impetus to a revisionist rewriting of recent history. Thus von Papen, in his recently published Memoirs, has been quick to take advantage of the present situation to represent himself as one of the earliest defenders of Western civilisation against the barbarian hordes from the East, while it has become a commonplace to lay the blame for the presence of the Russians on the Elbe at the door, not of Hitler, but of the Allies who enforced the policy of unconditional surrender.

Such facile assumptions need to be critically examined in the light of the records. But while sympathising with Sir Lewis Namier's purpose, it is possible to feel that he has set about his task in the wrong way. This feeling is due to the literary form in which he has chosen to work. As he himself remarks in his introductory essay, few of the memoirs here dissected have much value in themselves. It is the assumptions they reveal, the historical myth to which they contribute, that it is important to lay bare and examine, but in his concern with the personal shortcomings of authors and politicians and with the minutiae of their detailed narratives, Sir Lewis tends to lose sight of his main objective.

What we are offered is a series of preparatory studies for a major work which, it appears from the preface, the author is now unlikely to write. This is sad news and few readers will be able to put down the present volume without a feeling of disappointment, and even irritation, that the learning and insight which are displayed in so many scattered comments should not have found a more adequate vehicle for their expression than a collection of reviews.

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A Man of Law's Tale. By Lord Macmillan. Macmillan. 379 pages. 21s.

Lord Macmillan did not live to see the publication of his autobiography, and those who read the tributes to his memory on the occasion of his death a few months ago must have been struck by the profound respect and affection with which he was regarded. His autobiography evokes the same feelings in one who had not the privilege of knowing him. He was obviously a wise and a good man. It is, of course, a success story, starting in the best possible place for such stories, a Scottish manse, and the author very naturally and rightly looks back over his nearly eighty well-spent and, one would gather, uniformly happy years with quiet satisfaction. But the record speaks for itself. He was trusted by all and sundry for sound judgment and fair dealing, and there is not a single ill-natured or unkind remark in the book.

While still a young law apprentice in Glasgow he was asked to record his life's ambition in one of the Books of "Confessions" then popular, and he wrote: "To be a Lord of Appeal." In due course he became one, though he had never been a member of the English Bar. But it was as a chairman of Royal Commissions and Committees of Enquiry that he achieved his peculiar eminence. After completing his labours as chairman of a Royal Commission to investigate and report on Banking and Currency in Canada, the Canadian prime minister presented him with a book inscribed to "Lord Macmillan, Incomparable Chairman, Eminent Jurist, Typical Scot and Beloved Friend." There was indeed hardly any subject meet for enquiry during the interwar period for which Lord Macmillan was not felt to be the ideal chairman:—high finance (though he told Keynes that he did not understand it and Keynes did not seem to think that mattered), the conferring of party political honours, the preservation of works of art, sexual misbehaviour in the London parks, a wages dispute in the textile industry—one could double the length of the list. He was chairman of the Pilgrim Trust and of the authority responsible for the new London University buildings.

Twice he approached the fringe of party politics. In 1924, though a Conservative, he accepted with Baldwin's approval the office of Lord Advocate in the first Labour government and in 1939 he became Minister of Information, resigning when it became apparent that the Minister ought to be in the House of Commons; but democratic politics were not in his line, and with his usual wisdom he kept clear of them.

Although author and publisher bear the same name they are not discoverably related; but the professional contact of the two families extends back to 1861 when Macmillan and Co. published Footnotes from the "Page of Nature, or First Forms of Vegetation," by Lord Macmillan's father.

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Witness of Chaos

Arrow in the Blue. By Arthur Koestler.
Collins and Hamish Hamilton. 310 pages.
18s.

In this first volume of his autobiography, Mr Koestler has achieved something which is, in his case, unusual: he has written a disappointing book. The clue to it is, perhaps, his admission that "in England and the United States, the majority of the people I know have consulted psychiatrists on one occasion or another." For every paragraph of narration in Mr Koestler's account there is a corresponding lesson drawn from the gospel according to Freud. What makes this so irritating is the fact that much of Mr Koestler's psychiatry is second-hand. It leads him to a pretentious use of symbolism (as in the title) and to an extensive treatment of erotic themes. His chapter on Parisian brothels reads like the diary of an adolescent hoping to be found out by his bourgeois parents.

This would be less of a disappointment if Mr Koestler's life were not so fascinating and if his avowed challenge to St Augustine and Rousseau had been less justifiable. In fact, Mr Koestler is among the most brilliant witnesses of chaos and much of his individual experience is a parable for the age. Little of this emerges even in the account of his conversion to Communism. We are told that "oversensitivity to social injustice and obsessive cravings for Utopia are signs of a neurotic disposition," and find Alger Hiss, Donald Maclean and Joliot Curie happily lumped together on the psycho-analyst's couch. The actual circumstances which led to Mr Koestler's entrance into the Communist Party are grotesquely trivial—a bad loss at poker, the fact that the engine-block on his newly repaired car had burst, and a night spent in uninspiring company. Nor is Mr Koestler's wider analysis of the spell of Marxism devoid of this trivial and haphazard character.

"Arrow in the Blue" raises a disquieting question. Why is it that the intellectual buoyancy and literary craft in so many ex-Communist writers are flawed in some subtle but decisive way after they leave the Party? Silone is an important exception, but in many cases an element of confusion has entered into much of the work of many others. The "god that failed" seems to exact a heavy price from those who desert him. Mr Koestler's new book is part of this ransom. Nevertheless, it would be wrong to overlook its brilliant journalistic qualities and the sense of sustained nervousness and irony with which he so often comments on the age of anxiety. The chapters on the author's adventures in Palestine in 1926-1927, with their treatise on hunger, and the narrative of the Russo-German Zeppelin expedition to the Arctic in 1931 are superb examples of his art.

Love and Indignation

First and Last Loves. By John Betjeman.
John Murray. 244 pages. 20s.

There are certain qualities which Mr Betjeman shares with an earlier and more famous critic of architecture—John Ruskin. He is a poet; so, it will hardly be denied, was Ruskin, though his only actual verses were unpublishable juvenilia. He is in every sense of the word a Protestant. And, refusing like Ruskin to regard architecture as a mere matter of comely or uncomely three-dimensional shapes, he is a critic not only of buildings but of mores and manners. Writing of towns or of churches, of railway stations, chapels, or country houses, he implicitly or explicitly states a personal and civic creed. Finally, he is not only a lover but a hater. As Ruskin hated industrialism, so he hates commercialism and bureaucracy; as Ruskin hated steam power, so he hates the internal combustion engine. He also hates chromium plating, neon lighting, black glass, and all "the noise of antiquarian prejudice shouting at its bastard, jazz-modernism." His opening essay, "Love is Dead," is a condemnation only incidentally concerned with buildings; a denunciation of Suburban Man, the Lowest Common Multiple, "too bored to think, too proud to pray, too timid to leave what we are used to doing," living in a "right little tight little clinic," finding it unnecessary ever "to feel or think or see again." "All our doings," he quotes from the Prayer-Book, "without charity are nothing worth."

His own charity embraces, with an enthusiasm bordering on perversity (so, perhaps under the influence of Ghastly Good Taste, one occasionally feels) Non-conformist chapels, the Charing Cross Hotel, and Cannon Street Station. His essays on seaside resorts, on obscure parish churches, on the pleasures of a wet winter evening, breathe a lyric fervour beneath which there comes and goes an engaging whisper of self-mockery. His nostalgia has the quality of freshness, for he is nostalgic about things for which most people's affection is—Ghastly Good Taste again—unacknowledged or shamefacedly concealed: chintz and family photographs and Aunt's watercolours in a Surrey drawing-room; "beautiful button-nosed blondes" with tennis rackets, all the leisurely middle-class Philistinism now collapsing into the Lowest Common Multiple.

Enchanting and provocative, "First and Last Loves" is also shamelessly bitty and scrappy, an *olla podrida* of essays, articles, broadcast talks, lectures, some explicitly dated, some self-dating, some unidentified and unidentifiable; but it draws a unity of feeling from its opening declaration of faith and of war. By way of bonus, the essay on Non-conformist Architecture is abundantly, wittily and affectionately illustrated by Mr John Piper, who also designed the enigmatically symbolic book-jacket; and a series of often astonishing drawings and photographs supplements the text of the Notes to Victorian Architecture.

Unfortunate Testament

The Dilemma of Our Times. By Harold J. Laski. Allen and Unwin. 272 pages. 18s.

This is a regrettable book. Harold Laski was an inspiring teacher, an adventurous thinker, a most lovable man; and the posthumous publication of his last, unfinished work is an understandable piece of piety. Originally conceived as a mere appendix to "Faith, Reason and Civilisation," his wartime analysis of the contemporary conflict of ideas, it grew in the writing till it roughly equalled the original work. Whether Laski meant to use it as a quarry from which to draw material for a more proportionate intellectual edifice, or to enlarge it into a definitive structure superseding its predecessor, remains unknown. One can in any case charitably suppose that he was "writing himself in," regardless for the moment of repetitions to be pruned, of omissions to be made good, of weaknesses to be strengthened, of exaggerations to be toned down, and of a style which, however closely it fitted the original shape of his thought, is an agonising outrage on the genius of the English language. But even when every conceivable allowance has been made, "The Dilemma of Our Times" can only detract from his reputation. It is virtually a self-caricature. The old brilliance is there, the infinitely stimulating capacity to see from new angles, to establish new connections between ideas and events, to point historical parallels and analogies, to marshal and manoeuvre the resources of great learning. But there is also something for which it is hard to find a kinder name than dishonesty.

The "dilemma" is posed by the mutual antagonism of bourgeois America (which is fundamentally in the wrong) and Communist Russia (which is fundamentally in the right). The dispossessed majority rightly demand equality; equality necessarily demands collectivism; collectivism inevitably demands revolution; fear of revolution begets repression and in particular a cold war on Communism at home and abroad;

and Communism reacts to persecution by a defensive aggression; the stage is set for World War III as it was for World War II. Now if one is going to build today on such essentially Marxist postulates as those initiating this sequence, it really will not do to ignore the entire literature of liberalism over the last twenty years and more. It is necessary to answer such writers as Professor Röpke, Mr Walter Lippmann, Bertrand de Jouvenal, not to mention Laski's own colleagues, Professor Robbins, Professor Popper and Professor Hayek. It is necessary to meet the market socialists themselves. Not one of these, or of the many others who could be named, is so much as mentioned; no "unperson" of 1984 could be more completely expunged from living controversy.

The uninstructed reader, dazzled and bludgeoned by an apparently all-comprehending display of erudition, is given the impression that the only serious intellectual opposition to Marxist Socialism today comes from Mr T. S. Eliot; that the entire case for the dispersion of decision, and hence for private property, rests on a romantic traditionalism. That Laski keeps his eyes tightly closed against that new stratification of society in Russia which, even more than low standards and cold war oppression, cuts at the root of his thesis that Socialist revolution brings liberation; that, having disclaimed any intention of equating Russian and American behaviour to political non-conformists, he repeatedly proceeds to do that very thing; that he never confronts the sheer arithmetic of equality, so damaging to anyone arguing that poverty equals unfreedom; all these criticisms, while important, are comparatively minor counts. In the great debate of our time Harold Laski was one of the most brilliant and influential of advocates. This last of his contributions to the debate reveals him—not to mince words—as a shyster.

Middle Eastern Common Man

Caravan: The Story of the Middle East. By Carleton S. Coon. Jonathan Cape. 376 pages. 28s.

The other day, a bulletin published by a British Chamber of Commerce in the Middle East exhorted firms to teach their western employees and travellers a better appreciation of the peoples among whom they work. When possible, it said, they should attend courses on the subject, but not everyone can afford the time or money to do this. All, however, are in a position to read about it. All should include this very good work even on the shortest of short book lists.

Professor Carleton Coon is professor of anthropology at the University of Pennsylvania. Still under 50, he has used the most mobile years of life to advantage. He has lived a great deal in Morocco but travelled much farther

east; armed with calipers, a camera, a working knowledge of oriental languages and a human interest in the heads he was measuring, he has eaten food and slept in villages all the way from the Atlantic to Afghanistan. He has learnt not only from the questions he put but from those he was asked in return. His book is the better because he so obviously enjoyed the social side of the profession he has chosen.

What he describes is the origin and nature of the ordinary lives that people lead, and his problem of selection and arrangement was therefore formidable. On the ground that there are plenty of books about the modern Middle East, he starts by limiting his field to "the

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civilisation of these lands before they felt the impact of the industrial revolution and the west"—that is before Egypt turned west under Mehemet Ali. But to put down the book on the assumption that it therefore lacks application to today would be a sad mistake. Analogies drawn from experiences on his travels, and points to current events as illustrations of ancient truths, keep tumbling into his story. Why do traders of a kind always huddle into the same section of the bazaar? Why, when met with a mounting of temper, does a Turk get angrier and a Persian more studiously polite? Why is wisdom still graded by age? Why are Turks better than Arabs at shouldering responsibility? Mr Coon is all the time accounting for the scenes and habits which any visitor notices on first impact although, to residents, they are taken so much for granted that they are seldom analysed.

When a book gives so much informa-

tion on so vast a subject it is difficult, in the course of reading, to detach any general impressions. The steady stream of differences between localities, races, religions, and ways of life almost annihilates capacity to see the wood for the trees. Yet the reader who, having regretfully finished the last word, flips back through the pages can evolve some conclusions. Of these perhaps the most important is that he must judge the Middle East less in the light of its failure to keep up with the technical inventions of the last four hundred years and more in that of its resilience in inventing over the centuries the only suitable way of life and livelihood for dwellers in a desert that is also a crossroads. Mr Coon has the two great qualities of sympathy and tolerance, and if he provokes them in the reader he will have made a considerable contribution to east-west relations by writing this scholarly and human book.

Commoditie, Firmnesse and Delight

The Smaller English House, 1500-1939. By Reginald Turnor. Batsford. 216 pages. 42s.

This delightful book is concerned, not with the more familiar story of the great houses of Britain, but with the evolution of the middle-class house. Mr Turnor traces this evolution through four phases of influence—craftsmanship, art, scholarship and science. The earliest houses were the product of craftsmanship—built by unknown local builders according to vague plans and without anything that could be called architectural supervision. Gabled, mullion-windowed and asymmetrical, they appealed, thinks the author, to the romantic in man—to something he calls "basic taste"—which has nothing to do with intellectual appreciation.

Intellectual appreciation began with the early Renaissance period, which owed much to Dutch and Flemish influence. As Mr Turnor says, the flamboyance of these designs suited the exuberance and virility of the Elizabethans, while trade and political sympathies strengthened the link. At this period the development occurred which, according to Mr Turnor's convincing thesis, marked the transition of building from a craft to an art. This was the introduction of symmetry into design—the conception of balanced planning and elevation. It was derived, via Italy, the Low Countries and France, from the architecture of ancient Rome. But the full force of Italian influence was slow to reach Britain, which was largely insulated from it by anti-papist sentiment. At a time when the English house was rambling and half-timbered, the orderly classicism of Palladio was in full swing in Italy. Not until Inigo Jones built austere elegant houses such as the Queen's House at Greenwich was classical influence fully seen; and the style did not take root until half a century later—until the age of the Palladians in the early eighteenth century.

The latter end of the classical move-

ment was the Greek revival, seen in the columns and pilasters of the Regency villa. Mr Turnor thinks that this was the moment when architecture took the wrong turning. The more sensible products of the modern movement, he says, have much in common with the Regency house, and there could have been a logical and unbroken descent. But the romantics threw over their predecessors so completely that "after a hundred and twenty years of wondering where to go, architecture seems still to be in a mood of defiance and rebellion." The first reaction from classicism was the age of scholarship, the minute study of Gothic architecture and its reproduction in a way that was nevertheless unmistakably Victorian. Then came the violent revolution of the modern movement, when architecture became a science, a house "a machine for living in," and designs could show "the anti-septic deathliness of the hospital mortuary."

Mr Turnor pleads for a return to the idea that "architecture is at least half an art; that it is something capable of giving pleasure and exaltation even to those people who have no knowledge of its construction." Modern architecture must certainly be adapted to modern materials and modern ways of living, and reproductions, even of the best products of the past, are unsatisfactory. But the author is surely right in thinking that it is by returning to humanism, by embracing the past instead of frenziedly rejecting it that architecture can again find its way and provide the "commoditie, firmnesse and delight" that Sir Henry Wotton considered to be its essential attributes. Mr Turnor's interesting and balanced views are expressed in very readable prose. His book, illustrated with many excellent photographs, is of the sort that will get little chance to gather dust in the bookcase.

Writer and Clubman

A. E. W. Mason: *The Adventure of a Story-Teller*. By Roger Lancelyn Green. Max Parrish. 272 pages. 21s.

Few people can resist the fascination of a success story. Mr Green's A.E.W. is the character most people would all like to play—the enchanting and exhilarating friend, the brilliant talker, stimulating listener and good mixer—and it is heartening to know that such a Laughing Cavalier of letters could develop from the misunderstood and lonely Dulwich boy, driven into himself by a narrow-minded and domineering mother; stealing from his bed at night to wander for hours about the lonely roads around his unhappy home.

Believing, with Shaw, that the essential information about a writer is to be found in his books, Mr Green displays Mason through the characters who reflect him, and shows how the episodes of his life were progressively woven into the novels. It is undoubtedly interesting to place Mason in his circle of friends and acquaintances—which included most of the literary and theatrical lions of the period—but a connecting list of cricket, croquet, golf and charade parties grows tedious, and the snippets of conversations, which were no doubt brilliantly witty in their time and place, are apt to fall flat. Again, it is instructive to know how the plot of "The Four Feathers" germinated, and the authentic travel experiences which the author incorporated, but tiresome that every scene should be paired with its counterpart in the various houses and gardens of his distinguished friends. This has the unfortunate outcome that the charming, handsome, debonair, elegant Mr Mason, "loved all over the place" and "as big a swell as ever," becomes faintly reminiscent of "intelligent Mr Toad"; and surely the "laugh that was famous in two hemispheres" would ring out in ghostly derision at the suggestion that its owner could ever have provided a "new and matchless jewel to set in the diadem of literature."

Writing was, for him, the means to a good income, and by personal experience, trial and error, and much honest work, he finally evolved the recipe that exactly suited the taste of the intelligent general reader of his day. His very considerable contribution to contemporary fiction is that he was the pioneer of the thriller that was also a novel of distinction, both in style and characterisation. Mr Green's analysis of the various stories from "The Courtship of Morice Buckler" to "The House in Lordship Lane" will therefore be of great interest to all readers who enjoy the Sayers-Allingham-Marsh succession.

The most satisfactory part of the actual biography deals with Mason's passion for mountaineering and his secret service experience. These were his own chosen antidote to a life which he knew to be too easy and stereotyped, and through them we find the fundamental character beneath the versatile and flamboyant "ideal clubman."

Man of Matang

A Pattern of Islands. By Arthur Grimble. John Murray. 250 pages. 18s.

This book is wholly delightful—difficult to put down, laugh-provoking and finished with regret. Those who cherish the thought of an earthly paradise in the coral islands may hitherto have had a sneaking suspicion that actuality would spell disillusion. Here is Sir Arthur Grimble, who went to the Gilbert islands in 1914 as a colonial service recruit, full of romance and Robert Louis Stevenson and empty of leadership, making the best of their dreams come true. His fluent vivid writing needs no photographs to bolster up his descriptions of the islands, for which Mr Pomfret's drawings are an excellent accompaniment. As for the Gilbertese themselves, in writing of them Sir Arthur has at least two major qualities: a deep understanding and an amazing memory for conversation—or at least a gift for recreating it. He lets the people speak for themselves, and incident after incident thus combines the truth of autobiography and travel tale with the excitement of fiction.

And how courteously and wisely the Gilbertese can talk. "Know the roots," said Sir Arthur Grimble's adoptive father to him on his initiation into a clan.

Know the roots and thou shalt know the tree. Know the tree and behold! it shall answer to thy cultivation.

Could the value of anthropology to indirect rule be more pithily and graphically summed up?

Life on the coral islands was, however, certainly not all romance for this Man of Matang (the Gilbertese name for a European) and his wife. A ruined dinner—how ruined it would spoil the reader's enjoyment to disclose—prevented him from finishing a sonnet about the "false values of civilisation" and the "big simplicities" of life with the Gilbertese. One of the refreshing things about this book is Sir Arthur's ability to laugh at his own discomfiture, whether he is battling with officialdom, sharks or the Gilbertese language.

District officers and their wives are certainly better treated by the colonial service today than they were—in the South Seas at least—in the first world war. How different, too, in many respects was Sir Arthur Grimble's job than that of his modern counterpart in, say, Africa: the district officer of today is not even expected to be a leader but has to co-operate with native politicians. Yet how often does Sir Arthur Grimble's account of his life as a colonial servant strike familiar chords: the merry, gentle Gilbertese, "princes in laughter and friendship, poetry and love," suddenly transformed by a self-seeking fanatic into savages destroying their own villages and killing their own race; the courageous native magistrate standing alone against the rioters; the loyal chief *kaubure*, threatened with death, going alone to quell an angry hostile village afraid for its land. Sir Arthur Grimble's book is not all romance and excitement and entertainment; it is instructive as well.

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BATSFORD**Straw for Politicians' Bricks**

The Future of American Politics. By Samuel Lubell. Hamish Hamilton. 285 pages. 15s.

This book, which appeared in the United States early this year, is largely responsible for the widely-held belief that the Democrats can hardly fail to win next Tuesday's presidential election, because they are now supported, permanently for all practical purposes, by a majority of the voters. This belief is based on Mr Lubell's discovery that the Republicans are "on the wrong side of the birth-rate," that it was the children of the prolific immigrants from southern and eastern Europe, coming of political age in the nineteen-thirties, who gave Franklin Roosevelt his victories. In return he—and world events—gave them a prosperity which turned these traditionless voters into traditional Democrats, and lifted them into the conservative class where people vote for the party which has made them what they are provided it can be trusted to keep them so. The Democrats are, therefore, no longer the revolutionary party and the Republicans have so far not gathered enough courage to pick up the torch, although their 1952 slogan—"It's time for a change"—perhaps shows that they are beginning to see where their future lies.

For Mr Lubell does not regard the Republican future as hopeless, although he warns the party that a victory for General Eisenhower would be only a single swallow and that it would need a great deal of consolidation to become a Republican spring. But Mr Lubell does find that the economic strains of inflation and heavy taxation and the emotional strains of the cold and Korean wars have

combined to pull many voters to the edge of, if not right out of, the Democratic orbit. They feel that within it they can no longer be sure of the steadily growing prosperity they have come to expect; and they have reached the economic level where the New Deal sometimes hurts.

Mr Lubell is not, however, much concerned with straws in this year's political wind. What he provides is a whole stack of straw out of which American political prophets will make bricks for years to come. For Mr Lubell has not conjured up his book in the forcing house of a Washington newspaper office or a university political science department. He has dug for it in the individual voting returns of every district in the United States during the last thirty years and he has harvested it by thousands of personal interviews with voters in what he found were the key wards and the key counties. His book contains a fine and easily assimilated crop of surprising facts about why Mr Truman won in 1948, who the isolationists really are, how the farmers and the Negroes really vote, where the South is going politically and about the other basic questions in American politics, many of which were regarded as certainties, not questions at all, until Mr Lubell examined them. There is no need to rush through this book in order to guess what is going to happen in the United States on November 4, 1952, but it is required reading for anyone who wants to understand afterwards what has happened or to guess what is going to happen in 1956 or even 1960.

Judgment Revised

The Forsaken Idea: A Study of Viscount Milner. By Edward Crankshaw. Longmans. 178 pages. 15s.

This short account of Lord Milner's political ideas shows that its hero had a valuable method of considering problems in politics, logically and without prejudice—whatever one may think of his conclusions. Meditation and material have been combined to produce an original study. The "accepted" view of Milner shows a narrow, persecuting imperialist, a bigoted Tory. Mr Crankshaw accepts nothing without evidence; and he can find no evidence for this. He finds him rather a man with an intellect sharp enough to discern what had got to be done to preserve his country as a great power, and a character bold enough to go and do it, as best he could, without regard either for party or for popularity. Because he was genuinely radical, one who looked to the root causes of evils and prescribed drastic remedies, Milner was never wholly accepted by Bonar Law's Conservative party; he was too bellicose for the Little Englander liberals; thus cut off from party, he never rose to the political supremacy his abilities entitled him to. Yet he thought hard about statecraft, all his life; and this book helps to show how well he did it.

Mr Crankshaw is almost oppressed by recent and contemporary problems; he sees Lord Milner as a figure born before his time, who wrestled in South Africa

with a conflict of irreconcilable ambitions of a type that has since become more familiar. He praises Milner for refusing to appease Kruger. Yet his main defence of the war of 1899-1902 is constructed on a more surprising, a more ingenious, and a more tenable position: he succeeds in showing that Milner's main preoccupation was to protect the native peoples of South Africa from Afrikaner dominion. Unfortunately, having cleared Milner from the charge of engineering the South African war for base motives, he tries to clear him from an equally damaging charge, that of having approved Chinese labour for the Rand under grossly inhuman conditions, much more summarily. On the evidence here adduced, it would take a sympathetic jury even to find a verdict of "not proven."

"The Forsaken Idea" does not by any means confine itself to South Africa; there is illuminating new material, for instance, on the fall of Lord Randolph Churchill, and a tirade of Milner's against the system that he once called "the great Downing Street Jelly-Fish!". This is the sort of book that needs to be written and needs to be read, a book that challenges preconceived ideas; a refreshing book, provocative of clearer political thinking.

Palace Quarrel

Lord Hervey's Memoirs. Edited by Romney Sedgwick. William Kimber. 370 pages. 25s.

Politics in the eighteenth century resemble the contemporary comedy of manners, purged of high principles and nakedly materialistic. The tragedies of the seventeenth century conflict were played out and politics were largely reduced to manoeuvres for spoils and rewards. Conventions assigned the leading role to the Crown, which controlled the patronage on which the majority of a Minister in Parliament chiefly depended. There was no conception of party government unconnected with the King. Opposition was equated with disloyalty and faction. Discontented politicians therefore sheltered behind the Prince of Wales, who for his part tasted some of the delights of anticipated power by issuing, as Sir Robert Walpole said, promissory notes. Embittered relations between the King and the heir to the throne were thus a constant factor in politics. If high drama was no longer played on the stage of the House of Commons, melodrama, descending at times to bedroom farce, was enacted in the theatre of the Court.

Lord Hervey's memoirs expose with the utmost candour the effects of this constitutional convention upon the relations of George II and Frederick, Prince of Wales. The memoirs were first published in 1848, but were then censored to exclude "any expression positively offensive to a delicate mind."

In 1931 Mr Sedgwick discovered a full manuscript version, which was published in a limited three volume edition at a prohibitive price. The present volume consists of the memoirs purged, not of their indelicacy, but of the "dead matter" of Parliamentary debates and foreign policy. The result is a highly amusing book, containing all the stories for which the memoirs are famous and at the same time preserving the dramatic unity of the palace quarrel with all its political implications.

Hervey complained that he spent his best years with nothing to do but "carry candles and place chairs," but, like St. Simon, he had an unrivalled observation post. He originally belonged to the household of the Prince of Wales. But his quarrel with Frederick helped to gain for him the favour of the Queen, who poured into his sympathetic and retentive ears her frenzied hatred for her son. In return Hervey wrote a comparison of Frederick with Nero which provided the Queen with many an enjoyable evening. The King emerges from the memoirs as ill-tempered and selfish, despising culture and longing for his Hanoverian parade ground and mistresses. Forced to stay in this island where "he was obliged to enrich people for being rascals and buy them not to cut his throat," he vented his spleen on his family. The Queen's only solace lay

in cultivating her political influence over the King, comforting herself with the reality of power while she publicly submitted to insults and abuse. For this she endured the intense boredom of her husband's company, forced, says Hervey, "like a spider to spin out of her own bowels all the conversation with which the fly was taken."

Lord Hervey, spiteful, effeminate and undisguisedly partisan, was so good a reporter that this book only whets the appetite for a new edition of the memoirs in full at a reasonable price. Politics, even when of purely historical interest, are not, as Mr Sedgwick seems to suggest, necessarily tedious, and certainly not in the hands of Lord Hervey.

Witness of Modern Spain

Unamuno. By Arturo Barea. Bowes and Bowes. 61 pages. 6s.

Bowes and Bowes have added as another monograph to their excellent series of "Studies in Modern European Literature and Thought" this succinct and sympathetic introduction to the work of Miguel de Unamuno and its place in the evolution of modern Spain.

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LONGMANS

against progressive, orthodox against agnostic, isolationist against cosmopolitan—which he interpreted in the Hegelian manner as thesis and anti-thesis; and the whole of his work, whether as essayist, novelist, or poet, is a search for the synthesis that he believed to be inevitable, however remote and elusive. He identified this dilemma with his own inner conflict between reason which denied immortality, and the vital sense which desperately demanded it. He felt it to be his mission to overcome the personal inertia induced by schism and to transmute the victory into a general incentive against resignation, whether in Catholic, rationalist or agnostic:

Let us so act that the Nothing becomes an injustice. Let us battle against destiny even if there is no hope of victory. Let us battle against it quixotically.

He approached the problem of Spain's position as a modern state from the standpoint of social ethics, not of political technique, and his affirmation that the existence of a nation depends on the depth and strength of its roots, rather than on its external power and prestige, brought him into conflict with contemporary statesmen. The essay *En torno al casticismo*, written when he was thirty, contains the nucleus of all his ideas about Spain and the relation between individual and nation, between nation and humanity. It opened a new approach to the war of ideas which then raged between the reactionary traditionalists and the liberal, anti-clerical "europeanisers." Unamuno maintained that there was no contradiction between the genuinely Spanish and the European, since in their roots they were identical: "The eternal Spanish tradition is human rather than Spanish and must be sought in the living present, not in the dead past." He felt that contemporary society, which had sunk into stagnation through rigid seclusion, could be revitalised by the challenge of foreign ideas, but not by slavishly imitating them. His views were apathetically received at first, but later had an enormous influence on the thought of the younger generation.

If it is "impossible to discuss modern Spain without turning to Unamuno as one of the main witnesses," it is equally necessary to consider Ortega Y Gasset. Arturo Barea gives little weight to the intellectual antagonism that existed between these two philosophers who shared the spiritual leadership of their country for half a century, and epitomises the subjective and objective facets of the national character and the two trends of thought that divided the "generation of 1898." Unamuno believed in the salvation of Spain through its own essential substance, which would contribute an ingredient to the wider development of Europe; Ortega is the voice of European Spain, rescued from supineness by the invigorating experience of continental thought. Together they fostered the period of intense intellectual awakening that followed the debacle of the Spanish-American War, and each owed a part of his stature to the fruitful opposition of the other.

Amazonia Through a Magnifying Glass

The Amazing Amazon. By Willard Price. Heinemann. 220 pages. 18s.

This book divides itself naturally into three parts. The first is a pep talk on the potentiality of the Amazon basin, where diamonds are harder and brighter and can be scooped up for the stooping, and gold so abundant that negro slave women used to powder their hair with its dust to give a blond tint; where there are the largest deposits of high grade iron ore in the world, fabulous riches of manganese upon which—according to Governor Dewey—the very existence of America and the free world depends, and oil, which also spells "the difference between a free and a slave world." This Aladdin's Cave is serviced by the largest waterway in the world; "the river that affects Americans more than their own Mississippi; Englishmen more than their own Thames." It is a moving sea, rather than a river, with eleven hundred tributaries, ten of them larger than the Rhine, seven of them a thousand miles long, one of them three thousand miles long with ninety tributaries of its own, the whole draining three million square miles of territory with thirty thousand navigable miles of waterway for ocean going vessels—in short, one can sail twice the distance round the earth without leaving Amazonia.

Bludgeoned by statistical eulogy we concede that it is a big place, and gladly explore it with Mr Price in the second, and by far the most fascinating part of the book, which is a personally conducted tour of jungle, waterway and prairie, in the past, present and future. The author is an experienced traveller

in the wilds, observant, vital, with an appreciative sense of humour and, better still, a sense of human values; he is therefore extremely good company, whether shooting nightmare rapids, trapping a jaguar with birdlime, grappling with a thirty-two foot anaconda, or gossiping about the magical drugs of medicine men, or communal life in a maloca and the charm of Amazon menus. He is never vainglorious.

The final chapters, dedicated to progress, are a saga of the benefits of American development—"trains, planes, automobiles, trucks, steamers, barges, docks, derricks, factories and agricultural machinery for the conquest of the world's last frontier." The Brazilians like this, and one of their Foreign Officers is reported as saying "We are taught three things in school; to believe in mother, God, and the U.S."

These packed pages are full of useful, bizarre or entertaining information, but—are the traveller's tales sometimes rather tall? Some who have dwelt in Amazonia or on its fringe may boggle at oranges as big as footballs, and leaf-cutter ants which demolish a whole plantation in a single night; and marvel that a man could spend two hours with his legs dangling in piranha-infested water and escape with nothing worse than life-long scars. It is unkind to cavil at a certain amount of picturesque exaggeration in so diverting and colourful a whole, but perhaps one could mention that Queen Elizabeth did not have Raleigh beheaded for failing to find Eldorado.

Ducal Ditty Box

My Ditty Box. By the Duke of Montrose. Jonathan Cape. 232 pages. 21s.

Having lived a long and varied life, the Duke of Montrose might well have felt justified in inflicting upon the public a proportionately large volume of memoirs. In fact he has been more considerate and, indeed, has gone rather too far in the other direction. His book is short and is divided into so many chapters on so many subjects that the result is inevitably scrappy—often irritatingly so. To this extent the title "My Ditty Box" is accurate enough, for in his ditty box a sailor keeps an assortment of small personal belongings, some valuable and some not.

The Duke went to school at Eton, which he describes—with a modesty that his fellow Old Etonians may find it a little difficult to accept—as having been made famous by the Duke of Wellington's apocryphal remark about the winning of Waterloo. After only two years, however, he was forced to leave through an accident that left him totally deaf in one ear and very deaf in the other. It is difficult to realise that the rest of the Duke's life has been spent under this considerable handicap. To have spent many years at sea, worked his passage home from Australia in a windjammer, and gained his certificate as a Master Mariner (Square Rig); to have taken an active and highly unorthodox part in

that most unorthodox of all campaigns, the Boer War; to have gone on to become a highly successful company director and chairman, and a leading figure in Scottish public life—these are not inconsiderable achievements. But the Duke's principal claims to the gratitude of his fellow citizens arise from his deep and enduring love of the sea. He was inspired by an early meeting with Lord Brassey to carry on the latter's work of fighting for better conditions for British seamen—an interest which he has kept up throughout his life. And to the Duke also goes the credit both for inventing and designing the first naval aircraft carrier and for reviving the Royal Naval Volunteer Reserve.

For this modest book the author makes very modest claims. It contains, he assures us, no great literature nor anything of political importance. It is intended mainly to give pleasure to his friends; and this it will certainly do. If others feel at times that the book deals rather disjointedly with rather too many of the Duke's multifarious activities, they will nevertheless put it down feeling that they would like to know more of the Duke himself. Perhaps for the unskilled autobiographer this is the path of wisdom.

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The Voice of Experience

The Art of Being a Parent. By Amabel Williams-Ellis. *The Bodley Head.* 192 pages. 8s. 6d.

Si jeunesse savait. . . . The trouble with parenthood, a good many parents would agree, is that it is only by the time one has finished raising a family that one has become really competent to do so. If only one had realised this, or this, or this; if only one had heard, or read, the views of Expert A, and dropped Expert B into the wastepaper basket; if one had had a clearer insight, instead of merely a depressing hindsight, into one's own motives and shortcomings; if one had known where to look ahead and where to take the moment as it comes; if one had had a detached and objective view of conventions; how much more enjoyable family life would have been and how much more reason one's children would have to rise up and call one blessed.

This admirably wise, warm-hearted and lively little vade-mecum of parenthood cannot, it is true, be a substitute for first-hand personal experience; but it stands out from the ruck of its rivals, of the innumerable guides to mothercraft, child psychology, education, and so forth, as a work of art stands out among blueprints. The comparison is, on second thoughts, unfair to such a writer as Susan Isaacs—to whom Mrs Williams-Ellis enthusiastically refers her readers for further guidance; but no one, not even Mrs Isaacs, has previously put the art of parenthood in perspective as part of the art of life. That one is unlikely to be a satisfactory parent if one is an unsatisfactory person in general, and that one is unlikely to be a satisfactory person in general if one is either nothing but a parent or nothing but a provider; this is the unifying theme which threads through the deceptively lightly-written and easy-running chapters on tiny babies, toddlers, school-children of different ages, young things on the verge—or over the verge—of full independence, and on special questions such as play, moral and religious teaching, aptitudes and ideals. (Quotation is almost invidious where so much is so eminently quotable; but it is impossible to resist the temptation, apropos of this last topic, to quote the young person who, when asked about her inclinations, said "I like sitting in a tree and screaming, as well as anything.")

This sense of perspective, this recognition of the fact that parents are human, is both refreshing and illuminating. "The Art of Being a Parent" is not a profound sociological study any more than it is an exhaustive treatise on paediatrics or education. But because Mrs Williams-Ellis sees parenthood, family life, human life in general, steadily and whole, with the unsentimental kindness of experience, parents whether of one day's or twenty years' standing will find in her book more practically profitable reading than a whole specialist library could afford. Two final words must not be left unsaid; first, that "The Art of Being a Parent" is no less entertaining than wise; second, that it is emphatically addressed to husbands as well as to wives.

The Arab League

The Arabs and the West. By Clare Hollingworth. *Methuen.* 273 pages. 21s.

The Arabs in question are the nationals of the states composing the Arab League, though the author writes briefly about Libya and the Gulf protectorates too. There is a long section on Palestine, and chapters on the Arab armies, oil, industrialisation, and Communism.

This is not a book for the scholar, but the information given by the writer, who has considerable experience of the Middle East as a journalist, will appeal to the ordinary reader; he will learn a good deal about the major questions listed above and at the same time entertaining details about, say, the creation and abandonment of Umm Qasr, the smuggling into Palestine through Amman during the war, and the hashish racket in the Lebanon. The description of notabilities, though at times open to question, fills out a vigorous picture.

Some of the judgments are somewhat superficial. To say that "a few more Persians in senior jobs . . . and a few Persian directors, and the Abadan refineries would be working full blast today" is to ignore deep-seated causes which Dr Mossadegh is gradually admitting; and to suggest that we could have eradicated the idea of corruption from the Egyptian character and somehow got rid of the immensely wealthy upper class is to follow shallow Egyptian critics who accuse the British of having interfered in the internal affairs of Egypt and at the same time of having omitted to do things which could only have been done, if at all, by violent and sustained interference at all levels. On the other hand, the writer's uninhibited method results in criticisms which it is healthy to consider: for instance, that among the many thousands of British in the Middle East during the war there were some whose conduct lowered considerably the British reputation for personal honesty; that some Britons condescend to Americans and some Americans are far from helpful to the British; and that if the French were unwise in their Syrian policy, the British were at the last too harsh to the French.

In a sad picture of the closing stages of the Palestine conflict the author represents the British as hesitant and at last as improperly abandoning responsibility, the Jews as incredibly skilful in imposing their version of events on the world, and the Arabs as obstinate, stupid and shortsighted in the management and presentation of their case. She rightly warns her readers that the question of Israel is far from being settled, and that it is the chief element in the suspicion and scepticism with which the Arabs regard the West. She paints again the now well-known picture of the huge gap between rich and poor and the callousness of the ruling classes. But she also emphasises the threat to stability and even to world security which this constitutes, exacerbated as it is by the ceaseless efforts of the Communists, who take advantage of every grievance, general or local, to stir up hatred not only against the statesmen responsible but against the West and in particular Great Britain.

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LEADING ARTICLES

- President above Party - - - 357
- Government Without Enterprise 358
- How Important is Korea? - - - 360
- Third Try for Transport - - - 361
- Stalin's Moslem Empire - - - 363

NOTES OF THE WEEK - - - 365

Tory Triumph; Nye Fawkes Day; New Deadlines for Nato; Dollars for Europe's Arms; Marshal Tito's Straight Left; The Fall in Production; Wage Claims Under Deflation; Eggs Going to Town?; Persia and Communism; The Arabs and Germany; The Cost of Dockers' Security; Americans in Britain; The French in India; Thorez Tarries Awhile; Chemists Against Gambling; Party Split in Nigeria; No More Viking Divisions.

LETTERS TO THE EDITOR - - - 375

BOOKS AND PUBLICATIONS - - - 376

AMERICAN SURVEY

- The General's Victory - - - 381
- College Invasion - - - 382

The Verdict; A Close Shave for Congress; The General Inherits Prosperity; Green Book in the Air; Revolts Behind Bars; Whip-hand Over Credit.

THE WORLD OVERSEAS

- Building Up Indian Industry - 390

Shaping Up at Uno; Statesmanship and the Sudan; Soviet Central Asia—II; Yugoslav Economic Crisis; Indonesia Without Allies.

THE BUSINESS WORLD

- After Monte Bello - - - - - 400
- The Gold Surplus - - - - - 402

BUSINESS NOTES - - - - - 406

Ike and the Markets; The Steel Bill; New Money for Transport; Higher Prices for the Transport User; Freedom for Local Borrowings?; Barter With Brazil; Meteors for Cotton; IMF's New Drawing Accounts; Coal for the Winter; D-Day for Furniture; Recovery in Textiles; Selling the Government's Lead; Stock Exchange Referendum; Stability for Wool; Softwood and Hard Currency; Copper Strike Continues; The Promise of Titanium; Shopping Efficiency and Costs; Growth of "Scheme" Assurances; Butter Output Falls; Looking at Work; Scholarships for Latin America; Revising the Freight Index; Shorter Note.

COMPANY NOTES - - - - - 419

STATISTICAL SUMMARY - - - 420

COMPANY MEETINGS - - - - - 421

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President above Party

THE American people have once again surprised themselves and the world. There is no doubt about their choice of their next President: Americans from every part of the country and from every walk of life want General Eisenhower. It is a measure of his personal magnetism that he was able to overwhelm such an intelligent and inspiring opponent as Governor Stevenson. But there is equally no doubt that in choosing the man the voters have not chosen the party: the wind of popular enthusiasm that has blown the General into the White House has not swept through the Capitol. In the new Congress the Republican majority will be of the narrowest, both in the Senate, where such a result was not entirely unexpected, and in the House of Representatives, which usually reflects the popular majority of the presidential candidate. General Eisenhower has been elected as a national leader and he will be a successful President to the extent that he seizes the opportunity.

When he left Europe in June there were few, either there or in the United States, who doubted that he could, and would, seize such an opportunity. But as the General has campaigned up and down the United States there have been ominous signs that the qualities which have made him respected and beloved as a military leader all over the free world were failing him in the political field at home. It is to be hoped that these disquieting indications are simply the result of his political inexperience, and of the natural pressure to reconcile himself with the dissident wing of his own party and to differentiate himself as sharply as possible from President Truman. If this is so, and from the later course of his campaign it seems justifiable to think that it is, the General should now be able to resume his mission of re-uniting the nation.

He certainly cannot do this by making sharp changes in either economic or foreign policies. If he tried to do so, the facts of today would defeat him. Now that the Republicans at last have the responsibility of office they must recognise this as well. As long as the party was in opposition it could reject, or at least pretend to reject, everything Rooseveltian, but the only way for it to build a positive policy is to admit that two major elements in the Roosevelt revolution are irreversible—close co-operation with other free nations and the American version of the welfare state, which is called the New Deal.

General Eisenhower has made his reputation as an exponent of the first and will surely not jettison it now. The second is a matter of which he has no experience, but it is of almost as much importance abroad as it is at home. For it involves a readiness and an ability to take steps, at the first signs of an economic recession, to prevent it becoming the depression which would drag down the rest of the world even deeper than it would the United States. This may present the Eisenhower Administration with its real test, particularly if by any chance the General should achieve something approaching peace. For even without that the rearmament programme will be levelling off

in the second half of next year and the American economy is already apprehensive at the prospect.

General Eisenhower's first, and perhaps his last, chance of allaying these apprehensions will come when he chooses the members of his Cabinet and his personal staff, especially since he is a man who is known for his habit of selecting good advisers and of relying on them. He comes out of the campaign uncommitted in this respect and he can, if he will, take his pick of good men, who recognise that the Roosevelt revolution has come to stay, but who will bring to it business ability and a conservative approach. They can improve its execution both abroad,

by working out permanent policies, especially on the economic side, and at home, by reconciling the need for maintaining economic stability with fair treatment for capital.

The American voters have put General Eisenhower above his party. If he can pull that party up to his level by making it accept the basic continuity of American policy, he will earn both the gratitude of the world and a place in its political history. It will be a difficult task, requiring clear sight and a strong will, but the alternative is to try to put the clock back. That means inevitable failure and a Democratic victory in 1956.

Government Without Enterprise

THE Queen on Tuesday opened her first Parliament with all the youthful graciousness and sense of dignified ceremony that she has made her own. Yet the brilliance of this state occasion was in sharp contrast to the political content of the speech from the throne. No government programme has conformed more thoroughly to the obvious expectations. It has established beyond doubt that five years in the neutrality of the wartime coalition and six years in opposition were not enough to stimulate British Conservatism to fresh ideas except those that Labour shared. There is apparently no constructive legislation that the Conservatives want and at the same time believe to be practical politics.

Their first programme a year ago contained four major measures. They proposed to undo the nationalisation of steel and of road haulage, to make the Monopolies Commission a more powerful scourge of restraints on trade, and to give the status of permanent legislation to wartime emergency regulations that still cannot be weeded out of British government. Not one of these measures in fact made any progress in the last session, and the Government's reaction is now to shelve the more constructive half of them. Ambitions have certainly shrunk. The two years' stint is to include only one important measure in addition to the denationalisation of steel and road haulage. This—the reform of the Town and Country Planning Acts—will presumably be concerned chiefly with development charges and compensation, and it represents a financial and administrative necessity rather than a deliberate political choice.

If in this session the Government manages to do what it intends, its legislative achievement after two years in office—effectively, after half its probable life—will amount to little more than the undoing of one of its predecessor's measures, the Steel Act, and of parts of two others, the Transport Act and the Planning Act. Such a programme should not be condemned merely because it is slight—the volume of legislation is not the main measure of a government's worth. The reason for disappointment is the content of the legislation the Tories do propose. If legislation is to be slight, it is the more important that the bills should be well chosen.

The test to be applied is simple. What is the contribution of the proposed measures to the main needs of 1953, and in particular to the task, as defined in the Queen's speech, of "placing the national economy on a sound foundation"? The financial proposals for town and country planning are as yet unknown, but they are bound to be of subsidiary importance. The two denationalisa-

tion measures merit some welcome. The Transport Bill has been considerably rewritten, and it is now reasonable to hope that, when this Parliament has finished with them, both the steel industry and the transport industry will have greater opportunity for efficient operation than they have at present. But denationalisation is still open to the same charge that was made against nationalisation. To say that it is irrelevant to the country's immediate problems is an exaggeration, but a pardonable exaggeration. The Conservative proposals for steel and transport should on balance do good, but they are of less than first importance.

A year ago it was possible to take a kinder view. The two measures of denationalisation could be seen as part of a general programme for restoring some competition and vigorous enterprise to the British economy. The third, and much more important, item in this programme was the promised bill to strengthen the attack on monopoly. Without that general reform, the two particular measures for steel and transport are of much less weight. There is a case for them. The Government's anxiety to include denationalisation among its first accomplishments is good politics; after the disappointments of the last session, and in face of the bitterness of Labour opposition, its decision to undertake no more than two major economic measures this year is probably wise. But it is unwise in these circumstances to choose both the denationalisation bills and to postpone or perhaps abandon the general measure against monopoly.

That is regrettable in itself. The Conservatives are leaving aside one of the few forms of legislation that could give effective impetus to efficiency and enterprise. They are suggesting once again that they do not really believe in competition, that the most substantial of their modern concessions to liberalism is still little more than lip-service. And, secondly, the dropping of the monopoly bill makes denationalisation far less convincing. If the programme for this session consisted of either the Steel Bill or the Transport Bill in combination with a general measure against monopoly, ministers could hope to persuade the public that in denationalisation they are genuinely concerned about efficiency as well as about private ownership. By that means they would go a long way towards undermining the main obstacle in their path, the Opposition's threat to renationalise steel and road transport at the first opportunity. If the Conservatives had convinced independent opinion that

there is some connection between the Steel and Transport Bills and the needs of economic efficiency, they would have robbed this threat of most of its sting. Instead, they have drifted into a programme that elevates denationalisation to a place of primary importance in their legislation. It plainly does not deserve such prominence.

The British Conservative party is not, in fact, the prisoner of mysterious "vested interests," but it has a peculiar genius for providing its opponents with plenty of opportunity for asserting that it is. By sticking to denationalisation while it abandons action against private monopoly, it exposes itself to the charge of acting from purely party motives. It is this suspicion that provides some sort of justification for the purely party reply that Labour makes; if the suspicion were less strong the Opposition could get nothing but discredit from its threat to retaliate by nationalising steel and transport again.

★

This is the Government's mistake in political strategy. It is considerably multiplying its difficulties in Parliament, and weakening its chances of making private enterprise in steel and road transport permanent, by trying to carry out both these measures in one session at the sacrifice of a more general and more important purpose such as the strengthening of the Monopolies Commission. The error in strategy is important because it reflects the deeper weaknesses that still trouble the Government. A year in office has done no more than six years in opposition to clear the Conservatives' minds about what they want to do. They are still being chased by events—such as the necessity of doing something about leaseholds—rather than working to a plan. They find themselves now in a happier political situation, and the country in a more favourable economic position, than they could have hoped six months ago. From the by-election at High Wycombe (which is discussed on a later page) it appears that, thanks perhaps to Mr Bevan rather than to their own virtues, the Conservatives have fully regained the popularity they lost last winter. And thanks partly to Mr Butler's policies and partly to good fortune, the British economy has not only been snatched from disaster, but can look forward with some confidence to at least some months of comparative ease in paying its way abroad.

There is no reason to think of this as more than another breathing-space, and it plainly ought to be taken as an opportunity for framing bolder policies. In fact, ministers seem to be treating it rather as a chance to sit and wait. Admittedly the tasks in economic policy call as much for administrative as for legislative action. There will be necessary discussions with the Commonwealth countries and perhaps afterwards with the United States and with Britain's partners in the European Payments Union. Mr Butler will try to prepare a Budget at once tough and invigorating. But while these things are important, they are not enough. All that Mr Butler is likely to achieve by cutting Government expenditure will be fully offset if Mr Macmillan succeeds in building more houses, as the Queen's Speech promised. The measure that could now make the biggest single contribution to "the task of placing the national economy on a sounder footing" is not a simple matter of administration. It is in some way to allow rents to rise—to reform or at least to relax a control that has become entirely unrealistic—and it requires legislation of a peculiarly difficult kind.

One of the lessons of High Wycombe, as of the by-election at Cleveland a fortnight ago, is that such measures of economic realism as cutting the food subsidies do not provoke the bitter opposition that Labour propaganda had frightened the Tories into fearing. They ought to take heart and tackle the strangleholds of rent control and the housing subsidies. But no such legislation is proposed. This omission is as great a weakness in the Government's programme as the dropping of the Monopolies Bill.

Mr Churchill's Government has done rather better, and indeed promises rather better, than seemed at all likely after the failures and hesitations of its first six months. It will now be under strong pressure to pause and see how things turn out—if not to curry favour by relaxing its policies against inflation, at least to abstain from any new economic discipline. Yet the first duty of ministers is constantly to remind themselves and their followers of one hard fact: There is no reason to assume that the trend of political opinion and of improvement in the balance of payments is permanent. When the difficulties of the export trades are growing sharply, the policies that saved Britain from the crisis of last winter—above all, restriction of imports—cannot be expected to remain sufficient. The first year of Conservative Government has to its credit a fairly successful rescue operation. But almost nothing has been done to restore enterprise and initiative, to create the incentives to efficiency, or to stimulate a massive increase in productivity. Those are the real foundations on which a solvent and secure economy—and an alternative to Socialism—can be built.

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How Important is Korea?

OUTSIDE the United States a good deal of disquiet has been aroused by the prominence given to the question of Korea in the presidential election campaign. There has, undoubtedly, been some cause for this disquiet. Whenever a country's foreign policy is made a punchball for partisan buffets, whenever contenders appear to have committed themselves to future action of a vaguely defined kind, its allies must await the issue with some anxiety; and the anxiety is bound to be considerable when the country is the strongest member of the partnership, the most energetic, and the bearer of the greatest burdens. Britain, France, and the other countries that have joined the United States in going to the help of South Korea could not but wonder, while the election fever raged, whether the American Administration that is shortly to take office would not emerge from the battle of ballots committed to some arbitrary course. There is, in fact, no commitment, save that the President-elect has undertaken to visit Korea.

But this focusing of attention on Korea has been both justifiable and necessary. It is still doubtful whether public opinion in Britain and in Europe has grasped the true significance of the fighting in Korea. It is taking place on the opposite side of the world and in one of the few areas where British and European interests are not immediately affected; it is all too easily pigeon-holed in European minds as remote and essentially an affair for Americans. On this side of the Atlantic, people are well aware of the dangers that an extension of the Korean conflict would involve, but they are not easily persuaded to look closely at the conflict itself. This is a most dangerous attitude. The war in Korea is much closer to the world situation than is usually understood in this country. Not only is it the first genuine attempt to make a reality of the dream of collective resistance; it is also a struggle in which the greatest of the powers are deeply involved. Indeed, the most extraordinary feature of this extraordinary war is that for over two years it has been successfully prevented from spreading. The essence of the present world conflict has been compressed into a microcosm within the fragile geographic framework of one country. This restriction of the war has avoided infinite hurt to the world; but it has had the effect of veiling its universal significance.

Yet, if America's allies have too often thought of this as an American war, so, too, have many Americans. Even Mr Eisenhower, that veteran of the grand alliance, has allowed himself to discuss the issue in terms of purely national politics. True, the United States has borne and is still bearing a greater share of the burden than all of the other nations that have come to the aid of the Koreans. But the contribution of the other allies has not been negligible; and the moral authority given to the campaign by the United Nations has been of even greater importance. The fact that this is a United Nations war should be foremost among the thoughts of the President-elect when he seeks the way out of it that he seems to have promised.

What will his first approach be? During the election campaign, Mr Eisenhower undertook to visit Korea in person if he was the victor. Mr Stevenson's answer was that the key to the problem lay in Moscow,

not in Korea itself. There was some justification for both attitudes. Certainly, neither Moscow nor Peking has ever entrusted the Communist spokesmen at the Panmunjom truce negotiations with any power to adjust themselves to the United Nations' terms. Although the gap between the opposing sides at Panmunjom has been finally narrowed down to the single issue of the Communist demand for forcible repatriation of all prisoners, there is no indication of an early truce. It is tempting, therefore, to conclude that the only hope of progress lies in transferring the negotiations from the Korean paddyfields to some more august meeting place, where a broader view can be taken and the question of the prisoners seen in proper perspective.

It must be asked, however, if the full implications of such a move have been taken into account. If a major political conference were now convened to seek a solution to the wider problems connected with the Korean war, its agenda would not be easily restricted. It would have to discuss the political future of a Korea on the hazardous path towards eventual unification. Guarantees against a new Communist coup would have to be secured before the question of free elections could even be discussed. It would also have to deal with Communist China's demands both for wider recognition and for a seat in the United Nations—not an ordinary seat but one equipped with the power of veto. The question of Japan, with which the Communist powers have not yet concluded a peace treaty, and whose incorporation into the Pacific defence system they have bitterly opposed, could hardly be sidestepped; nor could that of Formosa and the future of Chiang Kai-shek and his army. Even this would not exhaust the catalogue. The United Nations embargo on the export of strategic goods to Communist China might presumably be lifted if that country ceased to attack UN forces, but there would remain the issue of the general system by which the free nations control strategic exports to the bloc of Communist states, a system that vitally affects trade between China and Japan. And no settlement in the Far East would offer much hope of finality unless it comprised some means of securing Indo-China and other threatened areas in South East Asia against the expansionist aims of their great neighbour to the north.

Before embarking on, or even considering, any discussions of this wide scope, the non-Communist countries should recall their bitter experiences last year. Then, encouraged by indications that the Soviet government was willing to discuss the main causes of European tension, Britain, France and the United States sent representatives to meet Mr Gromyko in Paris in the hope of working out the agenda for a conference of foreign ministers. For fifteen weeks talks dragged on at the Palais Rose without result; between the first meeting and the seventy-fourth Mr Gromyko sounded new depths of invective; and when, at one point, the western delegates found a formula to which even he could not object, he dragged in new and unacceptable conditions. This sterile affair carries a salutary lesson. It should suffice to warn the free nations against entering upon a similar

marathon in the Far East. No purpose will be served by transferring the debate from Panmunjom to pandemonium.

This is not to say that a general Far Eastern settlement is altogether impossible—if Stalin is so disposed, which is most doubtful. But three essentials for successful negotiation must be noted. First, there must be no oriental version of the events at the Palais Rose; if the Communists are not disposed to be reasonable over an agenda, they are hardly likely to come to terms when matters of substance are reached. Secondly, the principal allied nations must be fully agreed in advance not only on their first moves, but also on the line of conduct they would adopt if, as is almost inevitable, their first proposals were rejected. If any differences were allowed to appear between the United States, Britain and France—to say nothing of their other partners—the Communists would certainly do their utmost, in accordance with Marshal Stalin's latest directive, to widen these rifts. Mr Eisenhower and Mr Dewey may already have raised the Communist price by showing such eagerness to end the war. And it must be questioned whether, in the light of the present situation in the Far East, the major allies are yet prepared to submit themselves to such a searching test.

Finally, the most dangerous enterprise of all would be to enter into a general conference on Far Eastern issues

without first achieving at least an armistice in Korea. Given the apparent deadlock at Panmunjom, the temptation to do so is strong. There is undoubtedly something to be said for removing the problem from the jaded and embittered truce team and handing it over to fresher negotiators in some less frustrating setting. But, whatever is done in this direction, there should be no embarking on a general debate until the guns have first been silenced. To discuss the fate of the whole Far East against a background of killing would indeed be negotiation under duress. In addition to giving the Communists a chance to continue the war—a course from which they have shown themselves not at all averse—such a widening of the discussions would place them in exactly the right position to use their favourite and familiar tactics of threats and of division. Each of the allied negotiators would be under strong pressure from its own people to halt the bloodshed by accepting terms that the others might find unacceptable; while their antagonists, to whom life is cheap, could haggle indefinitely.

The Korean issue is, indeed, not only more important but a great deal more complex than is generally supposed. The entire civilised world most earnestly desires the earliest possible end to the fighting; but if it is bought at the price of betrayal of the Koreans, of disunity between their allies, and of maladroit entanglement in a dozen other Far Eastern issues, it will be bought dearly.

Third Try for Transport

AN interval for reflection and consultation has produced some improvement in the Government's Transport Bill. It does not call for the castigation that was accorded, in these columns and elsewhere, to the White Paper proposals last May and to the first draft of the Bill in July. But that does not mean that the new Bill is a perfect piece of draft legislation, or that it goes to the roots of the problems of public transport in this country. It is still based primarily on the need, in the Government's view, to return the Transport Commission's road haulage services to private enterprise, in order to secure better service to those who send their goods by road. This act of disposal remains the predominant purpose of the Bill. But the Government has at least listened to those who asserted that "freedom" for the roads should go hand in hand with at least some degree of greater "freedom" for the railways. The main virtue of the Bill is to be found in the steps—tentative though they undoubtedly are—towards this end.

In substance, the methods proposed for selling the Commission's road services to private bidders remain very much as they were. At the same time, the Commission will have to discharge the task of selling its road haulage assets, under the watchful eye of a disposals board and the Minister, and also provide a public service "without avoidable disturbance to the transport system of the country"—as unrewarding a task as ever faced a public body. It is still permissible to doubt whether bidders will come forward for more than a part—and perhaps only a relatively small part—of the Commission's road haulage fleets, even when allowance is made for the automatic granting to the purchasers of the right to a five-year "A" licence free of any mileage restrictions. The Bill, after all, promises greater latitude in the granting of both "A" and "B" licences in future, and

the repeal of the 25-mile limit at the end of 1954. Those who purchase vehicles from the Commission will thus have a comparatively short special advantage. There will no doubt be attractions in acquiring some of the trunk services now operated by the Commission, but unless private operators can expect to secure much greater economy than the Road Haulage Executive (which has made considerable progress towards greater efficiency despite the disappointing financial results that have come from its operations) they are likely to confine their bidding for the more remunerative services, and leave the Commission to continue to operate the less desirable ones.

Thus the political gesture of "freedom" for road haulage may, or may not, decisively change the structure of the road haulage industry as it has developed during the last five years. A publicly owned operating body is likely to remain in existence at least for some considerable time to come; perhaps the Government, in drafting the Bill, have kept this in mind, not merely as a possibility but as something that is positively desirable. If the auction of road vehicles were to go badly—and there is nothing in the elaborate disposals machinery that guarantees that it will go well—a road haulage service in being will still exist to continue to meet the public need. It would be the greatest irony of all if private buyers proved insufficiently enterprising to take more than a modest proportion of the Commission's vehicles; certainly, in framing their bids they will have to take into account many changes in road haulage costs that have occurred since private enterprise enjoyed its heyday in the industry.

But these considerations are in no sense new; they go back at least to the Conservatives' election manifesto

and to the spelling out of the Government's transport proposals in the White Paper last May. The really new feature in the revised Bill is the attempt to pay some attention to the economic problems of the railways. The Government has at last come round to seeing that greater freedom on the roads should imply some relaxations for the railways. The idea that a liberated road haulage industry should pay a perpetual levy to bolster the still-restricted railways has mercifully been dropped; it was as loudly opposed by the one as it was bitterly resented by the other. In its place there is a new principle which is important so far as it goes. The railways are to be freed from at least part of the traditional restraints—which date from days when they were effective monopolists—on the charges that they are allowed to make for their services. The Bill provides that the railways shall no longer have to charge all customers the same rates for the same service; they will have to publish their maximum charges, but they will be free to seek business at lower rates without any of the old prohibitions against undue preference or inequality of charges.

This is clearly a step forward. The question to be asked is whether it goes nearly far enough. A careful reading of the Bill suggests that this greater degree of commercial freedom will not begin to be effective until a "charges scheme" is in existence and has been approved by the Transport Tribunal. Five years have passed since the Labour Government's Transport Act contemplated a two-year period for the formulation of charges schemes; there is still no charges scheme for freight traffic. It is difficult to see how any more or less rational scheme can be devised until the disturbance arising from the severing of road haulage from the Commission is over. Are the railways, then, to wait, conceivably for several years, before they are allowed to take this first relatively modest step towards commercial freedom? Why is it left for traders who assert that they are bound to railway transport to seek redress against "unreasonable or unfair" charges and for road hauliers to complain against "uneconomic charges made with a view to eliminating competition" when the railways are to have no similar opportunities of protest against the actions of their suppliers and competitors? The essence of this greater freedom—and it is only a modest gain, at the most—is to ensure that it works. The Bill appears to take especial care that it will work only under the most inhibiting circumstances. The idea of greater freedom for the railways has at last got its toe in the door at Berkeley Square House. But it will have to push a lot harder at old fears of monopoly power before the railways can enjoy a real access of competitive freedom.

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Something of the same inhibition is to be seen in the proposals for reorganising the railways. The 1947 Act already provides considerable power to change the character of the managerial forms under which public transport has operated; decentralisation and the revision of the functions now carried out by the Railway Executive—which the Government intends—could be secured with comparatively little trouble under existing powers. But the Government's view appears to be that the future organisation of the railways will require much detailed consideration and a corresponding amount of time. The

Commission has to prepare a scheme and submit it to the Minister; it is then open to the public (including specifically among "the public" the National Coal Board) to make representations. The final shape of the organisation will then be embodied in a formal scheme approved by Parliament and unalterable except by the consent of Parliament.

This method is laborious, time-consuming, and wrong. The organisation of the railways is undoubtedly a matter of public interest, but it is not for that reason a matter on which public intervention is likely to be useful. Nor is it wise to enshrine in quasi-permanent form the organisation of the railway industry at the outset of what ought to be a new phase of commercial opportunity. The basic needs of an efficient railway organisation are, at bottom, relatively simple. There must be an effective dispersing of commercial and operating decisions by a process of decentralisation; there must be some retention of central management power on matters concerned with wages, charges and technical standards; and there must be, above all this, a body that concerns itself, not with management, but with the direction of broad policy. What the Bill apparently proposes, instead, is to let everyone with the remotest concern in railway transport have their endless say about the management and direction of the industry. This is a question not for bargaining or plebiscite among railway users, but for the Minister himself.

In some important respects, the new Bill is a considerable advance on its unfortunate predecessor. But it still fails to provide the conditions under which rail and road transport can compete on more or less equal terms. The crux of the matter is to be found in the degree of public obligation that will repose on the two forms of transport. The railways are to provide public freight services, with some useful but limited easing of old obligations about publication of rates and equality of treatment. The road haulage industry is to be left untrammelled by public obligation, free to carry whatever loads on whatever terms it chooses. Such obligations may not in practice put the two forms of transport in competitive parity—as witness the sharp differences in fares and services on long-distance passenger working by rail and road. Any form of transport loaded with the public obligation to provide service when many people want to travel, or when few people want to travel, is bound to incur wastes and increased costs that are avoidable only by turning traffic away at the peaks, or by refusing to provide a service when there is little demand. Regulation of the passenger services has not removed the anomalies between the obligations of rail and road; regulation of road haulage services would be as unlikely to provide equal conditions between rail and road for handling freight.

If, therefore, there is logic in a new experiment towards greater freedom for the different forms of transport, let it be freedom that is conferred equally upon the railways. The public may not care for all the implications of such freedom, particularly because it would have to pay more when the services it demanded cost more; the railways would no doubt argue that in hard practical fact they can never vary their charges to accord closely with differences in the costs of the different services that they provide. But, in the end, that is what "freedom" and "competition" really imply, and it is a signal defect of the Government's new Bill that it leaves out of consideration the terms on which road and rail can best serve the country in competitive and efficient rivalry.

Stalin's Moslem Empire

IN a world dominated, but by no means fully controlled, by two giant powers, one of the most important of the secondary forces that appreciably affects the balance of power is Moslem nationalism. Today this force is exerted effectively against the West alone. In Persia, Egypt, Tunisia and Morocco hatred of Britain, France or the United States assumes violent forms. In the rest of the Arab world and in Pakistan it is latent. Only Turkey is a friend of the West, because Turks recognise the real source of danger to their independence, their freedom and their Moslem civilisation. Persian and Arab nationalists, though themselves no friends of Communism, gladly repeat every Moscow-made rhetorical phrase about "western imperialism" without asking themselves whether there are not imperialisms other than "western" which rule over Moslems, or other systems to which such words as "oppression" and "exploitation" are more applicable. Not only Arabs and Persians, but Europeans and Americans, show little interest in the thirty million Moslems ruled from Moscow. The iron curtain is especially thick around Baku and Tashkent; yet enough is known to give some picture of what Moslems can expect from an extension to their lands of the benefits of Stalinism.

The great majority of the Soviet Union's Moslems are akin to the Turks; about two million are of Iranian origin, while the smaller nations of the North Caucasus are ethnical curiosities, unrelated to any nation of the outside world. The Soviet Moslems occupy an honourable place in the history of Islam. For long periods in the Middle Ages Turkestan was a centre of splendid civilisation. In more modern times, the Tatars of the Volga valley were pioneers of modernism and democracy in the Moslem world, exponents of Turkish nationalism forty years before Kemal Atatürk. In the days of "reactionary Tsardom" they were able to maintain contact with their fellow-Moslems in the rest of the world. Since the triumph of "liberating anti-imperialist Bolshevism," and more especially since the consolidation of Stalin's autocracy, they have been denied access to the Islamic world; and now the Islamic world seems to have forgotten them.

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The successive twists of the party curve in Moscow have brought no relief to its Moslem subjects. The first years of Bolshevik rule were marked by the great famines in the Volga basin and Turkestan, in which some millions of Tatars, Bashkirs and Central Asians perished. In the twenties, though Moscow's official policy of resistance to "Great Russian chauvinism" was to some extent applied in the Ukraine and Transcaucasia, this was not the case in the Tatar lands or in Turkestan. In the thirties even the official doctrine changed; thenceforth "local bourgeois nationalism" was pronounced a more dangerous "deviation" than "Great Russian chauvinism." Since then Moscow has made no genuine attempt to stop Russian officials of the Communist party in Moslem lands from using their powers to promote russification. At least a million Kazakhs, over one-third of the total number in the world, starved when collec-

tivisation was imposed. The purge of 1937-1938 fell more heavily on Moslem Communists than on Russian Communists resident in Moslem lands. Almost without exception, the leading Central Asian Communists were "liquidated." Tens of thousands of Tartars and Caucasians, both in and outside the party, were swept away to prison or labour camp.

The war brought a certain relaxation of totalitarian pressure on the Russian people: they suffered and died, but at least they were allowed, and even encouraged, to show pride and love for their country. But not the Moslem subjects: the NKVD, no doubt with good reason, regarded them as potentially or actually disloyal. Various reprisals were taken against them. The climax was the crime of genocide committed against the Chechen people of the north Caucasus. Because Chechen guerrillas had continued to fight the Soviet forces during the war (the rebellion had started before Hitler invaded, and was neither organised nor inspired by him), the whole Chechen nation was held collectively guilty of treason. Early in 1944 men, women and children were rounded up by the special troops of the NKVD, some were shot and the rest deported in railway trucks to an unknown destination, in the Russian winter.

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Soviet propagandists make much of the economic modernisation of Central Asia under Soviet rule, an account of which is given in an article on page 394. Many Persians and Arabs have fallen for the Stalinist *mystique* of breakneck industrialisation, and compare this "progress" with the "stagnation" under western rule. They do not inquire how it was effected. The skilled workers and engineers were brought from Russia and the Ukraine. The unskilled labour force consisted of uprooted Uzbeks and Kazakhs. The industrial wealth produced in Tashkent or Alma Ata goes not to enrich its people but to swell the resources of the totalitarian state machine with its centre in Moscow. Colonisation is not confined to the importation of technicians and skilled workers. Russian and Ukrainian peasants have been settled on the Kazakh lands, whose former inhabitants perished, together with their livestock, in the famine of the early 1930s. The Uzbeks and Tadjiks have been forced to cultivate cotton in place of grain. There was much to be said in favour of this course, for climate and soil are ideally suited to it. But Soviet policy had two unattractive features. First, it pushed cotton production to the point at which Central Asia was deprived of its own cereal supply; food had to be imported from Siberia, and Moscow thus held the weapon of famine to cower the people of Turkestan. Secondly, the income from the cotton crop went not to the growers but to Moscow. The kolхозes of Turkestan, like the kolхозes of Russia, had to pay their tribute to the government grain agencies and to the machine tractor stations. The proceeds of what was left sufficed to keep the peasants alive, but little more.

It is possible that the Central Asian peasant is not worse off than the peasant in the more remote country districts of European Russia. It is possible that the

citizens of Tashkent are better clad than those of Minsk. But the lion's share of what the peasant and townsman of Central Asia produce goes to Moscow. Egyptian nationalists have often inveighed against the excessive devotion of their nation's agriculture to cotton, which was furthered under British rule; but no one has suggested that Britain forced Egypt into submission by the threat of famine, or that Egyptian cotton did not fetch a good price. (That Egyptian peasants have too little land is another matter, and is not a result of British rule.) And whereas Egyptian politicians and farmers could and did curse the British before and after Egypt became independent, Uzbeks know from long experience that those who criticise Moscow's cotton policy thereby unmask themselves as bourgeois nationalists, with all the consequences that follow.

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Soviet propaganda also makes much of the advance of education among the Union's Moslems. That there has been an advance cannot be denied; but the nature of the advance is not so well understood. Illiteracy is still widespread among Central Asian peasants. In the towns the great majority can read and write; but secondary and higher education, of which the statistics are at first sight impressive, are largely designed for the local Russian population. That instruction is given in Russian is not unreasonable. An Uzbek who aspires to be a doctor, or an engineer, or a scientist must clearly know Russian; and it would not be easy to arrange lectures on atomic physics in Kara-Kalpak. But the fact that in 1938 at the University of Alma Ata, in the Kazakh SSR, only a quarter of the students were Kazakhs is

revealing. Since the war educational facilities have increased; so also has Russian colonisation. As for the content of education, it is the same in Stalinabad as in Stalingrad, Stalino or Stalinsk: it is neither Kirgiz nor Ossetin nor Russian, but Stalinian. Especially in recent past, falsification of history has been the main feature of Soviet education in the Moslem territories. The north Caucasian hero Shamil, who for many years resisted Russian invasion in the 19th century, has been posthumously unmasked as an Anglo-Turkish agent. The revolts of the Kazakhs and Kirgiz against Russian conquest were not struggles for freedom, but reactionary rebellions, led by obscurantist beys and mullahs, against the progressive and civilising mission of Russia. Surely in Egyptian and Algerian ears this phrase has a familiar ring?

The leaders of Arab and Persian nationalism are the young intelligentsia, the product of western economic and cultural influence. This Moslem intelligentsia, like the Russian or Balkan intelligentsia of fifty or twenty years ago, is both attracted and repelled by the West, eagerly accepts its cultural benefits yet rejects its political domination. The contrast between his own twentieth century life and the medieval squalor in which his people lives impels the Moslem intellectual to revolutionary protest against an unjust society; and since this society is, or seems to him to be, created or maintained by western power, it impels him to fight against the West.

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Similar forces may well be at work in Soviet Central Asia, too. The Russian connection has brought modernisation to Turkestan, but it has also brought oppression. The contrast between the commissar in Tashkent—be he Russian or Uzbek—and the peasant in the cotton-growing kolhoz beyond the city precincts is different from, but not less profound than, the contrast between the Cairo bourgeois and the fellah in the Delta village. It is precisely the educated Uzbek, who owes most to Soviet society, who is most likely to be aware of the conflict between the interests of the Uzbek people and those of Moscow. Some Uzbek intellectuals will no doubt be completely assimilated, becoming *homines sovietici* and ceasing to be Uzbeks; but the experience of other empires—for example, of Austria-Hungary and British India and French Indochina—suggests that these will be exceptions. Most Uzbek intellectuals, even if they are members of the Communist party, will not cease to be and to feel Uzbeks. The ever-recurring purges in the party and in the administration of Central Asia, and the attempt to deprive the Soviet Moslems of their history, provide strong indirect evidence that this is so. Soviet industrialisation and education in the Moslem territories create explosive forces that are dangerous in the long term. No one is better aware of this than the Soviet leaders.

Meanwhile, the secret police are powerful and the Soviet Moslems are cowed. Meanwhile, the Persian and Arab nationalists will pursue their struggle against the West. It will have to be decided according to the merits of the case and the relative strength of the antagonists. But one would like to hope that the students and lawyers of the Middle East sometimes remember their brothers in distant Samarkand, who have no access to the tribune of the United Nations.

NOTES OF THE WEEK

Tory Triumph

It is now unquestionable that a remarkable change in political opinion has taken place during the summer. At High Wycombe this week the conditions of a general election were as nearly reproduced as is ever possible in a by-election. Both sides treated this marginal constituency as if the life of the Government were at stake—as, indeed, it might have been: a heavy defeat at Wycombe would certainly have exposed the Conservatives to the risk that a few more by-elections might destroy their slender majority. The electors on both sides responded nobly; 84 per cent went to the polls, only 2 per cent fewer than at the general election last year. And the Conservatives did not merely hold a seat that they had failed to win in the close contest of 1950, and then gained by only 1,750 votes last year. They increased the majority by 350. As a percentage of the votes cast, the Conservative majority increased from 3.34 per cent a year ago to 4.08 per cent this week. That is to say, the net result is equivalent to 0.37 per cent of the voters changing sides.

This slight swing of opinion in the Government's favour occurred also in the Cleveland and South Belfast by-elections. Although in themselves these are less significant than Wycombe, they make it impossible to attribute the result there to particular circumstances, such as the quality of the candidates. It appears that ministers have at last regained their popularity of a year ago, and after the difficulties they have encountered they are entitled to be greatly gratified.

What has offset the almost inevitable tendency for opinion to move against the party in office? Among the various explanations that have gained currency, two have a ring of reality. First, it seems likely that Labour propaganda, at the general election and since, was over-played. After all the charges that the Tories would bring mass unemployment, misery and war, there are now people who are pleasantly surprised to find that in fact the welfare state goes on much the same under Mr Churchill as under Mr Attlee. Secondly, the public has perhaps taken rather more note of Labour's internal quarrels than that party's optimists had supposed. It seems a reasonable guess at the mood of the floating voter to say that if in the past twelve months he has not developed any fresh liking for the Tories, he has found even less reason for renewing any confidence in Labour. The Government's success is relative to the Opposition's failure, but the margin is real enough.

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Nye Fawkes Day

Mr Aneurin Bevan could hardly have had a worse day than November 5th on which to come forward as the challenger of Mr Morrison for the deputy leadership of the Parliamentary Labour party. He thus advertised the struggle for power within the Labour party on the very day when the swing of opinion against Labour in the Wycombe by-election was recorded. Fairly or unfairly, that is bound to draw upon Mr Bevan's head many reproaches for his part in weakening the unity of the party. This is unlikely, however, to affect the outcome of the ballot for the deputy leadership. Mr Bevan would in any case have got the support only of his ex-groupers; and they can be counted on to rally to him despite Wycombe. But the coincidence of his advertising of the party split and the failure in the by-election may well do some damage, at any rate for the time being, to his standing in the Labour party at large. Even the Bevanites in the constituencies are reported to be concerned at the electoral damage which the party controversy is causing.

Mr Bevan's reasons for opposing Mr Morrison at this stage

are not clear. He could have fully satisfied his supporters by standing for one of the twelve places on the party's Parliamentary Committee—which he intends to do in any event, once he has been defeated in the contest for the deputy leadership. The most probable reason for his challenge to Mr Morrison seems to be that he is preparing the ground for future contests. If he comes forward as a candidate for this very important post year after year he may hope to stake a claim, if not to become Mr Attlee's successor, at least to be Mr Morrison's successor. He is apparently relying, despite the High Wycombe result, on the belief that the tide of opinion in the party will run his way. And whatever disabilities Mr Bevan may have, a reluctance to aim too high is not among them.

Meanwhile, the leftward drift in Labour policy certainly continues. At the party's first meeting in the new session Mr Shinwell obtained his colleagues' support for the demand that there should be an inquiry into the length of National Service. There are also signs that more and more Labour backbenchers are preparing to challenge the Government's actions in Kenya. It may be that Mr Attlee will eventually feel strong enough to keep his followers from irresponsibility, but he is a long way from that point as yet.

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New Deadlines for Nato

Some of the missing links in the North Atlantic Treaty Organisation began to take shape last week when, for the first time, the three members of the military Standing Group came over from Washington to Paris to confer with the fourteen Permanent Representatives. For some time, the civilian heads of Nato, including Lord Ismay and the chairman of the Atlantic Council, Hr Ole Bjoern Kraft, have been concerned over the tenuous liaison between the political and the military wings of the organisation. Although the Standing Group have taken part in full-dress meetings of the Council, co-ordination between such events has been poor. Matters came to a head during Operation Mainbrace, the recent naval exercise in Scandinavian waters, when it was found that the governments concerned had not been adequately consulted. Assurances have now been given that nothing of this kind will occur again, and some of Nato's smaller members have also been heartened by the repetition of the pledge that the general strategic plan aims at defending the territory of all fourteen. But a good deal of ground remains to be covered before Lord Ismay's thesis that the Council's relationship with the military authorities should be that of any government with its generals, becomes a reality.

Nor will Nato have much time to consider these matters in the coming months. Events are pressing in upon it. The next plenary session of the Atlantic Council will begin on December 15th, and the Standing Group will return to Paris before that date to examine the military aspects of the organisation's annual review. But, in spite of great efforts by the secretariat, it is still doubtful how complete the review will be by December. Most member nations were late in replying to the annual Nato questionnaire and some, including Britain, have still not provided their contributions for the review. This is a direct consequence of the drastic revision of rearmament schedules decided upon during the summer. In view of the scale of that revision, the Nato planners will be left in a position of great embarrassment if the information is not forthcoming by the middle of December. In this unhappy conjuncture of events, the one encouraging factor for the heads of the organisation is that the new President of the United States will not be a man whom it is necessary to educate and indoctrinate in the aims and methods of the Atlantic alliance.

Air Subscription Rates for 1953

Owing to increased costs, some increases in air subscription rates to *The Economist* will have to be introduced from January 1st, 1953. The countries affected are:

Australia : £8 5s. (sterling)	Malaya : £6 15s.
Hongkong : £7.	New Zealand : £9.
Japan : £9.	S. America and W. Indies : £7 15s.

The substitution of an airfreight for an air mail service to Egypt makes it possible to reduce the air subscription rate to £5 5s. Rates to all other destinations remain unchanged:

Anglo-Egyptian Sudan : £5 5s.	India, Ceylon : £6.
Canada : \$21.50 or £7 14s.	Iran : £6.
East Africa : £5 5s.	Iraq : £6.
Europe (except Poland) : £4 15s.	Pakistan : £6.
Gibraltar, Malta : £3 15s.	Union of S. Africa : £5 10s.
Gold Coast & Nigeria : £5 5s.	U.S.A., \$21.50 or £7 14s.

Dollars for Europe's Arms

Figures published last week by the Mutual Security Agency afford a closer look at the way in which American off-shore purchases have been operating over the fiscal year 1951-52. Although original estimates had suggested a figure of about \$680 million, the actual value of off-shore procurement came to \$729 million. The total was devoted to arms for Nato countries and the figures do not include orders placed directly on behalf of the United States forces. The lion's share of \$350 million went to France, and this would suggest that American dissatisfaction with certain features of the French armament industry had not then crystallised. What is more disturbing is the fact that \$46.6 million of \$65 million allocated to aviation industries were earmarked for France. Why one should concentrate on developing French alternatives to extant British prototypes, or why the weight of expectation should bear on the Mystère IV when the Swift will have a far better performance it is difficult to explain. Questions of national pride and the general wish to give work to French aircraft factories seem to have influenced MSA's decisions.

Over the period 1951-52 Italy received \$140 million worth of off-shore orders and the United Kingdom came third with \$75 million. It is interesting to note that Swiss industries benefited to the extent of \$34 million, whereas the share of Western Germany did not exceed some \$10 million. The bulk of off-shore purchases was made up of munitions and high explosives and a major fraction was allocated to shipping and harbour installations. The fact that only \$7 million were devoted to small-arms suggests the extent of the disorder and indecision which have prevailed in that whole domain, especially in plans for standardisation.

The latest programme for off-shore procurement, which will cover 1952-53, has not yet been issued in detail, but there seem to be a number of shifts of emphasis. The six EDC countries may receive more than \$620 million worth of orders, and it is expected that greater attention will be paid to defence production in Belgium and Western Germany. Nor have the details of the aircraft section of the programme been as yet worked out; but it appears that the problem of incorporating British engines in airframes developed and produced on the Continent is one of the main points under study. If the Ottawa conference on armament were to provide a solution to the riddle of standardisation, moreover, the effect on the allocation of off-shore purchases would not be long delayed.

Marshal Tito's Straight Left

At the sixth congress of the Yugoslav Communist Party, held in Zagreb this week, the impression of cautious confidence and muted self-satisfaction has been in marked contrast to the atmosphere of fear and uncertainty at the last congress, held just after the break with the Cominform in 1948. In the past four years Yugoslavia has changed a great deal, and in ways which to an orthodox Communist must seem startling and sometimes hard to stomach. Marshal Tito, Mr Kardelj, Mr Djilas and others have this week tried to explain these changes to the Party. It would have been more clearly and easily done if they had not chosen to justify them in terms of Marxist ideology rather than on the obvious grounds of Yugoslavia's needs.

Since the Communist Party is the only potential source of effective opposition to the Marshal, it is essential that he should carry it with him in all the new developments the country is undergoing. It was, of course, a foregone conclusion that the congress would officially endorse the leader's policy; a' the same, it would seem that the Marshal's lead is accepted willingly by the majority of party members. How many, like Neskovic, who was recently expelled from the Politburo, belong to the small minority who do not, is

anybody's guess. But the repeated insistence in this week's speeches on Yugoslavia's independence of both east and west, on aid without strings, and on Socialism as a prelude to Communism, reflects perhaps not only the Yugoslav leaders' own principles, but also their desire to outrage their comrades' feelings as little as possible. At the other extreme, Marshal Tito complained about "some obsolete ideas from the west" which had been introduced into the party because of mistaken interpretations of the newly granted freedom. It is hard to see how he can expect his followers to be exposed to western influences—even carefully selected ones—without being affected by them.

The virulence of this week's attacks on Soviet policy, on the Soviet system, and on Stalinism and all its works, seems to dispose effectively of rumours that still crop up that Marshal Tito might accept a compromise with the Soviet Union. For the first time he spoke openly of the Party's task "of waging a struggle against Cominform Soviet revision of Marxist theory and practice on an international level." What exactly he means by this in practice is hard to say—perhaps a determined attempt to split the western Communist parties. But it is a significant sign of the strength of his belief that for him and his supporters there is no way back to the Soviet fold.

The Fall in Production

In 1947 Dr Dalton publicly wondered at the contrast between Britain's internal prosperity and buoyant public finances, on the one hand, and the chronic weakness, on the other hand, of the external balance. In 1952 the welcome, if precarious, return of external stability contrasts with an ominous budget deficit and with a sharp decline in industrial production. This decline, which now amounts to close on 10 per cent compared with last year, dramatically reverses the whole postwar trend. The Opposition has not been slow to point what it sees as the moral; Mr Gaitskell demanded last week that the Government "take steps to arrest the decline and to restore the increasing production which took place continuously under a Labour Government." More and more is likely to be heard of the argument that tighter credit is responsible for reduced production, and therefore that this and other measures against inflation ought to be relaxed.

No one can be complacent about a decline in production. Even apart from the particular hardships of actual unemployment (which, however, remains by any standards extremely low), the physical need for higher output is so obvious that even a slackening of the rate of progress, let alone an actual reverse, would be cause for distress. It is still necessary, however, to draw some distinctions. As Mr Butler said last week, "What we need is not just production irrespective of what we produce . . . but production of those things that the world's markets will buy and our industry's growth and progress at home require." One of the penalties of long-continued inflationary pressure is precisely that its indiscriminating stimulus to production results in an assortment of products, and a corresponding assortment of workers and resources in general, that is increasingly inappropriate to the real needs of both home and foreign markets. It therefore calls sooner or later for just that kind of halt, back-tracking and redeployment which is so unpleasantly apparent today.

Many of Britain's export difficulties can, indeed, be traced to precisely the same readjustment in other countries. To speed and to smooth the necessary redeployment, both here and in the rest of the sterling area, is the way to restore the rising trend of production, and to put it this time on the surer foundation of genuine demand and realistically ascertained costs which only stable money can provide. If this urgent task of economic statesmanship is not accomplished, the respite in Britain's international economic troubles, and



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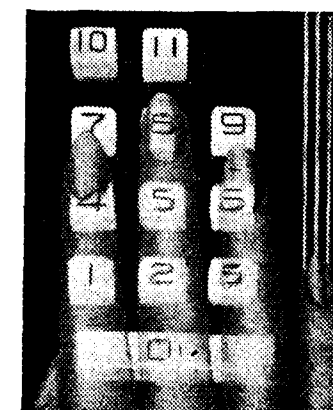
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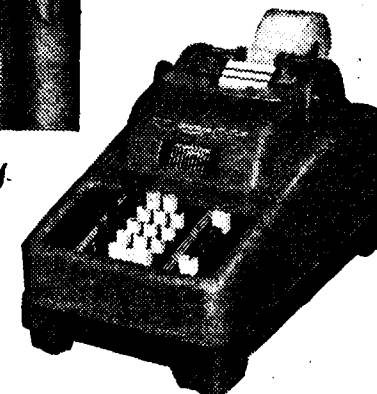
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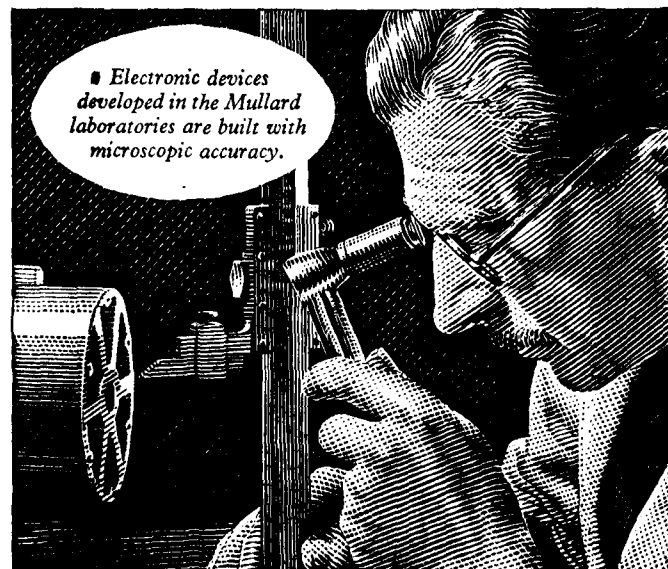
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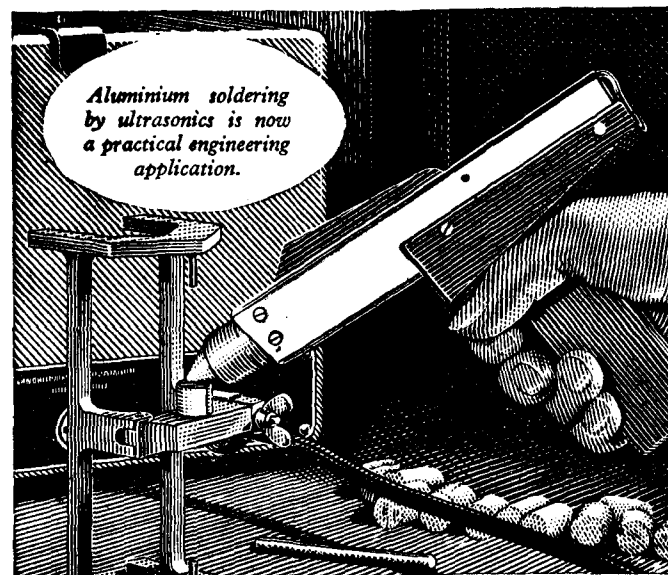
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those of the Commonwealth, will prove to be short. But this is the very reverse of a case for returning to the inflationary conditions that made the present decline in production inevitable. Even were the British Government sufficiently foolish, it could not count on the same convenient folly simultaneously afflicting those nations with which Britain trades. Mr Gaitskell, at all events, should know better.

* * *

Wage Claims Under Deflation

A return to realism in wage claims is reflected in the miners' quiet acceptance of the decision of the Porter Tribunal to award them no increase at all. It is true that the findings of their own arbitration tribunal are binding on both sides of the industry, and that the union's next step will no doubt be to formulate a new claim. But it is nevertheless remarkable that, apart from the protests of a few pits and some refusal to work the voluntary shift, there has been none of the aggressive bravado that prompted the original claim for an all-round rise of 30s. a week.

The tribunal's case for making no award is that although, since the last wage increase in November, 1951, there has been a 6 per cent rise in the cost of living, it would be wrong to allow wages to be controlled by minor movements of the index. In any case, the miners were over-compensated in November for the rise in prices; and as compared with 1947, when the industry was nationalised, their earnings have far outstripped the cost of living. From October, 1947, until August of this year, the cost-of-living index rose from 101 to 137; but the average weekly earnings of mineworkers rose from 100 to 162, or from £7 10s. a week to £12 3s. The miner is highly paid in relation to the rest of the industrial community—as indeed, he should be, in view of the unpleasantness and hazards of his occupation. Output per manshift has risen from 1.07 tons in 1947 to 1.19 tons in 1952, and this is not all due to increased mechanisation. But the tribunal pointed out that the miner's share in this increase had already been recognised in the award that was made last November. Finally, it was opposed to any interference with the existing wage agreement at a time when the whole wages structure of the industry is under review.

Arguments about the "fairness" of a wage increase can rarely, however, be decisive. The case for paying the miners more in the national interest has become less strong as the shortage of miners has become less acute. The Coal Board's original target of 750,000 has not yet been reached; there were 720,661 miners in August. But for many months past more men have been entering than leaving the industry, and the rate of recruitment is as great as the industry can at present absorb. Moreover, while the shrinkage of Britain's export markets makes it essential to avoid a general rise in industrial costs, the miners' claim could be met only by raising the price of coal by 5s. a ton, and it is doubtful whether any of it could be recouped by charging more to foreign importers of coal. At home and abroad the shortage of coal has been eased by a fall in industrial activity. In deciding their next step, the miners, like the engineers and shipbuilders, thus have to face the fact that they are no longer in a position to enforce extravagant claims.

* * *

Eggs Going to Town?

It is strongly rumoured that the Minister of Food is going to abolish next spring the egg allocation scheme that has worked so badly in recent years. Nearly half the eggs produced in Britain are failing to pass through the Ministry's hands—that is, something like 4,000 million eggs a year, or three times as many as Britain imported in 1951. The Ministry's distribution has broken down so completely that

the public no longer thinks it wrong to organise a private pipe line direct from farm to breakfast table, and to try to go back to enforcing the scheme now would therefore require a whole army of inspectors.

But decontrol will not be simple. First, it will mean removing the subsidy, now paid on a dozen eggs. Secondly, the special allocation of eggs to young children will have to be discontinued; but there will be no need for this welfare service once adequate supplies are available in the shops. Thirdly, price control will have to be abandoned if demand and supply are to be equated. The Treasury is unlikely to allow eggs to be imported freely to satisfy all demands. But to free prices would eventually raise difficulties with the farmers. Eggs are one of the foods governed by the Agriculture Act of 1947, which, although carefully and vaguely worded on the question of prices, stated that a market must be provided for home producers, and that they must receive a reasonable return. These two conditions have been interpreted as implying that an annual price should be agreed between the Government and the National Farmers' Union, and farmers will be loth to abandon this procedure.

It is to be hoped that the Government will not be intimidated by these difficulties. The townsman has endured long enough a system which, under the pretence of securing fair shares, restricts him to one stale egg a week.

* * *

Persia and Communism

The last convoy of cars from the British Embassy has crossed the Persian frontier, and with it there has disappeared the serviceable counter-weight that successive Persian governments have used for the last 150 years to offset pressure from Russia. Dr Mossadegh still retains some substitutes for it, chief among them the United States Embassy, which is far more sensitive than its British counterpart to talk of an imminent Tudeh menace. Another is the Shah, who is being pushed this way and that while his family and friends are exiled and while a Senate that was largely his creation is shorn of dignity and power; his position is now meaningless except as a symbol that Dr Mossadegh does not actually intend to pave the way for Soviet puppets. A third is M. Camille Gutt of Belgium.

Two months ago Dr Mossadegh informed the mission of UN experts, now in Iran under the technical assistance programme, that he wanted them to engage an eminent financier to advise him. M. Gutt is a financier in a different category from Dr Schacht, who was already being consulted. He was lately head of the International Monetary Fund, and before that an adroit finance minister in his own country. He agreed to accept the Persian invitation as a piece of international service; he will spend two months in Teheran and has equipped himself with a team of four experts: two Belgians, one of whom is an expert on taxation, one American professor and one financier from Salvador. Both of the latter worked for him in the Fund. This team is subject to the general regulations which govern service to member

A SURVEY OF INTERNATIONAL BANKING

1952

will appear in next week's issue

states by UN officials and has no executive power. It will merely make a report on which action could later be based.

It therefore joins the long, long trail of advisers—the Millsaughes, the Morrison-Knudsens and the Overseas Consultants Incorporated—whom Teheran has employed but never used because to carry out their advice would have unpleasant consequences. Yet, by its very presence in Teheran, it adds one more layer to the paper-thin rampart that now stands between the Mossadegh government and the pressure which Moscow is building up through the Tudeh party.

* * *

The Arabs and Germany

The Arab League is this week urgently summoned to meet and discuss Germany's payment of reparations to Israel. Some members have already exercised pressure on Bonn to get the process stopped before the Bundestag ratifies the agreement. The protests range from letters from the Mufti to a diplomatic Note handed over last week by General Neguib in person; and official objections have been lodged by an Arab League delegation at present in Germany. Arab reasoning is as usual simple: Israel's economy is shaky and all Arabs hope that it will not only pine but die; anyone who injects it with the elixir of life is, therefore, their enemy; fourteen annual instalments of German goods, delivered free, constitute just such an injection. In any case, the Arabs add, why should one government take payment of a debt that is owed to world Jewry, and why should not Israel's share be paid to the Arab refugees, who are Israel's victims?

This protest puts the Germans in something of a predicament, for they are in any case divided on the merits of the reparations agreement. One school of thought, firmly led by Dr Adenauer, is for pressing it through in order to expiate Hitler's crime towards Jewry; and certain industrial circles support it because it promises big orders unhampered by payment difficulties. Its opponents hold that Germany cannot afford to make such a payment; and their ranks are now swelled by a group that corresponds to the one-time Baghdad railway enthusiasts, men who see a bright future for German trade and influence in the Arab countries. The accompanying table shows that effort along these lines has already produced results:

	\$000		
German exports to	1950	1951	1952 Jan.-June
Egypt	19,143	29,712	18,734
Syria	7,104	7,659	4,902
Lebanon	...	3,947	2,117
Iraq	335	2,261	2,038
Persia	9,272	19,945	11,091

Though the credit requirements, particularly of Egypt, have hampered the process of expansion, there is an obvious market for an efficient deliverer of heavy equipment which Germans would be loth to lose.

The Federal Government is rightly angered at the way the Arabs have abused German hospitality by lobbying business circles against the agreement. But, as a result of the Arab pressure, the Federal Government has now submitted a counter-proposal to the Arabs. The content is secret, but it presumably offers to review the list of goods to be supplied, in the light of the Arab fear that it includes war potential. The biggest items in it are, for the first instalment, machinery, manufacturing and electrical equipment, rolled steel, iron and ferrous metals; next year, oil deliveries will be added to the list. The Arabs have actually threatened retaliation by the boycott of German goods, but Dr Adenauer need not take this too seriously. For the Arabs need Germany just as badly as Germany needs them: they like to be in a position to equip themselves (or to threaten customary suppliers that they will do so) from a source that is free from the taint of "western imperialism."

* * *

The Cost of Dockers' Security

One of the effects of the fall in imports and exports is the mounting expense of the dock labour scheme, by which dockers on the register are able to draw a wage whether or not there is work for them to do. On November 1st the levy paid by employers to finance this scheme was raised from 16½ per cent of dayworkers' wages to 22½ per cent. This is the highest levy since the National Dock Labour Board was established; it compares with a rate of 11 per cent during 1951 when full employment was at its height. It is also getting very near the limit of 25 per cent beyond which the Board cannot raise the levy without permission from the Minister of Labour; and it is long past the point where the Board has had to consider whether it should declare some dockers redundant. The number of men drawing pay without working varies widely from day to day, but it is now seldom less than 9,000 and sometimes reaches 20,000.

The demand for dock workers can change very suddenly, and the Board is therefore reluctant to disperse labour until it seems certain that trade will not return to the level of 1951. It is also unwilling to shake confidence in the security of a job that it was brought into being to "decasualise." It had hoped to hold the fort by stopping recruitment and by not replacing dockers who left. But at 78,000, the labour force is only fractionally smaller than it was in the third quarter of last year, although considerably below the peak of 81,000 reached at the turn of the year. The men are reluctant to leave an occupation which in good times can bring in as much as £20 a week. Other work is not always easy to get—

least of all in Liverpool, which like other ports receiving much general cargo, is particularly badly hit.

It is, however, in the interests of neither the dockers nor the country that the present situation should continue. The docker's minimum wage of £4 8s. a week was intended merely to tide him over short-term fluctuations, not as a more or less permanent dole. It is not enough to support a family; yet the docker is unable to draw national assistance because technically he is not out of a job. The national aspect is equally unsatisfactory. The higher levy adds to the cost of imports and so raises the cost of living; but, far worse, it adds to the cost of exports just when it is most important to keep them competitive. The board may be right to delay as long as it can, but if by the end of the year there is no reason to foresee a revival in trade it will be time to reduce the labour force in the docks.

* * *

Americans in Britain

The Visiting Forces Bill went through its final stages last week and Great Britain has now followed Canada in completing its obligation under the North Atlantic Treaty to give member countries jurisdiction over their own forces wherever those forces may happen to be stationed in the treaty area. The principle of the Act is not new. Corresponding rights were given to Commonwealth countries over their own troops here in 1933, and to Allied countries as a temporary measure in 1942. But this Act is intended to be permanent, the forces covered by it are mainly those from the United States, and the debates last week did not escape completely from some air of anti-Americanism.

The Act is less drastic than the wartime measure; visiting forces are not given anything in the nature of practical diplomatic immunity. The service authorities and courts of visiting Nato countries have exclusive jurisdiction over their own men for anything done by them while they are on duty, and for any offence solely against their own property or against another member of their own forces. To the extent to which any man is tried by his own service court, the jurisdiction of British courts is excluded, for he cannot be tried again for the same offence by a British court. Subject to that, British courts have the same jurisdiction as they have over other foreigners, and the normal police powers of arrest remain in force, although the man arrested may have to be handed over to his own authorities. A separate section of the new Act gives the Ministry of Defence responsibility for settling all civil claims that arise as well, and the Home Secretary promised to make this as widely known as possible.

The Opposition sought to amend the Act in order to exclude from its scope the visiting forces of any country that did not give reciprocal treatment to British forces stationed there. The debate thus became very much a demand that the Government should not apply the Act to United States forces here until the Senate has ratified the Nato agreement on which it is based and Congress has passed an equivalent measure. The Home Secretary replied that there was no constitutional difficulty in the way of corresponding American legislation, that the President had asked the Senate to ratify the agreement last June and that the necessary legislation for Congress was in preparation. The amendment was defeated on a division. It would be unfair to suggest that all MPs who voted for the amendment were anti-American, even on that occasion—as Mr Chuter Ede rightly said, it is possible to be pro-British without being anti-American—but there is something unreal, and petty, in the suggestion that Congress in the United States is likely to act more quickly if it is told that the threat of a British gaol hangs over American servicemen here until it does. Is this country likely to pass a sharp sentence of imprisonment on, say, two American sailors were they foolish enough to steal a taxi-cab and rob the driver of thirty shillings? Not at the moment, anyhow.

The French in India

It would seem odd if there were a sovereign Indian community embedded, say, on the French Atlantic coast—odd, because it is the Europeans who have spread into Asia, not the Asians into Europe. But there would be no automatic reason for Paris to demand that Delhi must now give it up, particularly if the Indian position in such a territory dated back for nearly three hundred years. Although Mr Nehru's complaints to the United Nations about the little French possessions on the Indian coast and his direct protest to the Portuguese about the continued existence of Goa have the trend of modern opinion on their side, they do not have the backing of any form of international law.

The dispute, nevertheless, is one which the French should approach more open-mindedly. They may be under no obligation to give up their traditional little enclaves in India; they are certainly not obliged to evacuate them just because the British have left. And Mr Nehru, for his part, is undoubtedly piling Pelion on Ossa by bringing this dispute before the United Nations so soon after doing his best to help queer the French pitch in Tunisia. But is it always wise to stick too rigidly to one's lesser rights in a fast changing world?

There is an emotional and geographical simplicity in the Indian claim. The Indians may have spoilt their case by rejecting the idea of holding plebiscites, but there is impartial evidence that the terroristic methods employed by vested smuggling interests in the French territories would probably invalidate the verdict of any plebiscite. What really matters to Paris, however, is the wider question of relations with India as they affect Indo-China and Tunisia. If France gave up its Indian territories, it would have taken a step towards encouraging Mr Nehru to recognise Bao Dai, with all the added prestige which that would bring to the Vietnamese administration. In the bitter struggle over dependent territories as a whole, M. Schuman can ill afford any policy which helps unnecessarily to consolidate the African-Asian bloc against France.

* * *

Thorez Tarries Awhile

Despite fervent expectations to the contrary, it now looks as if M. Thorez may yet winter in Moscow. The welcoming posters and floral wreaths on Paris walls may wilt before the return of "France's beloved son and leader, Maurice." In some quarters it is being argued that his health is not as yet entirely restored; but, as the anti-Communist group "Paix et Liberté" has put it: "Thorez se trouve beaucoup plus résistant qu'en 1940." It may be that he does not wish to return before a solution has been found for the Marty-Tillon affair. He could then return as the leader of a united and purged Party without having to interfere in an internecine struggle which has profoundly bewildered numerous Communists. A man with M. Thorez's military record might feel embarrassed about expelling heroes of the Black Sea mutiny and the Resistance. On the other hand, would he enjoy seeing M. Duclos take all of the credit for solving a sticky situation? A third possibility is that Stalin does not wish to risk the imprisonment of M. Thorez should the French Government abrogate the parliamentary immunity of leading Communist deputies.

This delay is causing acute embarrassment to the leader's French disciples. Everything had been prepared for a rousing welcome and, although the giant rally scheduled for November 7th in the Velodrome d'Hiver has not as yet been cancelled, the faithful will have to be satisfied with a mere speech by M. Duclos. Nevertheless, party loyalty to the leader is unshaken—"our Maurice is always with us, even when away." M. Lecœur, the conscience of the party, has been preparing for his continued absence by developing the thesis that great leaders have a sacred duty to stay away from danger in order to be around on the day of ultimate triumph.

The Queen's Speech

Nothing will be more easy than for the Government to frame a speech for the Queen, in which they shall evade the real question at issue. They may congratulate the country upon its great prosperity—the agriculturist upon his improved condition; they may refer with approval to the great relief from taxation which the country has obtained during the late Parliament; and they may ask the faithful Commons of the New Parliament to revise the taxation of the country with a view to the best interests of all classes. They may do all this, and Free Trade may be as far as ever from being safe in their keeping. Many opinions may be held as to what constitutes the "best interests of all classes." There are many reasons why such an issue should not be taken upon the Address. In the first place, there is naturally a strong desire on the part of the House to be unanimous in addressing the Queen. In the next place, the speech is by custom so general and vague that it may mean anything or nothing with reference to a special policy; and it would be difficult to frame an amendment with such precision as would meet the requirements of the case. Nothing short of a direct attack upon Free Trade, or of a professed adherence to Protection, would appear to render an amendment upon the Address desirable. But if not in that form, we entirely agree that it is necessary as soon as possible, in some other, to have this question for ever set at rest. If Ministers will do it voluntarily themselves—if they will frankly renounce their former views as erroneous, and espouse Free Trade as a wise and beneficent policy, which they will not only maintain but extend, so much the better. The object of the extra session will be gained, and the country may fairly wait the production of their measures. . . . This is, in truth, the great practical object to be gained by the meeting of Parliament at so unusual a time. Our commercial and financial policy must no longer be left in doubt or suspense.

The Economist

November 6, 1952

Whether the five Communist deputies will have their immunity raised will not be decided for two or three weeks. Meanwhile, by jailing opponents of the Indo-China war, such as Le Léap, the trade union leader, and by allowing the police to ransack the homes and offices of Communists (including deputies to the National Assembly) the government has seemed to be losing its head under criticism. By its growing tolerance of brutality and disregard for due process of law, the government is playing directly into Communist hands. There is nothing as effective as a dose of martyrdom for transforming the embarrassed and ridiculous position of the French Communist Party into the cornerstone of a united front.

Chemists Against Gambling

The majority of chemists will have nothing to do with the Ministry of Health's scheme for paying them a little faster. The Ministry has fallen nine months behind in its pricing of prescriptions; it had, therefore, asked all chemists whether, for prescriptions issued between February and May inclusive, they would accept payment on the basis of the average cost, as calculated by the Ministry, of the prescriptions issued by them during the preceding four months. By this means the Ministry calculates that it could pay the chemists about five weeks earlier than would otherwise be possible. It also estimates that the chemists would stand rather more than a fifty-fifty chance of gaining on the gamble, and most of those who lost would lose less than 2d. on each prescription.

Tuppences, however, multiply into substantial sums, and chemists who lost on the deal would hardly find consolation in global averages. Sixty-five per cent of them have therefore rejected the scheme, including two of the largest firms—Messrs Boots and Timothy Whites. Only 18 per cent accepted, and 17 per cent did not reply—their silence, not very justifiably, being taken as consent. With so few acceptances the Ministry is hardly likely to go ahead with its scheme. The chemists evidently feel that, having waited nine months for their money, they may as well wait five weeks longer; that the Ministry has got itself into this mess by greatly underestimating the number of prescriptions in the first year of the national health service; and that no individual chemist should suffer in consequence.

All this seems reasonable enough. The Ministry may slightly reduce its arrears of work when it deals with prescriptions from June onwards. Since the charge of 1s. came into force, the number of prescriptions has been much lower than it was in the same months of last year. But the saving may be partly illusory; patients have been getting their doctors to write everything they need on one prescription form, and compendia of medical supplies and flagons of medicine may mean just as much work for the Ministry's pricing bureau. The bureau can now keep pace with current work. But it looks as if there will have to be some new thinking about the problem of arrears.

Party Split in Nigeria

Nigerian political parties have been notoriously fissiparous in the past, and they are still kaleidoscopic in their tendency to group and regroup. At present a series of parallel developments is taking place both within and without the two major parties, Mr Awolowo's Action Group and Dr Azikiwe's National Council for Nigeria and the Cameroons. So far, the Action Group is monolithic in the Western Region, and is even making an assault on the North where it is attaching to itself some of the minor political

groupings. Much more interesting, however, is the report that the leadership of the National Council may be in dispute. There have been rumours of a split behind closed doors, which may have far-reaching personal and political implications. At its annual conference held early in October, the party formally agreed, in private session, to give the Macpherson constitution a trial; but great opposition has been reported to this decision, and a campaign to reverse it was begun by the national secretary of the party, who is said to be hand in glove with Dr Azikiwe.

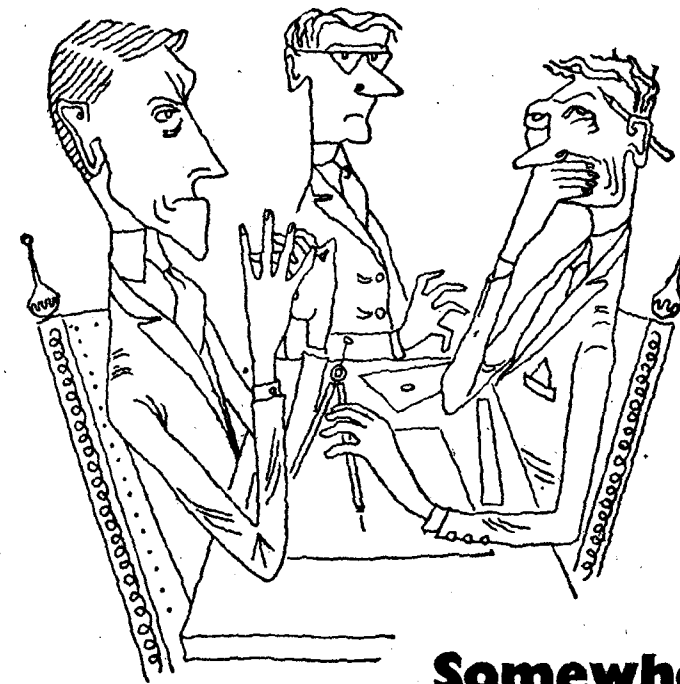
The split, if there is one, may be symptomatic of a cleavage between the "parliamentary" leadership, that is, the National Council ministers in the Nigerian Government (of whom Zik is not one) and the party organisation. If this cleavage becomes more pronounced, it may well increase the insecurity of the ministers and therefore of the Government. In African politics, it is only too easy to earn the label of collaborationist or "Uncle Tom," and huge drafts on the political courage of the National Council ministers would be required if it came to an open break with Zik and, even more, with the Zik press.

The question for Nigeria is whether, if the main parties split and change, anything resembling "western" politics will emerge from them or in their stead. In this context, it is interesting to note the growing attempt of the "intellectuals" to get together in a radical Socialist (but not Communist) party. This is the first attempt in Nigeria to base a party on Right or Left.

No More Viking Divisions

The incident of General Ramcke's outburst against the western powers at the recent rally of the Waffen SS is closed as far as the British Government is concerned. But it would be a mistake to conclude that the British disposition to let bygones be bygones is reciprocated on the German side or that the Verden episode was either the first or the last of its kind. The Waffen SS and other Nazi organisations that were condemned wholesale in 1945 are not content to let matters rest now that the western powers require German help. They demand that their national and personal grievances against the Allies and Dr Adenauer's government shall be redressed, with what amounts to an acknowledgment of "guilt" from their former enemies. It is somewhat as if the police were sued for damages by everyone they had arrested, whether criminals themselves or unwilling accomplices; they could not afford to submit but would have to bring up the facts of the case and take a firm line. This at some time will have to be done by the British Government as well as by the German authorities. The issues of the past will have to be fought out again, as the moment comes for deciding the form of the future German army.

Some former leaders of the Waffen SS, it should be noted, are not only demanding pensions and the release of imprisoned comrades, but claim a special place of honour as the foremost fighters against Russia. The Viking Division, formed out of the Fascist and German volunteers from the occupied territories, is being held up in some quarters as the prototype of the European army. It is well to recall once more that the Waffen SS was the military arm of the Nazi party, dedicated to the religion of Germanic racial domination. Its mission was not so much to destroy Communists as the "subhuman" races of Eastern Europe and, above all, the Jews, in order that Germans might settle on their territory. The SS commander, Hönmler, made no secret of his orders that German predominance must be ensured by killing, say, all Polish professors and taking away all children that showed signs of Germanic blood. This, like the liquidation of Jews in the west as well as the east, was regarded as an honourable task by the Waffen SS and the special *Einsatz-Kommandos* in those demented days.



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Letters to the Editor

British Motor Industry

Sir,—In your review of the motor industry, you draw attention to the fact that the 750 cc Renault (and the Volkswagen) is produced at a greater rate than any British car, while the machine equipment is probably as up-to-date at the Renault works as at any British factory. During a recent visit to the Renault factory I collected a remarkable broadsheet issued to all their workers describing their 1951 results in relation to world competition; one of the figures given is that the average age of their 21,780 machine tools in 1951 was 15.7, by comparison with 20 in 1944. This figure is not, of course, directly applicable to the 750 cc, but I wonder how many managements here know the average age of their tools?

Incidentally, the Renault leaflet about their "cruiser-weight" Frégate gives details similar to those in your tables, comparing its accommodation and performance with those of their domestic and foreign rivals in this field: this is a practice I believe no British manufacturer has so far adopted, presumably on the grounds that they do not yet believe world competition strong enough to make dog eat dog if it can.—Yours faithfully,

BOSWORTH MONCK

London, N.1

*

Sir,—The article in your survey of the motor industry under the title "The right roads for Britain" seems to beg a few questions. It may be asked whether the projected motorways would in fact prove to be an economic proposition. You have referred to the savings, partly of course attributable to fuel and other taxes, in running costs which result from a good road-building scheme—and indeed more such may be highly desirable; but no one would suggest that the savings on a national system of motorways would be on anything like this scale. Against these savings must be put the effects on other sections of the nation's economy.

On 1949-50 figures a simple calculation will show that the direct loss of agricultural production due to the construction of a new motorway would be at the rate of about £350 per mile per year. The consequential loss due to severance cannot easily be estimated, but would certainly be substantial. Is our balance of payments position so favourable that we can lightly disregard an annual loss of agricultural production of the order of half a million pounds?

The effect of the motorways plan on the railways should also be taken into account. Lower traffic receipts on British Railways might have a serious effect. As a possible alternative to the motorways scheme might it not be asked whether the use of modern methods of handling could not give to the railways sufficient flexibility to attract traffic back from the roads. This

at least could be done without depleting the nation's resources in other directions.—Yours faithfully,

H. JOHN TOOBY

Bramford, Nr. Worcester

*

Sir,—It is unfortunate that the survey in your issue of October 25th fails to recognise the real difficulty facing British exporters in the European markets. It is not that they cannot produce a cheap and efficient car, but just the fact that the Dutch, Belgian and Swiss peoples would rather buy a German car than one of British manufacture. They did so before the war and do so now. By comparing the Volkswagen, the car constituting the greatest competitive danger, with one or two English models, we find that not only are the English models cheaper, but also that they are more efficient mechanically and of superior appearance, not to mention comfort which is entirely non-existent in the Volkswagen.

For example, the Austin A 30 which costs £355, the Ford Prefect which costs £370, and the Ford Anglia which costs only £313, are all superior in many respects to the Volkswagen which costs £382. In other words, the problem of the motor industry is not to produce a cheap and efficient car, which it already does, but to demonstrate the quality of British cars to European buyers.—Yours faithfully,

H. MEYER

Chandler's Ford, Hants

Ultrasonics in Industry

Sir,—Non-destructive testing is particularly vital to industry at a time when raw materials are in short supply and competition on the increase. You rightly point out the potentialities of ultrasonic flaw detection, but it is necessary to stress that it does not replace or even compete with other forms of non-destructive testing.

To some extent the use of radiographic, magnetic and ultrasonic testing overlap but each method has its particular limitations as well as its applications—and the choice of the most suitable method will depend on the form and material of the article to be tested and on the nature of the testing problem. Anyone who is considering buying non-destructive testing equipment would be well advised to consider all the methods that are possible.

As far as ultrasonic flaw detectors are concerned I have found that equipment using a single-probe scanning technique is more economical in use, more reliable in its findings and easier in operation than the double-probe units previously available, but even this great advance in design does not enable ultrasonic equipment to test satisfactorily those problems where other methods are called for.—Yours faithfully,

J. D. HISLOP

Harrow

Development Areas Revisited

Sir,—May I add some footnotes to the articles in your issues of October 18th and 25th?

First, as regards the excess costs in the early years of a branch factory, the figures you quote from "The Cost of Industrial Movement" refer to operating costs, exclusive of productive materials. The excess cost on turnover is naturally lower, and for some purposes this aspect may be more important to the manufacturer. In a rather worse-than-average shoe case, the excess per unit in the third year at the branch was 13 per cent on operating costs, against 5 per cent on the turnover attributable to it.

Secondly, the differences between the findings in our study at the National Institute and that of Messrs Hague and Newman are, in the main, not differences between the shoe and clothing industries, but are due to our having measured different things. We compared the manufacturing costs per unit at the branch, in each of its early years, with the actual unit cost at the parent factory; they compared the cost effect on turnover, in various categories, of manufacturing at an established branch in a development area and at a (hypothetical) branch in the district of the parent factory. Further studies seem to show that while some clothing branch factories are easier to set up than shoe factories, the problems are similar both in these and in a good many other industries.

Thirdly, wide variations in cost experience at branch factories have been found. While some are more costly than the shoe factories you refer to, others have done substantially better than their parent factories after a short time. These variations have been found within a single industry and even in a single firm with more than one branch. In a final report which the National Institute intends to publish, it is hoped to show the causes of these differences.

The changing pattern of economic activity is always leading to geographical movements of industry and of people; branch factories are only one part of this movement, but under any government policy they would be an important part. The problem you pose, of deciding on the "areas that in the long run are most worthy of development," is perhaps thornier than you imply, and the means of solving it have not yet been worked out. Local planning authorities stake their claims, but cannot easily assess future industrial trends and have little influence over them. Meanwhile industrial decisions, both private and public, have to be made, and they are often based on rather short-term considerations.—Yours faithfully,

W. F. LUTTRELL

National Institute of Economic and Social Research.
London, S.W.1.

Books and Publications

Right Honourable Ernie

Ernest Bevin. Portrait of a Great Englishman. By Francis Williams. Hutchinson. 288 pages. 21s.

Although Mr Williams has dipped his pen in honey to write this well-flavoured book, one closes it hoping that Ernest Bevin will have no imitators. They might try to be autocrats without remaining, as he did, one of the rank and file; they might, indeed, be bosses without having a title so humorously affectionate as "Ernie"; they might be great strike-leaders and fierce fighters of the class war without being negotiators so skilled that they grew to prefer conciliation to strife. Bevin could regard trade union democracy as something different from, and perhaps more important than, parliamentary democracy without treading too heavily on his countrymen's liberties; but another man might go in the direction of Stalin and make the exercise of power through organisation the whole purpose of his career. Indeed, there were moments during the war when the Minister of Labour was in fact a generalissimo.

The story is told here of how, in 1940, he jotted down the main points of the Emergency Powers (Defence) Bill in the train and had the legislation drafted and agreed by Parliament eight days later. His power was enormous and it was exercised in a grand manner to which Mr Williams's expert descriptive style does

full justice. Here it was, from the Ministry of Labour, that the foundations of the social revolution were laid and the Labour victory of 1945 prepared. To say this is not for a moment to question Bevin's patriotism; he was as stubborn a war leader as the Prime Minister himself. But he took to the full the chance to transform the relations between capital and labour under pressure of war. Whether, on a long view, any harm was done in the process Mr Williams does not pause to think or say. In more than one chapter he is too devoutly absorbed in his worship of the proletarian who made good. And what a story it is! As one watches the resolute, rolling progress from the Bristol mineral-water round to the door of the Foreign Office, interest in the man eclipses memories of the bitterness he aroused. One is forced to chuckle admiringly at a vanity that later became tiresome. Mr Williams quotes him as saying "They say Gladstone was at the Treasury from 1860 to 1930. I'm going to be Minister of Labour from 1940 to 1990." And only he could have said publicly to the left-wingers: "I am broad-minded. . . . The reason why I am so unprejudiced is that Dalton and Laski have never got hold of me."

This portrait is varied in quality, but it will certainly set many people thinking afresh about Ernest Bevin's conduct of foreign policy. It is possible to see now why he specialised in organising Britain's friends abroad into Western Union and Nato, and why he believed so fervently—against Continental opinion—in functional co-operation. He had achieved power for himself and "for my people" by organisation; he had learned "to combine a sense of the possible with a regard for the visionary objective." He distrusted the intellectuals with whom he had to deal in politics because they tended, in his experience, to betray organisation by being vain and to confuse negotiation by being dogmatic. The Foreign Office must have quivered with delight when he was heard to say "What we must do is not to create a situation"; that the professional diplomat from his public school and university should have such a maxim confirmed by the professional organiser who left school at eleven must have been something of a revelation. And it was a thousand pities that demagoguery in the White House helped to produce in Palestine just the kind of situation he was trying to avoid.

This book is most readable and in parts brilliant. Page 178, with its long description of Bevin's impact on Labour Party conferences is a good place to take the apéritif.

When he was done, having spoken, as like as not, well beyond the time allowed, for he treated rules with contempt, regarding them as without any possible application to himself, he would look around the hall with obvious satisfaction and then with great deliberation climb

slowly down from the rostrum and march back to his seat, each solid step seeming to say with due emphasis, "Well, that's settled that."

There is a tendency to overwrite and spoil one piece of description with another. In one place Bevin's sentences are described as "rough-hewn from the tough, intractable rock of language"; in another there is a reference to "peculiar trade union English born out of wedlock somewhere between Smith Square and Whitehall." And in the thrill of recording Somerset toughness Mr Williams sometimes forgets those who were crushed and bruised—for example, Ben Tillett and Lansbury.

Abdication or Fulfilment

Documents on British Foreign Policy, 1919-1939. Edited by E. L. Woodward and Rohan Butler. HMSO. First Series, Vol. IV. 1278 pages. 75s. Third Series, Vol. V. 818 pages. 52s. 6d.

The latest volume in the Third Series of the Foreign Office documents devotes more than 800 pages to only nine weeks of European diplomacy. The period dealt with is from April to June, 1939, from the British decision to guarantee Poland to the British decision to send Sir William Strang to Moscow. Every one of these pages is informed by the mounting tension which was obvious to all after Hitler's seizure of Prague and Mussolini's seizure of Albania. Only less noticeable is the extent to which, while they record a revolution in British foreign policy—the guarantees to Rumania and Greece, the Anglo-Turkish Declaration and the beginning of serious negotiations with Russia, all following quickly on the heels of the guarantee to Poland—they confirm the helplessness of the British Government to affect developments or control events.

It has long been debated whether this helplessness was due to a failure of British policy or whether it constitutes the British Government's chief defence. The main value of these documents is to show that the revolution in British foreign policy came much too late. They deal with many important episodes—with Hitler's denunciation of the Anglo-German and German-Polish Agreements, the dismissal of Litvinov, the conclusion of the German-Italian Alliance—not one of which, as the editors claim, appeared or could appear decisive to British observers. They show that the reason for this was that all the initiative and the power of decision that remained lay in Moscow and Berlin. In this sense, they leave little doubt, the die was already cast by April, 1939. And, given that the British Government did not act before it did, they defy the honest reader to claim that it could have acted otherwise.

If there was a failure of British foreign policy—and governments should be held guilty until proved innocent—we must seek for it earlier than 1939; and we must reach our conclusion after studying

more than the European evidence. Many students of the problem have already reached a verdict along these lines. But, although this collection of British documents contains some of the indispensable evidence, any definitive conclusion must still be delayed. Several volumes of the Third Series are still outstanding, and they will deal with such vital questions as the culmination of the Anglo-French-Soviet negotiations and the situation in the Far East between the summer of 1938 and the outbreak of war. The First and Second Series are even less complete, though they proceed steadily; Volume IV of the First Series, on British policy in the Adriatic and the Middle East in the second half of 1919, is another recent addition.

On the other hand, the collection has now proceeded far enough to suggest that its value will lie in confirming our existing knowledge, and not in making substantial alterations or sensational additions to it. And if this is true of the subsequent volumes, as of those which have appeared, it seems likely that the final verdict will not differ much from the opinion already widely held. There was a failure in British foreign policy. It took place in the late 1920s and the early thirties. It was one that was most difficult to avoid, though its chief intrinsic source was an almost congenital lack of anticipation. In 1939, and not for the first time, Great Britain was forced to realise that the responsibilities of a world position must be abdicated or fulfilled and that, if they are not to be abdicated, they cannot go unfulfilled for long.

More Readings

Readings in Monetary Theory. Selected by a Committee of the American Economic Association. Allen and Unwin. 514 pages. 30s.

It was perhaps inevitable that the editors of the later volumes of the American Economic Association's series of "Readings" should have to face the choice between selecting articles already published in a previous volume, and hunting far afield for suitable material. The present volume takes the latter course, and in consequence conveys the impression of a rather spotty mixture of the old and outmoded and the very recent and untested contributions.

Nevertheless, the book includes enough articles of lasting importance to make it a worthy addition to the series. Particularly useful republications are Professor Hicks's "A Suggestion for Simplifying the Theory of Money," Mr Franco Modigliani's "Liquidity Preference and the Theory of Interest and Money," Professor Pigou's "Economic Progress in a Stable Environment," and Mr Roland McKean's "Liquidity and a National Balance Sheet." Also interesting to the English reader are Mr Henry Simons's "Rules versus Authorities in Monetary Policy"—a challenging statement of the liberal view of monetary policy—and Mr Lester Chandler's lucid discussion of "Federal Reserve Policy and the Federal Debt."

While the merit of the other items selected is more open to question, it is difficult, given the editor's determination to minimise overlapping with other collections of articles, to suggest more eligible alternatives. Probably the weakest section is that on monetary policy, which leans rather too heavily on the Chicago school and provides little explanation of the growth of qualitative credit controls; here the editors might well have included Mr Henry Wallich's "The Changing Significance of the Interest Rate" or Professor Sayers's "Central Banking in the Light of Recent British and American Experience." It is also surprising that Professor Robertson's delightful essay "What Has Happened to the Rate of Interest?" does not even appear in the extensive bibliography which completes the volume.

It is an interesting reflection on the trend of English economics that, with the exception of the article by Professor Pigou already mentioned, the latest English contribution to the volume is dated 1935. Perhaps the resuscitation of Bank rate will revive interest in this important field.

New Light on the Classical Economists

The Works and Correspondence of David Ricardo: Vols. VI-IX: Letters. Edited by Piero Sraffa. Cambridge University Press. 353 pages. 387 pages. 403 pages. 401 pages. 24s. each.

With the publication of four substantial volumes of David Ricardo's letters the main structure of this majestic enterprise now stands completed, the fruit of over twenty years' research and editorial activity. A "Biographical Miscellany," and general index are to follow. The "Letters" are, from the point of view of the biographer and of the historian of economic thought, the most interesting and valuable part of the whole project. Of the 555 letters, written or received by Ricardo in the course of his correspondence with Mill, Malthus, Trower, McCulloch and others, no less than 320 are now published for the first time, and these the most important and significant. This new matter includes the whole body of the "Mill-Ricardo papers," discovered, by pure good fortune, after thirteen years of patient detective work had failed to trace them; letters which—besides incidentally casting an engaging light on the characters of both parties—explain certain obscurities, in the development of Ricardo's ideas of value, which misled even so acute an analyst as Edwin Cannan.

Study of these letters, and still more of the correspondence with Malthus, raises indeed some rather uncomfortable questions not only relevant to the ideas of Ricardo. A great proportion—though not, in the then state of economic thought, a proportion in any way excessive—of these long-drawn-out epistolary debates is concerned with the content of basic concepts and terminology; and the distressing fact is that all the acute intellectual power and mutual good will of the correspondents was insufficient to

bring them wholly, in the most literal sense, to terms. This same unsuccessful preoccupation with terminology has, to varying degrees, continued to characterise economic science to this day—inevitably so, perhaps. But when one finds a debate of the most crucial practical importance—that between Ricardo and Malthus on the nature and causes of a "glut"—petering out and abandoned in favour of the vain search for an invariable standard of value, one begins to feel a new sympathy for the econometric school, with its insistence that the tools of abstract analysis should be strictly operational. The inside history of economic thought as here revealed is, in fact, matter not only for economists but also for philosophers.

From Union to Famine

Public Opinion and Government Policy in Ireland, 1801-1846. By R. B. McDowell. Faber. 303 pages. 35s.

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Wines of France

by ALEXIS LICHINE

This is a book for everyone who likes to drink wine—whether it be a fine bottle from his own cellar, or a glass with his meal in a restaurant. Mr. Lichine, himself owner of two vineyards in Bordeaux and one in Burgundy, and an exporter of repute, does not spend time on old and rare vintages, which are extremely costly if not completely unobtainable, but deals at length with all the wines of France which the wine-lover can both obtain and, as is so important nowadays, afford. He describes the wine districts vineyard by vineyard, the quality of their wines and vintages, and the variety of methods of viniculture and wine-making. The book is already circulating in France, and has produced high tributes such as this from *Comte Hubert de Beaumont, proprietor of Chateau Latour*: "I have lent this volume to many of my friends, who enjoyed it as much as I did. And being the head of a first Grand Cru as well as being closely related to the firm 'Moët et Chandon', I am very hard to please indeed."

328 pp., Demy 8vo. 21s. net

CASSELL

from public opinion to government policy and has thus sacrificed some of the originality of treatment that made his earlier study so valuable. In the forty-six years that divided the Union from the Famine, great political controversies raged almost incessantly in Ireland. The victory of Catholic emancipation was followed by the campaign for the repeal of the Union. Both movements were led by O'Connell, who emerges as the dominating figure of his time. O'Connell combined an unusual collection of religious, patriotic and social principles which gave him an immense power of appeal to the masses of the Irish people. But there were important groups in Ireland, among both Catholics and Protestants, who resisted O'Connell's demagogic attraction. Dr McDowell traces the evaluation of opinion in these minority groups, and shows the gradual withdrawal of Protestants from the national movement which they had supported so strongly in the previous century. The development of a separate political consciousness by north-east Ulster can also be observed.

Irish affairs occupied a considerable amount of parliamentary time, though not so much as they were to occupy in the eighties. English ministers must often have regretted the passing of the Union that made them responsible for the government of a country so different from their own. As the Industrial Revolution progressed, British and Irish conditions diverged more widely. Well-meant but ill-advised measures failed to secure economic prosperity for Ireland, which drifted slowly to the catastrophe of the Famine. The Irish spectre was never long absent from the British political scene. Lord John Russell asserted that almost every major political crisis since the beginning of the century had been caused or complicated by Irish affairs. Happily there were some constructive achievements during these depressing years. The foundations of the modern Irish civil service, municipal government, police, poor law and primary education were successfully laid. On all these subjects, Dr McDowell, armed with his accustomed impeccable scholarship, provides light and guidance.

Ancient Empire

The Hittites. By O. R. Gurney. Penguin Books. 240 pages. 3s. 6d.

This little volume derives much of its fascination from being a report of work in progress. The secret of the Hittite hieroglyphic script is as yet unbroken, but bilingual inscriptions found at Karatepe, in the foothills of the Taurus mountains, promise results in the very near future. As it stands, Mr O. R. Gurney's book is a summary of all the knowledge so far gathered about this powerful empire, which ruled the Anatolian plains from 1700 to 1200 B.C. It is an admirably lucid account, illustrating time and again how the structure of the remote past can be conjured out of mere fragments and dim memories. The process of analysis resembles that of astrophysicists, who determine the structure of dead stars

from the content of a few meteorites. The chapters devoted to Hittite law and social institutions are especially well documented, whereas that on languages is more of a catalogue of unsolved problems.

The interest of the general public in archaeology is well served by the Pelican series, and Sir Leonard Woolley's new book on "a forgotten kingdom" in Asia Minor is to be published early next year. But the very fact that this series is meant for the general reader prompts two criticisms. One small map, on which most names mentioned in the text are either missing or given in a different form, is not enough, and certain highly technical sections (such as a fascinating discussion of the possible relationship between the Hittites and Homer's Troy) would be better as appendices. The illustrations, on the other hand, are remarkable, especially when one considers the price of the book.

Galaxy of Dickens Characters

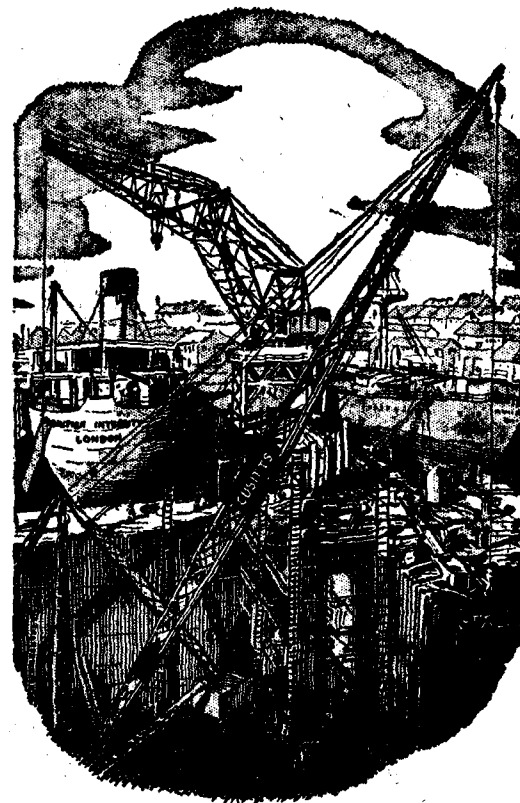
The Humour of Dickens. Chosen by R. J. Cruikshank. News Chronicle Publications Department. 145 pages. 3s. 6d.

This anthology does in book form what Mr Emlyn Williams is doing on the stage. It presents some of the richest and rarest of Dickens's characters, in passages selected by Mr R. J. Cruikshank and illustrated by distinguished modern cartoonists—Messrs Ronald Searle, Osbert Lancaster, Joss, Illingworth, Low, Giles, Michael Cummings, Vicky, Horner, and Ardizzone. All these have given their work as a labour of love, and the profits are to go to the Dickens Fellowship, on the occasion of its jubilee, for the Dickens House Endowment Fund, the income from which will be devoted to the upkeep of the Dickens House.

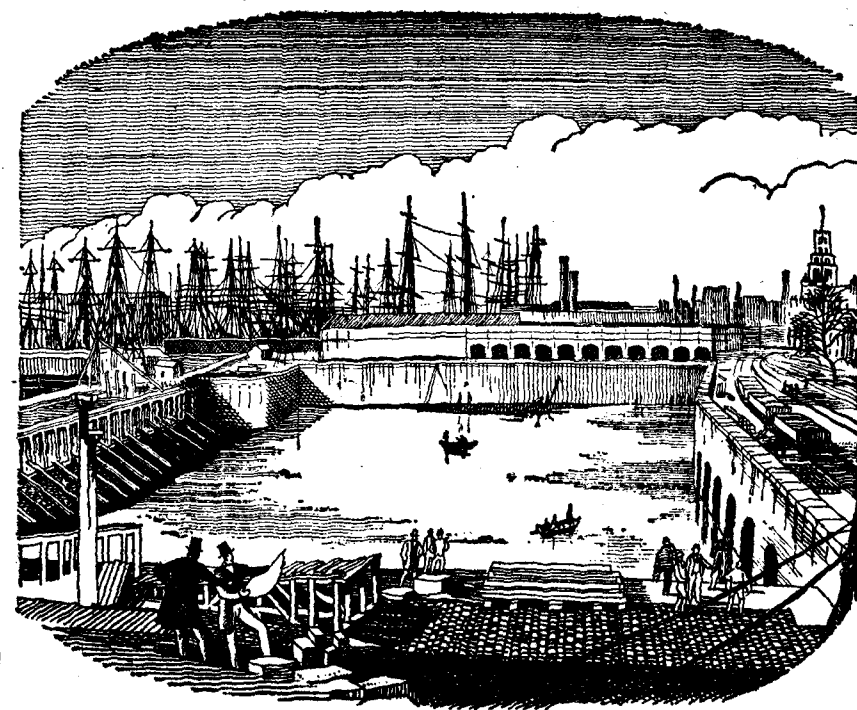
In his introduction Mr Cruikshank points out that the modern world is apt to forget that Dickens was perhaps at his greatest as a humorist and to think of him primarily as a pioneer of social reform. "Our Russian friends, for example, delight in the Eatanswill Election scenes in *Pickwick* as devastating exposures of our bourgeois parliamentary system." A pioneer of social reform Dickens certainly was, but, as Mr Cruikshank says, his genius is seen in its true splendour in his comic inventiveness. It is a warm humour that ennobles, not degrades mankind. "He transforms the shoddiest of humanity into shining immortals." Among the shining immortals whose acquaintance the reader can renew in this book are Podsnap, Pecksniff, the Mantalins, Mr Chadband, Mr Micawber—and many more.

The artists have obviously enjoyed themselves illustrating Dickens. Mr Ardizzone in particular seems very much at home with him—his drawings are in the tradition of Phiz, but wittier and more significant; and there is a superb Mr Bumble by Ronald Searle. Altogether, this is an ideal bedside book, or (at its modest price) a perfect Christmas token.

For which Period did they build?



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New Eastern Dock, Shadwell, 1873
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AMERICAN SURVEY

The General's Victory

Washington, D.C., November 5th

THE breadth and depth of General Eisenhower's victory has made the professional Republicans who managed and master-minded his campaign look very small. They expected nothing like this; they had never had on their hands a candidate who had come within miles of producing these results. There is no way of knowing the private thoughts of Senator Taft as he heard the election results come in and saw the response of the country to the man he and his followers were battling to deprive of the Republican nomination only four months ago. But they must have been tinged with amazed envy.

The Republican professionals on November 5th had the air of hard-working chorus girls watching a prima ballerina. Never in their lifetime could any of them expect to put on the performance that was being given by a man who had been saying at intervals throughout the campaign, "I am not a politician, and I suppose I never shall be." Not a man among the professionals could have seen himself turning Texas, Florida, and Virginia into Republican states, while simultaneously carrying New York by 830,000 votes, Illinois by 400,000 and California by what appears to be over 500,000. The experience might be called chastening, if it were not for the fact that men who have spent a lifetime in politics do not chasten easily or permanently.

No great exhibition of deference and humility is to be expected from the Republican professionals during the coming months. But it will probably not be easy for them to ignore the central truth that General Eisenhower owes his election very largely to liberals and other non-isolationists in both parties from coast to coast. By a simple, if ironical, corollary, many Republican conservatives and near-isolationists owe their Senate and House seats and the party certainly owes its Congressional majorities to the confidence General Eisenhower, at the head of the Republican ticket, inspired in these same groups. Even so, several of the worst Republican isolationists have been defeated in the Senate races.

In theory, at least, this should relieve President Eisenhower from the necessity of making, in the White House, the sort of compromises with the paladins of the Republican right

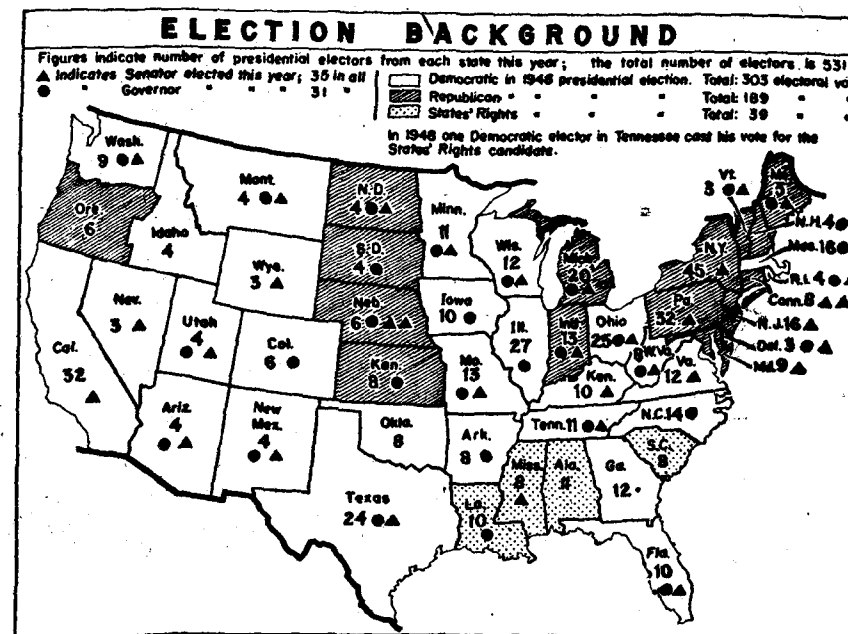
wing that he accepted in the name of unity during the campaign. But theories do not always work out and it will be necessary to wait and see whether a new coalition of Congressional liberals and middle-of-the-roaders will be wooed and won by the new President. Certainly the old coalition which served, if it sometimes failed to satisfy, two Democratic Presidents during the last twenty years has fallen apart throughout the nation.

Republican newspapers are congratulating the South on having struck off its chains and entered the company of the two-party states. It may take another election or more than one to show whether the Democratic solidity of the South has been permanently dissolved. But there is every present sign of satisfaction below the Mason-Dixon line with the South's iconoclastic venture. The trade union leaders, with

the possible exception of Mr John L. Lewis, most of whose loyal miners in West Virginia seem to have been armed even against General Eisenhower, have no testimonials to their political influence to offer anyone any more. It did no good for the leaders of the American Federation of Labour to break tradition so boldly with so resounding an endorsement of Governor Stevenson. The Congress of Industrial Organisations might as well have "stood in bed", as the Americans say.

Every one agrees that women and the new young voters liked Ike and helped to put him in. But the revolution has gone further and deeper than that. The Democrats, who were the majority party—the entrenched party in control of the huge federal machine—have been swept out of office although they had provided the nation with the most prosperous times in its history and although they presented a candidate with the stamp of greatness upon him. There existed, after all, the shared experience which alone can produce a landslide of these proportions. Enough Republicans, Democrats, and independents felt alike about the stalemate in Korea, about the "mess in Washington," about high prices and high taxes, and about the new hope which the good rugged soldier seemed to offer.

Of all the factors which contributed to the remarkable popular vote General Eisenhower has received, the most easily discerned is the dissatisfaction with the indecisive war in Korea. This is going to be the first more than man-sized job



the President-elect will have to tackle. His promised flight across the Pacific to Tokyo and to the remote peninsula where the world's most dangerous local war is in progress is now being planned. This is a dramatic enterprise and it is a dangerous one, not only in terms of its physical hazards, but also because of its possible political and international effects. The nervousness it will undoubtedly occasion among a number of the members of the United Nations participating in the war may be allayed. But as things stand now, it looks as though it will not be easy to reassure America's allies and, at the same time, satisfy the millions of Americans who elected General Eisenhower in the belief that some new way out of the impasse can be found.

If the results of a public opinion poll published during the final stages of the campaign are to be believed, there is a two to one majority in the United States which has lost patience with the negotiations at Panmunjom. It is persuaded—or at any rate is ready to offer the opinion—that it would be better to enlarge the war as a means of winning it and getting it over than to continue the present stalemate indefinitely; or, if that is impracticable, to pull out and leave the South Koreans to do the fighting.

General Eisenhower's aim may well be to speed up the training and equipment of new South Korean divisions for front line duty. But if that is to be the sole positive outcome of his trip to Korea and if the length of time it will take to retire American divisions to reserve positions—and thus substantially to reduce the American casualty lists which have been issued for so many months by the Defence Department—should come as an unpleasant surprise to most of the voters, it is conceivable that the honeymoon period of the new President may be shorter than it should be.

The posts of Secretary of State and Secretary of Defence in the new Administration are being eagerly but inconclusively offered by the newspaper columnists to Senator Lodge, who was defeated in Massachusetts, to Governor Dewey, to Mr Paul Hoffman and to Mr John Foster Dulles. No matter who are chosen, the new President and his Secretaries of State and Defence will at once find themselves under pressures to take action on Korea which would be much better deferred. They may be able to resist, but at best the campaign and its results have left a big and immediate problem at the door to the White House.

College Invasion

[FROM A UNIVERSITY CORRESPONDENT]

UNDER the postwar programme of educational exchanges, over 30,000 graduate and undergraduate students are now coming each year to some 1,300 American institutions of higher education, to the small ones as well as to the large; in addition a mass of trainees is being brought to the United States by the foreign aid authorities, to learn American techniques in industry and agriculture. These university students from abroad only make up about one per cent of the total enrolment in American colleges, although in the Massachusetts Institute of Technology a tenth of the students are foreigners and the proportion is about five per cent in several other colleges, notably Columbia and the University of California, each of which has nearly 1,500 foreigners in its student body of around 30,000.

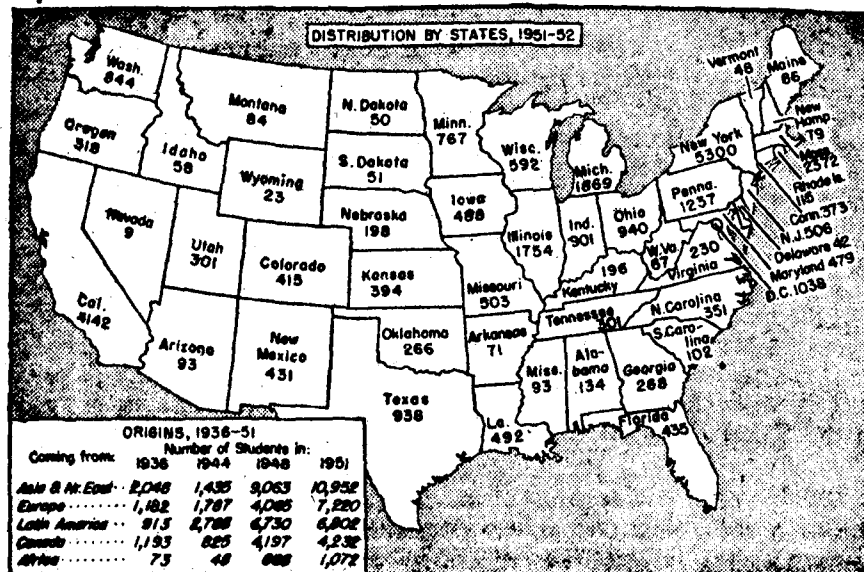
The foreign students come from more than a hundred countries, led by Canada and China (the Chinese students are no longer able to return home). Next come Germany and Japan, as a result of the schemes for re-educating ex-enemies; Mexico and the United Kingdom also each had over 1,000 students in the United States during the last academic year. Every state in the Union has its share of these students, depending mainly upon the number of its colleges. Two-thirds of them are in their twenties, nearly one-third of them are women and they study more than fifty subjects. Most of those from Asia and the Middle East take engineering, while the Europeans prefer social science and arts courses; religion is also a popular subject.

It is estimated that the average cost, including travel, tuition and board and lodging, is about \$2,500 a year for each student. Over half of them have some sort of scholarship, from their own or the United States government, from some private agency at home or in the United States, or most frequently, from the American college itself. The US government helps, chiefly with travel grants, under the Fulbright and Smith-Mundt Acts, passed in 1946 and 1948 respectively. They are largely responsible for the present welcome invasion of foreign students. Under the Fulbright Act, named after a Senator who was himself a Rhodes scholar, only foreign currencies are available, derived from the sale of surplus American war property abroad. This money can be used to enable Americans to study in foreign countries—well over 3,000 of them have taken advantage of the opportunity—and to cover the travelling expenses of foreigners who wish to study in the United States.

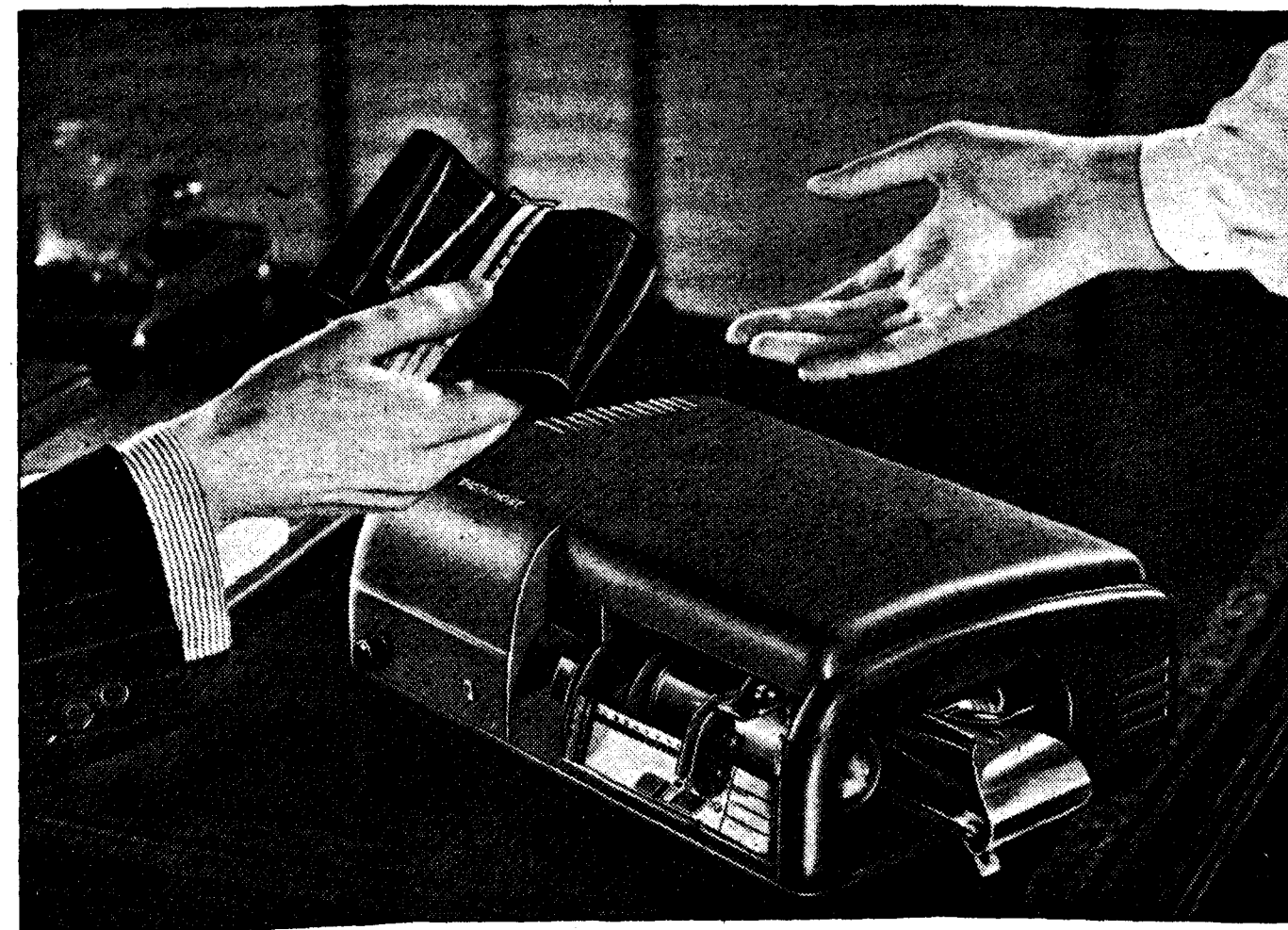
In Great Britain, for instance, sterling to the value of \$1 million is being made available for this programme every year for twenty years. Some 700 grants, about one in ten of those requested, are being made annually under the Fulbright arrangement. Congressional appropriations pay for the American end of the scheme.

Educational commissions have been set up by the US government in over twenty countries to deal with these exchanges. In the United States they are handled officially by the State Department's International Information Administration and unofficially, and very effectively, by the Institute of International Education in New York, which manages scholarship funds for private groups and advises American

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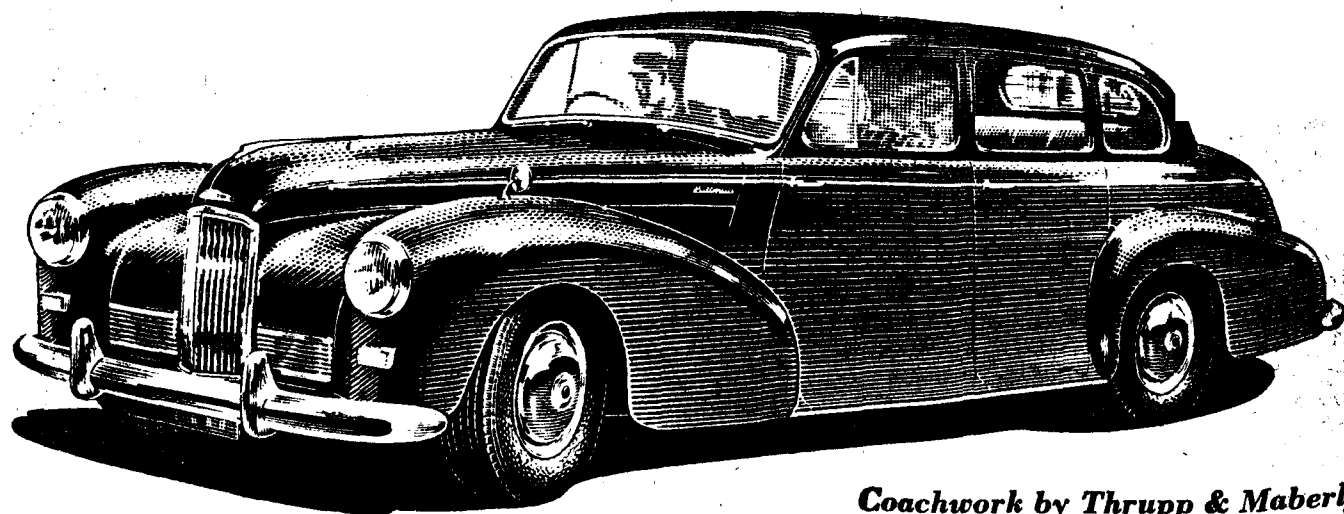
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students going abroad as well as foreigners coming to the United States. It has been suggested that the latter have not always been wisely selected, especially when the choice has been that of public or private groups in their own country rather than of some American organisation. Another source of trouble has been the difficulty of arranging adequate "orientation" courses, to give foreign students some idea of how America lives in general before plunging them into the specific ordeal of a college existence, especially trying if it also means living in a huge city such as New York or Chicago. Such programmes are particularly necessary for the many students who speak little English and for those who come from areas with an entirely different cultural background, such as Asia or the Middle East. Many of these students also meet racial discrimination, although every effort is made to place them in communities where this problem is not serious.

Nevertheless a number of foreign students leave the United States embittered by race and class discrimination (particularly after hearing some of the exaggerated claims that it is non-existent), shocked at the political apathy of Americans and their ignorance of other cultures, governments and economies and with contempt for the country's superiority complex and for what seems to be a sacrifice of the spiritual for the material. The foreign student is likely to be older, more mature, more intelligent and more serious than his American counterpart and some apparently never adjust themselves to the informal manners of Americans, their superficial friendliness and lack of restraint in public, their care-free neglect of their studies or even their different eating habits.

Undoubtedly, however, the vast majority of foreign students return home pleased with what they have found and with a balanced appreciation of American democracy, free enterprise and foreign policy. For example, the student exchange programme, which began in 1939 as far as Latin America was concerned, must be given a share of the credit for the improvement in relations with the southern half of the hemisphere during the past decade. But there has been a tendency to take the benefits of the exchange programme, which are obvious even to the most cynical, too much for granted. It is sheer nonsense to believe that the mere presence of foreigners in the United States will ensure good fellowship and friendly relations, that it is enough to hope that, if all doors are thrown open to visitors, they will reach the considered judgment that the country's good points outweigh its bad.

But on the American side the overwhelming evidence is that the presence of foreign students has become a challenge to the colleges and will have real significance for them. Even though the exchange programme is so far only "something pasted on to our institutions," not an integral part of them, it has helped to give new reality to college teaching. For American studies have always centred to a great extent round the cultural heritage from western Europe, Italy, Greece and the Near East. Personal contacts have made American students more aware of the need for a real understanding of the demand in other countries for independence, opportunity and education, and have helped to awaken them to the obligations of world leadership. Moreover, the educational exchange programme has done something to counteract the recent tendency to anti-intellectualism in the United States, the suspicion of the unorthodox, and has strengthened the colleges in their stand for open-mindedness.

These ambassadors from abroad are going into every type

of American home and community. More and more are coming to the United States through the generosity of local organisations; when the women's club of Greenwood, Mississippi, brings a French girl to college, the whole region is likely to feel the repercussions. Thousands of these students are constantly giving talks on their home lands and discussing their ideas with eager audiences in sections of the country which in the past have seldom seen a foreigner.

This impact on local communities may be of even greater significance than the influence on the colleges. If continued, it will surely help to break down some of the provincial prejudices and nationalistic exuberance of which many foreign students have complained and to build up that respect and confidence between individuals which provides the only firm basis for friendship and co-operation between governments. The firm belief of the enthusiasts who have inspired this programme is that it is, or at least can become, "the most effective and hopeful" of all the efforts now being made to strengthen the free world.

American Notes

The Verdict

General Eisenhower has been swept into the Presidency by a popular majority which, at the time *The Economist* went to press, had reached 6 million on a total poll of over 57 million. In the electoral college, which always exaggerates both a victory and a defeat, the General seems certain of 431 votes from 38 states to Governor Stevenson's 100 from 10 states. The Democrats have been driven back on their crumbling ancestral stronghold in the South; Governor Stevenson did not carry a single state which was not either a southern or a border one. Even in the Democratic debacle of 1928—the last time a Democrat lost—Al Smith carried Massachusetts and Rhode Island. It is a tragic irony that so enlightened and intelligent a campaigner as Governor Stevenson should be indebted for his few crumbs of electoral comfort to a cluster of backward states where the proportion of voting to population is so low.

It would be disturbing if the Democratic politicians were to conclude that Governor Stevenson's high-minded campaign—and Senator McCarthy's low-level one—contributed to the collapse. In fact Governor Stevenson probably did better, in terms of popular votes, than any other candidate available for the Democratic nomination last July would have done. His popular vote, at 25.7 million, is greater than President Truman's was in 1948. General Eisenhower's majority is overwhelming compared with those by which President Roosevelt and President Truman won in 1944 and 1948, but unless it widens rapidly as the rest of the poll comes in, it will not compare with the majorities of 7 million and 11 million won by Roosevelt from a smaller electorate in 1932 and 1936.

* * *

A Close Shave for Congress

The voters who turned out for General Eisenhower were clearly much less enamoured of the rest of the Republican candidates. This can be most clearly seen in the House, where all the seats were at stake this year and which normally gives an incoming President a substantial majority. Instead, the Republicans seem likely, with eleven votes still in doubt, to have a majority of only ten or twelve, compared with a Democratic majority of thirty in the last House. The final composition of the Senate is now expected to be 48 Republicans, 47 Democrats, and Senator Wayne Morse. The Republicans have just managed to avoid giving Senator Morse—who walked out of the Republican

party in protest against General Eisenhower's campaign—a deciding vote he would have enjoyed using. On the present results, the Republicans will organise the Senate, and enjoy, for the first time since 1948, the power involved in holding the committee chairmanships in both houses. Senator Nixon, presiding over the Senate as Vice-President, will cast a deciding vote in any tie. The prospects are that the youngest Vice-President may have a stormy session, though party lines count for less in the Senate than in the House or most other elected-legislative bodies.

Though the Republican Congressional majorities are so narrow, there is cause to be thankful that they exist at all. It would be hard on the first Republican President in twenty years to be harassed by an opposition Congress, and to have the Democrats able to reject his appointments. The voters have put a brake on the freedom of a Republican Administration by refusing to give it big Congressional majorities. But the power—and the responsibility—are both clearly Republican.

The voters' discrimination between the presidential and congressional races is evident in some of the Senate results. Senator McCarthy seems certain to be a thorn in General Eisenhower's flesh as a committee chairman, but he has apparently not done as well as the rest of the Republican ticket in Wisconsin. Though Senators Malone, Watkins, and Jenner, three of the poorest Republican candidates, have been swept back to Washington by the Eisenhower tide, Senator Cain has gone down in Washington, Senator Kem has been defeated by Mr Stuart Symington in Missouri, and Senator Ecton seems likely to give way to Mr Mansfield in Montana. In Kentucky, a first-rate Republican, Mr John Cooper, has been preferred. Senator Langer has been returned from North Dakota to take over the chairmanship of the Judiciary Committee from the intolerant Democrat, Senator McCarran. There are Senators on both sides, however, who will be missed. General Eisenhower was unable to save Senator Lodge in Massachusetts, and both Democratic candidates in Connecticut, one of them the internationally-minded Senator Benton, who had incurred Senator McCarthy's enmity, were defeated.

The General Inherits Prosperity

The rejection of the party in power at a peak of peace-time prosperity is one of the most conspicuous ways in which the election results broke the political rules. "Save the boom" measures from Washington did not save Governor Stevenson, while the voters clearly turned a deaf ear to the Democrats' warning that a vote for the General was a vote for hard times. In some business quarters there is, indeed, a suspicion that a Republican victory may exert a deflationary influence, because of General Eisenhower's vehement promise to cut government spending next year by 10 per cent or more. But the more sophisticated Wall Street view has been that the General would not find it easy to carry out his promise to cut government spending substantially, at least not for two or three years. By the end of his campaign General Eisenhower had pledged himself to continue all the New Deal measures which his party has criticised for so long as extravagant, supports for farm prices, soil conservation, irrigation projects, and electricity development. He repudiated with indignation the suggestion that he would not bring all the resources of government into play at the first sign of a depression.

Present prosperity may be "phony" as the General alleged, and balanced precariously on defence spending, but it is very widespread. The Federal Reserve Board expects that industrial production, which in September reached a postwar record, will be shown to have inched upward a trifle further in October. Steel production rose steeply in September, after the strike, and is now running at 106 per

cent of the industry's capacity at the beginning of the year. The automobile assembly lines are humming. Sales at all kinds of retail stores in September were 7 per cent above those a year earlier; department stores sales were up in October, and even in New York City, where they have had a depressing year, department stores' last month drew even with their 1951 figures. Consumer credit outstanding reached a new peak in September. Makers of textiles, shoes, television sets, and washing machines are at last getting the benefit of the pick-up in the shops. Manufacturers have unfilled orders worth more than \$70 billion on their books—\$10 billion more than they had a year ago. Earnings (after taxes) in the third quarter are 3 per cent higher than they were in the second, and 2 per cent higher than they were in the third quarter last year, for the 525 companies whose reports are tabulated by the National City Bank of New York. For two-thirds of them, however, the first nine months, as a whole, was less profitable this year than last: sales are up, but so are costs.

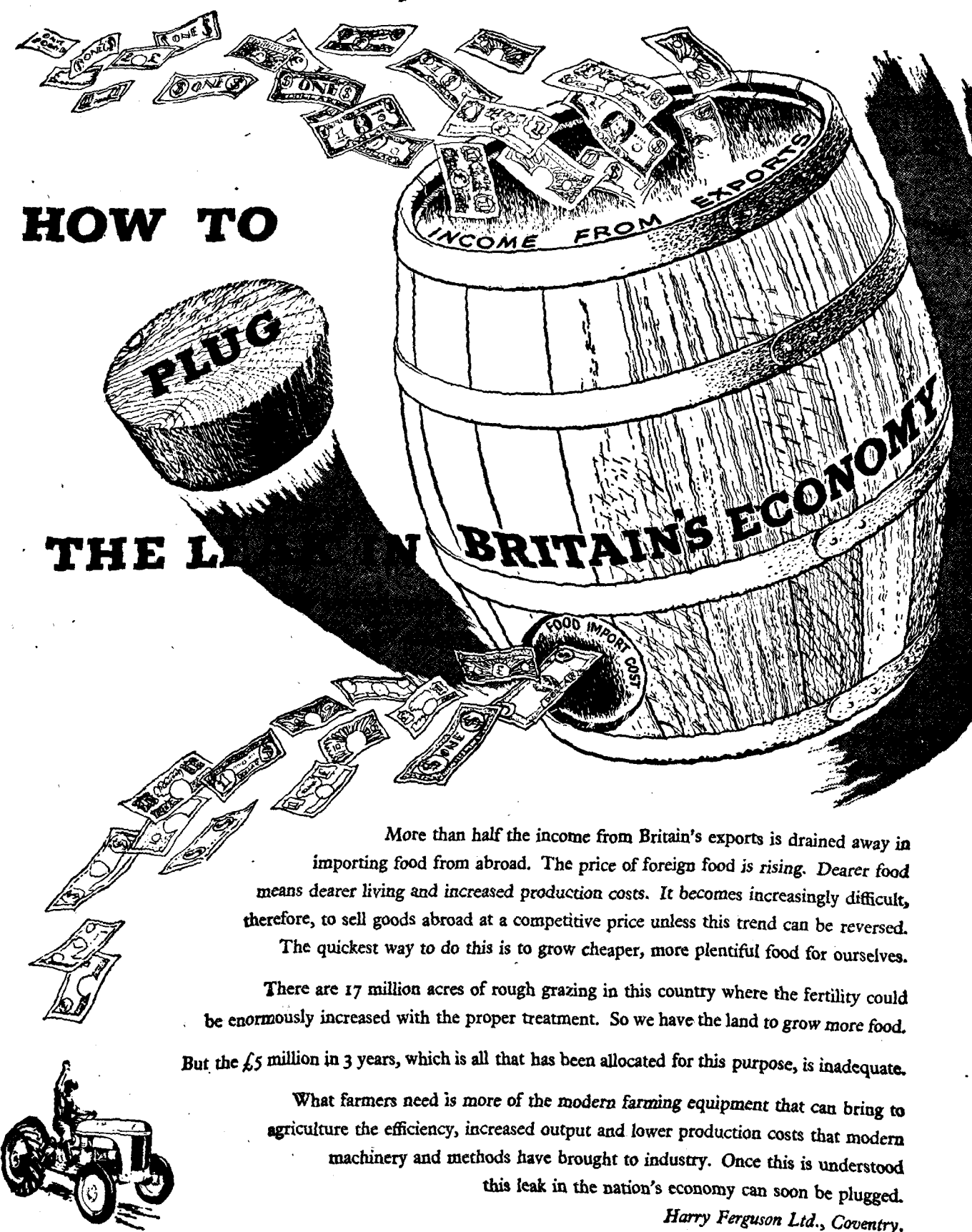
Politically, it may well be less advantageous, and much more risky, for a new Administration to assume office at the top of a boom rather than at the bottom of the trough, as Franklin Roosevelt did in 1932. The business men who confidently expect sympathy and understanding from the Eisenhower government and who will provide many of the new President's advisers will have a chance to prove their gratitude and show how much they have learned in the past twenty years about avoiding a slump.

Green Book in the Air

Officials concerned with foreign economic policy have for some time been floating trial balloons filled with various new approaches to the problem of aid for America's allies. Already some of these balloons have been shot down and the air has thus been slightly cleared, although probably only temporarily, for President Eisenhower. It was already obvious that the new President and the new Congress, whatever their political complexion, would be unwilling to continue pouring dollar aid, which in all its forms has cost the country about \$40 billion since 1945, into the Atlantic Pact bucket without some assurance that the often-promised end to economic assistance was really in sight. And the European recipients of this aid are equally anxious to be free of the embarrassment of being dependent on the bounty of the United States, especially since the new Administration and the new Congress are expected to scrutinise the use made of American funds even more critically than did their predecessors.

This idea that a permanent solution must be found is common to all the trial balloons, but there is as yet no means of telling whether any of them, or any combination of them, will be acceptable to President Eisenhower as a way of putting the idea into practice. Most of the balloons do, however, contain another idea that is very close to his heart, that of pushing Europe into unification. One of the schemes proposes that in future military aid, in the form both of actual equipment and of dollars for off-shore buying, should be directed to the European Defence Community, not to individual countries, in order to encourage centralised procurement. Another scheme is for two Atlantic Boards, one to be responsible for a dollar pool to make currency convertibility a practical proposition and thus to facilitate an expansion in foreign trade, the other to co-ordinate trade policies and to steady commodity prices.

This is the Mutual Security Agency's now-famous "green book," which had been flying around Washington for some time, being sniped at by the Treasury. It was finally brought down to earth last week when the press began to discuss it as if it were the agency's official plan, instead of only a discussion paper produced by a few members of the staff and already out of date. The only proposal that is at all firm is much less revolutionary, but none the less desirable



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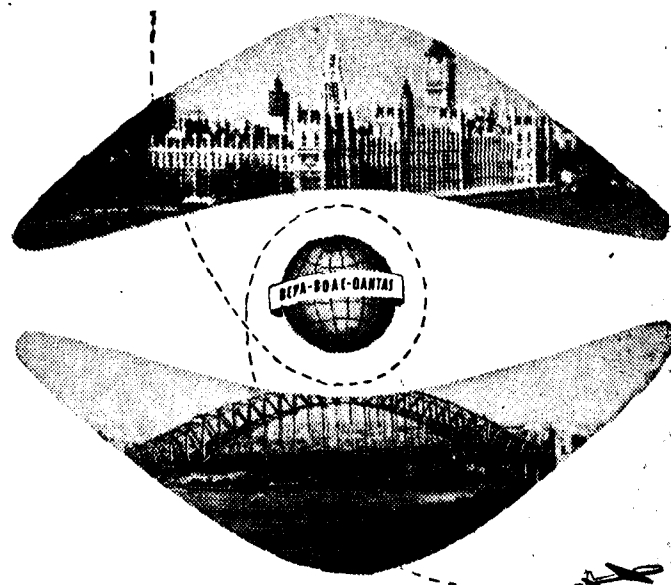
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for that reason. It is for an extension of the Point Four legislation which would permit the American government to undertake more lavish capital investment in underdeveloped countries, a suggestion with which General Eisenhower appears to sympathise.

* * *

Revolts Behind Bars

Serious riots in the state prisons of Ohio and Illinois have brought the national total this year to twenty. The attention of an indifferent public is once more being directed forcibly to the fact that the American prison system is on trial. It was a trifle hard that Governor Stevenson should have had to abandon his campaign to quell a riot in Illinois, for he is a believer in modern methods of correction and considers that a prison term should be spent preparing the offender to return to the community. But in practice, small prison budgets, inflation, and overcrowding in ancient buildings—that in Illinois is over 75 years old and that in Ohio even older—often defeat the most ardent reformer.

Both in Illinois and Ohio the riots were suppressed without the bargaining, the bonhomie, or the steak and ice-cream dinner which are so disturbing an aspect of the peace with the Michigan rioters last spring. But in Ohio the more docile prisoners are already being transferred elsewhere, a recognition that overcrowding and a failure to segregate the most hardened cases was partly to blame. In this respect, as in others, the federal prisons provide a model, though admittedly they house only 17,000 compared with the 150,000 detained in state institutions. Some of the states now differentiate between offenders, but too often all are herded into gloomy fortresses designed to provide a degree of security from escape which is required in only a fraction of the cases. Federal prison construction in the past fifteen years has been devoted entirely to medium and minimum security institutions; work and rehabilitation are provided for all. Two-thirds of the federal prisoners enjoy this relatively mild form of detention. There have been no organised outbreaks in federal gaols in the last two years. Young offenders will be given even more individual attention, both in sentencing and treatment, under the Youth Correction Act, recently signed by President Truman.

Modern penal methods are based on the fact that 95 per cent of all prisoners eventually are released. Better classification of prisoners is needed, however, if individual corrective treatment is to be possible. This would end the confinement of young offenders with hardened old ones, psychopaths, dope addicts, and sexual degenerates which a daring reporter recently found in New York when he committed a sham crime to obtain a prison scoop. It would make it possible to suit the punishment to the criminal—and to choose, more successfully, those who are eligible for parole or probation. Many more prisoners may have to be placed on parole or probation if, as some observers fear, the cost of rehabilitating them in modern prisons proves prohibitive. But this would require better parole agents and probation officers and many more of them, if new crimes committed by men on parole are not to harden the community against the whole parole system. Today parole officers are often political appointees and they are not paid much more than unskilled labourers.

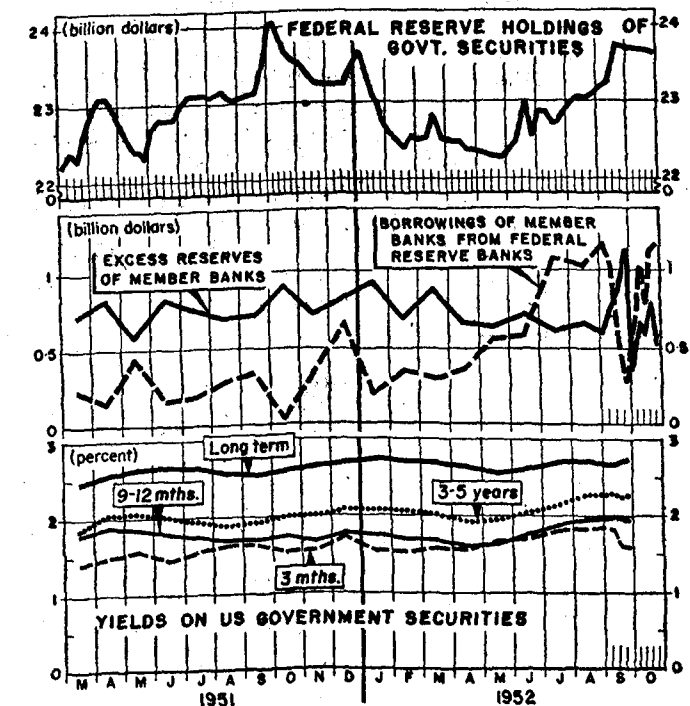
* * *

Whip-hand Over Credit

The Federal Reserve authorities appear well satisfied with the results of the accord reached with the Treasury eighteen months ago, which relieved them of the obligation to support government bond prices at par. This requirement had previously had the effect of forcing the Federal Reserve to supply fresh reserves to the banks, and thus create new money, whenever the banks chose to sell govern-

ment bonds. It is not conclusive proof of the effectiveness of the new monetary policy that wholesale prices have fallen and that the rise in the cost of living has been slowed down, if not actually brought to a halt. The monetary accord was concluded just after wage and price controls were imposed, and at a time when the scare-buying which followed the Korean attack was about to slacken. But as the charts show, the FRB is now in a position to make the banks respond to orthodox monetary weapons.

On balance, as seasonal demands for credit appear, member banks' borrowing tend to exceed their excess reserves—the reserves they hold in addition to the minimum that they are required to keep. The member banks' reluctance to remain in debt to the Federal Reserve means that they scrutinise all



new loans with increasing care. The net rise in business loans of leading banks in 94 cities was \$732 million from June to September; this shows little change compared with the corresponding months of last year, but it is a long way below the total of nearly \$2 billion in the corresponding period of 1950. The FRB today can see that there is adequate credit for business without contributing to inflation.

The central bank has used its new authority with discretion. As it was consulted on the terms which the Treasury should offer in its \$10.7 billion refinancing in September, the FRB eased the way of the new issue by buying \$600 million of it. But open market operations over the whole year have tightened the money market and made the banks dependent upon rediscounting in times of stringency. The consequent rise in interest rates, in turn, has made government securities more attractive to private investors, particularly corporations.

The real test of the new relationship between the FRB and the Treasury is yet to come. The cash deficit this fiscal year—which comes after two years of near balance in the federal cash accounts—has been largely covered by borrowing. Even if General Eisenhower can avoid further deficits, his new Secretary of the Treasury, in his first year of office, will be faced with \$47 billion of refunding, of which over half is in one-year certificates. Should he attempt to lessen the present dependence on short-term financing, which is cheap, but makes the Treasury vulnerable to changes in money-rates and leads it to demand support from the central bank? He must also consider whether to ask Congress for authority to make savings bonds more attractive. Interest on these bonds was raised to the legal limit—3 per cent—last May, but the Treasury is still paying out more than it takes in.

THE WORLD OVERSEAS

Building Up Indian Industry

(From Our Correspondent in India)

MANY people in India regret that industrialisation has had to take a back seat in the country's Five-Year Plan. But this decision, taken for statesmanlike reasons, is one of priority only: the emphasis on industry has been deferred rather than laid aside. Indeed, nothing produces more optimism about the future of Indian industrialisation than to glance at its past, for there one can see not only how formidable are the obstacles, but also how certain it is that they will be surmounted.

Before 1914 India provided the classical case of a colonial economy. It exported food and raw materials; it imported, mainly from the mother country, industrial products, largely consumer goods, including three-quarters of the clothes of its people and the majority of their brass pots. Its only major industry was the making of jute goods. This position was the inevitable result of the free trade principles of the Indian Government. The elements of truth which lay behind this attitude are still of importance in governing the pace and direction of future industrialisation. India is still very lacking in the external economies that make new development relatively cheap. Outside a few main towns a new factory must not only import all its skilled labour, and train all the semi-skilled, it has also to build houses for all its management and many of its workers. Even in the great cities the employer has to accept responsibilities for training and medical facilities and often also for housing, which in other countries are the responsibility of municipality or state. The initial capital the entrepreneur requires is, moreover, considerably greater than elsewhere. He can usually not buy or lease a factory; he must build it, as well as the services that go with it. He thus not only needs more money, but he also gets no return during the whole period while the land is acquired—never a very rapid process—and the building is constructed.

Shortage of Trained Men

Even when he has his factory, he still has to face difficulties unknown to his western confrère. India is very short of good managers, good foremen, good artisans. A new works must either import foreigners or train its own staff. The railways were importing express drivers until not many years before the war, and most of the Ordnance Factory foremen, like the assistant weaving masters in many cotton mills, were English in 1939. Today the importation of foreigners at any level below the top is crushingly expensive, while the training of local cadres—obviously, in the long run, the better solution—takes time and money and the capacity to bear disappointments.

The labour, too, though apparently cheap—the Indian unskilled rate is about 30s. a week—is often not so in fact. It is usually raw from the village, with all that means in absenteeism, low norms, and high maintenance costs; and its naturally low productivity is made lower by the conditions under which it lives. One cannot expect really hard work from a man who gets a ration of 12 oz. of cereals a day, whose family is in his home village while he lives in one tenement room with half-a-dozen of his fellows, and who comes to work on a train carrying four times its proper complement.

These are the Indian entrepreneur's major difficulties. He has to face also a whole series of minor ones. There is a

lack of good workshops, so that he has to do much of his own engineering work. Despite the improvement in the last few years, railway wagons are often difficult to get, and line capacity and marshalling yards, inadequate even around Bombay and Calcutta, are hopelessly so in the main steel and coal areas, while distribution into the countryside and collection of raw materials are severely handicapped by lack of roads. Because of the protection, often necessary, given to other industries, he has to pay more for the raw materials and components he buys. High grade textiles, for example, are rendered more expensive by the import duty on cotton.

When all these difficulties have been overcome the Indian entrepreneur still has to face the problem of finance. A few of the bigger foreign houses and managing agencies can always obtain the money they need for a really profitable proposition; but the vast majority find themselves caught between the upper millstone of banks and the nether millstone of share market. The former like to be liquid, and therefore, while they will make advances on stocks reasonably freely, are normally willing neither to make advances of fixed assets nor to put much of their resources into industrial securities; in the latter, which is narrow and speculative, even the best firms cannot always raise money on reasonable terms.

Some Unhelpful Policies

In addition there is always the Government to deal with, over foreign exchange, import licences and permissions to get steel or to raise capital, labour disputes, and the location of industry. The Government's understanding of industry has improved greatly over the last five years, and expansion is no longer sterilised by threats of nationalisation; but at the very best controls mean delay, expense and visits to Delhi; and some of the Government's policies are still positively unhelpful. The duty on palm oil, which protects no one, makes soap unnecessarily expensive. Expansion of modern industry is sometimes held up to protect high cost cottage producers whose methods, particularly of marketing, are too primitive for them ever to be able to expand the market themselves. Above all, high rates of taxation, especially combined with depreciation allowances based on historical cost, greatly reduce the capacity of a business to build itself up from its own retained profits.

The list of difficulties is formidable and it explains both the high protectionism of the Indian Government and its difficulty in choosing exactly those industries which are truly infant to which to give its patronage. Both for the cotton textile and for the steel industry India has great natural advantages; but each required some 30 years of heavy protection before it could compete on equal terms with imports. Doubtful though one may be of, for example, the protection given to some of the basic chemical industries, for which the distance between salt and coal is a permanent handicap, it is often not possible to say that the present burden will not be justified by future advantages.

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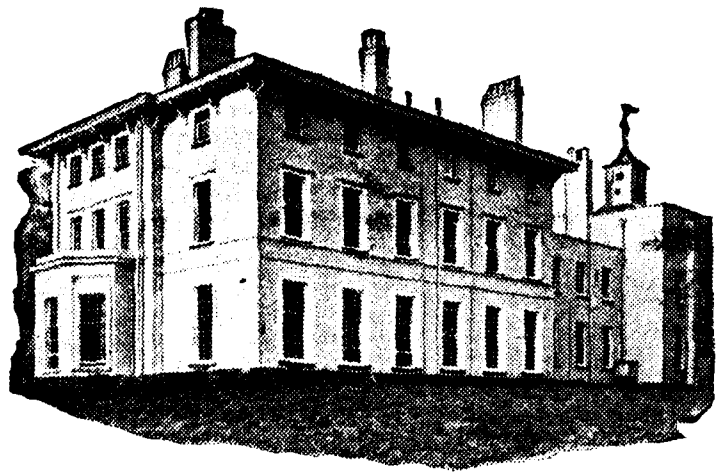
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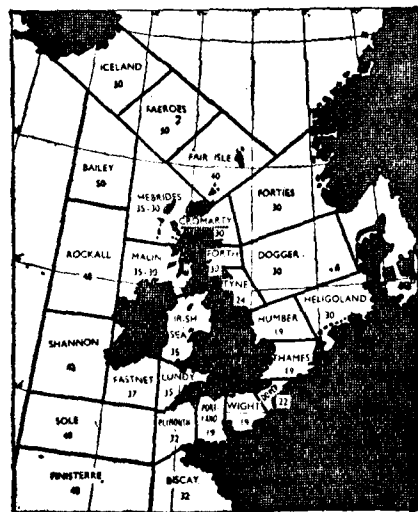
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textile industry was amongst the world's biggest. But there was still very little heavy industry. Production of steel was only 750,000 tons a year and, although India could by 1939 produce, for example, most of its own railway wagons and carriages, it still had to import its locomotives and machinery.

War in 1939-45 once again acted as a forcing house. The actual quantity of industrialisation was quite limited, but the Indian Government was finally converted to the need for an indigenous heavy as well as light industry. The difficulties in the way of all Indian industrialisation weigh particularly on heavy industry whose need of managers, skill, capital, and transport, are all much greater than those of light industry. In the long run, however, India has all the requirements; it has one of the world's largest reserves of high grade iron ore, enormous quantities of coal (though the quantities of coking-coal are limited) and a very large hydro-electric potential. A very large percentage of these resources is clustered together within quite a small area. Nowhere in the world is good quality iron-ore nearer to coking-coal, a large labour supply, existing transport facilities and a major port. Indian steel, today, is among the world's cheapest and should continue so, while Indian coal, of reasonable quality, costs only 30s. a ton at the pithead.

Development has been fairly slow over the last few years, largely for lack of steel and cement, and because of the long delivery dates of foreign machinery makers. Nevertheless, the direction in which future development will go is already clear; the growth which has occurred since 1946, has been, above all, in engineering and chemicals. Now the pace should speed up. The money has been found for an expansion of steel production by 500,000 tons; cement production has grown from 1,400,000 tons in 1938 to 3,200,000 tons in 1952; the first of the new electricity generating stations under the plan, at Bokaro, will come into operation in 1953; an agreement has been made for the production of steel tubes in India; several new factories for the manufacture of bicycles are nearly ready, a government factory for the production of machine tools is under construction; there has just been opened a works which can already produce 25 per cent of India's requirements of ring-spindles; refineries for over 3 million tons of oil are to be constructed; and the production of such accessories as paper, board and tin cans expands from year to year.

One development gives birth to another. Every new factory means a wider market and greater external economies for other would-be entrepreneurs. As steel and cement come into freer supply, as India draws more of its machinery from its iron resources, as the number of managers and artisans and foremen increases—perhaps also, as foreign aid increases—so the pace will quicken.

Shaping Up at Uno

[FROM OUR UNITED NATIONS CORRESPONDENT]

LAMENTS over the United Nations tendency to mark time until the American elections should be over have been exaggerated. It is true that the general debate has lagged, and that a small number of committee meetings have been cancelled for lack of ready speakers. But enough has been said in plenary and in committee sessions to show how the main lines of the debate will shape themselves. The groundwork for Mr Eden's speech has been laid; and if no one yet knows just what M. Schuman will say about Tunisia and Morocco, it is not for lack of firmness on the part of the French delegation.

Thus far an air of conciliation has been quite as apparent as the better publicised air of aggression. This has been true even in the Korean debate, where Messrs Acheson, Selwyn Lloyd and Casey surrounded themselves with olive

branches and even Mr Vyshinsky was less violent than he might have been. No fruit has yet appeared, but there has been so much optimism around that the United States felt called on to tell correspondents that current peace rumours were totally unfounded. Other sores, too, seem less inflamed this year than at earlier sessions. During the debate on the plight of Arab refugees occasional voices rose to their old levels, and the wailing wall note was struck. But afterwards the committee passed a resolution calling for a \$23 million refugee fund; the vote was fifty to nothing, with only the Soviet bloc abstaining.

Apart from Korea, the most acrimonious discussion is taking shape around Article 2, paragraph 7 of the Charter, which reads, "Nothing contained in the present Charter shall authorise the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state, or shall require the Members to submit such matters to settlement under the present Charter. . . ." France will probably attempt to stop debate by invoking that paragraph with regard to Tunisia and Morocco. South Africa sought refuge in the same tent when the Ad Hoc Committee came to deal with the treatment of Indians, and will stay there to try to ward off discussion of *apartheid*. Even the Yugoslav attack on the Soviet Union, made during the Fourth Committee's debate on non-self-governing territories, felt the effect of that paragraph, which acted as a block over which the Russians and satellites kept stumbling. Their unhandiness with it may work to the advantage of other colonial powers.

A Rest for the West

Western observers, numbed by long battering under Marxist invective, found the Yugoslav-Soviet fight strangely restful. For once they could watch without having to dodge, and even the brickbats which came their way glanced off without damage. Thus, when a Byelorussian sentence began "For a Titoist to lie and slander is not only a habit" and concluded "it is the duty of a paid agent of American imperialism," no American was seen to flick an eyebrow. This sense of irresponsibility was heightened by the fact that the fight was chaired by an Argentine, a follower of General Perón and therefore schooled in a not dissimilar type of street fighting. His difficulties in calling opponents to order seemed a kind of poetic justice which too seldom falls in the lap of the western powers.

At other times, the discussion of dependent territories showed a tendency to become involved with that of underdeveloped countries. The Pakistani delegate, indeed, observed at one point that "backwardness is not the monopoly of non-self-governing territories," thus putting the debate squarely into Looking Glass Land. Eventually the Fourth Committee will arrive at its own version of "Who takes care of the caretaker's daughter when the caretaker's busy taking care?" In the language of the agenda, this reads: "Factors which should be taken into account in deciding whether a territory is or is not a territory whose people have not yet attained a full measure of self-government."

Farcical as the phrasing may be the problem is real, and the differences of opinion acute. Britain is convinced that it is papa who decides when sonny is grown up, and who confers on him latchkey and lecture at the appropriate moment. The United States used to be sure that sonny knew best, as exhibited in 1776, but that certainty has been shaken by recent American experience as a colonial power. Pakistan and India, recently emerged from colonial status, tend to sympathise with those eager to get out from under the guardianship of an older power. Russia plays one game at home and another in the Assembly, a contradiction which formed the theme of the recent Yugoslav attack. But the attempt to make a check list of ways of measuring maturity promises to be at least an interesting intellectual exercise. Whether it will aid decision or postpone it remains to be seen.

Statesmanship and the Sudan

GENERAL NEGUIB'S Note to London on the future of the Sudan is, by any standard, a piece of statesmanship; compared with that set by his predecessors in Egypt—the Palace and the Wafd—it is a striking one, and heightens Egypt's prestige in international politics. For years the British have been saying to Cairo: "Come! you also are a Co-dominus in the Sudan. Join with us in plans for its future"; but they have been met with rebuff and boycott. For the last six months the Sudan Government had been asking for Egyptian as well as British comment on its draft Statute by today, November 8th.

General Neguib has snapped up both invitations in his Note on the Statute, sent this week to London. At a stroke, therefore, he has recovered the initiative lost by his predecessors, and has rubbed the slate clean of the foolish claims to kingship and dictation of a constitution for Khartoum that had been advanced by Farouk and Nahas; he has also recovered a status in Sudanese opinion that they had lost. For his Note contains more than just his own ideas; it has been framed after consultation with all parties in the Sudan, and drafted in agreement with the large Umma (independence) party, hitherto opposed to Egypt. If General Neguib can also obtain for it the support of the obstructive quarters usually known as "public opinion in Cairo" he will indeed have brought off a master stroke.

His Note communicates to London the amendments to the Sudan Government Statute on which he and some Umma leaders have, after considerable debate, agreed. Naturally these are not 100 per cent acceptable to all Sudanese, nor in every way identical with the draft that London had approved, just as the text that had British approval is not 100 per cent acceptable to Egypt. The key to the Egyptian Note is anxiety to ensure that self-determination shall take place in "the requisite free and neutral atmosphere."

Persuading the Parties

Neguib's great advantage in framing it was that, unlike most Egyptian politicians, he knows the Sudan. He has served there and inherits Sudanese blood from his mother. He understands, as few Egyptians do, the antagonism between its religious sects and its political parties. In Cairo over the last fortnight, he has seen leaders of the parties opposed to Umma; these include the Sudan Party, which would like to plan for a future within the British Commonwealth, the Socialist Republican party, which claims to speak especially for the Southern Sudan, and the quarrelsome posse of rival pro-Egyptian parties whom he has perplexed by his readiness to negotiate with Britain, but whom he is now pressing to sink their differences and form a single National Union party; he believes that the existence of a counterweight to Umma is bound to make things work better in the future. He has told all parties that he wants his draft to meet their conflicting views (which seems to mean that he is ready to amend it so as to get the maximum degree of consent); he has also told all that they must participate in the forthcoming elections as nothing is gained by sulkily boycotts.

The Sudan Government Statute as drafted in Khartoum and approved in London was described in *The Economist* of September 27th. The amendments General Neguib now proposes are as follows: first, he wishes to lengthen the transitional period between now and self-determination, extending it at least till 1955. The purpose of this change is to give time for Sudanisation—i.e., the transfer of administration, police and defence to indigenous hands. He proposes that all British and Egyptian troops shall leave one year before the vote on self-determination. (It can be argued that if the British were ready to contemplate a free and unfettered vote on self-determination in 1953 as they had offered to do, they are no worse off by this proposition.) His second main proposal is to retain the clause in the statute that renders the

British Governor-General the supreme constitutional authority during the interregnum, but considerably to limit his discretionary powers. These were always subject only to the consent of the two Co-Domini in matters of foreign affairs and amendments to the Statute, and in Neguib's draft they remain so. But in the exercise of all the Governor-General's other discretionary powers—the chief of which had to do with control in times of emergency and with protecting the special interests of the Southern Sudan—the Note wishes him to work in concert with the international commission of five that was described in *The Economist* last week. The main powers proposed for this commission are that in the event of disagreement with the Governor-General, its say shall be final unless both Co-Domini agree with the Governor-General. Contrary to first rumours from Cairo, the Note proposes deletion from the Statute of the Governor-General's special responsibilities for the Southern Sudan—a deletion that will gravely worry some Sudanese who think Cairo ignorant of the problems of non-Moslem areas.

One passage in the Egyptian Note is somewhat undemocratic. It lays down that, when self-determination takes place, the Sudan must choose between a link with Egypt and complete independence. No one in Britain seriously thinks that a majority in the Sudan would want to make a choice other than one of these two—for instance, would want to join the British Commonwealth—but if a decision is to be "free and unfettered," it seems queer to limit it to two choices.

The immediate practical problem raised by the Note is: how soon can elections take place and bring in the self-government period? Britain had promised them by the end of this year. Now the Note proposes direct elections in a greatly increased number of constituencies, and their supervision by a seven-man international commission which is in its turn to be appointed by the Governor-General's five-man international commission—that is, it proposes two time-consuming processes. Since most representative Sudanese agree with this part of the Note, it seems to absolve the present Sudan Government, and Britain, from their undertakings to complete elections by the end of 1952. Perhaps elections can begin before then, but they will, if held under the proposed arrangements, take weeks or even months to complete.

The immediate task ahead is to hold up the promulgation of the original statute—which was due to take place today—while differences are ironed out and the support of a maximum of Sudanese parties is retained. Quick decisions will have virtue, for in the Middle East, with its infinite capacity for producing reasons why not, time never increases the prospects of compromise. Meanwhile the British should feel thankful that the Egyptian negotiator will be so relatively open-minded a man. They need to be equally open-minded, remembering always that, so long as no minority in the Sudan is unduly caused to suffer, an imperfect agreement is far preferable to a quarrel conducted from respective high horses, and poisonous to the whole of western relations in the Middle East.

Soviet Central Asia—II

Economic Planning in the Steppes

[BY A CORRESPONDENT]

WHEN discussing the economic development of Soviet Central Asia, one is tempted to think in terms of Malaya or Nigeria, that is in terms of an autonomous economy, connected to a greater or a lesser extent with that of the metropolitan country, but distinct from it. Such an economy has independent relations with the outside world and has its own problems of investment and balance of payments. This, how-

ever, is by no means the case for Soviet Central Asia, both because of its geographical relationship to Russia, and because of the unitary planning of a socialist economy in general, and of the Soviet Union in particular. Central Asia is being developed as a vital and powerful region but strictly within the Soviet economy as a whole.

Economic regionalism has been a feature of the postwar years throughout the Union. The planners have made special efforts to avoid long hauls; to find and adapt local building materials; and to diversify local agriculture without reducing the main cash crop in each region. In Central Asia this has meant unslackening attention to cotton; continued heavy investment in oil installations; and development of the non-ferrous metal and chemical industries (particularly in Central Kazakhstan). The production of agricultural machinery, already established in Tashkent in the first five-year plan, has been expanded to include machinery for cotton cultivation, though it is difficult to ascertain whether, for instance, six, twenty, or eighty cotton packing machines have been delivered from the Tashkent plant. Heavy industry in Central Kazakhstan, based on the Karaganda coking field and ore deposits, is also of recent origin. Railway construction has been focused on internal communications—the linking of new industrial centres to the trunk lines and to each other, the replacement of a narrow gauge by a permanent way, and the doubling of tracks. Timber remains the outstanding lacuna in Central Asia, and judging by the repeated instructions to collective farms to establish their own brick kilns, building materials of all types are still a bottleneck.

Some new ways of preserving a balance between the claims of cash crops and of industrial development on the one hand and the growth of food on the other, have been tried out in the postwar years. The campaign for large units in agriculture, prominent in 1950-51, took the form in the cotton areas of new irrigation techniques, which made possible larger fields suitable for mechanical cultivation. These presupposed

modern machinery; how far they have been economically justified in the conditions of Central Asia there is as yet no firm evidence. On the side of food production, there have been intensive experiments with "dry" agriculture, designed to leave the bulk of the irrigated lands to cotton growing. The exceptional variety of climates and contours within the region is a great asset, provided that rain and snow water are wisely utilised.

Increasing Local Food Production

To feed the new industrial towns, state farms (*sovkhozy*) have been established in their neighbourhood, for instance in the arid, sparsely populated districts of Central Kazakhstan, where the local collective farms were inadequate to carry the influx of population. Where the labour for these *sovkhozy* came from and how it was recruited remains unknown. Another device to increase local food production has been the attempt at the partial reintroduction of seasonal pasturage in parts of Kazakhstan and Northern Uzbekistan.

The project for the Kara Kum canal is on a larger scale than those previously carried out in Central Asia. Of the latter, the Vaksht schemes in the plateaux of Kirghizia, though less famous than the much publicised Stalin canal in the Ferghana, represent a considerable achievement and have added new areas for the cultivation of Egyptian cotton. In comparing figures for irrigated areas, the upkeep and drainage of existing irrigated lands must be borne in mind: in the statistics of the 1930's, areas were several times classed as "additional" when they were in fact areas where drainage had been neglected and which had again been brought into use. Apart from irrigation schemes, considerable work has been done in the conservation and distribution of sub-soil water, in the building of wells, and in the constant struggle against evaporation. It is these measures which have made possible the creation of industrial centres in the grey plain of Central Kazakhstan.

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How far are the developments undertaken by the GosPlan during the successive five-year plans in the peripheral territories economically viable and, indeed, how far do considerations of economic viability determine Soviet planning? These questions go beyond the scope of this article. An estimate in regard to the five Central Asian Republics was made by Mr and Mrs W. Warren and published by them in *Foreign Policy Report*, XXV, "Soviet Central Asia: Development of a Backward Area." Their broad conclusion is that by freeing the Soviet Union from dependence on imported cotton, Central Asia pays the way for its own development. This, however, is not the kind of argument which ever appears in Soviet discussions of economic policy. Exponents of the Soviet financial system invariably lay their emphasis on the role of the Union budget as a channel for the redistribution of the national income in the directions, both territorial and functional, dictated by political considerations.

To what extent, then, one finally asks, have the Kazakhs, Uzbeks and Tadjiks accepted the Soviet system, prospered under it, or made it to any degree their own? A German expert on Central Asia, Dr Plaetschke, writing on the results of the 1939 census, came to the conclusion that the Tadjiks and particularly the Uzbeks were holding their own, assimilating technical development, and keeping alive to some degree the traditions of Islam. The Kazakhs, on the other hand, have lost ground. A comparison of the census of 1939 with that of 1926, which should have shown a natural increase in the number of Kazakhs, actually showed a decline of more than 80,000. This catastrophic "disappearance" of almost one-third of the Kazakh nation (3,100,000 in 1939), was principally due to starvation and disease during the collectivisation years, but its effects were reinforced both by the systematic colonisation by Russians in Kazakhstan and by the inability of uprooted Kazakh nomads to adapt themselves to life in the new industrial centres.

Dependence on Moscow

That the Soviet system, while successfully breaking pan-Turki and pan-Islamic movements in the Central Asian territories, has not succeeded in altogether converting national and religious loyalties to itself, is indicated both by internal and by external evidence. Instances of the former are the recent sharp criticism of nationalist writers, particularly historians, and the purges in republican Party organisations. As external evidence there is the fact that a Moslem Turki unit was the first to be formed among the prisoners of war taken by the Germans to fight on the Axis side in 1941. The absence of a delegate from any of the five Republics at the Karachi Moslem congress in 1951 is also a sign that Islam has not come to terms with Communism in any constructive sense.

Yet it is easy to read into these facts something that is not there. True, the press and periodicals of the Republics refer again and again to the difficulties of working with women and girls, to the lack of indigenous teachers and leaders, to deficiencies not only of technical but of political education, to the persistent influence of recalcitrant mullahs and to the maintenance of old traditions and prejudices. But the dilemma of Soviet Central Asia lies precisely in this—that industrial progress, the benefits of contemporary social services, the emancipation of education, come to it through its membership of the Soviet Union and therefore, in effect, at the hands of Communism. The peoples of the Republics have no wish to remain as an isolated kind of anthropological museum: it is not easy to see at present how progress can come to them in other, more acceptable, ways.

(Concluded)

Jugoslav Economic Crisis

THE Yugoslavs are putting a brave face on last summer's drought, but it is now plain that it is a serious blow and that the reserves built up after last year's excellent harvest will not be enough to cushion the economy from the consequences. The damage sustained is heavier than after the disastrous drought of 1950. Mr Kidric, the President of the Economic Council, has put it at over 100 billion dinars. The yield of wheat and rye is 25 per cent less than last year; maize is down by 64 per cent, sugar beet by 75 per cent, potatoes by 38 per cent and beans by 77 per cent. For Marshal Tito the disaster could hardly have come at a more unfortunate juncture; it jeopardises—or at any rate retards—the series of bold policies which the Yugoslav planners have launched in an effort to secure economic stability and prosperity without doing too great violence to their Marxist beliefs. For the Yugoslav man-in-the-street it probably means another heavy dose of austerity just when he was beginning to find life easier than for some time past.

The repercussions of the poor harvest have been spreading through the economy for some time. In particular the efforts made to solve the balance of payments problem have received a sharp setback. The Yugoslavs were counting on stepping up their agricultural exports to help pay for their heavy import programme. According to the original "Social Plan" for 1952, agricultural exports should rise by 27 per cent compared with last year. During the first seven months of the year, they did in fact account for 54 per cent of Yugoslav exports. But in August the Government took the inevitable step of banning the export of grain and other farm produce. As a result, according to one estimate, agricultural exports will be over 70 per cent less than in the last fiscal year (when they were worth 39 billion dinars) and if the latest estimates from Belgrade are correct, it will be necessary to import about 1,200,000 tons of foodstuffs.

The Government has abolished the ordinary foreign exchange allowance for private individuals and is doing what else it can to protect the balance of payments; but it can only do so at the cost of temporarily and partially nipping in the bud the measures for liberalising foreign trade that were introduced last summer. Import and export licences were abolished on July 1st, but on October 1st a six-month ban was placed on the import of a wide selection of about 100 articles. Moreover the freedom which export firms gained last July to spend 45 per cent of their foreign exchange as they thought fit, has been drastically curtailed. In order to make sure that it is used to the best advantage, the Government has decreed that all except 20 per cent of each firm's earnings shall be sold to the National Bank.

Building up Food Stocks

Fortunately the protracted negotiations on the 1952-53 instalment of tripartite aid ended in agreement in the middle of last month, and the Yugoslav Government has lost no time in making use of some of it to buy food. Having received an immediate instalment of \$30 million of the American share, it is already asking for a second instalment of \$20 million. Tripartite aid was originally designed principally to supply the Yugoslav economy with industrial raw materials, but it is possible that over half of this year's allotment of \$99 million will have to be spent on food. The Government is anxious to build up stocks in local depots as soon as possible, partly because later on bad weather may hold up distribution and partly because the knowledge that the local stocks exist will be a valuable psychological aid in preventing panic buying and hoarding.

At the moment the situation on the home front is not too bad. Prices have risen, but not steeply—as yet. All the same, the public is showing a tendency to hoard and the measures recently announced by Mr Kidric show that the Government feels it necessary to take steps against



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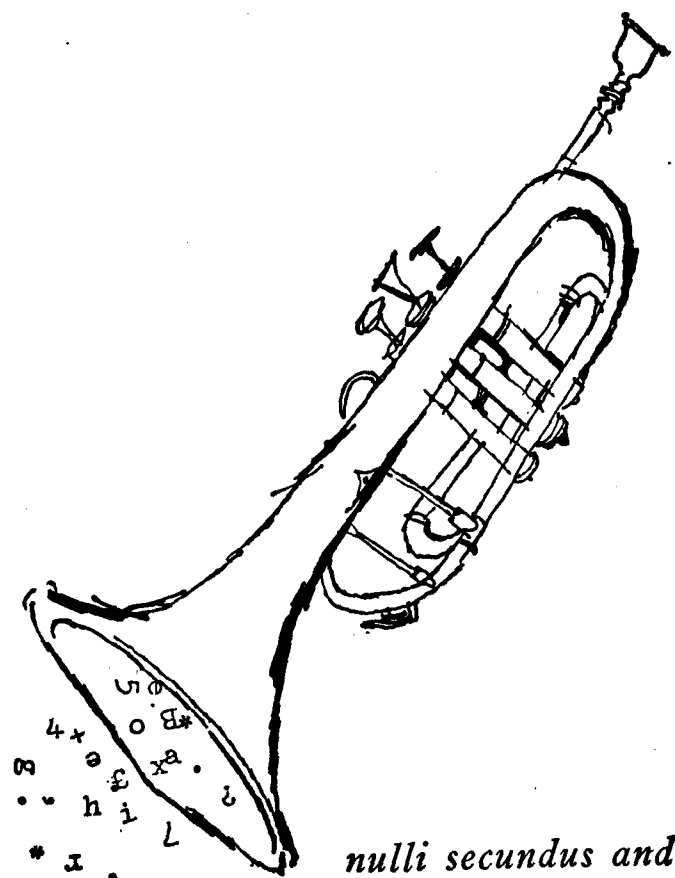
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inflationary pressures. House rents, which at present are disproportionately low, are to be raised by 100 per cent; a further effort is to be made to cut down drastically on state expenditure; and the country's total wage roll will not be allowed to go up.

Many processing industries have, indeed, already been thrown into great difficulties because the delay in settling the new tripartite aid agreement has deprived them of essential raw materials; and now they find themselves getting less than they had hoped through foreign aid. In the processing industries as a whole, production in the first eight months of this year dropped to 94 per cent of last year's level; in the textile and rubber industries it dropped by 14 per cent, and in the leather industry by 26 per cent. It will be surprising if it does not drop still further in the months ahead.

Production in the basic industries, however, has been slowly but steadily rising, and it is by increasing exports of ores, metals, chemicals and construction materials that the Yugoslavs stand the best chance of paying their way, although no effort is being spared to get the textile and other industries to lend a hand. The Government has already made considerable cuts in its capital investment programme, but it is determined to press on with the completion of various key projects designed to secure more hydro-electric power, iron and steel and other basic resources. To obtain the necessary capital equipment, it is pinning great hopes on another loan from the International Bank. Since the three western powers have now agreed to support Yugoslavia's request for a loan, there is a better chance that the protracted negotiations with the Bank's representatives which began in Belgrade last July, will be brought to a successful conclusion.

Indonesia Without Allies

[FROM A CORRESPONDENT]

Now that the Anzus, or Pacific, Council has been in effective existence for several weeks, neighbouring Asian countries have had time to digest its implications. The nearest and one of the most important is Indonesia, where, ever since the handing over of power by the Dutch in 1949 each successive government has followed, in foreign affairs, the so-called neutral policy, gazing neither to left nor right, nor to east nor west. Any attempt to carry out a firmer policy on one side or the other has been liable to create a cabinet crisis. In February the Sukiman cabinet resigned. The causes were various but the occasion was the signing of the Mutual Security Agreement by Mr Achmed Subardjo, the Foreign Minister, and Mr Merle Cochran, the United States' Ambassador. Parliament refused to ratify the agreement.

There are a number of arguments put forward over the actual definition of a "neutral policy." Supposing, for example, it were to the advantage of Indonesia to make certain political arrangements with the western powers one school of thought says that this would contravene the neutral policy. Another group replies that to neglect an arrangement advantageous to the state because of fear of offending Russia and the satellites, is itself not a neutral attitude. Such discussions have never been fully resolved and there is no sign of Indonesia committing itself one way or another to either of the contending powers. This is the controlling factor in Indonesia's attitude to the Anzus agreement between Australia, New Zealand and the United States.

It may be thought that the pursuance of this rather colourless foreign policy is purely opportunist, the desire to be the middleman in both markets. However, although there is undoubtedly some truth in this, there are deeper historical and political reasons. In the 1920's many of the present and political leaders of the country were students in Holland. There, like most young people with their background and aspirations,

they dabbled in Communism which seemed not only to provide hope for the future but proclaimed success as a scientific certainty. A few of the Indonesians, Dr Hatta for example, were among the shining lights of the League against Imperialism. After the first heady enjoyment of Marxist doctrine and the belief in world revolution had passed off, the majority of the Indonesian leaders turned away from Communism. On the other hand, many do not wish, largely for emotional reasons, to become involved with countries, which they learned in their young days to look upon as the bulwarks of capitalist imperialism.

Recent years have seen India, Pakistan, Burma, the Philippines and other former non-self-governing territories achieve independence. In all these cases the handing over of power involved no bloodshed between the former colonial power and the newly created state. These events undoubtedly created a strong and favourable impression. On the other hand, Indonesia's independence, although politically the result of action taken in the United Nations, involved a number of years of destructive warfare. The Indonesians feel little affection for the Dutch and a certain amount of this distrust is carried over to those countries which Indonesia sees to be allied with Holland in various security and economic organisations.

Oceans of Political Prejudice

A neutral policy is also the easiest way out for any cabinet faced with a parliament constituted on the Indonesian pattern. There are many political parties, nearly all of them extremely flexible at making and breaking alliances with other political parties. A reshuffled cabinet, a government post vacant, and immediately the bargaining begins, the large parties offering the bait and the small parties manoeuvring to swallow as much of it as possible. The two main parties in parliament are the *Masjumi* (the Muslim Party) and the PNI (National Party of Indonesia). These are of about equal strength and neither has anything approaching a majority in the House. Each one has to rely on the support of a number of smaller parties to be able to carry on the government. In practice the *Masjumi* and the PNI take part together in a coalition government—but not without having to give seats in the cabinet to members of other parties as well. Every political party has its own pet likes and dislikes and the only way to steer a cabinet through these oceans of political prejudice is to find some policy which represents the lowest common multiple of party opinion. When one considers that there are some 18 political parties ranging from the religious *Nahdatul Ulama* section of the *Masjumi*, on the one hand, to the lunatic left *Partai Murba* on the other, it is not surprising that, to English eyes, the policy of the Indonesian Government sometimes appears rather indeterminate.

The Anzus agreement is designed to provide security for the Pacific area but since it is an entirely "western" and non-Asiatic organisation it will not appeal to Indonesia. During the discussions in the General Assembly of the United Nations Indonesia has shown from time to time an inclination to join with other Asiatic or Muslim countries in creating a "Third Bloc." If an Asiatic security organisation was started under the guidance of, for example, Mr Nehru, then Indonesia might be attracted. However, such an Asian scheme involves many difficulties. Does Australia, because of its geographical position, enter into it? If so, then this is a tie-up with the western powers. Does Viet Nam join in? Indonesia looks upon Viet Nam as a colonial country. Where will the money and the armaments come from? It is difficult to foresee that, under existing conditions, the country will commit itself even so far as an Asian security alliance. Economic and cultural treaties present no difficulty but it is not to be expected that any agreement which commits Indonesia to the possibility of military action will be looked upon with favour.

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THE BUSINESS WORLD

After Monte Bello

THE conspicuous success of the explosion of Britain's first atomic weapon at Monte Bello last month has given a fresh urgency to the long-standing controversy over the organisation of what will become a new industry based on nuclear physics. The production of atomic bombs is the first and most pressing objective of any atomic energy organisation, but eventually the production of atomic piles for submarines and aircraft and for civil use will at least equal them in importance. The size and complexity of the production units that had to be brought into operation to provide the necessary materials for a single bomb are not widely appreciated, nor, possibly, is the fact that resources several times as large as these would be needed to provide the foundation for a nuclear physics industry, even if its purpose were wholly military. There have been misgivings, both within and without the several establishments and committees that make up Britain's atomic energy organisation, about the wisdom of placing this new project, even in its earliest and most secret stages, under the direct day-to-day control of a government department; and such arguments must carry even more weight now that an eventual expansion of the organisation is seen to be inevitable.

The control of atomic energy rests in the hands of the Ministry of Supply under the direction of a Controller-General—at present, Lieutenant-General Sir Frederick Morgan. There are several inter-departmental councils and committees, one with scientific representatives from the universities, but their responsibilities are nebulous and it is unquestionably the Ministry of Supply that plans and runs the organisation. Sir John Cockcroft, who, with the exception of Dr Penney, is the only easily recognised personality in the organisation, is the director of the Harwell Research Establishment (as well as chairman of the Defence Research Policy Committee), and his responsibilities do not extend to the other atomic plants. The staff of the establishments are considered as civil servants and their recruitment and pay are governed by the same rules as other government-run scientific establishments. This is the basis on which the scheme has been run since it was started in 1945; the only innovation introduced by the present government has been the appointment of Lord Cherwell as personal adviser on atomic energy to the Prime Minister. In this role, Lord Cherwell has no specific responsibilities towards the Ministry of Supply; there are indications that the two sides are not, even after twelve months, finding it easy to evolve a satisfactory formula for working in harness.

The essential preliminary to building a bomb was the establishment of six separate stations. It was upon the design, construction and day-to-day running costs of these stations that the Labour Government, over the years 1945-51, quietly expended the sum of £100 million

that so surprised Mr Churchill; a further considerable sum has since been spent on the completion of the bomb itself and the necessary arrangements for testing. The first of these stations, at Harwell, is nothing more than an establishment equipped for pure research, and for the development of projects to a stage at which they are suitable for full-scale design studies. Thus, Harwell is responsible for the design and construction of the two low energy piles operating at that station, and for the work now being carried out on larger piles for power generation. A second small establishment at Risley functions as a drawing office.

The next three plants are production units. The first, at Springfields, refines uranium metal from imported crude ores. The second plant, at Capenhurst, carries out the intricate process of separating the fissile uranium 235 from this metal, which consists chiefly of non-fissile uranium 238. Both types, or isotopes, of uranium are chemically identical; the only discernible difference between them is in their weight, indicated by the numbers by which they are identified. The sorting of the light from the heavy atoms is a slow and tricky business that depends for its success on devising techniques for causing the light atoms of U235 to rise while the heavier atoms sink. The fissile uranium so extracted is used as fuel in a pile operated at Sellafield. Here a proportion of the particles released by the continuous fission of the U235 are used to convert the non-fissile portion of the uranium (which outweighs that of the fissionable atoms by a ratio of 140:1) into plutonium, an artificial element that is not found in nature. Plutonium, which is fissionable, is used for the explosive charge of atomic bombs, and is expected to be one of the principal fuels of atomic power plants. The function of the sixth plant, at Aldermaston, has never been announced; it is generally assumed to be the headquarters of Dr Penney's team working on armaments.

Construction of the bomb had to wait until enough plutonium had been produced at Sellafield, atom by atom, to provide an explosive charge, probably in the region of three to four kilograms. The Sellafield plant has been working now for about 18 months, and the greater part of the plutonium produced during that period went up at Monte Bello, so that the slow process of accumulating plutonium has to start all over again. Britain has, in short, a pilot organisation capable of providing over a period of years sufficient fissile material for a small stockpile of bombs, but unlikely to have much to spare for developing other civil and military aspects of nuclear energy. If the preliminary work on power plants for the generation of electricity is successful, further facilities will have to be provided for the production of fissile materials, either for other military purposes or for the generation of power for civil use.

At this stage it is worth examining the procedure

adopted in the United States to meet a similar situation. The Atomic Energy Commission came into being in 1946, a year after the Harwell organisation had been set up by the Ministry of Supply. The AEC is a semi-autonomous government organisation, the members of which are appointed by the President with the approval of the Senate, and its annual budget is voted by Congress. The Commission owns and finances several atomic piles producing fissile materials, as well as a number of research centres dealing with all aspects of nuclear physics including the design of reactors; and it designs and produces atomic weapons. But these plants and stations are operated by about six different private companies on an agency basis; the design and construction are shared by a far larger number, including many small businesses. The Commission has not, like the Ministry of Supply in this country, made itself responsible for designing, building, staffing and supervising the atomic energy project at every stage of its development.

In the United States, therefore, industry has been given the opportunity to take part in the acquisition of knowledge of a completely new technology where materials are measured in atoms and particles of atoms. The chemical aspect of this work—the handling of radioactive materials, the separating of one from another and the disposing of effluent—is a far more critical factor in the nuclear physics industry than the simple engineering of atomic piles and the marrying of reactors with power generators, and there are signs that a new chemical industry based on radiation may develop from it. British companies have been prevented from acquiring this experience, and their exclusion from the atomic piles at the early stage of their development may in part explain the apparent lack of interest shown by British industry in atomic energy and even in its by-products.

Meanwhile, the Atomic Energy Commission in the United States is broadening its policy in order to encourage industry to assume more direct responsibility for certain aspects of the work. A new contract has recently been completed with one company for the supply of zirconium, whereby the company itself finances the necessary works, invests capital in the requisite plant and sells the zirconium to the Commission at a price that is intended to provide a normal commercial return on this investment. The Commission has also made it known that it would consider buying plutonium from companies operating their own nuclear reactors. There is, in theory, no reason why a reactor generating electricity should not at the same time produce plutonium, and the possibility of investing in dual-purpose plants has attracted the interest of four leading American companies that for one reason or another require electricity in regions that are remote from normal sources of power. British companies are not formally debarred from the possibility of making arrangements of this kind with the Ministry of Supply; but even the most sanguine observers think it unlikely that, under the present system, any such facilities would in fact be extended. Moreover, any such facilities would in fact be extended. Moreover, another party that at present has no link with the organisation, but is likely to be intimately affected in the long run, is the British Electricity Authority, which has a formal monopoly of electricity generation, in Britain, and is investing in coal power stations each year more than has so far been spent on the whole atomic energy programme. The development of nuclear reactors may eventually raise fundamental questions regarding investment in all other forms of fuel and power.

The weakness within the British system is not in its central direction, or even in its financing; the scientists have been given a generously free hand in both spheres. It lies, rather, in regulation of the establishments by dictates laid down for the administration of the civil service. If the problem of atomic development were purely one of research, this might not be of serious consequence. But the atomic energy project, as has been shown, is not a research programme in the accepted sense, since it involves the establishment of considerable production facilities before it can begin to yield results. In all other fields of military endeavour, the Ministry of Supply gives design contracts, or hands over its own designs to private companies to prepare and put into production. There is, on the face of it, no formal or technical reason why this same policy could not have been followed in this particular case.

But the fact that it has not been followed involves an important disadvantage quite apart from that of the exclusion of industry from knowledge of the evolving techniques. The scales of civil service salaries, and even the leisurely machinery for recruiting and confirming appointments, may threaten the quality of the development itself. Although something has been done to improve the salaries by appointing men to a higher grade than they strictly merit, the fact remains that there is a steady leakage of good and promising men at all levels from the atomic energy establishments into industry, where their salaries are higher, into the universities where they have academic freedom of speech, and to other countries where both industry and the universities offer golden prospects. Such leakages are less likely to occur when such men are privately employed and paid their market value. In its early stages, the success of the British programme owes so much to the near-genius of one or two individuals that this drain of talent may not matter. Its effects may, however, begin to be felt when the time comes to expand the service or to replace the normal wastage of the men at the top.

★

In July a year ago, Lord Cherwell made an eloquent plea for a change in the system of organisation—either towards the American method, or by the setting up of a public corporation. But the hopes of a change that followed his appointment as adviser to the Prime Minister have been fading as the months pass. Sir John Cockcroft, when he gave evidence to the select committee on estimates this spring, said that approach had been made to industry, in particular to Imperial Chemical Industries Limited. It appears that ICI was asked whether it would build a plant for the Ministry, and refused on the grounds that it was already preoccupied with export business. The company's version of the negotiations has never been published but, bearing in mind ICI's need to keep abreast of any radical development in the field of chemistry and physics (and also the fact that Mr Michael Perrin, one of ICI's directors, was until 1951 second in command to the controller-general at the Ministry of Supply), the explanation given to the Select Committee is probably an over-simplification. The exclusion of the big chemical companies from applied nuclear physics means that in any work they may be asked to undertake in this field they will have to learn the job from scratch. It is not easy for a company such as ICI, already involved in a heavy and complicated expansion programme of its own, to jump into the breach

at short notice. Yet, with the possible exception of the British Monsanto company—which might be able to call on its American parent for technical assistance, were the American law governing the exchange of atomic information to be modified—there hardly seems another company in the industry with the experience for such a venture.

This is a real difficulty and one that time alone cannot solve. But Sir John revealed also in his evidence the unconscious bias of the true scientist against industry when he said, "There is no chance, at the moment, as I see it, of industry making a profit by coming into this business, and without making their profit I do not see why they should come in." He perhaps overlooked the fact that the immense volume of work done in the United States has been on an agency basis whereby industry got its "profit," and the Atomic Energy Commission got its plants built and run on its behalf on a commercial footing. Even in the United States, the possibility of private financing of the construction of the plants is still no more than an object of study by industry; it may be many years before it becomes a fact.

There is perhaps more to be said for keeping atomic energy under the control of the Ministry of Supply than for putting the responsibility upon a separate public corporation established for the purpose. Such corporations are not too well fitted to deal with a rapidly expanding technology, and there is no reason to believe that the Ministry has not encouraged the scientists to press ahead as rapidly as possible and has provided them

with every facility to do so. Early this year, the Prime Minister said that the question of reorganising the atomic energy project would be shelved until after the Monte Bello tests. Had the explosion not been a success, more plutonium for a second bomb would have had to be made and a second explosion attempted before there could have been any serious question of expanding the service. But since the test has been a success, it can reasonably be presumed that a number of bombs will be made for the stockpile. It is also known that work is proceeding rapidly on the construction of pilot power generators and new types of material-producing piles. Although additional supplies of fissile materials may not be needed for some years, the plants to make them take almost as long as this to build. The question is whether the Ministry of Supply is to begin expanding its staff in order to increase its already large investment in atomic plants or whether it is to employ industry as its agent both in the construction and in the running of them; there are many wartime precedents for joint working on these lines.

An answer to this question must be given shortly one way or another, regardless of whether the Ministry, a public corporation, or even industry itself is the eventual owner of the plants. The Ministry's past experience in getting the plants built, particularly the Sellafield pile, has not been too fortunate, but there have been signs during the past months that it finds it as difficult as any other government department to relinquish one iota of its authority and responsibilities. The choice ought not, therefore, to be left to the Minister of Supply alone.

The Gold Surplus

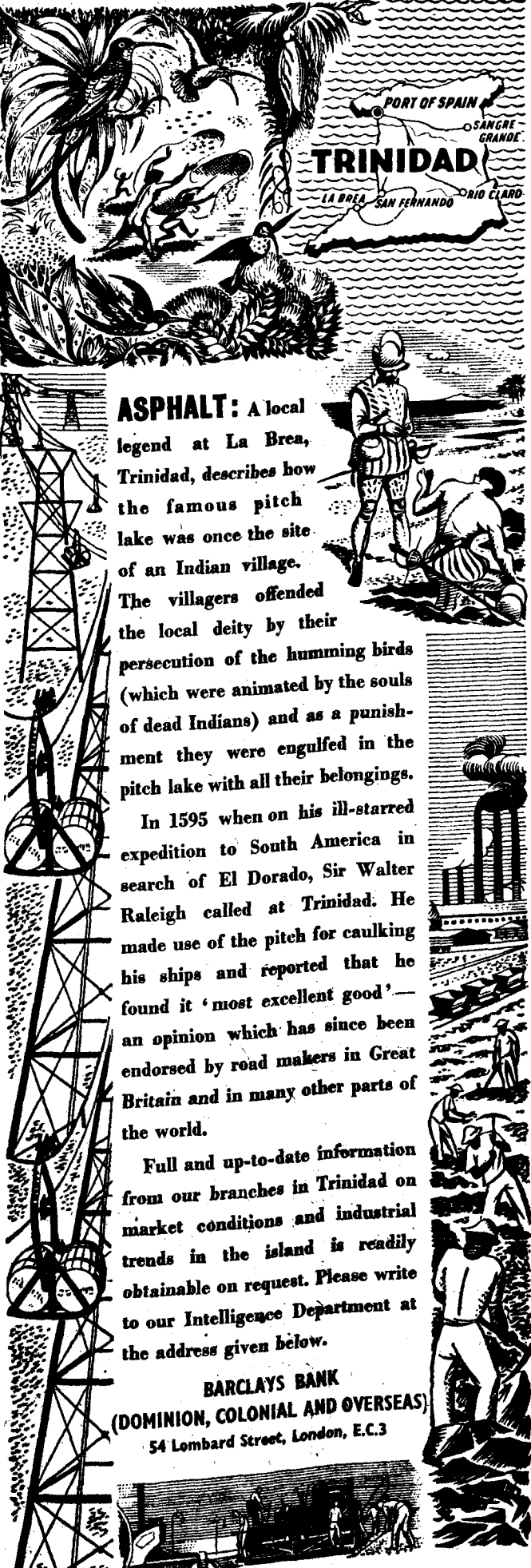
THE gold and dollar reserves increased by \$82 million in October; concurrently the sterling area's surplus with Western Europe rose sharply to over £34 million, and Britain will therefore receive another \$96 million of gold from the European Payments Union in mid-November. The net inflow of gold and dollars in October was the biggest since early 1951, and the surplus with Europe was the biggest since the halcyon autumn of 1950. It may therefore seem curmudgeonly to complain that the figures published this week have disappointed the country's best hopes.

But that is the fact. The increase of \$82 million in the reserves in October was due to three factors, of which two prove to have been flowing less strongly in Britain's favour than had at one time been hoped. The first of these factors was the receipt of \$35 million of defence-support aid from America. It will be remembered that Mr Butler estimated last July that Britain would receive some \$322 million of American aid in the second half of 1952—that is, an average of nearly \$54 million a month; between the end of June and the end of October, however, only \$168 million has been received—which makes an average of \$42 million a month. There is no reason to suppose that there has been any serious hold-up in allotments of aid to Britain or in British imports of the "defence-supporting" materials that qualify for reimbursement by the Mutual Security authorities; the delay in receipts is believed to have been wholly due to the technicalities of the accounting procedure used—and it is still possible that the remaining \$154 million needed to fulfil Mr Butler's forecast will

in fact be received in November and December. But, on the whole, this now seems unlikely.

The second factor behind the increase in the reserves in October was a receipt of \$37 million of gold from EPU, in settlement for the sterling area's surplus with Europe in September. It will be remembered that \$24 million of this surplus was due to a special debt repayment to this country by France; the sudden jump in this surplus—to \$96 million in October—is therefore the most cheering feature of this week's news. It is probable, however, that the October figures reflect the first main fruits of the recent short-lived experiment in commodity arbitrage, whereby some \$150 million worth of dollar commodities were bought from North America by British merchants for re-sale to EPU countries. In addition, October customarily marks the beginning of the flush period of sterling area surpluses with Europe; for one thing, the first impact of the wool sales makes itself felt in that month. This season of surpluses tends to mount to its peak in the early months of the New Year, so that the immediate prospect for continuing gold receipts from Europe may be reasonably bright. But since Britain is still sheltered behind a rickety barricade of import restrictions, and is still in default on its obligations under the EPU liberalisation programme, this return to seasonal surplus falls some way short of a return to true solvency with Western Europe.

The third factor behind the increase in the reserves in October was a net gold and dollar surplus of \$10 million with non-European countries. The small size of this surplus was the most disappointing feature



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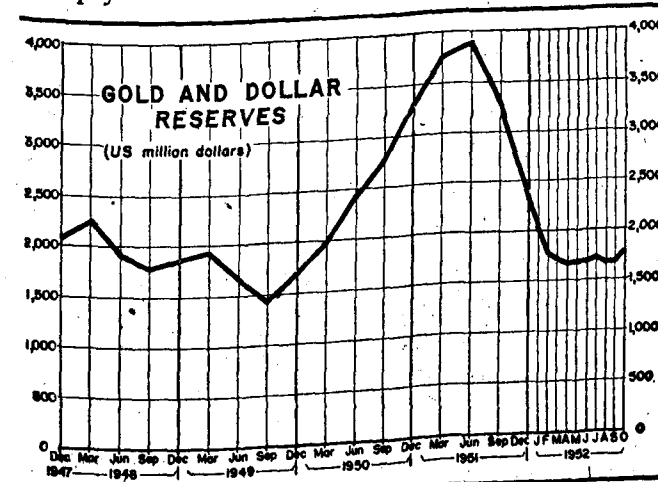
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of last month's returns. As the accompanying table shows, the sterling area's accounts with these countries have hovered between a deficit of \$9 million and a surplus of \$10 million in each of the last four months. It had previously been supposed that the accounts with this area for August and September had borne the whole brunt of the special payments of \$150 million for dollar commodities under the arbitrage scheme. It now seems that this burden was not, after all, fully shouldered in those months; indeed, there may still be some payments to be made in November. It will be disappointing if the impact of the wool and cocoa sales, and of certain other seasonal factors, does not soon begin to show up in the accounts with non-European countries, as in those with Europe; and, in fact, the trend of the rate for spot sterling, which stood at \$2.80½ last Wednesday compared with \$2.78½ at the beginning of October (and \$2.80½ at the end of it), suggests that this trend may already be in progress. But the North American market is not in a robust enough condition for such chickens to be counted one moment before they hatch.

There are two other factors that need to be taken into account in any assessment of the prospect for the gold reserves. First, at the end of December some \$196 million will have to be withdrawn from the reserves for interest and capital payments on the postwar loans from the United States and Canada. Some market observers in America have recently suggested that the British Government may intend to meet part of these payments by liquidating some of the portfolio of dollar securities by which came into its hands last year, when Britain made its final payment on—and thus set free the original collateral



against—its wartime loan from the Reconstruction Finance Corporation. There is no reason to suppose that any such operation is in prospect; the significance of any recent switching within this portfolio of dollar securities has almost certainly been exaggerated in Wall Street.

It is unfortunate, however, that the fate and function of this official portfolio of dollar securities should be so deeply shrouded in mystery. Nothing is known about its market value—recent unofficial guesses, which have assessed it at about \$500 million, are subject to a wide margin of error. The securities concerned, although held by the Exchange Equalisation Account, are not included in the published total of the gold and dollar reserve; that total, at \$1,767 million on October 31st, includes only holdings of gold and dollar balances,

together with some short-term obligations of the United States Government. Moreover, it was revealed this week that even dividend and interest receipts on the ex-RFC securities are not credited to the central reserve; they are apparently re-invested on Wall Street instead. There is no reason, in principle, why the authorities should not keep back these dividend receipts for what is, in effect, a (no doubt staid) flutter in equity investment. But the EEA would certainly be wise to give more account of its stewardship over this not inconsiderable hidden reserve; a fair rule of thumb is that it should give out no less information about its operations than any other investment trust.

Another problem that looms ahead for Britain is the threat of a decline in gold receipts from EPU. If the sterling area's surplus with Europe in November exceeds \$30 million, then 30 per cent of the excess will have to be devoted to repaying Britain's substantial overdraft with the Union; if surpluses continue thereafter, Britain will find itself gradually propelled along the EPU's "sliding scale"—so that a steadily growing proportion

MONTHLY GOLD MOVEMENTS IN 1952
(\$ million)

	Gold payments to (-) or Receipts from (+)			American Aid	Change in Reserves	Reserves at end of Month
	EPU*	Other Countries	Total			
Jan.	-75	-224	-299	Nil	-299	2,036
Feb.	-94	-172	-266	Nil	-266	1,770
Mar.	-50	-21	-71	+1	-70	1,700
April	-51	-12	-63	+25	-38	1,662
May	-45	-20	-65	+81	+16	1,678
June	-47	-41	-88	+95	+7	1,685
July	-23	-7	-30	+61	+31	1,716
Aug.	-99	+10	-89	+45	-44	1,672
Sept.	-5	-9	-14	+27	+13	1,685
Oct.	+37	+10	+47	+35	+82	1,767
Nov.	+96	...	...	...	...	...

* Gold payments to EPU in each month are the consequence of deficits incurred in the preceding month.

of any surplus will have to be devoted to repaying the overdraft while a steadily diminishing proportion will earn reimbursement of gold. Moreover, if these surpluses swell far and fast enough to entitle Britain to claim early reimbursement of all the \$511 million of gold that it paid to EPU in 1951 and early 1952, the Union itself may be placed in considerable difficulties; at the moment it has not got that much gold on hand. This, however, is merely another reflection of a familiar world problem—of the insufficiency of gold and dollar reserves outside North America, and the check that it imposes on any continued expansion of trade. It is this general problem that should be one of the main issues before the Commonwealth Conference in London later this month; and also one of the main issues that lies in wait for President Eisenhower after his inauguration.

A SURVEY OF INTERNATIONAL BANKING

1952

will appear in next week's issue

Business Notes

Ike and the Markets

The stock markets this week have had a surfeit of bewildering food for thought, and every excuse for indigestion. The first news of Mr Eisenhower's sweeping victory sent a flurry of conflicting movements through stock and commodity prices all over the world; but within a few hours it had become apparent that there was a waiting body of professionals prepared to take advantage of—and thereby to correct—the most unsophisticated of these initial reactions. On Wall Street the first reaction was to mark up the main body of industrial stocks by \$2 or more; the London market had expected that American investors would welcome the swing to the right in this way, and the premium on dollar stocks here increased from 7 to 8 per cent on Wednesday. By Wednesday afternoon (New York time), however, Wall Street had exhausted its initial phase of enthusiasm and run into a bout of short term profit-taking; by the close of business the various industrial share indexes in New York were up by less than $\frac{1}{2}$ per cent on the day, and dollar stocks in London were accordingly marked down again on Thursday. By Thursday morning, too, British investors had begun to digest the implications of the return to power in the United States of a party with a traditional bias towards protectionism—and a bias against the swift sort of Government action that might be needed if ever recession returned. But, to date, the net movement in prices has been surprisingly small. In the week to Wednesday's close—a week that brought the news of the transport issue, the Queen's speech, the gold reserves announcement, and High Wycombe as well as the American election—the *Financial Times* index of industrial ordinary shares fell by only 0.3 of a point, to 114.0, and old Consols rose by only one point to 60 $\frac{1}{2}$.

Immediately after the announcement of Mr Eisenhower's victory, cotton futures broke by between \$2 and \$3 a bale in New Orleans, while wheat dropped by about a cent a bushel at Chicago; there are evident fears in the regions that should know best that the Republicans' farm policy may not be quite as inflationary as that of the Democrats. In Singapore rubber rose by $\frac{1}{4}$ of a cent per pound (and the London market followed suit) in the—probably incorrect—thesis that the Republicans' attitude towards natural rubber cannot very well be more unfavourable than that of the Democrats. The same hopes were kindled by gold producers, and gold prices rose sharply on the volatile Paris market, while Kaffirs were initially marked up in London; the rather jejune argument here was that Mr Snyder had said that the dollar price of gold would not be raised "so long as he remained at the United States Treasury"—and now he was not going to remain. Amid this welter of speculation only one point stands out clearly: The fact that the American people have decided that it is time for a change in the complexion of their administration means that this must also be a time for some changes in the world economic outlook; but only Mr Eisenhower's untested powers of resistance to his own right wing—together with Europe's ability and willingness to orientate itself with the new tide—can decide what these changes will be.

The Steel Bill

Finding a formula for steel denationalisation has not imposed upon the Government the embarrassing display of second and third thoughts that transport did. The transaction, in all probability, will be more difficult as well as more important; but the way of going about it has always looked, on paper at least, a more plausible proposition. The

text of the Iron and Steel Bill, which was published just before *The Economist* went to press, deserves full examination: but from first impressions it appears to contain some improvements upon the workmanlike proposals already set out in the Government's White Paper during the summer. The real difficulties of selling back steel will not arise at Westminster; but these changes may meet certain of the political objections that are not purely doctrinaire.

The changes include concessions to criticism inside and outside the steel industry. The main duty of the Iron and Steel Board that is to be set up is defined as the exercise of general supervision "with a view to promoting the efficient, economic, and adequate supply under competitive conditions of iron and steel"; no reference to competition appeared in the White Paper. Again, arrangements by the board for the sale of imported materials at lower than cost prices are now mentioned only negatively, as being prohibited except with the consent of the Minister of Supply; and no reference appears to arrangements "for the loss to be recovered from appropriate sectors of industry, as is done at present." Moreover, the Board's powers to raise levies from iron and steel producers appear to have been slightly circumscribed.

The process of resale is still sketched only broadly in the bill, in order to give the holding and realisation agency that will take over the assets of the present Iron and Steel Corporation of Great Britain considerable latitude in "securing the return to private ownership" of the steel companies now publicly owned. This agency, in the meantime, will "so exercise [its] powers as a holding company as to promote the efficient direction of [its] subsidiaries." Any surpluses from its consolidated trading may be paid into an Iron and Steel Realisation Account controlled by the Treasury, from which the Treasury may allow the agency moneys required for its functions such as the provision of finance for development; the Treasury will be empowered to issue up to £150 million from the Consolidated Fund into this account, and to cover this issue by borrowings. It has been obvious that the development programmes upon which the publicly owned companies are embarked could not be held down to the limit of the surplus funds arising within the nationalised industry; this measure will provide money for the development to go on while the companies remain unsold. The original sum paid in compensation will not affect the re-sale; British Iron and Steel stock will become an ordinary gilt-edged security, with the Treasury accepting full liability. There will be no question of matching the resale price with the price paid; nor is there any question of a levy upon all private iron and steel manufacturers to offset the loss that might be made in selling to new private steelowners, as in transport. And as and when the Treasury considers that the duty of the realisation agency has been "substantially discharged," it may dissolve it and transfer any remaining assets to some other official nominee. That day, probably, is a long way off. But the way back is begun.

New Money for Transport

The expected Transport issue made its appearance this week, for the expected amount of £120 million, and took the form of British Transport 4 per cent Guaranteed Stock, 1972-77, offered at 95 $\frac{1}{2}$. The prospect of an early issue had emerged not merely from indications that the Commission would need finance for its 1953 capital programme but also from the knowledge that it had to refinance the £60 million of one-year 1 $\frac{1}{2}$ per cent stock placed privately with the National Debt Commissioners last December. Surprisingly, the whole of this refinancing is being arranged with the Commissioners, who are accepting an equivalent block of

the new stock in exchange for their maturing holdings. The effective amount of the public offering was therefore only £60 million, admittedly a substantial issue, but a much smaller one than the market had reason to expect.

The choice of a 4 per cent stock, instead of the 4 $\frac{1}{2}$ per cent selected for the Electricity issue (of two years longer life) last spring, required the offer of an unusually wide discount, and thus gave the stock some novel features of particular interest to investors concerned with the net redemption yield. By this device, the authorities were enabled to adhere to their recent policy of pitching their issue terms strictly in line with the market level, while still offering a minor bait. The gross yield allowing for redemption at the latest date was £4 5s. 11d. per cent, or virtually the same as that offered, before the terms were known, by the 4 $\frac{1}{2}$ per cent Electricity stock; but the net redemption yield, based on tax at 7s. 6d., afforded an advantage of $\frac{1}{8}$ per cent, at 2 $\frac{1}{2}$ per cent. Once again, therefore, the authorities have shown technical ingenuity; but this technical skill is being directed towards very modest objectives. This loan, because it makes an appeal to the public on medium-long stock, was at first greeted by some as an instalment—though an unspectacular one—of the genuine funding that is now widely regarded as necessary, and that was so noticeably lacking in the refinancing issues of last month. But in fact this Transport operation confirms the attitude of timidity and of solicitude for the market that was deduced from the previous operations.

It had been suggested then that a genuine funding might be attempted by the Government itself when the needs of other public borrowers had been met. But the maturing of the yearling issue to the National Debt Commissioners presented an immediate opportunity—through a real effort to refinance it by sale of stock to the public. Instead, that chance has been ignored, and the public offer is limited to the minimum objective—the Transport Commission's need for new money. It is true that the whole £120 million could not have been absorbed by the public forthwith in any case; and it is true, too, that the Debt Commissioners now have a stock that may be saleable to the public in due course—after the "departments" have unloaded their share of the stock issued for cash. But the terms of the issue were not calculated to induce a rapid clearance; and the decision to make a specific allotment to the Commissioners, instead of leaving them to act as underwriters for the whole amount (as distinct from half of it) does not suggest that there will be any pressure behind the tap that will presumably now start to flow.

Higher Prices for the Transport User

The new issue will raise the capital charges of the Transport Commission by some £3 $\frac{1}{2}$ million in interest each year. Last year capital charges for interest and redemption required £44.8 million from the Commission's working surplus of £49.1 million, and the surplus expected this year, according to the prospectus, will be "of approximately the same order." On a full year, such a surplus would be barely enough to cover increases in capital charges since 1951, and the prospectus recalls the Commission's statutory duty to secure sufficient revenue to meet charges properly chargeable to revenue account, taking one year with another. Without some growth in the volume of traffic, therefore, the cost of the Commission's new money alone might necessitate increases in transport rates and fares, even assuming that operating costs had remained stable.

But operating costs have not. The day after the new issue was announced news came that the Commission had asked the Minister of Transport to authorise a rise of 5 per cent in rail freight rates, dock and canal charges, and road haulage rates, and that it proposes to bring the whole question of passenger fares under review. Since it last sought an increase,

transport costs have continued to rise steadily. In a full year the increased bill would be:

January—Increase in coal prices	5.0
February—Increase in steel prices	2.5
March—Increase in fuel duty	5.5
October—Increase in National Insurance	1.3
October/November—Estimated cost of new wage increases	18.0
	32.3

Added to this, the Commission has to bear the loss of about £2 million a year from the changes in its fares scheme ordered by the Government. Against this £34 million of increased costs, such economies as it has been able to make, and its increases in provincial bus fares, must weigh light in the balance.

The increases in freight rates now asked for would raise £15 million a year, but the Commission's financial prospects may be worse than this request would imply. The amendment, dictated from above, of fare increases that the Transport Tribunal had approved must have cost London Transport dear; and even last year this section of the Commission's transport system was alone in showing a net revenue deficit. If London Transport is lurching further into the red, increases in fares are inevitable; and it is to be hoped that in the coming review of fares London's burden will not be shifted on to the shoulders of railway travellers elsewhere by flat rate increases spread across the country. Some co-ordination of fares cannot be avoided where main line trains serve the same suburban areas that London Transport does; but this system of equalisation, which has political attractions but runs entirely counter to any principles of efficiency in transport, should be pared to the minimum.

* * *

Freedom for Local Borrowings?

Local authorities will no longer be prohibited from borrowing otherwise than from the Public Works Loan Board. This prohibition, which could be relaxed only by dispensation from the Treasury, derives from Section 1 of the Local Authorities Loans Act, 1945, and has been renewed annually since 1950. The Expiring Laws Continuance Bill, published this week, omits to renew this section, which therefore lapses at the year-end. But the Public Works Loans Bill, published simultaneously, increases the limit upon advances from the PWLB from £950 million to £1,050 million (and permits new issues to the PWLB up to a maximum of £500 million). This suggests that there is no intention, for the present at least, to induce local authorities to seek their finance through market or banking channels—if only for the reason that their present needs largely derive from programmes and commitments arranged some time ago.

* * *

Barter with Brazil

There are still some loose ends to be tied up in the three-cornered deal between the Brazilian Government, the Gloster Aircraft Company and the Raw Cotton Commission. But the main outline of the proposed transaction is clear—and not a little disturbing. It raises some important issues for British commercial policy. The background to the deal—and it is a background that needs to be stressed—is that Brazil is grossly in arrears with its commercial remittances to Britain and other countries. At the end of September its arrears in sterling amounted to £38 million and in convertible currencies to \$338 million; Brazil also owed considerable sums to private Belgian and Swedish exporters, and had accumulated substantial debit balances in its payments agreements with Germany, Italy, Holland and Norway. There are, in fact, still some British exports that Brazil received

last November that it has not paid for, and its obligations for pensions seem to have been in arrear since March at least.

Temporary default by Brazil is not a new phenomenon. It has happened in several winters since the war. On previous occasions, however, Brazil has always been able to clear these arrears in the spring and summer, when it has received payment for its cotton crop. This year, however, its sales of raw cotton have flagged—solely because it has asked too high a price for its crop. The prices that the Brazilian Government has quoted average about 50.5 US cents per pound, compared with the 38.5 cents a pound asked by American growers, who, in effect, set the ruling world prices for this particular grade of cotton. In consequence, the British Raw Cotton Commission has imported less than 10,000 tons of cotton from Brazil in the first nine months of 1952, and in September it imported none at all. In the first nine months of each of the previous two years, the Commission imported more than 1 million pounds from Brazil.

* * *

Meteors for Cotton

In these circumstances it is clear what ought to happen. The Brazilian Government ought to cut its price, sell its cotton and use the proceeds for clearing its arrears. Any transaction that encourages Brazil to evade this obligation is gravely detrimental to British interests, and to the interests of other major trading countries. Earlier this year, however, it became clear that the Brazilian Government had set its face against any reduction in the quoted price of its cotton; this seems to have become partly an issue of face and partly a prop to its bargaining position in the complicated series of bilateral deals that it has negotiated with continental and other countries. It has therefore gravitated towards a solution that Señor Miranda of Argentina perfected in the early post-war years; it is trying to arrange bilateral deals with foreign countries, whereby it can sell its cotton to them at grossly inflated prices, but in turn will pay artificially inflated prices for the manufactured goods that it buys from them. It is believed—and it is certainly to be hoped—that the Board of Trade has refused to agree to any such official deal between Britain and Brazil. But Mr Thorneycroft has also apparently decided that, under existing currency regulations, he can do nothing to stop a private transaction of this sort, even one that involves a quasi-Governmental body such as the Raw Cotton Commission.

It is a private transaction that now seems to have been tentatively arranged. The arrangement is that the Gloster Company will sell up to 70 Meteor aircraft to the Brazilian Government for between £4.5 and £5 million; of this, £3.5 million will cover the aircraft themselves, while the balance will meet the expense of sending technicians and training crews to Brazil. The average price that the Brazilians are paying is therefore about £50,000 per aircraft, which is nearly double the standard market price. At the same time, the Raw Cotton Commission is to buy some (probably about 15,000 tons) of Brazil's cotton at Brazilian prices. As the cotton arrives, the RCC will pay the price that Brazil has demanded into a blocked sterling account in this country. Gloster will draw on this account for the purchase price of the aircraft, and will deliver machines only as and if the necessary sums accumulate. It is possible, therefore, that less than 70 aircraft will eventually be sold; this depends mainly on how much cotton the RCC decides to buy. Although Gloster will draw a gross sum equivalent to £50,000 an aircraft, the company will retain only enough to cover the normal market price of its aircraft. The balance will be returned to the RCC to compensate for the loss that it will incur when it sells on the home market (at world prices) the Brazilian cotton that it is to buy at Brazilian prices. If the transaction does go through on these lines, those who are owed commercial arrears by Brazil have every reason to complain of it.

IMF's New Drawing Accounts

The International Monetary Fund has let it be known that it is willing to open "stand-by" accounts, on which members can draw if and when they run into balance of payments difficulties. These accounts will only be opened for members whose applications are considered to be credit-worthy and to comply with the IMF's rules and requirements; the main objective is apparently that members who have not yet been forced to draw on the Fund—but who feel that they may soon wish to do so—should be able to make sure that any application made in a moment of dire need would not be summarily rejected. It is proposed that these drawing accounts should be opened for six months in the first instance, and renewable for similar six-monthly periods thereafter. They would be charged with interest at $\frac{1}{4}$ per cent per annum.

This is undoubtedly a step in the right direction, but it will not—by itself—restore the Fund to the status that it was originally intended to assume as a major instrument in the finance of international trade. Members' annual drawing rights remain restricted to 25 per cent of their original quotas (which at present price levels are far too small); it has been suggested recently that the Fund might waive this 25 per cent rule for very small countries with very small quotas, but no major move in this direction is yet in the wind. Under the present rules Britain's maximum initial drawing right on the Fund in any one year would be some \$325 million and that of other sterling area countries nearly \$200 million. So long as the Marshall Plan lasted, countries in receipt of Marshall Aid were precluded from drawing upon the Fund. Since ECA gave way to MSA European countries have held back from knocking on the Fund's door—partly because they were afraid that their applications would be rejected (a fear that the new "stand-by" accounts system could help to resolve), but also partly because they have come to regard their drawing rights on the Fund as a last-ditch reserve.

* * *

Coal for the Winter

Britain is fairly certain not to suffer a fuel crisis this winter—partly because it has suffered a slackening in industrial output this year, and partly because economy measures and mild weather saved coal last winter. This is the not altogether comforting prospect with which the fuel winter began this year; distributed stocks of coal in consumer's hands are at record levels, and for some months the amount that is being held in stock at collieries has been tactfully described as "not available." So far has the balance swung that among the most cheering figures that the Ministry's weekly statistical summary can include nowadays are any showing an increase in inland consumption of coal, particularly industrial consumption—which may suggest, weather apart, some quickening of industrial production.

Consumption of coal in Britain in the first 43 weeks of 1952 was 3,300,000 tons lower than in the same period of 1951. Production from the mines has not been able to match the increase achieved last year, so that the increase in stocks—plus an increase in exports, which are already 50 per cent higher than by this time last year—has come about largely through lower consumption in Britain. It may well be that production per manshift for workers really engaged on getting coal is somewhat better than current figures would suggest, since the manpower figures used in these calculations include many more newcomers being trained and more men engaged on development than last year. But the increase in productivity that has confidently been expected for months past—"as soon as the new men reach the coal face," and as soon as face are made ready for them, in some mines—has not yet shown itself.

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D-Day for Furniture

If the standards now drafted by the British Standards Institution for certain pieces of furniture are accepted by the industry, there is no longer any reason for retaining the furniture utility scheme. This is a moment that the industry has been dreading ever since the budget, when, with this one exception, the utility schemes were swept away in favour of the "D" plan. Under this scheme purchase tax becomes payable only on the amount by which wholesale prices exceed a given datum line and not, as previously, on the whole price of any article sold at more than the maximum utility price. The furniture utility scheme had this temporary reprieve because the Government felt that it still provided some guarantee of a minimum standard of quality, a function that other utility schemes had long ceased to perform. Therefore, the Government asked for the authority to introduce a "D" scheme for furniture, but decided not to enforce it until some alternative method of safeguarding quality had been devised.

The Furniture Development Council has now succeeded in devising a series of comparatively objective performance tests to assess whether a given piece of furniture will stand up to the strains and stresses of normal use. These tests are being used as the basis for the British standards now presented to the industry for its consideration. If these are accepted, manufacturers will still be free to decide whether or not to submit their products to the BSI for testing, and the fact that their furniture may meet the standard will have no bearing whatsoever on its liability to purchase tax.

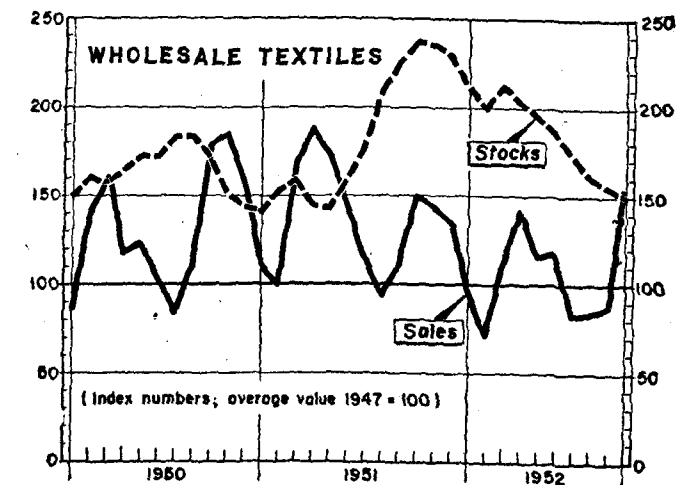
In practice, however, it is difficult to separate the two concepts. The "D" scheme brings considerable relief to manufacturers of non-utility goods, at the cost of taxing some products that were previously tax-free. But more than 95 per cent of the furniture sold today is utility. The industry fears that if the datum line of the "D" scheme is fixed in such a way that 50 per cent of the industry's output is tax-free and the balance taxed on a portion of its selling price, as in other industries, much more of the furniture produced is going to attract tax. The industry has repeatedly asked the Treasury for an assurance that the datum line will be fixed at a level not lower than the present maximum utility prices. There seems little prospect that this will be done and little reason why it should. Furniture has no stronger a case than any other form of consumer goods for tax concessions. The recession of the past twelve months was as much due to persistent over-production as to a fall in retail sales, and today it is a thing of the past. In September, unemployment in the industry was down to 3,061, the lowest figure recorded this year, after having touched heights of 6,000 and 7,000 in previous months. On the other hand, the industry has a strong case for demanding that the Government should state its policy now, while manufacturers are tooling up for the new designs to be shown at the trade shows in the new year. However unpalatable the official verdict may be, it will do far less harm to the trade than a prolonged period of uncertainty.

* * *

Recovery in Textiles

Textile trade at home can no longer be called sub-normal, however slack it continues to be abroad. The index of wholesale textile sales at home (1947 = 100) shot up from 83 in August to 154 in September, while stocks (on the same basis) dropped from 163 to 151. In other words, after a long period of disturbance, sales and stocks stand in the same relationship to each other that they bore in 1947—which is probably as near equilibrium as they are ever likely to get. The value of wholesale sales in September was three points higher than in September last year, when sales had risen far less dramatically from an August level of 110. Since prices have fallen sharply in the last twelve months, the real volume of business done must have risen considerably on the year.

As the accompanying chart shows, the domestic textile recession of late 1951 and early 1952 had its root in excess buying during the post-Korean boom. At the beginning of 1951, after a prosperous Christmas, sales, instead of showing the seasonal New Year decline that precedes the arrival of spring stocks, continued at a high level. The result was that stocks were depleted at a fast enough rate to cause a real danger of shortages. But the retail boom came to an end before this could happen; and then, as a mild winter followed a cold summer, retailers cut back their purchases



from wholesalers, so that wholesale stocks began to rise as rapidly and as alarmingly as they were falling a short while before. It has taken the greater part of this year to bring wholesale and retail stocks and sales back into balance. Preliminary reports of October trade suggest that the improvement that began in September has continued unchecked, but there are still some abnormal features about the business done. Confidence is returning very gradually, and buyers prefer to work on a hand-to-mouth basis rather than risk a repetition of last year's accumulation of unsaleable stocks. They are, therefore, still placing orders for winter stock, when they might normally be expected to be concentrating on goods for the spring. The mills, which cannot work on such a short time basis, and which are themselves somewhat understocked, are not finding it easy to meet the trade's demands for immediate delivery.

* * *

Selling the Government's Lead

London lead prices showed little initial reaction to the announcement by the Ministry of Materials on Tuesday that arrangements had been completed for the sale to Commonwealth producers of most of the Ministry's remaining commercial stocks. The sale will take place over the next fourteen months and the price will be calculated on the basis of the monthly average London Metal Exchange quotations for the period. How much lead is involved in the deal the Ministry did not say and the market can only guess. In August the Ministry agreed with the trade that, after providing for the strategic stockpile, it would release small quantities from its holdings of lead to meet consumer and market needs for spot metal during the initial period of private trading. In the Ministry's opinion this transitional phase is now coming to an end. Within the next few weeks it will cease to guarantee to sell lead for prompt delivery through the Government broker, as sufficient metal should by then have reached this country through normal trade channels. In the meantime requirements for current consumption—which are not expected to be large—will be met from the 9,000 tons of metal that will remain in the Ministry's commercial stock after the bulk has been sold to the producers.

The Government had always intended, once the transitional period was over, to dispose of its remaining commercial stocks with as little disturbance to the market as possible. The latest announcement reflects no change in this policy although, as the volume of trade since the reopening of the market has been larger than was expected, the Ministry say that they have been able to reach agreement with the producers more quickly than was anticipated. On October 1st the Ministry was believed to be holding stocks of not less than 103,000 tons. Since then it is understood to have sold 3,000 tons through the Government broker. According to the statement, a residue of only 9,000 tons remains still to be disposed. At this point the arithmetic of stock disposals breaks down, for it is not known how much of the 90,000 tons that remain unaccounted for has gone to the strategic stockpile, whether any has been sold to the United States Government, or how much is being sold to the producers. At least the Ministry seems to be spacing the sales to consumers over a reasonable period of time. Obviously, it has a common interest with the producers in not wishing to depress prices any further.

Stock Exchange Referendum

The unofficial referendum organised by eleven leading stock exchange firms seems to have given the Stock Exchange Council a mandate to go ahead with its proposals to increase brokerage commissions and to reduce rebates to agents. Just over 60 per cent of the 3,719 members who received the circular letter issued by the eleven firms have given a definite answer to it. In all, 2,301 members answered the question about commission rates, and of these, 1,563 (or 68 per cent) agreed with the Council's policy; similarly, 2,266 members gave their opinion about the Council's proposals to reduce rebates to agents, and 1,463 (or 63 per cent of them) were in favour. Much of the opposition to the proposed changes came from the larger firms that do a great deal of institutional business—and from the jobbers. Of the brokers who answered the circular, 77 per cent were in favour of an increase in commissions and 70 per cent in favour of a reduction in agents' rebates; among the jobbers who answered the questions, however, 59 per cent opposed the increase in commissions and 55 per cent opposed the reduction in rebates. Clearly the jobbers gave more weight than the brokers to the argument that the proposed changes would reduce the volume of business in the "House." Tactically the Council has won another round; strategically its victory might prove a Pyrrhic one.

Stability for Wool

The fifth meeting of the International Wool Study Group took place in London this week and the member countries agreed that there was no urgent problem to be solved. During the past season (1951-52) a virtual balance was achieved between available supplies and world consumption, because Argentina and Uruguay held back a large part of their clips in the hope of getting higher prices. Only recently has Argentina modified its exchange rate for wool and thereby encouraged a sizeable export. This season's world clip is forecast at 2,325 million lb (clean). World consumption, which a year ago was running at an annual rate of 2,050 million lb (clean), has recovered to 2,260 million lb in the third quarter of this year. Thus only a modest further increase is needed to maintain the balance between production and consumption.

This is perhaps significant for the stability of the wool market in the medium term, but in the short run its behaviour will be determined by the rate of liquidation of the South American stocks. Argentina and Uruguay together are believed to hold some 200 million lb (clean) of wool in

excess of their normal carry-over, so that total available supplies this season could amount to over 2,500 million lb. And unless the wool textile industry experiences another panic boom, world consumption is unlikely to rise much above 2,350 million lb. Admittedly, the British Government intends to buy some 50-60 million lb for its stockpile. But this quantity cannot bridge the gap between maximum world consumption and maximum world supplies, including the South American excess stocks.

Stocks in consuming countries have declined during the past twelve months and are now equivalent to only about 4 months' supply at the present higher rate of consumption. They could be increased by 50 million lb. Thus if only half the Argentine stock were marketed, stability in the market could still be maintained. Argentina in the past has not been prone to force its sales; indeed, its accumulation last season arose from the unwillingness of the government to issue export licences for raw wool at the prevailing prices, which it considered too low. The recent adjustment in the exchange-rate applies only to dollar and sterling countries. If Argentina wanted to sell its wool at any price, it could have marketed its supplies last season or made the new exchange rate applicable to all countries. It would therefore seem that on present trends wool prices are unlikely either to fall sharply or to rise sharply during the current season.

Softwood and Hard Currency

Timber merchants, who recently scrambled to take up import licences for the first 500,000 standards of softwood that the Government will allow to be imported during 1953, are now impatiently waiting to learn when the next instalment of licences will be made available. The Government has promised that there will be another instalment for 1953, of not less than another 500,000 standards. But the ministries concerned are anxious that there should not be a repetition of the wild rush that so quickly exhausted the first batch of licences—and of the pressure of buying that so delighted the exporters.

The timber trade, which is now allowed to use its licences for imports from any country, suffers from two major disadvantages. First, timber is primarily an import commodity, and only a relatively small proportion of the products made up from it are re-exported—in the form of packing cases, for example. Secondly, by the perversity of nature or economics, softwood grows mainly in hard currency countries. The British Commonwealth produces vast quantities of hardwood; unfortunately, however, the only Commonwealth country that grows softwood abundantly is Canada. Nevertheless British timber merchants still believe that import licensing could safely be removed, provided that consumer licensing of softwood were maintained. In these circumstances, it is argued, merchants would buy where and when they thought fit (and accordingly at the cheapest prices); in their own interests they would never buy more than the controlled consumable amount. The Ministry of Materials may not be altogether unsympathetic to this view, but the Treasury probably is. Since softwood imports, even under present restrictions, cost £70 million (mostly in hard currency) in the first nine months of this year, the Treasury's caution is not surprising. But it is clear that some announcement about arrangements for importing the remaining supplies needed for 1953 will soon have to be made. Meanwhile, as the Government gradually increases importing freedom, it becomes more anxious about observance of permitted consumer use of this hard currency commodity. With the ending of Government buying, the Timber Control of the Ministry of Materials will be wound up at the end of this year and a smaller Directorate of Timber will take over the remaining duties. In making this announcement the Ministry is at pains to stress that consumer licensing and acquisition will be strictly enforced.

I.C.I. TECHNICAL SERVICE



THE chemical industry's ability to satisfy the needs of its customers at home and to succeed against competition abroad is determined largely by the efficiency of its technical service—that is, the expert advice and assistance it gives to those industries that use its products. The man who buys heavy chemicals is not persuaded to do so by high-pressure salesmanship or intensive advertising. He buys them because they are the necessary raw materials of his business, and he tends to go to a concern which not only enjoys a high reputation for quality but supports its products with technical service.

Technical service works in two ways. It confers obvious and direct advantages on the consumer, and the chemical industry also benefits. Out of the experience of its technical service are born new products, and new techniques, to improve efficiency in many trades. I.C.I. employs hundreds of qualified men in this specialist organisation, which covers nearly every branch of Industry and Agriculture at home and abroad and costs over £1,000,000 a year. Such an organisation can only be maintained by a large scale enterprise. This series of announcements, citing examples from I.C.I.'s casebook, is intended to show the importance of its technical service to the efficiency of British industry and, therefore, to the wellbeing of the community.



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insurance can dispel
anxieties and realize your hopes.

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man from the
Prudential

Copper Strike Continues

The strike in the Rhodesian copper mines was less than a fortnight old when the Ministry of Materials announced last week that for the time being purchases of copper for delivery to consumers during December would be limited to three-quarters of the November allocation. This is probably no more than a precautionary measure, for although the continuation of the strike means a loss to Britain of some 25,000-30,000 tons of copper a month, stocks in this country are probably sufficient to cushion the effect of the stoppage for some time, and activity in the copper fabricating industry is known to have been falling off lately. At first sight it might seem that Britain is being a little unwise in leaning so heavily on one source for almost the whole of its supplies of an important metal such as copper. But Rhodesia is the only country in the sterling area that has an exportable surplus—most of the world's copper comes from the American hemisphere—and the need to save dollars has forced this country to place all its eggs in one basket.

During the first nine months of this year imports of copper have amounted to 290,000 tons, of which Rhodesia has supplied 120,000 tons of blister copper (for the fire refineries in this country) and nearly 60,000 tons of electrolytic copper. The balance of 110,000 tons also consisted mainly of Rhodesian metal, which owing to insufficient refining capacity is sent to the United States, Belgium and Germany to be electrolytically refined before reaching this country. Copper is still under government purchase and precisely because almost the whole of the Rhodesian output reaches this country under Ministry of Materials contracts and is subsequently distributed at fixed prices, the effect of the strike on world copper markets is likely to be small. There are already signs that the world shortage of copper is at last beginning to ease. Although Chilean copper is still being sold at high prices in the American markets, substantial quantities of European copper have recently been exported to the United States.

The Promise of Titanium

Since last year Imperial Chemicals Industries has been producing small quantities of titanium from an experimental plant at its general chemicals division at Billingham, and studying the melting, casting, and fabrication of the metal in its metals division. This week it has announced that it is starting to erect pilot plants that will form "a British source of supply for the development of prototype applications of wrought titanium and its alloys in the engineering and aero-engineering fields." British engineers will then be in much the same position as their American counterparts—able to examine possible uses of this potentially important metal, though still unable to get it in quantities that would make large-scale production practicable.

The development of titanium as a metal—the dioxide is already widely used as a pigment—has been rapid in its early stages, but expansion towards large-scale output is hanging fire, despite the increase in output of ilmenite, the ore most generally used. Before 1946, production was measured in tens of pounds; this year it may reach 2,000 tons in the United States, the only country producing significant quantities as yet. But the several companies that have gained some experience of producing the metal, and the many others that are studying it, are hesitating to tie up large investments in the present expensive processes—they feel that some much cheaper production method, or more than one, is only just round the corner. The Kroll process most widely used, involves thermal-chemical reduction in molten magnesium and purification in an inert gas. This refines the ore in small batches of no more than about 200 lb at a time, owing to the great amount of heat generated in the reaction and the

readiness of hot titanium metal to combine chemically with the side of the iron vessel. American chemical engineers have fairly cheap helium available for the inert atmosphere, but British producers would generally have to use argon. The amount of power needed in the actual process and in producing the magnesium required for titanium refining makes the process tremendously expensive in energy. In America today, titanium costs \$5-15 a pound.

Several other processes are known, and various adaptations of the Kroll process to render it continuous are being studied by American and British firms. But the difficulties are intense; a method of refining with hydrogen studied by the National Physical Laboratory, for example, has had to be abandoned because of the difficulty of finding suitable refractory materials. Nevertheless, the supply of even small experimental quantities of this metal to British engineers will be valuable, if only for the opportunities that its technical qualities promise. Titanium is as resistant to corrosion as stainless steel and 40 per cent lighter; it is harder and more corrosion-resistant than aluminium; and in certain applications its toughness stands mechanical shock and abrasion better than alloy steels.

Shopping Efficiency and Costs

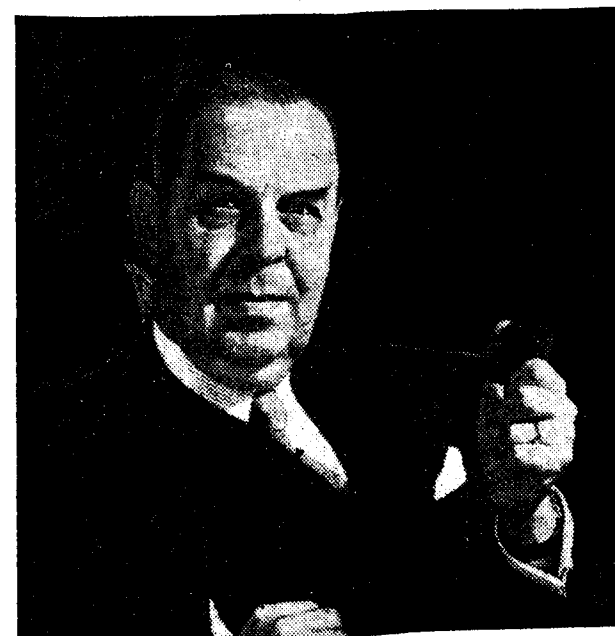
Distribution costs in America may take rather more of the consumer's dollar than they do of the British consumer's pound. This impression is not verifiable, mainly because hardly any reliable figures are available for British distribution. But it is often elevated into a boast by champions of American-style marketing; and the retailers' productivity team that has just reported upon American shopping holds that gross retail margins are certainly no lower in America for food, and are considerably higher for "non-food" goods sold—estimates that would support the general impression as far as they go. Costs of distribution, of course, are no less necessary to the productive process than costs of production, and to the extent that "mass distribution makes mass production possible," the final price to the consumer may be reduced however the costs are apportioned. Nevertheless, the fact that retailing in America is probably more expensive than in Britain—despite the fact that much of the conventional service of the shop is being shifted on to the customer to do for herself—is a necessary background for discussion of the "efficiency" of distribution in the two countries.

Self-service, inevitably, is the development in retailing that has caught the imagination of the retailers who made up this team sponsored by the Anglo-American Productivity Council. In the selling of groceries, the transformation of American shops in the last decade has been startling:

	1940	1950
Percentage of private traders:		
Complete self-service	15	68
Semi-self-service	53	26
Counter, delivery, and credit service	32	6

In selling goods other than food, self-service has been introduced to an extent that few British shopkeepers would have believed possible. In all types of shops, such services as delivery, when they are offered, tend to be carried out by independent contractors. Perhaps the key to the rapid growth of self-service has been the fact that the American customer, who is usually driving a car, provides her own delivery service for the goods that she sets out to buy or can be tempted to buy "on impulse."

As a result, it appears fairly clear that American retailing is economical in labour. The United States, with about three times the British population, employs rather fewer than twice as many food shops and rather more than twice as many workers in them as Britain does, and handles a relatively greater volume of purchases. Though far more part-time workers are employed, these are used mainly in peak hours



From one Employer to another

The other day I was talking to one of my own company's employees, when he remarked, "of course, I don't suppose I'd save a bean if it wasn't for the Works Savings Group." He was just one of those millions who are doing themselves a bit of good by saving regularly through an Industrial Group. He's investing in Britain because it's made easy for him by someone in the firm taking a little extra trouble.

This made me realise how much we, as employers of labour large and small, can do and are doing, for the welfare of our workers and in the national interest, by encouraging Savings Groups within our organizations. There are today over fifty thousand Industrial Savings Groups whose organizers are devoting much time and enthusiasm to the task of encouraging thrift amongst workers at all levels.

I need not reiterate the appeal of the Chancellor of the Exchequer when he emphasised the urgent need for thrift. Never have savings been more vital than now. Let us, therefore, make a special drive between October and March to increase the number of Savings Groups and the number of Group Savers in places of employment. Ensure that our staffs have full facilities for National Savings; take a special and personal interest in our Savings Groups; encourage our employees to save in every way possible. We shall be doing a good thing for the country, a good thing for the business, but most of all—a good thing for our own work people.

May I send you any further particulars, or ask one of our National Savings representatives to call and discuss the available facilities with you?

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CHAIRMAN, NATIONAL SAVINGS COMMITTEE

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Not my class of trade, old boy.

That's what I thought until I started advertising to them. But believe me, what with overtime, some of them are making pretty big money. In a lot of cases there are two or three wage earners in a family, too. Their incidental expenses are low and most of them live in subsidised houses.

How do you reach them?

Well, I'm doing it through the Daily Mirror.

The Mirror, eh? I can't say it's a paper I'm very fond of. I don't read it very often either, but over four million, four hundred thousand other people do — every day.

Quite a potential market!

It certainly is. And, speaking for myself, I couldn't care less what paper they read. All I'm interested in is selling them my products.

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or to supplement shopping hours. Much greater capital investment is put into shopping facilities—business tends to be concentrated into a smaller number of larger shops—and considerably more effort seems to be expended upon pre-packing where goods are not already branded. This represents a pattern of retailing fairly sharply removed in various ways from the British; and the team's recommendation to British shopkeepers to study and develop self-service, or methods that similarly engage the customer's initiative in buying, may wait upon or hasten considerable changes in the whole structure of retailing here. It is perhaps significant that in food retailing in the United States a considerable decline is noted in the number of shops specialising in different foods such as meat, fish, and greengrocery; and that there are already very few small sweet shops.

Growth of "Scheme" Assurances

The statistics recently published by the Life Offices Association and the Scottish Life Offices—and briefly discussed in *The Economist* last week—throw some valuable new light on the growth of "scheme" assurances in this country. These statistics are based on returns from 64 of the 76 United Kingdom registered offices and 11 of the 13 Commonwealth registered offices; they are believed to cover 98 per cent of the new ordinary life assurance business transacted in this country. At the end of last year, as the accompanying table shows, some 901,000 people in this country were covered by both group pension schemes and group life assurance policies, while another 200,000 were covered by group pension schemes alone and 378,000 by group life assurance policies alone. These figures relate only to what may be called "staff" schemes; they exclude certain group

SCHEME ASSURANCES

	In Force on		New Business in	
	Dec. 31, 1950	Dec. 31, 1951	1950	1951
Group Life Assurance* :—				
Lives covered†	1,140,000	1,279,000	143,200	176,000
Net sums assured (£ mn.)	411.5	532.6	71.4	129.5
Premium received (£ mn.)	8.3	11.9	1.9	3.1
Group Pension Schemes :—				
Lives covered†	966,000	1,101,000	110,700	145,000
Net pensions per annum :—				
(i) Vested (£ mn.)	2.6	3.1	£77,600	£367,200
(ii) Deferred (£ mn.)	104.7	140.8	14.7	31.1
Premiums received (£ mn.)	33.7	41.8	6.0	9.8
Schemes by Individual Policies :—				
Lives covered	268,000	311,000	n.a.	85,600
Net sums assured (£ mn.)	15.4	239.2	n.a.	78.2
Net pensions per annum :—				
(i) Vested	£800,000	£907,000	n.a.	n.a.
(ii) Deferred (£ mn.)	28.6	36.6	n.a.	10.5
Premiums received (£ mn.)	13.3	17.7	n.a.	6.2

* Excluding sums assured and premiums covering 6 million lives at the end of both 1950 and 1951, since these are believed to relate to group business of a special kind.

† Approximately 790,000 lives in 1950 and 901,000 lives in 1951 were covered under both group life assurance policies and group pension schemes. There is a similar duplication in the two sets of new business figures, amounting to 94,000 lives duplicated in 1950 and 119,500 in 1951.

life assurance policies that covered 6,000,000 lives at the end of both 1950 and 1951, but related to "group" business of a special kind. In addition to group business proper, 311,000 people were covered by "schemes" operated through individual—instead of collective—policies; the figures for this type of business for 1950 (as shown in the table) may be incomplete, owing to statistical difficulties in assessing the number of "top hat" contracts for higher executives. In all, "scheme" business accounted for some £200 million of the

£627 million of new sums assured with these offices last year. It also accounted for 31.5 per cent (or £71.4 million out of £226.7 million) of the offices' total annual premium income; in 1950 the corresponding figure had been 27.6 per cent (£55.3 million out of £200.6 million) and in 1949 25.9 per cent (£47.3 million out of £182.5 million). Two other features of the life assurance boom illustrated by the new figures are the continued growth of net sums assured and bonuses in force under individual policies (from £4,120 million at the end of 1950 to £4,478 million at the end of 1951) and the rapid rate of increase of new life assurance business overseas (mostly in Commonwealth countries). According to the Board of Trade, British registered offices wrote £65 million of new life assurance business overseas in 1949 and £75.6 million in 1950; the life offices associations' figures now record £95.2 million of overseas new business in 1951.

Butter Output Falls

The upward trend in the world output of milk and dairy produce ceased in 1951. Milk production declined last year, mainly because of the particularly cold spring and the reduction in the dairy herds of Europe and North America. Even so, the year's output of milk throughout the world was still some 5 per cent above the 1938 level, according to the Commonwealth Economic Committee.* The growth of milk output since the war is due to a higher yield per cow, for the world's dairy herd in 1951 was no bigger than before the war and it is believed to have declined this year.

There has been a sharp change in the pattern of milk utilisation since prewar days. The expansion in milk production has been reflected in higher consumption of liquid milk and in larger production of cheese and processed milk. On the other hand the output of butter has declined because of a falling off in supplies of manufacturing milk. Even in 1950, when butter production reached its postwar peak, it was still 11 per cent below the 1938 level. Moreover, the fall in milk production in 1951 was almost entirely reflected in lower output of butter. Because of a rise in consumption in the exporting countries, trade in butter has declined even more sharply than output since the war, and in 1951 butter exports were some 30 per cent lower than in 1938, owing chiefly to lower shipments from Australia and Denmark. In New Zealand—which is now the world's largest exporter of butter and cheese—the expansion in output last year was, however, sufficient to allow both for larger home consumption and larger exports. World consumption of butter, which had reached a postwar peak in 1950, declined last year and in most countries was considerably below the prewar level.

WORLD DAIRY PRODUCTION (Million cwt.)

Product	1938	1949	1950	1951
Butter (24 countries)	56.9	47.7	50.3	48.4
Cheese (21 countries)	29.8	38.3	38.9	39.3
Condensed and evaporated milk (11 countries)	35.0	45.7	51.1	51.7
Milk powder (13 countries)	7.2	16.1	15.8	14.2

Source: Commonwealth Economic Committee.

Consumption per head varies sharply. In New Zealand and the Irish Republic it exceeds 40 lb a year, but in the Netherlands it is only a little over 6 lb a year. In spite of rationing, more butter is consumed per head in this country than in the United States; in 1951 the comparative figures were 14.6 lb per head for this country and only 9.7 lb for the United States. In both countries consumption last year was little more than half its prewar level.

* Dairy Produce. Commonwealth Economic Committee. 1952. 5s.

Output of two other principal dairy products, cheese and condensed milk, did not decline in 1951 although it ceased to rise. The fall in cheese production in the Commonwealth countries and North America last year was offset by higher output in continental countries; world output remained 30 per cent above the 1938 level. Production of milk powder is more than double the prewar level, mainly because of the large expansion in the United States. There has, however, been a slight downward trend in production since 1949, because of a falling off in the manufacture of skimmed milk powder, but this appears to be recovering this year.

Looking at Work

Three years ago a joint committee of cost accountants and production engineers, examining the problem of measuring the effectiveness of industrial production, agreed that time standards—production per manhour, week, or year—were the only measurements that could be applied, and compared, on a wide enough scale. The committee added later, however, that existing standards of time study differed considerably between the departments and firms that used them, and that this whole system of measuring productivity suffered from a lack of agreed principles. More recently, research into the consistency of performance of time study technicians in various industries and factories has shown that the accuracy of these technicians' results may vary considerably. A sub-committee appointed by the original group of accountants and engineers recently issued a third report* recommending a detailed syllabus for training in this type of study, as the basis for an accepted course and a recognised standard of competence in it.

The sub-committee suggests that what is needed is a considerably better-trained type of technician and engineer; that his skill ought to cover a considerably wider field than mere stopwatch observation of operations; and that British industry requires considerably more of these workers than it at present employs. It comments that "work study" is a responsibility often tagged on to some already busy executive (for example, the personnel manager), and in such cases it usually remains a dead label:

Talk to such a man of production and he is with you, discuss productivity and he is still with you, yet mention work measurement and work study and he will probably say that these things are quite useful in most other organisations but they would not work in his own "because the conditions are different."

The type of person selected for such tasks, and the training given, also varies widely between companies; and although many colleges and institutions include reference to work study in their syllabuses or examination courses, the sub-committee could find less than half a dozen that could be said to cover more than the superficial needs of the subject.

Its own recommended syllabus comprises about 100 hours of lecturing and 100 hours of tutorial work; if full-time, it is designed for a course of three months, and if part-time, of three years. Training on this adequate scale would require the temporary release by industry of suitably experienced men to act as teachers (and also adequate pay, since work study instructors today are often paid less than those they teach); but it would be a useful investment. The sub-committee's summary of what the work study observer, technician, and engineer may need to learn is comprehensive. So are its estimates of the qualities that people intending to take up such work would require—which may indeed have been pitched a little high. A person possessing in good measure all the qualities that it lists might seem unlikely to stay for long in any medium-grade executive position.

* "Measurement of Productivity—Work Study, Application and Training," issued by the Joint Committee of the Institute of Cost and Works Accountants and the Institution of Production Engineers, 5s.

Scholarships for Latin America

One potential contribution to promoting trade and other ties with Latin America—an intention expressed in the Queen's speech this week—has been announced by the Federation of British Industries. As a result of a mission sent to nine Latin American countries by the FBI this year, increased scholarship facilities are to be provided for the advanced training of Latin American engineers in this country. As a start, fifty scholarships are to be offered to these countries. The Exchequer at present makes a contribution to the cost of the FBI's post-graduate scholarship scheme, but the bulk of the cost is borne by British industry.

It is clear that such training schemes could make an important contribution towards expanding the exports of British engineering products to Latin America. The practical training the young engineers will obtain in this country will familiarise them with British methods and equipment: on their return they may be expected to rise to positions where they can influence the choice of capital equipment used in their countries' development. There is, therefore, a strong case for increasing the support given to such scholarship schemes by both government and industry.

Revising the Freight Index

The monthly index of tramp freight rates compiled by the Chamber of Shipping is widely used as a measure of shipping activity, but it could be improved. Nobody is more aware of this than its compilers, who have now decided to "overhaul the various trades which were taken into consideration and the weights that have been attached to them. The present index is based on trades and weights selected in 1935, since which time some trades have lost importance while others have gained. The current index, for example, excludes eastbound transatlantic coal shipments—though comparison with other freight indices has shown that the omission of this trade in 1951 caused little variation. A committee that has been studying the index has recently recommended this re-assessment, but advised that the index should continue to include only fixtures in sterling, with fixtures for forward voyages being included in the month of fixture. It was not considered practicable at present to include dollar fixtures; this decision, doubtless, was due partly to the difficulty of obtaining information and partly to the fact that for dollar aid cargoes American-flag ships are receiving preferential rates.

So far the Chamber of Shipping index has been confined to voyage rates for tramp ships, but there is a considerable volume of tramp tonnage let out on time charter. It is now proposed that these time charter fixtures should be taken into account. While it is eminently desirable that there should be an index of time charter rates, it must be hoped that no attempt will be made to incorporate such fixtures into the voyage rate index; it would be very hard, if that were done, to know what the index really measured. The question of compiling an index of operating costs has also been considered, since the freight index is no measure of profit or loss; but the committee considered, as might have been expected, that it would be impossible to secure sufficient information about operating costs on which to base an index.

Shorter Note

The last remaining controls over the cotton industry, imposed under Defence (General) Regulations, 1939, are brought to an end by the Cotton Industry (Revocation) Order, 1952, which came into force on November 6th. In particular the yarn licensing system, limiting the period for which spinners could book orders, is terminated. Although the revocations are welcomed by the industry, they will not make much practical difference, because during the recession the restrictive orders had little application.

Company Notes

Fisons.—At first sight the decline in trading profits shown by the Fisons group for the year to June 30th (from £1,901,633 to £1,602,958) appears to be an unusual prelude to a decision to raise the ordinary dividend from 9 to 10 per cent. But this apparent contradiction is resolved in the informative preliminary statement issued this week. The directors point out that the record profits shown in 1950-51 were inflated by unusually large stockpiling orders for fertilisers; when orders returned to a more normal level, a decline in profits was only to be expected. Moreover, throughout the previous financial year and the first six months of 1951-52 raw material prices were rising, so that in this period fortuitous profits were made on stocks; but in the second half of the latest financial year—and particularly in the last three months of it—prices began to fall and "a very considerable loss" was made upon stocks. In fact, at the end of June the company had been forced to write off £300,000 from stocks of raw materials and manufactured products. Despite this, stocks held by the group were valued at £4,968,080, almost double the value (£2,552,428) carried at the end of June, 1951. In itself such a high level of investment in

	Years to June 30, 1951	1952
Consolidated earnings:—		
Trading profit.....	1,901,633	1,602,958
Depreciation.....	558,012	594,989
Taxation.....	983,017	805,201
Net profit.....	758,728	789,834
Ordinary dividends.....	209,728	233,024
Capital reserve.....	146,294	48,851
General reserve.....	250,000	375,000
Obsolescence reserve.....	29,635	—
Added to group carry forward.....	38,400	86,362

£1 ordinary stock at 81s. yields 6s. 9d. per cent.

inventories would be a factor weighing against any increase in equity dividends, unless the company were satisfied that sales would quickly absorb these stocks.

The directors appear to be confident that this will in fact happen. They are able to report that sales this autumn have been good, and that "an expansion in the sales of fertilisers is planned." Equity payments have been raised in the belief—it appears to be something more than a hope—that both in the short and the long run the outlook for sales of fertilisers is bright.

Wall Paper Manufacturers.—The directors of Wall Paper Manufacturers describe the trading year to June 30th last as "one of the most difficult in the history of the company." Shareholders who examine the company's full accounts will not dissent from this verdict; indeed, some of them may be thankful surprised that the company has been able to maintain the deferred ordinary dividend at 12½ per cent. The directors explain in their report that the high price of paper and increases in other raw material prices last year pushed up costs to an extent that was not fully recovered in selling prices. In addition, sales at home—and more recently sales abroad—have fallen off, "with the result that for the first time in many years wallpaper manufacture has proved unprofitable." Following this decline in sales, three of the company's branches stopped manufacturing wallpaper last March; and since the end of the financial year the group has been forced to cut selling prices.

The scars inflicted by this recession are to be found both in the profit and loss account and in the consolidated balance sheet. The group's trading profits have fallen from £4,406,508 to £2,523,713 and its net profits from £1,517,112 to £844,772. In the same period the group's cash balances have been reduced from £1,618,397 to £527,548 and

£759,325 of tax reserve certificates have been used up. Even more ominously, bank overdrafts have increased from £77,859 to £1,104,444. This decline in liquidity has been accompanied by an increase in the book value of stocks from £6,011,205 to £7,936,377. At the end of June the unpleasant decision

	Years to June 30, 1951	1952
Consolidated earnings:—		
Trading profit.....	4,406,508	2,523,713
Net income.....	4,558,875	2,679,180
Depreciation.....	292,396	375,221
Taxation.....	2,437,412	1,266,943
Net profit.....	1,517,112	844,772
Deferred dividends.....	147,699	147,699
Deferred dividends (per cent).....	12½	12½
Retained by subsidiaries.....	532,259	227,901
General reserve.....	145,755	—
Specific reserves.....	500,000	300,000
Added to carry forward.....	16,576	Dr 5,502

£1 deferred stock at 45s. yields 5s. 11s. per cent.

to write down these stocks had presumably not had to be taken, but the recent decision to reduce selling prices may since have made this necessary. The year to June 30, 1953, will, at the very best, be a year of convalescence.

John I. Thornycroft.—The full accounts of John I. Thornycroft for the year to July 31st have a reasonably comforting story to tell. They suggest that the decline in the group's trading profits (from £1,160,523 to £776,000) was largely due to the arbitrary incidence of profits credited in respect of delayed contract settlements; it was not, in itself, an indication that the group had passed from prosperity to recession. Indeed the consolidated balance sheet points the other way—towards fairly full order books. The book value of stocks and work in progress, for example, has risen from £2,003,184 to £3,005,397, which suggests that the group is sharing in the generally prosperous activity of British shipbuilding yards. Similarly, the increase in the net book value of fixed assets (from £701,535 to £820,288) and the estimate of outstanding capital commitments (at

	Years to July 31, 1951	1952
Consolidated earnings:—		
Trading profit.....	1,160,523	776,000
Total income.....	1,191,924	789,227
Depreciation.....	99,116	125,517
Taxation.....	681,666	385,000
Net profit.....	389,797	278,710
Ordinary dividends.....	47,250	47,250
Ordinary dividends (per cent).....	15	15
Retained by subsidiaries.....	39,171	45,100
General reserve.....	200,000	94,330
Added to carry forward.....	19,664	Dr 38,018

£1 ordinary share at 48s. 4d. yields 6s. 2s. per cent.

* Including profits credited in respect of delayed settlement of contracts (1951: £475,000; 1952: £65,600).

£207,000) indicates that the company itself is not taking a gloomy view of future prospects. Investment on this scale in both fixed and working capital has made some inroad upon the group's liquid resources, and cash balances have been run down from £1,366,393 to £532,663. Nevertheless, equity shareholders, who received in effect the same dividend payment in 1952 as in 1951, may reasonably expect the same dividend again. But they should not expect any more than that.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Oct. 29, 1952	Price, Nov. 5, 1952	Net Yield, Nov. 5, 1952	Gross Yield, Nov. 5, 1952
War Bonds 2½% '51-53	98½	99½	0 16 7	2 14 5
War Bonds 2½% '52-54	99½	99½	1 10 2	2 17 5
Exchequer 2½% 1955	98½	98½	1 13 9	2 17 5
Ser. Funding 1½% '53	99	99	1 18 7	2 15 1
Ser. Funding 1½% '54	97½	97½	1 19 7	2 16 3
Ser. Funding 3½% '55	100½	100½	2 10 21	2 19 3
War Bonds 2½% '54-56	98½	98½	1 11 11	2 17 41
Funding 2½% '52-57	99½	99½	1 9 7	2 18 21
Nat. Def. 3½% '54-58	100½	100½	1 11 11	3 2 21
War Loan 3½% '55-59	99½	99½	1 13 9	3 2 81
Savings 3½% '55-65	92½	92½	2 5 8	3 16 21
Funding 2½% '56-61	92½	92½	2 6 2	3 11 21
Funding 3½% '59-69	86½	87	2 11 2	4 2 21
Funding 3½% '66-68	88	88½	2 10 4	4 1 9
Funding 4½% '60-70	97½	97½	2 9 1	4 7 9
Savings 3½% '60-70	85½	86	2 11 8	4 3 71
Savings 2½% '64-67	84½	84½	2 12 4	3 18 71
Victory 4½% '20-76	101½	101½	2 0 9	3 19 21
Savings 3½% '65-75	83½	83½	2 11 2	4 3 71
Consols 4½% (aft. 1957)	88½	88½	2 7 8	4 11 41
Consols 3½% (aft. 1961)	78½	79½	2 6 6	4 8 101
Treas. 2½% (aft. 1975)	58½	58½	2 4 9	4 5 61
Treas. 3½% (aft. 1966)	68½	68½	2 5 11	4 7 71
Treas. 3½% '77-80	89½	89½	2 7 8	4 4 41
Redemption 3½% '86-96	78½	79	2 7 0	4 0 101
War Loan 3½% aft. 1952	77½	78½	2 6 11	4 9 21
Consols 2½%	60½	60½	2 3 6	4 3 01
Br. Elec. 3½% '68-73	83½	84½	2 11 8	4 3 71
Br. Elec. 3½% '74-77	82½	82½	2 10 10	4 3 31
Br. Elec. 4½% '74-79	99½	99½	2 5 3	4 6 11
Br. Elec. 3½% '76-79	88½	89½	2 5 2	4 5 111
Br. Trans. 3½% '78-88	78½	78½	2 10 1	4 4 41
Br. Trans. 3½% '88-93	83½	84½	2 11 8	4 3 71
Br. Gas 3½% '90-95	76½	77½	2 8 11	4 3 11
Br. Gas 3½% '99-71	91½	91½	2 7 11	4 3 51
Br. I. & S. 3½% '79-81	88½	88½	2 8 8	4 4 61

(a) To earliest date. (f) Flat yield. (b) To latest date. (c) Assumed average life 15 years approx. * Ex dividend.

Last Two Dividends (a) (b) (c)	Ordinary Stocks	Price, Oct. 29, 1952	Price, Nov. 5, 1952	Yield, Nov. 5, 1952
40 b	Anglo-Am. 10/-	6	6	5 0 0
25 b	Anglo-Iran 10/-	5½	5½	5 9 1
12½ b	Assoc. Elec. 10/-	72½	72½	5 10 4
20 b	Assoc. P. Cem. 10/-	101½	101½	5 8 8
12½ b	Bass 10/-	122½	122½	7 0 0
20 c	Boots 5/-	20/-	20/-	5 0 0
8½ b	Brad. Dyers 10/-	23½	23½	10 6 9
4½ b	Br. Celanese 10/-	24½	25½	4 8 0
...	Br. Motor Cp. 5/-	30½	29½	7 11½
22 b	Br. Oxygen 10/-	51½	51½	4 10 3
3 b	Can. Pac. 32½	58½	58½	5 11 1
5 b	Coats 10/-	45/-	45/-	5 11 1
6½ b	Courtaulds 10/-	36½	37½	6 1 8
15 b	Cumard 10/-	33½	32½	9 7 6
7½ b	Dunlop 4/-	17/-	16½	5 7 6
17½ b	Dunlop 4/-	45½	45½	7 13 5
12½ b	Ford 10/-	49/-	49/-	6 2 5
7½ b	Gen. Elect. 10/-	42½	42½	5 4 9½
5 b	Guest Keel 10/-	53½	52½	5 15 5
17 b	Guinness 10/-	29½	29½	5 15 1½
5½ b	Hawker Sid. 10/-	37½	36½	5 11 1
13 c	Imp. Chem. 10/-	43½	44½	5 18 2
18½ b	Imp. Tobacco 10/-	55½	54½	7 6 20
£2.6c	Int. Nick. n.p.	80½	81½	5 14 0
17½ b	J. J. Burg Con. 10/-	46½	46½	7 11 4
10 b	Lancs. Cotton 10/-	38½	38½	7 14 10
10 b	Lon. Brick 10/-	61½	61½	5 14 3
65 b	Marks & Sp. A.S.	45½	45½	4 8 5½
15½ b	Monsanto 5/-	23/-	23/-	4 17 10
10½ b	P. & O. Def. 10/-	50½	49½	6 16 1
7½ b	P. Johnson 10/-	36½	34½	7 5 0
185 b	Prudential 'A' 10/-	34½	34½	5 10 6
90 b	Rhokana 10/-	19½	19½	11 10 9
15 b	Rohm & Haas 10/-	61½	61½	4 17 0
13½ b	Shell Stk. 10/-	78½	78½	5 17 3½
15 b	Tube Invest. 10/-	55½	56½	5 6 8½
15 b	Tur. Newell 10/-	93½	93½	4 5 11
5 b	Unilever 10/-	45½	45½	5 18 9
10 c	Union Castle 10/-	22½	20½	6 1 11½
5 b	Union Disc. 10/-	41½	41½	4 17 7
16½ b	Utd. Molass. 10/-	30½	30½	6 11 4
50 c	U. S. Betong 10/-	38½	38½	26 4 7
10 b	Vickers 10/-	42½	41½	5 19 10
27½ b	Woolworth 5/-	44½	44½	4 16 7

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 14%. (e) Yield basis 16½%. (f) Yield basis 22½% gross. (g) Yield basis 15%. (h) Yield basis 6½%. (i) Yield basis 40%. (j) Yield basis 20%. (k) Yield basis 11½%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended November 1, 1952, total ordinary revenue was £92,097,000, against ordinary expenditure of £62,633,000 and issues to sinking funds £520,000. Thus, including sinking fund allocations of £19,012,000 the deficit accrued since April 1, 1952, was £352,927,000 compared with a deficit of £56,094,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53, £'000	April 1, 1951 to Nov. 1, 1951	April 1, 1952 to Nov. 1, 1952	Week ended Nov. 1, 1951	Week ended Nov. 1, 1952
REVENUE					
Receipts into the Exchequer (£ thousand)					
ORD. REVENUE	180,422	520,825	540,632	17,153	17,247
Income Tax	123,000	41,200	38,900	1,200	1,100
Sur-tax	175,000	110,100	85,900	2,700	3,400
Estate, etc., Duties	57,500	37,300	28,950	1,300	1,400
Stamps	452,000	185,100	229,500	7,700	7,400
Profits Tax & EPT	5,000	...	...	...	...
Excess Profits Levy	...	...	...	...	...
Special Contribution	2,000	1,985	1,000	40	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,875	896,510	924,882	30,093	30,547
Customs	104,350	581,382	612,678	13,105	21,149
Excise	772,000	466,523	414,643	44,461	33,540
Total Customs and Excise	1,815,500	1,047,905	1,027,321	57,566	54,689
Motor Duties	64,150	14,481	13,763	1,041	1,021
Surpl's from Tradg.	12,000	65,927	...	...	...
PO (Net receipts)	...	3,300	...	1,300	...
Broadcast Licences	15,000	6,300	6,650	1,300	1,600
Sundry Loans	26,000	19,666	18,868	...	62
Miscell. (incl. Surpl's War Stores)	110,000	78,758	73,077	3,800	4,178
Total Ord. Rev.	4,661,375	2,132,846	2,064,561	95,100	92,097
SELF-BALANCING					
Post Office	209,235	105,900	114,600	2,700	6,000
Income Tax on EPT Refunds	4,900	3,451	3,043	142	142
Total	4,875,510	2,242,197	2,182,204	97,942	98,239
EXPENDITURE					
Issues out of the Exchequer to meet payments (£ thousand)					
ORD. EXPENDITURE	575,000	308,043	344,089	17,404	15,494
Int. & Man. of Nat. Debt	40,000	20,637	21,999	...	...
Payments to N. Ireland	10,000	5,828	5,460	262	277
Other Cons. Funds	625,000	334,508	371,548	17,666	15,771
Supply Services	354,367	184,376	202,627	50,831	46,862
Total Ord. Expd.	417,936	217,684	239,647	68,497	62,633
Sinking Funds	...	12,057	19,012	609	520
Total (excl. Self-Bal. Expd.)	417,936	218,941	241,747	69,106	63,153
SELF-BALANCING					
Post Office	209,235	105,900	114,600	2,700	6,000
Income Tax on EPT Refunds	4,900	3,451	3,043	142	142
Total	439,502	229,822	253,513	71,948	69,295

NET RECEIPTS (£ thousand)					
Tithe Act, 1936, s. 26	480				
Housing (Temp. Accom.) Act, 1944, s. 8	8,937				
	9,417				
NET ISSUES (£ thousand)					
Post Office & Telegraph (Money) Act, 1950	900				
EPT Refunds	174				
Local Authorities Loans Act, 1945, s. 3(1)	8,600				
Cotton (Cent. Buying) Act, 1947, s. 21(1)	2,007				
Misc. Fin. Provs. Act, 1946: War Damage Commission	3,000				
Finance Acts, 1946 and 1947, Postwar Credits	331				
	15,012				

After decreasing Exchequer balances by £258,900 to £2,925,441, the other operations for the week decreased the National Debt by £23,609,476 to £26,248 million.

NET RECEIPTS (£ thousand)					
Tithe Act, 1936, s. 26	480				
Housing (Temp. Accom.) Act, 1944, s. 8	8,937				
	9,417				
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Finance Acts, 1946 and 1947, Postwar Credits	331				
	15,012				

CHANGES IN DEBT (£ thousand)	
RECEIPTS	PAYMENTS
Nat. Savings Certs. 500	Treasury Bills 19,106
3½% Def. Bonds 1,995	24% Def. Bonds 685
Tax Reserve Certs. 19,619	3% Def. Bonds 1,530
	Other Debt:
	Internal 18,633
	External 5
	Ways and Means
	Advances 5,755
	22,114
	45,722

FLOATING DEBT (£ million)					
Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt	
	Tender	Public Depts.	Bk. of Eng. Land		
1951					
Nov. 3	3270.0	2285.4	330.0	175.0	6060.4
1952					
Aug. 9	3040.0	1403.3	265.4	1.0	4709.7
" 16	3030.0	1450.6	279.8	...	4760.4
" 23	3020.0	1462.9	307.0	...	4789.9
" 30	3040.0	1445.7	292.1	...	4777.8
Sept. 6	3050.0	1443.1	309.3	...	4812.3
" 13	3070.0	1479.9	288.7	...	4838.6
" 20	3090.0	1470.4	316.6	...	4877.0
" 30	4554.6	278.8	8.3	...	4841.6
Oct. 4	3120.0	1471.8	258.9	...	4850.7
" 11	4320.6*	248.0	...	...	4568.6
" 18	4348.1*	288.0	...	...	4636.1
" 25	4364.3*	263.0	...	...	4627.3
Nov. 1	4345.2*	257.2	...	...	4602.4

* In consequence of official purchases of tender bills in connection with cash subscriptions to the new issues of Serial Funding Stock, it is impossible to calculate the division between tap and tender bills until all the bills purchased have passed their original maturity date.

TREASURY BILLS					
Date of Tender	Amount (£ million)	Average Rate of Allotment s. d.	Allotted at Min. Rate %		
	Offered	Applied For	Allotted		
1951					
Nov. 2	230.0	330.1	230.0	10	2.34
1952					
Aug. 1	220.0	320.5	220.0	48	11.99
" 8	230.0	295.1	220.0	49	0.12
" 15	220.0	284.6	220.0	49	0.39
" 22	240.0	301.1	240.0	49	4.31
" 29	250.0	318.9	250.0	49	4.42
Sept. 5	260.0	308.6	260.0	49	8.58
" 12	260.0	308.9	260.0	49	8.61
" 19	260.0	331.1	260.0	49	8.12
" 26	260.0	309.0	260.0	49	8.54
Oct. 3	250.0	312.4	220.0	49	0.53
" 10	220.0	309.9	200.0	48	11.90
" 17	220.0	315.8	220.0	48	4.14
" 24	230.0	321.3	230.0	48	4.06
" 31	230.0	334.8	220.0	48	3.63

On October 31st applications for 91 day bills to be paid from November 3 to November 8, 1952, were accepted dated Monday to Saturday as to about 50 per cent at 99 7/8ths, and above in full. Treasury bills to a maximum of £240 million were offered on November 7th. For the week ended November 8th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)					
	Total 29 weeks ended	Week ended			
	Oct. 27, 1951	Oct. 25, 1952			
Savings Certificates					
Receipts	96,100	79,200	3,300		
Repayments	80,800	82,700	2,400		
Net Savings	15,300	Dr. 3,500	900		
Defence Bonds					
Receipts	33,689	37,199	1,840		
Repayments	42,581	44,258	1,539		
Net Savings	Dr. 8,892	Dr. 7,059	Dr. 699		
P.O. and Trustee Savings Banks					
Receipts	395,372	416,526	13,221		
Repayments	463,205	484,089	14,532		
Net Savings	Dr. 67,833	Dr. 67,563	Dr. 1,311		
Total Net Savings	Dr. 61,425	Dr. 78,122	Dr. 110		
Interest on certificates repaid	19,842	22,713	672		
Interest accrued	72,624	74,390	2,464		
Change in total invested	8,643	26,445	1,682		

BANK OF ENGLAND RETURNS

NOVEMBER 5, 1952

ISSUE DEPARTMENT

Notes Issued:			
In Circulation	1449,474,188	Govt. Debt	11,015,100
In Bankg. Department	50,882,835	Other Govt. Securities	1485,766,065
		Other Sec.	704,303
		Coin (other than gold)	2,514,532
		Am't. of Fid. Issue	1500,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
			1500,356,823

BANKING DEPARTMENT

Capital	14,553,000	Govt. Sec.	306,954,930
Res.	3,294,338	Other Secs.	37,884,927
Public Depts.	39,485,792	Discounts and Advances	7,495,800
Public Accts.	12,889,381	Securities	30,389,727
H.M. Treas. Special Acct.	26,596,411		
Other Depts.	339,979,878	Notes	50,882,635
Bankers	272,428,728	Coin	1,590,516
Other Accts.	67,551,150		
	397,313,008		397,313,008

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
	Nov. 7	Oct. 22
Issue Dept.:		
Notes in circulation	1357.6	1443.5
Notes in banking department	42.8	56.9
Government debt and securities*	1396.8	1496.8
Other securities	0.7	0.7
Gold and coin	2.9	2.9
Valued at s. per fine oz.	248/0	248/0
Banking Dept.:		
Deposits:		
Public Accounts	16.6	9.9
Treasury Special Account	0.2	24.2
Bankers	300.4	278.1
Others	95.4	64.5
Total	412.6	376.7
Securities:		
Government	330.9	315.2
Discounts, etc.	13.1	6.5
Other	42.4	14.3
Total	386.4	336.0
Banking dept. reserve	44.0	58.5
"Proportion"	10.6	15.5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,550 million to £1,500 million on August 27, 1952.

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

	Oct. 30, 1951	Oct. 21, 1952	Nov. 4, 1952
Cereals and meat	172.0	192.0	191.2
Other foods	180.1	191.3	191.3
Textiles	263.0	215.2	218.4
Minerals	362.1	357.6	357.7
Miscellaneous	198.4	185.1	186.0
Complete Index	223.8	218.7	219.4
1913=100	308.0	300.9	301.9

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

	SILVER	GOLD
1952		
	London	New York
	per ounce	per 100 tolas
Oct. 30	73.0	83.25
" 31	73.0	83.25
Nov. 1	73.0	83.25
" 3	73.0	83.25
" 4	73.0	83.25
" 5	73.0	83.25

COMPANY MEETINGS

THOS. W. WARD LIMITED

INCREASED GROUP TURNOVER

NEW ACQUISITIONS

MR GEORGE WOOD'S SURVEY

The forty-ninth ordinary general meeting of Thos. W. Ward Limited was held on November 7th in Sheffield.

Mr George Wood, CBE, presided, and in the course of his review said:

Before proceeding to the results of the past year's trading I would like to preface my remarks with a reference to the alterations that have been made in the form and manner of presentation of the annual report and accounts now before you. We feel that these make for improvement both in clarity and design, and that the new feature introduced giving a ten-year record for the parent company and a five-year record for the group will be informative to those shareholders who are interested in reviewing trends.

It will also be observed that for the first time the directors' report focuses attention on the results from a group aspect. When it is considered that we have over £1,500,000 invested in 22 subsidiary companies, in which in all except three companies we control between 80 per cent and 100 per cent of the shares, and that the combined profits thereof before taxation were over £960,000 and the combined total assets nearly £5 million, then the position cannot be fairly portrayed without the inclusion of their results with those of the parent company.

Commencing therefore from the group position, a remarkable similarity will be noticed when the results for the year under review are compared with those of the preceding year. The profits before taxation at £1,882,305 compare with £1,886,950 a year ago. The charge for taxation requires £1,076,564, leaving profits after taxation of £805,741; and, after adjusting for the amounts already dealt with by subsidiaries in their own accounts, we are left with a net profit available for allocation and appropriation in the accounts of the company of £574,955 compared with £550,188, an increase of £24,767.

RECORD GROUP TURNOVER

This bare comparison of profit does not

you will see that we have increased the fixed assets by some £325,000 in accordance with the board's policy of keeping equipment up to date, and trade investments have increased by over £70,000, represented mainly by the further capital which the Ketton Portland Cement Company, Limited, has invested in its associated company, The Ribblesdale Cement Company, Limited, to finance extensions. The expansion in current assets follows from a rising turnover; but despite a considerable increase in stocks and debtors it is satisfying to note that we still retain a remarkable degree of liquidity in our assets, the cash either on short term loan or at bankers amounting to over £1,100,000. Although current liabilities show a considerable increase, they are covered approximately twice by current assets, which by acknowledged standards is eminently satisfactory. A similar pattern is shown by the separate balance sheet of the parent company, and you will notice that the total assets have now reached a figure over £9 million and the group total assets over £12½ million. Quite imposing totals.

TAXATION

We now come to the charge for taxation which, as will be seen, takes approximately 60 per cent of the group profits. During the next six months the group will be called upon to find over £1,100,000 for taxes falling due for payment within that time.

No company chairman can view such confiscatory inroads into his group's finances with complacency. On the one hand industrialists are being urged to modernise their equipment so that they can compete in the world markets and expand the country's trade, whilst on the other they are being deprived of the essential finances to achieve this very object. Added to the previous

intolerable burden, industry has from January 1, 1952, been saddled with the excess profits levy. The fact that your group has a favourable profits standard estimated at £1,800,000 is fortuitous and does not in any way mitigate the fact that this is an ill-conceived tax.

This crushing level of taxation is just as burdensome whatever may be the political persuasion of the party in power; and whilst unfortunately it is inevitable that for a short time taxation must be levied at a relatively high rate to meet the heavy cost of rearmament, it should be a first priority in any government programme to lighten this burden at the earliest possible moment. Our capacity for saving—whether as individuals or collective bodies—is being seriously impaired. Savings provide the store for future development, and unless the means and incentives for saving are restored our whole economy can be seriously jeopardised.

In the meantime it is incumbent on any government to ensure that the colossal sums being taken from industry are administered as diligently as they would have been if control of them was being exercised by the people who had earned them by hard work, skill and ingenuity and not frittered away in irresponsible schemes and extravagant administrative expenditure.

STEEL NATIONALISATION

Since our last meeting we have had a change of government—a government pledged amongst other things to denationalise the production of steel. This has not yet become effective and will, indeed, take a long time to bring to fruition. One can only hope that reason will prevail and that this great industry so vital to national prosperity will eventually be allowed to function untrammelled and unhampered by political controversy,

under management which has intimate practical experience and technical knowledge of its many specialised sections.

We will now deal with the balance of profit for appropriation. From the profit available for allocation and appropriation of £574,955 referred to earlier in this report, we have decided after careful consideration that it is again desirable to allocate a sum of £200,000 to provision for contingencies, making with the allocation last year a total of £400,000. We feel that in these days of exceptional risks it is a prudent measure we should adopt. We have also allocated £25,000 to the taxation equalisation reserve re initial allowances. This leaves a balance on the year of £339,955, added to which we have the balance brought forward from last year of £519,953, giving a total of £859,908. Dividends already paid on preference and employees shares, together with an interim dividend of 5 per cent per annum on the ordinary shares, total £71,398.

The board recommends the payment of a final dividend on the ordinary shares of 10 per cent, together with a bonus of 5 per cent, both less tax, making a total of 20 per cent, less tax, for the year. With the participating rights on employees shares, this will require £90,783. Again we propose a transfer to general reserve of £200,000, bringing the total of that reserve up to £1,400,000. This will leave the carry forward on profit and loss account at £497,727, against £519,953 brought in.

It is a widespread practice among companies to give a brief breakdown of their trading results over the year and further illustrate it in terms of per £ of sales. For those of our shareholders who find interest in such comparisons, we set out on page 423 the relevant figures for the year under review in respect of the parent company.

(a) Breakdown of trading results.

	To nearest £000.	Per cent of gross income
Purchases, including carriage, etc.	16,630	79.7
Wages and salaries	2,045	9.8
Factory, depot and administration expenses	875	4.2
Depreciation	113	5
United Kingdom taxation	607	2.9
Retained as reserves	435	2.1
Distributed as net dividend	163	.8
Total gross trading proceeds and gross income from investments	20,868	100

(b) Analysis per £ of gross income.

	To nearest penny s. d.
Purchases and carriage	15 11
Wages and salaries	2 0
Factory, depot and administration expenses	10
Depreciation	1
United Kingdom taxation	7
Retained as reserves	5
Distributed as net dividends	2
	20 0

Whatever other values such statistics possess, I think you will agree that they very forcibly stress the meagreness of the margin remaining to finance expansion and to give a reasonable reward to capital invested.

FUTURE PROSPECTS

It is both interesting and instructive to review the statistical record over the last ten years. From this it will be seen that, by pursuing a moderate dividend policy and retaining profits in the business, just over £3 million has been added to capital employed since 1943. We move forward backed by very solid resources.

There is undoubted evidence of a recession in trade in many industries. Orders are being worked off at a greater rate than new orders are being obtained, particularly in the export trade. Our manufacturing interests, including those of subsidiary companies, still have satisfactory order books, but the incidence of rising costs may result in some reductions in profit. From a broad viewpoint it can be said that we should not be wise to count on results remaining as good as over the past two years—during both of which turnover and profits were the highest ever experienced—and that we should be prepared for some curtailment. At the same time we consider prospects are still reasonably good, as, judged by ordinary standards, business being offered is still large.

The pleasure that a chairman may obtain in reporting progress in terms of monetary values is somewhat tempered by the knowledge that they are not proportionately representative of progress in terms of real value. Money, apart from being a means of exchange, used to be regarded as a measure and store of value. Unfortunately the past few years have seen a radical departure from such standards so that we have no reliable yardstick by which to measure true progress. Any steps that are taken by a government to restore that stability of value to our currency so that it once again becomes a real measure of value both in our national and international dealings, are to be commended and supported.

The report and accounts were adopted and the dividends recommended declared. The retiring directors were re-elected and Messrs Joshua Wortley and Sons reappointed auditors.

THE BORNEO COMPANY, WILLIAM DOXFORD AND SONS, LIMITED

RECORD PROFITS

The one hundred and fifty-ninth ordinary general meeting of The Borneo Company, Limited, was held on November 5th in London, Mr C. R. Akers, FCA, the chairman, presiding.

In the course of his speech, the chairman said: All our branches have contributed their share to the record profits presented to you. All our subsidiaries also, with minor exceptions, have had a most successful year.

The net trading profit of the parent company for the year increased by £132,911, from £793,084 to £925,995. The group profits, before taxation, showed an increase of £706,438, from £1,122,254 to £1,828,692. Taxation has once again taken a very large slice out of our profits—64 per cent of the profits of the parent company.

After certain adjusting entries, the net available balance for the year was £186,460, of which £63,024 is required to cover the preference dividend and the proposed dividend, described as final, on the ordinary shares for the year and £100,000 goes to general reserve.

The sales of the parent company and its subsidiaries were in excess of £16 million, which is an increase of £5,500,000 over those of last year. However, it would appear that we have now seen the last of the boom years experienced since the war and are facing the inevitable aftermath.

Malaya is the territory which is most affected by the recession, because the economy of that country is so largely based on rubber, but in all the territories since March 31st last we have been faced with a fall in turnover and a fall in gross profits, with no appreciable fall in expenses. There appear to be, however, indications that importers and dealers have cleared the worst of their surplus stocks and have cautiously started to buy again.

THE FUTURE

You will realise that it is impossible to forecast the future. Profits are falling from the exceptional peaks which we have experienced in the last two years. This, I think, is good, as there is no doubt that this inflationary period which we have experienced has been harmful to the peoples of the world and, consequently, international trade.

Your company will continue its function of assisting in the development of the countries where we are established, and in the process I see no reason to believe that we shall not earn our just reward in the shape of reasonable profits.

Perhaps the biggest problem which companies such as ours are faced with is one of finance. Not only do we have to finance stocks and debts, but we are all the time faced with the necessity of buying, or building at inflated prices, houses, warehouses and office accommodation.

Our policy must also be at all times to make finance available for the expansion of our activities and the spreading of our risks. This financing of stocks and debts, and of capital outlays, is extremely difficult in the face of the very heavy taxation which we now have to meet. The total liability for the year to March 31, 1952, amounted to over £1 million; a formidable figure. It is for these reasons that we have conserved our profits as far as possible.

The report and accounts were adopted.

The sixtieth annual general meeting of William Doxford and Sons, Limited, was held on October 31st in London.

Dr E. P. Andreae, the chairman, in the course of his speech, said: The profit for the year is £601,744, as compared with £600,442, but the heavy toll of taxation absorbs £348,000, as against £305,000 for the previous year, thus leaving a net profit of £253,744 compared with £267,442. We recommend a final dividend on the ordinary shares of 20 per cent, making, with the normal interim dividend of 5 per cent already paid, a total of 25 per cent for the year, always provided that we interpret the February interim of 7½ per cent as appertaining to the previous year.

We are again recommending the capitalisation of £50,000 of the undivided profits of the company by applying that sum in paying up in full 50,000 unissued ordinary shares of £1 each.

ALLOCATIONS TO RESERVES

When considering allocations to reserves this year, we decided to add £100,000 to reserve for plant extensions and renewals, because it is treated as a capital reserve, rather than increase the general reserve at the moment. This capital reserve now stands at £700,000, and represents profits already invested in physical assets employed in the company's business.

Bearing in mind our future plans, we feel that the right and proper course is to continue as in the past and to provide for these and other contemplated expenditures out of profits as these permit.

There is little I need say about the balance sheet. You will agree that it shows a capital structure of great strength. The total reserves are now more than double the issued capital, whilst cash and quoted securities aggregate well over £1 million.

Last year I told you that the major reorganisation of our shipyard, on which we had embarked, was almost completed, and although the results obtained from the employment of our new methods had been highly encouraging, we feared that a shortage of steel might prevent us from making the fullest and most economical use of them. I regret to say that our fears have proved only too real. During the year we received considerably less steel than we needed to take full advantage of the new installations. I am glad to say, however, that there now appears to be a gleam of hope that the position will gradually improve.

POPULARITY OF ENGINES

We completed and delivered to their owners three oil tankers and two dry cargo vessels, all fitted, of course, with Doxford Oil Engines. In addition, we supplied four sets of our engines to other shipbuilders.

When I tell you that Doxford Engines representing almost two million horse-power are now on order, you will appreciate the value to us of our many licensees throughout the world, who have helped to popularise it and maintain its reputation as the foremost marine oil engine of the day.

The large number and importance of our licensees, however, imposes upon us a great responsibility, of which we are fully conscious. We meet it, to the best of our ability, by maintaining a staff of scientific and practical research engineers.

Our present commitments enable us to forecast full employment for at least three years.

ABRIDGED CONSOLIDATED BALANCE SHEET

1951				1951			
£	£	£	£	£	£	£	£
	ISSUED SHARE CAPITAL OF THOS. W. WARD, LTD.	2,196,293			FIXED ASSETS—		
	Less: Preference shares held by subsidiary companies	11,413			Land and buildings, plant and machinery and equipment, incl. loose tools, at net book value or cost, less depreciation	2,831,817	
2,184,015			2,184,880	2,505,257			
972,964	CAPITAL RESERVES	990,672			NET PREMIUMS ON PURCHASE OF SHARES IN SUBSIDIARY COMPANIES, together with goodwill, patents and trade marks	463,086	
2,465,295	REVENUE RESERVES AND SURPLUS	2,810,337		459,216			
5,622,274		5,985,889			INVESTMENTS—		
678,339	FUTURE INCOME TAX, due January 1, 1954	718,891		25,934	Shares in subsidiary companies not consolidated	26,595	
23,316	DEBENTURES AND LOANS, due by subsidiary companies	31,433		381,588	Trade investments, at cost, less realisations and provisions	428,217	454,812
	MINORITY SHAREHOLDINGS IN SUBSIDIARY COMPANIES, incl. reserves and undistributed profits	836,376			CURRENT ASSETS—		
	PROVISIONS—			2,614,851	Stocks on hand and work in progress	3,309,759	
200,000	Contingencies	400,000		3,474,120	Trade debtors, less provisions	4,226,664	
133,310	Employees benevolent scheme	138,470	538,470	154,622	Investments at cost—		
333,310					Quoted	£199,374	
	CURRENT LIABILITIES—				(Market value at June 30, 1952, £172,893)		
2,548,376	Trade creditors	3,303,450			Unquoted (realisable value £5,131)	£5,131	
978,902	Taxation	1,109,296			Tax reserve certificates	204,505	
	Proposed div. (net)—Thos. W. Ward, Ltd.	£90,783			Balances at bankers and cash on short term loans	15,000	
90,926	Subsidiary companies—minority shareholders	£26,804				1,135,749	8,891,677
22,755							
3,640,959		117,587	4,530,333	7,733,861			
£11,079,921		£12,641,392		£11,079,921			£12,641,392

TRINIDAD PETROLEUM DEVELOPMENT COMPANY

ACTIVE AND SUCCESSFUL YEAR

EXPLORATORY DRILLING AND OIL RESERVES

MR KENNETH MOORE'S REVIEW

The annual ordinary general meeting of the Trinidad Petroleum Development Company, Limited, was held on October 30th at the Abercorn Rooms, London, E.C., Mr Kenneth A. E. Moore, FCA, presiding.

The Secretary (Mr J. Mytton) having read the notice convening the meeting and the report of the auditors,

The Chairman said:

As you will have observed from the directors' report and the accompanying accounts, your company has had another very active and successful year.

Oil production rose to a figure in excess of three million barrels for the first time for nine years, while the balance from production account—which represents the net revenue from oil after charging production and administrative expenses—exceeded one and three-quarter million pounds, a record in the company's history.

On the other side of the profit and loss account expenditure on oilwells and development account was at a high level—over half-a-million pounds on exploratory and semi-exploratory wells and over a quarter-of-a-million pounds on exploitation wells, while depreciation absorbed £285,000.

Thus the net profit for the year amounted to £ 685,313

Out of which the Governments of Trinidad and the UK will take between them by way of taxation £ 448,250

And if you confirm our dividend recommendation, the shareholders will receive £ 185,213 633,463

Which leaves to be ploughed in £ 51,850

Out of this sum £50,000 has been placed to general reserve and the balance goes to increase the carry-forward by a modest sum.

In passing I would draw your attention to the fact that we shall be paying out in the form of taxes nearly two and a-half times what the shareholders are receiving by way of dividend and, of course, in addition, the Government of Trinidad receives from us large sums by way of royalties and rents. These latter sums far exceed the amounts distributed by way of dividends and it is perhaps worth mentioning that we distribute by way of wages, salaries and payments to contractors in Trinidad about £700,000 a year.

In one way or another, therefore, it may be said without fear of contradiction that we are making a very important contribution to the well-being of Trinidad and its economy—a contribution which far outweighs the modest return to those who had the faith and courage to embark their savings in our enterprise.

But, to return to the principal figures which I have mentioned above, some comments are desirable to give them perspective.

First of all, as regards production, I would remind you that when the public were invited in 1937 to subscribe for ordinary share capital to put the company on its feet, production was estimated at 1½m. barrels and profits at £90,000 per annum. In every

year since then these forecasts have been very handsomely exceeded and I should mention that, whereas in 1937 we had oil rights over 24,000 acres on the mainland, today the corresponding figure is in excess of 77,000 acres, quite apart from our marine areas.

IMPROVED OIL RESERVE POSITION

During the war we were required to produce from our proved areas and, quite properly, were not allowed to divert steel and effort to exploratory drilling. Nevertheless, we succeeded for a time during the war in raising production to well above the 3m. barrel mark, but after the war it tended to fall away until in 1948 it was down to a low of 2,662,170 barrels.

Oil reserves are, of course, a wasting asset, and since the war we have had to endeavour to prove up new areas. There were, however, difficulties and delays in getting delivery of new drilling equipment in the immediate post-war years, and it was not until about 1948 and after that we were able to get the deep drilling and other equipment so badly needed.

In each year since then we have spent large and increasing sums on exploratory drilling, and although we have had our share of disappointments we have, in one way or another, restored and improved our oil reserve position, a fact which is reflected in the rising tendency of production in the last four years.

In this connection you will, I am sure, be interested to know how we have fared as regards exploratory drilling since we last met a year ago. On that occasion I referred to our discovery of a narrow belt of the Herrera sand in an exploratory well, Coora No. 188, and I said also that this was the first Herrera production we had achieved in our main fields and that it might be of great importance, although it would be dangerous to jump to premature conclusions.

I also said that in order to prove or disprove the extent and capacity of this Herrera discovery two further exploratory wells had been put in hand but that it would be some time before we knew the answer. These further wells were Coora 190, which was drilled to a depth of 9,478 ft. at a cost of about £60,000, and Coora 191, drilled to a depth of 11,617 ft. at a cost of about £70,000. Coora 190 failed to reach its target although we are obtaining from it a small production from the Miocene formation. Coora 191 reached the Herrera sand, but in that location the Herrera sand proved to be watered "down-dip." However, a further exploratory well, Coora 192, picked up the Herrera sand again at 9,545 ft. and is producing a modest quantity of oil. Whether or not this production will prove fully commercial has yet to be established. It seems that the reservoir is considerable but of poor permeability. It is conceivable that this condition will improve naturally to the westward or that treatment by explosive or chemical means will improve the access of oil to future wells. In any event, the chances of the profitable development of this deeper reservoir are improved by the fact that it is likely to be overlaid in many locations by shallower reservoirs from which commercial production can be expected.

I am sorry to trouble you with this semi-technical stuff, but you will understand that this exploratory drilling is a very expensive

but absolutely vital part of our operations and that, although one may not get spectacular results, it all helps to build up our knowledge of the geological structures and of the potential oil reserves which, of course, have a very important bearing on production prospects.

But, to return to our other exploratory work:

Moruga 2, an essential exploratory well, and a milestone, so to speak, on the hard road to our outlying territory at Moruga Bouffe far to the east, was drilled to a depth of 13,008 ft. in the face of tremendous difficulties, at a cost of over £200,000, and was, quite frankly, a failure, as also was a wildcat well, New Grant 1, drilled to a depth of 7,292 ft., at a cost of about £80,000. However, we have now got some distance with what is perhaps the most important exploratory well of all, Moruga 3, and at the moment are down to over 8,000 ft. In the course of drilling this well we have gone through many oil-impregnated sandy beds at frequent intervals all the way down, and believe we are now approaching the Cretaceous, one of the main objectives. Our geologists and technicians in Trinidad are very optimistic about this well and feel that even at this stage it affords the hope of a new commercial shallow field. Two shallow test wells, Moruga 4 and 5, have been drilled since the end of the financial year alongside Moruga 3, and are already giving production, as yet small, from certain shallow sands. Time alone will show whether the optimism of our experts is justified, but I give you this information so that you may know all that I know on the subject at the present time.

TRIBUTE TO COMPANY'S TEAM

Summing up, our exploratory drilling last year has added a great deal to our knowledge of the geological structures, and it holds out two excellent prospects for the company, which, if they materialise in a form anywhere near a reasonable expectation of their worth, would add considerably to the company's reserves of oil and production prospects.

I need hardly tell you that the drilling activity of the past year, and, in particular, the exploratory drilling in outlying districts, has only been possible as the result of the enthusiastic efforts of our geologists, engineers, drillers and others. Their work is exceedingly arduous and goes on 24 hours a day, often in great heat or heavy rain, in most remote corners of the jungle. It involves the building of roads and bridges, the erection of housing, the provision of water and lighting and all the other services essential to work of this kind. For these reasons I would like you to join with your directors in sending a special message of thanks and appreciation to all our people in Trinidad, whatever their place may be in the team, for the very great contribution they have made to the progress of this undertaking by their strenuous efforts in the past year.

I hope to visit Trinidad again in a few months' time and to express my appreciation personally to all concerned.

ENLIGHTENED POLICY

As I have mentioned on previous occasions, our workpeople in Trinidad are sensible enough to realise that their fortunes are

linked with the continual success and progress of our operations, which alone have made possible the good wages and provident funds and the improved housing, medical, educational, recreational and other amenities which they enjoy. The educational and technical training facilities which we provide are beginning to show important results in improved technical efficiency and in providing opportunities for promotion to Trinidadians.

The enlightened policy we have followed in these matters is greatly appreciated in all quarters in Trinidad and I am only sorry that, in some ways, progress is a little slow. For example, it has not yet been found possible by the Colonial Education Authorities to find a place this year for either of our two scholarship winners at English universities but, fortunately, they are both young and we are sure that an entry in the right technical courses will be found for them next year. It has been the greatest pleasure to us to see that one of the grantees is the son of the West Indian longest in our service, who has risen from the ranks to the important post of assistant chief accountant.

TAXATION BURDEN

To return to our figures and to the accounts, we are, as you will appreciate, disturbed at the very high proportion of our profits—namely, about two-thirds—taken by taxation. Our ordinary dividend has remained unchanged for the last six years, but in that period taxation has risen from £205,000 in the year 1947 to £448,000 in the year just past. Taxation on this scale makes serious inroads into our ability to face the high cost of development and exploratory work and, quite apart from the domestic aspect, on a long view must be damaging to the economy of Trinidad.

So far I have not referred to our balance-sheet. All of you have, no doubt, studied the figures which speak for themselves and show a sound and reasonably liquid position. There is one item, however, to which I should refer—namely, the note to the effect that contracts in respect of future capital expenditure are estimated at £412,000. This sum relates in the main to contracts for the future supply of steel casing for wells and miscellaneous equipment which we have to order far ahead to ensure delivery when it is required. Thus you will appreciate that payment will be spread over the months and even years to come and the rather large sum mentioned in the note does not represent an immediate liability.

ORGANISATION IN FIRST-CLASS SHAPE

I hope, in the course of this address, I have been able to give you a balanced and realistic view of our affairs. They are, I can assure you, in first-class shape, and we are justified in looking forward to the future with every confidence on the operational side. On the financial side, I need hardly say, our fortunes will depend in the main on matters completely outside our control, such as taxation, the future course of oil prices and of the dollar/sterling rate of exchange. You will remember that the whole of our production is sold in terms of US dollars, and therefore any movement in the dollar exchange immediately affects our fortunes.

In this connection, and as mentioned in the directors' report, we have recently renewed our long-term oil contract with United British Oilfields of Trinidad, Limited, on terms more favourable than those previously in force. The new terms give us a secure market and a measure of protection in the event of a fall in the price of oil, and I should like to take this opportunity of expressing our appreciation of the good relations which have existed for so many years between the company and the Shell organisation as managers of United British Oilfields.

Trinidad, Limited, and their understanding approach to our problems in the recent negotiations, which have been concluded to the mutual satisfaction of both parties.

Before concluding I should mention that for a variety of reasons it is desirable that our articles of association should be amended and brought into line with the Companies Act, 1948. In due course we shall therefore be calling a special meeting of shareholders for this purpose.

Finally, I take this opportunity of expressing our thanks to our managing director, Commander Lavington, and to our general manager in Trinidad, Mr Bennett, for their outstanding services in the past year. As I have indicated earlier in my remarks, the company is fortunate in having, both at home and in Trinidad, an enthusiastic and capable team and the prosperity of the company is, in no small measure, due to their efforts.

The report and accounts were adopted.

FISHER & LUDLOW LIMITED

SUCCESSFUL RESULTS

MR ARTHUR KEATS' REVIEW

The thirty-second annual general meeting of this company was held on October 31st in Birmingham, Mr Arthur Keats, OBE, the chairman, presiding.

The following are extracts from his circulated statement.

It gives me great pleasure to be in a position to submit for your approval and adoption accounts which show an expansion of earnings in spite of the difficulties that have had to be faced during the period under review.

It will be noted that the profit of the Group before charging taxation amounted to £927,026 compared with £852,004 for the previous year. The imposition of the Excess Profits Levy and the higher rate of Profits Tax applicable to the period to December 31, 1951, have led to an increased charge for taxation of £584,857 as against £515,857 for the previous year and leaving a net profit of £342,169 compared with £328,167.

BURDEN OF EXCESS PROFITS LEVY

I feel I cannot let this opportunity pass without registering my protest against this latest burden thrust upon industry by the Chancellor of the Exchequer in the form of the Excess Profits Levy and the arbitrary way in which it is charged. So far as your company is concerned the early postwar period was a time of complete re-organisation and transfer to our present works at Castle Bromwich, and it was not until 1949 that the benefits of the long term programme were being reaped and we are now being penalised for our enterprise, the wisdom of which has been proved in the trading results of the last three years. There must be many other companies whose circumstances are similar and who feel the same sense of injustice.

STRONG FINANCIAL POSITION

There is little need to give a detailed survey of the accounts, since these tell their own story of the steady progress of your business and of its strong financial position to meet any exigency that may arise. From our consolidated balance sheet it will be seen our net current assets amount to £3,584,824 of which no less than £1,996,625 is in cash or securities readily convertible into cash. The value of stocks at £1,733,201 represents a reduction in the physical level over the previous year, after taking into account the price

increases of the past year, and will enable us to obtain the benefit of price reductions that are now apparent in certain basic commodities.

Revenue reserves and surplus have been further strengthened during the year and for the Group now stand at £1,359,669 (subject to Note 3) after deducting the recommended dividend of 22½ per cent less tax on ordinary stock and the transfer of £10,000 to the staff benevolent fund.

NEW PLANT AND EQUIPMENT

During the year the process of maintaining our plant at the highest possible level of efficiency has continued with the expenditure of £238,343 on new equipment, whilst further orders for £200,000 were still outstanding at the year end. It is interesting to note that the company has spent over £1,750,000 in new plant and equipment during the postwar period and that the total book value of all our plant now stands at some £950,000.

The profits of our subsidiary companies continue to make very useful contributions to the Group, although the latest restrictions on imports to certain Commonwealth countries are now being felt in the domestic appliance field, in common with other trades supplying consumer goods, and may result in reduced profits from our Bendix company.

EFFECT OF RESTRICTION OF IMPORTS

How far these restrictions are likely to affect the motor car industry with whom we are closely associated, is difficult to assess at this stage, but it seems fairly certain that some reduction of output must be expected. Your directors have had this possibility in mind for some considerable time, and have secured valuable armament contracts for stores and vehicle bodies which are now coming into production.

A steady expansion of trade by our subsidiary company, manufacturing mechanical handling equipment such as the "Flowline" and "Flowlink" Conveyors, and other labour saving devices, is pleasing evidence of the awareness of British industry generally, of the necessity for obtaining the maximum efficiency in production, processing and handling operations. This trend is also reflected in the increasing sales of Pallets, which are used for the transport and storage of partly processed and finished goods, by which means a considerable reduction in floor storage space and production costs can be obtained.

There is much uncertainty on the business horizon and there is no doubt that industry will need to become more competitive if our place in the markets of the world is to be held, let alone extended, but I feel confident that all possible steps have been taken to ensure that the position of your company is maintained and its high reputation enhanced.

You will be pleased to learn that the employees' pension scheme which was recently commenced is functioning satisfactorily. Unfortunately, a number of our employees died during the year, and there is no doubt that the difficult financial circumstances brought about by the loss of the breadwinner have been eased for their dependents by the benefits which are paid by the scheme. Our benevolent fund has continued to pay pensions to older employees who were not eligible to join the main pension scheme.

The achievements before you have entailed much hard work and have called for loyalty and co-operation from management, staff and employees, and I am certain you would like me, on your behalf, to tender your appreciation for the contribution they have made to the success of your company.

The report and accounts were adopted.

TANGANYIKA SISAL GROWERS' ASSOCIATION

MR E. F. HITCHCOCK'S SPEECH AT THE ANNUAL DINNER

The annual dinner of the Tanganyika Sisal Growers' Association took place at Tanga, Tanganyika, on October 30th, when 200 members and guests were present. Sir Edward Twining, KCMG, Governor of Tanganyika, was the chief guest. Mr E. F. Hitchcock, CBE, who presided, in the course of his remarks on the sisal industry, said:

SISAL PRODUCTION

Since Sisal Control was discontinued at the end of 1948, East Africa has produced almost 700,000 tons of sisal of a total value of over £100 million, of which over \$100 million worth went to reduce the dollar gap of the sterling area. That is an achievement, and a considerable contribution to the economy of East Africa, especially of Tanganyika, which has contributed 80 per cent of the total.

This year production is likely to reach 196,000 tons, an increase over 1951 of 6 per cent, although there will be a substantial decline in the Kenya output. The total 1952 value is likely to be £25 million, or £6 million less than in 1951.

During the year to the end of August, 105,000 tons were shipped from Tanganyika ports, showing a shortfall on production of 10,000 tons. The rail and port facilities have not kept pace with the increase of production and this we regret.

THE PRICE STRUCTURE

Fall in World Sisal Prices.—The dramatic fall in the world sisal price from March to August of this year took most people by surprise.

Just over two years ago, in July, 1950, at our annual dinner I said that "the equilibrium of world hard fibre supply and demand was being approached, and that within two years, or even sooner, we might experience a rapid and even a spectacular fall in the sisal price."

World inflation.—What, in fact, happened? Almost before the ink on my statement was dry world values of all primary commodities swept upwards, and with them I may add also all costs, especially of machinery, equipment and stores, which we need for our production.

The intrinsic supply and demand position of commodities had little to do with the case. Certainly the real world consumption of sisal did not appreciably alter. This followed the outbreak of war in Korea, and the expansion in world armament programmes which led to a great expansion in world credit; and a further diminution in the value of the pounds which we receive for our sisal.

The quoted rise was certainly spectacular, from £130 to £250 a ton, and the price in the sterling area temporarily outstripped the price level in terms of the dollar, thus making BEA sisal dearer to the American consumer than dollar-produced hard fibre. The quoted fall, from £250 to £90 a ton, was even more spectacular.

Price Fall as it Affects Growers.—How was the sisal producer affected?

The East African Customs Returns show that in 1951 growers received an average f.o.b. East Africa port price for all their sisal of £167 a ton; during the first six months of 1952, £179; and during the three months July to September of this year, £126—comparable to the pre-Korean price established

early in 1950, as a result of the devaluation of the £ some months previously in September, 1949. I may add that the difference between the f.o.b. East Africa port and the c.i.f. United Kingdom port price was £15 a ton, and the differential between the highest and the lowest grade £23.

The point I wish to make is that the price received by growers has at no time been on the high level of prices which have been publicised throughout the world, and which have involved a good deal of criticism of the producer. Nor indeed was the producer in any way responsible for the rise in price, caused by world influences outside his control.

These extreme price quotations applied in practice to a negligible proportion of production, owing to the established policy of forward selling, which on a rising market is to the advantage of the buyer, the average price to the producer being well below current market quotations.

But such price quotations undoubtedly had an undermining influence on the market, and the financial risks feared impeded normal buying. This was the main factor in the price fall, and everything that followed only aggravated the position, including some irresponsible offerings, due to needless anxiety on the part of a few sellers. But on the whole producers have kept their heads and their solvency.

The price continued to fall, buying being largely for current or near delivery, and by August touched a c.i.f. United Kingdom port quotation of £90 for No. 1 or £80 average for all grades, equivalent to £65 f.o.b. East Africa port. Even above this figure, some estates find that their costs exceed their sale receipts, and this is resulting in some decline in marginal production. The fall was overdone and in the interests neither of producers nor consumers.

A greater confidence has since returned to the market, and the price has steadily risen since August, and today is £110 c.i.f. United Kingdom port for No. 1, while the differential between grades is £10 instead of £23, for demand has temporarily focused on the lower rather than the higher grades. This given as average f.o.b. East Africa port price of £90, a fall of almost 50 per cent on the average price received by growers at the top of the market.

The Price Outlook.—Sisal producers in East Africa wish to make clear to spinners that they have no desire for prices above the level which makes for sound and economic consumption and production. They want no inflationary prices, for they realise the financial risks involved. There is a point, however, below which production is likely to decline.

The price of £110 for No. 1 c.i.f. United Kingdom port or 14½ cents per lb New York is in present circumstances low, having regard to the marginal costs of production, the high costs of capital replacement, as well as the social and political need of sustaining expenditure on the welfare especially of our African staffs, for unless this is provided for, Colonial territories will pay the price in other ways more disturbing and far less economic. The wages of indecision on this matter are great.

The fall in price had the temporary effect of drying up demand, for no buyer will willingly operate on a falling market, and this affected finished goods as well as the raw material. This, combined with abnormal weather conditions, has temporarily caused a

substantial carry over of baler and binder twine surpluses, especially in the American market, and the difficulty of Mexico in selling her henequen, which is weaker than the type of sisal that we produce, added to the difficulties. Mills in America have even been on short time, or have had to dispense with a margin of their labour, and have even been compelled to manufacture for stock.

But I have evidence that these positions are gradually clearing up.

Moreover, there is no world commodity in which stocks bear a lower proportion to production than hard fibres.

Real demand for the variety of basic agricultural and industrial needs for which sisal is a necessity, must still go on, and will not be greatly affected by the price level if it is reasonable. Demand which has been withheld owing to the fall in price is now beginning to assert its influence on the market. I am, therefore, by no means pessimistic with regard to the sisal outlook.

The commodity is, in fact, now on a sounder and more economic basis than it has been for years, and I hope that that position may be maintained with sufficient encouragement, both to consumers and to producers.

Earlier in the year certain representations were made to the Government of the United States to the effect that high sisal prices were caused by a cartel of East African producers.

I need not tell you that within East Africa itself there are a dozen competing sellers, and also competition from a dozen other producing countries. It appears to me that the recent price history is of itself a sufficient reply to such allegations.

RESEARCH

Apart from individual estate expenditure, the sisal industry has collectively undertaken great responsibilities and, by cess and fee, has raised over the years, in good times and bad, a sum of over £1,500,000 to be spent for its better organisation. Of this, almost £1 million has been spent through the Sisal Growers' Labour Bureau, known as Silabu, and a large part of the balance of £500,000 on agronomic and economic research.

The principles established by our agronomic research have now to be applied to the vastly different conditions within the limitations and the large-scale operations on sisal estates.

Our publication, *Hard Fibres*, independently prepared and distributed by *The Economist* of London, has now established itself as the most authoritative and comprehensive statistical review of world hard fibres, and its value has been generally recognised.

We are also turning our attention to trade research overseas, and a committee of the industry has been formed in London to discuss, with spinners and others, how best producers can meet the requirements and needs of consumers. Our main aim is to consolidate established uses, especially rope manufacture, for a sisal rope requires quite a different twist and lay than the traditional make of a manila rope, for it is a fibre of a different structure. I have seen in Canada excellent examples of sisal rope, splendidly constructed and adequately finished. It is a major use in which we would like the interest and co-operation of spinners throughout the world; including specially the United Kingdom spinners.

We may even find new fields of use, includ-

ing the vast unexploited utilisation of the valuable by-products. But apart from research, this will need considerable capital for reorganisation of factory layout and technique which will have to be worked out in East Africa.

LABOUR

Since the price of sisal became remunerative, individual estates, and groups of estates, have greatly increased their expenditure on the care, recreation, and welfare of labour, including medical attention.

The sisal industry employs over one-third of all the labour employed in the Territory, besides contributing 60 per cent of the value of all exports from Tanganyika. By the conditions of its employment and the good personal relations which it has established, it continues to attract labour, and already 70 per cent consist of local volunteers or those from a distance who have decided to settle permanently on the estates.

I have had inquiries from overseas as to whether the present events in Kenya will affect Tanganyika. At least, those who know that Tanganyika is not in the suburbs of Nairobi or Johannesburg, put it that way. I can only reply that one never can tell. On such matters none of us can afford to be complacent and certainly not superior. I can only say that in many ways as well as distance, Tanganyika is far removed from Kenya. We are not affected yet, and I do not think we shall be.

We not only produce sisal in order to earn a profit, but are responsible for the development and contentment of all those who serve our industry. That is our responsibility to Tanganyika. When we are unable to do both these things, then someone else will have to produce your sisal.

EAST ASIATIC RUBBER ESTATES

A RECORD YEAR

The twenty-ninth annual general meeting of East Asiatic Rubber Estates Limited was held on November 5th in London.

Mr H. T. Karsten (the chairman), said: The result of the year's working, namely £326,698 before providing for taxation, is the highest recorded since the inception of the company and again reflects the high price obtained for our product during the year.

Provision for taxation amounts to £185,000, or nearly 57 per cent, leaving a net profit of £141,698. £50,000 has been placed to general reserve and £22,000 to provision for replanting. An interim dividend of 10 per cent, less tax, was paid in December last and the board now propose to pay a final dividend of 10 per cent, less tax.

During the year 496 acres were replanted and 149 acres were in the course of replanting. The crop harvested was 3,638,635 lb, about 150,000 lb short of the estimate. The replanting programme is naturally influencing our crop, but we nevertheless hope to produce our estimate of 3,550,000 lb for the current year.

The cost of production during 1951-52, including export duty, was approximately 50 per cent higher than during the previous year, but the rise in labour costs has now been checked, and we expect to be able to produce at a moderate profit, even at the present price level.

Out of the present year's crop we have sold and accounted for to date 701 tons at an average price of 2s. 7½d. per lb, and 224 tons of first grade rubber have been sold for delivery at an average price of 3s. 3½d.

The report was unanimously adopted.

ANGLO-CEYLON AND GENERAL ESTATES

RECORD TEA CROP

The sixty-sixth annual general meeting of The Anglo-Ceylon and General Estates Co., Ltd. was held on October 31st in London, Mr Francis W. Douse, chairman and managing director, presiding.

The following is an extract from his circulated statement for the year to March 31, 1952:

The operations for the past year may be considered satisfactory. In Ceylon, despite the sale of Holmwood Estate, a tea crop of 5,545,277 lb was obtained, as compared with a crop of 5,160,134 lb for the previous year. This was an all-time record and represented an average all-over yield of just under 700 lb per acre, compared with the previous record of 675 lb per acre during the year ended March, 1950.

The net average price realised was 33.30d. per lb, as against 36.08d. per lb for the year ended March, 1951. The cost of production was higher by approximately 2.75d. per lb, due largely to the season having borne the full impact of the increase in wages imposed in December, 1950.

For the fifth successive year the Island of Mauritius harvested a record crop during the 1951-52 season, 483,500 tons of sugar being produced, as against 456,000 tons for the previous year. The share of this Company and its subsidiary, Mon Tresor & Mon Desert Ltd., was 55,100 tons, as against 57,000 tons last year. From these figures it would appear that there has been a falling off of our production as compared with the Island generally; this, however, is not the case as the increase in the total Mauritius crop was due to extra acreage put under cane by other estates and planters, whereas our estates were already almost entirely fully planted. The short fall of sugar produced by us compared with the previous year was due to climatic conditions resulting in a lower sucrose content of the cane, a factor which affected the entire Island. The net price realised was approximately £30 10s. per ton, against £28 per ton last year. The benefit of this was largely absorbed by higher wages and enhanced cost of supplies.

PROFIT AND DIVIDEND

The trading profit of the company and its subsidiaries amounted to £840,539, including £31,389 surplus realised on the crops of the previous year. This compares with a trading profit of £952,391 for the year ended March 31, 1951. The trading profit, although less than that for last year, is satisfactory. The figures for 1951 constituted an all-time record and covered a period of continued inflation and might therefore be considered as exceptional.

The directors have pleasure in recommending a final dividend of 10 per cent, making 20 per cent for the year, on £1 million of ordinary stock capital. The gross dividend of 30 per cent paid last year on £650,000 stock was the equivalent of 19.5 per cent on the new capital of £1 million.

In Mauritius the prospects for the current year are favourable. It is likely that an increased crop for the Island will be harvested. As regards Ceylon, it is hoped that another good crop will be harvested and that prices will prove to be satisfactory. The burden of penal taxation still exists, and the longer it goes on the more difficult it will become to cope with the expenditure necessary to keep plant, machinery and general maintenance to the level required to cover operations on a long-term basis.

The report was adopted.

THE ALUMINIUM CASTINGS COMPANY

MR R. K. CALDER ON INTOLERABLE TAXATION BURDEN

The forty-sixth annual general meeting of the Aluminium Castings Company, Limited, was held on October 31st in Glasgow, Mr R. K. Calder, chairman and joint managing director, presiding.

The following is an extract from his circulated statement:

Last year I indicated that at that time group turnover and profits were running at a level some 50 per cent above 1950-51. Later in the year, however, there was a sudden and sharp contraction in demand—more particularly for our electrical appliances—and as a result the output for the year registered an increase of only some 20 per cent.

In the circumstances, trading profits did well to advance to £214,769, an increase on the previous year of around £58,000.

Charges on this profit increased, however, by some £17,000, with the result that earnings before taxation are returned at £139,261, an increase on last year of some £39,000.

While the equity shareholders must again forgo a return on their capital, industry's sleeping partner represented by the tax collector exacts an ever-increasing toll. On the former almost intolerable burden of taxation there is now superimposed the very serious impost of Excess Profits Levy, and for the three months of the year during which EPL is effective, we have had to provide over £6,000 to cover this latest penalty on enterprise.

There can no longer be any doubt that the present scale and equally the basis of taxation must be drastically revised.

Coming to the facts, taxation charged increased by some £25,000 to just under £70,000. This onerous charge is below what the profits should bear at current rates since a measure of relief—now almost exhausted—is still being afforded in respect of past losses of certain subsidiaries.

The expansion in trading has been financed largely by the increased bank facilities to which I referred last year. These additional borrowings added to our existing substantial loan account continue to exercise the close attention of your directors.

I am hopeful, however, that in the near future your directors will be able to place before you satisfactory proposals for dealing with the loan account, active negotiations in regard to which are at present in progress.

Developments during the year include a new "Swirlux" Junior washing machine and a substantial repair contract for Jet Engine "Canware" by your Burnley Company.

The Atkinson Company is now producing a development of the "Alligator" track—known as the "Atkitrak"—and production is starting on the Atkinson-Hacker range of tractors and logging equipment.

Scottish Aluminium Ware is now associated with the production of "Anemostar" ventilation and air diffusion equipment and is producing "Cyclaid" bicycle motors on behalf of British Salmson Aero Engines Limited.

Coming now to the prospects for the current year, while we started the year with a record order book, output to date is some 25 per cent down, as compared with the peak figures for the corresponding period of last year. Fortunately, however, I think we have perhaps seen the worst, and output is now showing signs of improvement which, if maintained and perhaps added to, should enable the current year to turn out reasonably well.

I regret that the equity shareholders must again go unrewarded, but the pressure on our finances is such as to necessitate a policy of strictly conserving resources and building up substantial reserves. I am sure that in the long run the shareholders will benefit from this policy of consolidation.

The report was adopted.

MONTAGUE L. MEYER LIMITED

RECORD TRADING RESULTS GROUP'S CONTINUED PROGRESS

The annual general meeting of Montague L. Meyer Limited was held on November 4th in London, Mr Montague L. Meyer (the Chairman) presiding.

The following is an extract from his circulated statement:

I shall be pardoned the justifiable pride I feel at being able to place before you the record figures demonstrating the continued progress made by our group of companies in the year which ended on March 31, 1952.

The accounts I am presenting show a consolidated trading profit of £1,110,033. This figure, which is reached after adequately writing down stocks, is an increase of £633,843 over the preceding year.

The directors now propose a final dividend of 15 5/6 per cent, making the total distribution for the year equal to 20 per cent on the present ordinary capital—the comparable figure for last year being 15 per cent.

After providing for all dividends, including the final recommended on the ordinary shares, the group has £320,351 more at the end of the year than it had at the beginning. This sum has been placed to profit and loss account.

I emphasised in my statement last year that our purchasing of softwoods in the autumn of 1950 for shipment during 1951 was resulting in turnover and profits of unprecedented magnitude for our group—my

remarks have been completely justified. That year was the first since the war that we were allowed to purchase softwoods on our own account from all supplying countries except the dollar areas and Eastern Europe. Thus we were able to increase our sales substantially and our turnover exceeded an average of one million pounds per month.

NEED FOR DECISIVE GOVERNMENT POLICY

The softwood trade is of fundamental importance to the economic life of the country, especially to the housing drive, export packaging and defence. I cannot feel, however, that the Government has yet approached the problems of the trade with the understanding and statesmanship which are equally important for the trade and for our national well-being.

A year ago the Chancellor of the Exchequer announced that the freedom which the trade had been given to buy on private account in certain countries would be extended to allow private purchasing from supplying countries all over the world. The Timber Control's buying activities ceased and the trade was left to ensure the nation's supplies. This liberty, however, was qualified by the imposition of a global maximum limit, and this in its turn led inevitably to the retrograde step of fixing individual quotas for each importer based on previous trading.

For 1953 the authorities have declared that imports will again be subject to a global maximum limit. I venture to repeat my conviction that this regulation is harmful and unnecessary. It must be remembered that at the beginning of 1952 the Timber Control had contracted for the import of 450,000 standards of Canadian timber, and while this fact may have provided some justification for limiting the quantity to be purchased by the trade in that year, no such conditions will apply in 1953, and it may well be found that even unfettered buying by the trade may result in barely sufficient softwood timber being imported for the country's current needs and the maintenance of adequate stocks.

As I commented a year ago, the trade is being asked to play its part in conditions of great and unnecessary uncertainty. The Government would remove much of the difficulty if it would forthwith announce the amount of imported softwoods it is going to licence for consumption in 1953. The trade knows the quantity of imported softwood in stock in this country and the consumption figures would be its guide for buying. With regard to prices, imported softwoods are considerably lower than a year ago—nevertheless, we feel convinced that there must be further reductions before stability is reached. Under such conditions the Government should have no fear that the timber trade will spend an unnecessary amount of foreign currency.

The Government, in its natural and proper concern to safeguard our national foreign exchange reserves, is defeating its own policy, as to decide a global maximum without saying what that maximum is to be has encouraged some importers to purchase for next season at increasing prices. A more decisive policy on the part of the Government would have provided an opportunity to gradually secure the necessary supplies at lower prices and thus conserve foreign exchange.

COLONIAL DEVELOPMENTS

I feel it right to make clear my conviction that for some time to come foreign exchange considerations will greatly affect the operations of the timber trade. It is for this reason, and because of our profound faith in the contribution which Commonwealth sources can make to timber supplies, that we have embarked on a large-scale development of producing and trading units in Colonial territories. These concerns have already shown profits and we have great faith in their future. There is every reason to hope that these producing subsidiaries will also be a source of earning dollars, as both Canada and the United States have expressed interest in the woods produced from our areas.

The report was adopted.

Binding Cases

Binding Cases for THE ECONOMIST and RECORDS & STATISTICS can now be supplied. These cases, made by Messrs. EASIBIND LTD., are in stiff, dark blue cloth covers, and are gilt-lettered on the spine; they provide an extremely effective and firm binding. The case for THE ECONOMIST will hold 13 issues and the quarterly Index; that for RECORDS & STATISTICS will hold 26 issues. The year can be stamped on the spine. The cost per case, post free throughout the world, is 11/-.

Orders, stating requirements clearly and enclosing a remittance, should be sent, not to THE ECONOMIST, but to—

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LEVERHULME RESEARCH FELLOWSHIPS, 1953

Application is invited for Fellowships and Grants in aid of research. The Fellowships and Grants are intended for senior workers who are prevented by routine duties or pressure of other work from carrying out research. They are limited to British-born subjects normally resident in the United Kingdom. In exceptional circumstances the Trustees may waive the condition as to residence.

The Trustees are also prepared to consider applications from groups of workers engaged upon co-operative programmes of research particularly from those engaged upon long-distance programmes. The duration of the awards will not normally extend over more than two years or less than three months and the amount will depend on the nature of the research and the circumstances of the applicant. Forms of application may be obtained from the Secretary, Miss M. Braumey, Leverhulme Research Fellowships, 3/5 Salisbury Square, London, E.C.4. Telephone: City 1910.

Applications must be received on or before December 31, 1952. Awards will be announced in May and will date from September 1, 1953.

MARKET RESEARCH

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LEADING ARTICLES

Cleavage on the Axe - - - -	429
Fruits of Malanism - - - -	431
Development Charge: Kill or Cure? - - - - -	432
Lessons for Economic Federation - - - -	434

NOTES OF THE WEEK - - - - 436

The Next Election; Labour's Middle of the Road; Back from Kenya; Mr Eden's Entry; Trygve Lie Bows Out; German Citizen Soldiers; More Houses at a Price; Lowering Wages Sights; Misusing the Index; Technocrats Around Stalin; No More Rooms for Russians; The Spanish Main; A Monopolies Bill in Ireland; Insurance in the Air; Cold Light on Purchase Tax; Japanese Rearmament; Franco Knocks at the Door.

BOOKS AND PUBLICATIONS - 445

LETTERS TO THE EDITOR - 448

AMERICAN SURVEY

Right without Reaction? - - - -	453
Preparing to Take Over; Business Dreams Come True; Democrats in Ruin; Voters Pick and Choose; End of the Dollar Sign; Shorter Notes.	

THE WORLD OVERSEAS

Party and State under Stalin - - - -	459
Dr Chaim Weizmann; Stormy Days for Mr Yoshida; The Watch on Washington; Party Meeting in Zagreb; Greece's Defence Burden.	

THE BUSINESS WORLD

Good Intentions and Steel - - 467

BUSINESS NOTES - - - - 470

The Uneconomic Debate; Approach to America; Local Loans—An Experimental Move; Rise in Exports; Labour Returns to Textiles; Busier Shops; When Builders Confer; What Can Mr Eccles Do?; Hot Money Leaves Canada; Record Steel Output Once More; Competition and the Commonwealth Bank; British Oil and the "Cartel"; Taking the Air with Fido; Gas Consumption Declining; Gas in the Queue; Butter for Margarine; British Oxygen's Issue; Costs in the Copper Belt; Laid-up Shipping and Freights.

COMPANY NOTES - - - - 480

STATISTICAL SUMMARY - - 481

COMPANY MEETINGS - - - 482

INTERNATIONAL BANKING

SURVEY - - - - - 487

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Cleavage on the Axe

THE Labour party rightly chose economic policy as the subject on which to attack the Government in the concluding debate on the programme for the new session. But after making the right and obvious choice, most Labour speakers ran away from the subject. No one had expected them to propound an economic policy of their own; it is becoming common form for oppositions to criticise without recognising any need to be constructive. But even destructive criticism cannot have much effect unless it is based on some defined and coherent attitude to the principal issues. And from this the Labour party is apparently as far away as ever. Its speakers could not decide whether the disaster they feared for Britain was an old-style slump or a further decline in productivity and a new-style crisis in overseas payments. The Government was accordingly blamed for errors in two opposite directions, and therefore effectively blamed for nothing. The most serious discussion of its policy came instead from those Conservative backbenchers who want to swing a vigorous axe at state expenditure.

This internal Tory debate was too general to be related to the immediate problems of falling production and lost export markets. But it is along these lines, if at all, that Government policy may be brought under the searching scrutiny it has lacked and badly needs. During the next few months the Conservatives will have what may well be their best opportunity to do the realistic economic thinking that they failed to do in opposition. For once, ministers have a breathing space for thought about longer-term problems. After only one year in office, they are presumably still relatively fresh in mind. The recent by-elections should make them politically confident enough to face some internal disagreement and even to explore the lines of action they think necessary without bowing before every prejudice and inhibition that has grown up in the protected siege economy of the past twelve years.

If this opportunity is to be taken, the first necessity is to relate the general Tory predilection for cutting expenditure and taxation to the immediate situation facing Mr Butler. After bringing the country's overseas payments into balance—thanks mainly, so far as Government action is concerned, to import cuts—the Government now finds that both production and exports are falling. A rough preliminary estimate suggests that in the middle six months of the year industrial production was 6 or 7 per cent smaller than in the same period of 1951, while the volume of exports was reduced by about 16 per cent. If the Labour party had concentrated on these figures as the cause for alarm, instead of involving itself also in forecasts of an approaching million unemployed and an imagined "return to the social conditions of the interwar years," it might have exposed not only the nature of the country's difficulties but also the real confusion in Conservative opinion. Four reasons for the fall in production can be identified. In the first place, the switch to rearmament work has inevitably caused

some industrial dislocation, especially in face of the steel shortage that is now fortunately ending. Secondly, the financial discipline imposed by tighter credit has enforced industrial adjustments that are in no way less healthy because they involve, in the short run, a net decline in output. Thirdly, there has been some slackening of consumer demand in the home market. For all the fuss that it caused, this has in fact been of major importance in the case of textiles alone, and there demand is now reviving. It is only the fourth element in the decline of production that should cause serious alarm. Though detailed statistical proof is lacking as yet, it seems that some of the slackening of output is now correlated with the slackening of overseas demand for a wide range of British exports.

Mr Butler on Tuesday reaffirmed, with commendable clarity, his general response to this situation. The Government would pursue a selective policy of damping down the home demand for capital goods, for which overseas demand in many cases remains strong; it would not depress the home demand for consumer goods that cannot be sold abroad.

This is a declaration distilling the very essence of gentlemanly moderation and sweet reason. It should please both parties. It will not, of course, quite satisfy Labour's Left-wingers, who want enough inflation to ensure (for a time) that no man ever loses his job and that the foreigner, if he is inconsiderate enough to want what Britain is not producing, should understand that he must go without. But Mr Butler's principle is, none the less, precisely what Mr Gaitskell's would be if he were Chancellor. It is no less attractive to many Conservatives. And it is also a recipe for the economic stagnation of Britain. Its unspoken assumption is that the existing structure of British industry must be defended against change.

It is, apparently, an out-dated liberal idea to think that people should be required to do whatever work, in changing conditions, meets consumers' demands and raises the standard of living of the country. The modern truth is that the preservation of the jobs people are already doing is the first charge on the standard of living. The Tory does not, it should be said, hold this doctrine in quite the same form as the Left-wing Socialist. He recognises that Britain as a trading nation must pay attention to overseas demand. If the foreigner inconveniently wants capital goods, not consumer goods, his demands must be met—as far as is possible without pushing British people and British industry about. Industry at home must be starved of equipment in order to meet the export demand. And the consumer goods industries that cannot sell their products abroad must have the demand at home kept up for them, so that only a few employers and workers are put to the inconvenience of moving into the capital goods industries.

This doctrine is too patently absurd for anyone to embrace it in its logical completeness. But its influence on the practical policies of both parties is strong. It is certainly strong enough to put the more sweeping demands for reduced Government expenditure quite out of line with Mr Butler's actions. The argument for cutting expenditure is that industry cannot be enterprising and resilient unless its burden of taxation is lightened. But the essence of present export policy is that industry cannot have the physical resources, the new equipment and new buildings, that enterprise and

resilience would demand. In these circumstances, large cuts in Government spending would reduce consumption, against Mr Butler's intentions, without increasing real investment. The difference between the Cabinet and some of the Tory backbenchers, in their attitude to Government spending, is more than a difference of degree; it is, if the backbenchers really know what they are about in the present situation, a definite cleavage on policy.

In principle, the backbenchers are plainly right. To export capital goods by repressing industrial development at home cannot be more than a desperate emergency policy. Prolonged, it is a sure way to disaster. If there is a way to maintain a large British export trade in the modern world, it will only be by exporting a larger proportion of capital goods. To that end, some industries will have to get more men and equipment and others will have to lose them. This mobility is the essential requirement, on anything but the most short-sighted view, for full employment; to try to freeze the existing labour force in the consumer goods industries, by offsetting at home the markets lost abroad, is unlikely to do more than delay unemployment until it becomes irresistibly severe.

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This general argument, however, does not mean that Mr Butler will solve his problems by swinging the axe as his Tory critics advocate. On the other side, the Labour party blames his mildly disinflationary policy for the fall in production. It would be possible, and politically tempting, to meet both criticisms at once—and thereby, unfortunately, to demonstrate the inadequacy of both. Mr Butler could slash, say, the social services and give back the saving not by reducing company taxation but by making large cuts in income tax and in the indirect taxes on consumption. That would please his own backbenchers without in fact doing industry any good and while still encouraging inflation in the consumer trades.

The policy that by now the Tories should have worked out demands more courage. It is to reduce Government spending, and to lighten company taxation, without putting more money into the hands of consumers. It is, in other words, to stimulate not production in general but production of those exports that Britain can sell and those domestic capital goods that Britain needs. It is to release energy and initiative not in the effervescence of inflation but in the tension of industrial readjustment.

This is a great deal to ask of a Government which feels that with its present policies it has found at last the way to success and the key to popularity. On Tuesday it was understandable that Mr Butler, faced with so little effective criticism, concentrated on his account, in glowing terms, of what his policy has already achieved. Thanks to skill and to courage, as well as to good luck, that achievement is remarkable. But Mr Butler himself would probably agree with the verdict of one Conservative member, Mr Richard Law. The Chancellor has gained time; he has conducted an emergency operation with great skill and with little pain to the patient. As a result, "the patient still breathes and lives, but as yet he has no guarantee of recovery." It is through policies which change the pattern of British industry, not through policies to keep it fixed, that some sort of guarantee may eventually be won.

Fruits of Malanism

THE situation in South Africa is gravely deteriorating. Following the race riots in Port Elizabeth last month in which eleven people were killed, there have now been outbreaks of violence at Kimberley and East London. At Kimberley at least thirteen people, all Africans, were killed and at East London ten, including two Europeans, one of them a nun. These developments are new in the history of South Africa and they mark a steady turn for the worse during the past few months in the struggle between the two races, the Europeans and the Africans.

Behind the scenes, less spectacular but no less novel and significant for the future, there has been another development. The Africans themselves have shown that they are learning to organise. Many who have known the Bantu race for a long time were at first unwilling to believe that the Africans, working in partnership with the other non-whites, the Indians and the Cape Coloured, possessed the ability to carry out the threat of a passive disobedience campaign. They have been proved wrong. It is no small task to arrange for a given number of volunteers to turn up at a set place and time, and then merely to sit on the wrong seats or stand in the wrong queue. To behave quietly but provocatively in such circumstances, to act simply as Europeans but to invite arrest by doing so requires a measure of both political consciousness and self-discipline which has come as a disturbing surprise to some of Dr Malan's supporters.

These two developments are not directly connected. The African National Congress, which has been running the passive disobedience campaign so skilfully, has had no apparent hand in inciting the rioting. Before the one-day strike this week it issued a statesmanlike appeal to its followers to observe the peace. Rioting and arson have taken place for other reasons; for example, in East London, the police have tried to break up orderly though forbidden meetings of Africans, and the mounting state of tension in the Union as a whole has created explosive situations only too easy for drunken and irresponsible elements to touch off locally.

If, however, the two trends were to merge, if the organising ability so far put into passive resistance were to be thrown into the scales of violence, there could be little telling where events in South Africa would end. There would certainly be an alarming breakdown in public order; there might be something close to civil war. At present any such possibility may still appear to be some way off. But the situation is tense and unstable, and there is no sign as yet that the Malan government is prepared to countenance any policy other than repression to meet the growing refusal of the Africans to co-operate with the Government. The result is to drive events ever faster in the direction of extremism, and to provoke the Africans into drastic political and economic action which they do not want and which can offer no ultimate solution to the real problems of race relations. And this is being allowed to happen in spite of the absolute dependence of the whole South African economy on its black labour force.

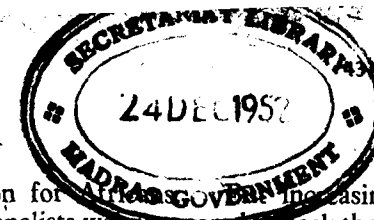
The origins of the present tension lie in the constitutional crisis precipitated by the Malan government's determination to put the Cape Coloured people on a separate electoral role from Europeans. It is true that Mr Strauss and the United Party are, in general, in favour of

a policy of segregation for Africans. Increasing evidence that the Nationalists were prepared to back their way through the tangle of race relations, at almost any cost in terms of public opinion and constitutional procedure, has had an effect of delayed shock on the opposition, white and non-white alike. When the Separate Representation of Voters Bill was declared unconstitutional by the Appellate Division of the Supreme Court, Dr Malan pushed through a High Court of Parliament Act; as a result of this, the government's parliamentary supporters sitting as a High Court—opposition members and senators boycotted the session—overrode the Supreme Court's ruling. Lately the High Court of Parliament Act itself has been declared null and void by the Cape Division of the Supreme Court, now the appeal by the government against this ruling has been turned down in Bloemfontein by the Appellate Division of the Supreme Court itself. It is thus not surprising that what began as a constitutional crisis, caused by a deliberate political decision affecting the everyday life of a large section of the community, should now be reflected in a nation-wide sense of uncertainty, frustration and fear. Dr Malan has only himself to blame for the way his opponents are reacting to the provocation he has given them.

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Instead of trying to bridge the gap between his administration and the Africans by creating new machinery for consultation—there has been virtually none since the Natives' Representative Council was allowed to lapse by the present government—Dr Malan has only aggravated the deadlock in race relations by more and more use of the police. Instead of recognising the truth, he has now even blamed the British and the Indians as the people primarily responsible for what is happening in his country. Speaking as the Prime Minister of South Africa, Dr Malan this week accused the British of letting down the white races in Africa by their policies in the Gold Coast, and the Indians of deliberately fomenting trouble in the Union by their actions over Natal and at Uno. It is legitimate to wonder how far these tactics may be designed primarily as electioneering gambits in preparation for next year's appeal to the country. Whether they are or not, their effect is deplorable, both on developments in South Africa itself and on the opinion of the outside world. Such a lapse into irresponsibility may sow the wind, but it will reap the whirlwind.

The outstanding political problem in Africa is to promote among the Africans a public opinion interested in working with the whites, while creating among the whites a genuine willingness to see African living standards rise and political rights increase in step with them. These aims, as human as they are inescapable if Africans and Europeans are to live together in united communities, lie behind the British colonial policy of encouraging the maximum feasible consultation with Africans and their gradual participation in government. Dr Malan's accusations, based on the atmosphere now being engendered in South Africa, unfortunately ignore these realities. What has happened and is happening in the Gold Coast represents an attempt to solve the main problem by methods and at a pace suitable to that particular territory. The Gold Coast's progress towards self-government is not intended to undermine the authority of Dr Malan, and



it cannot be made dependent on events and attitudes in South Africa. British policy must have its own doctrine and its own conscience.

It is increasingly true, on the other hand, that what happens nowadays in one part of Africa has repercussions in others. If Dr Malan worries about the Gold Coast—and from his own point of view he has grounds for doing so—other governments with responsibilities in Africa have a right to worry about South Africa. Britain, as a power responsible for many millions more people in Africa than there are in the Union, has a close and direct interest in what happens there. It is always invidious to criticise the internal affairs of another country; but the impact of Dr Malan's racial policies is not confined to his own country. It is strongly felt as far north as the Rhodesian copper belt, and to a growing extent in East and West Africa as well. By making no concessions to the trend of the modern world, the Malan government is not only defying the liberal conscience of international public opinion; it is also creating embarrassing practical problems for countries like Britain which have to live beside it in Africa.

Criticism without responsibility can cause much mischief. Moreover, the effect of some foreign comment

has so far been to help rally South African opinion behind the government and against outside interference. This cannot, however, be allowed to influence the genuine concern of the British people, who stand in a specially intimate and friendly relationship with South Africans as free and equal partners in the Commonwealth. Besides the community of interest in the future of race relations in Africa, the British have in addition a special claim to be heard by virtue of the strategic role which South Africa plays in Commonwealth defence. For the free world to survive in war, it might be that the western powers—including the United States—would have to rely on the use of the Union's ports and airfields, industries and raw materials. All these are factors which make it plain that what happens in South Africa cannot be regarded in isolation. They are a part of the international pattern which concerns the United States and Western Europe as well as Britain. That explains why the events in South Africa have called forth such alarm and indignation among the Union's friends and why, if Dr Malan and the other members of his government are to pursue their aim of racial segregation by their present methods of *apartheid*, there is grave and legitimate misgiving about the consequences.

Development Charge: Kill or Cure?

THE Queen's Speech last week promised legislation "relating to" the Town and Country Planning Acts of 1947. The indefinite preposition was perhaps more appropriate than is usual in the pronouncements of Whitehall. One may assume that the Bill now under preparation will not undo most of the 1947 legislation. The purely planning parts of the law are far from perfect; in particular, they have produced a good deal of petty bureaucracy against which the private citizen is largely defenceless. Nevertheless, they can with advantage be given a longer trial with perhaps some minor amendments.

The new Bill will presumably be more closely concerned with changing the financial provisions of the 1947 Act. No one can be satisfied with the practical working of these provisions and in one respect action has become urgent. The Act set up a fund of £300 million to compensate landholders who from the passing of the Act lost their right to profit from the increase of land values resulting from development. Payments from this fund must be satisfied by the issue of Government stock not later than July 1st next year. It turns out to be big enough to meet the claims on it. But times have changed and any government would, rightly, be reluctant to meet a large bill that experience has clearly shown to be wrongly conceived not in amount but in principle.

With all that has lately been said in criticism of the compensation fund and of the development charge to which it is complementary, it should not be forgotten that these financial arrangements were devised to meet a social problem that in 1947 both parties recognised as urgent—a problem that had, indeed, been emphasised by the house-building boom of the thirties. It was in the light of that boom, and its "ribbon" building from the town out along the roads to the country, that the 1947 Act made a revolutionary change in the land laws of Great Britain. The Act provided that almost all "development" of land (and the definition of develop-

ment was very wide) required planning permission. If the permission added anything to the value of the land, the whole of this added value was to be paid to the state—the development charge—before the development could begin. The exceptions to these rules were slight. The effect was, of course, to take away the existing rights to develop their land possessed by many owners, and the compensation fund was set up in recognition of this fact.

The result, the Labour Government said, would be to remove all the financial drawbacks to comprehensive planning. The miscalculation was the same as with so many of that Government's measures. The diseases it set out to cure, which had been apparent in the thirties, no longer existed in the same form when the medicine was poured down the patient's throat. After nearly five years of operation, the financial provisions of the 1947 Act have brought neither justice nor an equality of injustice to the landowner; they may well have created as many new problems as they attempted to solve. They have certainly created a vast new administrative machine which, in 1951-52, collected some £3,875,522 in cash—at what cost it is impossible to say, since the Central Land Board does not publish the figures.

The main criticism has been directed against the 100 per cent development charge. In times of inflation it has acted largely as a tax on building, not on the landlord. The owner of land who does not wish to develop it himself is given no inducement to allow anyone else to do so; therefore he either declines to sell at all or asks far more than the value of the land in its existing use. Many landowners get that higher price because, during most of the past five years, the cost of a plot of land at "existing use" value, plus the cost of building a house on it, has fallen short of the cost of buying an equivalent existing house with vacant possession. On the other hand, where the landowner has been compelled to sell to a local authority he has received no more than the existing use value, unless his land was technically "dead-ripe" for

development, and has had to wait for the rest of its former value until the compensation fund was shared out. In either case, chance governed his fortune. If he met a potential buyer with the chance of a building licence, he obtained for his land far more than the Government protested that his land should be worth. If it was a local authority that selected his acres, he received a bare minimum in cash and a by no means certain IOU for the balance. Whatever landowners should have felt at this treatment, they were in fact indignant.

This is only one criticism of the development charge. Secondly, the process of fixing the charge is completely arbitrary, because it is artificial. Indeed, it is the difference between two values each artificial in itself because each deliberately excludes many of the elements that a market valuation would include. Further, the charge is fixed by one of the parties to the argument, by a servant of the body that will collect the money afterwards, and there is no appeal from his decision. Official valuers are partisans of the Treasury; they are employed to be that. How can anyone believe that they should be accepted by the ordinary citizen as impartial judges as well?

A third criticism is that the development charge is too closely tied to planning permission; this has done more than anything in the actual planning provisions of the Act to allow bureaucracy to run wild. People have been compelled to pay a development charge for turning the front room of a cottage into a village shop, for putting up goalposts in a field and using it for sport, for laying out a plot as a war memorial. One result has been the necessity of granting a series of exemptions, which in themselves leave arbitrary edges. No development charge is payable if a man converts three terrace houses into flats; if the number is four, a development charge is demanded. The game of putting artificial limits to taxation can never finish, and the new limits are as vulnerable to criticism as the old.

The criticisms of the compensation fund itself are fewer. The main point is that, if there were no development charge, there would be no need for such a fund. But a distribution of the fund will give to thousands of landowners a cash payment for a loss which they have not yet suffered. Indeed, much land with a theoretical development value will never be developed because its owners will never wish to develop it. In such cases, the distribution of a saleable government stock would be a purposeless inflationary gesture.

What, then, should the promised Bill do? Many people have suggested that it should tear down the whole financial structure of the 1947 Act. There is certainly something to be said for dropping the development charge altogether. But the advocates of this course do not always accept the full logic of the argument. If a local authority were required to pay a full, unrestricted, market value for all land it acquired, it could hardly be expected to pay compensation, in any form, for land it did not purchase but on which it imposed planning restrictions. That would be putting the clock back with a vengeance. At present an owner who is prevented from using his land beneficially, because of a planning refusal or restriction, can compel the authority to purchase it; he thus, in effect, gets compensation for his loss. The system of full market value on acquisition, and no compensation for anything short of that, is followed in

Belgium. It seems to restore the rule of the dice box. The lucky owner is the one whose site is selected for industrial development, the unlucky one he who finds that his land has been turned into a Green Belt at the stroke of a local authority pen. Some surrender of the value added to land by social change and development, some compensation for those who suffer in the process, is surely the right compromise; it is certainly difficult to avoid now.

But if the development charge is to survive it must be altered. Its incidence is too wide and its rate is too high. The principle behind the present charge—that any permission to develop should attract a charge if an increase in land value, however small, results—is logical but has proved to be impractical. Not only do the needs of sheer convenience require a wide and arbitrary range of exemptions; much uncertainty remains. Among the applications for assessment made to the Central Land Board last year, it was found in no less than 41 per cent of the cases that either no liability to development charge existed or no change in value had in fact taken place. This is a fantastically wasteful procedure.

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There is one clear guiding principle by which the incidence of the development charge could be limited. Liability for the charge should arise only where an increase in value is brought about by the enterprise of someone other than the owner of the land that benefits from it; it should not arise where the increase in value occurs because the owner has himself promoted the development. That is the old "betterment" principle, and it is still sound. There should, for example, be no development charge if the use of an existing building is changed, or for rebuilding on an existing site, whatever the cubic contents of the new building may be.

If the scope of the charge is thus reduced, the rate at which it is levied becomes less important. Even so, it should no longer be a confiscation of all the enhanced value given by permission to develop. The purpose of the Planning Acts should be to control and foster development, not to inhibit it; the planning provisions of the 1947 Act give the authorities quite enough power of control. Lord Silkin, the author of the Act, has himself gone some way towards agreeing that the standard rate for the charge should be 75 per cent. If its incidence were limited at the same time, that would be an acceptable figure. But if the incidence is not altered, even a rate of 75 per cent would still be too high.

There are two other points at which the Act and its attendant regulations should be amended. There should be a right of appeal to the Lands Tribunal over the assessment of the development charge. The position of local authorities should be clarified. So far, they must have paid very little in development charges on their housing. All land owned by a local authority on July 1, 1948, and all war-damaged land acquired under the 1944 Act, is exempt from liability; in addition, much of the land bought since 1948 must have been dead-ripe land, on which no development charge is payable. The Central Land Board remarks, in its last report, that local authorities are "rarely paying more, and in many cases are paying considerably less" for their land *in toto* than they would have done if the Act had not been passed. The Board may not, and does not, give preferential treat-

ment to local authorities; but if the practical effect of the Act and regulations is to give a concealed subsidy to local authority housing, the public should know what it is.

There remains the compensation fund itself. This cannot be completely abandoned before it has come into existence, because over the last four years there have been thousands of *bona fide* transactions based on the Act as it stood. Those who have in fact already lost the value of their former development rights should receive their admitted claims from the fund in cash. Quite apart from the practical difficulty of attempting to do otherwise, it would be folly for a Conservative Government to attempt to undo by retrospective legislation past transactions based on an Act of Parliament.

For the future, if a development charge remains, the purpose behind the fund remains. But there should be no payment in saleable securities to people with no known intention of exercising the development rights for which they would be compensated. The issue of stock on July 1, 1953, could take the form of exemption certificates

for stated amounts, not carrying interest, and of use only in payment of a development charge in respect of a stated piece of land; for permanent record, certificates could be made registrable with a local authority under the Land Charges Act, and their sale separately from the land to which they apply could thus be effectively prevented.

What is suggested here is, in summary, that the best policy to be embodied in the new Bill should fall into two parts. For the compensation fund, the aim should be to destroy its inflationary effect and otherwise to make it more exactly what it was intended to be: a method of providing that people who, on July 1, 1948, lost a legal right to develop their land should not be compelled to buy back that right in full from the state if they do wish to exercise it. On the other hand, the original purpose and scale of the development charge has proved to be impractical and should be abandoned; but most of the good it does can be obtained, and the worst of its ill effects can be avoided, by greatly narrowing its scope and reducing the rate of the charge.

Lessons for Economic Federation

IN spite of the postwar vogue for economic "integration," Europe's first and only practical exercise in union making has, oddly enough, attracted little interest. Benelux—the planned economic merger of Holland and Belgium-Luxemburg—was conceived during the war years by the exiled governments in London, and since then the partners have doggedly pursued their ideal, not in conference rooms, but by turning their countries into an actual laboratory. It is possible that the many advocates of federation tend to ignore the working of Benelux because they prefer not to cool enthusiasm by a study of the facts. They may also feel some impatience with the gradualness of Benelux. Admittedly, it lacks the drama and the glamour of the more ambitious community schemes recently put forward by the European six; but, however modest its achievements, this enterprise has now advanced far enough to provide in miniature a valuable working model for similar experiments.

Full economic union implies a wholly free movement of goods, capital and people—and, in addition, a single co-ordinated economic and fiscal policy. Benelux is still a long way short of that point, though it is certainly true that, as a result of the striving toward union, there is a much larger measure of freedom between the three partners today than between any simple member of the group and the rest of the world. They have framed a common tariff *vis-à-vis* other nations and have abolished tariff barriers between themselves. A number of quantitative restrictions on trade between the members of Benelux still remain, notably on Dutch exports of farm products that would otherwise push high-cost Belgian agriculture to the wall. Beyond the transferability of currencies that the Benelux countries, in common with the other Marshall nations, obtain through the European Payments Union, the governments can show little that the independent observer would regard as genuine convertibility. What is significant, however, is the growing alignment, year by year, between the monetary and fiscal policies of the members' economies, with its eventual promise of creating the conditions in which free convertibility can be secured without violent

fluctuations in rates of exchange. Theoretically, no bar exists to the mobility of labour within the area, but, with the exception of "border" workers, labour tends to stay put, owing partly to the fact that people cannot transfer their capital from one country to the other.

To observers on the sidelines this may seem a slight achievement. It does not seem so to the Beneluxers themselves. Some of them have profited from the enlarged market that followed the greater freedom of trade, while others have begun to suffer sharply from the pains of competition—a certain proof that the first steps toward fusion have been realistic. Initially, the biggest gainer was Belgian industry, in particular its textile and steel branches. The "Pre-Union Agreement" was signed in the autumn of 1949 and shortly afterwards the Dutch first began to relax their import restrictions. These Belgian industries, faced with a small slump at home and abroad, were at the time steadied by the voracious demand of the Dutch market, which had been starved of goods in order to balance Holland's international accounts. Once the vacuum was filled, however, and the Dutch economy as a whole had revived, the advantage began to flow in reverse. Today, several of the Belgian consumer goods trades (including tobacco, leather, paper and furniture) are in acute trouble, mainly because of Dutch competition. Although they contribute no more than 10 per cent of Belgium's total industrial output, their embittered protests have led to a series of meetings at which business men as well as ministers are to decide how to lighten the burden.

In spite of these difficulties the members of Benelux will certainly continue the process of compromise, adjustment and persistence. Their determination has already carried them through periods that would have paralysed the will of any less dedicated group of nations. From the record of this experience would-be federalists can discern some of the requisites for economic union.

There appear to be three basic conditions. The first is that the governments and peoples concerned should be able to approach economic problems by compatible methods. It would have been difficult in 1946 to find two nations further apart in this respect than Holland and

Belgium. The Dutch, from inclination as well as necessity, pursued a course of State paternalism, cheap money, full employment and detailed controls over private consumption and investment. Rationing and subsidies were the order of the day. The Belgians—more fortunately placed after the war—chose the incentives of the well filled shop, the spurs of a *laissez faire* economy, and the more indirect control of a mobile bank rate. Union could go forward only when the Belgians moved toward *dirigisme* or the Dutch lost their reluctance to leave recovery to the free play of competitive forces.

As Holland got on its feet, the Dutch gained confidence, and step by step they abandoned most of the controls that seemed to a stricken country essential for salvation. Indeed, most of the adjustments between the two economies have come about as a result of Holland moving closer to the Belgian viewpoint: rationing and food subsidies have been jettisoned, bank rate has been restored as a central instrument of economic policy, and something less than overfull employment has been accepted. Even in fiscal policy, the Dutch have made the turnover tax play a more important role in their Budget so as to conform more closely to existing Belgian practice.

Some may argue that the Benelux countries represent an extreme case, that elsewhere on the continent the problem of creating the right economic climate does not exist and therefore should not be elevated to a first principle. But to realise its importance, it is only necessary to visualise a hypothetical Franco-German union. Would France—to cite only one issue—be willing to adopt, if the need arose, a deflationary policy on the scale acceptable to the Germans?

A second condition for union is that the foreign trade accounts of each partner should be in balance, at least with the non-dollar world; if they are out of balance, union throws an exhausting burden on the shoulders of the solvent partners. Until recently the yawning deficit in the Dutch balance of payments was the biggest single problem that confronted Benelux. Even before the first halting steps could be taken toward union, it was necessary for Belgium and the United States to bolster the Dutch economy with credits and grants.

From a variety of causes the Dutch economy has been transformed. Instead of running a vast deficit, Holland is now steadily building up its gold and dollar reserves. This recovery has not continued long enough to be taken for granted as a permanent phenomenon, and the Belgians have therefore shied away from any such revolutionary move as a pooling of their reserves. This reluctance is reinforced by the absence of any international method to prevent the recurring dollar crises that have beset the world since 1945.

A third condition is that would-be partners must be able to achieve some semblance of equilibrium between their costs, prices and wages. Calculated at current rates of exchange, average earnings in Belgium are approximately 50 per cent higher than those in Holland. About half of this difference reflects Belgium's higher productivity; the rest is due in a large measure to the high prices paid to Belgium's protected farmers. Holland also contributes to the disparity by keeping its wages at a somewhat artificially low level through the retention of a few subsidies and price controls—a policy that has the backing of the Dutch trade unions.

Theoretically, this lack of monetary balance could be wiped out quite easily by some inflation in Holland and

some deflation in Belgium; but so far neither country has shown any readiness to adopt such policies. Indeed, any realistic approach to the problem is being discouraged by indignant howls from injured Belgian industries that they are being undercut by their Dutch competitors, who are blamed for paying low wages. The two governments have now brought together both parties to devise a solution by themselves. The result might well be the formation of a series of cartels that would effectively prevent any move towards that specialisation which was one of the prime objects of the union. It might even discourage the initial moves in this direction that have already begun.

The Benelux nations have made substantial progress toward realising the first two conditions for a worthwhile economic union. In large measure their success is due to Dutch endeavour. The third and perhaps most crucial test is now at hand and it appears to call primarily for action by the Belgians. Their task, it is true, is not easy. The postwar world has yet to produce a government that dares to risk annoying, let alone antagonising, its peasants and farmers. In the present circumstances, however, the Belgian Government has at least a moral obligation to attack such an obvious barrier to union. The attempt might not wholly eliminate the wage and price differentials, yet without making it the Belgians are hardly in a strong position to urge Holland to inflate its wage and price structure. It would be a great pity if, at this stage, Benelux does not muster the courage necessary to carry out the original intent; failing this, there is a real danger that the distortions that existed in the two economies before the union will be left undisturbed and merely papered over by empty agreements.

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NOTES OF THE WEEK

The Next Election

The more the Conservatives study their by-election victory at High Wycombe, the more they like it. They believe, and there is evidence on their side, that it indicates the mood of the marginal voter throughout the country; and they believe, again with evidence, that this mood springs not only or mainly from fresh distrust of Mr Bevan, but also from a positive liking for the Government's policy. The voters who have been angered in the past year are those who would certainly vote Labour anyway; the rest give the Government credit for the improvement in the balance of payments, for more houses, for Mr Butler's Budget and so on.

This belief, contrasting so sharply with the hostility that the Tories encountered earlier this year, has set some of their more belligerent members wondering whether there is not a strong case for an appeal to the country next year. The spring, it is true, usually finds governments at a low ebb. But after the Coronation? By then, it is argued, the electorate would have a fair experience of modern Toryism in practice; it might give the Conservatives the adequate majority denied to them last year, they believe, only because of the warmonger cry.

These views do not, however, appear to have the support of the party strategists. Mr Butler's declaration on Wednesday that he felt in his bones that the next election would be long delayed may have been more an afterthought than a carefully calculated statement. But it fits in with the present ideas of the party's high command. A government must have a sound reason to give the electorate if it decides on a general election early in its term of office; otherwise it is vulnerable to the charge of being afraid of what the future will bring. The Conservatives' parliamentary position does not supply an excuse. The Tory Whips have found it much easier to maintain an adequate majority in the House of Commons than they dared to hope. The immediate reason, it is true, is that their discipline has been strict, and Labour's discipline somewhat slack. But this is unlikely to change. It is a reflection of the adequacy of the Government's voting margin, rather than a cause of it.

Many speculations are being brought into consideration. If Mr Churchill were to retire after the Coronation, and Mr Eden were to take over, the new Prime Minister could claim the right to put his administration before the country. Mr Churchill has, however, given no clear sign of resigning next year. His intention, so far as can be deduced, is to carry on as long as he is fit enough to play a full part in the Government. The timing of an election would in any case present Mr Eden with a problem. June would be ruled out because of the Coronation; July, August and September are excluded because they are holiday months. That would mean an autumn election, when the warmth of the Coronation festivities had worn off and another winter loomed ahead.

No one can say how things will look six months from now. But for the present, there are two things to record. On the one hand, many Conservatives do now think of the next election in terms of an opportunity they might take rather than a defeat that might be forced on them. But in spite of this, the odds are on Mr Butler's side—as far as present indications go—in his belief that there will be no early election.

Labour's Middle of the Road

In the poll for the deputy-leadership of the Parliamentary Labour Party, announced this week, Mr Morrison duly defeated Mr Bevan by the handsome majority of 194 votes to 82. The Bevanites are entitled, however, to claim that they did better than they expected to do. In addition

to his usual body of somewhat over fifty supporters, the vote for Mr Bevan probably included a few personal foes of Mr Morrison's. The most important reinforcement for Mr Bevan seems to have come, however, from some of those who regard themselves as being in the middle of the road in the party struggle.

In practice, the behaviour of this centre group has been not to go safely in the middle but to lurch from side to side. In the spring its members intervened to prevent disciplinary action against the Bevanites after their revolt in the defence debate. Last month they jumped the other way and supported Mr Attlee's demand that the Bevanite "party within a party" must be brought to an end. If they have now lined up (for the time being) against Mr Morrison, that is evidence of Mr Bevan's weakness rather than of any unexpected strength. The centre group is not looking for the winner. Its aim is to hold the two wings of the party together, and for that purpose its members are willing to shift their weight to whichever side seems to have become relatively weaker. They presumably feel that the new confidence of the Right needs to be curbed if Mr Bevan is not to feel isolated and take up a more intransigent attitude. The wisdom of this strategy may be open to doubt, but it certainly does not mean that Bevanism has gained new adherents. The extra votes were a gesture made precisely because Mr Morrison's success was not in doubt.

They are also, however, an indication of what may happen inside the Labour Parliamentary committee, the twelve members of which are now due to be elected. Mr Bevan will almost certainly, and Mr Harold Wilson may, gain a place in this shadow cabinet. If the middle-of-the-roads also capture a seat or two, Labour's policy in this session may well follow a more zigzag course even than it did in the last session.

Back from Kenya

Mr Lyttelton's statement in the House of Commons at the end of last week accurately reflects a return of confidence in Kenya. But, as he emphasised, this does not mean that the emergency can be ended quickly. All that has been done so far is to take the first shock of the outbreak of violence among the Kikuyu. The resources at the disposal of the Kenya government are slender, in relation to the intractability of the problem, and it has done well. The first phase of its immediate measures was to arrest, under emergency powers, those suspected of leading the Mau Mau organisation; the second has been to increase the number of troops and police—many of them special volunteers—on patrol in the worst areas. The next step will be to expand the regular police force and to increase the number of permanent police posts in the Kikuyu reserve.

These emergency measures are necessary to prevent a breakdown of public order; much ground will have to be regained before the causes and effects of Mau Mau terrorism can be considered and treated dispassionately. But to begin at once the preparation of longer-term measures is as essential as that arbitrary arrest and strong police action should be curtailed as soon as possible.

What those longer-term measures are to be is by no means clear. The new Governor of Kenya, Sir Evelyn Baring, a man with long and intimate experience of Africa, recently suggested that steps should and would be taken to increase the rate of economic advancement of the African. Mr Lyttelton, however, told the House that economic problems have no part in the emergence of Mau Mau. He is right in so far as Mau Mau is a product of the impact of white civilisation on tribal life; it reflects the poverty of education

and the lack of adequate political leadership among the Africans themselves. But this social problem is also rooted in land hunger, and it will be one of the main tasks of the forthcoming East African Royal Commission to suggest the proper economic as well as political reforms. The case for nominating the members of that Commission as soon as possible, and for including at least one African among them, grows stronger every day.

Mr Eden's Entry

There has been a transformation scene at the United Nations Assembly this week. After nearly a month of halting and largely sterile debate between unyielding Russians and unsettled Americans, the delegates of the sixty nations have suddenly been presented with so much meat that they can barely stomach it all at once. The change was brought about by the American elections; but the most striking result of these was not a clarification of American policy, but the appearance at the Assembly of Mr Eden and M. Schuman. Both statesmen at once delivered impressive speeches, and their arrival was the signal for the resignation of the Secretary-General. Mr Lie startled the delegates; M. Schuman brought them up short; but Mr Eden's address, despite its quiet tone, may well prove the most telling of the three statements.

Indeed, the importance of the Foreign Secretary's speech lay in this very moderation. It is not easy to define the distinctive quality that he brings to the international forum, but it is impossible to ignore it. As on the occasion of his first intervention in United Nations affairs last year, delegates who listened to Mr Eden on Tuesday were left with the feeling that something had been added to the atmosphere of the Assembly that was not there before. This was due not simply to the skill with which he presented his four principles for the solution of the deadlock over prisoners in Korea. His argument that no reasonable person could want to see prisoners either forcibly detained or forcibly repatriated was, indeed, a masterly reduction of a complex issue to the level of ordinary common sense and humanity; but there was more to the speech than that. It was a reassertion of the values and techniques of diplomacy against those of propaganda and vituperation. Few of Mr Eden's listeners can have failed to contrast his manner with that of Mr Vyshinsky, who can never resist the temptation to play the prosecuting counsel bent on securing confession of guilt and the maximum sentence. It seems that every time Mr Eden visits the Assembly, the Soviet delegate is made to cut a very poor figure. Unless the advocates of peaceful co-existence are prepared to lose even more ground in these uneven contests between diplomat and attorney, Moscow will soon have to replace Mr Vyshinsky.

Trygve Lie Bows Out

The United Nations Assembly was clearly shaken on Monday, when the Secretary-General announced his intention of resigning. Some attempts have been made to link his decision with the difficulties raised for him by American efforts to smoke out allegedly Communist members of his secretariat; but these are obviously wide of the mark. Mr Lie himself says that he reached his decision during the summer; he confided it to the President of the Assembly at the beginning of this session, delaying a public announcement only until the foreign ministers of the five Great Powers should all be in New York. He feels that by withdrawing at this stage he may help to facilitate new agreements between them. He had good reason for believing this, for throughout the past two years the Russians have flatly refused to recognise his existence, and he has thus been hindered in carrying out the personal liaison between govern-

ments which is an important part of his functions. Yet it is doubtful whether a new Secretary-General would be any more successful in this direction or, indeed, whether the member nations can agree in present circumstances on appointing a Secretary-General at all.

Mr Lie's resignation will at least draw attention to the often forgotten fact that the servants of the United Nations are human beings. The Secretary-General, in particular, has for seven years been required to exercise a superhuman objectivity and restraint, while serving as a unique Aunt Sally for brickbats from every quarter. He has been denounced both for inactivity and for unwarranted intervention, described as a partisan of Moscow and an agent of Washington, branded as a dangerous visionary and an over-paid parasite. He has had to try to operate a cumbrous mechanism, designed on the assumption that there would be at least some degree of unity among the major powers, in the most bitterly divided of worlds.

Mr Lie may have made mistakes in the course he has piloted through these dangerous years, but he has consistently striven, with a good deal of Scandinavian common-sense and patience, to make the United Nations work on a practical, down to earth basis. He deserves a share of the credit for its successes, and little of the blame for its failures. If he now feels the need to relinquish a task that has brought him much frustration and little thanks, he can hardly be blamed. But there will be few enthusiastic candidates for the vacancy, and scarcely one who would be acceptable to all parties, as Mr Lie himself was in 1946. This is by no means a fatal blow to the United Nations; but it may prove a salutary shock for some of its members.

German Citizen Soldiers

Herr Blank, the former trade union official who has been in charge of the embryo German Ministry of Defence since its inception, has given a reassuring broadcast account of what he called the future "European soldier of the German nation." He repeated that this new type of soldier would be a civilian in uniform, who would not live the life of a caste apart. Regulars and conscripts will keep their voting rights, and will be given education in politics and current affairs as well as training for civil professions. Moreover—a revolutionary change for Germans—they will be expected to wear mufti when off duty. Prussian-style drill will be reduced to the minimum, and the greater part of training will be for combat. The only difference of opinion inside his office, said Herr Blank, was about the extent to which these reforms could be made to square with military needs.

Herr Blank revealed that the German contingent will require 22,000 officers, including about forty generals. (As there are no brigadiers in the German army, this figure must be translated into British terms as "generals and brigadiers.") In addition, about 80,000 NCOs and long-servicemen will be needed. How many of these cadres would have to be taken from volunteers of the old regular *Wehrmacht* was not stated, but clearly the majority will have to come from this source. Democracy can only be defended by democrats, declared Herr Blank very rightly. For this reason, a commission of "impeccable personalities" will investigate applicants for all the key posts, and will work out rules for volunteers, including their allegiance to the democratic state. Moreover, the churches, youth organisations and trades unions will form an advisory committee that will be consulted about the nature of the new *Wehrmacht*.

It cannot be said that Dr Adenauer, Herr Blank and his colleagues are not taking care to start the new German army on the right lines. The decision to be slow and safe in the selection of the top ranks is very wise. But the NCOs

and lower ranks of officers are not, it appears, to be combed so thoroughly as the generals, although they may be just as important in their influence over the soldiers. The reformists are indeed faced with the difficult problem of choosing between a slow and cumbrous process, and of setting up an army within a period of two years. If the excellent principles that have been laid before the German people are to be observed, it is clear that a much longer period will be needed. For real success, a new generation of European officers and NCOs will have to be educated from raw material.

More Houses at a Price

The monthly instalment of Mr Macmillan's success story reached a new climax last week with the publication of the housing returns for September. In the month 22,323 permanent houses were completed in Great Britain; this was more than in any other month since the war, and over 5,000 more than in September of last year. The total number of houses completed in the first nine months of the year was 171,093, compared with 139,966 in the same months of 1951.

The Minister's elation at this result will no doubt be tempered, however, by the publication this week of the third report of Mr Girdwood's committee on the cost of house building. This shows that the average cost of a three-bedroomed local authority house continued its steady rise up to the end of 1951 and has since been checked only because houses of a smaller floor area have been built. The committee accounts for the increase—from £1,321 in October, 1949, to £1,450 in October, 1951—as follows: a rise of £40 in labour costs, £136 in materials costs and plant charges, and £16 in overhead charges and profit—partly offset by a saving of £63 due to economies in design and specification. It can find no evidence of higher productivity, which is still 20 per cent below the prewar level and has shown no improvement since 1949. When the committee commented on this fact in its last report it recommended that incentive schemes should be more widely adopted, but it can find no evidence that this has been done. According to a survey by the Ministry of Works in June, 1951, incentive schemes were being operated on less than a third of the housing sites—fewer, apparently, than in 1949 when the committee estimated that about half were built under incentive schemes.

Interruptions in the flow of building materials can no longer be blamed for low productivity in the building industry. Habits of work very easily become fixed and the present rate of working has been sanctified by seven years' usage, and fossilised by a demand which, for political reasons, is unaffected by rising costs. The subsidised rent of an average three-bedroomed house could be reduced from 21s. to 18s. 4d. a week if the building cost of a house could be reduced by £150. The tenants of council houses must blame the building workers if economies of this size can be secured only by building the smaller houses that Mr Bevan has called rabbit hutches.

LIVING WITH THE DOLLAR

Can the world ride over the dollar shortage towards freer trade? This problem lies squarely before the Commonwealth Prime Ministers' Conference and the new Eisenhower Administration. It will be discussed—and detailed proposals for a way out will be formulated—in a special section of next week's issue of *The Economist*.

Lowering Wages Sights

The signs of good sense in wage claims have increased from week to week ever since the engineers and shipbuilders decided not to press for the £2 a week that they originally asked. Last week, after both employers and unions had climbed out of the last ditch, the dispute came peacefully to an end. The offer of 7s. 4d. a week more for engineers and 7s. 6d. for shipbuilders was accepted by the executive council of the unions—so far without protest from any of the local branches. There was a rumour that the much threatened ban on overtime and piecework would be put into operation on Clydeside, but work has continued as usual.

On the other hand, there has been some growth of the miners' protest against the Porter Tribunal's refusal of a wage advance; 22 pits in South Wales, against the advice of their leaders, have refused to work the voluntary shift. This is not due to any special degree of hardship in their area. There are several coalfields in which average weekly earnings (including concessions) are less than the £10 8s. 9d. earned in South Wales, but its miners have always been among the most militant. There was also a pit strike in Scotland last week, but in the rest of the country the miners have been content to await the result of new negotiations between the Coal Board and the union—especially as one grievance has been met by the Board's agreement that miners who have a "reasonable excuse" for missing a shift shall not forfeit the bonus paid for a full week's work. Last week a delegate conference instructed the union executive to ask for an increase for the lower-paid workers.

It has seemed likely all along that the Board would allow a reasonable increase, but the miners had insisted on going to arbitration on a claim for 30s. a week. The tribunal's award seemed at one point almost to favour an increase for lower-paid workers, saying that there might well be some hardship but that this was no argument for a general increase. On the other hand, the tribunal urged two arguments for not giving any increase at all: first, that wages should not be raised to cover minor increases in the cost of living; and, secondly, that the existing agreement should not be altered while the wages structure is under review. How far the Coal Board will be influenced by these arguments—a meeting with the union was being held on Friday—is not known as *The Economist* goes to press. But it seems likely that it will discount the first argument because cost of living increases have been given in other industries; and that it will discount the second because negotiations to revise the wages structure have been going on for a year and have made little progress; to ask the miners to wait for their successful conclusion is to ask rather a lot. In any event, it seems right that moderation should receive its moderate reward.

Misusing the Index

Throughout the parliamentary debate on the Address the cost of living index has served as party ammunition in a way that remains regrettable even though it is far from surprising. It has been treated as a barometer measuring the converse of the standard of living: the higher the index the lower, automatically, the standard, and the blacker therefore the record of the Government. Certainly it is not for the Conservatives to grumble at this misuse of the index; they made enough play with it themselves when they were in opposition. By now, however, both sides might have begun to learn the mutual benefits of accuracy.

Even apart from the notorious technical difficulties of index building, no index of consumer prices can in present circumstances act either as a true barometer of living standards or as a measure of inflation. Consumer prices in a welfare state cover only a part of each citizen's real expenditure. Forty per cent of the British national income is

absorbed, via taxation, in the provision of communal benefits and the meeting of communal obligations; the costs of these things do not appear in any index whatever. Without any change in the real relationship between total income received and total standards enjoyed, an index based on consumer prices alone can, and indeed must, fluctuate with every change in the frontier between communal and individual provision. One can always pull it down by increasing taxation on something that does not enter the index, using the proceeds to subsidise something that does; and to reverse this process is, inevitably to push the index up again. So complete, in fact, is the divorce from reality that an increase in taxation which took ten shillings weekly from every citizen's pocket would be accompanied by a drop in the index, with appropriate political kudos, if at the same time subsidies were increased in order to save one shilling on everyone's weekly expenditure. Today, while net incomes have gained by the tax cuts and increases in social security benefits, made possible by lower food subsidies, the index registers only the countervailing rise in food prices—and still serves, accordingly, as a stick to beat the Government.

It is no use blaming the index; one does not expect the Air Ministry thermometer to measure the nations' fuel supplies as well as to indicate the climatic call upon them. But an honest acceptance of its limitations would—at the price of overcoming some temptation to the making of facile party points—help to bring more realism into economic debate.

Technocrats Around Stalin

Among the crowds which gathered in Moscow last week to listen to official speeches or flocked to watch the parade in Red Square to celebrate the anniversary of the October revolution there were probably only a few who could recollect clearly the birth of the Soviet Republic of Workers and Peasants. The Soviet state is approaching middle age and has just celebrated its 35th birthday. Those who remember its infancy must now be at least in their late fifties. Indeed, Russians were reminded that for about a quarter of a century they have been living in the Stalinist era. Since the bulk of the Soviet population is the product of that era, the insistence on this occasion on the international character of the October revolution may have struck them as a novel departure, but it evoked no special memories. For older citizens it must have recalled the bitter controversies during Stalin's rise to power.

Thus *Pravda*, for example, referred to the October revolution as essentially "an international revolution on the world scale" and similar passages figured prominently in all speeches and articles. Yet, in the 'thirties, when the triumphant Stalin watched over the doctrine of "socialism in one country," such statements would have smacked of internationalist heresy. Now they have again become fashionable; indeed, Stalin himself launched the fashion at the recent Congress, when he declared that Russia has now ceased to be the lone shock-brigade of the revolution. It could be argued that Stalin, at the apotheosis of his power, has been compelled by a strange stroke of history to allow a partial—if only implied—vindication of the prophet of internationalism, the theoretician of permanent revolution, his arch-enemy—Leon Trotsky.

Yet the vindication is only partial. Stalin can claim that he has achieved success and spread revolution through his own methods, chiefly by the strength of the Soviet Union and by Red Army bayonets. He intends, therefore, to go on relying mainly on these methods. The consolidation of the Soviet bloc, the development of Soviet economic might—these seem to be his supreme objectives. The paramount importance of the second is well illustrated by his choice of the chief spokesman for the October anniversary. During

the war Stalin himself spoke on this occasion. Subsequently the job was taken over by his chief lieutenants from the Politburo: Molotov, Zhdanov, Malenkov, Beria and Bulganin. M. G. Pervukhin, who spoke last week, though already a prominent party official for many years, was not a member of the Politburo and has only now been elected to the party's Presidium. He owes his rise to his ability as an economic organiser. He was successively commissar for electric power and minister of the chemical industry. In 1950 he became vice-premier. Technocrats of Pervukhin's type are now most needed for carrying out the master's programme.

No More Rooms for Russians

The economic balance-sheet for the last two years presented by Pervukhin extends and elaborates Malenkov's report on this subject to the recent Congress. It confirms the view that the Russians will try to fulfil their plan ahead of schedule, particularly for heavy industry. Thus, for example, it is claimed that during the first two years of the current five-year plan national income has been rising at an annual rate of about 12 per cent against the planned rate of 10 per cent. Gross industrial production, too, is claimed to have advanced at a rate faster than expected: 14 instead of 12 per cent. If the present tempo is maintained, the figures set for the end of 1955 should be reached at the beginning of that year.

Pervukhin tried to give the impression that this expansion has been uniform, both in heavy and light industry. On closer scrutiny, however, this claim seems unconvincing. While all the basic industries (coal, oil, electricity, iron and steel) look like exceeding their annual objectives, and while the machine building industry is already producing 40 per cent more than in 1950, the rise in the output of consumer goods is chiefly concentrated on foodstuffs. Pervukhin's

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data on other consumer goods, such as textiles or shoes, are misleading, since they refer to supply and not to output, and have probably been inflated by imports of, say, Polish cotton goods or Czech footwear. A recent official report has revealed that the production of textile machinery is lagging badly behind schedule.

Yet the Soviet consumer worries little about the source of his goods, and for him the acute shortage of housing probably remains the main worry. In this respect Pervukhin's report brought him no hopes of immediate relief. Indeed, it revealed a striking deterioration. In the first ten months of the current year only about 16 million square metres of floor space have been built in the towns and some 220,000 houses in the countryside. Even assuming that the same rate will be maintained in the two remaining winter months, total house building this year will amount to about two-thirds of last year's level and will be lower than at any time since 1947. In rural areas war damage has not yet been completely made up, and in urban areas—where it has—twelve years' obsolescence and the rapid growth and influx of population make rapid construction imperative; the slowing down of the tempo of new construction will therefore have painful effects on the average Russian. Yet factories must take precedence over dwellings, and this is probably the feature of the cold war economy that weighs most heavily on the Soviet citizen.

* * *

The Spanish Main

It is a long time since a speech from the throne contained references to the need to extend British ties of friendship and trade with the countries of Latin America. Further elucidation of the "active measures" the Government has promised to undertake in this direction will be awaited with interest. Evidence of the sincerity of this promise is not lacking. Lord Reading, the joint Foreign Under-Secretary, has already begun his good will tour of the more southerly of the twenty American republics; a party of businessmen left this week, with the blessings of the Board of Trade, to explore the dollar-earning possibilities of the Caribbean area; and a flight of Canberras is giving an impressive demonstration of British skill and enterprise to thousands of Latin Americans. But these brief ventures by the new Elizabethans into the once familiar Spanish Main cannot achieve much unless they are supported by a sustained and vigorous commercial effort.

It was unfortunate that, in the debate on the Gracious Speech, the task of emphasising the importance of trade with Latin America was left to Mr Follick. In between references to spelling reform, the Fort Knox gold vaults, and the sales of his own published works, Mr Follick contrived to make his point after a fashion. But the manner of his speech was such that his fellow Members can hardly be blamed for the hilarity which overcame them when he reached the subject of brazil nuts. More accurate guidance on the intricacies of Latin American trade has been provided in two papers newly issued by the British and Latin American Chamber of Commerce and the Credit Insurance Association. As these point out, the time for well-meaning exhortation has passed, and if the Government's pledges are to be realised the present missions must be followed by practical steps to improve shipping services and to make it easier for the exporter of modest means to enter a diverse and competitive market.

* * *

A Monopolies Bill in Ireland

In Dublin the *Dail* has reassembled for its winter session. It meets without Mr de Valera, whose absence in Utrecht, where he is receiving treatment for his sight, has aroused much personal sympathy. In the meantime Mr

Lemass, the deputy leader of the Government, occupies the stage. He has introduced a Restrictive Trade Practices Bill which seeks to establish machinery by which freer conditions of trade will be maintained. Practices which "are designed to eliminate or restrict competition in the supply and distribution of any class of goods or which operate to deprive the individual citizen of the right to engage in legitimate trade in any class of business" will be held to be contrary to the public interest. A Fair Trade Commission, armed with full powers of inquiry, is to investigate complaints of such practices and to report to the Minister for Industry and Commerce. The commission may make inquiry on its own initiative or at the request of the Minister. Any order made by the Minister on the commission's report must be supplemented by specific legislation. Mr Lemass rejected, on the grounds of expense and delay, the suggestion that there should be a general prohibition enforceable by the Courts. He argued that the necessity of parliamentary discussion gave a guarantee that any interests concerned would be given an opportunity to make their case.

A highly protected economy, as Mr Lemass pointed out (somewhat to the surprise of those who regard him as its chief architect), gives every opportunity for the growth of restrictive practices; and some publicity has lately been given to the operation of trading agreements. Our correspondent in Dublin reports that the protests of several trade associations have strengthened the impression that the Bill is badly needed. Certainly it is true that the measure goes far in the regulation of commercial activity; but in Ireland that activity has been so largely the result of protectionist policy that no immediately convincing argument can be raised against regulation. It goes without saying that much will depend on the composition of the commission; and, in a small community, parliamentary discussion on individual cases is open to obvious objections. The Bill seems, however, a step in the right direction and should receive an easy passage.

At the same time the Irish transport system, which in its own way has been a model of restrictive practices, is experiencing its annual crisis. The railway system, which was nationalised by Mr Lemass eight years ago, has found that increasing costs have more than offset the present state subsidy. It proposes to abandon unprofitable branch lines and suggests very drastic limitations on the right of private concerns to carry their goods by road. Acceptance of these proposals would almost amount to a return to the conditions of 1914, the last year in which a fundamentally uneconomic railway system could be run at a profit. There is room for suspicion that these proposed limitations have deliberately been made so drastic in order to awaken public opinion to the transport problem, but there does not appear to be any ready-made solution.

* * *

Insurance in the Air

There was an unsatisfactory end last week to the claim for damages by Mr T. L. Horabin, the former MP, against British Overseas Airways Corporation. In January, 1947, Mr Horabin was a passenger in a BOAC aircraft that took off from London Airport at 9.50 a.m. for Lagos. After flying over France for most of the day, it ran out of petrol and crash-landed near Ashford, Kent, just after 4 p.m. in the afternoon. Some of the occupants were killed. Mr Horabin was badly injured and sued the corporation for damages.

Unlike most other purveyors of public transport, the owners of an aircraft on a scheduled run are not normally liable to meet the full damage suffered by their passengers in any accident due to plain negligence. The Carriage by Air Act, 1932, which gives statutory effect in this country to the Warsaw Convention of 1929, makes the operator liable for any damage to passenger and cargo during flight, but only up to a limit fixed originally in gold francs and worth now in

British currency about £3,000. Only if the damage was due to "wilful misconduct" can a passenger recover damages based on his full loss. In this action, Mr Horabin, whose full damages had been agreed, subject to liability, at over £11,000, set out to prove wilful misconduct. The jury (of whom, by chance, Sir Wilfrid Eady, late of the Treasury, was foreman) heard a most careful summing-up by Mr Justice Barry and had the aid of further speeches from counsel on both sides. But it found itself quite unable to decide whether the facts of the accident amounted to wilful misconduct on the part of the air crew or not. And, reading the legal definition of wilful misconduct, it is not hard to see why. Mr Justice Barry said "... it is not easy to apply (the conception of wilful misconduct) to the facts of any particular case," which may be regarded as an understatement. The jury were discharged and Mr Horabin, faced with the cost of a new trial, accepted the fixed damages payable under the convention.

The case has two unsatisfactory features. First, it is hard to justify the limitation of the right to claim damages for death or injury on air travel to £3,000. Such a figure is probably now an underestimate of the value, in terms of full legal damages, of the lives of at least three quarters of those who travel by air; it is very doubtful whether many passengers know that they are underinsured to this extent. Secondly, it is unsatisfactory that a passenger with a substantial claim, and at least some reason for thinking that there has been wilful misconduct by the air crew responsible, should find the law in a state that defeats a normal jury. No air transport company can be blamed for fighting a claim based on "wilful misconduct." It is a pity that operators are forced into that position, but they could meet it by providing for their customers an insurance cover that would be adequate. Accident insurance for air travel is now on a solid enough basis for its premiums to be neither frightening nor prohibitive.

Cold Light on Purchase Tax

The latest Fabian research pamphlet* is something of a curiosity. It is less politically tendentious than many pamphlets that claim to be quite free from bias of any kind. It is a rather academic but very well-written survey, part historical, part analytical, part speculative, of the purchase tax as an element in the fiscal system—that is, as a money-raising device, a planning instrument in the general sense, and a means of inducing particular changes in consumption. The survey is acute and well-balanced, and should be found useful by students as a simple but intelligent introduction to a wider range of fiscal facts and theory than its title implies.

As the statement of a Fabian, or even more generally Radical, viewpoint, it is more salutary to Socialists than novel to others. The author's summary of the possibilities of purchase tax as an instrument of economic control gives overwhelmingly an impression of the difficulties, of the incalculable and undesirable side effects that may come not only from fiscal intervention but from any kind of control beyond the broadest influence on the economic climate. Dealing with the impact of changes in purchase tax on consumption, on the economics of allied products, on exports, on the distribution of real incomes, Mr MacMahon comes irresistibly to the unstated conclusion that any attempt to use it as a means of swift adaptation to changing circumstances is equivalent to playing polo on an elephant. The thing simply cannot be made sufficiently manoeuvrable. The reader, taking a line through his specific arguments, can hardly help reaching a similar conclusion about centralised planning in general. The Fabian Society should keep an eye on Mr MacMahon; he is a dangerous heretic.

*The British Purchase Tax. By C. W. MacMahon. Fabian Society and Gollancz. 28 pages. 1s.

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Japanese Rearmament

In Japan, as in Germany, the resurrection of armed forces is now going on apace, and political complications of a similar kind are involved. It is impossible in either country to rebuild national fighting services without making use of the abilities of former professional officers, and it is difficult to bring them back without rehabilitating to some extent the old militarism. This means more in Japan than even in Germany, since the political influence of the army was much more direct and was exerted independently of any political party. Fear that a new army would inevitably revive the old military spirit has inclined most Japanese liberals since the war to oppose any rearmament of their country. But it is generally felt to be a national humiliation that Japan should be incapable of self-defence, even if the United States were willing to undertake full responsibility for its protection. The Americans on their side are not willing to undertake it unless the Japanese also do something to help themselves. In any case, the United States cannot keep in Japan garrisons strong enough by themselves to beat off a strong initial attack from the mainland; American aid in full strength would take several weeks to arrive across the Pacific. There must be something on the spot to take the first shock.

To provide a component for such a force, Japan now has a National Safety Corps (originally organised by General MacArthur as the National Police Reserve) of 110,000 men under officers most of whom served in the old Imperial Army. Equipment to make this into a first-class fighting force is being provided by the Americans. The naval and air arms

are at present lagging far behind the military development; this is partly because of the very limited financial resources which Japan can spare for rearmament, but partly also because these are the forces which the United States is best able to contribute to the defence of Japan. The Americans—with memories of Pearl Harbour still only eleven years old—are not anxious to see Japan possess overseas striking power. Plans are being made for a small fleet to include light cruisers and destroyers, but no aircraft carriers.

There are signs of a desire among the restored military and naval officers to attain for Japan complete self-sufficiency in defence, which would not only raise their own prestige within the country, but would also provide conditions for an independent foreign policy, perhaps of the kind formerly favoured by Hirota and Tojo. It is very unlikely, however, that funds will be forthcoming for the more ambitious rearmament projects; self-sufficiency in defence would require budget appropriations about six times the present figure.

* * *

Franco Knocks at the Door

The rules of the European and Atlantic communities still keep General Franco away from their front doors but there is increasing activity around the back. Strong rumours that a long awaited military and economic agreement between Washington and Madrid is virtually concluded merely underline the extent to which Spain is reasserting its position. A bilateral Franco-Spanish agreement just signed in Paris will lead to a considerable expansion in trade, especially with regard to Spanish imports of rolling stock. Spain has also been re-emphasising its traditional ties with Germany, as was shown by the affectionate and martial welcome extended in Madrid to the new German ambassador, Prince Adalbert of Bavaria. More important is the conclusion of a Spanish-German trade pact which provides for an exchange of goods amounting to some DM400 million for the period 1952-53. Germany will be exporting machinery and receiving valuable ores such as wolfram. On the whole, it looks as if Spain is trying to force the American hand by showing that it has old friends in Europe and strategic materials to contribute towards the common defence.

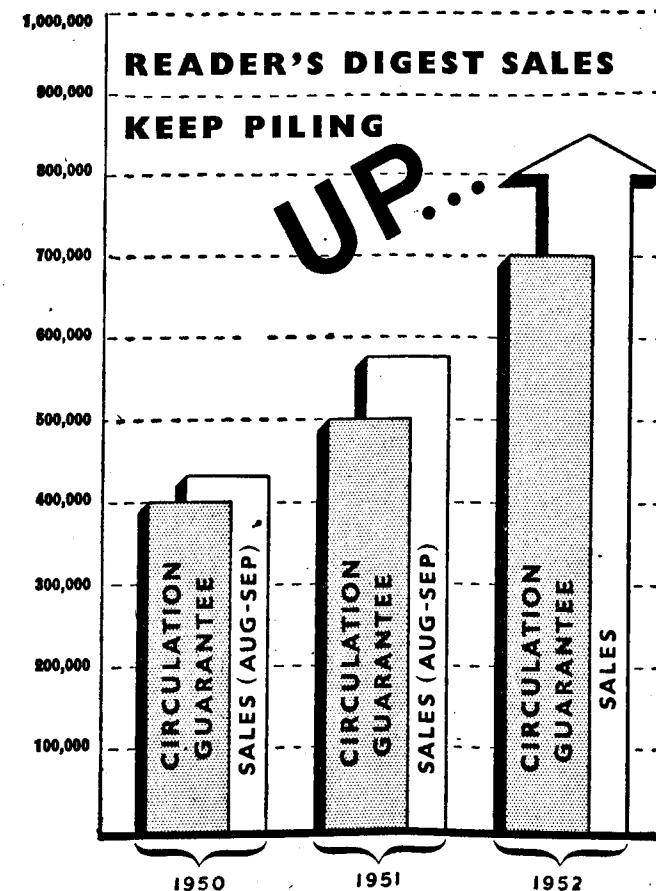
General Vandenberg's recent visit to Madrid appears to have clinched the negotiations between the United States and Spain which, in their latest stage, had dragged on since March. The American Navy is interested especially in making Cadiz a first line port and in the further development of Cartagena. The Air Force is interested in setting up three major bases, one of which would result from an expansion of Madrid's commercial airport at Barajas. In exchange, Spain would finally obtain the release of \$125 million allocated by the Mutual Security Agency subject to the ratification of an agreement. As most of this money will probably be devoted to the development of Spanish roads and rail transport, strategic interests would be directly served.

Two main factors have, so far, been impeding relations between Spain and the Atlantic powers. In this country, particularly, there has been a good deal of legitimate distaste for dealing with the Caudillo, and in the United States there has been some doubt as to the value of Spain's contribution. Spain now seems to be slowly overcoming memories and prejudices arising out of the Civil War, and the generally accepted arguments for working with Marshal Tito have weakened the case against working with General Franco. A Republican administration, moreover, with its emphasis on strategic concerns and the strengthening of all anti-Communist ties, will not long resist the blandishments of a ruler who so recently proclaimed himself as "the first European to engage in battle against Communism." British opinion cannot ignore this fact or the hankering after unholy alliances revealed in recent statements by Marshal Juin, or in German remarks about renewing old Madrid-Berlin ties.

Old Europe and Young America

The latest advices from the United States have brought us news of the death of Mr Webster, Secretary of State. His decease, at the age of seventy, has caused a great sensation in the States. All the papers appear in mourning for him and all parties concur in his praise. He is not to be honoured, like Wellington, with a national funeral, but, while foreigners know little of his services, he held a high place in the estimation of his countrymen. . . . At all times aged heroes—the links of the past with the present—have passed away; but so many have recently been taken from the world that society seems bereaved of those who in England and America connected the present condition of society with the great revolutions which established the independence of the latter, and compelled the former to submit to almost unexampled national sacrifices. Mr Clay and Mr Webster were the younger contemporaries of the men who figured in the American revolution, and the Duke of Wellington was in Parliament and in office with those who began the war which he so gloriously concluded. If in losing them we lose the connection with the past, future progress is probably accelerated by the natural severance of ties which affection and habit made us wish to continue. Mr Webster being more of the old school of politics than any living American statesman, was more European than they are, and was a favourable conductor for dispersing in peace the somewhat opposing political influences of Old Europe and Young America. As the statesmen disappear from that continent whose policy was in a measure formed by those whose birthplace was Europe, and as its new and vast power inspires new maxims, we may expect a still greater divergence in America from the policy of Europe. There is a growing separation in their political systems, but commerce is rapidly increasing the bond between them, carrying forward Old Europe with Young America, and keeping them together more by the old advancing with the young, than the young becoming stationary.

The Economist
November 13, 1952



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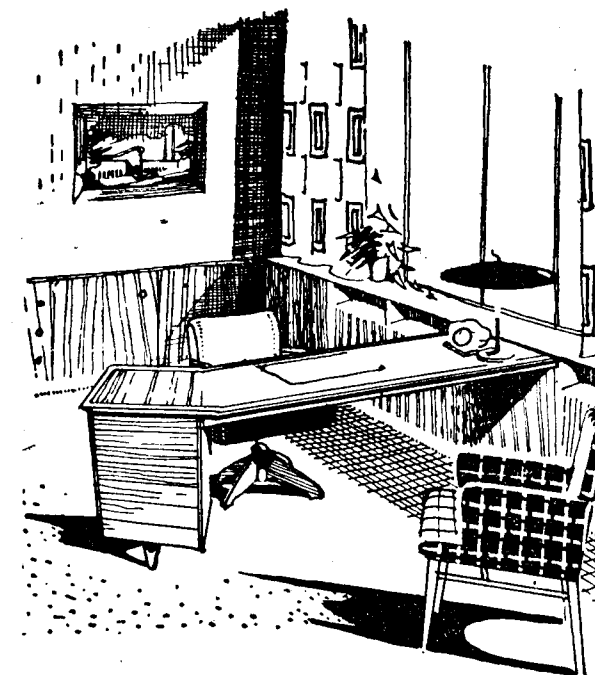
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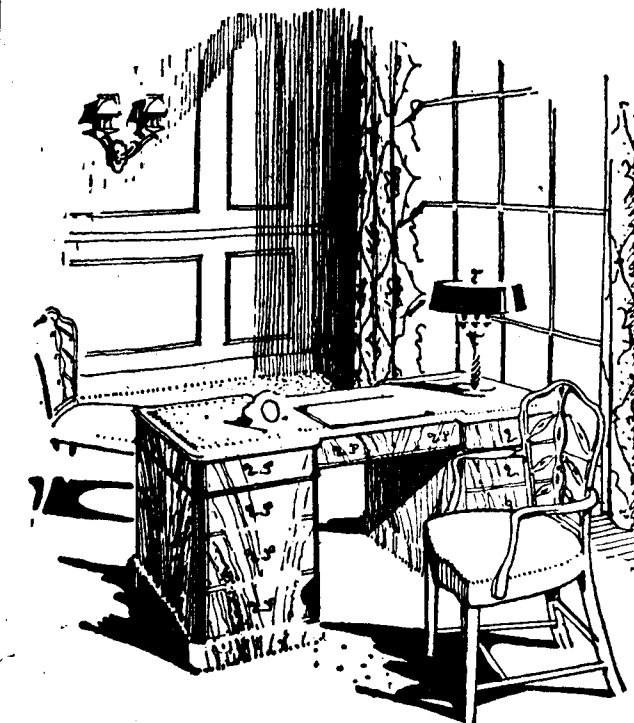
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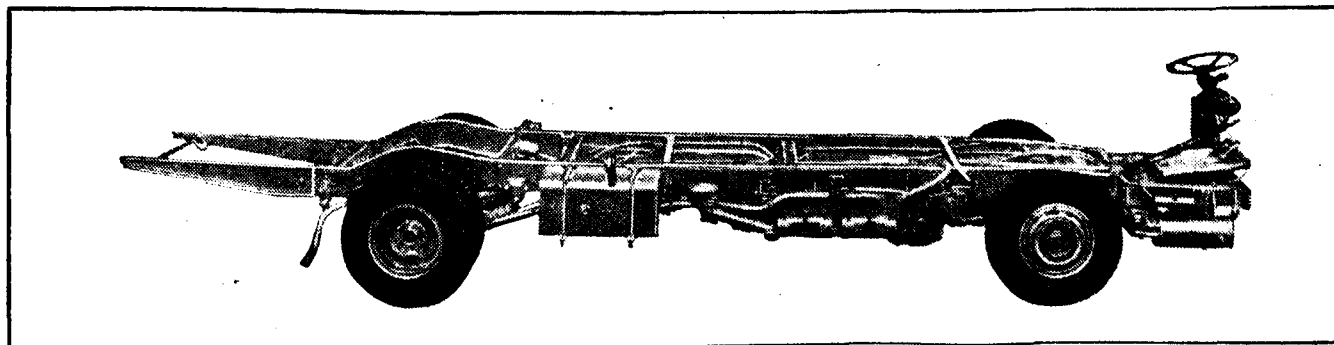
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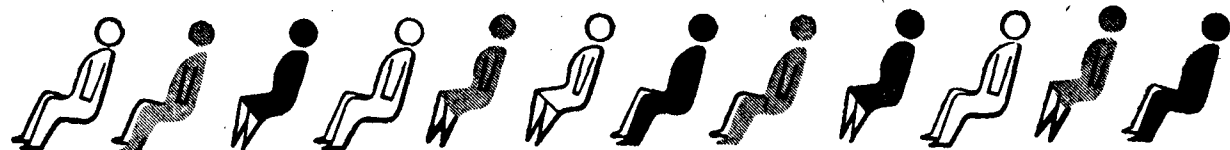
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Books and Publications

Honest Stanley

Stanley Baldwin. By G. M. Young. Rupert Hart-Davis. 252 pages. 21s.

This is the "authorised biography" of Stanley Baldwin, since Mr Young makes it clear in his opening words that Baldwin himself asked him to write it. But it is not the usual "standard life." It is short and readable and it makes no attempt to give a complete account either of Baldwin's life (there are only 9 pages on the fifty years before he first took public office) or of the record of his prime ministerships. This is not the "Life and Times of Stanley Baldwin." Perhaps it is best to be regarded as a character sketch illustrated by episodes in Baldwin's life taken chronologically.

It is, in fact, an uneven book. Mr Young is never a dull writer, and he makes Baldwin come alive; but his highly personal, rather jerky style can be irritating. His selection of material is also odd. In any short biography, the author must choose when to pause and when to race ahead. But Mr Young chooses to give a lot of space to episodes that are already very well known, such as the General Strike and the Abdication, where he has little to add, whereas other events that are still a little mysterious—particularly the Carlton Club meeting of 1922—are passed over very hurriedly (not one of the anti-Coalition conspirators, save only Bonar Law and Baldwin himself, is mentioned by name, except for a reference to Boscawen in Baldwin's own speech).

What is the most curious of all is that Mr Young does not seem to realise how complete an answer is possible to the chief charge that the public memory brings against Baldwin. This is the widely spread belief that Baldwin, in November, 1936, confessed "with an appalling frankness" that he had not told the country the truth about the state of the national defences in the general election of 1935 for fear of losing the election. Mr Young is aware how heavily this charge weighed on Baldwin's last years. But his answer to it is very off-hand. Can it be that he does not know of Mr R. Bassett's conclusive article in the *Cambridge Journal* of November, 1948? What Baldwin actually said was something quite different from what he is supposed to have said. The National Government had been elected on pledges of economy in 1931. To Baldwin, the only way of getting out of a pledge was to dissolve Parliament and seek re-election (he had done so, without success, in 1923). Therefore, when after Hitler's advent rearmament became advisable, he had to ask himself whether he should precipitate a general election and fight it on this issue. But the East Fulham by-election showed that he would certainly lose it, with the result that a pacifist Labour government would do even less to strengthen the defences. Therefore the best thing to do was to wait, and try to bring public opinion round. He was, in fact, talking about a

hypothetical general election in 1933, not the one that actually occurred in 1935; then, indeed, Baldwin did ask for, and got, a mandate to spend money on arms. His attitude in 1933 may not have measured up to the requirements of statesmanship. But there was nothing dishonourable about it.

The point is important, not only as a historical indication, but also in assessing Baldwin's character. A statesman he clearly was not; the deluge that came after him established that. ("In Cabinet, he would ostentatiously close his eyes when foreign affairs were under discussion. 'Wake me up,' he would say, 'when you are finished with that.'") Possibly he would never have laid claim to statesmanship. But as a politician, he stood high—high in the skill he showed (where he was greatly helped by the deceptive appearance of simplicity), and high also in the standards of honour and tolerance that he maintained. The record is not by any means perfect. But Mr Young is right when he claims that the quality of British parliamentary life would be poorer today if Baldwin had never been.

One would like to know what history will make of Baldwin. Will he get more notice than, say, Liverpool or Spencer Perceval? He ought to—not for anything he did but for what he was. "My worst enemy could never say that I do not understand the people of England." Stanley Baldwin approached closer to the dead average of his day than any other Prime Minister has ever done. In his shrewdness of judgment and in the indifference with which he failed to act upon it, in his good-natured tolerance of those who disagreed with him provided they did not try to bother him, in his sincere desire to relieve the sufferings of the unfortunate provided he did not need to lift a finger to do so, in his preference for sentiment and humour over logic and emotion, above all in his profound belief that the worst could be relied upon not to happen to him—in all these things Stanley Baldwin reflected his age. Never more exactly has a people had the government it deserved.

Mr Lie

The Secretary-General of the United Nations: His Powers and Practice. By Stephen M. Schwab. Harvard University Press. (London: Geoffrey Cumberlege.) 299 pages. 31s. 6d.

On June 18, 1950, Senators Knowland and Bridges issued a demand for the dismissal of Mr Trygve Lie, the Secretary-General of the United Nations, on the grounds that he was a "Soviet partisan." On July 9, 1950, the Moscow paper *Literaturnaya Gazeta* described Mr Lie as "the abettor of American imperialism, humbly aiding Truman to wreck the United Nations."

The peculiarly exposed position occupied by the Secretary-General needs no further illustration. It is true that in the three weeks between these two statements Mr Lie had actively endorsed the United Nations action in defence of South Korea. But as early as 1948 *Pravda* had dubbed him "an obedient tool of the Anglo-American bloc"; and as late as October, 1950, the extension of his term of office was vigorously opposed by Nationalist China. At that time, indeed, Mr Vyshinsky (who backed Nationalist China's nominee against Mr Lie) declared that the Secretary-General was *persona non grata* not because of his action over Korea, but because he had brought to Moscow, in May, 1950, "the programme of the US monopolies" in the shape of his famous ten-point peace plan. This in itself was intriguing, as that plan had been received coolly in Washington.

Mr Lie has been Secretary-General from the foundation of the United Nations until his resignation this week, and Mr Schwab's excellent study of the political aspects of the office is also, inevitably, a study of Mr Lie's personal record. The Secretary-General can find little guidance in the Charter, and even less in the tenuous precedents of the League. This book would have been of real value if it had done no more than record what Mr Lie has done, and tried to do, during the past seven years. But Mr Schwab has not confined himself to a bare summary. He has, indeed, studied the documents carefully, but the most illuminating parts of the book are those in which he quotes from his interviews with United Nations officials and delegates and with the two Secretaries-General of the League. These candid personal statements shed light on an office which, despite its prestige and strategic position, can only be exercised with the greatest caution and tact. Mr Lie himself emerges well. Urged on the one hand to confine himself to conciliation, and on the other to stand inflexibly behind every UN decision, he has insisted on the value of both roles—applying, when in doubt, the test of a formidable commonsense. If he has been much criticised, that was surely inevitable from the start; it is worth recalling that in 1948 *Pravda* denounced him as a "diversionary" serving the interests of the "Anglo-American bloc" because he raised the question of the danger of bacteriological warfare.

Despotism Not So New

The Passing of Parliament. By G. W. Keeton. Ernest Benn. 208 pages 21s.

The theme of Professor Keeton's book is that the threat of the dictatorship of the bureaucracy has increased, is still increasing, and must be curtailed. This is not new. Lawyers were in the streets crying "Woe" even before Lord Hewart wrote his "The New Despotism" over twenty years ago. But this book is more powerful than most of its companions.

It is better written, its arguments are more penetrating and its challenge more direct. "In the long run, it is impossible to preserve freedom of the mind when the power to choose has been removed from the citizen in more and more areas of his daily life. In the end, there will have been produced something approximating to the planned stagnation of the Chinese Empire."

Mr Keeton belongs to the school of Lord Hewart, with the advantage that he uses irony as well as direct onslaught. He does not argue that the law courts of today are necessarily better equipped to give justice than the administrative tribunals, but at least they are open, they have a tradition of balance and independence, and, above all, they are not, nor can they easily be made into, instruments of short-term policy. The gravamen of his attack is more serious. No longer, he says, should the independent inhabitant of this country look upon his constitution as the best in the world. On the contrary, it is one of the most defenceless to the attack of the bureaucrat, and of the groups for whom bureaucracy is the ideal form of human organisation. Parliament, as such, has lost the power to initiate legislation or control expenditure. It is a theatre for the dissemination of such information as the Government wishes to release and for the ventilation of such grievances as the parties allow their individual members to raise. There are no safeguards in the constitution for any personal right or freedom that a party in office cannot destroy in well

The Journal of Industrial Economics

Editors: P. W. S. Andrews, Sir Henry Clay, Joel Dean, R. B. Heflebower, John Jewkes and E. S. Mason.

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under the statutory life of a Parliament, and neither party shows evidence of any intention to alter that state of affairs.

It is perhaps disappointing to find that Mr Keeton has no remedy to offer. It may be that he thinks the disease has gone too far for any remedy, that this country has crossed a rubicon on its march to the dead Chinese world. If so, many would agree that he is right. It is certainly too late to hope to see here the equivalent of the clause in the constitution of the United States establishing the "due process of law." But a more effective version of the Liberal party's Bill of Rights could reach the statute book, under a Conservative Government, if enough MPs took up the battle. Nothing will hold back the sea if the tide is still rising, yet even a sand barrier will be of some value while there is any hope that the tide can turn. It is, however, discourteous to complain because Mr Keeton has not written a book he never intended to write. Here, well stated, is one of the major political problems facing this country.

New Russians

The New Man in Soviet Psychology. By Ramond Bauer. Harvard University Press. (London: Geoffrey Cumberlege.) 299 pages. 25s.

In this book the field director of the Harvard Refugee Interview Project in Europe pieces together the available evidence on the assumptions underlying contemporary Soviet psychology. He supplements this by giving a brief historical outline of the development of psychology in Russia from the time of the Revolution. Useful references are provided in the notes to each chapter.

Mr Bauer shows how the conditioned reflex psychology of Pavlov and Bekhterev retained its prestige during the 'twenties, though it was greatly widened and modified by such men as Kornilov, Luria and Vygotskii. The development parallels fairly closely the widening of American behaviourist theory over the same period. By 1930, however, scientific and political theories had come to penetrate one another much more deeply, and the successive five-year plans imported an element of expediency. Out of this there grew a dissatisfaction with the Pavlovian model or at least with its implications for action. It made men too much the victims of circumstance, unable to change or create their environments. Mr Bauer quotes Vedenov—

The entire reactionary nature of this approach to man is completely clear. Man is an automaton who can be caused to act as one wills! This is the ideal of capitalism! Behold the dream of capitalism the world over—a working class without consciousness which cannot think for itself, whose actions can be trained according to the whims of the exploiter! This is the reason why it is in America, the bulwark of present-day capitalism, that this theory of man as a robot has been so vigorously developed and so stubbornly held to.

The Freudians, who have never been so

influential, came under fire about the same time; this is illustrated by another quotation (from Zalkind):

Suppose we receive the assignment of studying the child or the adult in an institution composed of Freudians. How would this collective of Freudians carry out their assigned task? Now, for Freud man exists entirely in the past. This past is at war with the present, and it is more powerful than the present. For Freud, the personality poses an elemental gravitation toward the past, and attempts to fight the past from the standpoint of the present lead to profound tragedy. For Freud, the conscious is subordinate to the unconscious. For Freud, man is preserved from the demands of society in a private little world in which he constructs a special strategy of behaviour. For Freud, man is a pawn of internal, elemental forces. What sort of results will we get...? How can we use the Freudian conception of man for socialist construction?

Instead of the behaviourist theory or psychoanalysis still prevalent in the West, we find Soviet psychology laying stress on the importance of consciousness, talking about responsibility and freedom, and insisting upon the relative simplicity of the human personality. In education there is a return to formal schooling with its academic bias and strict classroom discipline. What Russia wants is a supply of well-trained, ambitious and industrious technicians, sure of themselves and their society. Whatever will realise this end is psychologically true. The results are odd and interesting. One feels that Samuel Smiles would find himself at home among the "new Russians" as would a middle western farmer. The complex divided personality that is met so often on this side of the Iron Curtain is no longer produced, or so it is claimed; Western stereotypes of the Russian personality are clearly in need of drastic overhaul. Mr Bauer draws a convincing picture and what he reports has wide implications for the social sciences.

Hazardous Journey

Golden Earth. By Norman Lewis. Jonathan Cape. 270 pages. 18s.

This is an account of Mr Lewis's visit to Burma in 1951. His visit to Indo-China the year before resulted in the remarkable travel book, "A Dragon Apparent." And now he has done it again. This is a fascinating and beautifully written account of a journey which is today beyond the reach of all but the most daring and hardy traveller. Mr Lewis describes his experiences with a detachment and lucidity which enable the reader to accompany him most of the way, but which only occasionally reveal the great hazards and excruciating discomforts of the trip.

The journey starts with an expedition southwards from Rangoon by coasting steamer—Mr Lewis later discovers with regret that he could have gone by junk—as far as Mergui. Then by air back up to Mandalay. Here the main story of his book begins. Mr Lewis hitchhikes, in a series of overloaded and incredibly

ancient lorries, through the country of the Shans and Kachins, to the Chinese border beyond Lashio, then round to Bhamo. There is a jeep trip up to Myitkina, and a gradual return to Rangoon by river and rail, with another interval of lorry riding through the Communist-held territory in central Burma, where the railway line was cut by rebels between Yamethin and Pyinmana.

Mr Lewis has a great gift for describing in detail the atmosphere as well as the condition of the country in which he travels, for interpreting sympathetically its scale of values and its culture, as well as its history and politics. With its magnificent photographs, this book makes an exceptional contribution to an understanding of South East Asia.

Shorter Notices

The Critical Years. By General Baron Geyr von Schweppenburg. Allan Wingate. 207 pages. 18s.

General Geyr was the first German military attaché accredited to the Court of St. James after the 1914 War, and he spent four and a half difficult years in London between 1933 and 1937. His reminiscences are an account of that period seen through the eyes of a German who was acutely conscious of the cross currents of feeling towards his country in England, yet at the same time highly critical of the rulers and policy of the new Germany which he represented.

This conflict of loyalties leads to muddled thinking. General Geyr had few illusions about the policy which Hitler and Ribbentrop were pursuing, and he regarded it as one likely to lead to disaster for Germany. But he cannot forgive those like Mr Churchill and Mr Duff Cooper who were suspicious and hostile towards the Nazi Government. Indeed, for a man who knew the British better than most Germans and in many ways admired them, the author was often wide of the mark in his understanding of the character and traditions of the society in which he lived. It is these sidelights on a German view of Britain and the impressions of War Office personalities and policy which give the book its interest. The story it tells is familiar enough, but it is told from an unusual vantage point.

Baron Geyr has added to the original German edition a first hand account of the occupation of Prague, during which he commanded the first German troops to enter the city, and a chapter on the conspiracy of July, 1944, one of the leaders of which, General Beck, was a close personal friend. One can only regret that he did not go on to give some account of the war years, during which he held several successful commands.

Advertising Expenditure in 1948. By Rodney Silverman. Newman Neame for the Advertising Association. 99 pages. 21s.

A statistical study of advertising expenditure before the war was carried out by the National Institute of Economic and Social Research. Mr Silverman, who was one of the authors of the previous survey, has now presented the postwar picture. His figures contain a large element of estimation, but he has built them up along different channels which seem to converge reasonably close together. The main reliance was placed on the answers to questionnaires sent to advertisers, to advertising agents and to the press and other advertising media. Only

about one out of every four advertisers who were approached did, in fact, co-operate, but the response was higher from agents and from the press.

Tables show in some detail how the estimated total expenditure on advertising of £124 million in 1948 was divided between the different kinds of advertising, but unfortunately this survey did not yield how much was spent on advertising different products. As well as the detailed figures for 1948, some total estimates are carried forward to 1950. One set of interesting figures compares the level of advertising expenditure in Britain and in the United States in relation to their national incomes. The ratio is put appreciably higher in America, but in neither country was it reckoned that advertising expenditure in 1950 had returned to its 1938 level.

American Georgian Architecture. By H. D. Eberlein and C. V. D. Hubbard. Pleiades Books. 132 pages. 42s.

The craftsman newly arrived in the American colonies continued to build in the style of his native country; thus at first American architecture followed closely in the European tradition. Later the method of building was adapted to make the best use of local materials and a distinctively American style grew up. This book, which is clearly written and admirably illustrated, traces the history of the Georgian style in the British colonies during the seventeenth and eighteenth centuries. It shows the gradual transformation into the mid-Georgian or, as it is better known, the colonial style, and finally the story is carried through the neo-classic period to the advent of the Greek revival at the start of the nineteenth century.

Although, as the illustrations clearly show, there are many points of similarity between English and American Georgian architecture, there are also important differences. For example, American building made greater use of timber and substituted it for stone, which was both expensive and scarce. In America the professional architect emerged more than a hundred years later than in England and for most of the period covered by the book he was unknown. For important buildings the craftsman carried out his work under the direction of the prospective owner; Thomas Jefferson was one of these skilful amateurs and George Washington supervised the rebuilding of Mount Vernon.

The Science of Chance. By Horace C. Levinson. Faber. 303 pages. 30s.

In a thoroughly readable fashion, Mr Levinson explains how much everyday actions are bound up with the laws of chance. And, while betting as such may be frowned upon, there are innumerable ways in which it manages to disguise itself, such as in the various forms of personal and business insurance. Elementary theorems on probability are, however, always illustrated in games of chance, and Mr Levinson enters in some detail into the expectations of beating the bank at roulette and winning at poker or bridge. His calculations conjure up a world in which the bridge-player has a set of probability tables beside him, while a slide-rule seems the most modest of the requirements at the roulette table. To speculators on the Stock Exchange he can offer no such help: "The full causes that underlie changes in price are complicated beyond the power of man to unravel." Here, indeed, is a challenge to the econometricians.

It is, of course, quite wrong to think of the theory of chance as a mere mathematical curiosity. Born under the disreputable cloak

of gambling, the theory of probability has had a very dignified offshoot in mathematical statistics. Now the world is less concerned with games of dice and more with problems of science, but the same underlying principles apply. Professor Karl Pearson once said that "the record of a month's roulette playing at Monte Carlo can afford us material for discussing the foundations of knowledge." In the second part of his book, Mr Levinson attempts to show the applications of the theory of probability in the field of statistics. Here his venture is a less happy one, for, even as a popular introduction, his treatment is too superficial and does not give a balanced conception of how statistics are used. Nevertheless, this book is informative as well as readable, and it does make clear the nature of probability without recourse to complicated mathematical expressions.

The History of the French First Army.

By Marshal de Lattre de Tassigny. Allen and Unwin. 532 pages. 42s.

Marshal de Lattre's history of the French First Army, covering the campaigns in 1944 from the landings in the South of France to the final German capitulation beyond the Danube, has now been published in this country. It is translated by Malcolm Barnes and there is a preface by General Eisenhower and an appreciation of Marshal de Lattre by Captain Liddell Hart. The French edition was reviewed in *The Economist* of April 8, 1950.

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Text and Reference Books

Statistical Methodology Reviews.

1941-50. Edited by Oscar K. Buros.
John Wiley, New York. Chapman and
Hall, London. 457 pages. 56s.

Bibliography of Basic Texts and Monographs on Statistical Methods, International Statistical Institute. 84 pages. 5s.

The first of these two bibliographies is the latest in a series intended to provide a comprehensive guide to books about statistical methods. It lists 342 such books written in English in the ten years 1941 to 1950, with selections from 842 reviews which had some critical or helpful comment to make. The entries are arranged in alphabetical order by authors, but there is also a roughly classified subject index to assist in finding books on a particular aspect of statistics.

There is no doubt that many students and teachers will find this volume extremely helpful in the selection of text books. On the other hand, some may be confused by the varied opinions expressed about some of the books. Generally it seems to be over the more elementary books that disagreement is most marked—specialists covering their own particular field tend to be more of one mind. Part of the difference in the reviews must, of course, arise from the fact that they are written for different journals whose readers expect—and get—a different treatment. Nevertheless, this collection of criticisms does suggest that generally statistical books are being put to careful scrutiny. The clear production and arrangement of the material make this large volume easy to use.

The second bibliography is a short one which selects a hundred books and monographs on statistical methods and their applications, mostly published within the last ten years. Very short extracts from reviews are included and the chapter headings are listed. The selection cannot hope to satisfy all statisticians, but it should prove a useful, quick guide to students and research workers. It has been compiled at the London School of Economics for the International Statistical Institute.

The Statesman's Year Book, 1952.

Edited by S. H. Steinberg. Macmillan
& Company. 1,586 pages. 42s.

In the 89th annual edition statistical and historical material for all the major countries has been brought up to date; in most cases information is given up to 1950 or 1951. In addition to world statistical tables for the main crops there are four main sections: international organisations; the British Commonwealth; the United States; and other countries. There are also maps of the Kingdom of Libya and of the Canadian oilfields and pipelines.

Economic Measures in Favour of the Family. United Nations Department of Social Affairs. HMSO. 175 pages. 9s.

This survey records the principal forms of economic aid given to families in twenty-four countries by summarising the relevant laws and administrative regulations. It lists, for instance, the income tax relief for dependants, the various types of family allowances, whether cheap food is available for children and any measures designed to relieve families from the costs of housing. It does not, however, cover

the various material provisions to ensure a better standard of living, such as the food subsidies in this country or other indirect contributions from social and welfare services.

The dividing line between the two types of measures is a very thin one. This survey does not pretend to be a complete study of family assistance, but concentrates on the rights conferred on the family either because it is a family as such or because it is a large family. This book brings together a lot of useful material, but it is unfortunate that the particulars relate only to June, 1949.

Bibliography on Income and Wealth.

Volume I, 1937-1947. Edited by Daniel
Creamer. International Association for
Research in Income and Wealth. Bowers
and Bowers. 184 pages. 63s.

This is the first volume in a series of bibliographies on national income and wealth, based on reports from national income experts in thirty-five countries and from the United Nations Statistical Office. Sources of data, books and articles on the national accounts of the different countries and on international comparisons are listed with a very brief summary of the contents. There are some 1,500 cross-referenced entries with a subject index, author index and geographical index.

The value of this bibliography is obvious. But much of the material referred to in this first volume has since been revised—or should be revised—in the light of the continuous improvement which is being made in national income accounting. For this reason, the further volumes which are planned to bring the information up to date will be particularly welcome.

Letters to the Editor

Europe's Own Harwell

Sir,—I read with surprise some of the statements in your issue of October 18th. May I point out the following facts?

There is a very clear division line between military and non-military forms of nuclear research. This is best proved, for those who know how carefully American authorities keep secret all documents which might have (however indirectly) a bearing on military matters, by the fact that all American documentation regarding the accelerators for high energy particles is "declassified" (non-secret).

The United Kingdom did not withdraw from the council for the very simple reason that it never joined it. The British Government was represented at the two conferences where this project was discussed (the second one was held at Geneva in February, 1952), but the participation of any one European state in these conferences did not in any way imply that it would join the proposed new organisation. Although the British Government did not sign the CERN Agreement, British authorities have facilitated the active co-operation of British experts in the various study groups created by CERN, where their experience is, of course, highly appreciated.

The statement that Switzerland's participation may be considered as "a new departure, however slight, in that country's attitude towards European integra-

tion and defence" is, in my opinion, completely unjustified. As you know, Switzerland participates in a number of regional joint institutions other than CERN. The Swiss authorities have, in fact, always drawn a very clear line between endeavours of a cultural or economic character on the one hand, and international political institutions on the other hand.

The statement that "the share to be borne by each country (in the implementation of this project) will be determined by Unesco" is entirely wrong. The future organisation will be sovereign (as CERN already is). It follows that contributions will be fixed according to its own rules.—Yours faithfully,

E. AMALDI, Secretary-General
European Council for Nuclear
Research,
Rome

British Motor Industry

Sir,—Your correspondent, Mr H. J. Tooby, would himself seem to be begging a few questions. It is precisely those technical advantages of the internal combustion engine—stimulating the demand for better, and even new, roads—which at the same time are contributing to increased agricultural production, and at a rate which must far outweigh the loss of potential agricultural land from road development. Without even considering the increased fertility of existing land which the use of the tractor

brings, the fact that nearly one million fewer horses now have to be fed on farms than in 1900 adds at least 4 million acres to the land available for the production of foodstuffs in this country.

The assessment in isolation of any one agent of production at a given moment of time can hardly be adequate to measure the overall effect on the nation's economy which your correspondent seeks to determine. After all, even footpaths alongside ploughed land reduce potential agricultural output.—Yours faithfully,

M. E. WEINSTEIN

Kenton, Middlesex

Sir,—Mr H. J. Tooby doubts whether the advantages derived from the construction of a system of motorways would outweigh the loss to agricultural production, which he calculates at about £350 per mile per year.

It has been estimated that a mile of motorway would result in savings on operating costs to road transport to the order of £15,000 per mile per year. The economic advantage is thus heavily in favour of building such roads. The Ministry of Transport plans to build a system of about 800 miles to serve the main productive and distributive areas. The amount of land required will only be about four times the size of London Airport, some 10,000 acres, and unproductive land will be used wherever possible.

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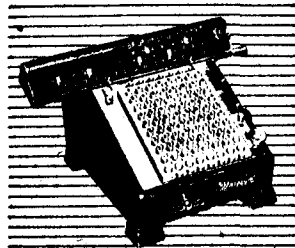
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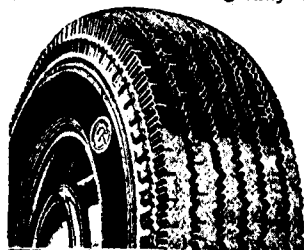
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M. FRANCIS

British Road Federation,
London, W.C.1

Twopence a Stamp

Sir,—Ancient by-laws add very considerably to the cost of building operations.

In Yorkshire there is a peculiarly concise example. A very large brass-works exists which produces "fittings" such as elbows and teepieces for water supply pipes. Many hundreds of thousands of these are turned out monthly and the firm is proud of its products being of a high standard.

The rest of England's water supply authorities accept the type of fitting without question (although they have peculiar ideas about other firms' fittings). But ten miles from the works in question the water authority employs a little man with a punch to unwrap all the packets of these fittings used in that area, in order to stamp them and to charge the user the sum of twopence per fitting for his services.—Yours faithfully,

SMITH OF BRADFORD

Eggs Going to Town?

Sir,—The concluding sentence of the Note in your issue of November 8th, "The townsman has endured long enough a system which, under the pretence of securing fair shares, restricts him to one stale egg a week," is puerile.

At the time of writing we are in the 46th week of the year and so far my firm has distributed to its customers 92 eggs on allocation, plus 13 extra eggs, making a total of 105. Of these 46 weeks, in only 8 has the customer been restricted to one egg. These allocations are quite apart from the regular three English eggs per week to the vitally important class, the priority customer.

What is completely lost sight of in your Note is that the freeing of eggs from Ministry control will not create one single extra egg. It will merely mean that in periods of seasonable shortage only those with a large purse will be able to afford eggs at all. My own experience is that the effect of the grey or black market is grossly exaggerated by the Ministry's estimate of nearly 50 per cent of home production.—Yours faithfully,

ALAN J. SAINSBURY
J. Sainsbury, Ltd.
London, S.E.1

Inflation in Australia

Sir,—The article in your issue of October 25th has rightly drawn attention to serious defects in Australian economic policy in the postwar period. Nevertheless, in some respects your analysis appears to be misleading.

Overfull employment and encourage-

ment of secondary industry, by facilitating the movement of farm labour to the cities and by making it difficult for farm equipment manufacturers to obtain adequate supplies of labour and materials, have undoubtedly checked farm production. But it is important to recognise that even if these difficulties had not obtained it would still have been difficult for Australia to have maintained the volume of exports. This is because of the high rate of population increase since 1948 of 2½ per cent per annum, to which immigration contributed 1½ per cent per annum. Even in the land settlement period of the twenties the annual rate of increase in farm production was below 3 per cent and nothing like this rate is likely to be achieved again. Maintenance of exports is probably incompatible with a high rate of immigration. Your article appears to imply that the economic costs of Australian immigration justify its abandonment. To many Australians, however, the defence and moral arguments for immigration seem strong.

Excess demand has also facilitated over-development of light industries. Even so, it must be remembered that, given the immigration programme, rapid development of secondary industry has been essential. It just would not be possible for farming to absorb more than its own natural increase in population. Moreover, not all basic industries have been neglected. For example, pig iron production increased from 1,100,000 tons in 1938-39 to 1,400,000 tons in 1951-52, and electricity output from 4,688 million kWh in 1938-39 to 11,304 million kWh in 1951-52. Huge development of water supplies is occurring.

Your article also refers to the part played by the Arbitration Court system of quarterly "cost of living" adjustments in the rapid rise in wages and prices. But given the rising cost of living arising from the low productivity associated with conditions of excess demand and from the great increases in import and export prices, and given the strong bargaining power of trade unions under conditions of overfull employment, it is difficult to see how steep wage and price increases could have been avoided under any wage system. As the common Australian failure to relate economic effects to causes is nowhere more evident than in discussions concerning the rise in wages, one wishes you had made clear that this rise is a symptom rather than a cause.—Yours faithfully,

KINGSLEY LAFFER
University of Sydney

Sir,—Your article conveys the impression that during and since the war Australian governments have artificially stimulated the development of urban secondary industry at the expense of rural primary industry, thereby creating "a fundamental maladjustment in the use of Australian resources." If the record were examined objectively it would be found that the main reason for the expansion of our manufacturing industries during and since the war has not been any act of commission or omission on the part of Australian governments, but the world-wide short-

ages of goods, dollars and ships, which together made adequate imports unprocureable until last year. In this connection it is, perhaps, significant that industry expanded while tariff policy was being considerably liberalised, particularly by the admission of goods under Customs department by-laws.

Similarly, the comparative failure of primary industry to expand may be ascribed more to overseas influences than to internal policy. Indeed, the major criticism that might be levelled against Australian policy during the postwar years is that it has shown too much, rather than too little, concern for the interests of primary producers. Had it not been for this solicitude, the exchange rate might have been appreciated on more than one occasion, and more drastic measures might have been taken to intercept the inflated incomes of the wool growers in 1950-51. In that event, the Arbitration Court might never have awarded the increase of £1 per week in the basic wage in December, 1950.

As it is, the Commonwealth Government is now trying to turn the balance in favour of increased food production by raising food prices to a level that is more attractive to the producers. In doing so, however, it has further increased the cost of living, and thereby the basic wage, thus counteracting its own deflationary policy and creating the paradox that retail prices have risen while demand has fallen. Your statement that the Government's deflationary policy has been "quite insufficient to check demand" must seem ridiculous to anyone who has tried to do business in Australia during the past twelve months. Beginning in the textile trade, the deflationary pressure has spread to other types of consumer goods and to the metal and building trades. Had it not been for the policy of trying to stimulate food production by higher prices, the rise in the cost of living and the basic wage would already have been checked.

Finally, your reference to "stagnation in basic development" is a misleading exaggeration. Some curtailment in the more ambitious public works projects of the states has been necessary in the present year, but programmes costing some £A200 million are still going ahead.—Yours faithfully,

WILFRED PREST
University of Melbourne

Comment and Defamation

Sir,—You have, inferentially, done injustice to a great democrat by your statement that John Wilkes "made money for himself" out of his journalism. In fact, he ruined himself by the "North Briton"; he lost his estate, and suffered years of semi-pauperism and exile.

Politically, Wilkes was a man of high principles, great courage, and financial probity. Personally, he was unusually—and too eloquently—fond of fornication. This it was that caused the Victorian age to class him as a scoundrel. A shallow judgment, surely; why repeat it?—Yours faithfully,

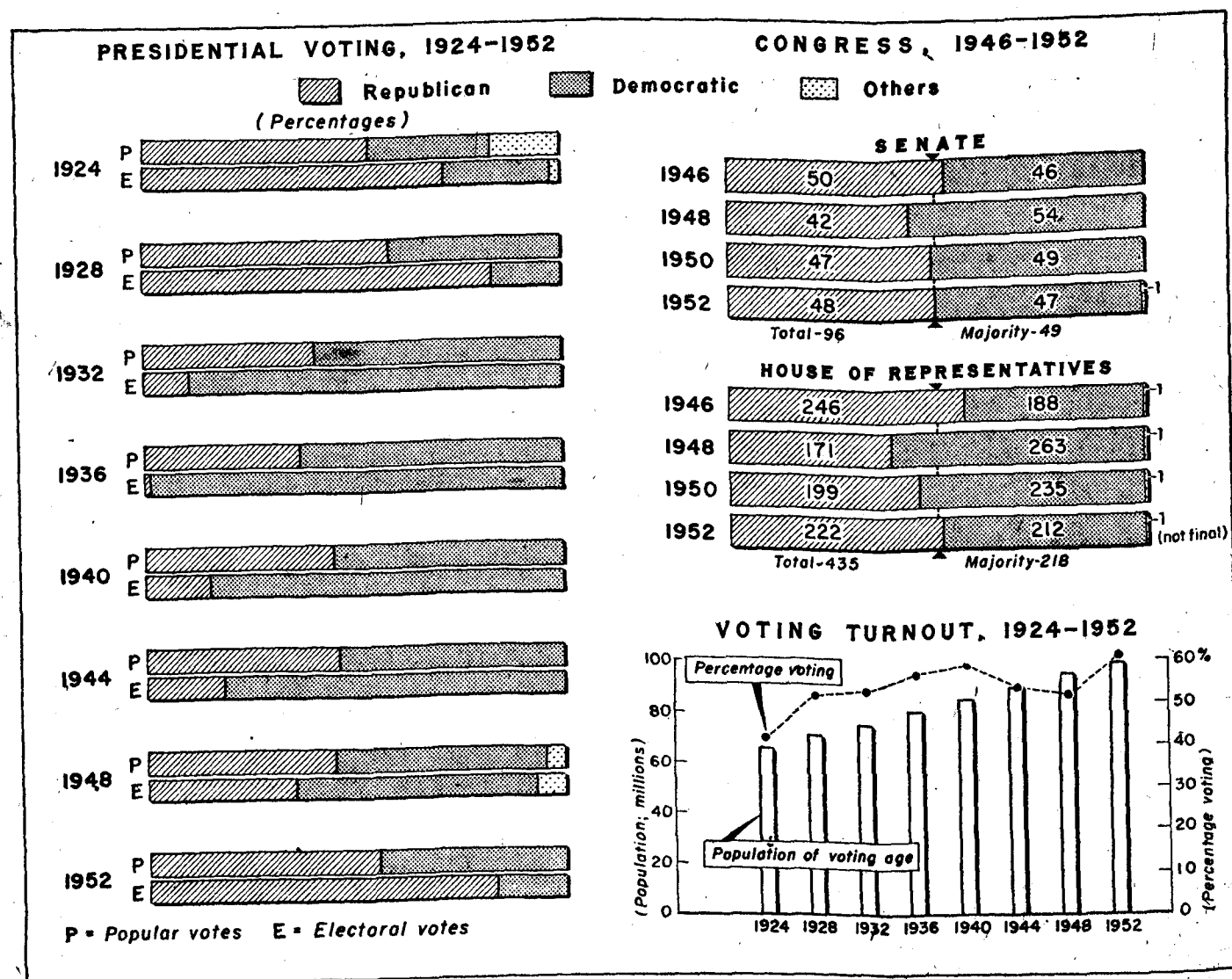
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lated resentment against the New Deal, the Fair Deal and Mr Roosevelt and Mr Truman. That resentment will, no doubt, have disappeared by 1956 and it may have been replaced by a new resentment against General Eisenhower, if he takes any of the elementary steps towards liberalism which he must take to hold for his party the votes he was given as an individual in the North.

But, although a two-party system has probably not come overnight in the South, it has been developing slowly in some southern states for many years. Virginia and Texas have both changed in character and Florida has been infiltrated by Northerners, to whom conservatism is synonymous with the Republican, rather than the Democratic, party. This slow development in the South is, however, probably only a part of a larger change—that of the two traditionally amorphous parties in the United States into ideological ones. American political scientists stoutly defend, and are right in defending, the illogical series of regional alliances that go to make up both parties. In a country which is a continent it is important to avoid violent shifts of policy with every change of government. But it seems that the two American parties are tending to become more and more the parties of the right and left and that the decision of so many Southerners to vote Republican this year is an unconscious recognition of the fact,

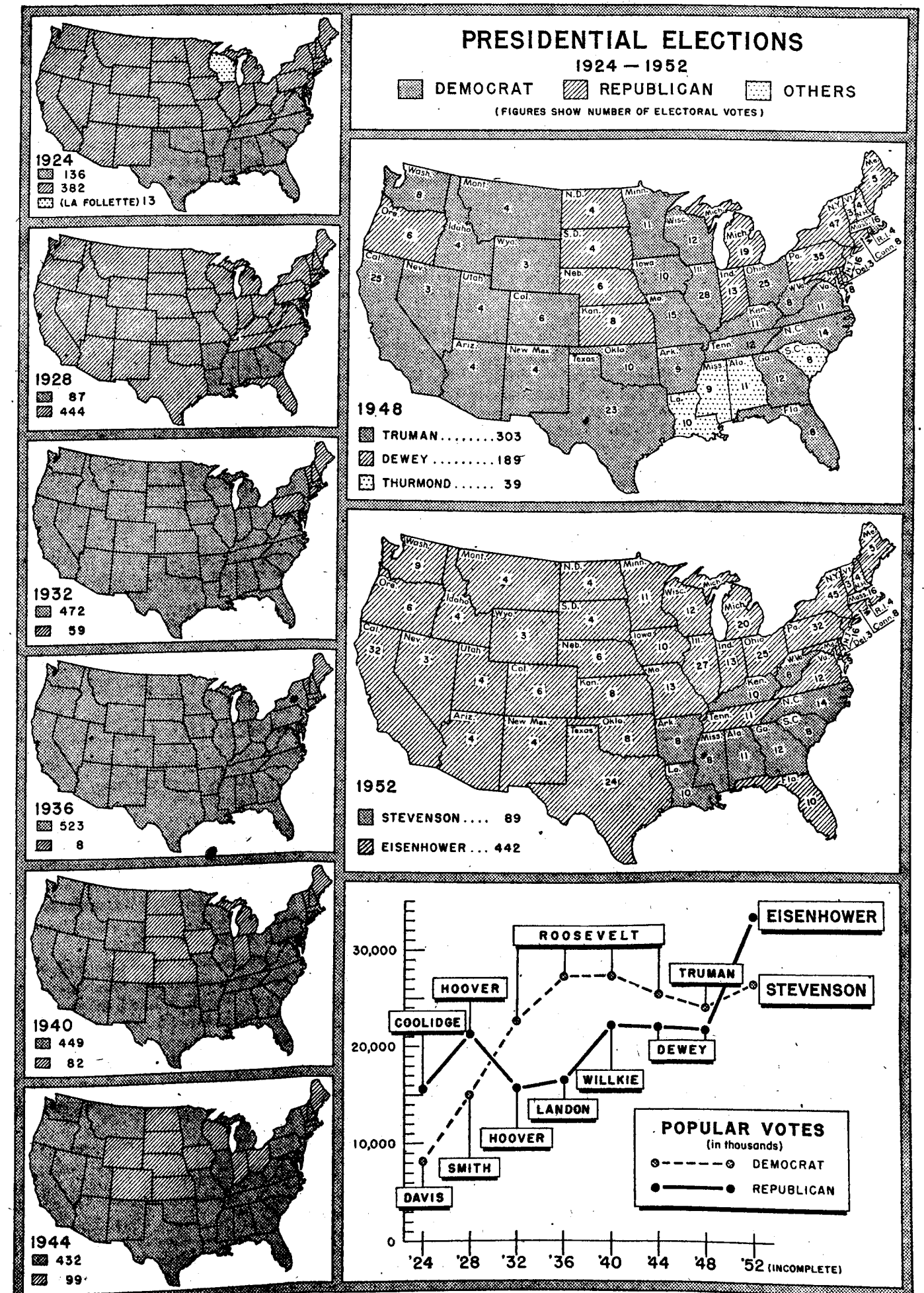
a recognition that may not become conscious until after many more years of wavering.

At this moment it is harder than ever before to find a Republican left wing that amounts to anything; Senator Lodge has lost his seat and Senator Wayne Morse his patience and there were others who expressed the same feelings as Mr Morse in private though they decided to say nothing in public. And the list of conservatives who left the Democratic ranks this year and issued statements supporting General Eisenhower contained nearly all the names that have proved most embarrassing to the party in the past. If this tendency continues, it might, in a country that is geographically less industrialised than Britain, mean a long period of Republican rule at some point. But that point, because the moment when the parties will be admittedly ideological ones will not come quickly, is some time away. Meanwhile the Republicans have the chance, which is always given to the party in power, to prove that they bear no resemblance when in office to the embittered reactionaries who were in opposition for so long. General Eisenhower can do this if he wants to, but he will have a hard time persuading his allies in Congress to accept such a revolutionary idea. The future of his party probably depends on whether he is able and willing to make them forget their vows to destroy the New Deal.



In the electoral college each state has a number of votes, varying with its population, which are cast as a block for the presidential candidate who has a majority of popular votes, however narrow, in the state. Thus a small majority of popular votes can, as the charts show, become a landslide in the electoral college.

In the Senate the presiding officer, the Vice-President, has a casting vote and the Republicans are therefore sure of a majority after Mr Nixon takes office on January 20th.



American Notes

Preparing to Take Over

It would in any case be a formidable task for any political party to take over the government of the United States after twenty years of irresponsibility. For in spite of the great increase in recent years in civil service coverage of federal posts, a change of government still involves changing not only the members of the Cabinet but also many top officials and ambassadors, and other leading presidential advisers; under the British system they would remain to ensure continuity in the running of this huge machine which is costing \$80 billion a year and employing over 2½ million people. But the task is especially formidable for a President-elect who has had no preparation for his new job either in Congress or local government, and whose experience, great as it is in military matters, the most important branch of government today, is non-existent in domestic affairs.

It is not therefore surprising that General Eisenhower's ten-day holiday in Georgia has turned into a series of conferences to make plans for when he takes over as President on January 20th. He is scrupulously consulting members of both wings of the Republican party, but he has shown an independence that augurs well for the future in his choice of two men, Mr Joseph Dodge and the just defeated Senator Lodge, whom he is sending to Washington to collect information from the present Administration on his behalf. The suggestion that the transfer of public business should be facilitated in this way came from President Truman, as did the proposal that he and the General should meet personally as soon as possible. But it is a measure of General Eisenhower's generosity and statesmanship that, after a bitter campaign, he has accepted an invitation which Mr Roosevelt refused when it came from Mr Hoover in 1933.

Mr Dodge, who is to observe the final compilation of the Budget for the year beginning next July, which Mr Truman will present to Congress before he leaves office, is a Detroit banker with a long experience of government, particularly as financial and economic adviser to the Army in occupation areas. It is presumed by those who are busily building Cabinets in the air that Mr Dodge will be the next Director of the Budget, a post which is at the centre of Washington's financial and administrative web. It is also taken for granted that Mr Lodge, who is now acting as the General's liaison officer with other government agencies, will have an important place in the new Administration, both because of his ability and because General Eisenhower owes his nomination largely to Mr Lodge's hard work.

The General emphasised that Mr Dodge and Mr Lodge were going to Washington only for "indoctrination" and not to take any responsibility for the actual details of government between now and January 20th. Indeed, as far as the Budget is concerned, it is too late for the General to have much influence on it even if he wanted to; his first chance will come when the Appropriations Bills go to Congress. But the presence of these representatives in Washington, and the early choice that is expected of the members of the Cabinet, will ensure that the new Administration has the background knowledge necessary to enable it to make decisions promptly once it takes over and to deal adequately with any crises that may arise, in the Middle East, for example. Meanwhile, however, a hiatus in American policy-making seems inevitable until the inauguration, although there is some hope that the General may be persuaded to state his views at once on questions now before the United Nations. Senator Wiley, the Republican member of the always strictly bi-partisan American delegation, is pressing the General for guidance in order that the Assembly may be able to get on with its work.

Business Dreams Come True

To the commodity markets General Eisenhower's victory was something of a nightmare: prices fell on the supposition that agricultural support programmes would be weakened and, with more reason, that the new government's fiscal policy would be deflationary and that there would be less enthusiasm for international commodity agreements. But elsewhere in the business world the Republican revival was a dream come true, as was shown by the sustained strength of the stock market throughout the week. There it was felt that the deflationary effects of any drop in government spending that General Eisenhower might achieve would be counteracted by the tax reductions which he has also promised. It is too much to hope that taxes may actually be cut next year, but at least it is expected that there will be no extension for either the excess profits tax, which expires on June 30th, or for the 10 per cent increase in personal income taxes, imposed after the Korean outbreak to last until the end of 1953. It is also taken for granted that price and wage controls will be allowed to lapse on April 30th, although it will probably still be necessary to regulate the distribution of materials.

In addition to this negative assistance, positive help for business is also expected from the new Congress, particularly as the incoming chairmen of committees are understood to be more sympathetic than their predecessors—few of whom were noticeably unsympathetic. More important, businessmen are counting on finding a more favourable atmosphere after January 20th in government offices, not only in the major departments but also in the smaller agencies with which many of them have more frequent and direct dealings. The Federal Trade Commission, which keeps an eye on advertising and other business practices, the Federal Power Commission, responsible for regulating electricity and natural gas, the Securities and Exchange Commission, the National Labour Relations Board and the many similar bodies are nominally independent agencies, whose members serve for fixed terms, but it is thought that they may now be inclined to trim their course to suit the Republican philosophy.

Democrats in Ruin

Whatever Mr Truman may decide to do when he leaves Washington—his only pension will be \$95 a month as a colonel in the first war and he has little private income—he will certainly want to have a hand in rebuilding the Democratic party. But he has recognised that Mr Stevenson, in spite of his defeat, is now the rightful leader of that party, in a message asking him to take steps to "revitalise the National Committee and set the wheels in motion towards a victory in 1954"—the next Congressional election year. And Mr Stevenson seems to have accepted the position, although this does not mean that he will necessarily run again in 1956. Mr Stephen Mitchell, who had no political experience until Mr Stevenson made him chairman of the Democratic National Committee last summer, has been sent back to Washington, to tighten up the party organisation there. Mr Stevenson has thus made it clear that he has no intention of giving back control of the Democratic machine to the professionals who allowed it to deteriorate so badly.

That the vote can still be delivered in big cities by an efficient hard-working organisation, in spite of the growing independence of the electorate, was shown in Philadelphia, where a lively young Democratic group, who had already turned the Republicans out of municipal office, won a victory for Mr Stevenson even though the state went Republican. But elsewhere the city bosses, grown rusty after years of easy success, entirely failed to justify their existence. Mr Stevenson even lost his own Chicago and traditionally Democratic New York City; there the Democratic boss has already been forced to resign as a result. Another block of votes that got out of the bag this year were those of labour. For the first

time all three large trade union organisations officially endorsed the Democratic candidate and for the first time the majority of labour votes, as far as can be judged, went Republican.

With all its strongholds, the big cities, the trade unions, the solid South, falling about its ears, it is obvious that the Democratic party must be reconstructed from the ground up. But there is a solid foundation on which to build—Mr Stevenson's 26½ million votes, more than have ever been given to any Democrat, except Mr Roosevelt in his heyday. Mr Stevenson, however, will find many competing architects among the Democratic representatives in Congress, who can claim that they at least know how to win elections. They are also the only members of the party who will have regular opportunities of putting their views on day-to-day questions before the country. Unfortunately those views, at least as far as most of the influential Southerners are concerned, will be the exact opposite of Mr Stevenson's on many subjects. Before it can be soundly repaired, the Democratic party may have to be pulled down even more completely than it was on November 4th.

Voters Pick and Choose

The elections for Governor, held in 29 states this year, showed almost as clearly as did those for the Senate and the House of Representatives that, while American voters certainly like Ike, they are not so partial to some of his fellow Republicans. Since the mechanics of voting allow separate votes for each officer from President to city water commissioner, voters were able to exercise a nice discrimination and meander in and out of party lines, indulging in the "ticket-splitting" that is the bane of machine politicians. Republican candidates for Governor took five states from the Democrats on November 4th, giving the Republicans 30 states in all, the highest number they have held since 1929. But seven states which gave their presidential votes to General Eisenhower kept a Democrat in their highest state office, and there were no landslides in the battles of the governors.

Montana, Illinois and Massachusetts were narrow Republican victories and the young Democratic Governor of Michigan, Mr Mennen Williams, won by just 7,991 votes in a total poll of 2,850,645; he is becoming accustomed to such close shaves for in 1950 his majority was so small that it took five weeks to complete an accurate count. Picking and choosing by voters was especially evident in Ohio, where General Eisenhower carried the state by a 450,000 majority, with the isolationist Republican, Senator Bricker, trailing 150,000 votes behind him. Yet Mr Frank Lausche, the Democratic Governor, probably owed his victory largely to his conservatism; he defeated Senator Taft's progressive brother, Mr Charles Taft, by over 400,000 votes.

In the Senate contests, too, the voters were often very selective as well as closely divided; of the 12 Democrats returned, 10 were from states that gave their presidential vote to the Republicans. Five of these were southern or border states, but one Republican, Mr John S. Cooper of Kentucky, won in a border state that went to Mr Stevenson. The close division of the last Senate—49 Democrats and 47 Republicans—is repeated in reverse in the new Senate, with 47 Democrats, 48 Republicans, and one independent, the self-exiled Mr Morse from Republican Oregon. Had it not been for the death of Senator McMahon, a Democrat

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whose term would not have expired until 1956, and whose seat was lost to a Republican, Mr Morse's position would have been decisive. As it is, the deciding vote in a tie will be cast by Mr Nixon, the new Vice-President, whose vacant seat as Senator from California will be filled by a Republican, to be appointed by Governor Warren. The party position in the House, too, is almost a reversal of the last House. From present indications, with several results undecided, the Republicans will have a majority of about ten in the new House, a far less imposing one than that of the 1946 Congress when 246 Republicans were returned.

End of the Dollar Sign

The American President Line, the foremost US shipping company in the Pacific, is once more in private hands after fourteen years of government operation. But Mr R. Stanley Dollar has failed to buy back control of the \$70 million line founded by his father in 1901, which, until the government took it over and renamed it in 1938, carried the \$ emblem on the smokestacks of all its ships. The Dollar sign is now gone for good. The Court of Appeals upheld Mr Dollar's contention that the voting shares transferred to the government in 1938 were simply security for a loan long paid off and ordered them returned. In June this year the Secretary of Commerce came to an agreement with Mr Dollar to put the shares up to auction and divide the proceeds equally between the government and the Dollar interests.

Mr Dollar and his associates hoped to buy back the shares. But they were outbid by a Californian group headed by Mr Ralph Davies, a leader in the oil industry, who offered \$18 million to Mr Dollar's \$14 million. There had been some criticism of the government's failure to carry the fight to the Supreme Court. But at least the government has not done badly out of the denationalisation of the Dollar Line.

Its half-share of the proceeds amounts to \$9 million. The highest offer in 1945, when the government first tried to sell the shares, was \$8 million altogether.

In the past five years the line's financial position has improved, despite the shutting off of trade with Communist China. But with the revival of Japanese competition, the new owners will have to redouble the line's scouring of the seas for new business. Its most promising venture is a new service from Atlantic ports through the Panama Canal to Indonesia, for which an operating subsidy is being sought.

In the Pacific, continued government aid appears imperative if American ships are to be kept afloat; the wages bill on Japanese ships is about one-eighth of that on American vessels of comparable size. But the whole range of shipping subsidies is now being examined. Construction subsidies—to compensate ship-owners for the extra cost of buying American-built ships—are still up in the air after the Comptroller-General's blast against them last year. The Truman Administration has been equally critical of tax deferment on funds set aside for purchase of new ships, and has asked both the Treasury and the Department of Commerce to find some other method of keeping the merchant marine up to date. The Maritime Commission is including operating subsidies in the study it is making for the Secretary of Commerce. The Eisenhower Administration should have the raw materials, at least, for a thorough overhaul of American shipping policy.

Shorter Notes

Ninety-two new television stations have been authorised by the Federal Communications Commission since last spring when it thawed the "freeze," imposed on new stations two years ago until it had sorted out the congestion on the air waves. Of this number, all of which are for cities that did not have stations earlier, five are already functioning, and nine are non-commercial stations managed by educational groups. There are now 200 television stations in operation or in prospect.

The petroleum industry expects an increase of 3.3 per cent in the demand for oil next year, much below the annual increase in previous years. Domestic demand will rise by 4.9 per cent but will be countered by an anticipated fall in exports of 27.3 per cent. The industry's expansion will also slow down next year because the excess capacity required for defence purposes is now completed; the industry has in reserve facilities which could handle an extra million barrels a day.

Restaurants and snack bars that are plagued by the costs of dishwashing and breakage have found a solution in new plastic-covered paper plates just put on the market. The manufacturers claim these negative virtues for their product; it will not give a paper flavour to food, will not absorb hot food, will not slide around and will not be cut through by vigorous use of cutlery. Most important to restaurants, it will eliminate dish washing, noise and slow service.

Orchestra conductors from small cities all over the United States had an opportunity for expert advice and practice recently during a week-long symposium at the Philadelphia Academy of Music. Eighty-seven conductors attended and twelve of them rehearsed the famous Philadelphia Orchestra, assisted by suggestions from its regular conductor, Mr Eugene Ormandy. The sessions were co-sponsored by the American Symphony Orchestra League which reports there are about 660 symphonic groups in the nation, most of them non-professional.

THE WORLD OVERSEAS

The Soviet Regime—I

Party and State under Stalin

(By a Correspondent)

IN the later sessions of the nineteenth Congress of the Soviet Communist Party, held last month, fundamental problems of the relations between party and state were raised by discussions and amendments to the Party Statute. Official doctrine on this subject is briefly expressed in article 126 of the Constitution, which describes the party as "the directing nucleus of all organisations of the toilers, both social and state." Its supremacy appears guaranteed in two ways: partly by the fact that most leading figures in civil administration, industrial management, trade unions, armed forces and police are members of the party; and partly by the activity of the party's own hierarchy, which extends from the Central Committee down to "primary organisations" in factory or farm. Already the party's eighth Congress in March, 1919, laid down that it must "direct but not replace" the regular authorities. Party organisers must neither leave too much to the discretion of the administrators—which would lead to the "bureaucratic perversion" of the body politic—nor themselves take over routine administration—which would lead to neglect of the inner life of the party, and merge the party in the state machine. Thirty years later the Soviet leaders use the same phrases to denounce the failure of individual party organisers to make the "correct" distinction; but the truth is that the failure is due not to the mistakes of individuals but to the nature of the regime.

Ever since 1917 the party has become more centralised. Nominally the Congress is its supreme organ. In practice already in the first years of the regime the Central Committee, whose nominal function is to lead the party between Congresses, assumed the powers of the Congress. All Congresses since the fifteenth, held in December, 1927, have been occasions not for making policy but for proclaiming policy decisions that have already been taken. But if the Congress lost power to the Central Committee, the latter has now lost power to three smaller bodies elected from its ranks: the Politburo, Orgburo and Secretariat. Already in Lenin's lifetime the Politburo usurped most of the political leadership originally reserved for the Central Committee; while the Secretariat, controlled since April, 1922, by its General Secretary Stalin, usurped the functions of the Orgburo, of which it had been intended to be a technical subsidiary. It controlled all important appointments not only within the party machine but in the state administration as a whole. It is doubtful whether meetings of the Central Committee since 1939 have been more than ceremonial occasions.

Finally, the Politburo itself was completely subjected to the will of Stalin through purges of all those veteran Bolsheviks whose prestige made them capable of challenging Stalin's authority. Since 1939 Stalin has been not only the leader of the party but its absolute autocrat.

A similar centralisation has taken place in government. The Council of People's Commissars of the 1920's was a body of manageable size, firmly controlled by the Politburo. The industrial revolution of the five-year plans immensely complicated and extended the functions of government and made centralisation at the top more essential than ever. This made centralisation at the top exercised solely by the Politburo. Under the 1936 Constitution the number of Commissariats was seventeen. During and after the war it

increased to more than fifty. Ministries—as the Commissariats were renamed in 1946—were set up for every major branch of economic activity. Ministers were, in fact, senior expert officials. The Council of Ministers, like the Central Committee of the party, seldom meets as a body.

By the end of the war, however, there emerged an inner cabinet in the form of the vice-premiers. Today there are thirteen of these, and nine of them were also members of the Politburo. Each vice-premier appears to be responsible for the work of a group of ministries. It has been generally assumed that the supreme policy-making body was the Politburo of the party, and that the office of vice-premier held by all but two Politburo members was secondary. This was probably the case in 1941, but it seems not unlikely that in recent years these men's main job has been to manage the business of government.

The nineteenth Congress abolished the Orgburo and the Politburo; increased the membership of the Secretariat from five to ten and of the Central Committee from about seventy full members and seventy probationary members to 125 full members and eleven probationary members; and instituted a new body, the Presidium of the General Committee with twenty-five full members and eleven probationers.

Stalin the Autocrat

The meaning of some of these changes is obvious. The Central Committee is a purely decorative body. The abolition of the Orgburo formally confirms the supremacy of the Secretariat. The five new members of the Secretariat are assistants to its bosses, Stalin, Malenkov and Krushchov. The abolition of the Politburo deprives the party of its small policy-making body. The vice-premiers continue to exercise the state power. What is not so clear is the function of the Presidium. It is not stated how often it meets nor what are its precise duties. It may conceivably prove to be an important deliberative body, of about the same size as the Central Committee of 1917-1922. But executive power will remain in the hands of the vice-premiers and the Secretariat—all of whose members are also members of the Presidium. And both vice-premiers and Secretariat, headed respectively by Molotov and Malenkov, will be firmly held by the autocrat Stalin.

If this analysis—which can be no more than a working hypothesis—is anywhere near the truth, the relationship of party to state has changed. In the past, the party was what the Constitution called it—the "directing nucleus." It imposed its will on all branches of the state machine. Even the establishment of Stalin's autocracy did not alter this; for he was master of the party but used it to rule the country. Today it would seem that the party is only one of several instruments of power held by the autocrat. The others are the pyramid of soviets (the nominal machinery of central and local government under the Constitution); the economic administration; the army and the police.

It seems probable that the first of these four instruments is to a much greater degree subject to the party than are the other three. Even so, it is probable that the authority of the central ministries, and of their supervising vice-premiers,

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over their departments within the provincial and local soviets is often greater than the authority of the provincial and local party committees over the executive committees of the corresponding levels of soviets. In the economic hierarchy the party's influence is probably smaller. The party organisers in factories and agricultural enterprises are constantly exhorted to give political leadership and to supervise the execution of "the plan." They no doubt do their best, but whether their agitation makes for efficiency, and whether it is welcomed by managements, is an open question. The managements take their orders from the central economic ministries and their supervising vice-premiers. In the struggle between party and ministries it is likely that the latter are quite often the more successful.

In the military hierarchy the party exercises influence through the "Political Administration," which controls the political commissars and "directors" (*politruks*). These are responsible for indoctrination and propaganda, but their direct authority over the troops is certainly less than it was either in the 1920's or in the period immediately after the Yezhov purge. Finally, the police hierarchy is a machine apart, which controls its own armed forces and its territorial state within the state, and infiltrates, by its "special" or "secret" departments, into every branch of civil, military and economic administration.

Thought Controls

If it be true that these four hierarchies largely or wholly escape the control of the party, this does not mean that the party is not a powerful and important organisation. Essentially it performs two functions—propaganda and recruitment. There is no Ministry of Propaganda. The whole publicity apparatus is controlled by the party, that is by its Secretariat. The party's propaganda machine decides the content of education in all parts of the Union, and sets the "line" in literature, the arts, historical studies and the natural sciences. When things go wrong, it is the party propaganda apparatus which concentrates hatred on whatever scapegoat the leaders have selected. At all times it may invade even the most intimate private life of every Soviet man, woman and child.

Equally important is the party's role in recruitment to the higher ranks of the regime. Though the civil, economic, military and police hierarchies seem to be growing more independent of the party hierarchy, their highest ranks are filled almost exclusively by members of the party. No one can rise high in civil government or police who does not join the party. In the army and in economic or cultural life a career may be made outside the party, but membership accelerates promotion. The Secretariat is responsible for appointments within the party machine, but also has a voice in the selection of persons for high office in any part of the state, with perhaps the partial exception of the police and the army.

An organisation which enjoys an almost mythical prestige, dictates the intellectual life of the whole community, forces its way with its planned spontaneous enthusiasm into the private lives of all, and controls most of the avenues along which the ambitious must advance, is indeed a powerful force. The mentality of all Soviet citizens in responsible positions has been affected, positively or negatively, by the all-pervading influence of the party. Nevertheless it has lost both power and prestige ever since the mid-1920's, and its decline has gone further in the thirteen years that separate the nineteenth Congress from its predecessor. Real power belongs to the autocrat, who exercises it by balancing against each other both the different hierarchies—of which the party is one—and the leading personalities who are identified with each. This intricately balanced system, of whose operation we have only an occasional glimpse, is the creation of that great manipulator of men and institutions, Generalissimo Stalin. But it is also the result of changes in Soviet society which require consideration in a second article.

(To be concluded)

Dr Chaim Weizmann

WHEN Chaim Weizmann died last Sunday, Israel lost a monolithic president whom it cannot easily replace. The use he had made of life caused him to tower above the ordinary run of man and to stand unshaken by the rough and tumble of his country's politics, sectarian differences and economic quarrels. For some time illness had forced on him a quality of remoteness that some Israelis deplored. Yet when, in spite of this drawback, they re-elected him as their president in 1951, they paid a tribute that does credit to them as well as to him. Part of his distinction lay in the quality of his brain; had he not reached world fame as a political Zionist he would have won the same high grade as a research chemist.

He belongs to a generation that has seen changes greater than in any similar span of history. Yet even within it there can be few men whose end was so far removed from their beginning, yet so markedly linked to it by a chain of spirit and purpose. The main scenes in his history are well known even to Gentiles: they begin with a childhood in the Pripet marshes, marred by the spectre of persecution in Tsarist Russia; then comes clandestine escape to jobs in Germany and Geneva, and the beginning of scientific distinction for research in dye-stuffs; already this is interrupted by the counterpull of political Zionism. At the famous Zionist Congress of 1904 when Theodor Herzl, bent on quick relief from persecution, hung as backcloth to the rostrum not the customary map of Palestine, but a map of Uganda—where the British Government of the day had offered territory—Weizmann led the opposition to the offer. But this incident changed his life's course. "My Zionist views," he wrote forty years later, "led me to look upon England as the one country which seemed likely to show a genuine sympathy for a movement like ours." His instinct was not misplaced. There followed the research job in Manchester and the famous interview with the candidate for North Manchester in the 1906 election ("But, Mr Balfour, we had Jerusalem when London was a marsh"); then, the perfection of his fermentation process which in 1915 produced acetone in adequate quantity and, in 1917, the main political achievement of his life—the Balfour Declaration to the Jewish people.

Waiting for Zion

To the dismay of many Zionists this declaration amounted, for most of the thirty following years, to expectation deferred. Yet Weizmann knew, from the moment of discovery of the conflicting promises that the British Government had made to Arab nationalists, that fulfilment must be slow. Unlike some of his fellow-workers, he was ready to expedite it by means of compromise and at the Zionist Congress of 1937, was in favour of the partition then proposed by Britain rather than of waiting for whole possession of Zion—a dream that has not come to pass. He lived to see his work crowned by the vote of the United Nations in favour of partition—a decision that worked out more favourably for Israel than had been intended, largely owing to the misjudgments perpetrated by the then Egyptian and Arab governments—partly out of native imprudence, but also partly under foreign influence.

In English hearts that are, also Gentile hearts, there must always be a queer mixture of feeling towards this great man. He is endeared to them by his appreciation of English Liberalism, to which he turned so deliberately and desperately in 1904. He owed a debt to it which he paid in World War I by his inventions, and in World War II with the life of his second son, who was killed in the Royal Air Force. Yet his preoccupation with the rescue of European Jewry by the foundation of Israel caused him to work against Britain—sometimes even to the length of agreeing to deplorable methods—during the bitter years between 1945 and 1947. Regrettably, his im-

was, under pressure of mounting illness, finished during the latter year and carries at its end a stamp of animosity that he did not feel for the greater part of his long life.

All who ever met him have carried away with them a few sharp impressions: he was serene because he wore the whole armour of faith; he was driven by a singleness of purpose that made him relentless; yet he deplored panic decisions and appreciated compromise in a way more admired in London and Manchester than in Tel Aviv or New York. For Israel, his death snaps an irreplaceable link with the years of endurance, for the land he has left is no longer Zionist, but nationalist.

Stormy Days for Mr Yoshida

[FROM OUR TOKIO CORRESPONDENT]

THE durability of Prime Minister Yoshida's fourth successive Cabinet must be measured not by the strength of the men who comprise it, but by the strength of the men who do not. On paper, Japan's first Cabinet since the peace treaty was signed looks much stronger than the three that preceded it. Six able men from the great army of political and business leaders, who, it is instructive to recall, were once "purged forever" from public life because of their prewar and wartime activities, have been included and three have been appointed to key posts—Mr Tadaharu Mukai as Finance Minister, Mr Taketora Ogata as Chief Cabinet Secretary, and Mr Tokutaro Kimura as Minister of National Safety and Defence.

But only one member of the Hatoyama faction, which Mr Yoshida humbled, has been included—Mr Mitsujiro Ishii, another depurged, as Minister of Transportation. It is difficult to escape the conclusion that, by picking only one Hatoyama supporter for his team of sixteen, Mr Yoshida has been betrayed by the heady influence of his great personal triumph in defeating Mr Hatoyama's bid for party leadership. The still strong and bitter Hatoyama faction in the Liberal Party will certainly not be placated by this almost contemptuous gesture; it will, however, have the mischief-making advantage of holding a listening-post in the new Cabinet.

True, Mr Yoshida, in his token acceptance of Mr Hatoyama's face-saving insistence that he cease to rule by "his inner clique," also dropped his two intimates, the former Agricultural Minister, Mr Kozen Hirokawa (who expects to fill Mr Yoshida's place when the 74-year-old veteran at last steps down), and the former Cabinet Secretary, Mr Shigeru Hori. But this move was purely tactical and no one believes that the real influence of these two ambitious anti-Hatoyama stalwarts has been in any way diminished. "Behind-the-screen" rule has always been popular in Japan.

The enigmatic figure of Mr Mamoru Shigemitsu, who was sentenced to seven years' imprisonment for alleged major war crimes, casts another shadow over the new Yoshida Cabinet. Mr Shigemitsu's "middle-of-the-road" Progressives number 89, compared with Mr Yoshida's uneasy and disunited team of 242 (of whom 30 are hard-core Hatoyama men). The Progressives are practically indistinguishable from the Liberals. The present situation is a reversion to the Japanese political scene of the thirties, when Westerners could detect few fundamental conflicts between the two main rival parties—the Seiyukai and the Minseito. The degree to which the Minseito was probably more conservative in finance and foreign policy than the Seiyukai is perhaps a measure of the difference between the contemporary Liberals and Progressives. On the vital question of rearmament, Mr Shigemitsu tends to support Mr Yoshida's evasive policy rather than Mr Hatoyama's more honest recognition of the need for rearmament and for a direct approach to the people for an amendment of the dead-letter clause in the Occupation

Constitution prohibiting any Japanese army. Mr Yoshida and Mr Hatoyama are both working strenuously to woo Mr Shigemitsu, who is coyly hiding his face behind a fan.

The Socialists could muster 116 followers if they united their so-called left and right wings. But they lack a leader, denounce rearmament and the retention of United States garrisons in Japan in the same breath, and include in their ranks some pious visionaries who are anxious to enthrone Dr Buchman of Moral Rearmament as a soothsayer among the Shinto gods. The strong man who might have united them is Mr Suehiro Nishio; but he has just been sentenced to 12 months' imprisonment for being involved in the notorious Showa Denko (electric power) scandal which overthrew the Ashida Government.

Against this stormy background of intrigue and disunity, Mr Yoshida's Cabinet must work primarily but quietly for the consolidation and expansion of vital United States aid. Primarily, because if the Korean war ended tomorrow and the United States did not persist in its present plans for the development of Japan as a munitions annexe, Japan's resurgent but precarious economy would collapse; but quietly, because no Japanese party can afford to make this admission openly while the popular Japanese mood is one of exultation at release from the silken but hated shackles of the Occupation. Japan's leaders must pretend to be the free masters of their honourable fate—no matter how unsure they are of the nature of that fate and no matter how vulnerable they remain to the shifting loyalties and cabal conspiracies in the Diet.

Export Trade Prospects

Costs are soaring, textile prices have dropped to a record low, labour disputes are widening and the population is still increasing at the rate of a million a year; yet taxation reductions are promised and the United States is blandly expected to "supply the equipment for Japanese rearmament." Mr Hayato Ikeda, who has been transferred from the Treasury to the Trade Ministry, has been greeted with an export programme forecast of \$1,193 million for the next fiscal year (April 1953—March 1954), compared with actual exports of \$1,405 million in fiscal 1951. (The estimate for the current year is \$1,148 million.) This estimate is partly based on "an increase in the export of light machinery, sundries, marine and agricultural products to the Red China market"—still the mighty imponderable in all Japanese export planning. The glittering prospects of Tonan Ajiya (South-East Asia) remain largely in the glitter stage.

Meanwhile, Mr Yoshida has promised that he will correct some of the "excesses" of the Occupation and it is evident that many of the rigorous anti-inflation measures laid down by the Occupation financial adviser, Mr Joseph M. Dodge, will be jettisoned with loud "banzais!" Already three of Mr Dodge's principles have been quietly discarded: the Bank of Japan is now underwriting food debentures; the ban on underwriting of financial debentures by the Trust Fund Bureau has been lifted; and the Government is selling exchange currency to the Bank of Japan to supply yen funds to the foreign exchange account. Shipbuilders are also urging the revival of the old subsidy for the iron and steel industry, suspended two years ago.

The unhappy fact is that if this Yoshida Cabinet does not survive, there will be no practicable alternative to another election, which may see the passing of Mr Yoshida, who on all counts is the ablest leader available in the dark and troublous days ahead.

* * *

Correction. On page 396 of *The Economist* of last week it was erroneously stated that the number of Kazakhs in the Soviet Union had declined by more than 80,000 between 1926 and 1939. The figure should have been 800,000.

The Watch on Washington

At one forty-five in the morning, on November 5th, Governor Stevenson conceded the American presidential election in the wake of General Eisenhower's overwhelming landslide. All over the world Ministers and private individuals had been sitting glued to their wireless or waiting for the papers. In London the news came before breakfast and in Moscow during the morning break. In the Austral Islands people were finishing supper and in Samarkand they were relaxing after lunch. But wherever it might be, people realised that the world's most powerful ship of state was launched on another four-year crossing with a new but famous captain, a rather disturbing first mate and a new and little-known crew. Everywhere, also, government and press tried to react intelligently to the news, with an air of having expected just this result all the while. For most embassies two sets of congratulatory messages had been prepared; one set was scrapped and over the wires poured messages of felicitation to General Eisenhower and the party he brought into power. Beneath the bland surface of official congratulation much bewilderment or many second thoughts could be made out. In the capitals from Moscow to Madrid, people were asking themselves, "how does this affect us, and is it in our interest?" The variety of answers provided a kind of weather-chart of political expectations on this side of the Atlantic.

Views Behind the Curtain

In Moscow, the public was told briefly that a man had come to the White House whose doctrine of liberating eastern Europe was merely a parroting of Hitler and whose advisers wore the mask of Goebbels. In its news commentary Moscow radio predicted the spread of the Korean war to the Chinese mainland and informed its listeners that most American working men had either abstained from choosing "between two valets of Wall Street" or had voted for the small Progressive party. In Soviet ruling circles, however, the Eisenhower victory will not have been entirely unwelcome, the argument being that tensions between European and American foreign policies, particularly with respect to Asia, will be aggravated by a Republican State Department and a more aggressive Pentagon.

In Warsaw the newspapers commented on the difference between the outcome of the American elections and those in Poland, where 99 per cent had voted for a peace-loving and proletarian National Front. Throughout the satellite press two themes were prominent: General Eisenhower's victory meant a greatly increased danger of imperialist war, and it would make clear to the countries of western Europe what kind of juggernaut they were harnessed to. On the whole, the Republican sweep to power was presented as a first symptom in the predicted break-up of the Atlantic alliance.

In capitals just beyond the fringes of the Iron Curtain these Communist crowings found a certain uneasy echo. The reaction in Belgrade was confused; it was argued on the one

hand that the Eisenhower accession might entail a dangerously high-handed policy in Asia, on the other that he might cut through diplomatic red-tape and come to a high-level understanding with the Kremlin. This latter possibility is a particular thorn in Marshal Tito's flesh, for it could bring with it a relaxation of the international tension on which his present position has been founded and developed. In the Scandinavian capitals there was scant effort to disguise the disappointment created by Governor Stevenson's defeat. In Stockholm a famous aphorism was modified to read: "politics is far too important a thing to be left to generals," and considerable adverse attention was focused on the victories of Mr Nixon and Mr McCarthy. These countries fear any signs of American bellicosity and see their safety lying in the kind of pragmatic and gradual approach to east-west problems advocated by the defeated candidate.

The further west one moved from the Soviet sphere, the more complex and qualified were the reactions to the election result. In Berlin, where conditions are obviously rather special, the Christian and the Social Democrats showed little pleasure, not only because they are suspicious of military men in government but because of their latent hopes for a four power understanding on Germany. The so-called Liberals, on the other hand, rejoiced at the Republican triumph. They have long agitated for a "direct German-American dialogue" and now hope to hear "the voice of Senator Taft who has always been inclined towards a close understanding with our country." They appear to have forgotten Mr Taft's statements about "blowing up the Ruhr." In Bonn, despite Dr Adenauer's swift reassurances, General Eisenhower's success caused mixed feelings and provoked an unmistakable nervousness. The Federal Republic is especially worried about any hints of isolationism, whether in the form of campaign promises to cut down expenditure on rearmament, or the implicit wish to get American troops out of Korea. Whereas to many German circles the name of Eisenhower is synonymous with Germany's defeat and occupation, Mr Stevenson was an unknown quantity and became as such the object of a good deal of hopeful speculation. Nevertheless, even among the most enlightened circles in Bonn, the possibility of a special relationship with a Republican Washington is being kept in mind.

Acid Comments from Italy

Nowhere, perhaps, were the echoes more complex than in Rome. Official circles hastened to express their pleasure, but there is no doubt that a Stevenson victory had been hoped for, if only as a guarantee of a continued pro-Italian lobby in Washington. A major portion of the Italians living in the United States certainly voted for the Democrats and this is not without influence on public opinion in the homeland. Italian socialists, moreover, have taken a pessimistic view of the outcome. They have commented acidly on the fact that Italy's close dependence on the United States puts it doubly at the mercy of a change in American policy or of Republican inexperience. There is, as yet, no question of a fusion between the different brands of socialism represented by Saragat and Romita on the one hand, and by Nenni on the other; but there is no doubt that the swing to power of a Republican administration may create a rapprochement between left parties and a stiffer attitude towards the de Gasperi regime. In Madrid, on the other hand, the Republican victory has been warmly received. As pointed out on page 442, a break in the deadlock of the Madrid-Washington negotiations is now expected, and it is generally felt that the Republicans will prove better friends of Spain than their predecessors.

France, in a sense, summarises the entire range of fears and contradictory responses evoked in Europe by the election result. The extreme Left, of course, takes its cue from Moscow and is prophesying the spread of war in Asia, the further militarisation of France and the rearmament of

Germany, even outside an EDC framework. On this latter point, moreover, it finds a sympathetic hearing in many other quarters. Despite General Eisenhower's message of greeting to France on the morrow of his victory, his reputed pro-German inclinations are feared, and the Republicans' feelings about "dumping money down the French drain" are well known.

The extreme Right in France, on the other hand, seems to be pleased, either because of a natural liking for generals in responsible posts or because of the calculation that Eisenhower will back up anyone working for a resurgent and militant France. The Government is somewhat involved in this dilemma; it fears any return to isolationism, but equally it fears a venturesome policy which might end up in a Washington-Bonn pact or in an even greater military burden for France. With regard to Indo-China and North Africa, however, government spokesmen have been prophesying a more understanding attitude in the new Administration. This whole complex of feelings might be summed up in a statement by *L'Observateur*: "Stevenson aurait rassuré: Eisenhower inquiéterait." That observation might well stand for Europe as a whole.

Party Meeting in Zagreb

[BY A CORRESPONDENT]

THE sixth Congress of the Yugoslav Communist Party which ended last week marks an important milestone in Marshal Tito's progress away from Soviet Communism. Perhaps it would be truer to say it marks the change from retreat to attack. After the Congress had finished, the Yugoslav Communist Party had changed its name, its organisation and its programme. It had not, with the exception of the two black sheep, Neskovic and Djuric, changed any of its main personnel. The Politburo, in future to be known as the executive of the Central Committee, and to be reduced to thirteen, contains all the outstanding associates of Tito; its six-man secretariat is composed of the big four—Tito, Kardelj, Rankovic and Djilas, plus Kidric and the army General Gosnjak. This continued inclusion of Kidric at the very heart of power does not square with the rumours current over the past 18 months that he was about to be arrested, had fallen from power, or had been dismissed from office because of muddle and mistakes in economic planning. The new additions to the Central Committee are all strong supporters of Tito—Tempo, his trusted wartime associate; Salaj, the outstanding figure in the Yugoslav trade unions, and one of the few Yugoslav Communists who spent a sufficiently long time in Soviet Russia to be able to tell bloodcurdling stories of what life in Stalin's paradise is really like; Bakaric, the brilliant Croat who has fought so hard for a change in the official attitude towards the peasants, and Kolishevski, the enigmatic strong man of Macedonia.

Tito Seeks More Friends

The new name of the Party is to be "Union of the Communists of Socialist Yugoslavia"; this is designed to be more in keeping with its most important task for the future—the "ideological education" of the people. The change in name is also designed to give point to "the great historical part" which Yugoslav Communists are now playing in the struggle against "the Soviet-Cominformist revisionism of Marxist theory and practice" and in "unmasking Soviet manoeuvres directed not only against our country but everywhere." Revelations about how the Soviet Union treats satellite states, which were formerly regarded as top secret, now come thick and fast, and Tito added to them in his speech to the Congress. It is not clear whether this policy is designed to

make friends amongst other anti-Soviet forces in the international field, but it will certainly help to do so.

For the first time since the break with the Cominform, Marshal Tito made it abundantly clear that he wants more friends, and is very anxious to abandon the position of isolation between east and west. Yugoslav members of the Peoples' Front (now to be called the "Socialist Federation of Working People of Yugoslavia"), as well as Communist Party members were exhorted as groups and as individuals to try to "play an important part in co-operation in the international field"; and Tito himself has set an immediate example by accepting the British Government's invitation to visit this country. In short, the Soviet attitude to relations with capitalist countries has been thrown overboard.

Delegated Powers

The Congress also endorsed proposals which scrap the whole Soviet conception of the state and of the organisation and role of the Communist party. The new Yugoslav ideas which will take their place are claimed to be more democratic, to be designed to foster real socialism and, in contrast to Soviet deviations, to be more in accord with Marxist principles. The state will now be based on a new constitution which was outlined to the Congress in a speech by Mr Pijade, and will be introduced to parliament in November. Its outstanding feature is the delegation of government to more elected assemblies; "Councils of Producers"—that is, representative bodies for manual workers—will be introduced at all levels of government except the very lowest. The new constitution follows a process of decentralisation that has been going on now for 18 months. Most departments of the central government have already been dissolved and their work is to be carried on at local government level under the control of the newly elected assemblies. This it is claimed represents the withering away of the state of classical Marxism. It also aims at bringing many more of the general public into local government.

The basic problem which still remains unexplained is how the Communist Party is to maintain its hold over government. The final resolution passed by the Congress emphasised the point made repeatedly in the leaders' speeches that

the Union of Communists is not and cannot be the leader in direct control of economic, state or social life, but acts in all organisations through its political and ideological work.

This seems to imply that the Yugoslav Communists, now some 779,382 strong in a total population of over 16 million, are to be an elite which will maintain their dominant position by force of example alone. At the same time, however, Marshal Tito reiterated that the existence of other political parties is not to be allowed; in fact, therefore, the Communist Party will still have a political monopoly.

All the same, great efforts are obviously being made to make sure that the Communist programme and methods arouse less antagonism than in the past. Under the new constitution it would be possible to muster—if voting is free—enough popular votes to oust Communists from office in any section of government. This danger probably explains why manual workers—who may be considered as potential Communist supporters—have been given two votes at all except the lowest level of government.

Lowering the Economic Sights

On the economic side the Congress showed that policy has been considerably modified and along lines long suggested by Western experts. In Mr Kidric's speech—which was a little more intelligible than usual—and even more in Marshal Tito's references to economic affairs, the emphasis was on scaling down industrial planning so that "only those projects

A SURVEY OF INTERNATIONAL BANKING

1952

appears on page 487

will be started for which it is proved that there are financial means both at home and abroad, and which are justified technically and economically." Investment in the near future is to be devoted to finishing industrial projects already begun, to developing roads, railways and transport, and, for the first time to any considerable extent, to developing agriculture. Capital investment is to rely on Yugoslavia's "own forces of production and it will be based on the exploitation of our own raw materials." Thus the Yugoslav planners have at last come down to earth and abandoned what Tito characterised as the "megalomania" of previous grandiose schemes. The party attitude to collectivisation of agriculture does not appear to have changed; the increase of co-operative farms is still urged—but no longer by methods that will antagonise the peasants. The aim now is to make co-operative farms so successful financially that individual peasants will be persuaded to join by the possibility of making larger profits. In fact, throughout both industry and agriculture, financial profit is to be the incentive to greater production. This implies that consumer goods will be available.

The sum total of all these changes is to make a state very different from the Soviet pattern for Communist satellites; very different, too, from the democratic conceptions of the West. The future alone will show whether Marshal Tito has really carried the bulk of his Communists with him. To Communists trained in the old Moscow traditions these apparent deviations must be very difficult to stomach. It is perhaps significant that over a third of the party membership has joined since the Cominform split—that is nearly 90 per cent have joined since the beginning of the war. For Yugoslavia's non-Communist allies the questions of immediate interest will be to see if the changes really make government in Yugoslavia more democratic and less a prerogative of Communists, and whether in doing so they make Tito's government more genuinely popular and stable.

Greece's Defence Burden

TOMORROW the Greeks are again going to the polls to give their verdict on the rival merits of Field-Marshal Papagos's Greek rally and the EPEK-Liberal coalition led by General Plastiras. In the sound and fury of the election campaign it was hardly to be expected that there would be much constructive criticism of Greece's pressing domestic problems. Yet the importance of the elections primarily lies in whether or not they produce a strong and stable government which can apply to the Greek economy the long-term recuperative measures that will enable it to bear the heavy burden of its defence effort.

The Greek voter has, at any rate, been reminded of the important part his country is coming to play in the defence plans of the Nato powers. Fourteen members of the North Atlantic Council arrived in Athens this week to discuss with Greek military leaders the organisation of defence in the Balkans and the eastern Mediterranean. But the Greeks are beginning to wonder whether they will be able to play their allotted role. In spite of millions of dollars of foreign aid, their economy has never recovered from the ravages of war and civil war; and now American aid, which fell from \$206.8 million in 1950-51 to \$182 million last year, is to be reduced still further to \$82 million in the current financial year.

The Greeks now have a total of about 150,000 men under arms and an army of nine to ten divisions; with their impoverished economy they can fairly claim to have sacrificed more than most to the needs of national defence; and, owing to the civil war against the Communists, they have been sustaining a heavy defence burden for longer than the other members of Nato. In 1948-49, 8.4 per cent of the Greek national income went on defence; in the present financial

year the figure has risen to 9.3 per cent. This is a higher percentage than in many wealthier countries, and the sacrifice for the Greeks has been proportionately heavier; whereas in 1950 the national income in France amounted to \$492 per head of population, in Italy to \$261, and in Denmark to \$880, in Greece it was only \$150.

Greece is also devoting a larger proportion of its budget expenditure to defence than are most of its Nato partners. Between 1948 and 1950 45 per cent of the budget went on defence; in 1950-51 the figure rose to 52.8 per cent, and in the last fiscal year it was 49.5 per cent. This includes the cost of war pensions and of the Gendarmerie (who fought against the Communist guerillas) but not the cost of the rehabilitation of the 700,000 made homeless through the civil war. The Greek figure compares with Denmark's 14.5 per cent, Britain's 41.8 per cent, France's 52.8 per cent and a Nato average of 39 per cent.

Permanent Under-nourishment

This heavy defence expenditure has meant that Greece has very little left over for domestic investment. In 1951-52 only 12.5 per cent (or \$266 million) of the national income, including American aid, was available for this purpose. Only Portugal with 10.5 per cent and Turkey with 10.6 per cent invested a smaller portion of their national income; only Portugal with \$249 million invested less in absolute terms. Moreover, the Greeks have had to see the greater part of the counterpart funds derived from American aid swallowed up either directly or indirectly by defence needs. Only 22 per cent (or 1,785 billion drachma) of the counterpart funds available up to June 30, 1951, were devoted to the development of local production. France spent 84 per cent of its counterpart funds during the comparable period for this purpose and Turkey 50 per cent.

One result of this inability to increase the country's productive capacity and improve the standard of living has been the permanent under-nourishment of the Greek people. The average daily consumption in calories per head, which even before the war was only 2,600, fell in 1951-52 to 2,400. In Britain and most west European countries food consumption at present is running at about 3,000 calories. Another result has been a serious deficit in the balance of payments. It is true that the deficit which in 1950 amounted to \$321 million was last year reduced to \$190.5 million. But with the drastic cuts in American aid the Greeks take a gloomy view of the future. They have submitted a memorandum to the OEEC Council suggesting that Greece should be allowed to cut down its imports of luxury and semi-luxury goods, and that other countries belonging to the European Payments Union should buy more Greek exports. The snag here is that so many Greek products are unable to sell competitively in world markets, which is clearly a result of the Greek Government's inability to curb the rise in domestic prices and costs.

Military Service Cut

The new Greek Government will undoubtedly be able to make out a good case to the Nato Council and to the MSA authorities for more of a helping hand. It can point to the fact that it has already been found necessary to cut the period of military service from 30 or 36 months to 2 years; and that although this has not affected the present strength of the armed forces it must inevitably do so next year. The Nato authorities, on the other hand, can fairly point out that the wealthy Greek private investor is not yet doing his bit to build up his country's economy; that the taxable capacity of the wealthier classes is quite inadequately exploited; and, in short, that the Greeks have not done anything like all they could and should to put their house in order by controlling their domestic inflation. The trouble has too often been that what was economically desirable was not politically expedient.

Eyes front!

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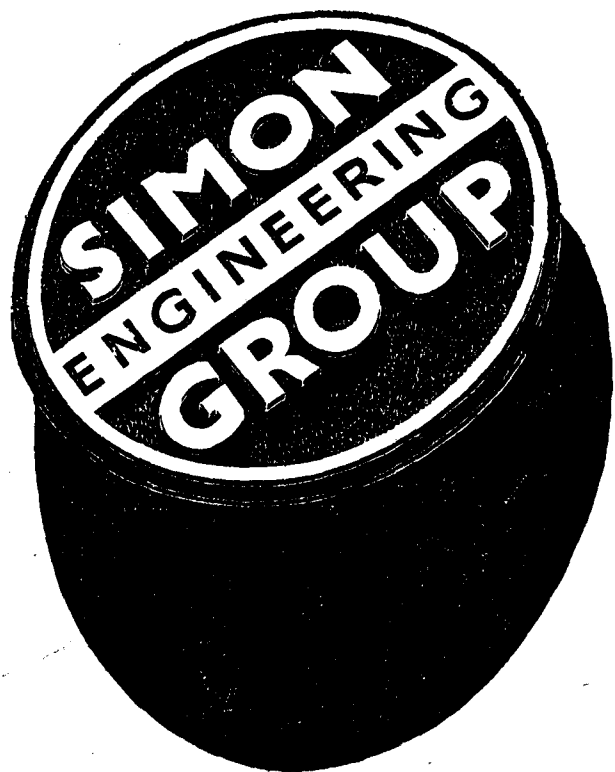
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THE BUSINESS WORLD

Good Intentions and Steel

IT no longer seems as certain as it did three months ago that all the Government really hopes to achieve by steel denationalisation is simply the *status quo ante* 1949. Some phrases in the Steel Bill published last week, and some remarks elsewhere, suggest a concern for competitive efficiency as well as for private ownership, and an awareness that the one may not automatically flow from the other. This inference, admittedly, is debatable; and it raises the question whether the Bill as framed would enable the Government to carry out such better intentions.

The potentially significant changes between the White Paper and the Bill have been widely noted. The primary duty of the Iron and Steel Board that the Government proposes to recreate is now to exercise general supervision with a view to promoting the supply of iron and steel products "under competitive conditions." There are some indications that this might curiously be construed to mean only that prices in the industry should be controlled so as to give iron and steel producers as fair margins of profit, and opportunities to provide for replacement and some expansion, as other price-controlled industries enjoy; but other signs are more encouraging. In the somewhat remote possibility that the proposed board might become responsible for the import of raw materials or finished iron and steel, it is expressly denied the power to sell such materials at prices lower than their cost without special Ministry consent; and the power mentioned in the white paper "for the loss to be recovered from appropriate sectors of industry, as is done at present" is no longer specifically provided, though the board's generalised powers to raise levies would probably cover it. These alterations may be considered beside the recent change in pig iron prices to correspond rather more closely with raw material costs, and with Mr Sandys's comment in the Commons three weeks ago that the present system of equalising materials costs in the steel industry

possesses all the disadvantages of any system of price averaging in that it masks real costs and interferes with the healthy operation of normal economic forces.

Such indications of the Government's ideas on policy for the board as have appeared recently, therefore, do indicate some change in emphasis since the white paper was published in July.

In assessing the significance of this change, it should be noted that in this Bill the Government attaches, formally at least, as much importance to the board's supervision of the industry as it does to the extinguishing of the half-baked state steel corporation and the return of its nationalised companies to private ownership. The duties of the board are wide. So is its scope. Apart from general supervision, it is directed particularly to "keep under review" productive capacity, arrangements for obtaining and distributing raw materials, prices, research

and training, safety and welfare arrangements, and joint consultation (apart from that concerning terms of employment). Its purview is wider than the nationalised corporation's: it covers not only the production of iron ore, iron, steel, heavy forgings, tubes, bars, and tinplate or terneplate, but also ironfounding and steelfounding.

The board's powers, however, are considerably restricted. Its power to supervise development, is defined rather unexpectedly, almost entirely in the negative. Iron and steel producers under its supervision may be required to give particulars in writing of any additional production facilities they propose to provide and not to proceed without the board's consent. But the board must "ensure" that no such particulars shall be required for proposals that "would be unlikely substantially to affect the efficient and economic development of production facilities in Great Britain"; and it shall not refuse its consent unless it considers that a proposal "will seriously prejudice" this general development. The responsibility of the 1946 board

to review and supervise programmes of development needed for the modernisation of the iron and steel industry and to watch over the execution of approved schemes in such programmes

has become in this parliamentary draft the power to "consent" or to "withhold consent." Whether it has thereby suffered any sea change is perhaps partly a matter for the lawyers; and the whole procedure, in consultation with the industries' trade associations, can be defined only in practice. But the change in phraseology is interesting. It is at any rate hard to discern in these sharply limited powers the heavy-handed control that some ironfounders have been crying out against. The question, perhaps, is rather whether such powers guarantee the board enough effective influence upon the location and capacity of such economic plants as the industry chooses to provide on a commercial basis. It is possible that the Bill might, in practice, tend to moderate this influence out of existence.

The board's powers to control prices, too, are limited. It may fix maximum prices for any products of the iron and steel industries that it supervises, though it is not obliged to do so; the exercise of price control for the made-to-order products of the many jobbing iron foundries, for example, is hardly likely to appeal to it. These maximum prices will apply only to producers and, by notice, to selling agents handling "the whole or a substantial part" of a producer's output; all other merchants or selling agents may sell at what prices they please. This price control, which seems to have some loopholes, is enforceable only by civil proceedings for an injunction (as is the board's refusal to consent to any development project). It will not apply to products for which the Minister is controlling prices under defence regulations; and since, under existing temporary powers, this Ministry control of the prices charged by all persons could presumably always be invoked in any shortage or

emergency, the freedom of merchants and stockists to charge what they like need not imply freedom to profiteer. But it is perhaps pertinent to ask whether the board's price control (which seems to be a direct descendant of semi-informal powers possessed by the prewar Import Duties Advisory Committee) is really necessary at all. Unless there is a state of shortage or emergency, why should price control become normal?

The crucial point that is left undefined in the Bill is the relation between the new board and the existing trade associations—above all, the British Iron and Steel Federation. At many points, "consultation with representative bodies" is enjoined upon the board, but that is all. It may "secure the performance of" certain of its duties—for example, the publication of statistics—instead of performing them itself, and it is clear that the Federation may be asked to continue to do such work. But the board has no powers whatever to require any course of action by trade associations such as the federation. Nor has it any direct powers *vis-à-vis* the central buying agencies controlled by the federation that at present import the industry's raw materials and steel in bulk. Importation of these materials is not included in the Bill's third schedule; so the board's powers of supervision or price control would not appear to apply to these companies.

Admittedly, the board is given the ultimate power to make its own arrangements to import raw materials if it believes "that satisfactory arrangements do not exist"; and to import finished iron and steel if it and the Minister consider that supplies in Britain are inadequate. These conditions differ; but in reaching a decision whether existing arrangements concerning raw materials are satisfactory, it may be noted that the board appears to receive no formal right in the Bill even to obtain information from these agencies—or from the federation. The denial to the board of power to sell below cost without the Minister's consent, should it engage in importing, in no way affects these agencies' powers to do so and to raise levies from federation members; so far from supervising the famous "industry fund," the board might not even be able to obtain information about it. On the other hand, it is not clear whether the board's powers to obtain contributions from any or all of the producers it controls could be used to draw compulsorily into the federation's levy-subsidy system the non-member ironfounders who at present enjoy the subsidised prices but escape the levies. And it is true that the companies supervised, however, owned, are expressly made subject to the scrutiny of the Monopoly Commission. On one interpretation, moreover, the board's general duty to promote "competitive conditions" in the industry might imply the exertion of its influence to bring to an end any pricing arrangements that "mask real costs," even voluntary ones. But how much influence it could exert remains uncertain. So does the real balance of power in this industry, once supervision and denationalisation begin next summer.

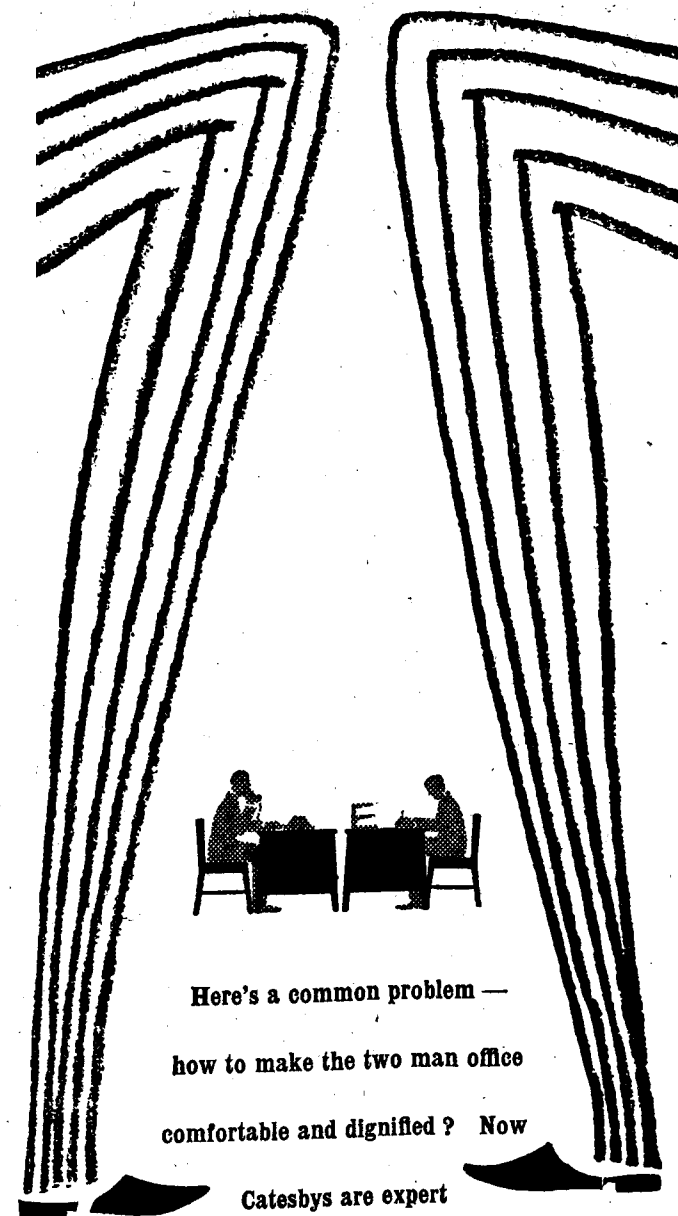
★

Supervision, at its most desirable, might be partly a matter of form. Resale will be a matter of fact. Here, sensibly enough, the drafting of the Bill seems to have been directed to making possible almost every conceivable arrangement that the "Iron and Steel Holding and Realisation Agency" might devise to

"secure the return to private ownership" of the steel companies now publicly owned. Sales can take place "in such manner, and by such stages, and with such postponements of the sale of securities or other assets" as the agency and the Treasury determine. Under the authority of the Treasury or the Minister of Supply, the agency can reorganise the capital of any of its companies, amalgamate or wind them up, or arrange "the sale, or other disposal or lease or hire" of any of their assets. Stamp duty will not be payable upon any transfer of assets between subsidiaries, or on the final transfer to the new private owners. In the meantime, the holding and realisation agency will "promote the efficient direction of [its] subsidiaries." It will be able to advance them money to cover development in the meantime out of a realisation account made up of the publicly owned industry's surpluses and of advances—up to £150 million—from the Treasury.

This extreme flexibility in disposal technique should make the chances that a large proportion of companies could be returned to private ownership slightly better. But it makes them even less possible to gauge. The companies concerned stand in the corporation's books, from the latest reports, at £237 million, in securities comprising some £200 million of equities, £26 million of preference capital, and £7 million of debentures (plus £20 million of debentures owned by the public). But if the agency found it more convenient in most cases to sell back to private owners a much smaller equity and to retain large blocks of fixed-charge capital in its own hands, it would have no difficulty in re-shaping the capital structure of the companies in order to do so. "Private ownership" as defined in the Bill means that the state shall not own securities "to a substantial extent" in the company concerned. Lease or hire of assets, while effectively placing them under private control, might thus not count as a return to private ownership (though hire-purchase would), when the Treasury came to decide the point at which the agency may have "substantially discharged" its main duties under the Bill. But the "substantial discharge" would not preclude the retention in state hands of some companies or holdings that the agency had not been able to sell.

One rather curious section of the Bill provides that the agency may lend money from the realisation account to "any company any of whose securities" it holds. Given the definition of "private ownership" above, this might imply that companies sold back might still be able to obtain loans from public funds (at unspecified rates) so long as the agency still owned an "insubstantial" holding. However, the Minister said in Parliament recently that "once the companies are returned to private enterprise, it will, of course, be the responsibility of their boards of directors to find finance for development"; and Parliament would be unlikely to countenance anything else. This provision of further finance, over and above the compensation value paid for the companies and the further £100 million or more that the Corporation may have spent on development in the meantime (both of which the Treasury can hardly ignore in approving prices), is one of the biggest question-marks for the prospective investor. He might, however, be reassured by the thought that nobody can make him spend his money on development, however the board and the federation might agree that this development was necessary in the national interest.



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Full examination of the Steel Bill, then, suggests that the improvements it promises over the white paper will need some reinforcement. To promote really "competitive conditions" in the steel industry, after all, is not merely an academic exercise. It might surely make sale to the genuine private investor more feasible, simply by allowing him to know what he is buying when he buys a particular steel company share; and improve the competitive efficiency of British steel in a world where demand may not always remain as pressing as it is today. Some further clarification of the balance of power in the industry, and perhaps some power to influence trade associations as well as the board to promote competitive conditions, may well be the only really important measure of extra supervision that the British

Business Notes

The Uneconomic Debate

The economic debate turned out, after all, to be mainly a political occasion. Both parties seemed more intent upon widening breaches in the ranks of their opponents, than with closing them in the national economy. Perhaps the sharpest feature to emerge was Mr Butler's statement that "the Government must continue with a selective policy of damping down home demand for capital goods, for which overseas demand is high, while not depressing home demand for consumer goods, for which overseas demand has declined." Since it is also the "prime objective" of the Government to reduce the level of taxation, it is clear that there is no intention to create the slack that is necessary if resources are to move away from the production of consumer goods (which foreigners do not want) to capital goods (which they

Indeed Mr Butler "thanked God" that unemployment in the textile industry had fallen by 100,000 since May; he also indicated that the industry itself should give some thanks to the Government for the acceleration of official orders for textiles. This acceleration, together with the Danckwerts award to doctors and the "great progress" of defence production, means that the expenditure of the Ministry of Supply in 1952-53 is likely to run considerably above the original estimate. Since the Chancellor also expects to have to introduce supplementary estimates for the defence departments—for the army, at any rate—the end-year budget accounts will obviously, and at best, fall appreciably short of the out-turn envisaged last March. The extent of the shortfall, however, is still uncertain, for Mr Butler believes that the excess expenditure of the Ministry of Supply and the defence departments will be partially offset by "substantial" economies elsewhere.

Approach to America

On the external side, the big question mark hanging over the debate concerned the proposals that the Government intends to lay before the Commonwealth Conference. Both Mr Butler and Mr Crookshank at least made it clear that this conference will be a prelude to discussions that the Government hopes to hold later with Europe and, above all, with the new United States administration. Indeed the Chancellor defined the Government's policy as that of working to create the conditions in which sterling can become convertible, while recognising that those "conditions cannot be completely realised without the active co-operation of other countries, notably those which are consistently in surplus with the rest of the world." It may be true that the Govern-

ment came within a hair's breadth of dashing for convertibility and a free rate last March; in the debate, Mr Gaitskell, echoing a rumour that has been current in the City for some time, alleged that that hair's breadth to have been no wider than the person of Lord Cherwell. But it seems clear that the objective now is to make a concerted advance, rather than a disconcerting dash, towards such freedom.

This is almost certainly the right policy. It received heartening support this week from Professor John Williams, of Harvard University and the Federal Reserve Bank of New York; who has long exerted a quiet but potent influence for good on United States economic thinking. In the Stamp Memorial Lecture at the University of London, Professor Williams examined possible cures for what he called the "basic tendency toward world imbalance . . . which has its roots in the growing predominance of the American economy." He laid great stress on the need for attracting dollar capital overseas, for the co-ordination of investment programmes in Europe and the Commonwealth, and for devising a trade pattern into which the expected trend in American import demand will fit. On the vexed question of the dollar price of gold, Professor Williams declared that, as an American, he would not welcome an increase, but "I would not weigh my objection too heavily if there were a clear case for it as part of the American contribution to a basic solution of the dollar problem." He also believed that, for the present, military and economic aid must continue, but that "the immediate question is whether this aid can be extended in a way that might make it more palatable to both sides and more directly contributory to the goal of an international balance based on trade, not aid." It is clear that the main tasks for the Commonwealth Conference will be to devise constructive proposals of this sort, and to take the necessary internal steps to make its proposals acceptable to the United States. In a special survey in next week's issue of *The Economist*, it is intended to discuss at length the shape that these proposals should take.

Local Loans—An Experimental Move

The Government's decision to drop the statutory compulsion upon local authorities to borrow only from the Public Works Loan Commissioners has aroused much interest in the City, much suspicion among Labour party economists, and some misplaced budgetary hopes among the economically illiterate of all parties. During Wednesday's debate on the Public Works Loans Bill, the Financial Secretary to the Treasury was at greater pains to allay the suspicion than to dash the hopes. He made it plain—as, indeed, was suggested in these columns last week—that the Government does not

intend "to exclude a number of authorities from the [Local Loans] Fund and force them on to the stock market." The intention is to proceed by agreement with the local authorities, and to ask some of the largest of them to "assist" the Government by issuing their own stocks; but there is not to be a restoration of the prewar arrangement whereby authorities controlling a rateable value beyond a given limit were ineligible for PWLB facilities. Moreover, in making any such requests, the Government will "have regard to the capacity of the market to accommodate local authority borrowing on reasonable terms"—from which it seems reasonable to infer that the Government has not even considered the possibility that the switching process might be an instrument for the stiffening of monetary policy by provoking a rise in interest rates generally. Equally, it is clear that the Treasury will not manipulate the PWLB lending rates with the object of making them less attractive to credit-worthy borrowers than borrowings on the market; these rates will be fixed, as now, so as "to follow the general level of Government credit." Finally, Mr Boyd-Carpenter pointed out that the projects seeking finance would have been already approved by "the proper central department"; and no government would conceivably "frustrate its own approved policy" indirectly by changing the financing arrangements.

These and similar assurances leave no room for doubt that the Government intends to proceed experimentally and cautiously. It thinks it "very likely that recourse to the market will be extremely limited," so that the Local Loans Fund will inevitably continue to be the "main reservoir" of new capital for the authorities. It is to ensure its adequacy that the new Public Works Loans Bill raises the limit upon commitments (covering both the actual advances made during the period before yet another Act is passed and the undrawn portions of new loan approvals given during that period) from £950 million to £1,050 million. The Government expects these extended facilities to be required; hence, whatever changes might be envisaged in the longer run, it is obvious that for some considerable time ahead Government financing of the authorities is likely to continue on a scale not significantly different from that of the past year or so.

This possibility alone ought to quell the hopes of those who thought the switching process might offer scope for significant tax reductions—by lightening the Government's load of "below-line" expenditure. But these hopes were based upon a more fundamental misconception than that of the size of the intended switch. However large it might be (and however great, therefore, the reduction of the "below-line" expenditure), the need for an "above-line" budget surplus would remain—except to the extent that the switching to the market caused a decline in the total volume of domestic investment or an increase in the total flow of genuine new savings. Neither of these results could be expected—not, at least, in any significant degree—unless the switching were allowed to produce its due pressure on the market and a corresponding rise in interest rates. And that policy, which in principle is the right policy, is not, apparently, in contemplation.

Rise in Exports

Provisional trade figures published by the Board of Trade this week show that exports rose sharply in October, to £218.5 million, though they were still £17 million below the level of October, 1951. A seasonal improvement in trade after the holiday period is perhaps the main factor in the margin of £32 million by which exports last month exceeded those in September; the increase this year is indeed little bigger than the corresponding October improvement in the two preceding years. But even on a daily basis exports last month were nearly 10 per cent larger than the exceptionally low monthly average for the third quarter, and

those to the dollar area showed a particularly heartening recovery last month. The provisional dollar total of £28.6 million for October compares with a monthly average of £23.2 in the third quarter of this year and £20 million in the fourth quarter of last year. The United States and Canadian markets appear to have shared equally in this improvement. Exports to the United States, which had fallen to an average of £11.4 in the third quarter, recovered to £14.4 million last month. The upward trend in exports to Canada continued; last month's total was £14.2 million compared with a monthly average of £8.4 million in the first quarter of this year.

Imports also rose sharply last month compared with September; but last month's figure of £267 million was only £4 million above the monthly average for the third quarter, and it was nearly £100 million below the level of October, 1951. Like exports, imports usually show a seasonal increase

BRITAIN'S OVERSEAS TRADE
(£ million—monthly averages or calendar months)

	Imports c.i.f.		Total Exports* f.o.b.		Excess of Imports over Exports	
	1951	1952	1951	1952	1951	1952
1st quarter....	284	328	205	258	79	70
2nd "	335	306	230	219	105	86
3rd "	354	263	229	201	125	61
September.....	338	238	218	195	119	43
October.....	363	267	246	231	117	36
Total 10 months	3,278	2,957	2,239	2,267	1,038	690

* Including re-exports.

in October, and this year's rise does not appear to be exceptional. With re-exports at £12.1 million, the excess of imports (c.i.f.) over total exports (f.o.b.) fell to £36.3 million in October—its lowest level for any month since November, 1950. After making the usual allowance for the cost of insurance, freight, etc., it seems that there may in fact have been a small surplus in visible trade last month.

Labour Returns to Textiles

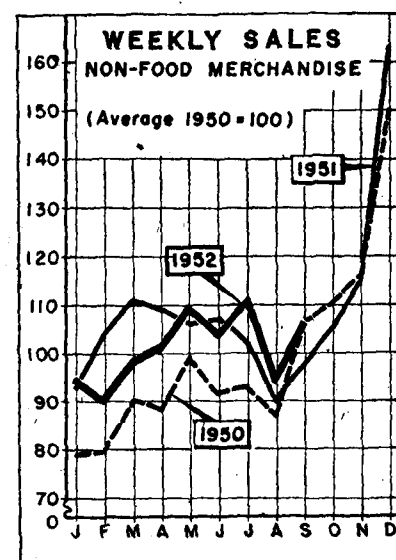
The continued momentum of recovery in the textile industry is the main trend illustrated by the employment figures for September, published last week. During September the textile labour force grew by 11,000 workers and clothing employment by 6,000; and between mid-September and mid-October the number of people registering as unemployed in the industry fell by 18,500. During the month, though the number in civil employment declined by 22,000, this was borne almost entirely by the basic industries and by the service industries; the manufacturing labour force grew by 30,000. All manufacturing groups industries except food, drink and tobacco showed an increase in employment. The vehicles group gained 3,000 workers, though it is impossible yet to estimate what changes this implies in the aircraft and the motor industries. The engineering group also gained 3,000 (bringing its labour force to 2,563,000, compared with 1,089,000 in vehicles, at the end of September). The declines in employment came in transport, in agriculture and fishing, and in the "professional, financial, and miscellaneous services" group, which lost 28,000 people, largely from hotels and catering.

Unemployment grew slightly during the month, to 397,900 (of which 47,200 were temporarily stopped); but it still represented no more than 1.9 per cent of the estimated total number of employees. Short-time working, according to the

Minister of Labour in the House of Commons this week, is continuing to be reduced, and the amount of overtime worked remains fairly high. As yet, the employment figures have not matched the fall in manufacturing production that the indexes suggest, and it is clear that this summer there may have been a good deal of "under-employment," in terms of slackening inside the factory. Employers have learned to hold on to workers in years of overfull employment; and the summer's decline in production has yet to bring about considerable shifts in the pattern of employment.

Busier Shops

After more than twelve months of slack trading, retailers are enjoying a minor boom. No one seems quite sure what has brought the customers back into the shops, but the value of weekly sales in September of non-food goods was back to the same level as in September, 1950, just before the Korean war set off a buying panic that stripped the shops and the wholesalers' shelves before turning, with equal suddenness, into a buyer's strike that emptied the shops of customers. In September the sales index (1950=100) reached 106 for non-food merchandise, 120 for food alone, and 114 for the combined index. This compares with indices a year ago of 108 for food sales, 10 points higher than in 1950. At that time the value index for sales of other products was only 97, though prices were at their peak. The



index as a whole then stood at 103, only one point lower than in 1950. During the last year, prices of food have risen but prices of other goods have dropped, in some cases sharply: so the September level of sales by value for non-food products indicates a much greater rise by volume.

Sales of food showed no change between August and September, but those of other types of goods rose from 94 to 106, an improvement spread over all types of

product. It has been clear for some weeks that the demand for textiles was improving, and sales of clothing and footwear rose from 91 to 108 between August and September, compared with an increase of 9 points, from 87 to 96, in the same period last year. It was not so certain that sales of other, possibly less essential goods, had shared in this general recovery. But the September returns show a big improvement in furniture sales by big retailers and the independent

shops alike, a revival in sales of floor coverings, which had been one of the most depressed departments, and a surprising jump in sales of hardware, radio and electrical goods. Last year the index for hardware sales by large retailers stood at 109, and for the independent shops at 118. This September the figures are 117 and 121 respectively. Radio and electrical sales by independent retailers, which reached 120 compared with 103 a year ago, show a 20-point increase on the August figure—a tribute to the success of the Radio Show in stimulating interest in an exceptionally slack market. Sales of chemists' goods (which previously had been rising, impervious to the general recession), of jewellery, toys, and leather goods, and sales by tobacconists and restaurants are the only groups showing figures lower than in August; sales of books, stationery, jewellery and tobacconists' goods are also below those for last September.

Figures for retail stocks cover only clothing and shoes, but they do show that in all cases the value of stocks is lower than at the same time last year. The clothing stock index as a whole stands at 99 compared with 122; it has risen only two points since August. "Non-food" stocks as a whole are 18 per cent lower than a year ago; stocks of most kinds of clothing are mostly 30 per cent or more below, and so are stocks of furniture. Food stocks, significantly, show a fall of only 2 per cent. All these indices are complicated by changing levels of price, but it seems that, like the wholesalers, the retailers are holding approximately the same balance of stocks to sales, in terms of value, that they did in 1950; in relation to the rising tempo of consumer demand, they may be understocked. This would suggest that producers in the consumer goods industries, from textiles to saucepans and radio, are likely to experience an expansion in distributors' demand in the coming months.

When Builders Confer

The strongly worded rebuke administered to the London Builders' Conference by the Minister of Works last Friday has surprised but hardly abashed, its members. The objects of this organisation are certainly rather startling. Nearly all the big building contractors are members either of the London group or of regional "conferences" run from the same central office. These conferences have two main purposes. The first is the reimbursement of members for the expense of submitting unsuccessful tenders (which may frequently cost not much short of one-thousandth of the cost of the job). This is a normal business risk that other industrialists accept. The second, and more dubious, purpose is to ensure that the lowest tenderer asks a "fair" price. In practice, both objectives are achieved by the same procedure.

The solidarity of the conference and the success of its operations depend on the willingness of its members to inform the secretary of the price at which they propose to put forward ostensibly "secret" tenders for a contract before that price is actually submitted to the customer, and on their willingness to follow the secretary's subsequent suggestions. As soon as he knows the price of all tenders, the secretary discards the highest one-third of them, and takes an average of the remaining two-thirds. This average is then considered to be the "fair" price for the job. To that price is added a levy out of which the unsuccessful companies will be partially reimbursed for the cost of preparing tenders. The company that prepared the lowest tender is thus assured of getting the contract, but the price he then quotes to the customer is not his original tender price, but the new "fair" price plus levy, worked out in the manner described. All other tenders are raised in proportion, leaving the computed price as in fact the lowest tender submitted to the customer. When the work is paid for, the successful company retains enough to cover his original tender, while the balance is paid to the Conference and shared, presumably, between administrative expenses and payments to other members who



HEAD OF A WARRIOR, a study in red chalk for the cartoon of "The Battle of Anghiari", by Leonardo da Vinci, now in the Museum of Fine Arts, Budapest. Tragically, when the design was transferred to the wall of the Hall of Council, in Florence, the colours ran and the result was a failure. All that now remains of the cartoon itself are a number of studies of fighting men and horses, which were drawn by Leonardo on paper.

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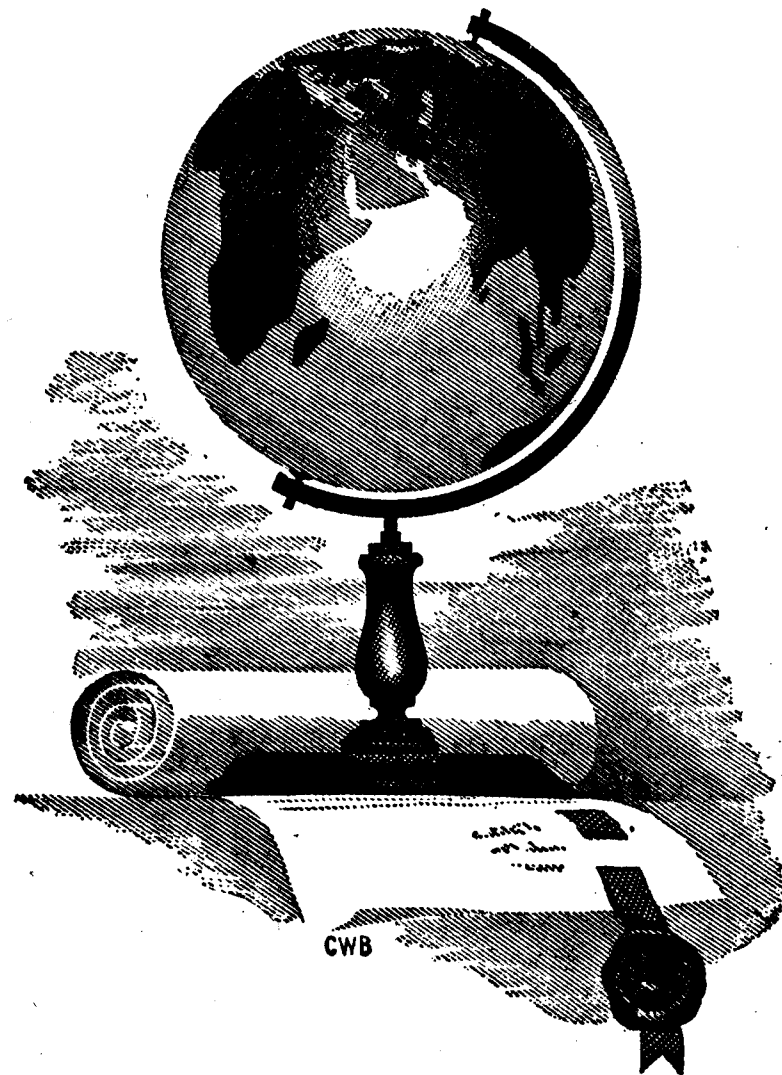
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A SURVEY OF INTERNATIONAL BANKING

1952

appears on page 487

Brains our common wealth



THE BRITISH COMMONWEALTH is more than a vast area of the world's surface. Our common wealth is also the abundance of technical and inventive genius within that area. BRUSH ABOE are largely concerned with the export of the means whereby the earth may become more fruitful. But to think of export in terms of anything except brains is an anachronism.

It is with the object of encouraging the brains within the Commonwealth that BRUSH ABOE have instituted their Commonwealth Scholarship Scheme. This is planned to provide scholarships for engineering graduates from Australia, Canada, Ceylon, India, Pakistan, New Zealand, Rhodesia, Singapore and South

Africa. Each scholarship is worth about £1,000 and the student receives two years' free training in the factories of the BRUSH ABOE Group. Already arrived in this Country are students from South Africa, India, New Zealand and Pakistan. More are on their way here from various parts of the Commonwealth. And within the Group itself more than 1,000 employees are receiving some form of training. It is by developing the brains within the Commonwealth towards the technical knowledge of what the diesel engine and diesel electric power can contribute to make the earth more fertile that the problem of world food shortages can best be attacked.

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tendered unsuccessfully. "Since there is neither entrance fee nor annual subscription, this would appear to be the only way in which the operations of the conference are financed."

The builders have not denied that this machinery exists or that a levy is made to compensate for part of the tendering costs; but they have said that the "fair price" has been applied to less than one in every 500 contracts put out to tender since the war. There is not much evidence, either, to show that prices charged by the members of the conference have been exceptionally high compared with those of non-members. The Ministry of Works usually takes the precaution of getting tenders from non-conference builders as well as conference members but since the member firms include most of the largest and most efficient, this results in little advantage; moreover, the conferences may make special arrangements with non-members. However reasonable prices may appear, the various conferences still do exist, and their quite considerable administrative expenses—if nothing else—do continue to be met without any visible source of income.

* * *

What Can Mr Eccles Do?

In his statement in the House of Commons on Friday, Mr Eccles asked the builders to "look very closely again at their arrangements and to end them in the national interest and, I may say, their own." Even if it is true that the London Builders' Conference has not been very active in recent years, the organisation does possess very considerable powers that can make nonsense of the ordinary method of tendering, and must remove the competitive stimulus to efficiency that the tendering system should give to the building industry. But unless the builders themselves agree to disband the London and regional conferences, there is little that Mr Eccles can do to them directly. The Ministry of Works insists that its contractors shall sign an undertaking that they have not revealed the price on their tender to anyone but the Ministry and that the prices are not adjusted by reference to those of any competitor. But the Ministry is responsible for only a small proportion of building contracts placed by public authorities. Most of them are placed by local authorities, and these, with one or two outstanding exceptions, do not appear to have had any qualms about accepting tenders presented by members of the builders' conferences. The Royal Institute of British Architects, however, has suggested more than once that its members should ask for a similar declaration; but there is little evidence that many do. After the declaration, the builders reiterated an offer made previously to the Ministry to abandon the fair price scheme if the Minister agreed to withdrawn what they describe as the "discriminatory" form that tenderers are required to sign. The Minister has, however, already firmly rejected this offer; so, for the time being, there appears to be deadlock with the Ministry of Works. The builders emphasise, however, that they are prepared to suspend the fair price scheme (though not, apparently, the levy) "completely" wherever a contracting authority does not insist upon a declaration that there has been no concerted action in tendering.

It is doubtful whether the Government could induce the local authorities to show the same united front to the builders' conferences that the builders present to them, despite its power over housing policy, which represents the bulk of local authority building. In theory, the obvious course is a formal reference to the Monopolies Commission. Mr Eccles rejected this procedure on Friday because of its slowness, and also, perhaps, because he thought its investigatory procedure might prove ineffectual.

* * *

Hot Money Leaves Canada

One of the odder consequences of the Republican victory in the United States elections has been a weakening

of the Canadian dollar. Its premium on the US dollar, which touched 4½ cents in September, has since run off to 1½ cents. In the ten days to last Wednesday, while the spot rate for the United States dollar appreciated in terms of sterling from \$2.80½ to \$2.79½ on the London market, that for the Canadian dollar depreciated from \$2.70½ to \$2.74½; similarly, the forward rate for Canadian dollars in London, which last September stood at 2½ cents premium for three months delivery, and has recently been converted to ½ cent discount, the first occasion on which such a discount has appeared since September, 1951. The main reason for the recent weakening of the Canadian dollar has been the withdrawal of American capital from Canada. Much of the capital that had made its way into Canada during the past eighteen months had been invested on short-term considerations, some of it in search of a quick exchange profit, some looking for the capital appreciation promised by the rapidly developing Canadian economy, and some—or, at least, so market observers allege—propelled from the United States by distrust of the Democratic Administration. This inflow of hot money, which may have gone too far earlier this year, has now reversed itself—although there is very little sign of any reinvestment in the United States, where no Eisenhower boom has yet been unloosed on Wall Street.

These capital movements apart, there is nothing in the balance of payments situation to justify the present weakening of the Canadian dollar. It is true that the winter months between October and March, when the St. Lawrence is frozen, is normally a season of weakness for the Canadian currency. On the other hand, all indications of Canada's external trade in 1952 suggest that this year's exports should equal or exceed the record set up in 1951. Indeed, for the first nine months of this year Canada's visible trade showed a favourable balance of over \$235 million, compared with a deficit of \$324 million in the comparable period of 1951. It is, of course, wholly in keeping with the exchange policy of Canadian authorities to allow the rate to yield to the pressure of capital movements; the Bank of Canada has no intention of giving those who withdraw hot money the advantage of reconverting their Canadian dollars at a high premium, at the expense of the Canadian reserves of gold and US dollars.

* * *

Record Steel Output Once More

Steel output last month, in spite of the week's holdup at Margam during a bricklayers' strike, was the highest ever recorded for any October—327,800 ingot tons a week, or an annual rate of 17,044,000 tons. Pig-iron output for the month was 204,200 tons a week. The output of both was slightly below the September figure (329,800 tons of steel and 208,600 tons of iron a week), largely owing to the Margam strike; but it was sharply higher than the 1951 figures for October (300,600 tons of steel and 189,700 tons of iron a week), and higher than the figures for the peak year of 1950. The industry is now entering upon the most productive six weeks of the year; output this month should be higher than October, and it should remain high in December, despite the effect of holidays. It now seems fairly certain that the industry can produce less than 16 million ingot tons for the year, or slightly more.

Imports of steel this year may reach the equivalent of some 2 million ingot tons; and allowing for some rebuilding of stocks, second-hand and re-usable material, and exports, home deliveries should be much larger than in any year since the war. Nevertheless, Government spokesmen in both Houses of Parliament this week remained unwilling to write off the steel shortage. Mr Sandys said that large imports of steel, including some from America, would be necessary next year, and that difficulties still existed in supplies of some types of steel. Lord Swinton, commenting upon the increase in the steel allocation to building in the first quarter—

of next year, said he intended to keep it up for the whole of 1953. If the phrase implies that steel allocation needs to "be kept up" for another twelve months, the Government would appear to be taking a more pessimistic view of supplies than the industry would accept or the obvious prospects seem to support.

Competition and the Commonwealth Bank

The Australian Government is to introduce legislation next February that will effect two important changes in Australia's banking structure. In the first place, the trading department of the Commonwealth Bank—which competes with the commercial banks, in a way that they consider unfair—is to be made a separate legal entity. The department will, however, still be subject to the Bank Board and to the Governor of the Commonwealth Bank; and as privileged information available to the Board and Governor in their capacity as central bankers cannot very easily be denied to them in their capacity as directors of a large trading bank, complaints about "unfair competition" are unlikely to be fully silenced.

The other main feature of the proposed new legislation is a reform of the Special Accounts system. Under this system, which was introduced during the war, a proportion of the assets of each trading bank is segregated in an account that cannot be used as a basis for the expansion of advances. This weapon has proved its adaptability to the Australian climate—in a period of economic fluctuations as violent as the meteorological alternations of drought and flood that Australia has experienced in recent years. It is therefore to be retained, but the amount callable to a bank's Special Account is to be limited to the sum in that account on October 7, 1952 (a total of £A182 million) plus 75 per cent of any increase in a bank's deposits since that date. In addition, the proportion of each bank's deposits remaining callable to Special Accounts is to be limited to 10 per cent, and is to be adjusted to not more than this figure at least once a year. The Commonwealth Bank will be obliged to indicate to the trading banks the changes it expects in deposits and liquid assets, and it is to give them the maximum possible notice of calls to Special Accounts and of releases from them. The Special Accounts system was devised to meet the very special requirements of wartime: the present proposals mark the end of a period during which the accumulations of wartime have been run down, and a situation restored in which more orthodox weapons of central banking are likely to assume at least equal importance. It is unfortunate that, in the peculiar political conditions prevailing in Australia, these welcome—but minor—changes seem likely to become the subject of partisan controversy.

British Oil and the "Cartel"

It was always clear that the anti-trust proceedings brought by the American Administration against 21 major oil concerns for their part in an alleged "world oil

cartel" would give more satisfaction to the critics and enemies of the western world than to anyone else. Judge Kirkland, who is hearing the case in the District Court of Washington, has himself declared that the proceedings could be "the fuseline of a powder keg to set off another war." He has gone some way towards limiting the fantastic number of documents that the Department of Justice had demanded of the companies and has shown himself far from sympathetic to the terms of the department's subpoena. This decision will no doubt disappoint the department's counsel, who had proceeded implacably with their demands and denunciations, and opposed any move that would limit the investigation of documents concerned with the overseas business of the companies, on the ground that they form "the heart of the evidence" in establishing a "criminal conspiracy" among the companies.

The limitation on documents that the Court has ordered need not disappoint the mischief makers in oil producing countries throughout the world, for what remains will give nationalists and fanatics in those countries plenty of opportunity for embarrassing American policy and strategy. They are already seizing their opportunities for fomenting trouble, encouraged by the clear differences between the objectives of the Department of Justice—with a spokesman who can bring himself to declare that world oil arrangements have "developed a danger to national (that is, United States) security"—and the preoccupations of the State and Defence departments in the Middle East and Latin America.

It is eminently satisfactory to learn that the British Government has intervened in this issue so far as the Anglo-Iranian and Shell companies are concerned. The Ministry of Fuel and Power, in a letter to the former company, has forbidden it, on grounds of international comity as well as economic, strategic and political security, to produce to the Washington Court "any documents which are not in the United States and which do not relate to business in the United States, or to give information which does not relate to business in the United States" without the Government's authority. Since the Government is a majority shareholder in the company, and since Anglo-Iranian does no oil business in the United States (though it has an office there) this direction would seem to be quite explicit. A letter in similar terms has gone from the minister to the British companies in the Shell group; there is no Government holding in Shell, and therefore Mr Lloyd's action can be regarded, in both cases, as a political decision. At this Mr Emmeglick, who appears for the Department of Justice, has asserted that these orders are "very regrettable, but not an act of the British Government." It is difficult to know what would satisfy him. The issue of international jurisdiction, to which attention was drawn in these columns when this case started on its fantastic course last August, is now right in the open.

Taking the Air with Fido

The Ministry of Civil Aviation and the two British airlines carried out experiments this week with the wartime fog dispersal installation, Fido, to see whether it could be used for the take-off and landing of civil airliners. The Ministry has one installation in working condition at Manston, which is available for use by civil pilots in extreme emergency; a second one at Blackbushe is being brought on to a care-and-maintenance basis. The installations consist simply of pipes through which a petrol-paraffin mixture is pumped and burnt through nozzles placed at intervals along the pipes. As the Blackbushe installation had to be tested to see that it was still in working condition, it provided a suitable opportunity for making a simultaneous live test with civil aircraft. With the pipes 37 yards away from the run-

way there is no fire risk, and not much to alarm passengers. What was frightening about the test is the cost. Fido burns a thousand gallons of fuel a minute. On the other hand, fog at an international airport delays the airlines' schedules all along the route, and may run up some very heavy hotel bills if the passengers have to be boarded out overnight by the operators.

Until this week's tests, Fido had not been used for take-off. If fog prevents aircraft from leaving the ground on time, the congestion that follows is really serious; those coming in can be diverted to other airports. Using Fido, those same aircraft can, it is believed, continue to take off at the rate of one a minute, if the airlines are prepared to foot the bill for it. In the 18 minutes' test at Blackbushe, four aircraft took off, made one run each across the runway to simulate an over-shot landing, and landed. The Ministry of Civil Aviation has, therefore, proved the feasibility of civil operations with Fido, and would be prepared to put in the installation at the airports under its control provided that each airline will pay for the cost of running the equipment while in use by its own aircraft. The operators may not feel it quite fair that they are penalised for London's bad climate, but London's first-class hotel bills and British Railways' first-class fare from Prestwick, in the long run, may exceed the cost of Fido's fuel at perhaps 3s. to 4s. a gallon.

Gas Consumption Declining

Although less than a quarter of the gas sold in this country is bought by industry, trade recession is bracketed with milder temperatures as the main reason why gas sales, like those of coal and electricity, have failed to maintain their upward trend this year. In the year ended March 31, 1952, upon which the Gas Council and the twelve Area Gas Boards have reported this week, sales appear to have been about 2.1 per cent larger than in the previous year (the accounting periods are not comparable). But since March, from the Ministry of Fuel and Power's periodical statistics of gas made available at gasworks, consumption would appear to have been about 2½ per cent lower than in the comparable seven months of 1951. Regional statistics for gas sales are not generally published, and it is not possible therefore to gauge the course of industrial consumption—which varies from no more than 7.6 per cent of sales in the Southern Board area to 44.9 per cent of sales in the West Midlands. This year has emphasised the importance of detailed fuel consumption statistics, which are published weekly for coal and have recently begun to appear monthly for electricity; published ahead of most other figures, they can give useful pointers to the trend of industrial activity in the country and in the regions. The gas industry might well consider completing this stop-press news published by the fuel industries.

The rising trend of consumption last year gave the gas industry no more than £1,440,916 surplus on a turnover of £261.0 million, after paying £10,118,820 in interest and £1,368,728 for taxation, and placing £500,000 towards a central guarantee fund. Minor items such as "unread gas"—the amount of gas consumed between the last meter reading and the end of the financial year—slightly complicate the accounts, but the cumulative surplus since vesting date now stands at just over £3.4 million, largely in reserves and special provisions for replacement and obsolescence. The Gas Council's central guarantee fund now amounts to about £1.1 million. The industry provided £112.4 million for depreciation. The council admits the importance of rising replacement prices, though it hopes they may turn downward in the future; but until some alteration is made in the Inland Revenue rules concerning special reserves set aside to cover replacement costs, it is not prepared to change the basis of its provision for depreciation from historical costs.

Gas in the Queue

Though the gas industry is not yet claiming to have achieved any recovery in its sagging sales, it seems probable that it will soon have to put its prices up further. Ten of the Area Gas Boards made a surplus last year, and two showed a deficit; but the reserves of the industry are not yet substantial enough to give gas prices any cushion to absorb increases in costs. The most important increase in costs since March has been a wage award that will require about £2 million extra in a full year, which is somewhat larger than the total surplus achieved last year on sales that so far look likely to be larger. The industry is looking anxiously at the application for an increase in railway freight rates, and even at the possibility of rises in miners' wage rates. Coal, and the cost of transport included in coal, is by far its largest item of cost; last year it cost the gas industry £99.1 million out of total operating costs of £151.3 million. The total costs of gas-making amounted to 8.66d. a therm, and after the addition of other charges and the deduction of sales of coke and chemical by-products (valued at some £61 million in all) the total cost per therm sold rises to 12.85d. (about 5 per cent higher than the year before, against a rise of 15 per cent in the price of the carbonisation coals the gas industry buys). The industry is experimenting with other sources of power; it buys some refinery gases and some liquid butane from the oil industry (as well as its normal supplies of gas oil to enrich water gas), and is now considering methane from coal mines and similar "natural gas" from possible deposits in various parts of the country.

Supplies of steel, of which its allocation was fairly sharply restricted this year, have limited capital development; but the industry closed down 47 small gasworks during the year as a result of inter-linking its gasworks by local "grid" schemes. The North-Western Gas Board, which showed a deficit on the year, partly because of an increase in capital charges, is engaged in a particularly large programme of development; it may be 18 months before its re-equipment and re-organisation of gasworks brings considerable results in efficiency and the reduction of costs. The industry as a whole spent about £45 million on capital development last year; its bank overdrafts now stand at about £40 million, and its chairman, Colonel Harold Smith, observed this week that it is already taking "its place in the queue" to raise new money by an issue of stock.

Butter for Margarine

From November 30 the weekly butter ration is to go up from 2 to 3 ounces, but the margarine ration is to come down by an ounce, from 5 to 4 ounces. According to the Minister of Food, who made the announcement, the country cannot at present afford more of both, but must make the choice, because an extra cost in scarce currency would be required to increase both. More than half the butter imported into this country comes from sterling sources. Of total butter imports in 1951, about £90½ million worth, almost £45 million came from New Zealand and about £10 million from other sterling sources. The rest has to be paid for mainly in other European currencies—in 1951 butter imports from Denmark amounted to just over £30 million.

It appears to be the Government's view that any increase in the spending of currencies other than sterling on butter (and possibly cheese) must be offset by a saving on the amounts spent on margarine materials—whale oil and vegetable oils. A margarine ration of 4 ounces involves little dollar expenditure, but a ration above that level involves obtaining raw materials largely from outside the sterling area. The Minister stated that 99 per cent of the present margarine ration is now being taken up; to unration this and cooking fats would involve the purchase of another 225,000 tons of fats and oils annually, costing about £22

LIVING WITH THE DOLLAR

Can the world ride over the dollar shortage towards freer trade? This problem lies squarely before the Commonwealth Prime Ministers' Conference and the new Eisenhower Administration. It will be discussed—and detailed proposals for a way out will be formulated—in a special section of next week's issue of *The Economist*.

million in non-sterling currency, of which £10 million would be in dollars. Almost half of the cheese entering this country, on the other hand, comes from the sterling area (mainly from New Zealand); so the cheese ration can be increased from January 25 next year—by a princely half an ounce per person each week.

The Ministry of Food has been able to arrange some European bacon contracts at slightly lower prices than those prevailing over the past twelve months. The recent contracts with Denmark and Holland were on a basic price of 252s. 6d. per cwt fob, which compares with an average of about 272s. 6d. paid since September last year. In 1951 Britain's bacon imports cost £53,236,000, of which bacon from Denmark cost £35½ million and from Holland almost £8½ million. Imports from sterling countries amounted to only £333,700: so the price reductions on the European contracts constitute a useful saving on the non-sterling cost of bacon imports.

British Oxygen's Issue

A cash issue of new shares by British Oxygen has been in the offing for some time; the directors suggested as long ago as last June that "the progress of capital development already authorised and in contemplation" might make the raising of additional capital necessary. The company has now decided to raise just under £3,750,000 by a "rights" offer of 1,873,315 new £1 ordinary shares at 40s. each (which compares with a current market price of 49s. 4½d. for the existing shares). Ordinary stockholders are being offered these new shares in the ratio of three new shares for every £10 of stock held, together with a right to apply for any "excess" shares. The new shares will rank for any final dividend that may be declared for the year ending on December 31st.

As a result of this operation and of the bonus issue last June, there will be £8,117,698 in equity capital ranking for the final dividend for 1952, compared with £4,162,922 at the end of last December. At the time of the bonus issue the directors stated that "it should not be assumed that the 20 per cent rate of dividend which has been paid for several years will be maintained on the increased share capital." The least sanguine interpretation that could be made of this statement was that the interim dividend rate might be scaled down from 8 to 5½ per cent and the final dividend rate from 12 to 8 per cent. But, in fact, British Oxygen declared an interim ordinary dividend for 1952 of 6 per cent last September. This has thrown estimates of the final dividend into the melting pot; at the worst it seems that the final dividend might be declared at a rate of 7½ per cent and at the best of 9 per cent. The prospectus should solve this riddle, but even on the most gloomy view of a total dividend at 13½ per cent the new shares at 40s. each would offer the attractive yield of 6½ per cent.

Costs in the Copper Belt

The publication of the full accounts of Roan Antelope and Mufulira coincided with the welcome news of the end of the three weeks' strike in the Rhodesian copper belt. Negotiations on the wage dispute have now been recommenced; they may take some time to complete, but in the end a fairly substantial increase in wages—though not of the order of 2s. 8d. a day originally demanded by the unions—seems inevitable. As yet, the increase in costs has lagged well behind the rise in copper prices; the average price of blister copper sold by Roan Antelope in the year to June 30th, for example, rose by £29 15s. a long ton to £205 18s (fob Beira), but average costs a long ton increased by only £9 8s. to £90 17s. This, together with an increase in blister copper production, led to a further advance (from

£5.9 to £8.5 million) in profits earned by Roan Antelope. Mufulira is a "wetter" mine than Roan Antelope, and its output was therefore affected more seriously by last year's shortage—or threatened shortage—of fuel; the increase in its profits was consequently limited to about £400,000 (to nearly £8.2 million). The chairman of both companies, Mr R. L. Prain, declared in his statement that costs in the current year will probably continue to rise; the strike has turned this probability into certainty. Capital costs are also increasing; originally the cost of the new electrolytic refinery now under construction by Mufulira was put at £3 million, but this estimate has recently been revised to £4 million.

The recent report of the Paley Committee in the United States suggests that the long term prospect for the demand for copper is bright. But in the short term the increase in costs threatens to squeeze profits significantly. And, as far as investors in the Rhodesian Selection Trust group of copper companies are concerned, the important question whether the companies will be given permission to transfer their domicile to Rhodesia remains unanswered—although the Treasury will clearly have to make some statement soon. With the ending of the strike one cloud has been lifted from the copper belt, but others may be piling up on its horizon.

Laid-up Shipping and Freights

Freight rates are still hovering near the line below which it becomes advisable to lay up tramp ships, as is demonstrated by the increase shown in the latest returns of shipping laid up in United Kingdom ports. On October 1, according to the Chamber of Shipping, there were 65 British ships, totalling 207,042 tons gross, laid up in UK ports for reasons other than repairs. This is an increase of 45 ships, totalling 170,412 tons gross, in the three months since July 1, when the figure was 20 ships, totalling only 36,630 tons gross; in October last year only 27 ships, of 43,904 tons gross, were laid up. The number and tonnage of foreign ships laid up in UK ports have also increased markedly, from only three ships (4,444 tons) on July 1 to 18 ships (83,351 tons) on October 1 against two ships of 985 tons a year before. It was in June that the Chamber of Shipping index of tramp freight rates fell below the 100 mark after a long period in the clouds, and by August it had declined to 79.2. It can be deduced, therefore, that this was the level at which a number of British and foreign owners decided that laying up had become cheaper than carrying cargoes at a loss. Returns of ships laid up, of course, give only a partial picture: they do not take into account British or foreign ships laid up abroad, nor can they indicate how many vessels on the particular date were working their way home in ballast or with uneconomical cargoes in order to lay up.

But the turn of the market since August may have caused some owners to reconsider laying up ships. The index for October worked out at 94.2; this improvement appears subsequently to have been fairly well maintained, and some reduction in operating costs has also been achieved as a result of the fall in oil bunker prices. On the other hand, the margin of profit at the present time is probably not very great, and the prospects of employment for inefficient ships cannot be considered to be firm, particularly since 50 per cent of the dollar aid cargoes are being reserved for American ships at artificial rates. Nevertheless, the volume of tramp tonnage on offer is rapidly diminishing, since the prolonged decline in freight rates has sent many ships to the breakers and few new ones are being completed. It is possible, perhaps, that the removal of tonnage through scrapping and laying up (not to mention the return of some 500 American Liberty ships to the mothball fleet) has contributed in some measure to the recent improvement in the freight market. If so, any marked increase in world seaborne trade might reveal once more a deficiency of tonnage that could not easily be made up from the ships that are laid up outside America today.

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Company Notes

Standard Motor.—The post-war boom in the British motor industry came to an end this year and short-time working is now the rule rather than the exception. All the leading manufacturers have suffered from keener competition by foreign manufacturers in markets where consumers' resistance is growing, and from import restrictions in the Commonwealth. Of those that have recently published preliminary statements, Standard Motor appears to have fared the worst. Its trading profits fell sharply from £3,918,085 to £3,041,443 in the year to August 31st. Thanks partly to the need to set aside £135,000 for EPL, the total provision for taxation has remained almost unchanged, at £1,205,000, in spite of this decline in gross earnings. By declaring an ordinary dividend of 12 per cent the directors of Standard Motor have, in effect, recommended the same equity payment as in 1950-51—once account is taken of last year's 250 per cent scrip bonus. As shareholders are to receive the same slice from a smaller cake, however, the directors have only been able to plough back £72,599 (against £395,037) into the business. The margin of net earnings to ordinary dividends now appears to be uncomfortably low.

One of the gloomiest portents for the future is the fact that the company has recently had to reduce its production of tractors. Tractor

	Years to Aug. 31, 1951	1952
Earnings:		
Trading profit.....	3,918,085	3,041,443
Contingencies.....	250,000	
Amortisation.....	554,484	314,816
Depreciation.....	899,048	911,260
Taxation.....	1,200,000	1,205,000
Net profit.....	853,069	530,631
Ordinary dividends.....	323,032	323,032
Ordinary dividends (per cent).....	30	12
Added to carry forward.....	395,037	72,599

production should return to a more normal level in the New Year, but shareholders, who will be aware of the contribution that the production of tractors made to profits last year, will realise that even a temporary dislocation in tractor production can have a serious effect upon earnings.

British Motor and Rootes Motors.—The preliminary statements issued by British Motor—the product of the Austin-Morris merger—and by Rootes Motors have a more encouraging tale to tell than the statement issued by Standard Motor. But shareholders will note that the accounting periods of these two groups ended on July 31st, a month earlier than the end of Standard Motor's financial year. They will also remember—indeed the rest of the motor industry, and potential consumers, remember only too well—the speech recently made by Mr Lord, which drew attention to the deterioration in trading conditions that has taken place in the last few months. The trading results of British Motor and of Rootes Motors must therefore be interpreted as an accounting for the past and not as an indication of present or future trends. In the first four months of its existence the British Motor group earned a profit of £5,804,002, of which £3,239,345 had to be set aside for taxation; although a precise comparison between these figures and the earnings of Morris and Austin before the amalgamation is impossible, it seems clear that earnings were being well maintained until the end of July. Similarly, profits earned by the Rootes group in the year to July 31st were only very slightly lower (at £3,425,697) than the profits of £3,473,873 reported in the previous financial year. But, in common with British Motor, the Rootes group had a heavy tax bill to meet; in fact, the provision for taxation increased—thanks presumably to the group's EPL liability—from £2,069,925 to £2,270,118, so that the

net balance after tax fell from £1,403,948 to £1,155,579.

Now that the "cold wind," to which the chairman of Rootes referred a year ago, is whistling around the ears of the motor manufacturers, the industry's dividend disbursements are likely to be conservative, at best. When the Austin-Morris merger was announced, the directors of British Motor declared that it should be possible to pay a dividend at an annual rate of not less than 52 per cent; a dividend payment for the first third of the company's first year (the four months to July 31st) has accordingly been recommended at precisely 17½ per cent. Similarly, the ordinary dividend of Rootes Motors has again been maintained at 32½ per cent. On the basis of a 52 per cent dividend the 5s. ordinary shares in British Motor at the current price of 28s. 6d. yield 9.1 per cent; the 4s. ordinary shares in Rootes Motors at the current price of 16s. 3d. yield 8 per cent.

Ind Coope and Allsopp.—Traditionally, the brewing year ends on September 30th, and for the first time since the end of the war the brewers have been able to announce that in this period there has been a slight increase in beer production. It is against this background—and against a background of higher prices and some working economies in the industry—that Ind Coope has been able to report an increase in group trading profits, from £2,582,677 to £2,703,217, in the year to August 31st last. Sales of draught beer in Ind Coope's "tied houses"—the company has more of these than any other brewer—have probably been well maintained, but it is to an increase in the sales of bottled beers, particularly of the heavier gravity beers, that

	Years to Aug. 31, 1951	1952
Consolidated earnings:		
Trading profit.....	2,582,677	2,703,217
Total income.....	3,019,630	2,982,180
Depreciation.....	407,133	412,725
Taxation.....	1,083,290	1,192,137
Net profit.....	765,923	770,177
Ordinary dividends.....	479,927	483,207
Ordinary dividends (per cent).....	30	12
Capital reserve.....	174,000	175,000
Reserves.....	416,558	278,469
Added to group carry forward.....	17,819	1,233

the expansion in earnings can be attributed. Ind Coope sells its bottled beers on a national scale, in "free houses," off-licences, and "tied houses" owned by other brewers, but competition in this market is growing—and will certainly continue to grow—keener. Ind Coope, for example, has not only to face competition from three other "national" breweries selling bottled beers throughout the country, but also competition from the smaller local breweries that are now paying a great deal of attention to the sales of their own bottled beers.

An interest in the bottled beer trade does not therefore necessarily mean that further increases in profits are going to be easy; and, in any case, such increases as are attained go mostly to the tax collector. The increase in Ind Coope's taxation provision last year (from £1,083,290 to £1,192,137) limited the increase in its net profits to a mere £4,254, so that the directors, by declaring a dividend of 12 per cent, could only in effect recommend the same distribution on ordinary capital as was made the year before. The season of brewing results has started well with the announcement of increased profits from Benskin's Watford Brewery and from Mitchells and Butlers as well as from Ind Coope. But in all three cases the companies have been merely content to maintain their ordinary dividends; this is all investors should expect when other breweries announce their results.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Nov. 5, 1952	Price, Nov. 12, 1952	Net Yield, Nov. 12, 1952	Gross Yield, Nov. 12, 1952
War Bonds 2½% '51-53	99½	99½	0 12 3	2 12 7
War Bonds 2½% '52-54	99½	99½	1 19 11	2 17 8
Exchequer 2½% 1955	98½	98½	1 13 1	2 17 0
Ser. Funding 1½% '53	99	99	1 16 1	2 12 10
Ser. Funding 1½% '54	97½	98½	1 17 0	2 13 10
Ser. Funding 3½% '55	100½	100½	1 10 3	2 18 9
War Bonds 2½% '54-56	98½	98½	1 11 10	2 17 4½
Funding 2½% '52-57	99½	99½	1 12 3	2 18 0½
Nat. Def. 3½% '54-58	100½	100½	1 11 10	2 2 1½
War Loan 3½% '55-59	99½	99½	1 13 8	2 3 2½
Savings 3½% '55-65	92½	92½	2 6 1	3 18 8½
Funding 2½% '56-61	92½	92½	2 6 5	3 11 7½
Funding 3½% '59-69	87½	87½	2 10 5	4 1 11½
Funding 3½% '66-68	88½	88½	2 10 0	4 8 10½
Funding 4½% '60-90	97½	97½	2 4 2	4 2 0½
Savings 3½% '60-70	86	85½	2 12 0	4 3 9½
Savings 2½% '64-67	84½	84½	2 12 8	3 19 0½
Victory 4½% '20-76	101½	100½	2 1 3	3 19 10½
Savings 3½% '55-75	83½	83½	2 11 5	4 3 11½
Consols 4½% (aft. 1957)	88½	88½	2 7 9	4 11 7½
Consols 3½% (aft. 1961)	79½	78½	2 6 8	4 9 3½
Treas. 2½% (aft. 1975)	58½	58½	2 5 0	4 5 11½
Treas. 3½% (aft. 1968)	68½	68½	2 6 1	4 8 0½
Treasury 3½% '77-80	89½	88½	2 8 6	4 4 5½
Redemption 3½% '86-96	79	78½	2 7 6	4 1 6½
War Loan 3½% (aft. 1952)	78½	78½	2 7 0	4 9 6½
Consols 2½%	60½	60½	2 3 7	4 3 2½
Br. Elec. 3½% '68-73	84½	84½	2 11 11	4 3 10½
Br. Elec. 3½% '74-77	82½	82½	2 10 11	4 3 10½
Br. Elec. 4½% '74-79	99½	99½	2 5 3	4 6 2½
Br. Elec. 3½% '76-79	89½	89½	2 5 2	4 6 1½
Br. Trans. 3½% '78-88	78½	78½	2 10 3	4 4 6½
Br. Trans. 3½% '68-73	84½	84½	2 11 11	4 3 10½
Br. Trans. 4½% '72-77	99½	99½	2 6 9	4 5 10½
Br. Gas 3½% '90-95	77½	77½	2 9 0	4 3 3½
Br. Gas 3½% '69-71	91½	91½	2 8 0	4 3 6½
Br. I. & S. 3½% '79-81	88½	88½	2 8 1	4 4 7½

(a) To earliest date. (f) Flat yield. (b) To latest date. (s) Assumed average life 15 years approx. * Ex dividend.

Last Two Dividends	Ordinary Stocks	Price, Nov. 5, 1952	Price, Nov. 12, 1952	Yield, Nov. 12, 1952
(a) (b) (c)				s. d.
40 b	20 Anglo-Am. 10/-	6	5½	5 3 2
25 b	5 Anglo-Iran £1	72/6	72/6	5 12 11½
12½ b	7½ Assoc. Elec. £1	101/3	101/3	5 8 8
20 b	7½ Assoc. P. Cem. £1	122/6	122/6	7 0 0
12½ b	10 Bass £1	20/6	19/6	5 2 7
20 c	5 Boots 5/-	22/3	22/3	10 9 1
8½ b	3 Brad. Dyers £1	25/4	24/3	4 10 9
4½ b	6½ Br. Celanese £1	29/4	28/6	9 2 5½
12 b	6 Br. Oxygen £1	61/10	49/4	5 13 5½
3 b	3 Can. Pac. \$25	\$61½	\$59	4 12 5
5 b	7½ Coats £1	45/-	45/-	5 11 1
6½ b	5 a Courtlands £1	37/-	37/-	6 1 8
15 c	15 a Cunard £1	32/-	32/-	9 7 8
7½ b	15 a Distillers 4/-	16/9	16/9	5 7 6
17½ b	17½ a Dunlop £1	45/7	44/4	7 17 6
12½ c	15 a Ford £1	49/-	49/-	6 2 5
7½ b	15 b Gen. Elect. £1	42/6	42/6	5 4 9½
5 b	10 a Guest Keen £1	52/-	52/6	5 14 3
17 b	7 a Guinness 10/-	29/-	29/-	5 15 1½
5½ b	4½ a Hawker Sid. £1	36/-	35/3	5 13 6
13 c	5 a Imp. Chem. £1	44/-	44/-	5 18 2
18½ b	13½ a Imp. Tobacco £1	54/9	55/-	7 5 5½
26½ c	\$26½ a Int. Nick. n.p.	\$81½	\$78	5 19 0
17½ c	17½ a J'burg Con. £1	46/3	43/6	8 0 11
10 b	5 a Lancs. Cotton £1	38/9	39/4	7 12 4
10 b	7½ a Lon. Brick £1	61/3	62/6	5 12 0
65 b	15 a Marks & Sp. A 5/-	45/3	46/8	4 6 0½
15½ b	6½ a Monsanto 5/-	23/-	23/-	4 17 10
10½ b	6 a P. & O. Def. £1	49/-	48/-	6 18 11
7½ b	17½ a P. Johnson 10/-	34/6	34/6	7 5 0
78½ c	100 a Prudential 'A' £1	34½	34	5 12 1
50 a	175 b Rhokana £1	19½	19½	11 16 10
10 b	5 a Rolls Royce £1	61/10	60/7½	4 19 0
15 a	113 b Shell Stk £1	78/1½	76/10½	5 19 3½
13½ a	8½ a Tube Invest. £1	56/3	55/7½	7 5 10½
15 b	5 a Tur. Newall £1	93/14	92/6	6 18 9
5 a	8½ a Unilever £1	45/6	45/6	5 18 9
10 c	12½ a Union Castle £1	20/8	20/-	6 5 0½
5 b	5 a Union Diac. £1	41/-	40/6	4 18 9
16½ b	7½ a Utd. Molass. 10/-	30/3	28/9	6 17 1
30 f	7½ a U. Sua Betong £1	38/1½	36/3½	20 13 9
10 b	24 a Vickers £1	41/9	41/9	5 19 10
27½ b	15 a Woolworth 5/-	44/-	43/9	4 17 2

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 14%. (e) Yield basis 16½%. (f) Yield basis 22½% gross. (g) Div. declared for 4 months. Yield basis 52%. (h) Yield basis 15%. (i) Yield basis 64%. (n) Yield basis 40%. (o) Yield basis 20%. (p) Yield basis 11½%. * Ex div. † Free of tax.

EXCHEQUER RETURNS

For the week ended November 8, 1952, total ordinary revenue was £88,303,000, against ordinary expenditure of £54,975,000 and issues to sinking funds £787,000. Thus, including sinking fund allocations of £19,800,000 the deficit accrued since April 1, 1952, was £320,385,000 compared with a deficit of £53,825,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53 (£'000)	April 1, 1951 to Nov. 10, 1951	April 1, 1952 to Nov. 8, 1952	Week ended Nov. 10, 1951	Week ended Nov. 8, 1952
REVENUE					
Ord. Revenue	180,422	530,352	553,950	9,527	13,318
Income Tax	123,000	42,600	39,900	1,400	1,000
Stamps	175,000	112,900	88,800	2,800	2,900
Profits Tax & EPT	57,500	38,600	29,950	1,300	1,000
Excess Profits Levy	452,000	192,100	238,000	7,000	8,500
Special Contribution and other Inland Revenue	5,000	...	...	...	...
Total Inland Rev.	261,875	918,587	951,660	22,077	26,778
Customs	104,350	614,107	629,665	32,725	16,987
Excise	772,000	483,600	456,313	17,077	41,670
Total Customs and Excise	1,815,500	1,097,707	1,085,978	49,802	58,657
Motor Duties	64,150	15,125	15,440	644	1,677
Surpl's from Tradg. PO (Net receipts)	12,000	66,927	...	1,000	...
Broadcast Licences	15,000	6,300	6,650	...	...
Sundry Loans	26,000	19,733	19,378	67	510
Miscell. (incl. Surpl. plus War Stores)	110,000	80,242	73,759	1,485	681
Total Ord. Rev.	4,661,375	2,207,721	2,152,864	74,875	88,303
SELF-BALANCING Post Office	209,235	112,100	121,100	6,200	6,500
Income Tax on EPT Refunds	4,900	3,577	3,122	126	79
Total	4,875,510	2,323,398	2,277,086	81,201	94,882

EXPENDITURE

	Ord. Expenditure	Int. & Man. of Nat. Debt	Payments to N. Ireland	Other Cons. Funds	Total
Ord. Expenditure	675,000	308,919	349,395	876	5,306
Int. & Man. of Nat. Debt	40,000	21,997	23,468	1,360	1,469
Payments to N. Ireland	10,000	5,828	5,460	...	...
Other Cons. Funds	625,000	356,744	378,323	2,236	6,775
Supply Services	355,436	191,176	207,517	69,000	48,200
Total Ord. Expd.	4,179,367	2,248,120	2,453,450	71,236	54,975
Sinking Funds	...	13,427	19,800	1,370	787
Total (incl. Self-Bal. Expd.)	4,179,367	2,261,547	2,473,250	72,606	55,762

SELF-BALANCING Post Office: 209,235; 112,100; 121,100; 6,200; 6,500. Income Tax on EPT Refunds: 4,900; 3,577; 3,122; 126; 79.

Total: 4,393,502; 2,377,224; 2,597,471; 78,932; 62,341.

After increasing Exchequer balances by £55,639 to £2,981,080, the other operations for the week decreased the National Debt by £28,477,285 to £26,220 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	14
Cotton (Central Buying) Act, 1947, s. 21(3)	5,000
EPU (Fin. Provs.) Act, 1950, s. 3	183
Total	5,197

NET ISSUES (£ thousand)

Post Office & Telegraph (Money) Act, 1950	1,000
EPT Refunds	97
Export Guarantees Act, 1949, s. 3(2)	5
Housing (Scotland) Act, 1950, s. 94(2)	5,190
Local Authorities Loans Act, 1945, s. 3(1)	1,380
New Towns Acts, 1946 and 1952	300
Town and Country Planning Acts, 1947	328
Finance Acts, 1946 and 1947, Postwar Credits	9,205

CHANGES IN DEBT (£ thousand)

RECEIPTS	PAYMENTS
Nat. Savings Certs. 600	Treasury Bills 20,158
3½% Def. Bonds 1,735	24% Def. Bonds 800
Tax Reserve Certs. 1,030	3% Def. Bonds 1,455
	3% Ter. Annuities 1,453
	Other Debt:—
	Internal 323
	External 69
	Ways and Means Advances 7,585
	Total 31,843

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Ek. of Eng-land		
1951						
Nov. 10	3260.0	2323.2	332.8	...	150.0	6066.0
1952						
Aug. 16	3030.0	1450.6	279.8	...	...	4760.4
" 23	3020.0	1462.9	307.0	...	...	4789.9
" 30	3040.0	1445.7	292.1	...	...	4777.8
Sept. 6	3050.0	1443.1	309.3	...	...	4812.3
" 13	3070.0	1479.9	288.7	...	...	4838.6
" 20	3090.0	1470.4	316.6	...	...	4877.0
" 30	4554.6		278.8	8.3	...	4841.6
Oct. 4	3120.0	1471.8	258.9	...	...	4850.7
" 11	4320.6*		248.0	...	...	4563.6
" 18	4348.1*		288.0	...	...	4636.1
" 25	4364.3*		263.0	...	...	4627.3
Nov. 1	4345.2*		257.2	...	...	4602.4
" 8	4325.0*		249.6	...	...	4574.6

BRITISH CELANESE LIMITED

MR G. H. WHIGHAM'S STATEMENT

The thirty-third annual general meeting of British Celanese Limited was held on November 11th in the Great Hall, Winchester House, Old Broad Street, London, E.C., Mr G. H. Whigham (chairman) presiding.

The following is the chairman's statement which was circulated with the annual report and accounts for the year ended June 28, 1952.

The net profit before taxation has fallen far short of the record levels of the last two years, earnings for the second half of the year being drastically affected by the severe recession in the textile and plastic industries. It will be seen from the consolidated balance sheet that the reserves have increased from £5,330,646 to £8,456,520. Of the increase £2,951,899 was attributable to share premium account following the issue of ordinary shares in November, 1951.

The net expenditure during the year on buildings, plant, machinery and equipment was £1,772,000. Current assets less current liabilities (including future taxation) increased by £3,389,114. Despite the special stock write-down referred to in the report, there is a substantial increase in the value of stocks, mainly attributable to the larger volume held. Raw material stocks are higher than normal in relation to current activity, owing to the rapid development of the recession, but are gradually being reduced. Product stocks are being reduced more rapidly and will shortly be at a satisfactory level.

Since the end of the war, fixed assets and working capital of the group, after providing for future taxation, have increased by £10,621,791, of which £6,264,601 has been provided out of the proceeds of the issue of shares, the balance having been provided out of the company's resources.

The amount of funding certificates outstanding, as shown in the balance sheet, was £382,939 and you will see from the accounts that £131,125 has been set aside out of the year's profits for the further redemption of certificates under the conditions of issue and, when applied, will reduce the certificates outstanding to the amount of approximately £258,000 out of the original issue of £1,700,000. During the year £76,020 of debenture stock was redeemed.

TAXATION AND DIVIDENDS

Out of the net profit for the year of £2,546,233, taxation requirements amount to £1,612,611. Successive Governments come into office, but in my view none, in spite of the submissions made to them by the most responsible representatives of industry, has really tackled the problem of how to ensure that industrial companies shall be allowed to retain enough profits to keep their plants up to date, either by means of larger allowances for depreciation on a replacement basis instead of a historical basis, or by reducing the rate of direct taxation. In the course of time all companies consume their fixed assets in their business and many today are not left with sufficient funds out of taxed profits to replace what they consume.

In a company with a capital structure such as ours one glaring unfairness to the ordinary stockholder, who really puts up the risk money, is the fact that the gross amount distributed on preference stock is subject to a distributed profits tax at the rate of 22½ per cent, or 20 per cent more than the tax of 2½ per cent on undistributed profits. Thus

the existence of preference stock now involves not only the payment of fixed dividends, but also the distributed profits tax on such dividends in priority to any payment of dividend on the ordinary stock.

On the basis of the 20 per cent differential in the tax on distributed profits, the fixed dividends on the two classes of our preference stock involve the payment of £112,750 per annum for such tax, which amount would ordinarily be available for distribution as dividend to ordinary stockholders, equivalent to approximately 6 per cent on the increased issued ordinary capital. This profits tax on distributed profits is, I submit, inherently unsound and might have the effect of causing the fresh capital required by industry to be raised by way of loan capital, which cannot be in the best interests of stockholders or of the national economy. The incidence of the distributed profits tax levied on the fixed preference dividends could conceivably result in no profits being available for dividend on the ordinary stock in years which would otherwise permit of modest distributions.

TRADING

In my speech last year I reported that our chief problems had been concerned with production rather than sales; indeed, for many years our difficulty has been to produce enough goods to supply the demand. The first signs of a slackening in demand for the products of your company were appearing towards the end of 1951, and the second half of the year under review has found us facing a recession in trade for the first time since before the war.

It was particularly unfortunate that a sudden and serious decline in the demand from the home market coincided with an even sharper and unforeseeable drop in exports. Not only were we unable to export our yarn and fabric, but the export trade of our yarn customers in this country suffered in the same degree. The heaviest of these blows has been the virtual closing of the Australian market since March, 1952.

Other countries, while not imposing a ban on imports, have set up such a high tariff barrier that it has now become very difficult to sell our goods at prices attractive enough for the market. This tendency on the part of countries to become self-contained will, if continued, have serious repercussions on international trade.

The producers of foodstuffs surplus to their own requirements must take payment in manufactured goods for the produce which they export to those countries which cannot entirely feed themselves. This is particularly so in the case of the USA, and although it would be entirely contradictory to her long-established economic policy, she must make it possible for more manufactured goods to enter her territory if she hopes to maintain a commercial export trade not bolstered by loans and grants, or indeed if she hopes to have the loans she has already made, and may make, serviced and repaid in due course.

PRICES OF RAW MATERIALS

The supply of raw materials during the year under review has been easier than during the previous year, but prices remained very high until recent months. A company such as yours must always carry such adequate supplies of raw materials as will guard against a sudden stoppage of supply. This means that, when prices fall, the raw materials

being currently consumed have been bought at more than replacement costs.

These are the conditions which obtained during the latter part of the year under review, mainly as regards cotton linters and wood pulp. On this account your board decided to write down the value of the cellulose stocks, as will be noted from the report.

PLANT EXPANSION AND MODERNISATION

The board have continued their policy of plant expansion and modernisation, and during the year further substantial expenditure has been approved. As a result, our factories are today in a far better position to meet existing adverse conditions as well as any future competition.

As regards the proposed plant at Wrexham, the construction of the buildings for the first unit is proceeding but, pending clarification of the immediate business outlook, contracts have not been placed for the plant. The new factories at Wigan, Jarrow and Blyth have operated satisfactorily, although production was reduced during the second half of the financial year due to the state of trade. It is now being stepped up again as business improves.

RIVER POLLUTION

The problem of increasing the purity of the country's rivers has lately been made the subject of increasing public interest and of recent legislation. The result has been the imposition of added responsibilities upon industrial undertakings. In March, 1952, an injunction was granted against the company to restrain it from polluting the River Derwent by discharging trade effluent and heated cooling water from our Spondon factory. In the same proceedings injunctions were granted against the Derby Corporation and the British Electricity Authority.

We have always maintained an effluent treatment plant at Spondon. Realising, however, that increased activities there necessitated further measures being taken, we approached the local sewage authority, prior to the writ being issued, with a view to their taking and treating our trade effluent. Our negotiations with the local sewage authority are still continuing and meantime the operation of the injunction against us has been suspended for two years.

We are taking active steps to deal with the whole problem and, although the period of suspension is not expected to be of sufficient duration to enable the problem to be completely solved, considerable progress is expected to be made. The expense involved in these remedial measures cannot be forecast with accuracy at present. With a factory the size of that at Spondon the best measures to meet the situation are bound to require considerable investigation and to be not inconsiderable in size and scope.

RESEARCH AND DEVELOPMENT

The successful conduct of a business in synthetic fibres requires making provision for expansion by expenditure on research and development. To remain satisfied with one's achievements means to lose ground. Even apparently well-established processes need careful periodical re-examination in the light of new knowledge, the availability of new chemical engineering materials and methods, or change in the relative merits of raw materials.

For this reason, you hear from me year by year that we have continued work on both short and long-term projects and each year brings us to the satisfactory conclusion of items in our research programme which, as they pass to the development stage, are succeeded by other new and promising ventures.

Poor trading conditions indeed only serve to bring about a greater sense of urgency in the application of already made discoveries, but the exploitation of items already proved feasible in the laboratories, workshops and pilot plants requires substantial capital, and the provision of capital is, of course, rendered more and more difficult as a result of the high rate of present-day taxation. The selection of suitable new processes for development is indeed a matter requiring accurate judgment, and one of the guiding principles in our expansion is that of developing new manufactures within the fields of textiles, plastics and chemicals which make use of skilled techniques and equipment available within the organisation.

CURRENT TRADING

The world-wide textile recession followed a period of very heavy buying started mainly by the Korean war and the fear that the rearmament programme in the various countries might lead to a textile shortage. There are, however, definite signs of improvement, particularly in the home trade and in the yarn export trade. Accumulated stocks are being worked off and idle machinery is gradually being brought back into commission. The improvement does not yet affect every section of the trade and the increase in production is bound to be slow because of the loss of labour which has inevitably occurred, so that it will be some considerable time before the effects of the recession on production and on profits are fully overcome.

I am sure you will appreciate that, under these conditions, your board cannot forecast the future level of profits or dividends. I shall be able to give you more up-to-date information regarding the state of business at the annual meeting to be held on November 11th next.

The production of rayon and acetate yarns is a continuous process and the problem regarding temporary stoppage of plant is a more serious one than that experienced by other textile industries. The reduction in our labour force occurred at a time when there was a heavy demand for labour by other industries, particularly engineering and mining. For this reason, as business improved, it has been necessary to replace a number of the skilled operatives who left us by those less experienced, and it will naturally be some little time before the new entrants reach the normal standards of efficiency.

FUTURE OUTLOOK

It is reassuring to observe how the acceptability of man-made fibres increases daily and how far-reaching their applications are becoming. The outlook for them is also improved by the widening range and varying sources of raw materials available for their production, thus overcoming the possibility of being unable to meet demands as their fields of usefulness extended. Acetate yarn maintains its position in these developments and I am still full of confidence in its future.

For some years the Government has been considering the possibility of increasing the use of man-made fibres in Service departments and branches of the public service. Recently, as a result of representations by the industry, existing textile specifications for articles in these spheres have been examined, and an appreciably larger proportion of these fibres,

including acetate, are now being introduced into many articles.

We must expect, in course of time, increasing competition from countries which have cheaper labour or which have in their own territories abundant supplies of raw materials. This, however, only spurs us on to increase further our efficiency in production and especially to accelerate development work so as to enable us to keep abreast of the times.

If the British rayon industry is to obtain its share of the export trade, it must be competitive. Increased wage rates without a corresponding increase in productivity would make this much more difficult. Yarn prices in the rayon industry have been the most stable of any textile yarn, and the maintenance of this stability will be considerably helped by the exercise of understanding and common sense on the wage question.

CHANGE OF ACCOUNTING PERIOD

Your directors have had under consideration for some time the question of changing the company's financial year to terminate at the end of March. Such a change would correlate the company's year to the Government's fiscal year, which would be more convenient from all points of view. At present, as the company's year closes on or about June 30th, the precise rates of taxation in relation to profit for the period covered by the accounts are not known, since the Budget proposals are not normally submitted to Parliament until the following April. This necessarily involves an estimation of taxation liability based on rates which may subsequently be subject to alteration in later Budget proposals and any such alteration would involve adjustment in the succeeding year's accounts.

On the other hand, with the company's financial year terminating at the end of March to coincide with the Government's fiscal year, the Budget proposals placed before Parliament in respect of taxation relative to the period covered by the company's accounts would be known prior to the completion of such accounts and their effect would accordingly be incorporated therein.

While it is unlikely that such a change would affect other than to a minor extent the amount of tax actually payable, the large sums which, under current practice, the company sets aside to meet estimated future taxation payments would be reduced.

In the opinion of your board, it is important, in view of the high rates of taxation on company profits, that the effect of the Budget proposals governing the taxation on profits disclosed in the company's published accounts should be known and incorporated in such accounts before presentation to the stockholders, and accordingly the board have decided that the next balance sheet to be issued shall be as at the end of March, 1953, and the profit and loss account annexed thereto will therefore cover a trading period of nine months only.

EPL STANDARD

From a preliminary examination of the Finance Act, 1952, it would appear that no liability on the company is likely to arise in respect of the new excess profits levy unless profits are earned in excess of those disclosed in the 1949-50 accounts.

PERSONNEL

I mentioned in my statement last year that it was the board's intention to set up a fund, the primary object of which would be the payment of pensions to long-service works employees, and that a scheme had been submitted to Inland Revenue for approval. The scheme was duly approved and the fund, to be administered by trustees appointed by the

board, has been established under a trust deed.

In common with the greater part of the textile industry, we were compelled by the trade recession to lose the services of many skilled and valued workers of long standing. Some of these have already been re-engaged, and we hope that, as trade improves, many more will be able to return to employment with us. Those who do so will not lose, on account of the interruption in their period of service, any of the benefits for which such service may otherwise have qualified them.

In the difficulties created by adjustments to production the heavy calls upon the staff have been responded to with their customary loyalty. As regards conditions of service, we endeavour to keep abreast of modern ideas and to effect improvements. These help not only to maintain a high efficiency, but enable the staff to equip themselves for opportunities for promotion within the organisation. It is most encouraging to observe that, in making awards of scholarships for higher education under our scheme, there is no dearth of suitably qualified candidates for university entrance from the families of our own staff and workers.

As regards wage rates, it cannot be denied, and yet seems insufficiently appreciated, that the situation regarding the balance of payments is critical, and unemployment in Great Britain generally, but more particularly in the textile trade, would be made much more serious should we price ourselves out of world, and especially dollar, markets.

The co-operation and understanding shown by the workers and their representatives was of very material help to us when it unfortunately became necessary to stand off some workers, to put others on short time or to transfer others out of their usual departments to other work, and I take this opportunity of thanking all for their loyalty and hard work during the past year. The board are keenly aware what the efforts of the employees have meant in all the company's different activities throughout this difficult period.

The chairman said:

Ladies and gentlemen—I regret that Dr Camille Dreyfus, who is in America, and Mr Hill-Wood, who is returning from a visit to America, are unable to be present. I propose with your agreement that the report and accounts, and my statement circulated therewith, be considered as read.

As promised in my statement accompanying the report and accounts, I now give you some further up-to-date information regarding the state of business.

During the first quarter of the current financial period the position has improved and we made a small profit in spite of the fact that July and August were difficult months owing to holidays and the influx of new labour. Production is steadily increasing following improved demand, and costs are being progressively reduced. The immediate trade prospects are that the increasing output of yarn will be fully disposed of and that consequently earnings will steadily increase but I am not in a position to forecast at this time the final results for the current financial period to the end of March next.

For the benefit of our workers at our various factories, who are equally interested with our shareholders in the business outlook of the company and who showed such co-operation and understanding when unfortunately it became necessary to stand off so many of them, I would like to say that the board see no reason why full time working for our present labour force should not continue. In fact, a return to full output in all our factories would mean the engagement of additional labour.

The report and accounts were approved.

BENNIS COMBUSTION, LIMITED

A SUCCESSFUL YEAR

The seventeenth annual general meeting of this company was held on November 7th in Manchester, Mr Thomas Hough (chairman and managing director) presiding.

The following is an extract from his circulated statement for the year ended April 30, 1952:

Despite the great difficulty in securing all the materials and labour we would wish, we have come through the year successfully. The order books are still very satisfactory and the outstanding orders should keep our workshops busy for some considerable time ahead.

In addition to the British Electricity Authority's contract for the Huddersfield generating station, we have been allocated a further generating station contract for the Midlands, for completion in 1956. We are still engaged on work for the gas industry and the National Coal Board as well as for industry generally.

Again, an appreciable amount of time and labour has been expended in furthering the development of our new machines, which are now well launched on the market. Sales of both our "Aries" Coking Stoker and the travelling Chain Grate for internally fired boilers are satisfactorily increasing, and the demand for "Bennis" products.

The provision for taxation amounts to £32,500, and, after deducting this we are left with a net profit of £30,545, which compares with £24,772 for the previous year. A final dividend of 5 per cent, making 10 per cent for the year is recommended.

The report was adopted.

HAROLD WESLEY LIMITED

(Manufacturers of Paper Products)

The sixth annual ordinary general meeting was held on November 6th in London, Mr Percy Day-Winter (chairman and managing director) presiding.

The following is an extract from his statement circulated with the report and accounts for the year ended June 30, 1952:

During the first months of 1952, the prices of paper and paper board were reduced very sharply. The price reductions resulted in depreciation of stocks of raw materials amounting to £38,194, which your directors decided should be written off against the profit for the year under review. This special writedown is shown in the accounts as a separate item and the stock depreciation reserve of £20,000 created last year has been retained intact, in view of the probability of further reduction in price levels.

The high price of paper and delayed deliveries led traders generally to expect a shortage of supplies. In consequence it is reasonable to say that all sections of the paper trade placed orders and received deliveries far in excess of their immediate requirements, so that with the first break in the price of raw materials, buyers restricted ordering, using their stocks to bring them to within reasonable limits. This factor caused a recession in trade and a reduction in sales for the last six months of the year. However, I am pleased to report that at the date of dictating this statement, your company has, for some weeks, been in full production. Your company's subsidiary, Wesley and Clark Engineering Company Limited, is working fully and has had a very satisfactory year.

The report was adopted and a final dividend of 13 per cent, making 22 per cent for the year, was approved.

ROAN ANTELOPE COPPER MINES LIMITED

The following is an abridgment of the statement, dated October 7th, by the chairman, Mr R. L. Prain, OBE, circulated to members.

RESULTS FOR THE YEAR

The year to June 30, 1952, was a record one from the point of view of both the tonnage of ore hoisted (4,368,000) and of blister copper produced (81,027). The rate of hoisting towards the end of the year was running at about 5 million tons per annum, which makes Roan at present the largest underground copper mining operation in the British Empire.

The average selling price received for our copper increased from £176 3s. 7d. in the last financial year to £205 18s. 1d. per long ton blister copper f.o.b. Beira in the year under review. The gross profit before taxes and reserves amounted to £9,531,681. Of this, £1 million was transferred to the replacements and obsolescence reserve and £450,000 to general reserve. Taxes absorbed £5,888,767, equivalent to about 62 per cent of the gross profit. The board recommends a final dividend of 1s. 7½d., making the total dividend for the year 2s. 3d. per unit of stock or share.

After referring to the company's participation in the prospecting of new areas in Northern Rhodesia, the problem of fuel supplies and the negotiations which had taken place for the supply of power to the Copper belt from a hydro-electric station to be constructed in the Belgian Congo by the Union Minière du Haut-Katanga, Mr Prain continued:

LABOUR

Following a claim by the Salaried Staff Association for a 15 per cent general increase and the adjustment of certain anomalies, increases in the salary schedules have been made without, however, any overall flat increase. Two other wage claims, those of the Northern Rhodesia Mine Workers' Union and of the Northern Rhodesia African Mine Workers' Trade Union, are at the time of writing under discussion or negotiation, so it would not be proper for me to comment on them. In any case, we hope they will have been settled by the time you read this. I must content myself with the general observation that the total remuneration accruing to our employees under the various headings is high by any comparable standards. All employees share in the prosperity of the industry through cash bonus schemes which are related to profits, and all enjoy cost-of-living allowances which vary according to an official price index.

Employee relations, in any industry, must be one of management's first concerns. We have tried to make them so in our industry and not, I think, entirely without success. We are now finding what other industries have found, namely, that these relations can become more difficult in times of prosperity. The apparently large gross profits of the copper mining companies are bound to attract the attention of employees. I must emphasise what so many other chairmen today are emphasising, that the word "profit" is often misleading. For an industry to maintain its productive power and efficiency year after year requires the provision of very large sums which have to be ploughed back into the business. These cannot be charged to working costs and have to come out of the apparent profits, whereas,

in fact, they are nothing but an additional operating cost, which under a more enlightened accounting system would show an increase in cost and a correspondingly smaller so-called profit. It is almost a certainty to say that circumstances leading to higher copper prices will also lead to higher costs of equipment, materials and supplies which we have to purchase to keep the business going year after year by means of replacements and new capital ventures.

Mr Prain referred to the copper price and to certain tax legislation introduced during the year in Northern Rhodesia and the United Kingdom. He continued:

DOMICILE

In my last two statements I have dealt at some length with the question of domicile. In the statement I made last January I stated that events were now moving towards a shift in the centre of political gravity for Northern Rhodesia affairs from the United Kingdom to Rhodesia. As a result of the discussions on the subject of the federation of the two Rhodesias and Nyasaland, and of the political developments both to the south and to the north of Rhodesia, the tempo in this matter has increased rapidly. Your board, which has been watching the position closely in recent years, decided in May that the time had arrived to carry out the transfer of residence which had been under consideration for so long. Under the existing United Kingdom laws it is, as you know, now necessary to obtain permission for such a transfer and on May 23rd application was made to HM Treasury for permission to transfer residence to Northern Rhodesia. This decision was thus the logical outcome of the board's previous views on the matter, and will have come as no surprise to members.

There is much I could say on this subject, but since the matter is now *sub judice* it would be improper for me to do so. We expect to receive a decision in the near future and that will be the proper time to make any comments.

FEDERATION

We are naturally closely concerned with the question of the possible federation of the Rhodesias and Nyasaland. The talks on this matter have now gone so far that it would be dangerous if finality should not be reached. A successful completion of federation would re-create conditions where investors could be confident about further investments in the Rhodesias. Without such investment it is not only difficult to see how some existing enterprises can be carried on but also a great opportunity will have been missed of opening up these potentially rich territories for the benefit of the Commonwealth and free nations as a whole.

While the copper companies have not taken any direct part in this question of federation, it is interesting to reflect that their enterprise in developing the mines of Northern Rhodesia has perhaps been the outstanding factor making this development possible. Without the copper revenues of today, Northern Rhodesia would have little to contribute towards a joint federal enterprise with its southern neighbour. The companies can take a pride in their contribution to this great imperial development, the outcome of which they will watch with the greatest interest and sympathy.

MUFULIRA COPPER MINES LIMITED

The following is an abridgment of the statement, dated October 7th, by the chairman, Mr R. L. Prain, OBE, circulated to members.

FINANCIAL RESULTS

Despite the lower output and the higher cost per ton, the increased price received for our product resulted in a record year financially. The average selling price received for our copper increased from £174 18s. 1d. in the last financial year to £205 18s. 6d. per long ton blister copper f.o.b. Beira in the year to 30th June, 1952. The gross profit before taxes and reserves amounted to £9,269,743. Of this, £1 million was transferred to the replacements reserve and £1,250,000 to general reserve. Taxes absorbed £5,651,927, equivalent to about 61 per cent of the gross profit. The board recommends a final dividend of 5s. 3d., making the total dividend for the year the same as last year, namely 8s. 3d. per share.

Mr Prain referred to the company's participation in the prospecting of new areas in Northern Rhodesia, the problem of fuel supplies and the negotiations which had taken place for the supply of power to the Copper belt from a hydro-electric station to be constructed in the Belgian Congo by the Union Minière du Haut-Katanga.

CHIBULUMA

Construction and development has begun at the property and is satisfactory. So far all expenditures have been found out of the capital already subscribed and no calls have yet been made for United States Government funds under the agreement with the Economic Co-operation Administration.

It is probable, in view of the big general increase in costs and prices in the last eighteen months, that the total cost of Chibuluma may exceed the original estimate. This matter is now under review, but it will be difficult to make a final estimate until more is known about the mill to be constructed at Chibuluma, which will depend to a large extent upon the metallurgical treatment that is finally decided upon for the Chibuluma ore. Tests are now being made on this ore.

After a reference to claims for increased wages submitted by the three employee organisations on the Copperbelt, and to the general question of employee relations, Mr Prain stated:

COPPER PRICE

The company has continued to sell its available output of blister copper to the Ministry of Materials throughout the year. For the first eleven months of the year the price was based on the f.a.s. New York export price for electrolytic copper, as reported by the *Engineering and Mining Journal*, which has been considered as representative of the world price. This remained stable at 27½ cents per pound throughout that period. At the end of May, however, the agreement which previously existed between Chile and the United States for the sale of Chilean copper in the American market was terminated and, as a result, the New York price immediately increased. For the month of June the average quotation was approximately 34½ cents per pound, but it was not until the price of Chilean copper considered that the price of Chilean copper resulting from the breakdown of the agreement was fully representative of world market conditions. A period of instability was thus introduced, and at the request of the

FAIREY AVIATION

FACTORIES BUSILY ENGAGED

The twenty-fourth annual general meeting of the Fairey Aviation Company, Limited, was held on November 13th in London.

Sir Richard Fairey, MBE, Hon. FRAeS (chairman and managing director), said that the available net profit of the group was £382,994 compared with £404,493 last year. While the consolidated trading profits were higher this year, that increase was more than offset by the considerably higher provision required for taxation. After the deduction of profits retained by subsidiary companies, the net profit was £258,633. The board recommended a dividend of 2s. 6d. per share, less income tax, the same as for last year.

Their factories were busily engaged in the production of their new naval anti-submarine type, the "Gannet," which was on the Government super-priority list, and of the well-established "Firefly," deliveries of which would taper off in due course as the "Gannet" took over.

Their aircraft subsidiaries in Canada, Australia and Belgium had all had a good year and were between them making a substantial contribution to the consolidated profit and loss account. Their non-aircraft subsidiaries had during the year improved their position and contributed to the company's profit. Their guided weapon activities had ever-increasing importance.

Their various plants at home and overseas were working at high pressure and they had good orders in hand. They had not yet reached peak output and, in common with the rest of the aircraft industry, they could absorb more labour as it became available.

The report was adopted.

ABERFOYLE PLANTATIONS LIMITED

The eighteenth annual general meeting of Aberfoyle Plantations Limited was held on November 7th in London, Mr P. J. Burgess (the chairman) presiding.

The following are extracts from his circulated statement:

Throughout the operating period covered by the accounts rubber prices were falling.

We have to meet intense opposition by labour to reduction of rates, to compensate for the reduced value of the rubber for which the inflated wages are paid. We are in consequence facing now a period of depression, and profits are diminishing.

We show a substantial profit for the twelve months ended March 31st. We paid an interim dividend in December, 1951, and we recommend now a final dividend of 20 per cent.

The sum paid as export duty, £69,549, represents 13 per cent on the proceeds from our rubber. Taxation on profits absorbs a further £73,852.

After the sale of the Durian property your company now has 7,737 acres planted prior to 1931, and it ought to be replanted. The capital to do so will, I believe, have to come from our own savings. This is why I look with such apprehension upon the predatory policy of excessive taxation which starves the goose that has laid the golden eggs, and if continued will kill her entirely.

I regard the current price figure for plantation rubber as unrealistic. The natural increase in total consumption will, I am confident, take care of price as ensuring production at a fair profit in the future.

The report was adopted.

Ministry of Materials negotiations took place between the Ministry and the Empire producers. These negotiations resulted in an agreement to try to stabilise the position until further notice, and today the price basis stands at 33½ cents per pound electrolytic. This is equivalent to £268 per long ton electrolytic copper, c.i.f., while we receive, of course, a somewhat lower price, due to the blister and shipping differentials.

TAXATION

I referred last year to the new legislation which the Northern Rhodesian Government then proposed to introduce to enable new mines to amortise their capital expenditure rapidly. This legislation has now been enacted though, under present United Kingdom law, companies resident in this country do not benefit from it. Any tax relief given to them by the Northern Rhodesian Government would merely reduce the double taxation relief available to them in this country, and they would still be subject to the higher United Kingdom tax rates.

In the United Kingdom the past year has seen the introduction of a new and dangerous tax, the Excess Profits Levy. Not only does this add to an already excessive tax burden suffered by industry as a whole, but it is particularly inimical to enterprise and new development.

While the Finance Bill was before Parliament it was amended so as to moderate some features of the new tax as originally drafted. These amendments have materially lessened the impact of the tax on overseas mining companies, but, as you will see from the report and accounts, it remains a severe impost even on an established company. Its worst feature, however, is its effect on an expanding production and, at a time when base metals form so vital a part of the national economy and defence programme, it is clearly wrong to impose a tax which inhibits the development of new overseas mines. So long as the present level and structure of tax in this country prevails, it is exceedingly unlikely that money for Colonial mining enterprises will be invested through United Kingdom companies.

DOMICILE

In the statement I made last January I stated that events were now moving towards a shift in the centre of political gravity for Northern Rhodesia affairs from the United Kingdom to Rhodesia. As a result of the discussions on the subject of the Federation of the two Rhodesias and Nyasaland, and of the political developments both to the south and to the north of Rhodesia, the tempo in this matter has increased rapidly. Your board, which has been watching the position closely in recent years, decided in May that the time had arrived to carry out the transfer of residence which had been under consideration for so long. Under the existing United Kingdom laws it is, as you know, now necessary to obtain permission for such a transfer and, accordingly, on May 23rd application was made to HM Treasury for permission to transfer residence to Northern Rhodesia. This decision was thus the logical outcome of the board's previous views on the matter and will have come as no surprise to members.

There is much I could say on this subject, but since the matter is now *sub judice* it would be improper for me to do so.

Mr Prain also referred to the question of the possible federation of the Rhodesias and Nyasaland.

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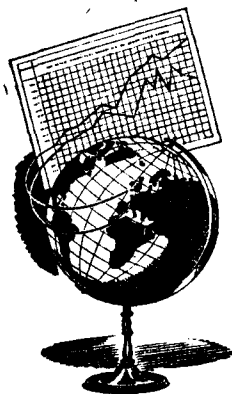
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(Incorporated in India)

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CAPITAL SUBSCRIBED RS. 5,00,00,000
CAPITAL PAID UP " 2,50,00,000
RESERVE FUND " 3,51,99,144

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Deputy Chairmen:

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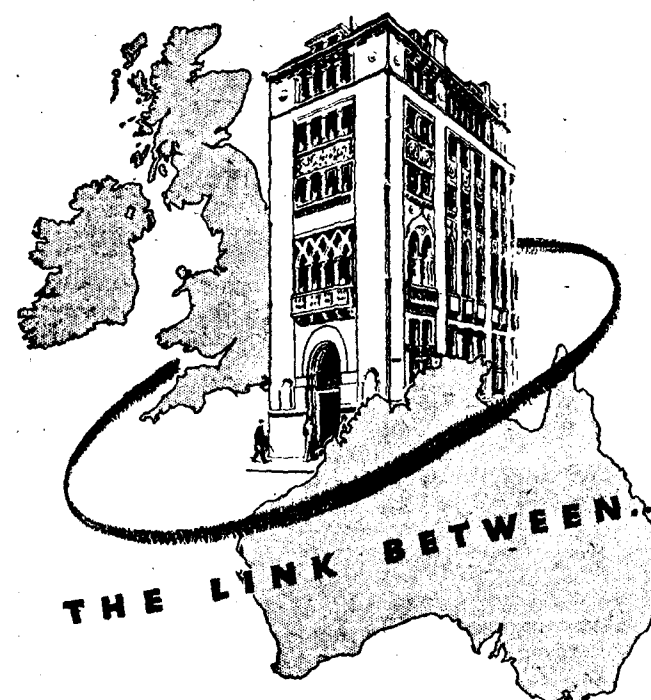
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Premium Reserve and Reserve for unsettled claims	...	...	...	...	...	7,898,784
						35,399,528

Gross Premium Income for 1951	...	...	...	...	...	40,785,934
Net Premium Income for 1951	...	...	...	...	...	27,032,994

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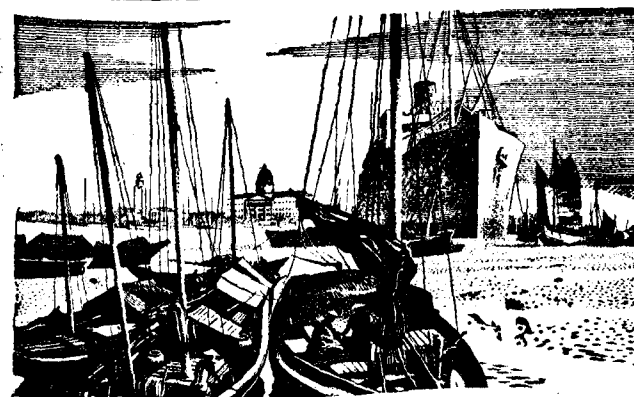
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INTERNATIONAL BANKING SURVEY

This survey, and the accompanying 15-page selection of International Banking Statistics that appears in this week's issue of the RECORDS AND STATISTICS Supplement, is complementary to the similar survey and statistical analysis of banking in the British Commonwealth, published on June 7th last. These half-yearly features together comprise the new form of THE ECONOMIST BANKING SUPPLEMENT, which has been published for many years.

Lessons of American Monetary Policy

IN the last eighteen months the advocates of orthodox monetary policy have won a signal victory in the United States, and the course of events has fortunately allowed them to win it in a thoroughly diplomatic way. Those events—and the two main lessons that spring from them—deserve to be closely studied, not only by those now responsible for the administration of America's affairs (the Republicans are, in any case, traditionally a "harder money" party than the Democrats), but also by monetary theorists in this country.

In blunt summary, the main lesson from American monetary policy between 1946 and 1951 was that selective credit controls and obligatory reserve requirements simply do not work as effective disinflationary forces—so long as a peg is maintained in interest rates. The main lesson from American monetary policy in 1951-52, on the other hand, has been that a comparatively small movement in interest rates in an advanced industrial economy can work disinflationary wonders—not (at least not primarily) because it damps down borrowers' eagerness to borrow, but because it reduces lenders' willingness to lend. In recent months there has been a tendency for certain British economists, who originally opined that dearer money could not be an effective disinflationary force at all, to find refuge in the argument that dearer money has only done clumsily what selective controls could have done tidily. Any study of American experience suggests that this is merely a shift from an argument that has been generally exploded in many different countries in the past eighteen months, to one that was specifically exploded in the United States some years ago.

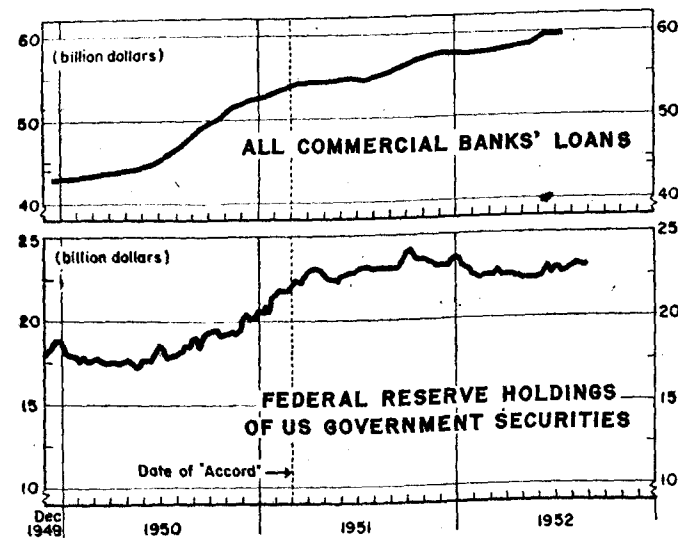
In the postwar years four main weapons of credit management have been brought into action in the United States: obligatory reserve requirements, selective credit controls (chiefly on instalment purchases and housing), voluntary credit restraint (broadly analogous to the Chancellor's "requests" for qualitative credit control in Britain), and finally—in the main since March, 1951—flexible interest rates. Of these, the weapon of obligatory reserve requirements very soon proved to be a broken reed. It should have been obvious from the start that it would do so—so long as interest rates remained pegged. The dominant feature of the American banking scene before March, 1951, was that the commercial banks could raise all the cash they wanted by selling Government securities to the Federal Reserve at par, and could then pyramid their loans upwards by four or five times the amount of cash thus raised. All that happened when

reserve requirements were raised from (to cite the example of banks in New York and other central reserve cities) 20 per cent of demand deposits in the first two postwar years to the peak figure of 26 per cent in 1948 was that the pyramiding potential was lowered from five to just under four times the cash raised by security sales. The movements in bank assets at the turn of 1950-51, when reserve requirements were raised to their present levels,* delineate the pattern clearly. Between the end of November, 1950, and the end of February, 1951, member banks' obligatory reserve holdings at the "Fed" were raised by some \$2.2 billion. The commercial banks responded by selling precisely \$2.2 billion of Government securities to the "Fed" in this period and \$0.5 billion of securities to other investors; and they then found it possible to expand their loans by \$1.9 billion in these three months. In other words, credit expansion was not diverted by one iota from its inflationary course.

It would be unfair to say that a story of quite such persistent failure dogged the selective credit controls—Regulation W, which imposed down-payment minima and maturity maxima for consumer credit, and Regulation X which did the same for real estate credit. The former control was applied in the early phases of the postwar inflation, relaxed in the recession of 1949, reintroduced in the autumn of 1950, modified in the summer of 1951 and scrapped altogether in the summer of 1952, along with the new Regulation X. These controls, in short, have been political shuttlecocks; and it is widely believed that one school of thought at the "Fed" has reconciled itself to allowing selective controls to be wafted about in this way, without determined resistance, because it has never regarded them as vitally important or effective. This view, of course, is not unanimous—and it may be wrong. It is clear that the initial impact of consumer credit controls in the autumn of 1950 did not have as great an effect on spending as had been hoped—until the fall in long-term bond prices in 1951 reduced the institutions' willingness to lend; on the other hand, the rise in consumer credit since Regulation W was abandoned in May of this year has been as great as in any previous six-month period.

* Banks in central reserve cities must hold reserves at the "Fed" equal to 24 per cent of their demand deposits; the equivalent obligation on banks in ordinary reserve cities is 20 per cent, and on country banks 14 per cent. The reserve requirement against time deposits is 6 per cent for all member banks.

But this is a field in which statistics can be misleading. The basic feature of controls over consumer and real estate credit is that they can work only through their impact on borrowers; they do not, by themselves, have any effect on the institutions' willingness to lend. Just before the introduction of Regulation W in the autumn of 1950, some monetary experts had estimated that the regulation would squeeze out of the market between 5 and 15 per cent of those who would otherwise have bought cars (especially secondhand cars) and household fittings or appliances; these estimates were derived from surveys of consumers' finances and liquid asset holdings, and were based mainly upon the belief that those without accumulated savings would be unable to meet the new minima for down-payments. It is obvious, however, that calculations of this sort can be sent wildly awry by changes in consumers' expectations about the future trend of prices (and thus about the right moment at which to buy durable goods); and in any case, if hire purchase transactions are cut down, there is no guarantee that the spending power that would otherwise have been utilised for instalment payments over a number of years will not



merely be diverted to increase the pressure of demand for other sorts of goods. The best that can be said for Regulation W is that it may reduce the immediate demand for certain types of durable products; it can therefore most usefully be imposed when the resources that are used for the manufacture of such products happen to be the sort of resources that can most profitably and easily be employed elsewhere. But it is very difficult to build up any stronger case for selective credit controls than that.

When the Federal Reserve withdrew Regulation W in May, 1952, it scrapped the Voluntary Credit Restraint programme as well; the "Fed" thereby showed that—if it had to throw two of its children to the wolves in an election year—there was not much doubt in its mind which two to tip off the sledge. The essence of the VCR programme was that local boards advised bankers which loan applications should be granted and which refused "in the national interest." Under VCR, American banks honourably and sincerely strove to turn away all loans that seemed inessential, as British bankers, acting in accordance with the Chancellor's "requests," still do here; but experience in both countries has shown that a banker's definition of what is an "essential" loan inevitably changes when his own liquidity changes. When the fall in bond prices made bankers anxious to restrict their loans, the priorities advertised under VCR

may have helped them to decide which applications to refuse; but many responsible observers in the United States affirm that it is an exaggeration to ascribe even this limited usefulness to the programme. Nevertheless, some regret the passing of VCR, for it was a harmless convenience for a banker to be able to explain to his customers that their loan applications had to be refused not because of the bank's own concern for its liquidity but because of the "meddlers in Washington."

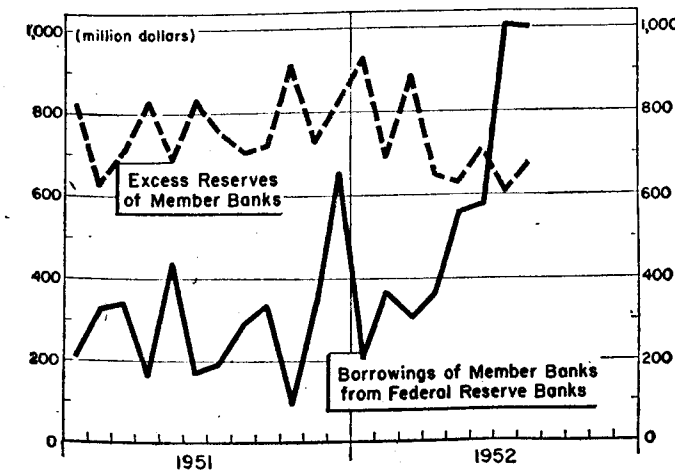
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It would be a great mistake, however, to allow these minor achievements of unorthodox controls to obscure the main lesson of America's monetary experience—the lesson that credit restraint did not become in any way effective until after the "accord" on interest rates between the Federal Reserve and the Treasury in March, 1951. The terms of that accord are still in some dispute, not least among the signatories themselves. When the Patman Committee opened its hearings on credit control this year, question 18 in the memorandum that it addressed to the Secretary of the Treasury, and question 29 in that addressed to the chairman of the Federal Reserve Board, asked for a description of the nature of this accord; it was widely reported in Washington that the mutual alignment of replies to these two questions was a matter of no little delicacy.

In broad terms, the "Fed" interpreted the accord as meaning that interest rates should be allowed to rise until monetary policy became an effective restraining force; in return for this, the "Fed" agreed to support the Treasury's re-financing and conversion operations (including a rather unorthodox initial conversion in March, 1951, itself), in much the same modified way as the "departments" help Government financing operations over their first hurdles in Britain. The Treasury, on the other hand, almost certainly interpreted the accord as meaning merely that interest rates would be allowed to rise to some limited, though undefined, extent—and that then it would wait and see. Fortunately, no harm came of this difference in interpretation, since a very small rise in rates proved sufficient to bring credit inflation under control. In the first year of the accord the yield on US Government bonds (1950 average 2.32 per cent) never went over 2.75 per cent, that on Government three-month bills (1950 average 1.20 per cent) did not go above 1.73 per cent, and the average bank charge for short-term business loans in 19 major cities (1950 average 2.7 per cent) did not go above 3.5 per cent. Yet, as the accompanying charts show, the accord of March, 1951, brought a significant check to the expansion in the "Fed's" holdings of Government securities and to the rate of rise in the commercial banks' business loans; this year, moreover, as the second of the charts shows, the commercial banks, which had coasted through the easy money period with larger reserves at the "Fed" than they needed, have been forced into extensive borrowing from the "Fed" instead; this means that the central authorities are much more firmly in the saddle over credit policy than before.

Why did this very small rise in interest rates have such a sharp effect? The answer seems to lie mainly in a reason that had been adduced by some, before the accord, as proving that dearer money would cause intolerable disturbance in the national economy. All through the era of easy money and inflation the capital and reserves (both

published and hidden) of the banks, insurance companies and other financial institutions had declined considerably relative to their assets at risk; the banks had been able to forget their qualms on this point so long as Government securities could be off-loaded on to the Federal Reserve at fixed prices, and thus remained a relatively riskless asset. Some of those who recognised this trend believed that the introduction of flexibility into the Government bond market would therefore cause disturbance amounting almost to financial panic. In fact, however, the trend meant merely that a very small fall in bond prices—and much more important, the injection



of uncertainty about the future—caused bankers to clamp down immediately on any extension of their most risky assets, namely business loans. The importance of this element of uncertainty needs to be stressed. A once-for-all drop in bond prices, to a new pegged level, would not have done the trick. It would have reduced the willingness of some banks to raise cash by selling securities to the "Fed"—and thus make a capital loss—but it would not have exploited the full force of the weapon of restoring bonds to their proper role as a risk asset. In this respect, far too much emphasis has been laid by some commentators on the nature of the legisla-

tion that controls the conditions under which some American banks can write Government bonds into their audited balance sheets at par, whatever their market value. If this legislation had not been in existence, only a very few of the smallest banks would have acted otherwise than they did.

It is true that there were several subsidiary factors that happened to make March, 1951, a particularly auspicious moment in which to introduce a dearer money policy in America. The caution of the lending institutions was reinforced by the fact that they were caught with an uncomfortable pile-up of forward commitments and by the decrease in personal spending, which made advances to some consumer goods industries more doubtful risks; the fall in commodity prices was a cause as well as a consequence of the damping down of bank loans, and the Federal budget was not then in as grave deficit as it seems likely to be this year; moreover, some insurance companies and other institutions were wondering, in March, 1951, whether their postwar switch out of government bonds into mortgages and other forms of active lending had not already gone far enough—a consideration that was reinforced when the very small rise in government bond yields made it actuarially possible for the insurance companies to cover individual policy risks by a more conservative investment policy.

It is also true that the United States economy happens to be one in which disinflation can most conveniently and effectively be enforced by monetary policy; swift disinflationary action through the budget is impossible owing to the political conventions ruling on Capitol Hill; and a larger proportion of total spending in America is dependent on credit injections than in any other economy in history. If, as is expected, the new administration relies more heavily on monetary management than the old, it is likely to have a good wicket to bat on—so long as disinflation remains the chief problem. It is possible, however, that the ill-considered policy of pegged bond prices up to March, 1951, may have queered the pitch for the day when a cheap money policy (and much else besides) may be really needed—the day when recession returns.

Monetary Orthodoxy in Europe

IN the sixteen months since the outbreak of war in Korea there has been a marked revival of orthodox monetary policy in Western Europe. That revival cannot justly be called a revolution, but it can be said that a dichotomy has been swept away. In the early postwar years European Governments were divided into two economic schools. Those countries that had seen the evils that followed when confidence in the national currency was undermined, very deliberately built up their postwar economies on the foundation of scarce money—postwar economies on the foundation of scarce money—Italy and Belgium deliberately adopted dear money policies—while, as Table II shows, France also had a high interest yield on Government bonds from 1948 onwards, because it could not help it. The other school, led by Britain and the northern countries, tried to keep interest rates down, and to put their main reliance for disinflationary policy in the early postwar years on budgetary measures and physical controls.

Since Korea the second school has, to a large extent, merged into the first. The conversion to orthodoxy has not been a wholesale one, and many countries still seek to exert control over credit by a strange hotchpotch of reserve requirements and qualitative controls—as well as by bank rate action. But it is now generally recognised in most European countries that, when balance of payments difficulties become acute, official discount rates should go up; and, conversely, when European Governments think—not always correctly—that external solvency has been re-attained, discount rates tend to come down. Table I shows that ten European countries have made changes in their official discount rates since Korea, most of them more than once. Although there are some dangers in judging trends in interest rate policy in isolation from trends in other branches of economic policy, it seems worthwhile to summarise recent changes in European bank rates in some detail—and to examine where interest rates in Europe have got to now.

The three earliest and most important exponents of dear and scarce money in Europe were Belgium, Italy and Western Germany. In Belgium, from the early days of liberation, the rate on government bonds was allowed to find its own level; it rose from under 4 per cent in 1944 to nearly 5 per cent in 1948, since when it has fallen to about 4½ per cent. Throughout the postwar years the official discount rate has varied according to conditions prevailing in the money market: after a gradual increase from 1½ per cent in 1945 to 3½ per cent in 1947, the rate fluttered in line with Belgium's external balance. By the eve of Korea it stood at 3¼ per cent. Partly as a result of the fact that the Belgian authorities had thus placed themselves in a strong position to control inflation, the Belgian balance of payments remained relatively strong after the outbreak of war in Korea. Belgium was not, therefore, under the same degree of external pressure to take drastic measures, in the face of the commodity boom of 1950-51, as were the other industrialised countries of Western Europe. As Table I shows, the Belgian authorities made an increase of half of one per cent in the official discount rate in September, 1950, but reversed this in the middle of 1951, as one measure likely to contribute towards reducing Belgium's surplus with the European Payments Union. Thus Belgium was among the first European countries to raise its discount rate after the Korean war began, and it was also the first to make a subsequent reduction.

Italy has also made consistent use of monetary measures to check inflation ever since 1947, when the official discount rate was raised from 4 to 5½ per cent, in accordance with the "Einaudi experiment"; further credit restrictions were simultaneously imposed upon the banks, who have found that the central bank keeps a stern watch over any developments that would inflate the money supply. By the middle of 1950 the discount rate had been reduced to 4 per cent, and no changes in it have been found necessary during the post-Korean period. The interest yield on government bonds has, however, risen steadily—from just under 4½ per cent in 1947 to 5½ per cent in mid-1952. Quantitative restrictions have also played an important part in Italy's monetary policy, in particular the requirement imposed upon the commercial banks to hold Treasury bonds and cash balances with the central bank to cover a given percentage of their total deposits. Qualitative controls have not been resorted to, apart from advice to the banks to discourage loans that might be used to finance speculation in commodities during the post-Korea price boom. Thanks partly to this regime of orthodoxy, Italy had an accumulated credit balance of \$161 million with EPU at the end of September, 1952.

The course of monetary policy in Western Germany since the currency reform of 1948 has been one of the

most interesting features of the European conspectus. When the D-mark was created in 1948 the German authorities deliberately made it a scarce currency; the very rapid increase in German production after the currency reform naturally generated a demand for an increase in the money supply, and the Bank Deutscher Länder was put in a sound strategic position to keep control over this. Its object throughout this period was to see that the money supply did not rise faster than—and perhaps not even as fast as—the increase in production made desirable. The difficulty of enforcing a disinflationary budget in a country with Western Germany's federal constitution made this control over the money supply vital; and the Bank Deutscher Länder was aided in its task by a varied array of weapons—such as reserve requirements on the American model, stern qualitative regulations for re-discounts and quantitative controls on bank advances.

*

In 1949 it seemed as if this control over inflation was working almost too well. As unemployment remained obstinately high, the discount rate was lowered twice in that year—from 5 to 4½ per cent, and then to 4 per cent. Then came Korea. The immediate consequence of this and of the commodity boom that followed was an upsurge of spending and inflation in Germany amounting almost to a flight from the currency into goods. The Bank Deutscher Länder responded to this by raising its rate from 4 to 6 per cent in October, 1950, and by tightening all the taps that controlled credit supply. At first this did not have the psychological impact that had been hoped for; the flight into goods went on, and by the beginning of 1951 Germany was racing towards exhaustion of its permitted overdraft facility with EPU and had to receive special assistance. But, as the external deficit continued and money drained out of the country, the commercial banks' liquidity was necessarily impaired; with the central bank still refusing to open the tap, credit began to dry up and the stockpiling boom came to an abrupt end. By the summer of 1951 Germany had begun to recover as swiftly as it had previously been approaching collapse, and by the end of September, 1952, it had recovered so far that it had accumulated a credit balance of \$435 million with EPU. It was aided in this remarkable recovery by the suspension of import liberalisation at the depth of the crisis; but there is no doubt that its policy of relying mainly on monetary orthodoxy to check spending was dramatically vindicated in the end. In May of this year the authorities felt able to reduce the discount rate from 6 to 5 per cent, and they reduced it again, to 4½ per cent, in August.

TABLE I—CHANGES IN OFFICIAL DISCOUNT RATES SINCE KOREA

1950	Country	Change* (per cent)	1951	Country	Change* (per cent)	1952	Country	Change* (per cent)
June.....	France.....	2 to 2½	February..	Turkey.....	4 to 3	January...	Netherlands.....	4 to 3½
July.....	Denmark.....	3½ " 4½	April.....	Netherlands.....	3 " 4	March....	United Kingdom..	2½ " 4
September..	Netherlands.....	2½ " 3	July.....	Belgium.....	3½ " 3½	April.....	Iceland.....	6 " 7
"	Belgium.....	3½ " 3½	September..	Belgium.....	3½ " 3½	May.....	Western Germany..	8 " 8
October...	Western Germany..	4 " 6	October...	France.....	2½ " 3	July.....	Austria.....	5 " 6
November..	Finland.....	5½ " 7½	November..	United Kingdom..	2 " 2½	August....	Netherlands.....	3½ " 3
"	Denmark.....	4½ " 5	"	France.....	3 " 4	"	Western Germany..	5 " 4½
December..	Sweden.....	2½ " 3	December..	Austria.....	3½ " 5			
			"	Finland.....	7½ " 6½			

* Reductions are shown in italics.

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The experience of the Netherlands since Korea has also provided a lesson in the effectiveness of monetary discipline. Up to the middle of 1950 the Netherlands authorities had never followed such a "hard money" policy as their neighbours in Belgium had done. But after the outbreak of the Korean war there was a pronounced movement towards the greater use of monetary weapons. The yield on long-term bonds, which had remained at about the 3 per cent level since 1945, was allowed to rise towards 3½ per cent, whilst the Netherlands Bank raised its discount rate from 2½ per cent to 3 per cent in September, 1950—which placed the Netherlands among the first countries to react in this way to the commodity boom. A further rise in the discount rate (from 3 to 4 per cent) took place in April, 1951. In the second half of 1951, the Netherlands balance of payments improved remarkably and the central bank was

TABLE II.—YIELDS ON LONG-TERM GOVERNMENT BONDS
Percentages (Month or Average of Months)

	1938	1946	1947	1948	1949	1950	1951	1952 (June)
Denmark.....	4.27	3.55	3.65	4.07	4.44	4.53	5.14	5.32
Italy.....	4.81	3.81	4.43	4.40	4.52	4.79	5.08	5.25
France.....	4.04	3.17	3.91	4.62	4.78	5.18	5.51	5.08
Belgium.....	4.39	4.18	4.45	4.75	4.60	4.42	4.62	4.51
United Kingdom.....	3.38	2.60	2.76	3.21	3.31	3.55	3.79	4.42
Netherlands.....	2.87	2.99	3.06	3.10	3.14	3.14	3.44	3.41
Sweden.....	2.34	3.01	3.02	3.08	3.02	3.11	3.23	3.30
Switzerland.....	3.24	3.10	3.17	3.42	2.94	2.67	2.94	2.90
Norway.....	4.33	2.96	2.50	2.49	2.50	2.57	2.74	2.75

able to reduce the discount rate to 3½ per cent in January, 1952. It is noteworthy that from April, 1951, until last August, the Netherlands, which had previously eschewed monetary orthodoxy, had a higher discount rate than Belgium, although the yield on long-term government bonds in the Netherlands has remained about one per cent below that in Belgium.

Denmark was another northern country that acted swiftly in the face of the deterioration in its balance of payments in 1950. Between July and December of that year its discount rate was raised, in two stages, from 3½ to 5 per cent, while the yield on Government bonds was allowed to rise from 4½ per cent in the middle of 1950 to nearly 5½ per cent in September, 1951. During 1951 there was a very marked improvement in Denmark's balance of payments—despite the fact that its terms of trade deteriorated between 1950 and 1951, before starting to improve again this year. Finland also raised its

official discount rate at the end of 1950—from the already high figure of 5½ per cent to 7½ per cent. It reduced the rate again to 5½ per cent at the end of 1951.

Among the other Scandinavian countries, the Swedish government had, up to the outbreak of the Korean war, relied almost entirely upon budgetary policy and physical controls to check inflation. The Riksbank had automatically provided the cash required to keep interest-rates at a fixed level. But the resurgence of inflation in 1950 led to a brief revival of monetary policy, in the form of a tightening of the cash reserve requirements of the commercial banks and the withdrawal (in July, 1950) of the Riksbank's peg in the bond market. In December, 1950, the official discount rate was raised from 2½ to 3 per cent, but the Riksbank then continued to support Government bonds at their new—and slightly lower—level. This creation of cash, in turn, made the new reserve requirements ineffective. It was not until early in 1952 that credit expansion was checked, largely because of heavy tax collections. The Riksbank has also attempted to induce the commercial banks to follow a rigid policy of qualitative credit control. Had Sweden not been shielded by its primary exports from the balance of payments deterioration that affected the industrial exporters of Western Europe in 1950-51, it would have found it far more difficult to pursue this relatively "cheap money" policy.

The experience of France, which has tried to follow a policy of selective—and very complicated—credit control, is described more fully in a subsequent article in this survey. High interest rates on Government bonds have been a feature of the French economy since the war, but this has been a consequence of internal inflation and the desperate need for Government borrowing, not of monetary orthodoxy. In fact, Table I shows that France and the United Kingdom—which both made increases in their discount rates in the last quarter of 1951—held their discount rates below 3 per cent longer than the other West European countries. It is unfair to say that it was solely because of this that their external payments difficulties persisted longer than those of their neighbours. But it is fair to say that the experience of the last sixteen months has shown plainly that higher interest rates are a powerful weapon for the battle against, though not for the complete conquest of, recurring external deficits. Haltingly, and probably still insufficiently, Europe has begun to learn that lesson.

The New Structure of German Banking

WITHIN the past few weeks the structure of commercial banking in Western Germany has undergone its second major reorganisation since the war. Thirty separate banking units, each confined to operations within a single Land, have been transformed into nine large units with much wider regional spheres of operation. The reorganisation thus marks an abrupt reversal of the principles that guided the Allied Governments in the drastic recasting of the commercial banking system of Western Germany after the war. To appraise the new system, and the reasons for the change, it is therefore necessary briefly to recall the pattern of the first reorganisation and to consider the weaknesses it has shown in operation.

In banking, as in industry, the aim of Allied policy was

to break up large units, to "deconcentrate" and disperse organisations that formerly were nation-wide, in the interests of security. In commercial banking, this involved the disintegration of the powerful Big Three "D" banks—the Deutsche Bank, Dresdner Bank and the Commerzbank. By the reform of the banking system in 1946-47, these banks were split up into thirty "successor banks," and no bank was permitted to have branches in more than one of the eleven Länder into which Western Germany is divided. In the sphere of central banking, the reorganisation took the form of the erection of a Federal banking system, on the American model, with a central bank for each Land and a single note-issuing bank—the Bank Deutscher Länder at Frankfurt, which is owned and nominally controlled by

the Land central banks. The weaknesses of the new system in practice arose most noticeably from the breaking up of the large "D" banks, a system never popular with the Germans; and it is only this part of the earlier reorganisation that is now being changed. The splitting up necessarily resulted in the loss of the goodwill associated with the big names, in a reduction of working efficiency and in a need for greater liquidity. The credit needs of such areas as the Ruhr have been less readily met by smooth transfers of funds from surplus areas than when the branches concerned were within the same nation-wide banks. Moreover, the restricted area of operation has made it more difficult for banks to spread their risks.

To meet these and similar difficulties, the reform of September, 1952, establishes nine banks instead of thirty and permits each of these new banks to have branches throughout any one of the three major banking districts

into which Germany is to be divided. Branch banking will therefore be possible on a much larger scale than hitherto and the worst defects of the previous system should be avoided.

As this is intended to be a more permanent form of organisation, the three "D" banks have entered into liquidation. On September 25, 1952, the Deutsche Bank, the Dresdner Bank, and the Commerzbank formally transferred their businesses to the successor institutions. These, in accordance with the resolutions adopted at the general meetings on that day, have been "re-founded" out of the former Big Three banks under the terms of the German law on the Regional Scope of Credit Institutions of March 29, 1952.

The establishment of the new banks has not been greeted with unqualified approval in Germany; at the general meetings considerable disappointment was expressed that the Allies, after lengthy and difficult negotiations, had not permitted the "D" banks to resume business in the Federal Territory in their former shapes. The fear of an excessive concentration of economic power upon the Big Three, it was asserted, was without foundation. On the other hand, it may be noted that there has been considerable co-operation among the thirty successor banks, and there seems no reason why co-operation should not be at least as close amongst the nine—especially among the offspring of the same "D" bank.

The institutions thus created should be much better equipped to finance the economy of Western Germany than were the thirty so-called "successor" institutions. An end has been put to the provisional stage in which the banking units have not been independent legal persons, but have merely borne the names of branch groups of the "D" banks in the various Länder; this was a most unsatisfactory interim phase, entailing a number of legal complications. There are now in the Federal Territory nine joint stock banks with legal personalities of their own. This is probably the best solution available, granted the intention to keep the power of the big banks as small as is consistent with efficiency. No central banking place and money market, such as formerly existed in Berlin, has as yet developed in Western Germany. These functions are now to be performed in the centres of the three new banking regions of the Federal Territory—at Frankfurt, Dusseldorf and Hamburg.

The Law providing for these changes derived from two years' negotiations between the German and Allied authorities. According to this Law, credit institutions in the corporate form of *Aktiengesellschaften* (corresponding to joint stock companies) or *Kommanditgesellschaften auf Aktien* (similar to general partnerships with shares) may maintain branches in only one

TABLE I—THE NEW GERMAN BANKS: SUCCESSORS TO THE "D" BANKS
(As from September 25, 1952)

	Nominal Capital (DM. mn.)	Stock Received by Holder of RM. 1,000 Share in Parent "D" bank (DM.)
DEUTSCHE BANK (capital, RM. 160 mn.) succeeded by—		
Norddeutsche Bank A.G. Hamburg	20	125
formerly—		
Norddeutsche Bank in Hamburg, Hamburg,		
Disconto Bank, Bremen, and		
Nordwestbank, Hannover		
Rheinisch-Westfälische Bank A.G. Düsseldorf	40	250
formerly—		
Rheinisch-Westfälische Bank, Düsseldorf.		
Süddeutsche Bank A.G. München	40	250
formerly—		
Bayerische Creditbank, München,		
Hessische Bank, Frankfurt a. M.,		
Südwestbank, Mannheim,		
Württembergische Vereinsbank, Reutlingen,		
Oberrheinische Bank, Freiburg i. Br., and		
Rheinische Kreditbank, Ludwigshafen.		
Berliner Disconto Bank A.G. Berlin	100	625
DRESDNER BANK (capital, RM. 150 mn.) succeeded by—		
Hamburger Kreditbank A.G. Hamburg	21	140
formerly—		
Hamburger Kreditbank, Hamburg,		
Bremer Bank, Bremen,		
Niederdeutsche Bankgesellschaft, Hannover, and		
Lübecker Bank für Handel und Industrie, Lübeck.		
Rhein-Ruhr Bank A.G. Düsseldorf	36	240
formerly—		
Rhein-Ruhr Bank, Düsseldorf.		
Rhein-Main Bank A.G. Frankfurt a. M.	36	240
formerly—		
Bayerische Bank für Handel und Industrie, München,		
Rhein-Main Bank, Frankfurt a. M.,		
Allgemeine Bankgesellschaft, Stuttgart,		
Bankanstalt für Württemberg und Hohenzollern, Reutlingen,		
Süddeutsche Kreditanstalt, Freiburg i. Br., and		
Industrie- und Handelsbank, Neustadt (Haardt).		
Bank für Handel und Industrie A.G. Berlin-Charlottenburg	93	620
COMMERZBANK A.G. (capital, RM. 100 mn.) succeeded by—		
Commerz- und Disconto-Bank A.G. Hamburg	12.5	125
formerly—		
Hansa-Bank, Hamburg,		
Bremer Handels-Bank, Bremen,		
Merkur-Bank, Hannover, and		
Holsten-Bank, Kiel.		
Bankverein Westdeutschland A.G. Düsseldorf	27.5	275
formerly—		
Bankverein Westdeutschland, Düsseldorf.		
Commerz- und Credit-Bank A.G. Frankfurt a. M.	10	100
formerly—		
Bayerische Disconto-Bank, Nürnberg,		
Mitteldeutsche Creditbank, Frankfurt a. M.,		
Bankverein für Württemberg-Baden, Stuttgart, and		
Mittelrheinische Bank, Mainz.		
Bankgesellschaft Berlin A.G. Berlin	50	500

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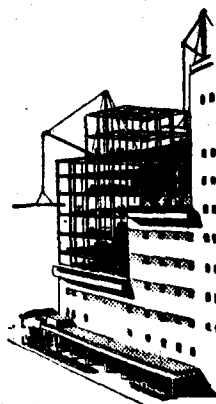
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of the three banking districts of the area of the German Federal Republic; and they are not permitted to exert, by share participations or in any other manner, a dominating influence on other banks outside their banking district. The North German banking district comprises the four Länder of Hamburg, Bremen, Lower Saxony and Schleswig-Holstein. The Land North-Rhine-Westphalia forms a banking district of its own. The third district consists of four Länder in Southern Germany—Baden-Württemberg, Bavaria, Hesse and Rhineland-Palatinate. The banks are, however, permitted to transact business in the entire Federal Territory.

To ensure a continuing degree of "de-concentration," it has been prescribed by law, in accordance with the requests of the Allied authorities, that the shares of these successor institutions must be registered and not bearer shares, but they will carry dividend coupons, so that they will be easily marketable. No successor institution of a "D" bank is permitted to participate in another successor institution by purchasing shares in it. Moreover, other investors, although free to acquire an unlimited number of shares in any one successor institution, may not buy more than 5 per cent of the shares of another successor institution. The activities of the members of the boards of managers and of the boards of directors are confined to one successor institution.

In fulfilment of the plan of reorganisation, each of the Big Three banks has formally "re-founded" three successor institutions, making nine in all; and the liabilities and essential assets required for their business operations have been duly transferred to the successors. Creditors of the "D" banks whose claims are in foreign currency subject to special restrictions on disposal—notably the standstill creditors—now have the right,

exercisable within one year, to require their claims to be transferred to another successor institution of the same "D" bank. It may be noted, too, that the Law makes the successor institutions and the re-founding institution jointly liable for such debts as could not be transferred to the successor institutions because in present circumstances the creditors concerned could not have recourse to the Big Three banks—this applies, for instance, to liabilities to persons residing in the Soviet zone of occupation, by branches located in that zone.

★

Shortly after the promulgation of the Reorganisation Law, the Bank De-concentration Laws introduced by the three Military Governments after the capitulation were repealed, by a Law of the Council of the Allied High Commission, dated April 8, 1952. This new Allied Law also provided that the so-called "Transfer" Regulation made under the Conversion Law should apply to the "D" banks; the effect of this was to bring the Berlin branches of the former "D" banks within the scheme, as having been transferred within the Federal Territory. For the creditors, the result of the transfer was that credit balances held by residents of the Federal Territory with the Berlin branches of the Big Three banks could be converted in the ratio of DM 6.50 for RM 100.

The old "D" banks continue to exist; in Berlin they are among the inactive credit institutions that had to suspend their activities for the time being under the "Suspension Directive" of the Berlin "Magistrat" dated June 5, 1945. In Western Germany the old "D" banks are not permitted any activities except those necessary for winding up their business.

TABLE II—INITIAL BALANCE SHEETS OF THE NEW BANKS, AS AT JANUARY 1, 1952
(In DM million)

	DEUTSCHE BANK SUCCESSORS				DRESDNER BANK SUCCESSORS		COMMERZBANK SUCCESSORS		
	Norddeutsche Bank A.G. Hamburg	Rheinisch-Westfälische Bank A.G. Düsseldorf	Süddeutsche Bank A.G. München	Hamburger Kreditbank A.G. Hamburg	Rhein-Ruhr Bank A.G. Düsseldorf	Rhein-Main Bank A.G. Frankfurt a. M.	Commerz- und Disconto Bank A.G. Hamburg	Bankverein Westdeutsche Land A.G. Düsseldorf	Commerz- und Credit-Bank A.G. Frankfurt a. M.
ASSETS									
Cash reserve	74.4	208.8	134.3	98.8	90.0	103.9	24.9	127.0	26.6
Nostro balances	104.4	110.7	92.8	88.3	83.6	57.5	42.7	57.5	9.9
Bills and cheques	151.8	285.2	185.2	108.0	227.1	140.1	71.8	221.2	69.8
Treasury bills	...	55.0	8.9	8.2	12.8	29.7	3.3	9.9	0.1
Securities	13.4	23.4	23.8	24.0	34.7	47.7	17.4	32.9	10.7
Equalisation claims	89.3	137.0	190.2	56.2	89.9	89.9	46.4	50.1	29.1
Participations in syndicates	0.1	1.8	1.0	6.8	5.2	3.6	1.5	3.3	1.2
Accounts receivable	276.4	597.5	623.1	238.7	348.3	359.8	173.4	311.7	113.3
Long-term lendings	20.0	55.8	156.7	6.6	47.3	28.2	8.6	39.6	16.9
Transitory credits	2.3	33.1	10.5	1.9	0.9	6.6	2.3	0.3	0.8
Participations	1.6	5.4	1.6	4.3	5.9	5.9	1.6	2.5	1.6
Real estate	10.6	26.7	23.2	10.6	15.8	23.1	12.0	23.9	8.7
Other assets	3.3	8.7	9.6	1.9	3.9	5.0	1.8	4.3	1.4
LIABILITIES									
Deposits	605.2	1,214.3	1,092.5	574.5	747.1	749.1	289.6	726.0	222.4
Nostro balances	30.0	69.3	38.1	25.4	73.8	19.8	17.4	43.9	22.9
Acceptances	16.1	38.9	64.3	...	24.8	22.1	54.9	12.8	10.5
Long-term loans	19.4	51.6	120.0	6.4	47.2	28.0	8.4	33.8	8.7
Transitory credits	2.3	33.1	10.5	1.9	0.9	6.6	2.3	0.3	0.8
Capital stock	20.0	40.0	40.0	21.0	36.0	36.0	12.5	27.5	10.0
Reserves	8.1	16.2	16.2	6.5	8.0	8.0	1.3	2.8	1.0
Specific reserves	41.9	76.7	70.0	16.9	26.4	29.5	17.8	31.7	11.5
Other liabilities	4.6	9.0	9.3	1.7	1.2	1.9	2.5	5.4	2.3
Balance sheet total ..	747.6	1,549.1	1,460.9	654.3	965.4	901.0	406.7	884.2	290.1
Guarantees	74.1	244.8	141.7	98.4	100.1	67.1	34.0	80.9	23.6
Rediscounted bills ..	122.4	309.8	362.3	137.5	179.4	156.8	90.4	138.4	70.4

Table I shows the former Big Three banks and their nine successor institutions in the Federal Territory, as well as the successor banks founded in Western Berlin, and the styles of the former thirty provisional banks. The table also shows the nominal capital of each of the nine banks formed from the thirty successor banks of the Big Three, and the shareholdings in each of the new banks that will be received by the owner of a RM. 1,000 share in the parent "D" bank. In accordance with the statutory provisions, the new stock has been registered in the name of the Bank Deutscher Länder (the central bank of the Federal Republic) as the trustee; the bank will endorse the stock and thus transfer the title to the shareholders. Apart from the issue of this new stock, it should be noted that the old shares of the Deutsche Bank, Dresdner Bank, and Commerzbank A.G., which will continue to be expressed in RM and will be exchanged for new RM shares, will still have a certain value, since they represent a share in the assets of the banks in Berlin, in the Soviet Zone of Occupation, and abroad.

With the reorganisation of the "D" banks, the issue of banking statements and other necessary information about the banks once more became possible. Previously, since the thirty individual successor banks were not independent, and since the organs of the old banks were not allowed any activities, it was impossible to meet the justified demands of the public for regular information on the development and position of the banks. In these peculiar conditions, confidence in the individual successors had to rest upon the reputation and goodwill of the "D" banks, whose former branches were continuing to operate under new names. The initial balance sheets of the new successor institutions have now been published, and these banks will henceforth regularly submit data for public review and criticism.

In view of the special interest attached to these opening statements, their principal details are reproduced in Table II. The aggregate balance sheet total was around DM 8,000 million, comprising DM 3,800 million for the successor institutions of the Deutsche Bank (with DM 140 million of nominal capital and reserves) DM 2,500 million for the successors of the Dresdner Bank (DM 115.5 million of capital and reserves), and DM 1,600 million for the Commerzbank A.G. successors (DM 55 million of capital and reserves). The capital resources of the nine successor banks thus amount to about DM 310 million; only a small proportion of this sum represents the capital provided by the currency reform; for the greater part of it has been derived from profits made since then, as well as from the bringing in of hidden reserves. The banks were legally permitted to make use of such reserves, and their employment was encouraged by the granting of tax reliefs.

As Table II shows, the liquidity of the new banks is high. This is partly due to the regulations governing minimum reserve requirements. This fact, coupled with the greater flexibility and wider opportunities afforded by the recent re-organisation, seems to afford grounds for the optimism with which their future is viewed in Germany. Certainly this reversal of the earlier disintegration of the German banking structure should do much to improve the working of the system. But it cannot be assumed, even now, that the structure will be permanent. German opinion will probably continue to favour a full restoration of the Big Three. And the erection of a branch banking system operating over several Länder may perhaps prove difficult to reconcile with a federal banking system that gives each Land its own central bank.

Credit Control in France

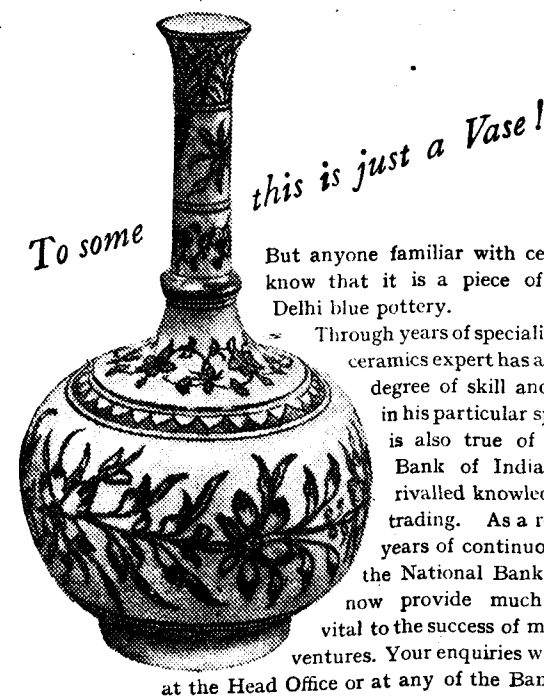
DURING the past twelve months France, like Britain, has brought the weapon of dearer money to the aid of other methods of credit control. In the autumn of 1951 the Bank of France raised its discount rate, in two steps, from 2½ per cent to 4 per cent—the first of these moves being made some three weeks before the Bank of England made its historic change on November 7, 1951. But France has not put any such reliance upon monetary orthodoxy as Mr Butler has done. In the latest phase of its perennial fight against inflation, little has been heard of monetary measures and there has been no further increase in the Bank of France's rate—despite the sharpness of the threat to the franc before M. Pinay launched his essay in stabilisation. Resort to non-monetary action at moments of acute danger is, however, no novelty in France; and it would be wrong to deduce from recent policies any new judgment by the French authorities upon the worth of monetary weapons.

France's experience does, however, drive home some important lessons about particular kinds of monetary technique. For inflation-ridden France has been operating since the war an extraordinarily detailed and highly organised system of "selective" control of credit and discipline of the commercial banks. The evolution of this system, and its performance under conditions of high inflationary pressure, deserve closer study than they have

generally received so far—especially by those who, in other countries, cherish the hope of devising new qualitative controls to diminish the need for orthodox ones.

The legal basis of the postwar system of control in France was the law of December, 1945, which, apart from nationalising part of the banking system, created the National Credit Council, a body with a widely spread membership, with the governor of the Bank of France as permanent vice-chairman. This body was given very wide powers, and its central responsibility is to formulate and ensure a consistent monetary policy for both the government and the banks. Alongside the council, making up the rest of the structure of control, are the Bank of France, which acts as an expert adviser and as executive agent for the council, and the Banking Control Commission, staffed from the Bank of France, which collects information, is responsible for bank inspection, and generally guards the "soundness" of the commercial banking system.

The council initially favoured qualitative rather than quantitative control of bank credit, with the object of maintaining cheap money, and because of the desire to ensure that, in a time of reconstruction, no physical



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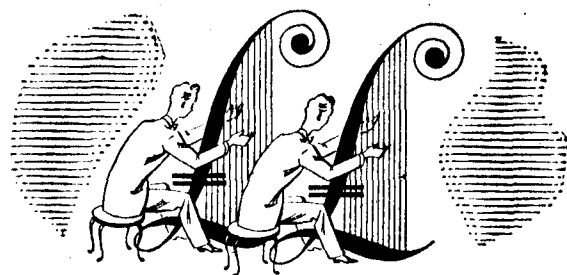
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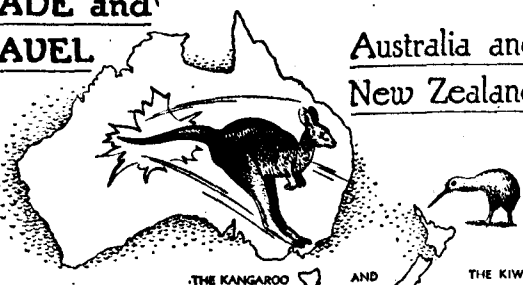
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resources should remain unused merely because bank credit was not available. In 1946 the Bank of France recommended that credits should be made only in order to help production, and a highly centralised control was set up to enforce this canalisation. In January, 1947, it was provided that all requests for advances of over 30 million francs (a figure subsequently raised to 50 million) should go to the Bank of France for approval. Moreover, considerable documentation had to be demanded by the banks in support of any application for an advance of over 2 million francs, and the Bank of France could demand justification of the advances by the bank concerned. The important exception to these controls was the commercial bill, which remained completely outside control until September, 1948, and was not subjected to the major control demanding specific Bank of France approval for large amounts until as late as October, 1951. This exception was held to be justified on the grounds that a commercial bill represented actual goods in production or in movement, and so could not be inflationary—a naïve policy that had the inevitable effect of turning more and more borrowing into this unrestricted channel.

A further important control was introduced in October, 1947, when banks were told not to grant further credit unless the funds were urgently needed and could not be raised in any other way, while advances for certain purposes were explicitly forbidden. The intention of all these qualitative controls was to pay regard to the "economic utility" of an advance, in addition to the usual banking criteria of risk and profitability. The Bank of France, in its consideration of the larger requests, was almost wholly concerned with this general criterion, although it does seem to have turned down some requests for credit on the ground that it would bring the amount of credit outstanding into too high a relationship with the firm's turnover. "Economic utility" was widely construed; since the reconstruction industries, agriculture, and the export industries were all given priority, little French economic activity other than commerce failed to receive favour.

It seems, moreover, that in these early and highly inflationary years, the National Credit Council was unwilling to enforce even qualitative controls in too firm a manner, for fear that physical resources should become unemployed. Very few requests that went to the Bank of France were refused; it is possible, however, that an appreciable number of applications were rejected by the commercial banks and that some projects were held back by the would-be borrowers themselves, on the assumption that they would not pass the new scrutiny. The small number of refusals by the Bank of France may have been partly attributable to the fact that the controls were administered by its Discount Department, which probably found some difficulty in judging credits by the new criteria instead of the traditional ones. At all events, during the serious inflation of 1947 and the first three quarters of 1948, there seems to have been very little check on expansion of bank credit for non-Government borrowers; indeed, this expansion became the dominant factor in the increase in the money supply. About the best that could be said for the system by one of its leading home apologists was that the increase in the supply of money was lagging behind the rise in wages and prices—a common symptom of any advanced inflation.

During the first half of 1948, however, physical and psychological circumstances were becoming more favourable to an ending of inflation; production was rising, a good harvest was coming, Marshall Aid was getting under way, and the aggressive power of the Trade Unions was being weakened. In these more propitious circumstances, it was obvious that a successful check to the excessive expansion of credit could have significant, if not decisive, results. At the end of September, important measures of new quantitative controls and a strengthening of qualitative controls were approved by the National Credit Council. The sale of Government securities by the banks in order to allow expansion of private credit had been a big source of difficulty; the new regulations therefore formalised certain existing gentlemen's agreements by requiring that banks should keep minimum holdings of Treasury paper. These were to be maintained at not less than 95 per cent of the volume held on September 30, 1948, plus an amount equal to at least 20 per cent of any net addition to deposits after that date. This was the first formal reserve requirement in the history of French banking. In addition, formal rediscount ceilings were established, limiting the total amount of rediscounting the commercial banks could expect to make at the Bank of France. The ceilings for the banks individually were kept secret, but the total for the whole banking system was originally around 188 milliards of francs.

These policies were rapidly followed by a marked abatement of inflationary pressure. It cannot be assumed too easily, however, that the new credit policy was the main cause. The strongest single factor seems to have been the good harvest—for the inflationary pressure had undoubtedly been aggravated by the marked inelasticity of the average Frenchman's demand for food. Credit restriction has to be regarded as one of several influences that worked concurrently to relieve the pressure. If factors such as the recovery of production and the decline in the strength of the Trade Unions had been less propitious, and if Marshall Aid had not started to improve the prospects both for the foreign balance and the supply of goods, credit policy alone would probably not have been—or would not have been allowed to be—strongly influential. If a bigger burden had been placed on credit measures in less promising circumstances, it is all too likely that the policy would have been allowed to weaken and dissolve—for the underlying assumption that reconstruction should not be held up for lack of credit remained strong.

The lukewarmness towards credit policy did in fact show itself in the following two years, fortunately without any evidently untoward results, at all events in the short run. Of the weapons of credit control created in 1948, the one that was potentially the most effective was the limit to total rediscounts at the Bank of France. If this weakened, the whole structure of credit control was bound to weaken too, because experience showed that little reliance could be placed upon the purely qualitative controls. Such a weakening did in fact take place, in two separate ways. By October, 1951, the ceiling for all the banks together had been raised by more than one half, to around 285 milliards of francs. These concessions were made partly in response to complaints from individual banks that their limits were unfair, partly as a deliberate policy of expansion at moments when recession appeared threatening, and partly to allow for other special factors such as the rise in import prices induced

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by the Korean war. When the conflict was one between imposing painful discipline upon the economy and of reducing the pressure of credit controls, it was found all too easy to reduce that pressure.

The other weakening of the structure of control took place as a result of a kind of window-dressing. The ceilings applied only to the amounts outstanding at the ends of months, and at other times they were frequently exceeded. Moreover, when it became difficult to "window-dress" the accounts back to a position within the limits at the month-end (because of serious inflation in the middle of the month), the Bank of France stepped in with open market operations, thereby still further impairing its system of control.

The weakness of these credit controls as anti-inflationary measures became fully apparent when the steep rise in international prices induced by the Korean conflict began to have a serious effect on the French economy. In October, 1951, price inflation had become so serious that more forthright action became necessary. The bank's discount rate was raised from 2½ per cent to 3 per cent, and then, in November, to 4 per cent. This marked the most noticeable swing towards orthodoxy that France had made since the war. Short-term interest rates had hardened gradually through the inflation of 1946-48, but no great reliance had then been placed on the short-term rate as a means of combating inflation. Nor, even in 1951, did the National Credit Council intend that orthodox weapons should work without other monetary devices; in an economy where business men were accustomed to paying fairly high rates for short loans, and where prices were rising sharply, an increase in interest rates of this order was not expected to have much effect unless accompanied by other restrictions.

The less orthodox weapons were therefore strengthened simultaneously. A new rediscount ceiling for the whole banking system, which was to be "*en principe infranchissable*" was introduced, and was to operate daily instead of merely at month-ends. It was set at 500 milliards of francs, a high level calculated to take account of the immense amount of window-dressing that had been practised; the enforced discontinuance of this practice led in October to additional Bank of France assistance to the amount of 150 milliards of francs. The new ceiling also allowed a margin for future expansion, because the council considered that a "brutally restrictive attitude" could not be applied to developments that were based on the general economic policy of the country. Even so, it was provided that additional discount facilities could be granted for temporary periods for up to 10 per cent of the individual bank's rediscount ceiling; for these facilities a higher rate was charged. Attempts were also made to strengthen the purely qualitative control. New instructions were issued to the banks, exhorting them to grant only such credits as were regarded as in the national interest, and the regulations were changed to ensure that the Bank of France scrutinised all credits, including discounts of commercial paper, where a firm's borrowing exceeded 500 million francs. This is a large amount, and presumably only relatively few borrowers were affected; the intention appears to have been to give the Bank opportunity to look with real care at all applications required to be submitted to it—and perhaps also to meet in this way complaints that the system had worked against the interests of small and medium-sized firms.

It is difficult to believe that these several credit policies, including the increase in interest rates, have done much to stem the course of inflation during the last year. Sharp increases in prices, the expansion of the monetary circulation and speculation against the franc all continued for several months after the new measures were introduced. The degree of stabilisation that had been imposed under M. Pinay's régime has been little connected with credit policy; its main causes have been control over Government spending, a reduction in the violence of the economic dispute about the division of the national income between different groups in the community, and a reversal of speculation in response to the improvement in general confidence. The dispute about the distribution of the national income tends to come to a head when total national income is low or is tending to fall. It shows itself in an inflation of costs; and this can continue even if there is no excess of total demand over total supply, when monopoly is as strong as it is in France. In such an economy, credit policy is bound to be of secondary importance unless it is applied with great vigour. Otherwise, when cost inflation is active, it can prevent only the most serious excesses of speculation.

In France, as this account has shown, credit policy has not been pushed very far, despite the comprehensive character of the new apparatus of control. The lesson of France is that, in a country with a strong inflation neurosis, monetary measures have to be pursued with great determination and real conviction to be successful when inflation is active. The French experience also throws light upon the relative merits of orthodox and unorthodox credit controls. Qualitative controls have shown themselves to be very weak, while the unorthodox quantitative control by discount ceilings may cause dangerous rigidities that are almost bound to force the authorities to relax their grip. In the particular context of France, however, questions about the merits of particular techniques are plainly of less importance than the question why there has been a general lack of will to use any varieties of monetary control whenever their use would cause appreciable discomfort—although they would certainly have effect if used with firmness. The answer lies at the centre of France's postwar experience: there are few important groups left in the country for whom the removal of inflation is more important than anything else. If monetary stability can be attained at no great cost, then it is brought about, as in 1949 and 1950. But, at least under the Centre coalitions since the war, stability has always taken second place whenever a choice has had to be made between economic objectives. For the planners and official circles, one of the most important choices has been between monetary stability and the pursuit of a heavy investment programme; for the major economic groups in the country, who have more or less immediate protection against serious loss of real income through rising prices, the choice has been between monetary stability and the loss of real income. In each case where the conflict has been sharp monetary stability has been sacrificed. Lack of will to control inflation explains its continuation and the weakness of credit policy. The tools of credit policy that are available would be adequate if they were in resolute hands; it still remains to be seen whether France considers the price of monetary stability worth paying.

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LEADING ARTICLES

Decision and the Dollar - - - 513
Stocktaking for Uno - - - 515
Restless Iraq - - - 516
Family Anatomy - - - 518

NOTES OF THE WEEK - - - 521

Softened Blow at Bevanism; The Transport Debate; A New Plan for Korea; Bonn Delays the European Army; Statesmen Fail in the Saar; Compensation in Moderation; Development without Betterment; More Questions for Corporations; Recession Recedes in Europe; British Industry at Luxemburg; Gatt Waives the Rules; Rain on the Just; Tidying up Church Schools; Pique and Pieck; Victory for Papagos; Bars and Bobbies; Plea for Municipal Munificence; Counting Italy's Votes.

LETTERS TO THE EDITOR - - 531

BOOKS AND PUBLICATIONS - 534

AMERICAN SURVEY

Reasserting Civilian Control - 538

Eisenhower Tees Up; Labour in a Cold Climate; Superatomic Explosion; Two-party South?; Burnt Fingers on the Public Pulse; Presidential Succession.

THE WORLD OVERSEAS

General de Gaulle's Dilemma - 545

Uno's Week of Trial; The New Privileged Classes; Perón Seeks New Roads; Free World and Eastern Europe—III; Rakosi Shortens Rein.

THE BUSINESS WORLD

Comity and the Oil Companies - 556

Bullion Market under Pressure - 558

BUSINESS NOTES - - - 562

Britain the Creditor; Transport Rates Rise; Viscounts for Canada; Smaller Volume of Imports; Prices and the Deficit; Gone for a Burton; BOAC Back in the Red; Australian Import Concessions; More Freedom for Sugar; Motor Engineering Issues; Steel Prices Debated; Trade in October; Acid in Abundance? Confidence in Shoes; Wholesale Prices Still Falling; Dollars for the Colonies? Open Licences for Softwood Imports; Made in Hongkong; Shorter Notes.

COMPANY NOTES - - - 572

STATISTICAL SUMMARY - - 573

COMPANY MEETINGS - - - 574

LIVING WITH THE DOLLAR - 579

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Decision and the Dollar

THE Commonwealth Conference, which will convene in London next Thursday, has been preceded by more portentous ministerial preparations than any economic conference since the war. To draw up the agenda for it Mr Butler abandoned his intended visit to Mexico City in September, several dozen Commonwealth officials have flown half-way across the world and back again, two preparatory committees have been in intermittent session for many months, and cabinets in London and the dominions have exchanged detailed memoranda with an enthusiasm that has sometimes extended to acerbity. This mountain of preparation must now surely bring forth some major policy changes; it would be too much of an anti-climax if it produced only a mouse.

But what policy changes are in prospect? The main topic before the conference will be how sterling can live on more friendly and less fearful terms with the dollar; which means how it can be extricated—initially, at any rate, it would have to be with American help—from the barbed entanglement of present exchange restrictions. A survey on page 579 of this issue analyses this problem, and suggests lines along which a solution might be sought. That survey proffers a blueprint for what might be done. It does not, unhappily, state any expectation of what will be done. For the difficulties to be overcome are immense. Indeed, the immediate danger is that the Prime Ministers may make their countries' economic problems worse. They will certainly do so unless they recognise and evade two insidious traps that lie in wait for them. The first trap is innate in the mechanism of Commonwealth consultation itself. The second, and more important, is rooted in a tendency, on both sides of the Atlantic, to underestimate the extent of the problem to be faced.

The trap that is of the Commonwealth's own making arises from its familiar eagerness to ensure that family disagreements do not relapse into anything so definite as deadlock. The result is that they often get bogged down in compromise instead. That is the first danger that will beset the Prime Ministers next week. The preparatory work for this conference originated in two committees that were set up after the last Commonwealth Conference in January to investigate the possibilities of integrating Commonwealth development and of achieving sterling convertibility respectively. According to report, the United Kingdom representatives entered the first committee thinking that its terms of reference promised that the sterling area would make a united effort to press forward with those development schemes that would earn or save dollars, and to restrict those that would not; the sterling dominions entered it thinking that planning for Commonwealth development meant that they should discuss how they could secure the continuation and extension of their own industrial development. The United Kingdom representatives entered the second committee thinking that convertibility meant that foreign countries that earned sterling should be given the unfettered right to buy dollars

from the sterling area pool, while Commonwealth countries cut their demands upon that pool still further; the dominions' representatives had vaguely thought that convertibility was a six-syllable word that meant that they should have more dollars to spend themselves.

It ought to be quite impossible to throw a bridge across these hugely differing interpretations, but the danger is that frantic efforts will be made to construct one. It is frighteningly easy to picture this Bridge of Sighs. The Commonwealth Prime Ministers could, for example, recommend that the Commonwealth should press ahead with development, meaning by that an increase in the dominions' dollar-saving investment schemes but without any further restrictions on their dollar-spending; they could express the hope that it might be possible to make some sort of advance towards convertibility, meaning by that many more dollars for foreign earners of sterling and a few more for India and Australia; and finally they could suggest that Mr Churchill should cross the Atlantic early next year to ask President Eisenhower to underwrite the whole experiment with a stabilisation loan.

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Any mission based on such effortless thinking would almost certainly meet with disaster. There would be no guarantee, in the first place, that the Americans would listen to proposals that rested on internal contradictions of this sort. Secondly, and much more dangerous, President Eisenhower might go part of the way with Mr Churchill—but only on conditions about the speed with which convertibility was to be attained and the degree of non-discrimination against dollar imports that would have to go with it. In these circumstances, Britain would either have to start its relations with the new administration in Washington by curtly refusing an offer that the Americans themselves would consider generous; or else it would have to try to take on rather more than it believes it can handle, with rather less aid than it had hoped to get, and with the need to put rather more pressure upon the dominions than the dominions themselves had bargained for.

If more realistic proposals than these emerge from the Commonwealth Conference it will happily be possible to dismiss this as excessively gloomy, though perhaps not untimely, adumbration. And, if the Commonwealth does intend merely to poke at its economic problems, there may still be some who will regard this article as mischievous speculation—on the thesis that now is the time for all good men to help to swing the lead. Those who argue in this way must be hopelessly out of touch with the present political atmosphere in America. In the struggle that almost certainly lies ahead between Mr Eisenhower and his own right wing, it may be possible for the President to induce Congress to attempt a once-for-all solution of the world's trading problems—especially if it is a solution that seems different from that which the Democrats espoused. But if the first attempt fails, any second plea for rescue funds will come up for consideration on a hopelessly queered pitch. And this is also the answer to those who believe that, even if no advance to convertibility is attempted, it will be possible to fall back on the present stop-gap system of annual American grants-in-aid. In future, successive approaches to Congress seem likely to yield steadily diminishing returns.

It is, therefore, of the highest importance that the first

approach to President Eisenhower should not be based on an underestimate of the cushion that is needed and on an overestimate of the advances that can be achieved. There have lately been frightening rumours that Washington and London are thinking in terms of a stabilisation loan of some two billion dollars; with this backing, it is argued, the Commonwealth and Western Europe should be able to make some advance to non-discrimination and a full-scale advance to currency convertibility, provided that exchange rates are set free to float. Recent history suggests that any such experiment would in all probability fail. In each of the postwar years the surplus on America's balance of payments has been between \$5 and \$8 billion, except in 1950 (when it was rather lower) and 1947 (when it was considerably higher). It is, of course, a disgrace that four-and-a-half of the five continents should have so grossly overspent their dollars in this way. It should not be impossible to devise a disinflationary programme that would be sufficient to bring the sterling commonwealth, at any rate, back to dollar balance in all except very bad years, so long as present discriminatory exchange restrictions remain in force. But it is idle to suppose that in the first year of any significant easing of exchange restrictions, and in any bad years thereafter, the American surplus may not swing back to or beyond its postwar average. It will not necessarily do so, but it is at least more likely to than not. And with some £3,400 million of short-term claims on London resting uneasily in overseas hands, the brunt of any such swing, in a world of convertible currencies, would fall on sterling.

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Does this mean that any advance to convertibility and freer trade must be abandoned, at best in an atmosphere of anti-climax and at worst after an experiment and crisis? Does it mean, in fact, that since annual American grants-in-aid are likely to diminish, the non-dollar world will have to retreat even further and even more fearfully behind a barrier of discriminatory import restrictions? It would be tragic to have to draw any such conclusions. But if the Commonwealth Prime Ministers are to cut a way out of the present thicket—and a way that will not lead straight downhill to disaster—they will have to think first about what they can offer to America, and only afterwards about what they may hope to get from it. The proposals in the survey have been drawn up on this line of reasoning.

These proposals have three main features. The first is a programme for deliberate disinflation in the Commonwealth, based mainly on a sharp cut in the uneconomic industrialisation programmes of the sterling dominions and on the switching of resources in Britain from the consumer goods industries into the capital goods industries; a programme of this sort will be needed whether an advance to sterling convertibility is attempted or not. Secondly, it is suggested that the cushion for an experiment in convertibility (and it would have to be a capacious one) should not take the form of American grants-in-aid; the best of several other ways would seem to be for the American central banking system to accept payment for part of any American surplus in a new sort of claim on other countries' resources, on the analogy of the credit lines now granted to one another by European countries under the European Payments Union. Thirdly, steps would obviously have to be taken to ensure that the Americans were not asked to take up more of these

claims than they were willing to hold. One way to do this would be to enable the Americans to restrict, at their own volition, the volume of American goods that foreigners can buy, but in addition any countries that kept on running into debt would have to yield to the international authorities managing the new payments system powers that have hitherto been regarded as the inviolable prerogative of national economic sovereignty.

These proposals are put forward as a basis for discussion. They may not be sufficient for the aims in view and there may be better technical ways of achieving them. There will also be those

Stocktaking for Uno

IS the fate of the whole United Nations experiment in the balance? After the events of last week, a good many of those who have been following the Assembly's activities in New York seem to agree that it is. Their despondency is hardly surprising. There had been a general hope that, once the American elections were over, the Assembly would at least be able to show a turn of speed. Instead, it has been confronted with obstacles and perils on almost every side. On the heels of Mr Vyshinsky's brusque rejection not only of the terms of the United Nations Command for a Korean truce but also of formulas proposed by several disinterested parties, the Assembly has heard French and South African speakers deny that it has any right to intervene in their countries' affairs; it has listened to Arabs and Israelis pursuing their endless wrangles, and has learned that India and Pakistan are no nearer to a settlement in Kashmir; it has been embroiled in quarrels ranging as far as colonial Africa and back to its own budget. The Secretary-General has announced his resignation; his chief legal adviser, Mr Abraham Feller, has killed himself in a mood of despair aggravated by the incessant harassing of the Secretariat by Senator McCarran's committee; and that committee has wasted no time in announcing that it proposes to continue and extend its campaign, which takes the form less of a judicial inquiry into alleged subversive activities than of a serial soap opera, complete with promises of thrills in the next instalment. Meanwhile, those who look to the President-elect for a sign that would clarify future American policy have so far looked in vain.

The United Nations now presents a gloomy picture: a badgered and embittered Secretariat; a disillusioned Secretary-General whom it will be difficult indeed to replace; an Assembly, unable to solve any of the major problems on its agenda, bickering over budget contributions and even less important issues, and beginning to talk of extending into February a session originally intended to last only eight weeks; and, in distant Korea, an army tied down in a war with no end in sight.

With this massive pile of evidence to support them, those who predict the imminent collapse of the whole edifice of the United Nations may well feel sure of their ground. Yet, if they study the record of the organisation over its seven years of life, they may pause. Almost every Assembly since the founding of Uno has produced its chorus of croaking Cassandras. As early as 1948 it was confidently asserted that the United Nations was no longer dying but actually dead. Soviet rejection of

who, after reading the survey, will decide that convertibility and non-discrimination would be too dear at such a price. For the Commonwealth and Western Europe—who cannot really expect to go on living off American aid while discriminating against American goods—this conclusion would be faint-hearted and false. For Americans, the balance between advantage and loss may be more difficult to strike; that is for American opinion to decide, after weighing the political as well as the economic considerations that are involved. One thing is certain: convertibility and lasting non-discrimination cannot be attained more cheaply.

Marshall aid, the blockade of Berlin, the signing of the Atlantic Pact, the deadlock over Chinese representation and the outbreak of the Korean war have successively been hailed as heralding its demise. Nevertheless, in spite of disillusion, deadlocks and the outbreak of a full-scale war, the organisation still exists.

Given Uno's remarkable capacity for survival, it is more sensible to take another look at its present troubles. Taken together, they present a sombre picture; but none of them is necessarily fatal. Neither the French nor the South African reaction to criticisms raised in this Assembly was unexpected or without precedent, and the problems of Kashmir and Palestine are equally old and familiar turns in the UN repertoire. Feeling has run high on colonial issues during this session, but it would be difficult to assert that the United Nations has been placed in mortal danger thereby. The resignation of the only Secretary-General whom the member nations have ever succeeded in appointing came as a dramatic surprise; but, while it symbolises all too clearly the unresolved conflicts within the United Nations, it does not in itself threaten the life of the organisation. Mr Lie may yet be persuaded to serve for at least another year; agreement on a successor is full of difficulty but not wholly impossible; and at a pinch the United Nations could make shift without a Secretary-General for some time. As for the damage done to the morale of the Secretariat by the McCarran committee's tactics, these directly affect only the American members of a multinational staff. The logical outcome of the committee's activities would seem to be a sharp reduction in the number of Americans serving in the Secretariat; and this might prove less embarrassing to Uno than to those members of Congress who brought it about.

None of these difficulties would loom so large if it were not for the atmosphere that surrounds them—an atmosphere of frustration and anger, born of the failure to stop the bloodshed in Korea. American impatience over Korea, heated by some of the brash statements made during the election campaign, finds vent in criticism of Uno's Secretariat and budget. Asian feeling about Korea, skillfully exploited by the Communists, contributes to the malicious attacks made in Assembly committees on some of the colonial powers. There is little doubt that Korea played its part in the different decisions taken by Mr Lie and by Mr Feller. And, with a curiously cynical indifference to their own casualties, the Chinese and Korean Communists have recently stepped up their pressure on the front to a degree that gains them

nothing of military value, but which is nicely calculated to increase the demand for a quick settlement in the free world and particularly in the United States.

Despite the bluntly negative attitude of Mr Vyshinsky (who is evidently empowered to reject truce proposals without even consulting the nominal belligerents in Peking and Pyongyang), further initiatives for a Korean settlement are being made, and it is too early to give up all hope of ending the fighting. The latest developments towards a truce are discussed in a note on page 521. The point that must be stressed is that, given the Communist technique of playing on the sincere longing of all western peoples for peace, those who now decry the United Nations are merely encouraging the Russians to raise their price for peace in Korea. Mr Stalin has frankly indicated his objective of opening rifts in the free world. What better start could he make than the destruction of Uno? And, failing that, what better consolation prize than to secure better terms for himself over Korea by presenting these as the only alternative to the collapse of the world organisation?

The Communists cannot have failed to note that their chances of destroying American support for the United Nations are the greater because that support was originally so strong and uncritical. Before the Korean war began, the American attitude to Uno bore a marked resemblance to British feeling about the League of Nations in the twenties. A healthy willingness to work hard and contribute generously towards the realisation of a great ideal was combined with reluctance to look too closely at the hard facts of the particular situations with which the United Nations had to deal. Intervention in areas such as Indonesia or Kashmir, in colonial matters or human rights, was enthusiastically endorsed; but the limitations of the organisation, the complications caused by some of its actions, and the strain that full implementation of its ideals would put upon the United States itself, were never realised. Perhaps the present time of troubles may yield one dividend in the shape of an

increased American readiness to see the United Nations steadily and see it whole, and another in a realisation among other nations that they cannot for ever rely on the United States to underwrite every decision taken by Uno.

On both sides of the Atlantic, this more realistic approach ought to have the effect of sorting out the true friends of the United Nations from its fair-weather supporters. To the realist, the mistakes and defects of the organisation are perfectly clear. But equally clear are the contributions it has been able to make towards limiting conflict in Greece, Kashmir, Palestine and Indonesia; its role as the common ground on which the lifting of the blockade of Berlin was secured; its many humanitarian and economic achievements; and, above all, its unique position as the rallying point from which, for the first time in history, nations in all six continents launched out on the common defence of a single victim of aggression. In the perspective of time, this last and boldest experiment may be seen to have changed the course of world affairs.

To destroy the organisation through which these things have been made possible, without putting anything in its place, would be an act of self-mutilation from which all but the most embittered minds would recoil. Yet there is, perhaps, a more subtle temptation. It has long been recognised that the United Nations possesses no impetus of its own; if it is not kept in motion, paralysis will quickly set in. It would be supremely ironic if, at the very moment when the world has made the ancient dream of collective resistance to aggression into a reality, it permitted its first effective instrument for that purpose to wither away. The gravest danger that threatens the United Nations is not that of being brusquely dissolved, but that of being quietly embalmed in honeyed words, to remain indefinitely as an unburied corpse above ground. If the events of the past fortnight lead to a new and realistic stocktaking, the United Nations may at least be saved from that fate.

Restless Iraq

THIS week and next, in the presence of kings, presidents and other notables, the Iraq Petroleum Company is holding impressive ceremonies in Iraq and Syria to mark the opening of the new 30-inch pipeline from the great oilfield at Kirkuk to a terminal at Banias on the Mediterranean. Kirkuk's output, always potentially great, has hitherto been limited by the size of the pipelines to Tripoli in Lebanon and Haifa in Palestine, and by the Iraqis' refusal to pump to the Haifa terminal since the birth of Israel. Now, production is to rise at speed. Kirkuk's output will jump from 8 million tons in 1951 to 22 million tons a year. When to this is added the smaller but also rising output of the fields run by IPC's two blood relations—the Mosul and Basra Petroleum Companies—Iraq's annual export of crude oil will reach 30 million tons in 1955. By the terms of the 50:50 oil agreement with the companies which the Iraqi Parliament ratified last February, the country's revenue from oil will therefore rise from 31 million Iraqi dinars in 1952 to I.D. 59 million in three years' time (1 Iraqi dinar=£1). Some conception of what this figure means can be gained by comparing it with the ordinary budget, which during the last decade

has ranged between I.D. 20 million and I.D. 25 million.

But Iraq is next door to Persia, and during the past eighteen months there has been speculation whether nationalism, which is strong, will drive the country to follow the Persian example and to paralyse its only industry in order to satisfy its pride. It has not done so partly because Iraqis do not find Persians impressive, and partly because Iraqi leadership in cabinet and parliament has, throughout the recent term of office of Nuri Pasha al-Said, shown a streak of common sense that places the need for national development above emotional considerations. At the moment, however, the prospects that this smooth management of national affairs will continue are not as bright as they were. A general election is due. Last July, in order that the election might be held without the taint of being rigged by the government in power, Nuri Pasha resigned, giving place to a caretaker team. The opposition to Nuri now feels that this team will work to his advantage, and it is pressing for changes not only in the cabinet that will manage the elections but also in the method by which they will be carried out. By statute, a new parliament must meet four months after the dissolution of the old—

in this case, four months from October 27th. Since an Iraqi election takes six weeks, it must begin shortly. Outward signs that trouble is feared are to be seen in the resignation this week of the Finance Minister, and in a new appointment to the Ministry of the Interior.

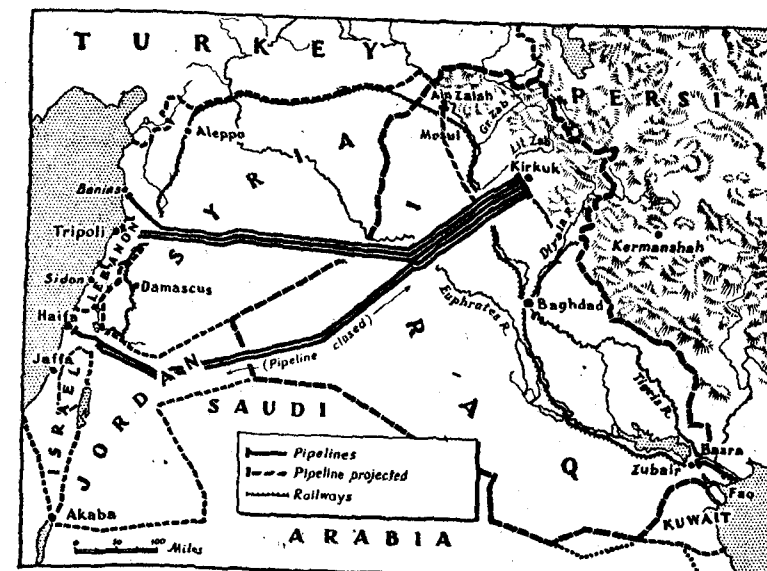
A restlessness that is taking the outward form of vituperative electioneering and argument whether voting shall be direct or indirect has deeper causes. Of these, by far the most profound and most difficult to eradicate is social despair. A rising middle class is hopelessly outnumbered and outvoted by a peasant population that is still in thrall to a small sheikh and landlord class; this class therefore rules the country and seems likely to continue to do so until a land reform occurs—for which the landowners will not vote—or until their sons have some measure of education, which will take a generation. Even this cursory description of the country's social structure is enough to show that only in a few towns does the apparatus of democracy produce a result that represents the view of the people. A majority in any Iraqi parliament therefore tends to favour tranquillity and to vote with the government of the day.

The disquiet of the urban intellectual at what he feels

to be a dead hand upon social progress can be imagined. Moreover, his group has for some time been feeling economic hardships that increase its dissatisfaction, and the events of 1952 have considerably stimulated his emotions. The year has brought him news of immense revenue from oil, but this has produced no results that he can see. He wants fruit, however unripe. He feels and says that the national development board, which for the

two and a half years of its existence has been receiving 70 per cent of the oil revenue, is "doing nothing"; this criticism is unfair, and arises from his ignorance of the time it takes to translate plans such as the Haigh Report of 1949 on flood relief and irrigation storage into specifications and contracts, let alone actual works. There are points to criticise in the development board's management, but slowness is not one of them. A second and sharper cause of his unrest is the news not from Persia but from Lebanon and Egypt. He reasons that if fundamental changes in leadership can take place so smoothly and easily as in these two countries, why should not the same thing happen in Iraq?

Expression of these feelings takes on a complex shape in current Iraqi politics. Five political parties are contesting the elections, three of them founded during the life of the last parliament and all based on loyalty to personalities rather than to differing party principles. One is the Constitutional Union Party, into which, late in 1950, Nuri Pasha welded a large section of the government's supporters in parliament; a second, similarly based upon landowning and tribal interests, is the Umma Socialist Party of Salih Jabr, founded in 1951.



Both these leaders have experience of office, and they are now the only serious contestants for it. They have been known to serve together but are at present rivals, one difference of note between their parties being that the first has a Sunni Moslem and the second a Shia Moslem leader. There has so far been no religious bitterness in Iraq between these two branches of Islam; but the Shia, who were as a matter of course the underdogs in Turkish days, are in fact more numerous and, with the spread of general education, their numbers could begin to count as a political force. Two other parties, the Independence Party of Mohammad Mahdi Kubba and the National Democratic Party of Kamil al-Chadirchi, enjoy the support of most of the discontented townsmen and students; their chief strength is their ability, in times of unrest and for limited periods and objectives, to rouse the urban mob. The fifth party—the United Popular Front led by General Taha al Hashimi—has won less public support, though it has the silent sympathy of a certain number of intellectuals.

At present, all parties except Nuri Pasha's want to change the present two-stage electoral system for a direct system, and they say that they will boycott the elections

if this it not brought about; all want abrogation of the Anglo-Iraqi treaty and "neutrality"; all the town-based parties want land reform and reduction of feudalism; some want amendment of the constitution so as to reduce the King's rights; some, the nationalisation of public services and of the oil industry. For the moment, interest in programmes has been brushed aside by the struggle for direct elections, which is being

conducted regardless of the hard fact that the practical issue is not the method of voting—which cannot affect the family and tribal hold on a majority of the seats—but whether and how far the process shall be rigged or free. Rigging is simple to achieve by such devices as appointment of scribes of "safe" views to record the wishes of illiterate voters, or of local supervisory committees that will announce the required result. Whatever the method of voting used, Nuri's party seems likely to head the poll, though direct elections might increase Salih Jabr's following because some Shia peasants might cease to vote with their Sunni landlords.

But the period in which unrest is to be feared is not the one after the elections; it is the three months before their result is known. At the moment, the task for all who have Iraq's welfare really at heart is to secure a caretaker government which will impart confidence to a maximum number of the opposition parties, so that all or most of them will participate in the poll. If they do not do so, the prospect that a caretaker government will be capable of maintaining order is not bright. Parties that are not campaigning are likely to be tempted to stir up trouble; that trouble is not far below the surface is

suggested by recent strikes, by refusals of peasants to pay rent, and—in one area—by a tribal clash which seems to have had nothing to do with politics but which has been interpreted by wishful thinkers as a first round between the followers of Nuri and the followers of Salih Jabr. Increased Communist activity during the past year does not lessen misgivings lest some spark at election time should touch off violent disturbances.

These would naturally serve Communism and not the public good. It is therefore in the self interest at least of the two principal parties not to let the situation get out of hand. They might avert trouble either by agreeing on a strong caretaker government, or by reaching some compromise on the question of direct elections—such as that of altering the electoral law as soon as this can be done by a parliament and therefore constitutionally. The basic facts are that only a strong government can run Iraq smoothly and that only one of the two major parties can produce such a government; that neither could have proceeded with immediate and

spectacular development financed out of oil revenue any faster than Nuri's government proceeded during the life of the last parliament; and that even a changed electoral law cannot alter the country's social structure and therefore its parliamentary structure, the basic causes of its discontent. To cure this there is no short cut except a dictatorship supported by classes other than the land-owners (of which there is no sign), or else a violent revolution. Otherwise the change must take time. Those who watched the young King Feisal open the valves at Kirkuk last Tuesday might well have contrasted the smooth flow of the oil with the turbulent nature of the problems that face him when he comes of age next May. He inherits a land that possesses the three boons of money, living space and water. It is, therefore, a land of promise; but it is also a country which, under the influence of education at home and lessons from abroad, will see great social changes in his lifetime. A generation of such profound changes promises him no easy reign.

Family Anatomy

THE preliminary results of the 1951 Census have now been completed in a second volume (HMSO, £2), based again on a representative sample of one out of every hundred. As before, the smallness of the sample will introduce some errors, but for most purposes this preview should be sufficiently accurate. Indeed, for certain sections there is no choice, for not all of the sample analysis will reappear in the full census tabulations.

The new volume draws the most complete picture of the British household that has ever been attempted. It shows it in its many different forms and traces how its size varies with the childbearing record among women of different ages and social status. How old is the head of the household? Is he—or she—married or single? How many incomes are coming into the household? How does age of marriage affect the number of children? In which occupations do parents have the most children?

Certain reservations about the Census answers to such questions must be made. A household is not the same as a family, for it also includes any resident domestic servants, lodgers or visitors on the night of the census. One section of the report attempts to separate some of these "outsiders," leaving what is called in true sociological style the "primary family unit"—the head of the household, his wife if married (or her husband), any children, close relations or resident domestic servants. After excluding visitors altogether, all but two million households were found to belong to this simple type. But for several reasons the Census cannot give an exact picture of the relationship between people living together in a single household. The exclusion in this particular analysis of nearly a million visitors from the households in which they were staying does not right their omission from their normal residence. Many thousands of husbands and wives were not enumerated together and there is no means of telling whether they were temporarily or permanently apart. Some 800,000 people were in hotels or boarding-houses on Census night, but casual visitors are not distinguished from residents. The table below, therefore, can claim to give no more than

a broad impression of the make-up of households.

Visitors are excluded throughout. In 251,000 households with a married head the wife, and in 402,000 the husband, was not enumerated on the schedule but is included here among married couples. So also are 115,000 missing husbands, and 17,000 missing wives among married couples without their own home. Widowed persons without children and without their own home are not included in the table.

There seems to be little doubt, however, that about a million married couples have no homes of their own.

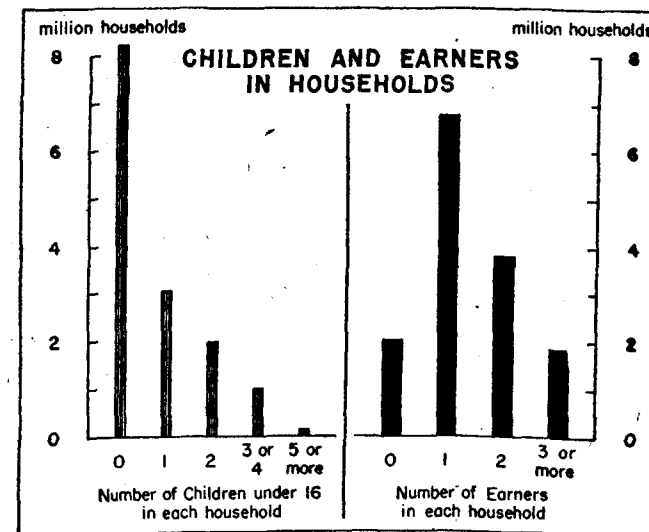
	Numbers in Thousands of:		
	Married Couples	Widowed or Divorced Persons	Single Persons
<i>In own home without "outsiders"</i>			
And without relatives.....	9,268	1,656	609
With one or more near relatives.....	580	118	270
<i>In own home with "outsiders"</i>			
Without relatives.....	1,061	623	165
With one or more near relatives.....	64	24	44
Total in own homes.....	10,973	2,421	1,088
<i>In other people's homes</i>			
Those of relatives.....	802	550	*
Others.....	149	*	*

* Not obtainable.

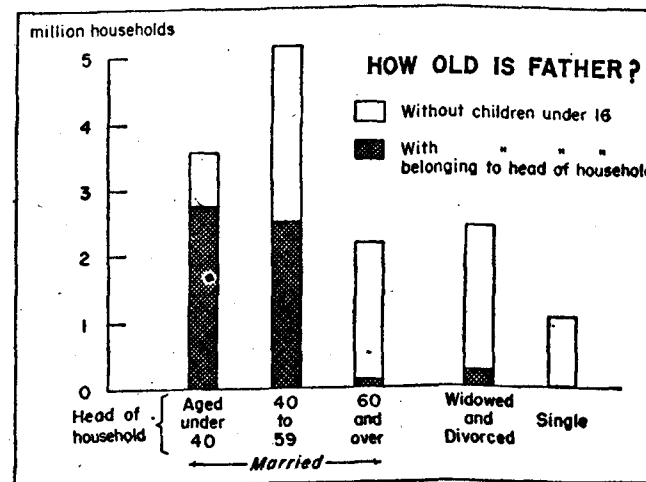
Only some 37,000 of these are grandparents living in the home of a child; mostly they are younger couples living with the parents of one of them, and well over half have children. It is a pity that the Census has to stop short at this point; there were no questions that could show the extent to which these mixed households were a direct outcome of the housing shortage.

The Census deals with many other things, but it is the findings on households and families which are of most interest, and which are illustrated in the following two pages.

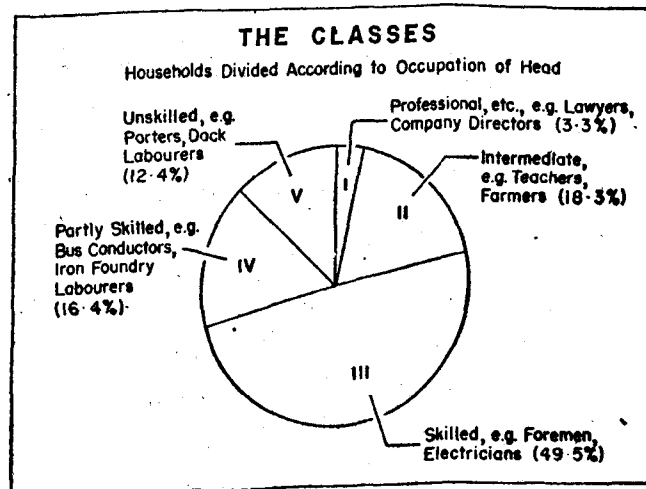
Nearly three out of every five households in Britain contain no children (a "child" is deemed to be under 16) and about one-fifth have only one child. In nearly 50 per cent of households there is only one person going out to work. Although most households without any earned income coming in are childless, there are some 200,000 with children but without a pay packet.



Three-quarters of all households have a married person as their head. Of those aged under 40, about 77 per cent had children, including step-children or adopted children.



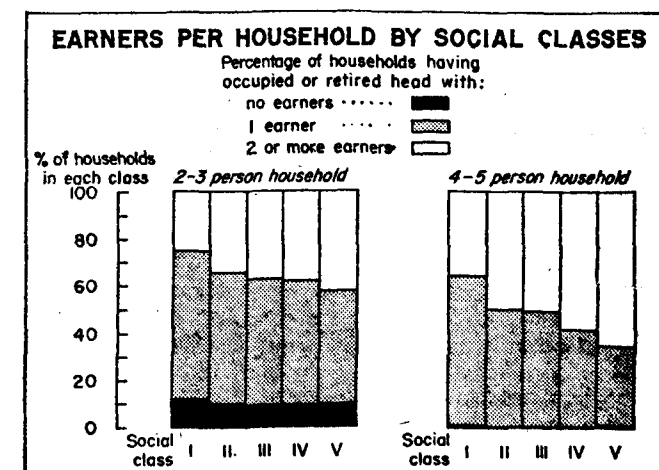
The Census officials have been bold enough to work out a code of social classes. The household's class is judged by the occupation of its head. People unemployed at the time of the Census, or retired from a job, are included according



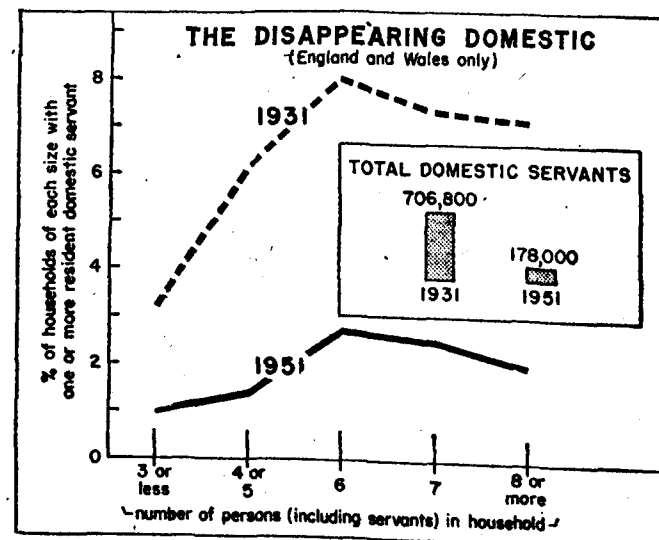
to their former occupation; but it excludes some 2 million households where the head was neither earning nor retired.

Any division into social classes must raise many doubts and probably some indignation here and there. The criterion has not been an income one but a somewhat undefined conception of the standing given to a type of occupation by the community as a whole. Nobody would quarrel with the placing of all judges in the top class. But in applying a single classification to an occupation which may have many different levels, some absurd anomalies must occur. A musician, for instance, whether he be a conductor of a national symphony orchestra or the leader of the local jazz band, is allocated to the same class—class III. And since this group sweeps in one-half of the households, it may be reasonably argued that the grading is too unrefined.

Yet there is no doubt that it produces divisions which do show different characteristics. One is in the numbers of earners in a household. Naturally there tend to be more earners per household the more people there are in it. But for the same size of household, those where the head is an unskilled labourer have the highest proportion of other earners; the professional classes have the lowest proportion.

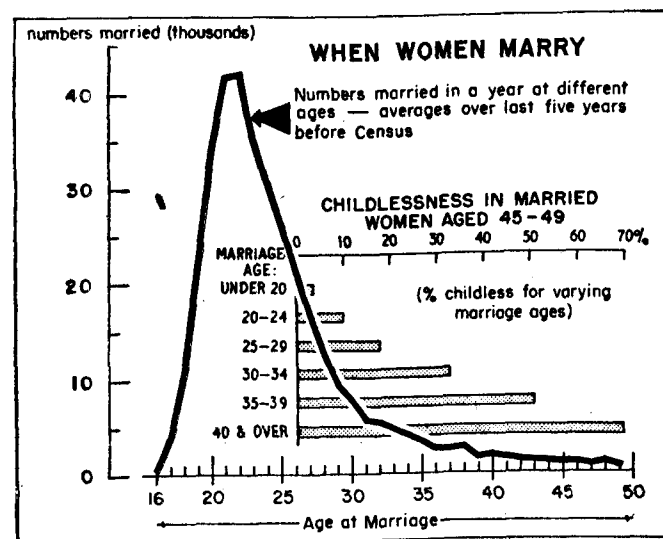


No census was needed to show that the resident domestic was becoming a thing of the past, yet it may still seem surprising that the numbers have dwindled so sharply—they are no more than a quarter of what they were twenty years ago. Nearly 5 per cent of households in England and Wales in 1931 had one or more domestics living in; today the proportion is only just over 1 per cent. The multi-servant household has practically disappeared—only some 20,000 households in Britain now have more than one servant. These figures are not, however, a measure of the amount of domestic help; they exclude the daily "char" and the baby-sitter.

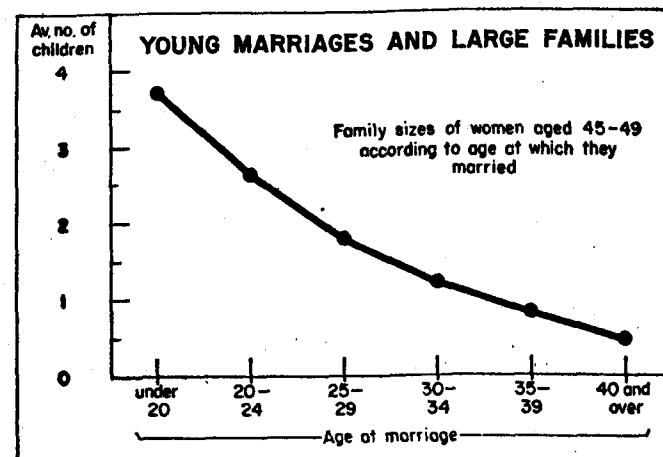


The most common age for women to marry in recent years has been 21 or 22. But one out of ten women marrying has done so at nineteen or even younger; just about the same proportion marry after reaching the age of 30.

Naturally the age at which women marry affects the number of children they have. In late marriages the time available for childbearing is short. Among all the married women aged 45 to 49 at the time of the Census—those, therefore, who had generally completed their families—only four out of every hundred of those who married under 20 were childless. With later marriage the proportion gets steadily higher.

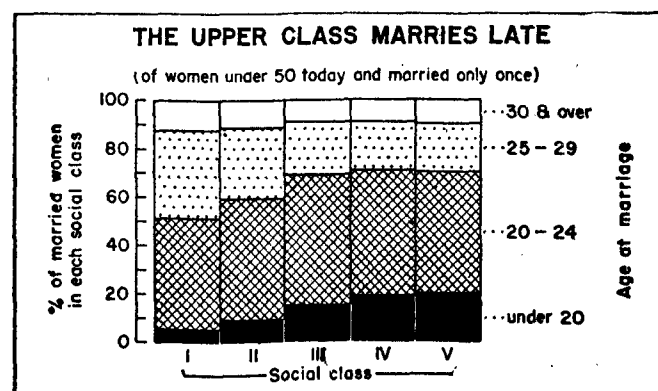


The size of the family depends to some extent, therefore, on the age at which the mother has married. The connection is not, however, a simple one. Among married women aged 45 to 49, 3.70 children had been born on the average to women who married under 20, compared with an average of less than one child to those who were over 35 when they married. But if the childless marriages are excluded, the average size of family increases quite sharply for the later marriages. Even for those marrying as late as 40 and over, 1.5 children are born on the average to those women who have a child at all. When they have started a family, most couples, whatever their ages, are reluctant to confine it to one child only.



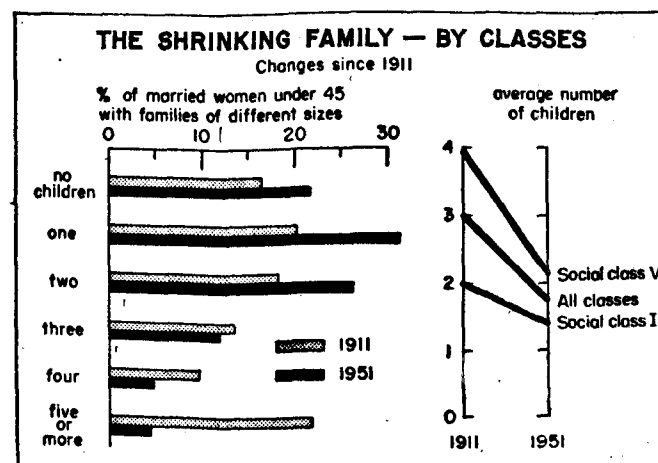
The mother's age at marriage is, of course, only one factor affecting the total size of families. The census of fertility makes possible some assessment of the other factors, social and economic. It shows clearly that women marry younger into the households of manual workers than into those of the professional classes. Of married women aged under 50, one out of every five whose husband was an unskilled labourer had married under the age of 20, but only one out of every twenty among the professional classes had married so early.

All classes have much smaller families than they had forty years ago, but the shrinkage has been sharper for the labourer than for the middle classes. Today, the family is

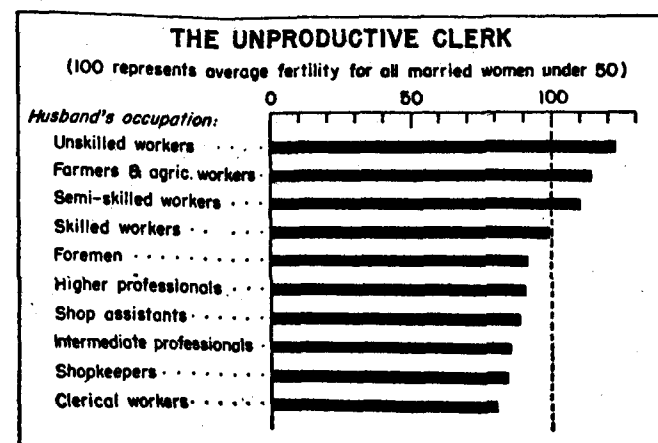


more uniform; no social class is very far from the average of 1.72 children per family where the mother is under 45.

The last chart shows the childbearing record for wives of different types of workers—a more distinct division than the broader social classes. Here the fertility record (of women under 50, married only once) has been adjusted for differences in the age and duration of marriage among the groups. If



this were not done, the clerical record would be even poorer, at 75 per cent of normal, for their wives marry comparatively late. Here, clearly, economic pressures are playing a large part in restricting families. Regional differences naturally reflect the occupational ones. Women in rural districts have more children than those in the towns, while London and the South-East, with its high proportion of office workers, is less fertile than any other region. But the one is not just a mirror of the other; the more sophisticated life of the towns is presumably an important influence.



NOTES OF THE WEEK

Softened Blow at Bevanism

If it had taken place under the old rules the voting for seats on the Opposition front bench would have been, clearly and unquestionably, a serious blow for Mr Bevan. In the first ballot for the twelve seats he scraped into the twelfth place with 108 votes. Ahead of him were not only Mr James Griffiths, with 194 votes, but a long list of Mr Bevan's most determined opponents; they were, in order of voting, Mr Chuter Ede, Mr Hugh Gaitskell, Mr Alfred Robens, Mr Hugh Dalton, Mr James Callaghan, Dr Edith Summerskill, Mr Emanuel Shinwell, Mr Philip Noel-Baker, Mr Glenvil Hall, and Sir Frank Soskice. These results showed unmistakably that the Parliamentary Party stands by its orthodox leadership. Even the middle-of-the-road group attracted little support in the ballot.

Under the former rules, these twelve would have been the members of Labour's parliamentary committee. Mr Bevan would have reached the front bench with a minimum of prestige and with his authority inside the committee accordingly impaired. But the changed rules, hastily adopted by the party the day before the ballot began, may prove to have softened the blow. Under these rules, only those candidates are elected who got a vote—one out of each man's twelve—from 50 per cent or more of Labour members. This happens to put the first six of the list directly on to the committee, leaving Mr Bevan and the others to go forward to a second ballot with the next six runners-up. Mr Bevan has with him in this second poll two of his supporters who would otherwise have fallen by the way—Mr Harold Wilson, who got 91 votes, and Mr Geoffrey Bing, who got 71 votes. But there is little comfort for the Bevanites in this second chance; it is quite possible that even Mr Bevan will be defeated.

His opponents now face an awkward decision. Many of them clearly want to keep Mr Bevan off the front bench, and they probably have the power to do so. But would it be too dangerous? If Mr Bevan is defeated in the second round, he will be able to claim that only a last-minute alteration in the rules has kept him from the place to which his popularity in the constituencies gives him strong claim. He can retire to the back benches claiming martyrdom once again, and the disciplinary rules cannot in practice prevent him from renewing from there his attacks on the official leaders. On the other hand, his presence in the shadow cabinet might also raise acute difficulties. They are inevitable in either case, so long as the Labour party remains in its present divided state.

The Transport Debate

Divisions among the Conservatives were less apparent this week, in the debate on the new Transport Bill, than many people had expected. The Government's supporters marched unitedly into the division lobby on Tuesday to give this first measure of denationalisation its second reading by a majority of twenty-six. Yet few major pieces of legislation can have ever gone forward in so malleable a state. The Minister of Transport went out of his way to emphasise the Government's willingness to consider modifications even to its third attempt at a scheme for transport. It may be an exaggeration to say, as did Mr Alfred Barnes in an able speech for the Opposition, that the Bill simply will not stand up in committee, but certainly it will get a severe buffeting.

The most powerful criticism of the Bill from the Government's own benches was made, as in the past, by Sir Ralph Glynn. In asking for an inquiry into its financial consequences, he suggested that there was no reason for violent hurry about the Bill. This, presumably, was the reason why his well-argued case got no proper answer from his own front

bench. After so much delay and hesitation, the Government now no doubt feels that its prestige will suffer if it does not get one major Bill into law early next year. There is, however, a better side to this determination. By no means all the criticism of the Bill from the right of the political fence is evidence that it is weak or unworkable. In small part, at least, it arises because the Government is standing up to pressure from some of the special interests among transport operators and traders who expect a Conservative measure to be tailored for them. Such a demonstration of independence is all the more necessary after Mr Churchill's remarkably plain confession that in interfering earlier this year to moderate the increases in London transport fares he had the imminence of the local elections in mind.

This confession provided the Opposition with its easiest point in the debate, but its case as a whole was skilfully put. Transport is a familiar subject for Mr Morrison, and he was ably supported by Mr Ernest Davies as well as by Mr Barnes. But it was left to Mr Callaghan to succeed in putting a relatively dignified gloss on Labour's latest and most outrageous threat to penalise people who act in good faith on the strength of an Act of Parliament. He suggested that a future Labour government might not merely limit compensation when re-nationalising road haulage; if necessary, it would simply refuse to renew the licences of hauliers who buy up the nationalised vehicles. That would certainly be a form of expropriation without compensation.

A New Plan for Korea

The free world will sympathise profoundly with Mr Acheson in the heavy decisions he must make during these last few weeks of responsibility without power. The American attitude of caution towards the latest Indian proposals for a truce in Korea would be understandable at any time. Today the Secretary of State is placed in a particularly difficult position. To back the Indian proposals would not only be to accept a course of procedure which yields a few more inches to the Communists with no guarantee of success. It would also commit the incoming Administration to a policy which discounts General Eisenhower's proposed trip to Korea, and might lay the Truman Administration open to specially bitter accusations of selling the pass on the very eve of changing of the guard. It is not surprising that Mr Acheson, so long harried personally by his political opponents at home, should hesitate.

A great deal must depend on the way the Indian proposals would be carried out if adopted. At their face value they represent an ingenious and feasible way of breaking the present deadlock over the prisoners of war by evading it. They also have the special point that they have been discussed with the Chinese before being put forward—though there is no suggestion of prior Chinese or Russian approval. The essence of the proposals is that, on an armistice being signed, all prisoners of war would be handed over to a four-power commission consisting of Sweden, Switzerland, Poland and Czechoslovakia. This commission would supervise repatriation; exactly how is deliberately left unclear. At the end of ninety days the case of any prisoners not repatriated would be dealt with by the general political conference called to follow up the truce negotiations.

There are many obvious loopholes in this procedure and it begs a great many questions. It does, however, meet the United Nations by avoiding the provision that prisoners will be repatriated by force, and the Communists by not requiring them to accept the principle of voluntary repatriation as a condition of the armistice. It represents in fact a possible lesser evil than continuing the war. When the two side

have taken stands which cannot be reconciled without one or the other retreating, but when the price of standing still is to fight a continuous pitched battle, there is something to be said for evading the issue by postponement. The trouble has so far been that it could not be postponed. If the supreme aim is to stop the war and then retire by agreement, this could now provide an honourable means of starting to do so. For Mr Acheson, with the American stake in his hand, the rewards of possible success may seem worth the risk.

Bonn Delays the European Army

Dr Adenauer has failed in his efforts to secure final ratification this year of the European Defence Community treaty and the contractual agreements with the present occupation powers. He has suffered setbacks from both the Upper and Lower Houses in Bonn. In spite of his pleas, the foreign affairs committee of the Upper House, consisting of the premiers of the *Laender*, has decided to await the verdict of the Federal Supreme Court on the constitutional issue before the House takes its vote. The Supreme Court does not begin its deliberations until November 26th. It will then have before it the request of President Heuss that he should receive a legal opinion before he signs the instruments of ratification. If the verdict goes against Dr Adenauer the treaties will need a two-thirds majority in the Assembly; and not even the greatest optimists believe that possible.

The Lower House this week decided to put off the final debate on the treaties scheduled for the end of this month. It is just possible that the *Bundestag* may still vote on ratification before Christmas; and to this extent the Germans may give the French a lead. But the Social-Democrats have another move in mind if the decision of the *Bundestag* goes in favour of the treaties. They propose to ask the Supreme Court to pronounce on another aspect of the constitutional issue, in addition to the President's request for a legal opinion. The long and short of these manoeuvres is that the *Bundesrat* will not debate the treaties until the end of January, or even later. It is thus very doubtful whether the treaties will be approved by all concerned before the French Assembly begins its debate.

The big temptation will be to wait until the French have made their decision, or even to put off the matter again until the German federal elections have been held in the early summer. The results of the recent council elections in three *Laender* have shown the Social-Democrats that they still have a good chance of ousting Dr Adenauer's government in favour of a new coalition headed by themselves.

With this prospect of further delays imposed on them by lawyers and politicians, it will not be surprising if the soldiers who have been working out the European army on paper for the last two years become impatient. Discussion has also started in the German press of pros and cons of alternatives to the European Defence Community; and the idea is growing that Germany needs an army in order to conduct an independent foreign policy. With an increasingly self-assertive tone, political writers are insisting that, if Germany becomes a direct member of Nato, it must be free from any American controls of its external as well as internal affairs.

Statesmen Fail in the Saar

The Franco-German dispute over the Saar has gone from bad to worse, as each side takes up new positions in public from which it will be hard to retreat. This is particularly unfortunate, as the best hope of reaching a settlement lay in postponing action until M. Schuman and Dr Adenauer could come to terms, and the federation of Europe could take shape. In spite of the advantages of delay, elections in the Saar are being held on November 30th with those parties banned that would like to change the constitution and reunite the Saar to Germany. An exception has

been made in favour of the Communist party, which is allowed to pose as a patriotic pro-German organisation. A German propaganda campaign, operated with funds supplied from the Federal Republic, is now in full swing. Apart from less obnoxious means of persuasion, leaflets reminiscent of the Hitlerite era are being distributed in Saar towns by "the resistance movement" warning the police not to interfere with "coming actions."

All the major parties in the Bonn *Bundestag* joined on Tuesday in recording a strong protest against the "muzzling of the fundamental rights of democracy" in the Saar. The assembly returned at the elections would not be recognised by the *Bundestag* as it would result from "the intrigues of the separatist power machine." The *Bundestag* approved the banned parties' appeal to the electors to stay away from the polling booths or to destroy their ballot papers; and it promised full support to the "oppressed Germans in the Saar." Dr Adenauer's statement for the government was not so hysterical as this protest, but it was strong enough to show that a serious deadlock has been reached in his negotiations with M. Schuman.

Developments seem therefore to be proceeding with the same disastrous inevitability that marked similar disputes after the first world war. The British and American governments approved the economic attachment of the Saar to France and its political detachment from Germany at a time when German nationalists dared not raise their voices. They are now faced with the distasteful fact that the French have had to take undemocratic measures to protect their acquisition from German agitators. Unless a concerted effort is made to prevent history repeating itself further, it is to be feared that the concessions that are being denied to Dr Adenauer will one day be granted to some nationalist demagogue successor to the German chancellorship.

Compensation in Moderation

The Government's proposals for town and country planning were published on Monday in a White Paper full of meat—some good cuts off the joint and some offal. The title—"Amendment of Financial Provisions" of the 1947 Acts—is a little misleading. It is only the financial provisions of the law that are to be altered, but the whole structure of planning rests on its finance; the proposed amendments will certainly change the practical effect of the remainder of the Acts.

There should be little criticism of the Government's method of dealing with the difficulties of the past five years' planning, of the period that ends next July. As had been expected, it proposes to abandon the compensation sections of the 1947 Acts, which require the disbursement of £300 million in saleable stock on July 1, 1953. Five years of investigation have shown that the admitted rights for development values existing on July 1, 1948, were worth in total about £350 million. The rights will be paid for in full as then valued, but only when their loss actually matures. Where it has matured already, the claims will be met in the autumn of 1954. But the Treasury will not pay anything to owners who, during the five years, have in fact sold their land at a price that includes its 1948 development value in addition to its existing use value.

In principle, these proposals restore sanity to part of the 1947 legislation by confining the payment of compensation to cases of real loss and excluding payments in cases where the loss is no more than hypothetical. Where a development charge has been paid and the land sold, the unscrambling of the compensation egg will in some cases be very complicated, and the justice of the provisions is bound to be at times, at least, a little rough. But no better alternative is apparent, and in this part of its proposals the Government is able at once to fulfil its election promise of a "drastic" overhaul and to claim the support of non-partisan opinion.

Development without Betterment

The financial structure that the Government proposes for future planning is less satisfactory than its way out of the present compensation muddle. It has, indeed, an attractive simplicity. The essence of the 1947 scheme was that the state bought development rights—out of the compensation fund—in X cases and the builder bought them back—through the development charge—in Y cases. That was a laborious way of providing compensation for X minus Y, and the Government proposes that in future money shall change hands only in X minus Y cases. This compensation may be claimed in two circumstances, when land is compulsorily acquired or when its use is curtailed by a planning restriction. In future public authorities will pay, on compulsory acquisition, the value of the land in its existing use plus the value of the development rights on July 1, 1948, if compensation for those rights has not already been paid. When a planning restriction is imposed, compensation will not in general be paid at all if the restriction is based on the principle of "good neighbourliness." This expression has an admirable sound but its practical meaning will depend on the words actually used in the Bill; comment must therefore be deferred.

In effect, these proposals treat development values—the element in the purchase price of land that is based on the prospect of its being put to a more remunerative use—as having been buried by the 1947 Act. This is a reasonable position provided that no consideration is given to the incentives for development. But the private individual or firm has no powers of compulsory purchase, and for him the effect of the new scheme will be to restore the rule of the dice box. The Government proposes to abandon not only the development charge in its present form but the whole idea of collecting betterment—the element in the value of land that arises from development in which the owner of a particular piece of land has played no part. If, therefore, an owner finds a private developer for his land, he can get, and keep, the full market price. That may be much more than a public authority needs to pay him; and if the authority afterwards chooses to sell all or part of the land it has compulsorily acquired, it can then get the full market value and pocket the difference.

This system offers neither much encouragement to the private developer nor equality of treatment to landowners. The arguments for dropping the development charge completely, without putting anything in its place, are certainly the weakest part of the White Paper. Fortunately, they need not be taken as the Government's last word. The short Bill published this week merely authorises the end of the development charge and sets aside the obligation to pay out £300 million next July. This is the simple and popular part of the proposals. The second stage of the legislation will not follow for twelve months, when the real difficulties will have to be faced. There is, therefore, time in which to explore the methods by which private development might be given more encouragement, betterment might be secured to the community that creates it, and an equality of treatment for all owners of land might be provided.

More Questions for Corporations

The Select Committee appointed last December to consider Parliament's relation with the nationalised industries has concentrated, in its first report, on questions to Ministers; but in doing so it has inevitably raised wider, and perhaps insoluble, problems. There is little difficulty in laying down broad principles about what questions can properly be answered in Parliament, but there is much difficulty in interpreting the principles in practice. The Minister's powers as actually exercised may be wider or narrower, according to the personalities concerned, than those laid down in the

statute; questions of day-to-day management may both illustrate and merge into questions of long-run principle.

By trial and error, a practical balance has been struck with which, on the whole, the Committee is content. It is concerned, however, about one interpretation of the rules. There has always been a ban on the actual repetition of questions already fully answered; this has been extended to cover questions "repeating in substance questions already answered or to which an answer has been refused"; and this amended rule is in practice used to forbid not merely verbal rephrasing but is also extended "from particular questions, readily identifiable, to whole categories of questions."

The effect of this extension is limited by the Speaker's discretion to admit questions to which answers had previously been refused, where these concern matters of sufficient public importance. But the committee is not satisfied with this concession. Agreeing that questions about detailed administration should not be permitted, it nevertheless believes that the present exclusion of whole classes of questions on the strength of a single refusal is too sweeping. The committee's solution is that questions otherwise admissible should appear on the order paper for the Minister to answer or not as he sees fit. Realistically but tentatively, it also invites the House to consider reducing the number of questions for oral reply from three to two per member per day. These recommendations are procedural only, but their effect would be slightly to tilt the corporations' present uneasy balance between dependence on the Minister and irresponsibility towards Parliament—to tilt it in the direction of dependence. Parliament surely ought not to make a decision on this one point until the committee has also offered its advice on the other aspects of the corporations' relations with Parliament.

Recession Recedes in Europe

The pessimists have again been proved wrong. A few months ago they foresaw an imminent slump that would engulf not only Western Europe but the whole world. Indeed, they had facts to bear out their gloomy forebodings. Production in practically all European countries had ceased to rise, and in many it had fallen; textile industries were sacking workers; overseas trade accounts showed alarming deficits. Fortunately this state of affairs did not persist. Already industrial output in all the OEEC countries except France is now recovering. Part of this movement is seasonal, but a part is also due to the underlying buoyancy of the European economy. And what is more important, inflationary pressures in most countries have been curbed so that the revival in trade this time will have a more solid foundation.

In Germany, unemployment is at its lowest level since January, 1949, and industrial output is continuing above last year's level. The rise in Italian unemployment appears to be arrested, according to provisional figures, and production has started to increase once more. In both Belgium and the Netherlands the textile industries, which were severely hit by the recent recession, are showing signs of recovery. In Britain, the Chancellor of the Exchequer, in a recent debate in Parliament, was able to show, some improvement and stated that employment in both Lancashire and Yorkshire (the two black spots six months ago) was now rising. Only the French economy is stubbornly resisting recovery; motor-car production is declining while unemployment and the number of business failures are increasing. On the other hand, French steel production last month was the highest ever recorded.

The underlying causes of this recovery are difficult to trace. Nobody thought that even a mild recession could be possible at a time when countries were devoting some 10 per cent of their output to rearmament. And yet it happened, though it was concentrated entirely in the consumer goods industries. American off-shore purchases, which have

amounted to over \$700 million in the fiscal year ending June, 1952, have undoubtedly helped countries to balance their overseas trade accounts and to keep their basic industries fully employed. Indeed the fact that activity in the basic industries was maintained greatly reduced the chance of a major recession. A significant feature of any slump is a declining trend in disposable income, which occurs usually through a declining output in the investment goods industries, since they supply income immediately and goods only later on. The consumer goods industries, on the other hand, supply income and goods more or less simultaneously. When their output declines, the reduction in income and goods is matched and so equilibrium is often restored fairly quickly. Europe seems to have proved this simple theory.

British Industry at Luxemburg

Weeks or even months may elapse before the association between Britain and the European Coal-Steel Community takes any tangible form. This will be a time of sparring and bargaining. But some hint of how the wind blows can be inferred from the first formal meeting in Luxemburg this week of the Joint Committee, which has the task of working out future relations. Putting the view of the coal-steel group, M. Monnet, president of the High Authority, stressed the importance of "common action, responsibilities, rights and obligations shared on an equal footing." In other words, the Community is still determined that in order to qualify for a share in the benefits of the scheme, Britain must also share some of its obligations—no British contribution to the levy on production, then no share in investment credits; no willingness to join the six in freeing coal-steel trade among themselves and erecting a common tariff wall, then only limited co-operation on commercial policy. Sir Cecil Weir, head of the British delegation, replied in terms familiar to continental ears. "In our view," he said, "the rules and regulations which will govern our relationship should be based on experiences in dealing with practical disputes rather than on general principles. As you know, we prefer an empirical approach."

It would be surprising if this cautious statement accurately reflects the sentiments of the British coal and steel industries themselves. If an amorphous policy of wait-and-see was all it had in mind, the National Coal Board would hardly have assembled at Luxemburg the most powerful delegation it has yet dispatched abroad. This action suggests that the British coal industry has had a profound change of heart. A year ago it regarded the coal-steel scheme with scepticism, even aversion, but meanwhile two things have happened; the Community now looks as if it will become a going concern, and the sellers' market for British exports is disappearing. In these circumstances the obvious interest of the industry lies in coming to terms with the only group of countries that could threaten markets or engage effectively in cut-throat price slashing. Much the same considerations must be present in the minds of leaders of the British steel industry.

At the recent meeting British representatives agreed to complete the same questionnaires as those being circulated to industries in the Schuman countries on production, investment and markets. Britain will not, at this stage, be invited to sit on any of the committees of the High Authority, but a joint secretariat will be established to study and co-ordinate the information collected. Any further progress must wait until after the Commonwealth Economic Conference, which has provided representatives of Great Britain with an iron-clad excuse for procrastination in a variety of contexts. There is every reason to believe, however, that ultimately the skirmishes at Luxemburg will cease and the two parties will reach a realistic settlement. For economic as well as political reasons, a working agreement is clearly just as important to the Community as to British industry.

Gatt Waives the Rules

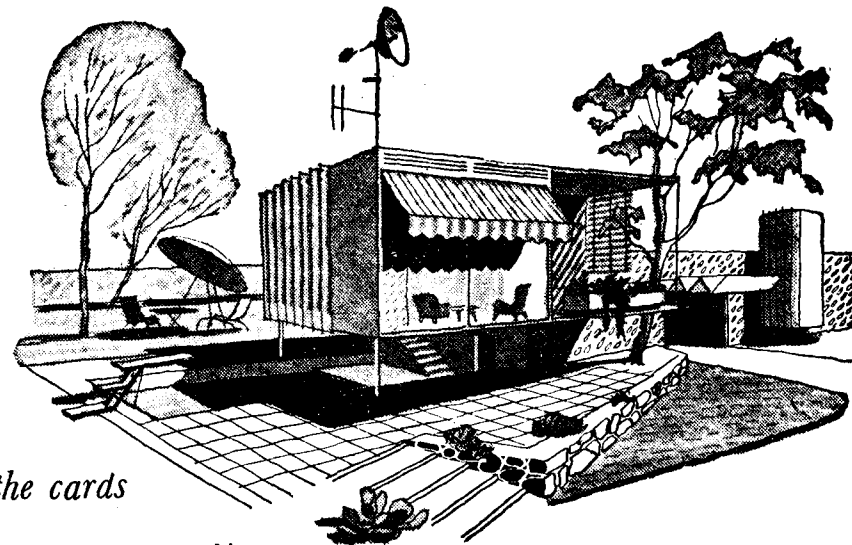
At the latest session of the General Agreement on Tariffs and Trade (Gatt), the contracting parties granted the waivers necessary for the six nations taking part in the Coal-Steel Community to remain Gatt members in good standing. The provisions of the coal-steel treaty collide with the members' obligations under Gatt at four points. The first is their declared intention to abolish all import and export duties between themselves without passing on these benefits to other members of Gatt—a step that conflicts with the most-favoured-nation clause. A second is the proposal to eliminate quantitative restrictions among themselves without extending the same privilege to other contracting parties. In addition, three members of the Community—Holland, Belgium and Luxemburg—plan under the coal-steel treaty to impose tariff quotas for steel imports during a transitional period; these will be followed by an increase in the present tariffs on steel. Both actions amount to a withdrawal of concessions already granted to other Gatt members. Finally, during the initial period of the Schuman pool, Belgium proposes to protect its coal industry by quota restrictions, a measure that also conflicts with Gatt obligations.

Before consenting to grant these waivers, the other members of Gatt obtained definite assurances from the community that it would pursue a liberal international trade policy. The interests of both suppliers and buyers would be respected, and the common tariff against the outside world to be eventually established by the community would be lower than the present average of the six separate tariffs. These assurances are all very well on paper, but in the event of any transgression, Britain—the country most likely to be affected—might well find itself unable to mobilise effective support for sanctions. For example, the American Government is so anxious to see the Community succeed that it would undoubtedly adopt a tolerant attitude. Britain's weakness in this situation will strengthen those in this country who believe the best safeguard lies in very close association with the Community itself.

Rain on the Just

For two stricken hours last week the House of Commons debated an Order imposing purchase tax at 100 per cent on "parts and fittings of umbrellas, other than covers, ferrules, or material shaped for use in the manufacture of covers." Its motive was to be found in a particular piece of business ingenuity applied, in the best contemporary manner, not to technical progress or commercial expansion but to the more profitable end of baffling the tax collector. For good and obvious reasons, very small producers with an output below £500 a year are exempt from purchase tax. In this an ingenious manufacturer found an opportunity. Buying "a number of moribund companies" but preserving their legal identity, he devised a plan by which these companies bought umbrella components in their own names and "employed" the parent company to make up and market the finished umbrellas, nominally on their behalf. None of these puppet firms handled over £500 worth of output; no umbrella, therefore, paid purchase tax; the Exchequer lost between £10,000 and £20,000 a year; and the more virtuous or less ingenious umbrella-makers suffered a competitive disadvantage of some eight shillings a gamb. This, Authority decided, would not do; and the organiser of corporate outwork has been checkmated by an unavoidable tax on his raw material.

So far, so good. But "the rain, it rains with equal force upon the just and unjust fellers." What, said various indignant members, of the genuine small firm, penalised for no fault of its own; what of the still smaller repairers whose trade will be priced out of the market; what of the walking-stick makers, who, because certain components of their product are indistinguishable from those used in umbrellas,



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must suffer higher costs? (One safeguard indeed remains. Ferrules remain untaxed. Why? Because even plain wooden sticks need ferrules; these sticks, painted white, are used by the blind; it is ethically revolting to tax white sticks, administratively impossible to distinguish the future white stick from the permanently self-coloured; so plain wooden walking sticks, and their equally unidentifiable ferrules, must not be taxed. QED.)

Is it really beyond the wits of the Department of Customs and Excise to emulate the Inland Revenue and find some less cumbrous means of dealing, case by case, with devices to avoid tax? Would it not have been better to reduce the rate of tax on finished umbrellas—no luxury, after all, in this climate—and so to take most of the gain out of an intrinsically rather inefficient form of business organisation? Above all, has this absurd legislative episode caused any salutary uneasiness in official minds about the merits of nice fiscal manipulation as an instrument of policy, about the merits of sledgehammers as a means of cracking nuts?

Tidying up Church Schools

The new Education Bill, published this week, merely clears up some anomalies in the working of the Education Acts of 1944 and 1946. Its most important provisions relate to the building of voluntary schools and are designed to ensure that the churches play the part in the educational system that was assigned to them eight years ago. One such provision relates to "aided" and "special agreement" schools. These are mainly some 1,800 Roman Catholic schools for which local authorities pay half the cost of structural maintenance. The Act of 1944 provides that, wherever a rehousing scheme has brought a "substantial number" of pupils from one of these schools, the Minister of Education can grant to the denomination concerned up to half the cost of a new school building to accommodate them. In practice, however, the children have not arrived in substantial batches. They have trickled into the state schools, and having once done so, they no longer qualify as pupils displaced from voluntary schools. The Bill extends the definition of displaced pupils to cover all those who, in the opinion of the Minister, would have attended a voluntary school if they had not had to move, even though they have been to a state school meanwhile. It thus automatically increases the size of the grant that can be paid towards building a new aided school.

Another form of help is provided for "controlled" schools—that is, Church of England schools entirely financed by local authorities but having one-third of their governors representing the Church. Under the Bill local authorities will have a new power to build controlled schools. This will be important in areas where there are perhaps two or three existing schools which it is unsatisfactory to extend or attempt to bring up to standard. The local authority will be able to build one big controlled school to serve the whole area. The Bill will also allow it to enlarge a controlled school for the sake of providing more places in secondary schools.

The rest of the Bill clears up minor points. The duty of local authorities to provide a school dental service by appointing their own officers is explicitly stated, instead of being left implicit, as it was under the 1944 Act, in the clause about the school medical service. Where the local authorities are to find their dentists remains to be seen, but evidently dentists are expected to drift back into the service now that charges are made for visits to them under the national health service. When the Bill is in committee there will no doubt be an attempt to make it unnecessary for local authorities to refer to the Minister the appointment of their chief education officers—an obligation that is resented as an encroachment on their autonomy. But in general this Bill, though it fulfils a Conservative election pledge, should be assured of an easy passage as a piece of non-controversial tidying-up.

Pique and Pieck

In France both the Gaullists and the Communists are passing through moments of crisis and self-mutilation. The Communist Party is trying to fight down the shadow of its more militant past in order to lead the ranks of peace-campaigners and united fronts. But it is proving awkward to drape olive branches around hammers and sickles, and doves will not always alight on sub-machine guns. It is seven weeks since the first communiqué was issued about the left-sectarian activities of MM. Marty and Tillon, who were accused of insubordination to the party and lack of loyalty to M. Thorez, its faraway and beloved leader. A rigid and complete act of self-criticism was demanded from them, yet neither has complied. Their case has now been referred to the central committee and the final act of ostracism may soon follow.

The extent of their tenacity and the fact that both men should harbour hopes of a change in the party line betrays the confusion which at present afflicts French Communism. M. Tillon has been extremely popular with left-wing Resistance circles and his exclusion, if it occurs, will be yet another symptom of the undercover battle going on between Moscow men and French Communists of the glorious anti-Nazi days. A recent skirmish in this battle resulted in the banishment from the party of Georges Guingoin, former chief of the Maquis in the Haute-Vienne and Mayor of Limoges. Several local cells have refused to obey the central committee's decree and one, in mocking reference to M. Duclos's professional past, has declared "that one Marty was worth all the pastrycooks in France."

Why is the French Communist Party so determined, at this very moment, to silence some of its most heroic adherents and to tone down its memories of the Resistance? A major part of the answer is to be found in Eastern Germany, where President Pieck has launched a powerful campaign for

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Franco-German collaboration against imperialism. The press in east Berlin is devoting increasing space to the question of a close understanding with the French people and with such neutralists as the Catholic editor Jean-Marie Domenach and the deputy Henri Bouret. It is expected that particular emphasis will be placed on French-German amity at the Vienna Peace Congress in December. Despite the traditional agility of the Communists, it would be difficult for men such as Tillon or Guingoin to share a platform with German colleagues. Even the pronouncements of a Soviet Party Congress do not entirely obliterate the memory of Belsen for many French Communists and partisan fellow-travellers. But for M. Duclos and his orthodox subalterns, these difficulties are mere figments of deviationist sentimentality; M. Duclos will share a platform with anyone who can further the Stalinist cause. He is at present trying to eliminate those who cannot imitate his catholicity of taste. Whether this process may not prove of extreme peril to his party remains an open question.

Victory for Papagos

Not since the sweeping victory of Eleutherio Venizelos in 1928 have the Greeks shown themselves so much of one mind about who they want to govern them. At last Sunday's general elections Field-Marshal Papagos and his Greek Rally were swept into power with an overwhelming majority of 178 seats. His chief rival, the Liberal-EPEK coalition led by General Plastiras, gained all the remaining 61 seats, but

there was a formidable holocaust of its leading figures; twenty-three ministers and under-secretaries in the previous EPEK-Liberal government, among them General Plastiras himself and MM. Rendis, Tsaldaris and Cartalis, fell by the wayside. The extreme left-wing EDA, which had received the support of the exiled Communist leader, Zachariades, over the Free Greece radio, polled slightly fewer votes than last year, but under the majority system of voting lost all the ten seats it had previously held. Although the Greek Rally, on the other hand, benefited greatly from the new system of voting, there is no doubt about the decided swing of the popular vote in its favour; whereas last year it received 624,316 votes, or 36.53 per cent of the total, this year it got 779,982 votes—49.36 per cent; and if the army had been allowed to vote, it would have done even better.

At last, Greece now has prospects of a period of strong and stable government. The new administration will probably be strongly conservative, but there is no real danger that Field-Marshal Papagos will attempt a military autocracy; on the contrary, he is strongly opposed to military interference in politics. Nor is there much danger that the new Prime Minister will be gravely handicapped by divisions and disruptions within the Greek Rally. Those politicians who jumped on to Papagos's bandwagon for purely opportunist reasons do not form a dangerously large proportion of his majority. If they decide to jump off again he should not be greatly discommoded, and if they try to bargain with him he can afford to ignore them—a fact which may deter many from making the attempt. It is more likely that the EPEK-Liberal opposition, which took under its wing a very motley collection of politicians, will disintegrate into its component parts.

The generalities in the Field-Marshal's election speeches gave few clues about his detailed plans; but at first sight his cabinet, with the energetic M. Markezinis in charge of economic planning, promises well. Papagos has always held out for an adequate majority of his own and no collaboration with other parties. Now he has got his way, it remains to be seen whether he can make the most of his opportunity.

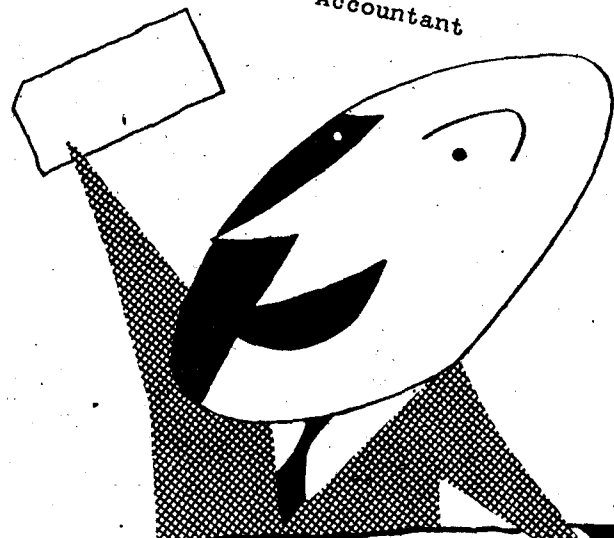
Bars or Bobbies

It is a curious fact, and one that was mentioned by Lord Simon in withdrawing his motion on prisons in the House of Lords this week, that a public which is distressingly eager to read about crime and criminal trials is quite indifferent to what happens to the criminal as soon as he has been sent to prison. It is a curious, and perhaps significant, fact that whereas a month ago no fewer than four judges spoke in the debate on corporal punishment, not one thought it fit to speak this week about prisons, the form of punishment that was revised and strengthened by the Criminal Justice Act of 1948.

The overcrowding of prisons, the shortage of staff, the long dreary hours spent in the cells—all this has been told before in the prison commissioners' annual reports and retold more dramatically in the report of the Select Committee on Estimates a few months ago. But in this week's debate the Lord Chancellor was able to take the story a little farther and show that, in spite of the great limitations on spending and building, the commissioners are making slow but steady progress in providing new accommodation. Since the war, they have added seven cellular prisons, nine open prisons and eight borstals, and a start will soon be made on others. A ban placed by the Government on the recruitment of more prison officers has been lifted, and with more staff goes the hope of giving prisoners a longer working day.

The commissioners are, indeed, often frustrated by the local objections that are raised when they try to start a new prison, especially of the open variety. If people appreciated the importance of better prison conditions in combating

'the board were positively startled'
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The Economist

November 20, 1952

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crime, perhaps fewer objections would be heard. But it is far cheaper to prevent crime than to punish it. The prison commissioners' task would be much relieved if the limited money were spent on getting the police force to its full strength. It is certainly not flogging, it is not even prison, that is the most effective deterrent to crime; it is the likelihood of being caught.

Plea for Municipal Munificence

By producing an official report that is both pleasant to look at and vividly readable, the Arts Council has set a fitting example. But the story it tells does not give unmixed pleasure. Despite the many achievements recorded, there are reasons for alarm about the future of some of the institutions now receiving the Council's support.

Of the Treasury grant of £575,000 for 1951-52 (excluding a grant for the Festival of Britain) £236,000 was spent on Covent Garden, Sadler's Wells and the Old Vic. None of these is paying its way. For ballet and opera this may be inevitable. Even with a full house each performance of grand opera loses on an average £540; and although there has been a small increase in the price of seats, this is a remedy that must be applied very cautiously if it is not to finish the patient off—now that box-office takings have sharply declined from the high levels of last year. The Old Vic's losses were perhaps less due to circumstances beyond its control, for it was a year of resignations and controversy. In the new season its finances have improved, and they should improve still more if progress can be made with two proposals now under discussion. One is for an Old Vic-Stratford axis, with an exchange of productions. The other is for releasing productions from fixed runs, so that failures need not be kept on for weeks or the public be prematurely deprived of outstanding successes like that of *Romeo and Juliet*. To make this change is not easy, however. The Old Vic pays a maximum of £45 a week to its stars, and as they can earn perhaps £350 a week on the commercial stage, and more in film work, they do not want to sign up for long.

The symphony orchestras live permanently in an atmosphere of crisis, and their plight will not be improved if the industrial court, which has recently heard a claim by the Musicians' Union, awards a wage increase. The Arts Council and their home towns have so far been able to tide them over each wave of the emergency, but a wider and more solid basis is needed. This could be provided by contributions from the lesser local authorities in their geographical regions; but when an appeal of this kind was recently made by the Birmingham Symphony Orchestra, it did not meet with great success. Few authorities will agree that to give their

aid to music, drama or painting is no different in kind from giving it to a public library or museum. Yet, as the council's report observes,

if the arts are to survive in the equalitarian State, some form or forms of collective patronage must assume the obligations formerly sustained by the private benefactor.

Counting Italy's Votes

The new electoral agreement among Italy's four centre parties is a major success for Signor de Gasperi, the Prime Minister. He has often been strongly opposed within his own party, the Christian Democrats, for attaching too much importance to coalition with the smaller, lay parties. Nor has it always been easy for the leaders of the Social Democrats, the Republicans and the Liberals to secure support among their own followers for political alliances with the Christian Democrats which the latter are bound to dominate by sheer weight of numbers. The most important terms of the agreement are that the four parties will support the government's new electoral reform Bill and will fight next year's general election with affiliated lists of candidates, which may not be added to without the consent of the parties already on them.

The effect of this agreement will be to secure the passage of the proposed electoral reform through parliament and probably the return of a government of the centre for another spell of five years at the forthcoming elections. The essence of the reform is to allot 385 seats out of the six hundred in the lower house to the group of parties coming at the top of the poll. This ensures that they have a strong working majority. Such a far-reaching proposal has naturally been causing many political searchings of heart during the past few weeks. Some people gravely doubted its practical wisdom; if the centre parties do not come head of the poll, power will have been handed to either the Communists or the extreme right on a plate. Others quarrelled about the proportion of seats to be given to each party in the coalition. And the Communists themselves bitterly opposed the whole plan—as they still do.

In a sense Italy has abandoned proportional representation by this proposal without going over to a system on the English model; if the new Italian law existed in Britain, Mr Attlee would now be in Downing Street. But the idea is as morally defensible as it is ingenious. The opportunity for victory is still open to all: indeed the risk to the centre should not be dismissed too lightly. Yet if democracy is to stand up against the attacks of those who use it simply to destroy it, the true democrat must be allowed to forge weapons with which to defend himself.

Letters to the Editor

Shades of Himmler

Sir,—I read the article in your issue of November 1st with great interest. I believe that the majority of Germans will agree—as I do—with the opinion given in that article. There are, however, two points I would like to make:

(1) On page 284 you write

It is unthinkable that France and other members of the EDC would allow their serving soldiers—even if they were willing—to work with former members of Himmler's special and shock troops.

How is that compatible with the fact that France makes big use of former

SS-men in her troops in Indochina?

(2) After the war Germany was disarmed and any German was forbidden to bear arms, even for defending his country. But nevertheless France has been doing its best to hire Germans as troops in Indochina since the end of the war and does not object to hiring former SS-men for this purpose. And that is done in German territories against existing German laws.

If, as you pointed out in your article, the western world objects to the use of former SS-men in the future European army, then the western world should not use these soldiers in its colonial

armies. Otherwise, some doubt will be felt whether there is one law or two.—
Yours faithfully,

Wiesbaden

W. MAUSS

[It is true that the French have taken Germans, including men of the *Waffen SS*, as volunteers to the Foreign Legion. But it is well known that the principle of the Foreign Legion is to draw a veil over a volunteer's past; and there is no parallel between it and the future European army. Our proposal was, moreover, confined to men who had volunteered for the *Waffen SS*, and not to the hundreds of thousands who were drafted into it towards the end of the war.—
EDITOR.]

Strike on the Copper Belt

Sir,—Your note on the Northern Rhodesian copper strike discloses a state of affairs most saddening to industrialists in the British West Indies. In Jamaica, citizens of African race hold high positions in every field of industry. Black and coloured managing directors, general managers, chief engineers, chemists and agricultural superintendents are among the ablest in the sugar industry, and as fine a set of men as one could discover in any part of the world. Experience here proves what is obvious to all but the bigoted, namely that, if given the education, experience, and opportunity, the black man has every bit as much ability as the white in every walk of life.

It is bad enough to see these un-Christian and potentially disastrous policies followed by the Government of South Africa. It is truly shocking for such things to be allowed to happen in a British colony. I therefore extend a cordial invitation to employers and managers in the Northern Rhodesian copper belt to come over to Jamaica to learn what people of African descent can achieve in industrial and agricultural management, when provided with the opportunity and incentive.—Yours faithfully,

R. L. M. KIRKWOOD,
Chairman
Sugar Manufacturers' Assocn.
(Of Jamaica) Ltd.

British Motor Industry

Sir,—As a Dutchman and as a car enthusiast I should like to make a few comments on Mr H. Meyer's letter in your issue of November 8th.

It can readily be conceded that the English models are somewhat cheaper and of superior appearance than the German Volkswagen; but to say that the Austin A-30, the Ford Prefect, and even the Ford Anglia "are all superior in many respects" is ridiculous. It may be that the English cars are more convenient and more pleasant to the eye; alas, as motor-cars, in their essential task they simply cannot be compared to the Volkswagen.

Any stock Volkswagen can easily stand a run of hours on end at full speed, meaning the foot all the way down all the time and doing about 70 mph. Any of the English cars mentioned above would be ruined after such handling and would never have attained the same speed. In road holding, spring action and steering, the German car is as steady, responsive and docile as a really first-class make, enabling it to go through curves at a speed which would turn turtle the English cars. These features, combined with low petrol consumption and a very simple and dependable air-cooled engine, cannot but make up a satisfactory car.

The Volkswagen is in its class a superior vehicle and it is no use pointing to certain minor defects in appearance, convenience and, perhaps, noise—which, after all, are only side issues. Every driver who has had the opportunity of testing a Volkswagen in the open will immediately recognise its qualities. Consequently his custom will be lost to an industry which as a counterpart can

only offer an Austin A-30, a Ford Prefect, a Ford Anglia or a Morris Minor, even if he by nature prefers English models.

I predict that if the British industry does not at once develop a car with qualities at least comparable to those of the Volkswagen it will find itself all but pushed out of the small car market, which in the long run would not be to the benefit of any of us.—Yours faithfully,
Amsterdam M. P. STREUS

Food and Roads

Sir,—Your correspondent Mr M. E. Weinstein suggests that increasing agricultural production on our remaining acres will far outweigh any losses on account of road development. This may well be true and I gladly acknowledge the contribution of the motor industry in this direction. But this does not mean that there is any room for complacency. There are on this earth something like 2,400 million people, perhaps half of whom are underfed. The net increase is about 20 million every year. World food production is increasing too, but less rapidly. The short-term implications of this situation are surely that while we have now to export our manufactured goods in a buyers' market, we must buy our imports of food in a sellers' market. The long-term implications are that we can no longer take it for granted that all the food we wish to import will be available. Every road construction scheme must therefore be closely scrutinised from all angles before even a few acres of agricultural land are sterilised in perpetuity.—Yours faithfully,

H. JOHN TOOBY
Bransford, Near Worcester

Soviet Central Asia

Sir,—With reference to your recent articles, it seems extraordinary that the colonial powers, Britain, France, Holland, etc., submit to repeated interference at the United Nations in the domestic affairs of their possessions without ever drawing attention to conditions in Russian colonies.

Surely all backward peoples should be brought within the orbit of the United Nations Trusteeship Council and not merely those who happened to change their allegiance after the 1914-18 War.—Yours faithfully,
London, W.8 D. H. STEELE

Meteors for Cotton

Sir,—I am astonished to learn from your issue of November 8th that a barter deal with Brazil is to be permitted and I find it hard to believe that Mr Thorneycroft "can do nothing to stop a private transaction of this sort." The Treasury and the Board of Trade have never found any difficulty in stopping such transactions in the past, as those who have tried to promote them know well.

In the last few years certain companies with which I am connected have put up numerous similar proposals, only to have them consistently rejected. We learned at an early stage not to use the words

"barter" or "compensation," which were anathema to the authorities. We spoke of "two-way deals," we used such expressions as "reciprocal trade," but to no avail. Every suggestion, however advantageous financially, however beneficial to the export trade, was turned down flat. The very idea that it might be possible to export at a loss and cover that loss from the profit on a compensating import, or vice versa, was apparently regarded as immoral.

It may be, as you say, that there are some objections to this particular transaction. If, however, official acquiescence in it heralds a change of policy at the Treasury and the Board of Trade and a belated recognition that, in the absence of all other possibilities of trade, barter deals have their redeeming features, I and many other struggling and frustrated traders will welcome it wholeheartedly.—Yours faithfully,

Paris ● J. C. WHARRY

Eggs Going to Town?

Sir,—Mr Sainsbury, in his letter published in your issue of November 15th, puts the point of view of a retailer.

Under the present system the retailer has a government-guaranteed margin of profit, no worries about buying or selling and, for all practical purposes, freedom from competition and a conditioned queue of customers ready to be fed by the hand they cannot bite. It is a system that would appeal to the established business and the bureaucrat, but it is harming the country and our digestion.—Yours faithfully,

London, W.8 D. V. KING

D-Day for Furniture

Sir,—In your issue dated November 8th you state in your reference to the furniture industry "This is a moment that the industry has been dreading ever since the budget."

I think you are completely wrong over this. I have never heard of anybody dreading this moment; everybody I speak to is looking forward to the time when the utility scheme for furniture is swept away in favour of the "D" plan.—Yours faithfully,
Croydon J. A. LAWRENCE

Unfortunate Testament

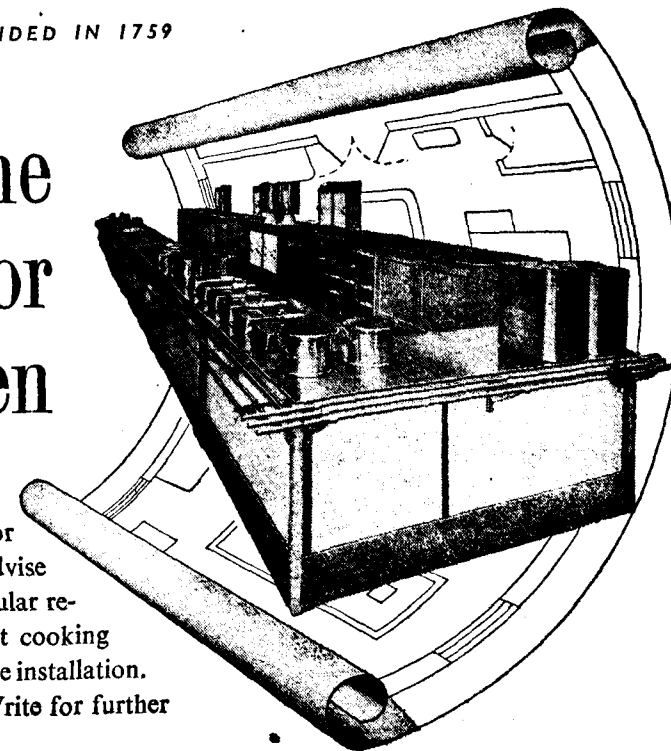
Sir,—Your characterisation of Professor Laski in your autumn book supplement as "shyster" hardly meets the very high standard of propriety in public controversy that one expects in England. It is saddening to find even a single example, in the higher reaches of British journalism, of the *argumentum ad hominem*; shocking to see ability poniarded for what could be any human's share of weakness. Professor Laski, a frail man physically, gave himself unreservedly to his students, to his school, and to his conception of a better world. If in so doing his resources eventually ran low, we should recollect the advantage that all of us had during the years in which they were being spent.—Yours faithfully,

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Books and Publications

Decline and Fall?

Professional People. By Roy Lewis and Angus Maude. Phoenix House. 284 pages. 18s.

What makes a professional man? The possession of difficult skills attained through a regulated course of training and subjected to recognised tests; the solidarity of professional brethren; the existence of organised professional bodies serving for discipline and for common action—these link the profession on the one hand with the “mystery” of the medieval gild and on the other with the modern skilled trade union. More and more often, one meets the opinion that the professional man is simply a particular kind of skilled technician or expert, distinguishable only by snobbish class feeling from the trained artisan. Politically, it follows, he should line up with the artisan; economically, he should expect no more differential reward than the few shillings daily which mark the superiority of the artisan over the labourer; socially, he should assimilate himself to the artisan's ideal one-class society; ethically, he

should accept the artisan's relationship with client or employer—a cash nexus modified at best by public spirit and pride of craftsmanship.

The authors of “Professional People”—whose “English Middle Classes” will be remembered for its solid scholarly quality and entertaining manner—will have nothing to do with this idea. They recognise the kinship of the profession with the gild and thus its collateral relationship with the union; they trace, indeed, in detail and with humour, the growth of the learned professions from their humble back-door beginnings. They recognise the accession of new disciplines and skills to professional status. But for them the essence of that status is the professional ethic, the non-economic, fiduciary element in the professional attitude.

The authors see this element as an essential component of healthy social life; they see it today beset by dangers arising from the coincidence of the Cult of Bigness with the Cult of the Common Man, from the paper perfectionism of a welfare state intolerant of its own limitations, and from the sheer economic pressure of egalitarianism on the standards of professional life. There is the danger of loss of independence where the state is sole employer or sole guarantor of professional income. There is the danger of dilution, the lowering of standards in order to eke out a strictly limited supply of professional ability to meet the unlimited demand of over-ambitious social welfare schemes. There is the danger of dilution in a wider sense, the deterioration of the professional ideal resulting from the growth of new bodies which claim parity of esteem with the older disciplines but do not make equal ethical demands on their members. There is the danger of over-specialisation, loss of contact with the humanities, a danger exacerbated by deprivation of leisure.

The analysis opens up a depressing vista at the end of which there appears, to the speculative reader, the figure of the new professional man, the utility model. Salaried, he is at best a conscientious technician, a dull dog intent on struggling without too much discredit through a stint which grossly overtakes his inadequate mental powers and still more inadequate education. Dimly or grimly he will cling, for a generation or so, to older virtues, doing his best regardless of the economic calculus, remembering that certain things are expected of the scholar and gentleman whom, once upon a time, his qualifications would have shown him to be; eventually he will revert to the old status of pettifogger, apothecary or scrivener. Free lance, he is a privateering Ishmael, uninhibitedly acquisitive, despising the subordinate, pension-earning majority, hating it for its power to vote the fruits of his skill out of his

pockets into its own, and getting his own back on it by scamped work, faked tax returns, and general fiddling. The authors draw no such distasteful picture, but it is implicit in their findings.

It would be wrong to give the impression that this is a dreary and self-pitying book. It is highly entertaining, extremely stimulating, and full of fighting high spirits. Readers of “The English Middle Classes” will be glad to know that the standard of the chapter headings, like that of the writing itself, is as high as ever.

Fact Without Illumination

A Short History of the International Economy, 1850-1950. By William Ashworth. Longmans Green. 256 pages. 18s.

The title of this book is intriguing, but the title is more ambitious than the subject-matter. The first two-thirds of the book are not about the international economy at all; they are a potted economic history of the leading European countries and the United States, with occasional reference to others. Here the emphasis is on changes that are common to all—the growth of industry, the transformation of agriculture, the building of railways, the growth of large-scale enterprise, and the usual range of topics. The author is very knowledgeable and writes well, but he packs too much material into a small space. There are too many facts for the casual reader, and not enough for the serious student, who, in addition, would appreciate the book much more if it carried footnote references, so that he would know where to find fuller discussion of points that he wished to follow up.

The history of the international economy is covered in the last eighty pages, allowing only 23 pages to the crucial period, 1850-1914. Having announced in his preface that he prefers to rely upon “historical method” rather than upon “any theoretical system,” the author confines himself to giving us “the facts.” Before 1914 international trade expanded a great deal; there was a lot of migration, and of foreign investment, and so on. He does not ask why this happened, at all or at this particular time, and is therefore, not surprisingly, unable to tell us why it did not continue to happen after 1918. Is it meaningful, without a system, to try to make sense of a mass of material? The procedure is not scientific and the result is not illuminating. All the same, since this is the usual procedure in writing economic history books, and since this one is not less illuminating than are most other such books, it would not be fair to complain too much about what the author has failed to do. Wide reading and skilful summarising have gone into the book, and it will prove useful to anyone who is seeking a short introduction to the economic history of the past hundred years.

The Inaccessible Countries

The Tragedy of the Baltic States. By J. A. Swettenham. Hollis and Carter. 116 pages. 15s.

Many Englishmen who had never heard of Estonians, Latvians or Lithuanians before they met some of them as displaced persons in Germany or as refugees working in this country after the war, were so much struck by their virtues and moved by their plight that they determined to make their case known to those who have eyes to read. Mr Swettenham is the first of those Englishmen to succeed. But it is only a partial success, for his equipment is that of a soldier rather than of a writer, and his book is neither easily readable nor altogether convincing.

According to the sub-title it is “a report compiled from official documents and eyewitnesses’ stories.” The documents are not new to English readers; they have already been made available in translation. Nor are most of the eyewitnesses’ stories, which are quoted from books published in London. It is useful to have this selection, but it would be more useful if the sources were clearly and fully indicated. In the case of new stories there is no indication of sources at all; we are told general tales of atrocities and must take them or leave them.

No corner of Europe has been so inaccessible from the West as the Baltic republics for the last twelve years. They were under Nazi occupation from 1941 to 1944, and there is a great deal of

German information to be collated. For the rest the only sources are Soviet official documents, newspapers and broadcasts, the reports of two or three Swedish travellers, and the accounts of refugees. Mr Swettenham has not looked at the German or Swedish evidence or at the Soviet press and wireless news, and even the refugees’ stories he has not attempted to sift. No doubt his heart is in the right place, but for an historian patriotism—even other peoples’ patriotism—is not enough.

The Paradoxical Revolution

The Big Change, 1900-1950: America Transforms Itself. By F. L. Allen. Hamish Hamilton. 308 pages. 15s.

Mr Allen would have to confess a degree of sympathy with the boy who even after seeing the giraffe at close range resolutely persisted in his conviction that there was no such animal. In the final pages of this exploration of the meaning of the course of American life during the past fifty years Mr Allen is staring up at the subject of his portrait and inquiring, “What have we got here?”

As he himself acknowledges, his answer has little of novelty to recommend it. Its essentials have already been put forward by the editors of *Fortune*, in “U.S.A.; The Permanent Revolution” as well as by others. The view may be summarised as a paradox. The Americans “have not been constructing a

system as such, but tinkering with and repairing and rebuilding, piece by piece, an old system to make it run better.” But in the course of this tinkering they have in fact created a United States that is evolving towards a civilisation completely different from any other of the past or present. They have created what Mr Allen believes to be “potentially the most revolutionary force on earth.” This “evolved system,” he holds, has long taken in its stride problems for which Marxist theory attempted to provide a solution during the nineteenth century.

Mr Allen has traced the course of American life with the same skill he brought to his earlier picture of the twenties and thirties, and in this more comprehensive task he has been considerably sobered by its huge dimensions. His book will be read all the more attentively in this country because it is an interpretation which has provoked wide discussion in the United States itself.

Grants for Learning

Government Assistance to Universities in Great Britain. By Harold W. Dodds, Louis M. Hacker and Lindsay Rogers. Published for the Commission on Financing Higher Education by the Columbia University Press. (London: Geoffrey Cumberlege.) 133 pages. 16s.

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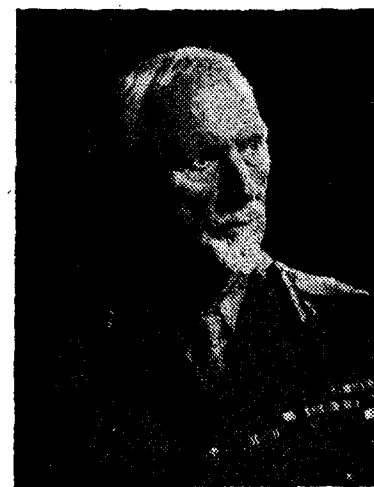
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so odd, and so deeply rooted in the conventions of English life, that one could hardly expect it to offer much guidance to those who have to deal with a similar problem in America. That is the conclusion reached by all three authors, whose memoranda, independently produced for a private committee, are here published side by side. But if America cannot profit directly from their work, Great Britain can. Three trained minds, attacking the question from similar but not identical standpoints, and reaching similar conclusions, give an admirable stereoscopic view of the system.

They are agreed that, at present, it works; by a quiet process of personal contact between like minds, it reconciles the irreconcilable. The Government pays and gives guidance; the universities remain independent—but somehow follow the guidance. "One cannot but admire—up to a point," says Dean Hacker. Differences are all resolved, behind the closed doors of the Athenaeum. Is it right that they should be resolved in this particular way? The system is *prima facie* a good one, but no system is exempt from faults. Should not more information be given, so as to display goodness and faults alike? Academic autonomy must be preserved, but the state must have some say in the spending of the enormous sums now required. The conclusion to which these essays point is that the system is in a state of unstable equilibrium. Parliament constantly presses for more information and, however discreetly, for more control. The problem is how to restore equilibrium without upsetting the system, for, says Mr Dodds, "I suggest that... the principle of greater accountability to Parliament will in the long run come out victorious."

Shorter Notices

The Journal of Industrial Economics.
Vol. I. No. 1. November, 1952.
Basil Blackwell, Oxford. 10s. or \$1.40.
Annual Subscription (three numbers) 21s. or \$3.00.

Some of the academic studies of economic policy and practice within industry that have become more common in recent years at present achieve publication in existing economic periodicals. But contributions to the subject from within industry—in particular from the growing number of economists employed in industry or businessmen trained in economics—are published much less frequently. This new journal, designed as a medium for these two kinds of contributions in particular, should be extremely useful.

Mr P. W. S. Andrews, who as general editor will have the assistance of a board of other distinguished British and American economists, holds that economics lacks both a workable approach to prices and a workable theory of the behaviour of the individual business, and that "to get the theory we need we cannot continue to tinker 'realistically' with what was originally a derivative of theorising at a different level." That characteristic opinion will be debated; but his statement that "the kind of economic theory which is most useful to industrial economics as a specialist subject will be best helped forward by concentrating attention on empirical studies" can be more

generally accepted. By publishing such studies and theoretical discussions drawing on them the new journal may well command a wider audience than the purely academic, more particularly if its price, which seems high for 80 pages of small format, could be reduced. Its first issue is promising: in addition to two valuable articles on steel price policy (to which reference is made elsewhere), it contains discussions of the shortage of capital and business forecasting, and comments upon the recent report of the Paley Commission on materials policy for the United States by an American economist who served on the Commission.

The Methods of Statistics. By L. H. C. Tippett. Williams and Norgate. 395 pages. 38s.

The fourth edition of this textbook has been quite substantially revised and brought up to date. In particular, the treatments of sampling theory and the analysis of variance have been enlarged and a new chapter added on the analysis of time series.

With the author's considerable experience of statistical applications in research and technology, it is natural that the book should be designed particularly for experimenters. But with its now somewhat wider scope, many other users will also find this book an excellent introduction to statistical methods. It contains one of the clearest expositions of the analysis of variance with many practical examples. Mathematical proofs are given where they are not too complicated and particularly helpful, although it is not essential to be able to follow these.

Essays in Economics. By A. C. Pigou. Macmillan. 241 pages. 15s.

The ephemera here collected range in date from 1939 to 1951, in subject from the status of economists to the gold and dollar reserve, and in manner from the conversational to the mathematical. Except for one analytical study of John Stuart Mill's wage fund theory, they are all addressed to the non-specialist, though the Stamp Memorial Lecture of 1949, on wage statistics and wage policy, offers tough going to the layman. They form at once a shrewd running commentary on the economic issues of the war and postwar years and a pleasant revelation of the personality and ways of thought of their author. They hardly add to his reputation; that reputation, however, is safe enough without their help. In Professor Pigou's case no one would think of defining the word "emeritus" as he here defines it, as "with any merit one may once have had drained out of one."

The Sources and Nature of the Statistics of the United Kingdom. Volume I. Edited by M. G. Kendall. Oliver and Boyd for the Royal Statistical Society. 352 pages. 21s.

This volume collects together the first 20 articles, previously obtainable separately as reprints from the Society's *Journal*, in a special series describing the sources of statistical information in various fields. Most of those papers have already been mentioned in these columns when they first appeared; the three most recent ones, which have not, covered the statistics of the chemical industry, the motor industry and publishing in the United Kingdom. Some additions have been made to earlier papers where new information has since become available.

This makes an extremely useful reference book and it is to be hoped that the proposed second volume, covering further subjects, will materialise.



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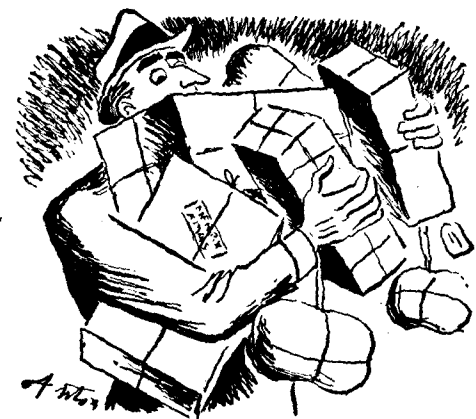
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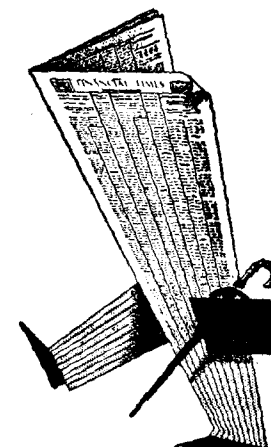
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AMERICAN SURVEY

Reasserting Civilian Control

Washington, D.C.

"A GENERAL in the White House." In the classic tradition of American politics, those six little words, blazoned across the country as they were by President Truman, should have acted as a powerful counterweight to the magnetism of General Eisenhower's personality and the desire of the American people for a change in Washington. As it turned out, they were merely chaff in a much stronger wind than the President, the General or anyone else had foreseen. Clearly, whatever motives guided the hands that marked the ballots and pulled the levers on the voting machines, the fear of weakening the supremacy of the civil over the military power was not one of them. Admittedly the newly chosen President, whether in uniform or in civilian clothes, looks as unlike a potential Bonaparte as it is possible to look.

Nevertheless, it is certain that the General will have to lean over backwards to demonstrate that the military have not taken control of policy-making in Washington. It follows that the armed services are now less rather than more, likely to have the last word in determining American foreign policy. For this reason, the General's victory at the polls was greeted by the defence chiefs in the Pentagon with somewhat less enthusiasm than one would have expected from a group of people who are, for the most part, natural Republicans.

General Eisenhower is reported to have his own ideas about the reorganisation of the federal government and, in particular, about the present method by which foreign aid is handled by several different departments. He may well find that one of his most urgent tasks after he assumes office is to straighten out the organisation which he himself helped to bring into being, the Department of Defence and the Joint Chiefs of Staff. It has become increasingly clear that unification of the services, arrived at with so much pain and grief, is at present working to weaken civilian control over military decisions. Because the services, especially the Navy, were unwilling to accept a unified control of planning and administration, the task of reconciling the needs and functions of the armed forces has fallen almost entirely on the Secretary of Defence. He and the service secretaries—the civilian authorities—are buried under an enormous load of administrative problems which give them little or no time to take part in discussions of broad issues.

The Chiefs of Staff, both jointly and separately, concern themselves with matters of strategy, and all questions affecting strategic policy come directly to them. Consequently the Joint Chiefs can make policy on their own, provided that they can get the agreement of the President through the National Security Council and can carry Congress with them. As Mr Hanson Baldwin of the *New York Times* stated in an article last April:

Over the last three years the military have often passed judgment on matters in which they have no competence, and the Joint Chiefs of Staff gradually have been clothed with a power in foreign and economic policy that never was dreamed of five years ago, a power that has posed definite dangers to the tradition of civilian supremacy over military.

As long as General Bradley remains chairman of the Joint Chiefs of Staff, sanguine people have been able to reassure themselves that his calm common sense would prevent the system from getting wildly out of control. But General Bradley's term of office finishes next summer and there is growing feeling that the question must be taken in hand. General Eisenhower, in a speech at Baltimore on September 25th, one of the best and most original that he made, proposed that a civilian commission should be appointed to re-examine the operations and functions of the Department of Defence. Clearly the General knows what the trouble is:

Special interests in the armed services have repeatedly been carrying their appeals to Congress—sometimes without the knowledge of their civilian superiors. Service disagreements have become public brawls.

Dr Vannevar Bush, who would be a logical choice for the chairmanship of such a commission, suggested in an address on the same day that the best means of reasserting civil control over the military would be to divorce the function of command from each chief of staff, so that each service would have both a commander in chief and a chief of staff. The Joint Chiefs of Staff would be purely a planning group giving advice to the President and the Secretary of Defence. Policies would only be carried out by these civilian officials giving orders to the commanders. It is likely that legislation embodying this idea will be put before Congress in the coming year.

*

To British ears this all sounds unnecessarily complicated. From Cardwell to Churchill, the British method of keeping the military under control has been to appoint experienced and energetic ministers who do not feel inhibited from imposing their views on the chiefs of staff on questions of military strategy as well as administration. Moreover, the hand of the minister is greatly strengthened by being a member of a Cabinet responsible to Parliament. But it has certainly not been lack of energy or experience which have prevented Mr Forrestal and Mr Lovett from being fully masters in their own house. The difference between London and Washington is not one of personalities, but of the attitude to military questions. The American services have successfully implanted the idea that there are such things as purely military factors and that questions which involve them cannot be adequately assessed by a civilian. British theory and experience denies both these propositions, and points triumphantly to the person of Mr Churchill.

It is this difference in approach which accounts more than anything else for the current conflict of views between the British and the American Chiefs of Staff over the size of the forces necessary to defend Western Europe. The British Government's paper suggesting that, with increased air power and atomic weapons, a considerably smaller number of ground troops than the 96 divisions originally envisaged

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

would be sufficient to defend western Europe from attack, fell with a dull thud in Washington some time ago. The Pentagon insists that the original figure was reached on sound military grounds; there is a tendency to believe that the British Chiefs of Staff have allowed themselves to be influenced by economic and financial considerations which are irrelevant and that they are indulging in wishful thinking.

In part, of course, the argument is caused by different intelligence estimates of Russian strength, the British believing that the Americans have created an unreal monolith out of the Russian armies and are suffering from their habitual tendency to overinsure. But at bottom it stems from two different attitudes. The British staff officer who forms part of a closely knit team with civilian officials and politicians in Whitehall does not recognise the existence of a purely military argument. His American counterpart is prepared to take responsibility only for military factors and resents the intrusion of the civilian mind into any decision on their relative importance.

The incoming President has an opportunity to resolve not only this kind of problem, but also to adjust the whole relationship of military to economic and diplomatic strategy. President Truman, the man who grew out of a boy who wanted to go to West Point, has always been at a disadvantage in dealing with military men. Despite the bitterness of his political campaign against the General, he has always held them in awe.

President Eisenhower will come to office at a time when the conflicts between the Pentagon and the State Department may be very acute. The stalemate in Korea has created a recrudescence of the "give 'em hell" and "let's go it alone" philosophy among certain American commanders in the field. If France fails to ratify the European Defence Treaty the temptation to make a separate arrangement with the Germans will undoubtedly be strong both in the Pentagon and among its friends in Congress. If Mr Eisenhower, newly turned civilian, can demonstrate to his old colleagues in arms that he intends to refresh the principle of civilian supremacy, and also that military and diplomatic planning are only differing aspects of the same question, he will have done the western alliance a very good turn.

American Notes

Eisenhower Tees Up

General Eisenhower will be the first golfing President since Coolidge, but he has already found that the political game leaves little time for any other. Even during his holiday in Georgia he spent more time in conference than on the course, and when he left his meeting with President Truman last Tuesday it was obvious from his bearing that he realised the full size of the task before him. The purpose of the meeting was to arrange an orderly transfer of government business and to let the General into the secrets of the international situation. It was hardly to be expected that Mr Truman would make light of the difficulties involved and General Eisenhower must now understand, even if he did not do so before, exactly how slim are his chances of bringing back a satisfactory truce from his Korean visit.

It has once more been emphasised that neither General Eisenhower nor his two ambassadors at large with the present Administration, Mr Dodge and Mr Lodge, can take any governmental responsibility until the new President is actually inaugurated on January 20th. But the General is now in a sufficiently well-informed position to begin drafting his legislative programme. This naturally entails consultation

with the Republican leaders in Congress, the party's most influential conservatives. The fact that the General has spent much of his time this week with Senators Taft and Bridges and with Mr Martin, the next Speaker of the House of Representatives, does not therefore necessarily mean that the Republican diehards already have the new President in their pockets. But Mr Taft came away very well satisfied from the conference, which covered a large number of topics, including apparently the budget, tax reduction, and labour and social security legislation.

More ominous is the news that Mr Dewey, whose political experience would have been as valuable to the General as

First Tee



Herblock in the Washington Post

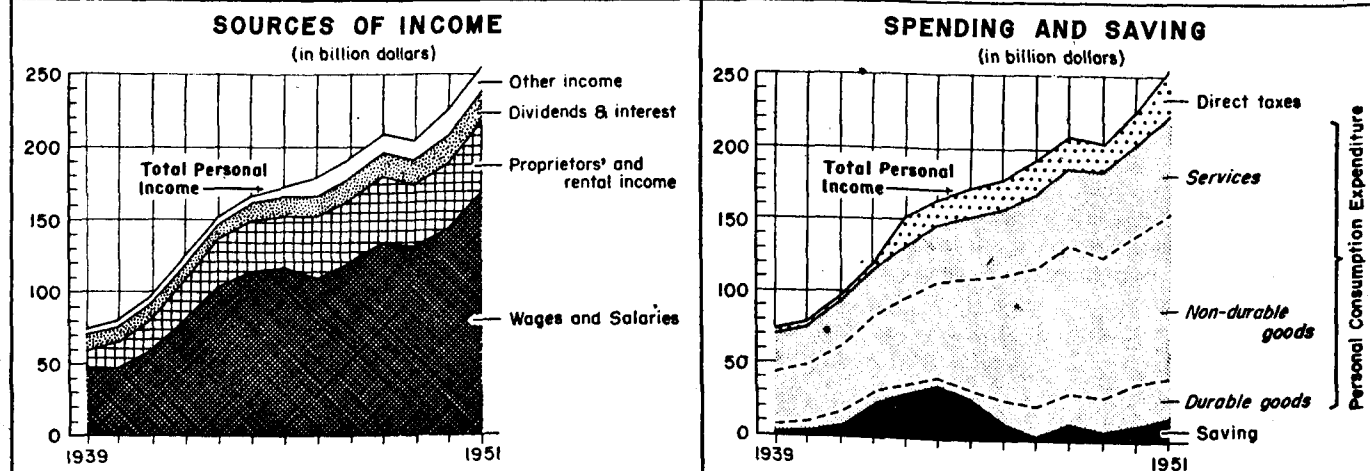
his liberal influence, has refused a post in the Cabinet and has definitely decided to complete his term as Governor of New York, although he will be available in emergencies. It is difficult to see who, except Mr John Foster Dulles, can now become Secretary of State, but General Eisenhower is still keeping silent on his plans for Cabinet appointments. Senator Taft, however, gave him his views on these and on filling some of the many other vacancies that will be available in the government service. Applications for these have been coming in in their hundreds, and a special bureau has been set up to deal with them at the General's headquarters.

* * *

Labour in a Cold Climate

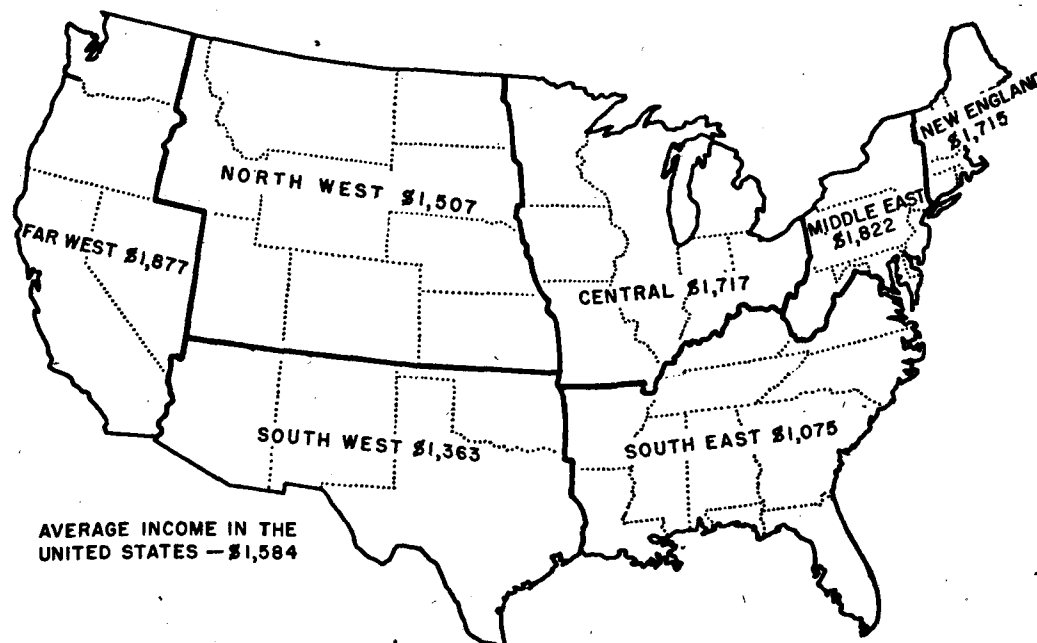
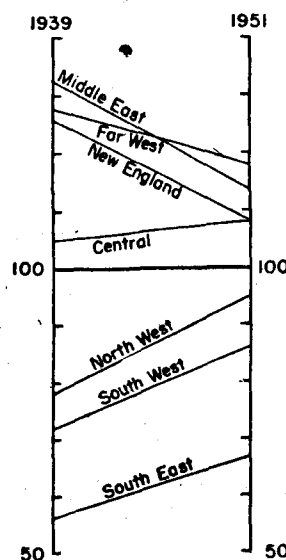
The death of Mr Philip Murray has left the Congress of Industrial Organisations leaderless just as the whole trade union movement is savouring its bitterest political defeat and is thrown back on its own resources. For the first time the leadership of the three main trade union groups—the CIO, the American Federation of Labour, and Mr John L. Lewis's United Mine Workers—pulled together in an election. But they were pulling against a tide which carried many of their members with it. The labour leaders have never claimed they could deliver the whole labour vote, but the returns from the industrial states make it clear that many

PERSONAL INCOME AND SPENDING IN THE UNITED STATES—1939-51



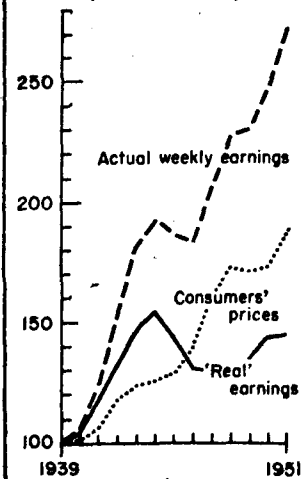
INCOME PER HEAD IN 1951

EACH REGION AS % OF
UNITED STATES AVERAGE

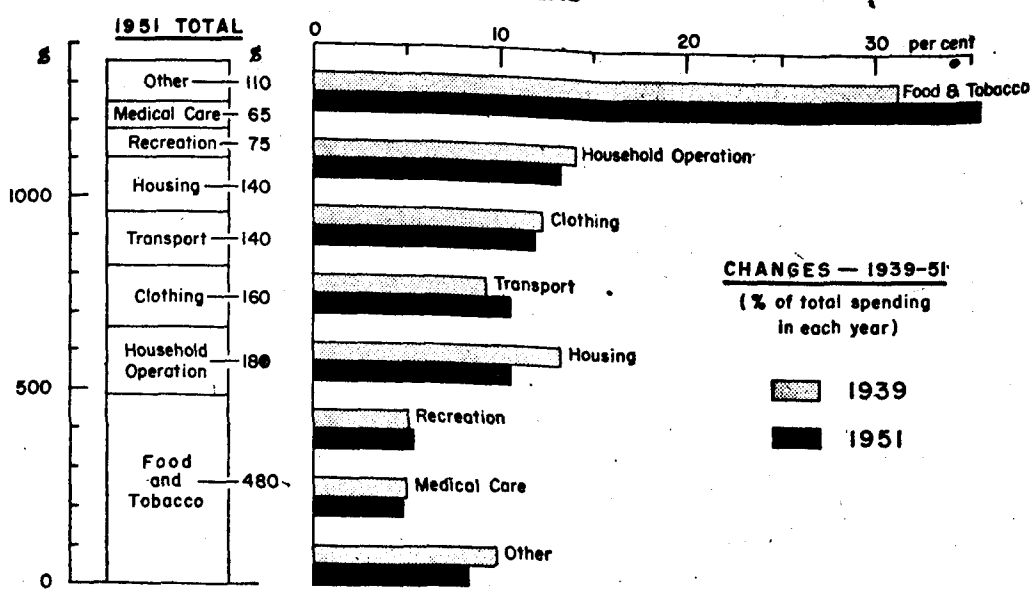


PURCHASING POWER

OF MANUFACTURING
WORKERS
(Index 1939=100)



SPENDING PER HEAD



trade unionists, and many more of their wives, must have voted Republican. Only Mr Lewis, supporting a Democratic presidential candidate for the first time since 1936, had the satisfaction of seeing his candidates for Governor and Senator win in West Virginia, a mining state, and of holding it for Mr Stevenson.

The unions are not so much afraid of General Eisenhower as of what Congress may do, particularly if there is a recession accompanied by industrial unrest. The General's campaign speeches were friendly and, if he wants to be re-elected in 1956, he will not care to alienate trade union votes. But the labour leaders can no longer count on the government intervention or the warm reception at the White House which have been theirs for twenty years. General Eisenhower is certain to insist on labour and management settling more of their own disputes; the Department of Labour and the government boards dealing with labour problems are likely to take a more conservative line. With a Republican Congress no repeal, or even substantial amendment, of the Taft-Hartley Act is likely. General Eisenhower promised a labour-management conference to discuss changes in it. But Senator Taft does not seem inclined to wait. His staff is already drafting the relatively modest concessions to labour which the incoming President promised. What alarms the trade unions are the proposals for much more radical changes favoured by some conservatives of both parties such as a ban on industry-wide bargaining.

With the future chilly and uncertain, the two big labour federations may well draw closer together, something they have tried, and failed, to do many times. Mr Murray's death, and the probable retirement of Mr Green, the 80-year-old head of the AFL, should make way for more flexible new leaders. The danger to the CIO is that it may be weakened by an internal struggle over the leadership. Mr Murray commanded the loyalty of all. The CIO convention, which was to open this week, has been put off a fortnight in the hope that agreement may be reached behind the scenes. The main contenders are Mr Walter Reuther, the young, aggressive, politically-minded head of the Automobile Workers, who make up a third of the CIO's membership, and Mr Allan Haywood, who is older, more orthodox and has no big union to back him. But he was apparently Mr Murray's choice, and is supported by the steelworkers and others suspicious of Mr Reuther's ambition and ideas.

Superatomic Explosion

President Eisenhower will apparently find the hydrogen bomb waiting for him on the White House doorstep, just as President Truman found the atom bomb when he took office in 1945. That at least is the interpretation being placed on the Atomic Energy Commission's circumspect announcement that satisfactory "experiments contributing to thermo-nuclear weapons research" have just taken place in the Marshall Islands. Dr Harold Urey, the atomic expert, was not the only one to whom this sounded "like official language for a successful H-bomb," especially after the newspapers had been publishing a series of letters from servicemen and others attending the tests, describing in detail an explosion "brighter than ten suns," which blew up an island completely and dwarfed all previous atomic detonations.

It is now suggested that this may have been a hybrid bomb, part atom, part hydrogen, but enough to prove that the scientists have solved the problem of releasing energy by nuclear fusion. This has been done in less than three years from the day on which President Truman ordered the AEC to try to make a hydrogen bomb; but it will be 1954 before sufficient materials are available to permit production of these bombs in quantity. The invention of the hydrogen bomb will lie even heavier on the American conscience than did that of the atom bomb, for this latest destructive weapon brings with it no accompanying compensation in the form

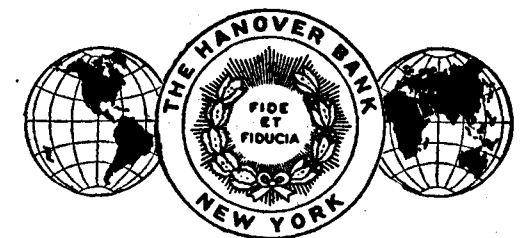
of scientific and industrial advances. Nor will it bring with it such a strong sense of superiority as accompanied its much less powerful predecessor, for this time no one has any illusions about the Russian ability to make a similar bomb before long.

The scientists are, however, convinced that the Russians have not yet done so, and it is difficult not to feel that the news of the latest American experiment was allowed to leak out intentionally, even though the authorities are investigating whether security regulations were violated by the letters "purporting" to describe the tests; in the past there has always been strict secrecy. The knowledge that the United States has, or soon will have, H-bombs up its sleeve could give it a temporary advantage in negotiations with the Soviet Union. The knowledge will also encourage those who argue that safety against aggression can be had cheaply by increasing expenditure on the development of nuclear weapons and reducing it on other types of armaments. That is an argument which appeals to voters who, as the election returns show, are tired of heavy taxation and of seeing their sons in uniform. But no one knows better than General Eisenhower that no bomb, however big, can win a war by itself and that the heavy industrial concentrations of the United States are more vulnerable to attack by H-bombing than are the more scattered factories of the Soviet Union.

* * *

Two-party South?

With four southern states and most of the border ones supporting General Eisenhower and with his total vote below the Mason-Dixon line running only just behind Governor Stevenson's, the once solid Democratic South is fluid as it has never been since the Civil War. But that does not mean that it is going to resolidify into the two-party pattern of



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the rest of the country. The four million Southerners who helped to elect General Eisenhower were voting not for the Republican party but for a man they liked personally and against the policies of a man, President Truman, whom they disliked violently. Except in a few districts they ignored such Republican candidates as there were for other national and state offices. Furthermore, these voters were led into the Eisenhower fold by Democratic shepherds, Governor Shivers of Texas, Senator Byrd of Virginia and others who have no intention of sacrificing their independence now that Mr Stevenson's defeat has given them hope of being able to drive their own disrupted party in the conservative direction they have always wanted it to take.

Should the northern liberals once more gain control of the Democratic party, then these southern leaders might take up permanent residence in the Republican mansion. Meanwhile they are keeping a foot in the Republican door by offering to support General Eisenhower in Congress when he asks for legislation which they consider sound. The smallness of his Congressional majority does not allow the General to ignore this offer, but sooner or later he may have to slam the door in these Democratic faces by asking for the legislation on civil rights for Negroes and other minorities which his northern supporters will insist on.

The Republicans' only chance of consolidating their purely temporary strength in the South is by building a permanent structure of their own local organisations under shelter of General Eisenhower's popularity and prestige. He has undermined, even if he has not entirely destroyed, the old southern prejudice against the name Republican, a prejudice which in any case is not shared by the South's new middle class. His nomination and his victory have weakened the hold of the local professional politicians, who were for Senator Taft, on such moribund Republican organisations as there are, and the General's more vigorous supporters can now step in and revive them. Once revived, they can be nourished by the patronage that the Republicans have been without for so long. A Cabinet post for a Southerner would help, but much more important are the local jobs in the federal service, the vacancies for post-masters and so on, which can now be given to deserving party workers. This is the stuff out of which a lasting two-party system can perhaps be made in the South.

Burnt Fingers on the Public Pulse

The inability of the three main public opinion polls to see the Eisenhower landslide coming seems, to the layman, a far greater confession of failure than the outright false prophecies of the much closer election of 1948. Not one of the poll-takers was willing to trust his own figures, all of which gave General Eisenhower a substantial lead over Governor Stevenson; all three refused to pick the winner. The joker this year, as in 1948, was the "undecided" voter. But it was precisely Dr Gallup's diligent attempt to learn from the mistakes he made in allocating the undecided vote in 1948 which led him astray this time. Instead of splitting it evenly, as he did then, he gave the lion's share to the Democrats. It was this which brought Governor Stevenson's total up to 49 per cent, or even 50 per cent, and prompted Dr Gallup to prophesy a nip-and-tuck race. His only satisfaction is that for the first time it was the Republican, rather than the Democratic, vote which was put too low. The prophet may have been wrong twice, but at least he has been wrong impartially.

No one should underestimate the difficulties of predicting a presidential election result. The poll-taker must make his way through a quagmire of uncertainties: the refusal of many voters to make up their minds in time or to deal candidly with interviewers; the impossibility of spotting in advance those who will not vote; the enormous complication of the electoral, as opposed to the popular, vote. The Gallup poll

this time stayed within, though only just within, the 4 per cent error it claims is justifiable in predicting the division of the popular vote. What must almost make a serious and conscientious poll-taker change his profession is that the light-hearted "cigarette poll," of the number of identical Eisenhower and Stevenson cigarettes sold, gave the General a lead in 40 states with an electoral vote of 461.

Sheer lack of faith, which robbed the polls of the honour they might have had, also clouded the debut of Univac, the room-size electronic brain which the Columbia Broadcasting System consulted on election night. The computer, whose "memory" had been stuffed with statistics of past elections, calculated on the basis of the first 3,000,000 ballots that General Eisenhower would win 33 million votes, carrying 43 states with 438 electoral votes. This was an estimate of startling accuracy, for the General actually received 442 electoral votes, but those in charge refused to credit it. Instead they made the machine "forget" enough of its teaching to go on predicting a close race long after Governor Stevenson's defeat seemed inevitable to non-electronic judgment. Crestfallen humans may be glad to know that when newspaper editors were asked who would win in their states, an electoral vote of 357 for the General was predicted.

Presidential Succession

It is well known that vice-presidential candidates are not chosen with an eye on the succession. They are picked to please a vital state or region, to unify a party, or for their campaign appeal, but not for their presidential stature. Nevertheless, ten Vice-Presidents have, in fact, succeeded; the latest, Mr Truman, spent over three years in the White House before the people had a chance to vote on his merits. Those who detest Mr Truman and those who dislike Mr Nixon, General Eisenhower's brash and ambitious young running-mate, agree on one thing at least: that it is an undesirable state of affairs that the people may have to put up for three or four years with a President they did not choose. The subject is receiving particular interest because the most elaborate security arrangements cannot make General Eisenhower's trip to Korea wholly safe.

The situation would be much more complicated if General Eisenhower were to die before December 15th. For, technically, the voters on November 4th did not vote for General Eisenhower or Governor Stevenson. They voted for groups of electors pledged to the candidates, and until these electors cast their votes on December 15th, General Eisenhower is not even President-elect. After that date, if anything happens to the General, Mr Nixon will automatically succeed. But before it, the death of the successful candidate would leave the choice of the next President in the hands of the electors.

This seems extremely high-handed and undemocratic. But it must be remembered that the writers of the Constitution, in the eighteenth century, had no faith in the people; they intended the electors, men of discretion and standing, to choose the President at all times. The system of voting they devised, under which all the electoral votes of each state go to the candidate with a majority, however small, of the popular vote, is an even more dangerous anachronism. In 1876 it led to the inauguration of a President who had a majority of the electoral, but not of the popular, vote. This might happen in any close-fought election.

Reforms may have to await the indignation that would be aroused by another minority President or the succession of a highly unpopular Vice-President. But Senator Smathers at least will give Congress a new chance to adopt the electoral reform it has turned down so consistently in the past, the allocation of electoral votes according to the popular vote in each state. Coupled with this will go a proposal that, if the President dies in the first two years of his four-year term, the voters should choose a new President at the time of the mid-term Congressional elections.



Surely, it was later than that, Doctor?

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THE WORLD OVERSEAS

General de Gaulle's Dilemma

(From Our Paris Correspondent)

FOR the second time this year General de Gaulle's *Rassemblement du Peuple Français* has suffered a schism. Last July some thirty of its deputies joined forces with M. Pinay: last week ten municipal councillors of Paris parted company with their leader. The dispute was about the municipal elections next May. In 1947 the newly founded *Rassemblement* triumphed, with fifty-two seats and an absolute majority, at the Hotel de Ville, a success which was repeated in many of the big towns of France. It was the epoch of almost desperate economic conditions and the country was still very much in the Communist grip. General de Gaulle's implacable campaign against "the separatists" and the Fourth Republican politicians who were for ever making *combinaisons* with them appealed resoundingly to all sorts of patriots.

In the autumn of 1952 the political scene appears quite different to many Gaullists of 1947. One sign of the times was the willingness of a number of RPF municipal councillors to form an electoral cartel with some of their Independent and Radical colleagues. It was this manoeuvre which drew the wrath of M. Pierre de Gaulle, brother of the General and Mayor of Paris, and evoked iron disciplinary action from the General himself. The leader of the RPF personally excommunicated the three ringleaders, MM. Paul Coirre, Jacques Ferron and Jean-Louis Vigier. M. Vigier, who was one of the General's closest associates, described his dismissal in the following terms: "I was invited to meet General de Gaulle and explain my reservations to him. On my arrival I found myself ordered to make an autocriticism—with five minutes' grace to do it in. I refused to say what I did not believe; and so here we are turned out of the *Rassemblement* for having exhorted the French to unite."

Almost immediately after the schism the RPF held its national "assizes" in Paris to which a large number of militants came from all over France. The General poured boiling lava on the dissidents who, he said, had abandoned the cause "for the ante-chamber and the dining-room." This attitude to parliamentary politics. "The regime, its powers and its temptations, its propaganda and the lure of money inseparable from it, excel in the exploitation of men's weaknesses. Indeed it is the only field in which the regime is successful." General de Gaulle used at the assizes the full range of his talent for destructive criticism with that distinction of language which holds the audience to even the driest of his constitutional formulae.

The inescapable difficulty of the RPF is that which has caused the two schisms: how at the same time to be an ideological, protestant group and to live a constructive political life from month to month. If the *Rassemblement* had won a third of the seats in the 1951 election instead of less than a fifth, it could almost certainly have led a governmental coalition—largely impregnated with its own ideas, constitutional reform included. As things are, the Gaullists must either try to hammer out a common programme with the Conservatives and the Radicals or remain in permanent opposition alongside the Communists in the hope that the Chamber will one day prove ungovernable.

As long as the centre provided the Prime Minister and the right remained discontented, the RPF had its chance.

But since the advent of M. Antoine Pinay last March, the Gaullists have been at a loss. The capitalist, "Vichyste" part of the General's following, which had viewed the RPF as an anti-Communist police force, had withdrawn most of its support even before the 1951 election: now it is wholly in the Pinay camp. Although the Communist electorate varied little between 1946 and 1951, the danger of revolutionary Communism had receded to vanishing point, as a result of the long process of weeding out Communist personnel from key positions initiated by the Socialist Minister of the Interior, M. Jules Moch. During the last six months, the Pinay government has been able to play cat and mouse with the Communist Party, arresting its leaders, releasing them *en liberté provisoire* and—most important—charging them with demoralization of the army. All this means that the "separatists" of 1947 are no longer a *raison d'être* for the RPF. The General did not even mention them in his speech.

The *Rassemblement's* social and economic ideas, of which the most prominent is the profit-sharing device tabulated in a draft bill for *l'association capital-travail*, have never caught the public imagination. Last week, however, M. René Capitant advanced a new revolutionary doctrine to the militants; it rested on the propositions that in the twentieth century the parliamentary regime stifled political democracy while the capitalist system of property-relations made a mockery of social democracy. Therefore sovereignty should be returned to the people by a constitutional reform which facilitated the dissolution of parliament and established the referendum as a normal means of popular consultation. True social democracy could only be achieved by the workman recovering the liberty which he had alienated in accepting salaried status. He must be organically associated with the production of the enterprise in which he worked.

"Tight-Rope Walker's Fantasy"

M. Capitant's ideas were enthusiastically received by the younger members of his audience, who were also thrilled by the horizons of M. André Malraux, the *Rassemblement's* most gifted orator. It is possible that the more concrete and less nationalist notions of Gaullist philosophy will influence the political leaders of thirty years hence, after the Resistance and the defence against Communism have passed into the perspective of recent history.

General de Gaulle's other principal plank, the misconduct of foreign and French Union affairs, is still fairly solid under his feet. If the European Defence Community were to collapse or barely scrape through the Assembly, and if the new American administration did not give genuine support to French rule in North Africa, the General's arguments would be fully justified. The RPF is demanding a referendum on the EDC. Unless indeed the Government can muster a very large majority for ratification of the treaty, the military part of European federation will appear, in General de Gaulle's words, as "merely a tight-rope walker's fantasy leading to nothing unless to German hegemony." General de Gaulle is still, as Mr Churchill saw him, the Constable of France and is listened to as such by many who do not accept his remedies for the disaster of French parliamentary democracy. Whatever the electoral fate of the *Rassemblement* the General's intellect will continue to radiate.

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Uno's Week of Trial

[FROM OUR UNITED NATIONS CORRESPONDENT]

AN affection for Rudyard Kipling and a short course in modern psychology are useful aids in approaching the curious behaviour of the United Nations' seventh Assembly. "The bear that walks like a man" here bars useful action; thus far no truce with him has proved possible. The "lesser breeds without the law" are here, sprawling in the delegates' lounge, clamouring in committees for help but reluctant to make any pledges in return. Some of their irresponsibility and intransigence may arise out of the 19th century attitudes of which Kipling sang. Certainly they cannot be explained solely in terms of the political and economic pressures of 1952, or even of the Declaration of Human Rights.

The remarkable thing is that this Asian-African bloc should hang together as well as it does. Half a dozen personalities in it might well claim that leadership should be theirs alone. Mrs Pandit, who talks like an angel of peace except when she is discussing Indians in South Africa, Zafrullah Khan whose bearded benediction keeps him above the battle but inclined to make allowances for Russia, Entezam of Persia, Khalidy of Iraq, Bokhari of Pakistan—these seem held together chiefly by the negative force of complaint against the British. Their enthusiasm for constructive measures has thus far taken two main forms—attempts to pry into the internal affairs of older powers, and demands for help for underdeveloped countries, which is to say themselves.

At times, as in the proposal for a commission "to study the international aspects of the racial situation in South Africa," they combine with the Philippines and certain Latin American states. At times, as in efforts to find a way around the Korean impasse, they group and re-group with the effort-less flow of mercury blobs. Thanks, perhaps, to recent elections in Latin America which have swept off the stage certain leaders who figured in Paris, they have little competition from that quarter of the world. For all the irritation which their tactics arouse among older diplomats, there is a tendency to regard them as the not impossible bridge between Russia and the West, and to value them accordingly.

Speculation About Mr Lie

The general debate, interrupted by the American election, ended on November 13th in the midst of a tempestuous and tragic week. The resignation of Mr Trygve Lie, the delivery of major speeches by the foreign ministers of Britain, France and Belgium, a second and more bitter diatribe from Mr Vyshinsky, the suicide of Uno's chief legal counsel, Mr Abraham Feller—these events strained the most ample press resources. Quite understandably, the emotional factors won first attention, and some of the speeches were less fully considered than they deserved. By the end of the week the sense of strain was such that reporters took refuge in a small absurdity—a negro formerly employed by Uno made his way to the executive offices and reported that "voices" had told him he was the new Secretary-General. "Voices" may well be needed to find a successor to Mr Lie, but while startled clerks were admitting this the *exalté* took an elevator to the marble foyer on the ground floor and, anticipating investment in his new office, started to disrobe. The following morning he awoke in the psychiatric ward at Bellevue Hospital, announcing that he had changed his mind and did not wish to be Secretary-General. Thus far no other candidate has been so open in his desires, or so quickly disillusioned.

Mr Lie's intention of resigning was the best-kept secret in a building where rumours commonly seep through glass walls. Speculation as to why he submitted it at that moment is still lively. A few informed observers have accepted Mr Lie's own explanation that he was removing himself as an obstacle to peace, but others protest that he has merely

presented the divided world with one more issue, and that the not impossible deadlock might wreck Uno itself. Thus far there are no signs that the powers are stirring themselves to find a new Secretary-General. Mr Eden began his address by hoping that Mr Lie could "yet be persuaded to reconsider his decision"—a form of courtesy which seemed excessive to those who think that whatever the Secretary-General's value in the early days of Uno, he should now be replaced by a sound executive who is sure of his ground and thus able to impart to his subordinates some sense of his own solid purpose. Those who share this view have yet to name their candidate.

In all the turmoil the only speech which has dealt with the world's economic problems rather than with its political fever spots got little attention. M. Van Zeeland, Foreign Minister of Belgium, had the misfortune to take the stand immediately after Mr Lie's announcement, and to speak in French to an audience too bemused by the implications of what they had just heard to put on head-phones and follow him in translation. He was thereby robbed of the attention due to an address of real importance. M. Van Zeeland dealt at length with the present phase of European reconstruction; and the need for new ways of attacking the continuing lack of balance between dollar and non-dollar zones. With the utmost courtesy he read a succinct lecture on "the normal rules which govern the position of the creditor-country," and it seems only fair to believe, given time and place, that he hoped Americans close to the incoming administration might listen and take heed.

His suggestions for action follow to a certain extent lines laid down in Mexico City at the summer meeting of the International Bank and the Monetary Fund. He asked for a conference between the leaders of the chief creditor countries and those of the chief debtor countries. M. Van Zeeland said here, as on other occasions, that he believed the needed dynamic equilibrium in international trade can come only through a policy of expansion. He would, however, prefer that, in the case of raw materials at least, expansion be hedged about by international agreement on the general lines of the wheat agreement, which Belgium, being a wheat-importing country, has found eminently satisfactory. Perhaps because political exigencies at home forced his departure almost immediately after he had finished his speech, no public comment has been made on it. It is hoped that he may return to Uno early in December.

The Soviet Regime—II

The New Privileged Classes

[BY A CORRESPONDENT]

THE essence of the Bolshevik Revolution of 1917-1920 was political rather than social. Its main result was to destroy all political groups other than the Bolshevik, and to give to Lenin and his comrades absolute power. It is true that it eliminated landlords and industrialists as a class, but it left untouched individual peasant property and small craftsmen, and made use of the services of thousands of members of the old professional class, and even of all ranks of the former bureaucracy. The social revolution proper came with the first Five Year Plan of 1928-1933. This turned Russian society upside down, forced the peasants into collective farms, tore millions from their homes, flung them from one end to the other of their vast country, and mingled together in the new industrial centres persons from completely different backgrounds. The American "melting-pot" of the nineteenth century was by comparison as mild as a Sunday-school treat. By 1937 the nation was beginning to recover, when a new convulsion, the Yezhov purge, again shook society to its

foundations. By the spring of 1939 the hurricane had spent its force; but two years later a new scourge appeared in the form of Adolf Hitler. The war losses of the Soviet Union are not accurately known. But the eminent Russo-American sociologist Timasheff estimates that the population of the Soviet Union in 1945 was 37 million less than it should have been—a loss of one sixth.

The society that has emerged from these catastrophes is far more different from the society of 1928 than was the Russia of 1928 from the Russia of Nicholas II. The party organisers, civil servants, industrial managers and intellectuals of 1952, who control the political, economic and cultural life of Russia, are neither old-style professional revolutionaries nor old-style experts. The men like Pervukhin the chief spokesman at this year's October revolution anniversary, are creatures of the Stalin age, with its peculiar social, cultural and moral values.

It is a commonplace that the Soviet Union is passing through its industrial revolution, but it is not widely understood that this process is producing, in the dominant social group, a human type very similar to that produced in the early stages of European capitalism. It is a commonplace that the Soviet Union has the most totalitarian regime yet known to human history, but it is not generally realised that, side by side with government interference in public and private life on an unprecedented scale, there exists rugged individualism in the most extreme form. To try to understand the atmosphere in which the upper stratum of Soviet society has lived since 1928 one must imagine the Spanish Inquisition of Philip II established in a Californian town during the gold-rush.

The Ordeal of the Bosses

The Soviet manager or administrator of 1952 is a man who has passed through a hard school, and has seen many of his kind fall by the wayside. If he runs a factory, he knows that he must achieve the target set him by the central planners. He knows that, with the raw materials and labour force provided for him, he is likely to fail; and that if he does he will face at best demotion and poverty, at worst savage punishment for sabotage. If he observes the law and carries out orders, he is doomed. To save himself he must cook his accounts, falsify his contracts, hoard his materials, bribe his foremen, exploit his workers and make illegal transactions with other factories. If he fails, his illegalities will be found out, and he will be a scapegoat for the impossible policy of the government. But if he succeeds no one will bother about how he did it, and his career will be brilliant. The party organiser's problems are similar. If there are economic failures in his district, he will be held to blame. To ensure success in his district, he will cheat and rob both his own subordinates and the resources of other districts and enterprises. This struggle of all against all involves appalling waste for the economy as a whole, but great rewards and dazzling careers for those who can stand the strain.

The scraps of information that can be pieced together from official and unofficial Soviet sources make possible an approximate picture of the successful boss and the successful manager. They are tough and self-confident. They have much in common with the pioneer capitalist in 19th century Europe or the town boss in the American West of the frontier days. There is the same combination of contempt and vague benevolence towards the masses. There is the same indifference to the interests of society as a whole, coupled with loyalty to the smaller community or clique of which the boss is the leader and protector. The nepotism and corruption repeatedly denounced not only by speakers at the Nineteenth Congress but also in the columns of *Pravda* for many years past, result as inevitably from the Soviet social milieu as they resulted from that of early European industrialism. Exhortation by party propagandists will not eliminate these practices. As long as the autocrat

sets tasks that cannot be fulfilled, and savagely punishes those who fail, the fight for survival of bosses and their cliques will continue, by every means both fair and foul.

Two features commonly associated with the rising capitalist class of early European and American industrialism appear to characterise the ruling caste that is emerging in Soviet society. One is philistinism in arts and letters. Originality in architecture or music is as abhorrent to the arbiters of Soviet taste as it was to our Victorian grandparents. In the Soviet Union it is denounced as "formalism," and the accusation is supported in Marxist jargon phrases. But the official preference for ponderous palaces in Russian cities may be compared with the taste of those who made Glasgow and Birmingham what they are. When Zhdanov condemned Soviet composers, and asked for nice catchy tunes, he was not simply acting on the whim of a dictator: he reflected the tastes and prejudices of his caste and his generation. The other feature is imperial condescension towards non-Russian nations. The generation of Lenin subdued by force the former colonies of the Tsars, but they did this in the belief that they were spreading to Tartars or Kirghiz the blessings of proletarian revolution: for the earlier struggle of these peoples against the Tsars they expressed sincere admiration. Today, however, the 19th century Russian conquest of Central Asia is represented as a beneficent action, and rebellions against the Tsars as reactionary plots organised by British spies. President McKinley wrestled all night with the Almighty before deciding to annex the Filipinos for the good of their souls. Cecil Rhodes hoped to civilise Africa and the Africans too. Soviet writers explain that the Russian conquest was an objectively progressive phenomenon, which brought the Uzbeks from a feudal to a bourgeois stage of social development. The terminology is different, but the attitude is similar.

Penalties of Privilege

The life of a Soviet boss is tougher than that of his forerunner in the industrial revolution of the West, because he must not only outmanoeuvre and outcheat his rivals, but be proficient in Stalinist theology and go through the motions of political enthusiasm by taking part in political meetings and demonstrations. Economically, the Soviet senior bureaucrat, manager or intellectual is well off: the difference between his material position and that of the masses is probably greater on the average than in a "capitalist" country. But mentally and spiritually these men are oppressed. The manager suffers from the constant interference of the party propagandist and of the "special section" of the security police, both installed in his factory. These are not wicked men, but they must do their job. Their activities, however, constantly disorganise economic life. They are social parasites, or, in Marxist jargon, a "fetter on productive forces."

For the teacher or writer or scientist things are still worse. Not only is he confined between intellectual blinkers: he has to manifest ritual enthusiasm and gratitude for the blinkers. Neither the manager nor the intellectual have security for themselves or for their families. It is true that they have made some gains; it is much easier for them than for workers or peasants to place their children in good schools. But as the new Soviet bourgeoisie becomes wealthier, and more aware of the extent to which it is doing the real work which is making the country strong, its political disabilities and lack of personal freedom or security become the more onerous. Its position somewhat resembles that of the French bourgeoisie at the end of the 18th century.

It is wrong to describe this tension—of which the Soviet press, Soviet literature and the testimony of Soviet refugees all give scraps of evidence—as one between the *intelligentsia* and the party. This discontent also affects members not only of the party but of the party machine. The conflict is essentially between the educated class (including some party and state officials as well as army officers, managers and

intellectuals) and the autocracy. The conflict is present within the minds of individuals who are at the same time members of the frustrated social group and servants of the autocracy. Their frustration is a product of the totalitarian political system, whose essence is the domination of the autocrat, ensured by an ingenious balance of party, civil government, army and police. What they need is not material comfort—this they have already—but personal freedom. In 20th century Western Europe the great struggles have been about social and economic claims. In Russia the real issues are not economic but political. The things that are beginning to matter are the things that mattered in the England of Charles I.

Autocracy's Weapons

It should not be thought that most, or even many, members of the Russian educated class are fully aware of this. Moreover the non-Russian element will react differently from the Russian. Its main concern will be national freedom from russification—a subject that requires separate consideration. But the experience both of pre-revolutionary Russia and of other countries suggests that these forces are at work.

This does not, however, mean that sensational political changes may be expected in the Soviet Union. A *coup d'état*, like the Decembrist conspiracy of 1825, might, of course, occur: there is no reason to suppose that it will. The autocracy has two powerful weapons. One is the security police. Unlike the police of old-fashioned dictatorships, the Soviet MVD is not content with negative repression; its vast machinery of espionage, provocation and coercion is designed positively to organise society. It tolerates no association of persons that is not under its control. Beetle-fanciers and philatelists may meet only under the far-seeing eye of Comrade Beria. It is difficult in these conditions even to think of plots.

The autocracy's second weapon is its capacity to mobilise the masses against the élite. This is an old trick of despots; it was practised during the Yezhov purge. The spectacle of the mighty fallen does not fill hungry bellies, but it relieves the emotions. The new élite cannot challenge the autocracy without support from the masses, but in contrast to their predecessors, the *intelligentsia* of Imperial Russia, they have neither the means nor the inclination to contact the masses. They are out for themselves, not for the people's welfare, and the police cuts them off from the masses far more effectively than its predecessor, the *Ohranka*.

Neither the internal regime nor the foreign policy of the Soviet Union will be suddenly changed by the development of these new social forces. But beneath the monolithic surface they are at work, and in time they will modify the structure and the nature of power.

(Concluded)

Perón Seeks New Roads

SOME streaks of light have appeared in the economic darkness that has hung over Argentina throughout 1952. The people of Buenos Aires are now permitted to eat beef on Fridays again. Harvest prospects are good; after a rainy winter, the southern spring brought mild, showery weather to delight the farmer's heart, and the desperate expedient of buying wheat from the United States, to which Argentina was reduced only a few months ago, will not apparently have to be repeated. Moreover, the feverish increase of currency in circulation has been checked for the time being.

But the picture as a whole remains one of gloom. Bread is still dark and petrol rationed, while many goods are now unobtainable. Although there is no great unemployment in the strict sense, it has only been avoided by many thousands of workers going on to short-time, while others have been

suspended without pay. There has been an alarming increase in bankruptcies and liquidations, especially in the metallurgical and textile industries, and the stock exchange has had a black year. However good the harvests may prove, the austerity imposed at the beginning of 1952 cannot be noticeably eased at any early date.

Indeed, the unbalance in foreign trade which is at the root of Argentina's troubles is still worsening. Since 1946, the first year of full-fledged *Peronismo*, the trade balance has deteriorated every year, except in 1950, when the country benefited from the Korean boom; and official figures show that in 1952 the downward trend has been even faster. The Argentine public is not encouraged to familiarise itself with such unpleasant statistics. In the Budget debate in September, Dr Gómez Morales, the Minister of Economic Affairs, revealed to members of Congress that the estimated adverse balance of payments for 1952 was 1,500 million pesos. This statement was not reproduced by the Argentine press, and it came to light only with the issue of the official report of the debate a month later.

BALANCE OF PAYMENTS (Million Pesos)			
1946	+ 239	1950	+ 693
1947	- 989	1951	- 560
1948	- 1,872*	1952 (estimated) ..	- 1,500
1949	- 203		

* This large adverse balance was due to the purchase of the British railways in 1948 for 2,029 million pesos.

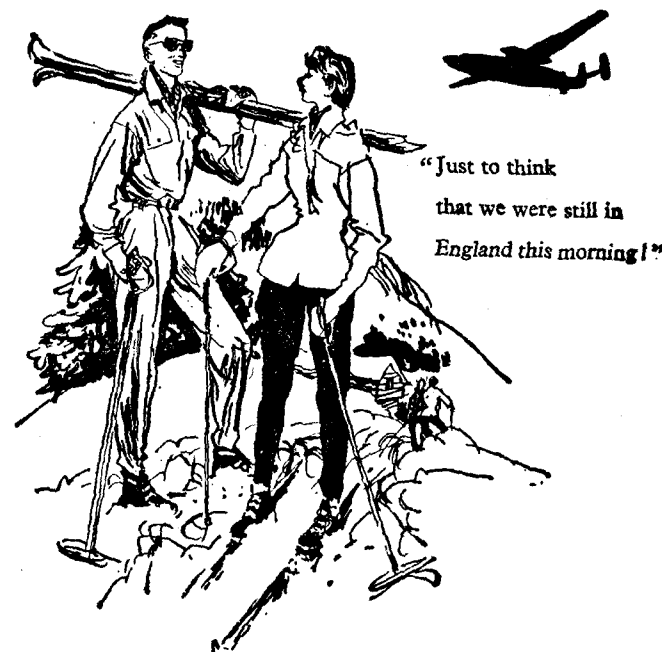
The Minister's estimate may be taken to be an optimistic one, but it is depressing enough when considered together with published figures of the Central Bank's reserves. At the end of October the Bank held assets in gold and foreign currencies of only 2,428 million pesos, against liabilities abroad of 1,530 million; and of its assets only 813 million pesos were in gold and 143 million gold-guaranteed, while 1,472 million were in "other currencies," an embarrassingly large part of these being Spanish pesetas.

Since the beginning of 1952, even General Perón has been forced to look these unpleasant facts in the face. The regime of austerity for the consumer introduced early this year has been succeeded by other measures intended to stem the tide. Restrictions on imports reached a peak in October, when it was forbidden to import any goods of types that are also produced in Argentina. Credit restriction has forced the collapse of many mushroom industries.

Wooing the Farmer

But the most important feature of the new policy is its emphasis on agriculture. The farmer, the forgotten man of General Perón's first five-year plan, is now effusively wooed. The President himself declared a few weeks ago that "the revival of agriculture will be the backbone of the second five-year plan." He has held out to the farmers the cheering prospect of the abolition of IAPI, the official trade promotion institute, through which, for the past six years, they had been stripped of their profits for the benefit of industry and the state. His new Minister of Agriculture, Señor Hogan, the former Ambassador in London, has been stumping the country appealing for the biggest possible sowings; and the credits that are now denied to industry are offered to the farmer to enable him to restore the losses of six years of neglect.

But as well as credits and guaranteed prices the farmer needs machinery, fuel, and labour, and it is less easy for the government to provide any of these. Some labour will no doubt gravitate back to the land now that the bonanza years for the urban proletariat are so clearly over, and the govern-



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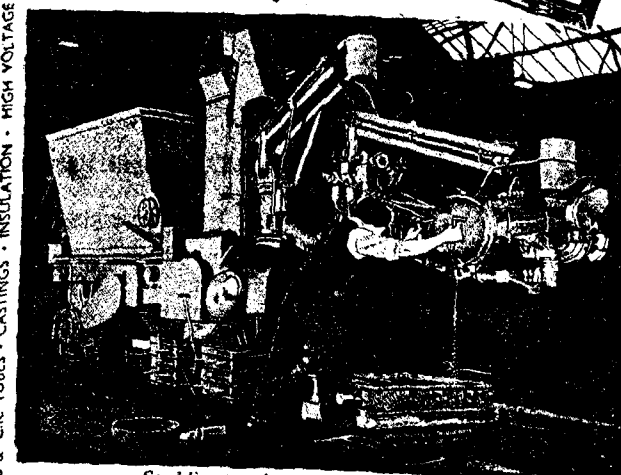
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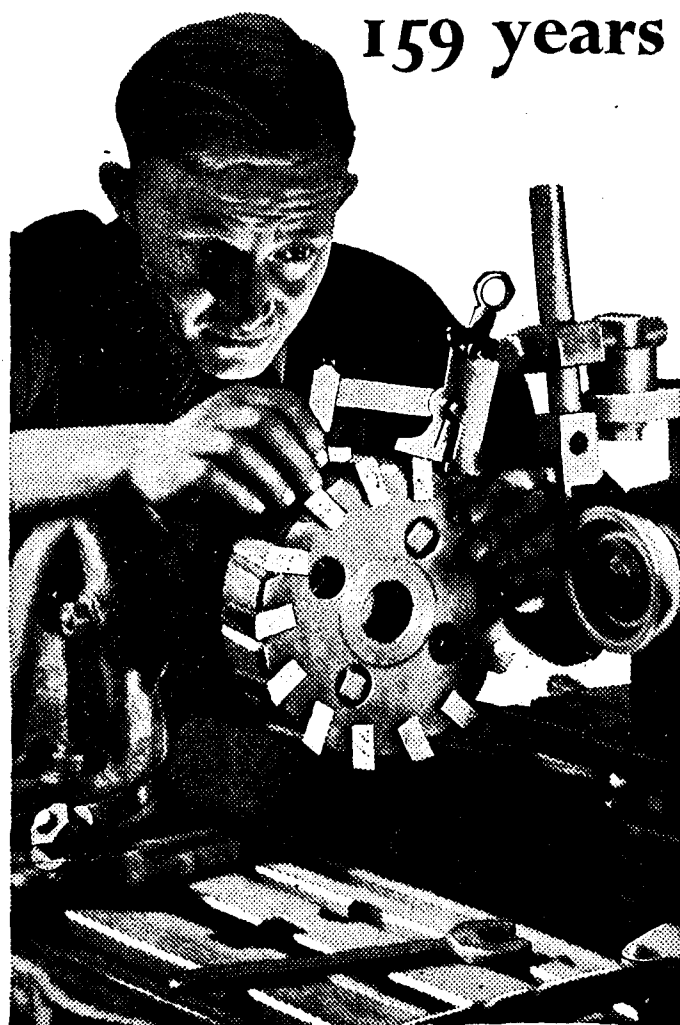


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ment is seeking to buy fuel, tractors and agricultural equipment wherever it can: the recent mysterious visit to Europe by Sr Juan Duarte, the President's secretary and brother-in-law, may have been partly for this purpose. But it will be some years before either herds or crops are back to pre-Perón levels. The agricultural census which began this week is a useful first step on the road to revival; but in view of what they have suffered at the hands of the regime since the war, the farmers may not reveal their assets as frankly as General Perón, who has been making personal appeals to them, hopes. Nor, despite the good weather and the frantic encouragement they have received, have they sown as much land as the Government wanted.

Estimates of the size of the coming wheat crop range between 6 and 6.5 million tons. Of this as much as 4 million tons may be required for internal consumption, seed and reserves, and of the remainder a major part is theoretically earmarked to reduce adverse balances on bilateral trading account; Brazil and Japan hope to get, respectively, 1.2 and 0.3 million tons in this way. Little wheat is, therefore, likely to be available for wider trading, and for this reason great efforts have been made to encourage sowing of maize, which is now proclaimed the "backbone of Argentina's grain trade." The estimate of area sown to maize in the table below is, however, only a tentative one.

	GRAIN SOWINGS (Million hectares)			
	Current Estimate	Current Target	1951-52	Annual Average 1935-40
Wheat.....	6.3	7.5	4.8	7.6
Maize.....	3.5	3.8	2.5	6.5
Rye.....	2.2	2.5	2.0	1.0
Oats.....	1.3	1.6	1.2	1.4
Barley.....	1.0	1.2	0.9	0.8
Linseed.....	1.0	1.6	0.7	3.0

Yet, whatever its first results, the switch in policy has clearly been made. Agriculture is now the favoured child, and the urban masses face a long future of tightened belts. It is hardly surprising that the trend in this direction has accelerated since the death of Señora Perón; but it is interesting that the President has been able to carry the new policy so far without greater opposition from organised labour. Sr Espejo, the secretary-general of the CGT, the trade union federation, and one of Señora Perón's chief instruments, has now been replaced, after a bitter struggle within the federation, by a mild and moderate chemist, Sr Vuletich, who is unlikely to give the President much trouble.

Moreover, something more than coincidence is suggested by the fact that, at the climax of the CGT crisis, the Government chose to launch a sudden onslaught against Uruguay. The pretexts for this outburst were that Uruguay had agreed (in 1947) to let British aircraft land at Montevideo en route to the Falkland Islands, which Argentina claims, and that an Uruguayan honorary vice-consul has been officiating in the Falklands (since 1924). For these sins, Uruguay is now being denounced by every Buenos Aires newspaper as a traitor to the Americas; travel between Argentina and Uruguay has been virtually forbidden; and on October 30th, the day the visiting Canberra bombers reached Buenos Aires, the school-children of the city were given a holiday, marched to the British Embassy and encouraged to spit on the windows. Their banners bore such slogans as "Maté si, whisky no!" (maté being the national drink), which have been trotted out on many earlier occasions when it was expedient to divert popular discontent into xenophobic channels. If this is to be the symbol of Argentina's new path, it is doubtless well calculated to appeal both to the proletariat and to the Army, on which General Perón may need to lean heavily in the months to come.

Free World and Eastern Europe—III

Exiles from Eastern Europe

[FROM A NEW YORK CORRESPONDENT]

WHILE the East European exile groups differ from each other as well as among themselves about their plans for the future of their countries and of Eastern Europe as a region, they have three common denominators. The first is the understandable difficulty of keeping several parties of divergent views working together in a single organisation, particularly when there is no immediate prospect of return to the native country; the second is the lack of financial resources, which must be sought largely from sources in the United States; and the third is disagreement as to the character of the political and economic system which should succeed Communism after liberation.

Here are thumbnail sketches of the principal East European exile organisations and their programmes:—

Czechoslovakia.—In February, 1949, on the first anniversary of the Communist coup in Prague, the Czechoslovaks established the Council of Free Czechoslovakia in Washington, headed by Dr Peter Zenkl, former Czechoslovak Vice-Premier as chairman, and Dr Jozef Lettrich, former chairman of the Slovak National Council, as his deputy. The Council was supported by representatives of six political parties, as well as by several prominent independents. It did not recognise representatives of the prewar Small Businessmen's and National Democratic parties, and three groups remained in bitter opposition to it. Internal tensions between the six participating parties led to an open split in January, 1951. But after protracted negotiations, the two groups were reunited and reorganised on July 4, 1952. The Agrarian party remains outside the Council, although many of its most prominent members are strongly in favour of joining.

The Council's programme declares that the goal of its efforts abroad "is the restoration of democratic freedoms in an independent, democratic, united and indivisible Czechoslovak republic in her pre-Munich borders." The Sudeten German question is regarded as finally settled by the Potsdam agreement, and the friendly co-operation of a democratic Germany is invited. The Council rejects the 1949 constitution and affirms its adherence to the First Republic's legal acts. Its programme emphasises the necessity of letting the voters decide the country's political and economic structure. However, it states that "private and public ownership will be the foundations of our future economic system," which will be such "as to lead to a healthy national economy. . . ."

Hungarian Council

Hungary.—The activities of the Hungarian exiles who fled their country after the establishment of Communist rule have been complicated by the presence abroad of former members of the Arrowcross organisation, who favoured Nazism, opposed the western powers and are still doing everything they can to prevent the formation of democratic unity among the Hungarians. Moreover, the Hungarian exiles who left after the Communist victory reject the co-operation of Communist Hungarians who have fled abroad in recent years on the ground that they oppose democracy.

In 1948 the non-Communist Hungarian exiles formed the Hungarian Council, headed by Dr Bela Varga, a Roman Catholic priest who played an important part in Hungarian politics for many years. Ferenc Nagy, former Prime Minister and a member of the Smallholders party, to which Dr Varga also belongs, is a member of the executive committee of the Council and its expert on finances, while Tibor Eckhardt, a Smallholders party leader who left

Hungary in 1940, is its expert on military problems. In addition to the Smallholders party, several other groups are represented in the Council, which opposes both communism and national socialism. It assumes the responsibility of reconstructing the country on democratic principles after liberation, and believes that the successful reconstruction of the country is not possible without a basic land reform.

Poland.—True to their tradition of internal divisions, the Polish emigration (numerically the largest of the exile groups) is divided into three principal organisations. The first is the 'shadow government-in-exile, organised in London in 1949 as successor to the wartime exile government by August Zaleski, Foreign Minister in 1926-31, and now headed by the former General of Artillery, Odzierzynski, who enjoys the support of General Anders.

The second is the Polish Political Council, which has its headquarters in London and is composed of members of two important Polish prewar parties, the right-wing Polish National Democratic party and the Polish Socialist party, and several minor groups. The main difference between these two groups is that the first supports the 1935 constitution because it gives continuity to the Polish state but wants to apply it in a democratic way, while the second considers the 1935 constitution as the basis for continuing an authoritarian government.

The third Polish exile group is the Polish National Democratic Committee in Washington headed by Mikolajczyk, who returned to Poland in 1945 and fled to the West in 1947. This committee is composed of members of Mikolajczyk's Peasant party, a group of the Labour party and the Democratic party. Mikolajczyk agrees with the Polish Political Council on the need to have a democratic constitution after liberation, but sees no reason for recognising the 1935 constitution simply to maintain the continuity of the Polish state.

Poles United Over Lost Lands

Despite their political differences, all three Polish organisations agree that the Oder-Neisse line would be the best frontier in the West and that the claims to the territories lost to the Soviet Union should be maintained and defended. The Polish Political Council, and the Mikolajczyk Committee base their programmes on the declarations formulated by the Council of National Unity in underground Poland during World War II. These declarations provide, among other things, for democratic liberties, a sound agricultural structure based on individual peasant holdings, full participation of all citizens in the local and central government system, and industrial development. Both these groups emphatically condemn the prewar dictatorship of the Pilsudski regime. The shadow government leans towards an authoritarian government, but it is not believed that it would urge the restoration of prewar social and economic inequalities.

Jugoslavia.—The activities of the Yugoslav exiles are hampered by the seemingly well-entrenched position of Marshal Tito and his increasingly friendly relations with the Western powers. They are also hampered by the old animosities between Serbs, Croats and Slovenes which have persisted in exile.

Among the Serbian groups the principal are the Yugoslav Committee in London, headed by Slobodan Jovanovic, former Prime Minister; and the Central Serbian National Council in the United States, headed by Constantin Fotic, former Ambassador to Washington. The former is in favour of democracy, monarchy, a federal organisation of Yugoslavia, and a Balkan union. The latter agrees with the main points of this programme but favours a unified, centralised internal organisation of the state. Among the Croatian groups are the Croatian Peasant party, headed by Dr Vladko Macek, former Deputy Prime Minister, which stands for Croatia as a federal state inside a democratic Yugoslav republic; and the

Croatian "Ustasi" party, headed by Dr Ante Pavelic, former head of the "Independent State of Croatia" created during the war by the Axis powers, which supports an independent Croatia and authoritarian government. The Slovenians are represented by the National Committee for Slovenia, composed of representatives of all democratic political parties which influenced Slovenian political life before World War II, and headed by Dr Miha Krek, chairman of the Christian Democratic Populist party, and a former Deputy Prime Minister. The Slovenian Committee stands for democracy and a federal Yugoslavia.

Rumania.—The Rumanian exiles are faced by the same problem as the Hungarian exiles, since among the emigrés from Rumania are many former members of the reactionary pro-Nazi Iron Guard. The pro-democratic anti-Communist Rumanians refuse to allow the Iron Guard to participate in plans for the liberation of the country. King Michael, son of King Carol, who now lives in England, is considered by most Rumanian exiles as a symbol of the continuity of the state, and keeps in touch with exile activities.

The Rumanian National Committee, formed in Washington in 1949 under the leadership of Nicolas Radescu, a non-party man and a former Prime Minister, broke up into two factions, one of which is headed by Radescu and the other, which is supported by King Michael, by Visoianu. The prospects of bringing the two factions together are given a 50-50 chance. The two groups disagree about the degree and speed of returning industry to private ownership. But they are agreed on a good many points including the restoration of the 1923 constitution, which provides for parliamentary monarchy, and the return of Russian-annexed Bessarabia and Bukovina.

Bulgaria.—Not all the Bulgarians in exile are yet joined together in a single organisation. At the present time there are several groups which claim to represent and defend Bulgarian interests abroad. The Bulgarian National Com-

mittee is the only exile group which has set up an organisation of its own; the strongest party represented in it is the Bulgarian Agrarian National Union. The programme of the Committee stresses the following points, among others: reinstatement of the Tirnovo constitution; abrogation of all anti-constitutional dictatorial laws and decrees issued during the period of Soviet occupation as well as after it; election of a constituent national assembly in accordance with the provisions of the constitution; and the reorganisation of the army into a non-party force entrusted with the defence of the people and the interests of the nation.

So far as can be ascertained, the East European exile groups in the United States have been more disturbed than pleased by the discussion of "liberation" during the recent election campaign. They fear that premature talk of "liberation," unless accompanied by concrete measures for accomplishing it and definite plans for reorganisation of the liberated countries, might do more harm than good. The Kremlin, in their opinion, may use American talk of "liberation" as an added excuse for strengthening its control over the satellite countries on the ground of self-defence against Western "encirclement."

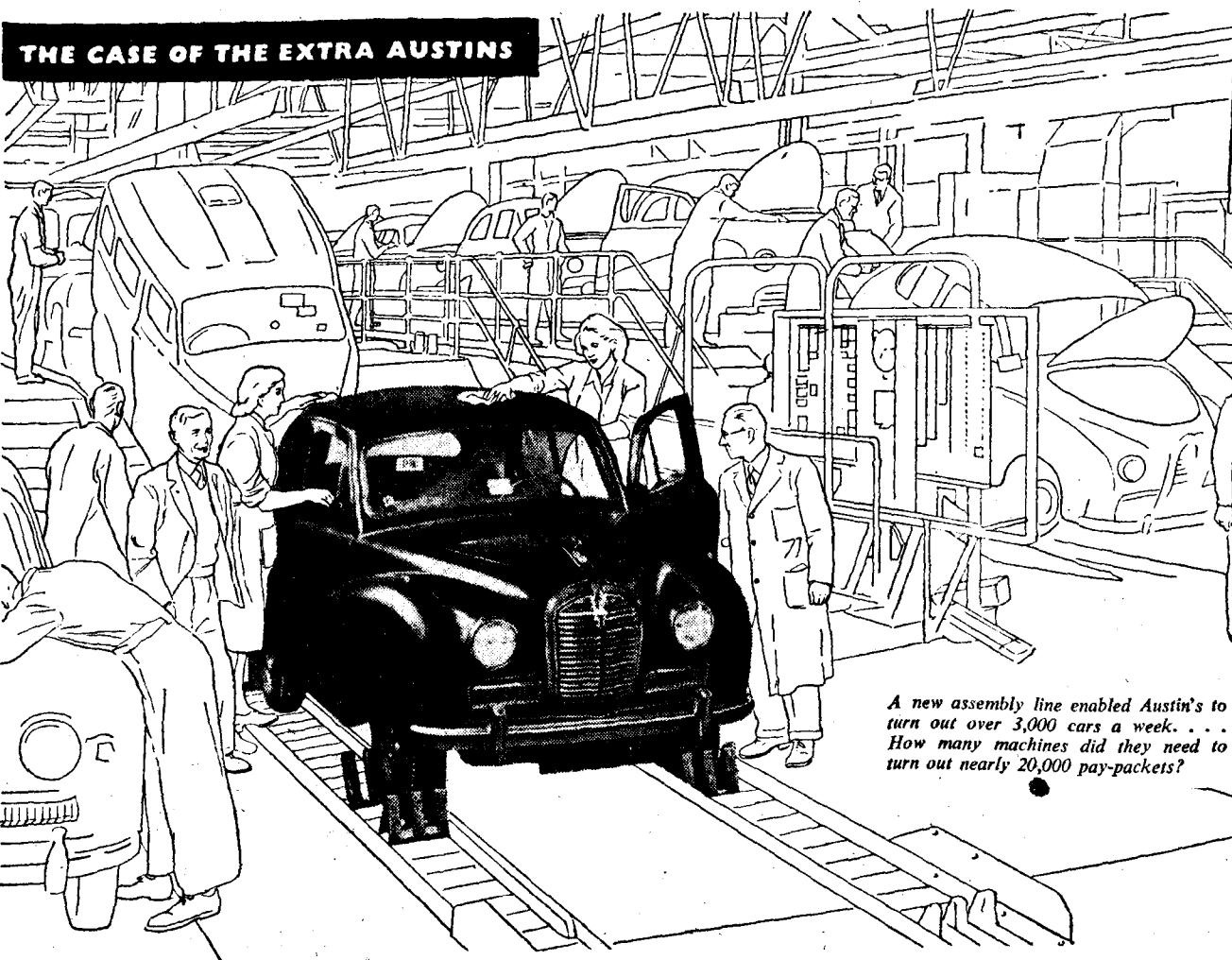
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Rakosi Shortens Rein

THE latest government reshuffle in Eastern Europe has just taken place in Hungary. Five new deputy premiers have been appointed, four of them being former departmental ministers—Mr Erno Gerö, President of the Economic Council; Mr Karoly Kiss, Foreign Minister; Mr Arpad Hazi, Interior; and Mr Imre Nagy, Agricultural Co-operatives; the fifth is a leading Communist theorist, Mr Istvan Hidas. At first sight it looks as if the Hungarian Communists are now to suffer the purges which have already been visited upon their comrades in Czechoslovakia and Rumania. Slansky was kicked upstairs into a vice-premiership when he was turned out as secretary-general of the party. Mme. Pauker could not receive this treatment because she was already a vice-premier; but the fact that she was for a time allowed to retain this title, after she had been shorn of most of her other glories and was obviously in disgrace, showed that its significance was small.

It is, however, possible that the changes in Hungary are in fact what they are said to be—an administrative reshuffle. There is a recent precedent for this in the East German government changes of last May. Five co-ordinating ministries were then appointed and formed into a Presidium of the Cabinet under the Premier and above the departmental ministers; all had been either in the East German Cabinet or important Land ministers. Herr Grotewohl said at the time that the change (which was in line with the Soviet system) had been made necessary by the administrative machinery's failure to keep pace with the country's economic development. It seems not unlikely that Hungary's economic planning has also suffered from administrative inadequacies; and, in addition, that Moscow is anxious that the benefits of a closer and more comprehensive control from the top which has been evolved under the Soviet system, should be more widely extended among the satellites.

Mr Rakosi's assumption of the premiership last August—his official title had previously been vice-premier—may have been designed to clear the ground for this latest development. It is significant that the Hungarian Communist Party has been unaffected by the changes; there have been no promotions or demotions in the party hierarchy. Of the five new deputy premiers, four—as far as is known—remain members of the Politburo and the fifth of the central committee. In the past the orthodox Communist purge has begun at home—within the party.



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THE BUSINESS WORLD

Comity and the Oil Companies

MR GEOFFREY LLOYD'S answer to a parliamentary question last Monday has brought officially into the open, on this side of the Atlantic, a marked difference of view between the British and American authorities on an important point of jurisdiction in the anti-trust case against the oil companies that is now being heard in Washington. A business note in last week's issue of *The Economist* gave news of the intervention of the Minister of Fuel and Power in the proceedings. On Monday, Mr Lloyd explained his reasons in some detail and they go to the heart of the matter. He explained that the American Department of Justice had served on the Anglo-Iranian Oil Company, and on a number of other oil companies, subpoenas couched in the widest terms, calling upon them to produce records and documents relating to the conduct of their business outside the United States. Mr Lloyd's statement continued:

Her Majesty's Government consider it contrary to international comity that British companies should be required, in answer to subpoenas couched in such wide terms, to produce documents which are not only not in the United States, but which do not even relate to business in that country; and they further consider that the disclosure of some of these documents might well prejudice or endanger the economic, strategic or political interests of Her Majesty's Government and of the Western Powers.

For these reasons, the companies were required not to produce documents not in or relating to business in the United States, or give information not relating to such business, without the authority of Her Majesty's Government. For this explicit statement there will be much relief. From its terms, it is quite clear that considerations other than security have weighed the Government's decision; the main ground, indeed, is that of international comity.

This is not the first anti-trust case in which the question of international comity has come into prominence. But it is doubtful whether any previous case has raised the issue in quite such acute form. The present proceedings are concerned, at this stage, with the earliest preliminaries to a possible criminal trial of the 21 companies on whom subpoenas have been served. The lawyers for the companies have argued against the fantastic width of the subpoenas and their terms have now been narrowed to less grotesque proportions. But that is a domestic decision. Anglo-Iranian is a British company and a citizen of the United Kingdom for purposes of international law. The company is required to produce, among other documents, its entire correspondence with "sovereign governments" relating to the exploration of crude oil deposits outside the United States, as well as many other matters. Asiatic Petroleum Corporation is an American company, owned by the Royal Dutch-Shell group. Asiatic Petroleum has been required to produce, among other documents, "originals of all communications received from, and copies of all communications sent to," the two parent companies; thus the extraordinary process of discovery on which the

American Department of Justice has embarked seeks to extend itself to the activities outside the United States of these two companies—Royal Dutch and Shell—neither of which is an American subject. Such an extension of the investigation amounts to an assertion that the United States authorities can apply American criminal legislation to acts done by British and non-American subjects outside the United States.

To the reasonable man, there appears every justification that a foreigner should be subject to the criminal jurisdiction of a state within the territory of which he has committed a criminal offence. If American law says that certain business practices are criminal, and if such acts are proved against companies in the United States, they must suffer the penalty. But the reasonable man is not likely to accept the proposition that a state has the right to exercise its criminal jurisdiction over acts committed by foreigners abroad. In these views, the reasonable man is supported by an impressive weight of legal authority, and it is on these broad and fundamental grounds that Mr Lloyd has taken his action. It has not, incidentally, wholly satisfied Judge Kirkland who is hearing the case in the District Court at Washington. After referring to the presentation of Mr Lloyd's letter by counsel appearing for the Anglo-Iranian company, the judge last week observed:

The thing that was troubling the Court, and still does, is, I didn't see that great, big red seal that most of these British documents are issued under. You know, if there is anything you have got to give our British cousins credit for, it is their order and decorum, and they do seal up things very well. . . . But I think that there is a showing, at least *prima facie*, that the position of Anglo-Iranian Oil Company in this case is that the sovereign of Her Britannic Majesty's Government has asserted a privilege and that if this matter is properly brought to the attention of the court it may be the means of releasing that company from the burden of this subpoena. . . . But I do want that document authenticated.

Interludes such as this give pleasure to the student pursuing his way through the longeurs and labyrinths of American anti-trust proceedings.

It will be noted that these comments, which hold out some prospect that Anglo-Iranian may be relieved of the subpoena to produce documents, are subject to a condition—that the judge is satisfied that Mr Lloyd's letter is an act of sovereignty of the British Government. They do not amount to a decision that the rules of comity overthrow the desire of the Department of Justice to pursue its fishing enquiry against the Anglo-Iranian company; they are based on the expedient ground of avoiding an impasse between two sovereign governments. In fact, the courts of both countries have generally paid scrupulous regard to the rights and dignities of each other. Yet this case and other recent anti-trust cases in the United States have begun to raise in an acute form questions of comity that, for the well-being of the western world, demand an early practical solution.

The basic American law from which these proceedings stem are the Sherman Anti-Trust Act of 1890 and the Clayton Act of 1914. These are dates of considerable economic importance. Both precede the participation of the United States in two world wars; both are contemporary with an America still in a formative economic stage; both mark early beliefs that the way to prosperity for the United States was the utmost competition inside a ring fence so high that outside competition could never jump; both precede by a generation America's emergence as a creditor country and by half a century its acceptance of the need for growing international co-operation, whether in the form of private ventures or in the form of public policies. On the question whether anti-trust legislation is still consonant with the needs of the American economy today it is now possible for some Americans to have doubts and still enjoy the respect of their fellows; Mr David Lilienthal is among those who are questioning its relevance to modern conditions. But that is an issue that must be left to Americans. What interests, and occasionally dismays, the outside world is the construction that prosecuting lawyers seek to place on these Acts as a means of establishing criminal charges against American companies in respect of their operations abroad. It is necessary to emphasise that a conviction does not mean that harm has been done to the United States and its people, much less to other countries and other peoples; it means that an offence has been committed against two Acts that were passed long before the United States emerged as a positive participant in the world's economic affairs.

To a prosecuting attorney, these external considerations will carry no weight. To a Department of Justice whose decision to engage in legal battle against the trusts may be weighted by considerations of domestic politics, the harm appears in an offence under the anti-trust Acts (whether the economic and political results of the offender's action were good or bad) and any damage to the wider interests of the United States that may result from the proceedings—and all the evidence shows that such damage is already occurring—is purely coincidental. As the anti-trust law has been interpreted and pursued in recent years, there is a serious threat of harm to the tenuous relations that have been built up between industry in the United States and abroad. This goes further than a mere conflict of law, important though that may be. For example, in the case of British Nylon Spinners *v* Imperial Chemical Industries, the issue is whether the plaintiffs can prevent the defendants from reassigning rights already granted to the plaintiffs as they have been directed to do by an American court in the course of an anti-trust action against ICI. In the Court of Appeal last month, the Master of the Rolls observed;

So far as the English patents are concerned, it seems to me, with all deference to his Honour's Judgment (in the District Court for the Southern District of New York), to be an assertion of an extra-territorial jurisdiction which we do not recognise for the American Courts to make Orders which would destroy or qualify those statutory rights belonging to an English national who is not subject to the jurisdiction of the American Courts.

The Court of Appeal's decision has led the American Court to hold its judgment in abeyance. But it is important to note that the prosecuting attorney in that Court thought it proper to insinuate that since ICI holds 50 per cent of British Nylon Spinners' capital it could have blocked the action, and to ask the question whether ICI

had voted in favour of the action. The courts in the two countries may preserve, as they do, an entirely correct attitude towards each other; but what is the businessman in countries outside the United States to decide when he is anxious to secure American co-operation in finance, technique, or even commercial policy if at the same time he exposes himself to harrying campaigns by spokesmen who purport to present the policy of the United States Government?

The United Kingdom is not by any means the only country that is affected by this wide casting of the anti-trust net. The Canadians have recently been at odds with another decision of the American Courts on the breaking up of the partnership between du Pont and ICI in Canadian Industries Limited. Each company holds 42 per cent of the stock of CIL, and the partnership is to be broken up in one of four ways which, remarkably enough, include the sale of shares owned by either du Pont or ICI to the other, or the segregation or physical division of CIL's plants and properties between ICI and du Pont "so as to create," it is said, "a situation in harmony with United States law." In this case, too, the judge deemed it to be irrelevant whether the arrangements between the two parties actually injured the public interest or whether the public benefited from them.

To the outside observer, concerned with obtaining fruitful co-operation with American industry, and admitting at all times the prerogative of sovereign states to order their domestic statutes, these recent manifestations of the international consequences of anti-trust procedure are alarming. Comity and the avoidance of conflict of laws are important in an orderly, co-operative world. But the damage threatens to go beyond that. The turn that these cases have taken in recent times is bound to inhibit the economic co-operation between western nations that is so urgently needed—by the United States not less than the rest. While the lawyers are pursuing their wordy way through the mazes of fact and opinion in these proceedings, it is to be hoped that the new Administration will spare time for thought about the harm that is resulting to the whole of the western cause.

Competition for markets

The Economist Intelligence Unit publishes quarterly reports for exporters and others doing business abroad. These reports give a concise analysis of economic conditions and trading prospects in each country and contain essential information on such matters as import regulations, trade and financial agreements and commercial policy. Each report has a comprehensive statistical appendix, and is prefaced by a short summary of the main facts and conclusions.

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Bullion Market under Pressure

MORE than a year has passed since the International Monetary Fund abandoned its efforts to suppress the sale of non-monetary gold at premium prices, and threw the onus of controlling such sales on to the gold producing countries themselves. Since then all the important producers have embarked on a policy of selling at a premium, and in exchange for US dollars, as large a proportion of their gold output as they judge that the market will bear. The amount of such gold reaching the free market has recently been estimated at some 800,000 ounces a month, or approximately 40 per cent. of current production of new gold outside the Soviet Union. But this expanded trade has not been as profitable as most producers had originally hoped. When the IMF withdrew its unenforceable ban in the autumn of 1951 the most experienced market observers believed that the "free" price would not fall below \$38 per fine ounce (compared with the official price of \$35 per fine ounce); if the premium demanded fell as low as \$3 per fine ounce, it was widely expected, a whole new class of hoarders would take the view—to quote the last annual bullion review of Messrs Samuel Montagu—that "the purchase of gold is the best insurance man can have against such further political and economic ills as are waiting to beset him." In fact, however, the free market price has fallen as far as \$37.05—a figure at which it must be seriously questioned whether it is profitable for some gold producers to incur the expenses of the formalities that are still needed to "prove" that the gold they are selling is non-monetary (and thus eligible for free markets).

There have been three other factors, in addition to the pressure of increased supplies, that have helped to depress the free market price of gold in the last year. The first of these has been the slight improvement in the world political situation. The correlation between the trend of bullion prices and the swaying hopes and fears of peace and war remains as close as ever in the Far East. Those who view the proposed intervention of General Eisenhower in Korea with trepidation rather than optimism may therefore regard the recent downward trend in bullion prices with some suspicion. A second depressing factor in the past year has been the damping down of recurrent hopes of an increase in the official American buying price of gold; Mr Snyder's categorical statement last September against any such increase was a bear point for the market—although it remains to be seen whether his forthcoming departure from the US Treasury is a bull point or not. A third depressing factor has been that expectations of currency devaluation in some European countries—and especially in the main hoarding country, France—have receded since the autumn of 1951.

These varying factors, however, can be understood only after an analysis of the nature of—and cross-currents in—the main free markets. One of the principal sources of weakness throughout 1952 has been the Indian market. Theoretically, the import of gold into India is prohibited except under licence, but the prohibition is circumvented by widespread and highly organised smuggling. The gold makes its way into India by small

fishing boats across the Gulf of Arabia, from Kuwait and other Arabian centres; in these centres gold is available abundantly and on terms that, by dint of competition, are very near the dollar price quoted in the markets of continental Europe. Gold also makes its way into India by illegal air transport and overland smuggling. For every ounce that is caught and confiscated over 100 ounces get through.

The smugglers are amply rewarded for their trouble, for even today—after a prolonged slump—the free market price of gold in Bombay is far higher than free market prices elsewhere. It stands now at 83 rupees per tola, or £16 per fine ounce, compared with over 107 rupees per tola at the beginning of this year. The highest price reached for gold in the Indian market was 120 rupees per tola, or £24 per fine ounce, in June, 1951. The collapse from these levels principally occurred during the speculative crisis of March, 1952, when the slump in Indian commodity markets unloosed considerable liquidation both in the security and bullion markets. For a time trading in the bullion market had to be stopped and it was some weeks before up-country demand mopped up the metal that reached the market as a result of this forced selling. Even after the reopening of the market the underlying trend remained weak, and in the last month or so the prices of both gold and silver have fallen sharply again.

The weakness of the market in India has been accentuated by the concurrent weakness in Hongkong and other Far Eastern markets. In Hongkong the price of gold has recently dipped towards the price quoted in Europe for free gold in terms of US currency—that is, to between \$37½ and \$37½ per ounce. The main reason for this has been the "political atmosphere," but the fall has been accentuated by a more technical factor, namely, a project to create a gold market in Bangkok. There is a real possibility that the Siamese capital may set up as a major competitor of the Portuguese territory of Macao as a transit centre for the traffic in gold with Hongkong. At the moment much of the gold that is traded by Hongkong makes its way there via Macao. The whole of the transit trade in that Portuguese territory is in the hands of a well-known monopolist who holds his privilege from the authorities, and charges highly for it in licence fees. The belief that a competitive and much cheaper transit centre may be set up in Bangkok has inevitably brought pressure on the gold price in Hongkong.

For the time being therefore the offtake of gold, both by the Bombay and Hongkong markets, has been negligible, while the inflow of newly mined metal into the free market continues undeterred. This has inevitably increased the importance—for gold producers—of hoarding demand in Western Europe, and particularly in France. There are no restrictions on free dealings in gold in the French market. Anyone who can put up the required amount in francs can buy gold in coins, small bars, or even standard 400-oz. bars in the Paris market. Those who buy gold in this way infringe no regulations, and many of them place their orders through the offices of the nationalised deposit banks. The only restriction



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RHODESIAN ANGLO AMERICAN LIMITED

ABRIDGED REPORT OF THE DIRECTORS FOR THE YEAR ENDED
30th JUNE, 1952

ACCOUNTS

The Profit for the year to 30th June, 1952, after charging all expenses was	£ 4,017,754
Taxation payable was estimated at	63,001
(The Company's income consists mainly of dividends paid out of profits on which Northern Rhodesian Income Tax has already been paid).	
Profits unappropriated at 30th June, 1951, were	3,954,753
Making a total available of	4,763,382
An Interim Dividend of 1/3d. paid on 31st May, 1952, amounted to	744,576
The Directors recommend the payment of a Final Dividend of 5/- absorbing	2,978,304
	3,722,880
Leaving profits unappropriated amounting to	£ 708,255

INVESTMENTS IN SUBSIDIARY COMPANIES

RHOKANA CORPORATION LIMITED—Year ended 30th June, 1952—Capital—The holdings of Rhodesian Anglo American Limited were increased by the purchase of a further £7 "A" Stock to £1,285,121 Ordinary Stock and £24,762 "A" Stock, representing 52.395% of the total Ordinary and "A" Stock in issue.

Accounts—The net profit for the year, after taxation, including an exceptional profit of £400,000 arising from depletion of normal stocks, was £7,860,922 (against £6,765,395 for the preceding year) which the Directors have dealt with as follows:—Appropriations to: Preference Share Redemption Fund £7,500, General Reserve £1,800,000, Sales Equalisation Reserve £62,484, exceptional profit referred to above £400,000, Preference Dividends £62,484, Ordinary Dividends 10/- per £1 Stock Unit £1,250,001, Final—35/- per £1 Stock Unit £4,375,003, (£7,894,988) reducing Unappropriated Profits from £488,415 to £454,349, i.e. by £34,066.

Copper Production—Total saleable output for the year was 82,764 long tons (against 74,179 long tons in the previous year) of which 25,854 tons (5,314) were in the form of Blister Copper and 56,910 tons (68,865) in the form of Electrolytic Copper. The increase was however achieved by running down stocks of Blister Copper. The increase was however achieved by running down stocks of Blister Copper. The increase was however achieved by running down stocks of Blister Copper.

Cobalt Production—1,698 short tons of cobalt alloy containing 645 short tons of cobalt were produced during the year as against 1,978 short tons of alloy containing 747 short tons of cobalt during the preceding year. The Electrolytic Cobalt Refinery was completed early in 1952 but operational difficulties delayed production and the first electrolytic metal was not rolled for shipment until September, 1952.

Copper Price—The American f.a.s. Export price for Electrolytic Copper from July, 1951 until May, 1952, remained at 27.50 cents per lb. Towards the end of May the price moved upwards and during June ranged between 30 and 37 cents per lb. The price payable to the Company from the Ministry of Materials, continued throughout the year to be based on the monthly average of the American price, applied to deliveries three months later. The wide price fluctuations in June in the official American quotation, however, led to a special price being negotiated with the Ministry for that month, to apply to September deliveries; special prices were later agreed with the Ministry for subsequent months.

Coal Supplies—Coal deliveries again failed by a large margin to reach the level of requirements and the burning of wood in place of coal continues on an even more extensive scale than hitherto.

NCHANGA CONSOLIDATED COPPER MINES LIMITED—Year ended 31st March, 1952—Capital—The Company's holdings remain unchanged at £1,490,581 representing 21.294% of the Stock in issue. The Company's interest, direct and through Rhokana, in the Nchanga capital remains unchanged at 38.921%.

Accounts—The net profit for the year, after taxation, including an exceptional profit of £750,000 arising from depletion of normal stocks, was £6,255,600, (against £3,112,917 for the preceding year) which the Directors have dealt with as follows:—General Reserve £2,000,000, Sales Equalisation Reserve (in respect of the exceptional profit referred to above) £750,000, Dividend 10/- per £1 Stock Unit £3,500,000, (£6,250,000), increasing Unappropriated Profits from £104,516 to £110,116, i.e. by £5,600.

Copper Production—Production of Blister and Electrolytic Copper during the year to 31st March, 1952, was 68,816 long tons against 54,550 long tons the previous year. Plant extensions which are planned to raise production to 108,000 long tons per annum are expected to be completed during the early part of 1953.

RHODESIA COPPER REFINERIES LIMITED—Year to 30th June, 1952—Capital—Rhodesian Anglo American Limited has no direct holding in the Refinery Company though it controls the latter indirectly through Rhokana and Nchanga. Its indirect interest remains at 45.658% of the Ordinary Stock.

Accounts—The net profit, after taxation, for the year amounted to £85,578, against £82,776 for the preceding year. After appropriating £25,300 to the Preference Share Redemption Fund and paying Preference Dividends amounting to £63,229, profits of £27,337 were carried forward, against £40,288 brought forward from the previous year.

Production—The production of Electrolytic Copper for the year was 102,269 long tons against 96,371 long tons for the previous year.

Extensions—Owing to delays in the arrival of equipment, it is not now expected that the extensions for production of vertically cast copper will be in operation until the middle of 1953. When the vertical casting plant is in operation the available capacity of the Electrolytic Refinery will, it is anticipated, enable virtually the whole of the production from Rhokana and Nchanga to be converted into electrolytic shapes, of which a substantial proportion will be vertically cast in special high-quality shapes.

OTHER INVESTMENTS

MUFULIRA COPPER MINES LIMITED—The Company's direct interest in Mufulira, and its indirect interest through Rhokana's shareholding, remained unchanged during the year.

During the year the Company received the following dividends from Mufulira:—Second Interim Dividend for year to 30th June, 1951, of 4s. 3d. per £1 share.

Final Dividend for year to 30th June, 1951, of 1s. per share.
Interim Dividend for year to 30th June, 1952, of 1s. per share.
A Final Dividend of 5s. 3d. per share for the year to 30th June, 1952, recommended by the Mufulira Board in October, 1952, will appear in the Accounts for the current financial year.

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY LIMITED—The Company's holding remained unchanged at £228,171 stock. The Accounts for the year to 31st December, 1951, show a profit after taxation of £3,600,436 (against £1,753,736 for 1950) out of which dividends totalling 4s. 6d. per 5s. unit were paid against 2s. 3d. for 1950.

COPIES OF THE FULL ANNUAL REPORT AND ACCOUNTS OF THE COMPANY AND OF THE OPERATING SUBSIDIARY COMPANIES MAY BE OBTAINED FROM THE HEAD OFFICE, KITWE, OR FROM THE TRANSFER OFFICES AT 44, MAIN STREET, JOHANNESBURG, AND 11, OLD JEWRY, LONDON, E.C.2.



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that, on paper at least, hampers the free functioning of the gold market in France is the ban on imports of the metal, except under licence. This ban, however, is honoured in the breach far more than in the observance; smuggling is a recognised and respected occupation in the Alpine villages along the Swiss and Italian frontiers.

As a result of the increase in supply and the fall in competing demand in the Far East, the price of bar gold in Paris has fallen sharply in the past year, and it now represents a dollar price of no more than \$38½ per fine ounce. Frenchmen are willing, however, to pay fancy prices for gold coins, because of the ease with which they can be carried and hoarded, and gold coins still command a premium of between 35 and 40 per cent on the price for gold bars in the Paris market. That premium would be higher if the Bank of France had not seized the profit available to it by selling coins in its gold reserve against purchases of bars. The bank has been able to do this without risk, for if need arose it could always reconvert the bars into new coins at little more than nominal cost. The lack of confidence in the franc and the tendency to hoard gold have, however, tended to diminish in the past few weeks, and the demand for gold in France has recently fallen to a small fraction of what it was earlier this year. This, in its turn, has reinforced the effect of events in India and the Far East in imparting a weaker undertone to the free gold market.

Price fluctuations in the silver market have, of course, been much more gentle than those in the free gold market during the past year. But here, too, the price in Bombay has declined, to Rs 153½ per 100 tolas compared with Rs 157 a month ago. The London price of silver for essential trade purposes was recently reduced from 73d. to 72½d., without waiting for the customary lead from the New York quotation. In general, however, the Bank of England has continued to quote and offer silver for essential trade purposes on the basis of the prevailing New York price, and last year rather more than 16 million ounces were sold in this way; of this, over 13 million ounces were used for domestic purposes and over 2½ million ounces in connection with the Government export scheme for silver in manufactured and semi-manufactured form. The larger part of this silver—about 10 million ounces of it—was provided from demonetised coin. Demonetisation, however, has been hampered by the shortage of cupro-nickel and it is probable that this year the amount of silver made available from demonetised coin will be smaller than last.

The most interesting developments in the silver market have occurred in the market for exportable silver, where the prevailing price has fluctuated at a narrowing premium over the London official rate. For a time this premium followed very broadly the discount at which transferable sterling was quoted in terms of the official dollar rate. This was a clear indication of the prevalence of commodity "shunting." The overseas trade figures of several continental countries have made it abundantly clear that their purchases of silver in Britain have been far greater than the amounts that they needed for their domestic requirements. Much of the silver bought through London has been intended for re-export, and it can safely be assumed that the operations have been financed by cheap sterling.

With the recent narrowing of the discount on transferable sterling, the premium on exportable silver has fallen. Latterly the price for free exportable silver has come very close to the rate for official silver quoted day by day by the Bank of England. This recent decline in the free silver price has also been helped by some—partially effective—new steps taken by the British authorities to ensure that a larger proportion of the silver bought in the London "free" market is intended for use in the immediate country of destination. In addition, more recently still, the quotation for free silver has been further depressed by resales from stocks in continental countries—notably from Belgium, where substantial amounts of silver acquired for coinage orders have been freed and have been offered for sale in other continental markets.

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Another bearish development that has recently loomed over the international silver market has been the report from Tokyo that the Japanese Government has begun to liquidate its stocks of silver, which are estimated at over 320 tons. The current production of Japanese mines exceeds domestic requirements and the Japanese authorities have decided to reduce their silver reserves and convert them into dollars. So far, however, these sales have been very modest and have had no perceptible effect on the New York market. But the market is in no fit state to absorb special sales of demonetised metals of this sort. All industrial and other requirements in the United States continue to be fully met by sales from Mexico; the Mexican Government buys the whole of its country's domestic production from the Bank of Mexico, and its policy is thus by far the most important influence on the silver price. But it is not likely to trim that policy *pour les beaux yeux* of Japan and other producers.

In the dim background of the international silver market, too, lies the spectre of the 410 million ounces of silver that were supplied by the United States to Allied Governments during the war on special lend-lease terms. When lend-lease settlements were negotiated in 1945 and 1946, it was specifically provided that this lend-lease silver would be excluded from the over-all settlement and that the recipients would be called upon to repay the silver in kind within five years of the end of the emergency. This 5-year period began to run on April 28, 1952. The silver in question, of which 88 million ounces is the direct liability of the United Kingdom Investment, will thus have to be repaid on or before April 28, 1957. This obligation has never been waived, and it is probable that when the British and Indian Governments decided to demonetise silver coin, and replace them by other metal, they were prompted by the need to accumulate a reserve out of which these repayments might be made. The fact that so large a part of the demonetised silver has in fact been sold for industrial purposes on the domestic market may suggest that the former beneficiaries of lend-lease are hoping for more mercy from the Americans, but this is an issue on which Anglo-American conversations will have to take place in the near future. If the United States insists on fulfilment of this contract, some extraordinary developments in the world market for silver can be apprehended. In short, the future of silver—like the future of so much else—depends on which way the Eisenhower Government moves.

Business Notes

Britain the Creditor

The settlement for transactions in the European Payments Union in October was made last week. It was of a rare and refreshing pattern. There were only three creditors among the fifteen members; and two of them, Austria and Switzerland, had very small surpluses indeed—\$3 million a-piece. This left the United Kingdom dominating the whole picture with a surplus of \$95.7 million, the whole of which was taken in gold. After this settlement the United Kingdom's cumulative accounting deficit with E.P.U. was \$1,089.5 million or only \$29.5 million in excess of its quota. This excess is expected to be cleared as a result of the November operations, and thereafter Britain will no longer be able to recoup wholly in gold any further surpluses that the sterling area may earn with Europe. Verification has thus rapidly been provided for the Treasury's contention that Britain had achieved the immediate objective of last August's concessions on arbitrage in dollar commodities with the EPU countries. Any renewal of such facilities would now, on balance, cost gold and dollars.

The twelve countries in deficit in EPU in October were unfortunately again led by France; it had a debit balance of \$42.1 million, of which \$29.4 million was settled in gold and \$12.6 million added to the French overdraft with EPU. This overdraft is now \$311.2 million, and France's cumulative deficit with EPU has thus reached \$517.4 million, or within a mere \$2.6 million of the quota of \$520 million. In other words, France seems likely to have to pay wholly in gold for almost any future deficits with EPU. The other main countries in deficit in October were Italy (\$21.4 million), Sweden (\$10.2 million) and Germany (\$6.6 million). These deficits were undoubtedly affected by the echoes of the commodity arbitrage purchases negotiated with Britain in August, but that only began to be paid for last month. Apart from these, however, more normal seasonal factors came into effect, including the dwindling of tourist expenditure in France and substantial payments by Continental countries for seasonal imports of sterling area raw materials.

Transport Rates Rise

The increase in charges on railway freights, docks, canals and road haulage that are to come into effect on December 1st total about £14½ million a year. They should recoup about two-thirds of the deficit that might result next year from the additional costs that the Transport Commission has incurred since the last changes in transport rates and fares. To cover the remainder of the increase—which would still imply a loss of about £6 million on a full year's operations—the commission may apply for higher passenger fares. But it cannot do so before March next year in the case of fares in London and May for fares outside London—in each case twelve months after the latest alterations in passenger fares came into force.

The sum of the increases in costs, on a full year, is about £32.8 million, £17.8 million of it having arisen from the latest rises in the wages of transport workers. Apart from this increase in wages, the Transport Commission might have made a surplus of about £1½ million in 1952; but the cost of paying higher wages during part of this year will probably turn that surplus into a deficit of £2½ million. Counting the increase in capital charges arising from the latest issue of Transport stock, the Transport Tribunal has estimated that in a full year, unless charges were raised, the commission would face a deficit of £20-£22 million. "The only measures immediately available which would meet the situation," according to the tribunal, would be an increase of 7½ per

cent in freight, dock, canal and haulage charges. An increase of 5 per cent, which will not fully "meet the situation," was the minimum contribution that in the circumstances could be required from these services: the increase of £12 million a year in charges on railway freight, docks and canals represents only about 80 per cent of the amount that the tribunal considers properly chargeable to these services. The commission, in asking for only 5 per cent, has therefore showed anxiety to avoid loading its industrial freight customers with any proportion of the burden properly attributable to its passengers. But the regulations that confine its power to alter fares will mean that for several months at least it will have to carry its passengers much too cheaply.

The increase in railway and canal freights will bring about an automatic increase in the price of coal to most final consumers, whether this is sold originally by the National Coal Board at pithead prices or at delivered prices; coal is expected to go up by about 1s. a ton. In steel costs it may add about 4s.-5s. a ton. Both, of course, are elements in the cost of transport; though this increase should add only notionally to the cost of the coal that the railways buy, and the effect upon its purchases of steel may take some time to come round.

Viscounts for Canada

The order for 15 Viscount turbo-prop airliners that Vickers-Armstrongs has received from Trans-Canada Air Lines is the first sale of this aircraft where the customers' shortage of dollars might not have been presumed to give the British company a slight advantage over its American competitors. Trans-Canada is accustomed to operate with American- and Canadian-built aircraft (although it has used Rolls-Royce engines), and it therefore faced the difficulty common to all such operators in deciding to re-equip a fleet with aircraft needing spares and servicing equipment built to different national standards. The order is a big one, valued at £4.1 million, and it cannot have been lightly placed. It is possible that Trans-Canada, which operates services linking cities in Canada and the United States in direct competition with United States operators, was influenced by the strong passenger attraction of a gas turbine over a piston-engined aircraft. But the manufacturers are also convinced, and their customers do not contradict them, that the aircraft is more economical to operate than any of its piston-engined competitors. The Canadian order for Viscounts will, like the Pan-American order for Comets, make it harder for other airlines to continue to temporise about whether they will or will not throw in their lot with gas turbines. Vickers have undertaken to deliver all 15 aircraft between September, 1954, and April, 1955, a remarkably short period. The company is stepping up the production of Viscounts to 100 a year; it expects to be producing at this rate at the beginning of 1955. Since it has signed orders for only 75 aircraft it is clear that, like de Havilland, it is sufficiently confident of the future to be prepared to produce aircraft for sale over the counter, with no firm buyers in sight. Both companies resent the all-too-frequent comment that the British industry has not the capacity to produce for world markets; Vickers' production target for Viscounts has been approached by only two post-war American airlines, the Douglas DC6 and the Convair 340 (the Viscount's principal rival). It expects to reach this target output in addition to, and not instead of, its considerable military commitments.

In February a Viscount is being despatched to Canada for route tests, and it is likely that the aircraft will then make a sales tour, its first, of the United States. The feeder-line Dove, built by de Havilland, is the only other British aircraft

to have made a similar tour in recent years, and the venture has been followed by a satisfactory volume of business. The Viscount will, however, come up against the same difficulties as the Comet in so far as the American authorities are not yet prepared to accept a British Certificate of Airworthiness for a gas turbine aircraft.

Smaller Volume of Imports

The reduction in the total value of imports this year has been achieved almost entirely by cuts in the volume of goods imported, and hardly at all as a result of a fall in prices. This somewhat surprising fact emerges quite clearly from the Board of Trade's latest index numbers of the volume of trade, which have been recalculated taking 1950 as the base year. According to this new index, the total volume of imports in the first three quarters of this year was 7 per cent lower than in the same period of 1951, while the value declined by only 8 per cent. Import prices during the period were very little lower than in the corresponding period of last year.

Measured by volume, imports were higher in the first three months of this year than in 1951, fell in the second quarter, and dropped sharply in the third quarter to a level about 20 per cent below that of the corresponding period of 1951. The "average value," or price, of imports followed a similar trend; but for the nine months as a whole it was only about 1 per cent lower than in the first nine months of last year.

The reduction in volume took place in manufactured imports earlier than in food or raw materials; the volume of manufactured goods imported fell steeply in the second quarter, while other categories of imports declined most

VOLUME OF BRITAIN'S IMPORTS AND EXPORTS			
	Trade as Declared	Index Numbers	
		Average Value	Volume
	(£ mn.)	(1950=100)	
<i>Total Imports :—</i>			
1951, 1st quarter.....	850.6	123.9	105.3
" 2nd ".....	1,005.8	136.9	112.7
" 3rd ".....	1,061.8	137.6	118.3
1952, 1st ".....	984.4	135.2	111.6
" 2nd ".....	917.6	132.4	106.3
" 3rd ".....	787.7	128.1	94.3
<i>Retained Imports :—</i>			
1951, 1st quarter.....	817.1	123.2	105.1
" 2nd ".....	974.4	136.4	113.3
" 3rd ".....	1,029.1	137.2	118.9
1952, 1st ".....	929.6	135.8	108.5
" 2nd ".....	887.2	133.0	105.8
" 3rd ".....	757.4	128.6	93.3
<i>United Kingdom Exports :—</i>			
1951, 1st quarter.....	580.3	109.3	97.8
" 2nd ".....	660.1	115.8	105.0
" 3rd ".....	655.9	121.5	99.4
1952, 1st ".....	718.4	124.4	106.4
" 2nd ".....	628.1	125.0	92.5
" 3rd ".....	574.0	123.6	85.6

Source : Board of Trade.

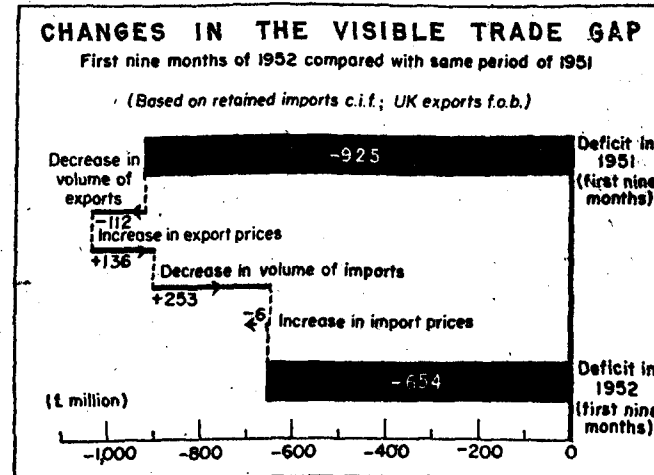
Source: Board of Trade.

sharply in the third. The main exceptions to the general decline were iron and steel, of which imports during this year were two to three times those last year, and machinery—imports of which have increased strikingly with the purchases overseas of defence production equipment, in spite of the ending of the duty-free import of many machines.

Prices and the Deficit

Exports so far this year have also fallen in volume compared with the first nine months of last year—by about 6 per cent—but this fall has been more than offset by a rise of 7½ per cent in export prices. As a result, the total value of exports this year has been slightly higher than in the first nine months of 1951. Export prices have varied little during this year, but over the nine months as a whole they have been higher than in the corresponding period of last year. In the first quarter of this year the volume of exports was well above that in the first quarter of 1951; in the second quarter it fell sharply below, and in the third quarter it remained below 1951. Textiles show a sharp fall compared with the first nine months of last year, but there was a small increase in the third quarter of this year. Exports of metals and engineering products, which began the year at a much higher level than at the beginning of 1951, fell away in the second and third quarters. But, as a later note points out, it was in this group that exports showed the most heartening increase in October.

On the basis of the figures given in the Board of Trade's new analysis it is possible to assess the extent to which the reduction in deficit on visible trade this year can be attributed respectively to changes in the volume and in the value of trade. The following diagram illustrates the reduction in the visible deficit—from £925 million in the first nine months of last year to £654 million this year—on the basis of United Kingdom exports and retained imports. The decline in the volume of exports this year would have increased the deficit by £112 million had it not been offset by an increase in export prices that has contributed £136 million worth to this year's export earnings. The deficit has then been steeply reduced by the fall in the volume of retained imports,



equivalent to a reduction of £253 million in the import bill. It is difficult to relate these trade figures to those shown in the balance of payments, mainly because of the difference in timing of payments for imports and exports. As the Board of Trade remarks, "In a time when prices and volumes are subject to considerable fluctuations, the effect of these adjustments can be considerable." However, the Board estimates that in the first half of this year about a third of the reduction in the visible deficit, as an annual rate compared with 1951, was due to changes in price.

Gone for a Burton

In the last twelve months clothing and textile companies and stores have shown a remarkable range of differing ability in riding over the problem of having to write down stock values in line with the steep drop in commodity prices and the sharp recession in trade. This problem, however, has been particularly grave for those dealing in woollen manu-

factures, and it is not surprising that nearly all the multiple tailors have had to report some hard knocks in their accounts for 1951-52. Montague Burton, which was carrying exceptionally heavy stocks, has now suffered the worst blow of all. In the year to March 31st last a trading profit of £1,036,509 was turned into a loss of £566,188. This loss was arrived at after writing down cloth and yarn stocks by £1,601,496—the reverse side of the medal to trading results in 1950-51 when profits were inflated by automatic inventory gains. In addition, the Burton group has had to make a provision of £1,000,000, appropriated from general reserves, to cover estimated losses on future commitments. The actual loss that the group has made may be even heavier than £566,188, for this figure is struck after taking credit for £191,200 recoverable from a British tax provision; to cover this loss £500,000 has been written back from general reserves and the carry forward has been drawn down from £891,328 to £507,220.

Ordinary shareholders have not escaped from this debacle. The final dividend has been passed; all that equity shareholders receive is the 6 per cent interim dividend declared last February, compared with a full dividend of 12 per cent paid in 1950-51. Shareholders, who had to be content with a stable dividend in the boom years, have now had to suffer sharply with the first whiff of a recession; they saw their 10s. ordinary shares marked down 1s. 10½d. to 15s. 9d. when the results were announced. Their hope for the future is that all the losses on stocks will have been covered and that the revival in trade, of which there have been signs in the last few months, continues. But these results are an ominous reminder of the penalty that attends those that invest heavily in stocks at the height of a commodity boom, without cocking a sage weather eye on future price possibilities.

BOAC Back in the Red

It seems unlikely that British Overseas Airways Corporation will succeed in making a profit this year. The accounts for the first half of the year 1952-53 are now in; they show a profit of £622,804 and a net surplus of £149,602. But the six months from April to September cover the period of heaviest traffic, and within that period operators have not only to cover operating costs, but to build up a revenue surplus with which to carry over the six winter months when traffic is at its lowest and many services flown at a loss.

At the beginning of the financial year, the corporation expected that its profits during the first six months would be more than twice those it has actually achieved. The fuel strike in the United States during May and June caused a loss of revenue of £600,000 and reduced profits by between £250,000 and £300,000. This is serious, but not as disturbing as the fall in revenue from mail and freight. These two items between them bring in almost as much revenue as passenger fares; and the increase in mail rates granted by the Post Office at the beginning of 1951 was the principal source of BOAC's operating profit in 1951-52. It brought in an extra £1.3 million in that year, and an increase in the volume of mail added another £1.2 million. But the whole of that second addition to revenue is likely to vanish this year. The chairman of BOAC, Sir Miles Thomas, has reported that the drop in mail traffic is likely to cost the corporation £1.25 million over the 12 months; and last year's operating profit, before payment of interest amounted to only £1.23 million.

This drop in mail and, incidentally, in freight traffic, is primarily the result of the reduction in world trade and political disturbances in Africa and Asia; it affects all airlines. Last year many other airlines as well as BOAC achieved small operating profits for the first time since the war, and they too are likely to find that falling traffic and steadily rising costs will combine to make 1952-53 an unprofitable year. Not all these airlines are operating the tourist services

that are proving a substantial source of extra revenue to BOAC. The North Atlantic tourist flights have been operating since the spring, and a new tourist service to Nairobi began this month at a fare of £110 single, compared with £154 for the first class service and £98 for the "coach" service operated by two independent British companies. Because the Corporation's Comets are flying consistently nearly full, as against the average load factor of 60 to 70 per cent of seating capacity, these aircraft too are providing a little extra revenue to offset the drop in other traffic. But the chances that expansion in these directions will be sufficient to compensate for the fall in other revenues at present seems to be remote.

Australian Import Concessions

British exporters—especially in the textile and engineering industries—should be the main beneficiaries of the import concessions announced by the Australian Government last week. These concessions, which are being made in a discriminatory manner and will not apply to imports from dollar countries and Japan, may allow between £16 million and £20 million a year of additional imports to come into Australia. Their basic feature is that Australian importers' quotas will remain unchanged at the level, between one-fifth and three-fifths below 1950-51 totals, to which they were reduced last March; but orders outstanding when the March import cuts were imposed will be allowed in without being allocated against the fixed quarterly quotas for the current year. When the axe fell in March, goods that were in course of shipment were allowed to enter Australia, but an equivalent amount was deducted from the quotas for the current year, while contracts booked for goods still unshipped were also made to rank against current quotas. In many trades these outstanding orders were so considerable that no new contracts seemed likely to be placed for nearly a year, until the old orders were worked off. Now that importers' quotas are being freed from the burden of this back-log, Lancashire hopes that some of the orders that were somewhat arbitrarily repudiated in the spring, on the ground of *force majeure*, will be reinstated by the importing firms.

This relaxation of Australia's import restrictions follows a modest recovery in its external position in recent weeks. London funds, which had fallen from over £600 million to about £230 million in little more than a year between June, 1951, and June, 1952, have shown a modest but persistent tendency to recover. They are now estimated at over £250 million, and with wool receipts now in full swing this recovery should make further headway in the weeks ahead. In so far as last week's decision implies that Australia has got its internal inflation sufficiently under control to be able to rely on less clumsy weapons than import restrictions, the relaxations deserve to be generally welcomed. But how far such an implication is justified, only the future can tell.

More Freedom for Sugar

Another important step towards complete freeing of the British commodity markets was taken this week when "recognised" firms were given freedom to take part in international dealings in raw sugar. Under new Bank of England regulations, which follow closely those that apply to free dealings in other commodity markets, "persons and firms having a continuing interest in the import or marketing of sugar and recommended to the Bank of England by the Sugar Traders' Association," will be allowed to make purchases and sales of raw sugar in any part of the world. These operations will be subject to *post facto* control by the Bank of England. The Sugar Traders' Association is a body that was recently

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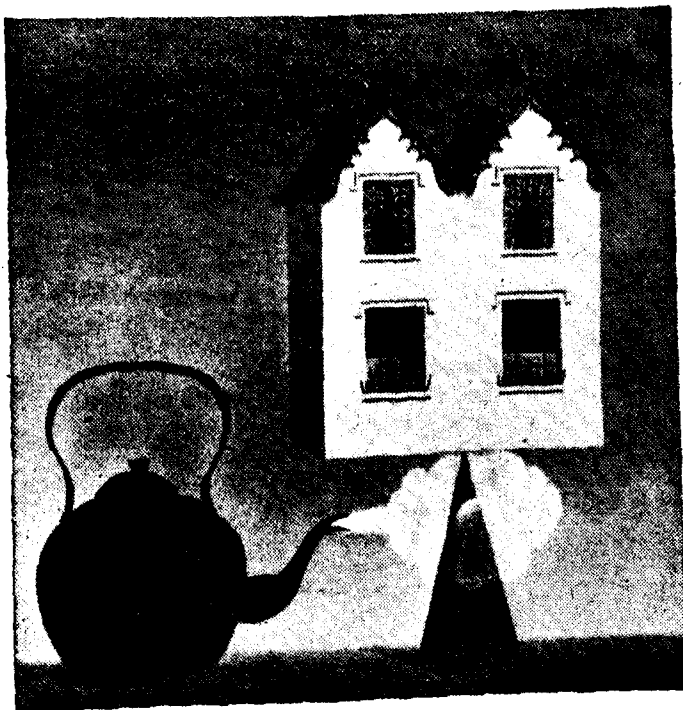
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OIL-BEARING ROCKS do not always release a flow when penetrated by the drill. In such instances the rock at the bottom of the borehole must be opened up by other methods. Early in 1949 this problem arose at an oilfield in Pakistan when drilling had reached a depth of $1\frac{1}{2}$ miles! Deciding that explosives would have to be used, the oil company asked the I.C.I. organisation in Pakistan for assistance. Conditions in the borehole were such that the explosive, packed in a container 5 inches in diameter, would have to withstand temperatures close to the boiling point of water and a pressure of 4 tons per square inch. I.C.I. Nobel Division in Glasgow were given the facts and special explosives and blasting equipment were developed and sent out to Pakistan. These were assembled and placed in the borehole, under the supervision of an I.C.I. technical service mining engineer. The charge was fired and a column of crude oil, under immense pressure, shot 140 feet into the air.



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formed to give a regular organisation to the market and to provide the means of exercising the disciplinary control over participants that the Bank of England seems to require in its commodity account schemes. This extension of freedom follows a first step taken last October, when British refiners and dealers were given permission to buy their own raw sugar for their refined sugar exports to hard currency and certain other areas.

The latest extension of freedom in this market does not, however, go so far as to allow the reopening of a terminal market in sugar, and it does not alter in any way the fact that the Ministry of Food stands between producers and the British consumer; incidentally, the Ministry's contract to buy the whole surplus of Commonwealth sugar producers means that there will be no raw sugar from the Commonwealth available for dealings on the new market. There is little hope of restoration of a terminal market until the domestic allocation of sugar is freed from rationing, but on present indications it may not be necessary to wait long for that next and logical development. Meanwhile, London sugar merchants will again be able to take part in international operations and by their earnings add to the nation's receipts from invisible exports. The latest initiative derives much of its importance from the fact that sugar is largely a dollar commodity. In these circumstances it is a welcome token of faith in free enterprise and of confidence in the state of the balance of payments.

* * *

Motor Engineering Issues

The market had been expecting for some time the two major motor engineering issues that were announced this week. They are, of course, issues that differ fundamentally both in kind and purpose. The £19.3 million bonus issue by the British Motor Corporation—the product of the Austin-Morris merger—is designed solely to correct the disparity between the corporation's issued capital and capital employed. Rolls Royce, on the other hand, is to raise £2,333,000 in new money for its programme of capital development and extension. As had been expected the cash offer by Rolls Royce takes the form of a rights issue. Holders of the ordinary and workers' stock now in issue are to be offered 933,334 new £1 ordinary shares at 50s. each, on the basis of three new shares for every ten held. Dealings began in the new shares at 8s. 4½d. premium and the old shares were marked at 57s. 6d. ex rights. On the assumption that the current rate of dividend of 15 per cent will be maintained, the new shares are being offered at a yield basis of 6 per cent. This new issue has not been directly prompted by the rearmament programme; the new money will finance the expansion of the company's normal business—particularly abroad, where Rolls Royce is committed to establishing facilities for the maintenance and overhaul of its aero-engines. Some, if not most, of the money may be spent on expanding the company's subsidiary in Canada; this expansion may not be unconnected with the successful development of A. V. Roe Canada Limited and it may have been encouraged by the policy of "strategic dispersal" in the aircraft industry.

Now that the Government looks with more favour and good sense on the question of bonus issues, it is natural that British Motor should take the opportunity to correct the glaring discrepancy between its nominal and real capital. To do this, the corporation is to capitalise £19,305,439 from its share premium account. This capitalisation, which ranks next in size to that recently made by Imperial Tobacco as a record operation of its kind, will involve the issue of 77,221,756 5s. ordinary shares, on the basis of four new shares for every share held. The new shares do not rank for the ordinary dividend just declared for the four months to July 31st last, but they will rank for all future payments.

Steel Prices Debated

Public discussion of steel prices in Britain generally suffers because few people outside the industry are sufficiently informed and few people inside it often express themselves in the public domain. This makes two lengthy articles on the subject in the new *Journal of Industrial Economics*,* both written from inside the industry, the more interesting. Mr Fred Stones, secretary of a steel company, discusses "Price Policy in a Nationally Administered Industry" (which steel is likely to remain whatever the political future) as an informed critic; and he is answered very frankly by Mr Robert Shone, director of the British Iron and Steel Federation.

Mr Stones is concerned partly with what he considers to be defects in detail in the present central system of setting steel prices, and partly with the broader considerations that should be taken into account in price policy. He believes that improvements in the methods of arriving at standard costs for individual products are possible, based upon the costs of the more efficient plants, though "the question of levies and remissions on steel-making materials will probably have to be cleared up before a correct price policy can be formulated." To compare national standards in this country with steel efficiency in other countries, he advocates "an economic study of the industry by an independent body," to be repeated at regular intervals of, say, 10 years. Finally, he poses the question whether prices should cover provision for depreciation at replacement costs, and whether they should also include some margin for "self-financing" of expansion and modernisation in the industry.

Mr Shone feels, with some justice, that the more accurate costing of individual products suggested by Mr Stones might make price control by a central body "almost completely unmanageable." The function of a price control authority, as he sees it, is to make sure that "the general level of price is correct as between producer and consumer," and to leave the details to the industry itself, which can be presumed to be interested in getting the proper relationship between the prices of different products. He discusses various alternative ways of setting prices: on the basis of the costs of the least efficient producer whose output is required to meet demand, which as he fairly points out would accord with marginal pricing principles, on the average cost of all producers (the present method), or on the costs of new plant (which might be no lower, owing to heavy capital charges). But he indicates no preference. He is confident that depreciation (and possibly interest charges) should be provided upon the basis of replacement, not historical costs, and that prices, which have long been held too low, should make "a sizeable contribution towards the funds needed for further expansion."

*

But perhaps the most interesting observations that Mr Shone has to make concern the system of levies and subsidies operated by the industry. He mentions the Federation's view that greater realism in the prices charged for imported ore was desirable (this will presumably since have been effected in part by the recent changes in the prices of pig iron); and adds

it is to be hoped that the unrealistic element in the imported ore price arrangements will... later [be] eliminated entirely, through falling purchase prices, as in 1950.

He feels that the levy on steel made from scrap and the remission on steel made from pig iron "is designed to correct an artificiality—not to create one." The Federation's view has always been that to allow fluctuating purchase prices for scrap in this country would not call out more scrap than the low controlled price now paid—"the degree of scrap collection achieved here is at least as high as anywhere else in the world." This particular arrangement, Mr Shone argues,

* Basil Blackwell, Oxford, 10s.

relates the costs of steelmaking from scrap and pig iron "on the sort of basis that would prevail over a period in the case of competitive purchases." There is obviously room for more discussion here. But it is useful to have the practice so frankly outlined and the policy so fairly stated.

Trade in October

Detailed figures of overseas trade in October show that a wide range of industries shared in last month's £32½ million rise in exports. But they also suggest that much of the improvement was due to seasonal factors; for whereas almost all exports were larger last month than in September, they were generally smaller than in October, 1951. Exports of metal goods were an exception. At £25 million, they showed substantial increases both on September this year and on October of last year, in fact, they even exceeded the record levels reached last winter and spring. Shipments of iron and steel goods rose sharply, to £17.7 million last month compared with £13.2 million in September and £14.6 million a year ago. The increase in exports of non-ferrous metals was proportionately even more striking: the figure of £7.5 million last month compares with £5.8 million in the preceding month and £5.6 million in October, 1951. Shipments of machinery amounted to £34.9 million, but although this was nearly £5 million above the September total it was only slightly above that for October a year ago. Exports of other metal using industries are not faring so well. Shipments of vehicles totalled £39.7 million last month—an increase of £4 million compared with the preceding month but a decrease of nearly £6 million compared with last October.

Although the recovery in textile exports is continuing, shipments last month were still lower than those of a year ago (at £31 million compared with the monthly average of £20 million for the third quarter of 1952 as a whole). Wool manufactures remain in the forefront of the recovery; at £11.3 million they were only £2.5 million lower than those of a year ago—and shipments to Canada and the United States were actually some 50 per cent higher than last October. There are also signs that the general recovery in the cotton trade is at last spilling over into the export field. But there is still a lot of leeway to recover, for exports last month were only £11 million, compared with £18 million a year ago.

The recovery in the wool trade is also reflected in the import side of the trade returns. United Kingdom buying is known to have been much heavier so far this season than it was a year ago, and imports of raw wool last month amounted to £10.5 million compared with only £6.4 million a year ago. With the exception of metals and machinery, almost all other imports now show substantial declines compared with last year. Some of the most striking falls are in food and tobacco; the category "other food," which besides sugar includes a wide variety of unrationed foods, amounted to only £15.3 million compared with £21.2 million in October last, and tobacco imports cost only £7.0 million compared with £17.5 million a year ago.

Acid in Abundance?

The fall in the production of sulphuric acid recorded in the third quarter of the year is a measure of the contraction of demand rather than, as might at first have been expected, of a persisting shortage of natural sulphur. The expected famine in sulphuric acid has gone the way of most of the immediate post-Korean material shortages of early 1951. The immediate result of the restrictions on the export of natural sulphur from the United States, which were imposed at the beginning of that year, was to cause a sharp fall in acid production in this country. But the long-term result

has been to encourage consumers—and there is hardly an industry that does not use sulphuric acid—to devise means of economising in its use, or even of converting to alternative acids; the temporary boom in prices also brought on to the market marginal supplies of sulphur and sulphuric acid in and outside the United States. In October, 1951, 2,564 tons of sulphur was imported into this country from these outside sources, at an average cost of £52-odd a ton. The average price of imported American sulphur in October, 1952, was little more than £12 a ton, and it is significant of the change that has taken place in the market that only 116 tons of high cost sulphur, averaging £43 a ton, was imported and none at all in the previous month.

There has also, of course, been a sharp decline in activity in the main consuming industries which has brought a big fall in the demand for sulphuric acid from the major consumers. Dye makers, whose fortunes are closely linked with textiles, used only 5,978 tons of acid in the third quarter of the year compared with 21,260 tons in the same quarter of 1951; the rayon industry and manufacturers of transparent paper used only 24,322 tons in the same period compared with 57,471 tons the previous year. The fertiliser industry is still limited to supplies sufficient for two-thirds of its rated capacity, but the chairman of Fisons said last week that this was adequate for today's level of demand.

The improvement in the textile and other industries that has taken place with the start of the winter trading season does not, however, mean that there is any likelihood of a return to a scarcity of acid. The search for new sources of sulphur has yielded results more spectacular than was at one time believed possible; Mexico, for example, has emerged as one of the leading suppliers. In the United States, all domestic controls over the use of sulphur were lifted early this month; and the big producers believe that export controls could be lifted as well since some countries are not

PRODUCTION OF SULPHURIC ACID

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
1949	...	...	402,926	435,190	1,660,267
1950	449,085	461,025	442,968	449,621	1,802,699
1951	391,102	402,082	402,666	410,228	1,606,078
1952	417,807	346,521	316,515	...	...

even taking the quantities allocated to them by the International Materials Conference. Canada, for example, lifted all controls over sulphur this week. These developments have been rapid, and it is probable that had they been foreseen, the ambitious plans for erecting plants in this country to produce acid from anhydrite, and to convert acid-producing plants from sulphur to pyrites might not have been undertaken so precipitously; the cost of sulphuric acid obtained in this way is likely to be higher than when it is made from natural sulphur. There has, however, been a tendency to argue that these projects are justified if they relieve British industry from its present dependence on imported materials, and especially dollar materials, for production of a strategically important commodity.

Confidence in Shoes

A few days before the opening of the shoe industry's annual exhibition this week, the Bata Shoe Company (which is not an exhibitor) announced that the price of its men's shoes was being reduced by up to 10 per cent. Bata has already reduced the price of its women's shoes and cut the price of its rubber shoes by 20 per cent. This new move will hardly commend itself to the rest of the industry; most manufacturers are expecting to increase prices. The tanners, who lost heavily on their stocks when hide prices



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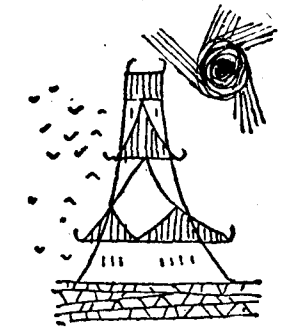
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collapsed this year, have been buying in recent months only against firm orders from their customers. In marked contrast with last year's show, trade in the opening days of the exhibition was brisk, and the industry realises that the tanners will have to go into the market and buy hides immediately—at whatever prices are asked—to cover the orders that they are taking. The prices of the better quality leathers have already risen by 25 per cent between June and October and there is nothing to suggest that this fresh pressure of demand will not encourage them to rise still further. But manufacturers or retailers, who expect to pass on these increased costs to the consumer without encountering resistance may have to think again.

Spending on shoes has dropped drastically this year. In the second quarter sales at home totalled £48 million, compared with £52 million in the same quarter of 1951. Production was accordingly cut back from the average of 10 to 11 million pairs a month throughout 1951 and the first quarter of this year to an average of less than 9,500,000 pairs a month in the second quarter. The industry has only a fragmentary export trade, and the few big military orders for between 2 and 3 million pairs that were placed this summer did not go far among so many manufacturers. It was wholly dependent on the domestic consumer for its sales and by September the value of retail sales was only just catching up with the figure for the corresponding month last year. But in spite of the imposition of purchase tax on a whole range of shoes that were previously sold tax-free, retail prices on the whole are probably lower than they were a year ago, so the volume of sales will have been rising and retailers are re-stocking.

If leather prices are rising, there are a number of alternative materials that can be used. A large number of the shoes exhibited were either made by the big rubber manufacturers, or incorporated soles made from materials bought from them. Most of this is natural rubber, the price of which has dropped

sharply. Some, however is synthetic, with properties more closely resembling those of leather. Neolite synthetic rubber, which is one of the standard soleing materials in the United States, is being produced here by Goodyear from imported materials at a price equal to current leather prices. Any further rise in the prices of hide prices therefore, will give it a price advantage over leather.

* * *

Wholesale Prices Still Falling

Wholesale prices in general fell slightly in October, continuing the gradual downward trend that has been uninterrupted since February of this year. The Board of Trade index of prices of basic materials for industry was 153.4 for October (June, 1949=100), 1 per cent lower than in September and 16 per cent lower than a year before, when the index was 182 and about 30 per cent lower than in March, 1951, when the index at 220.4 was the highest for the year. The decline in the basic materials index for October this year was due mainly to a drop during the month of 31.4 per cent in the average price of lead, and of 5 per cent in raw cotton prices. These, together with small declines in the prices of zinc, rubber and wood pulp, more than offset a rise of 4.6 per cent in the price of raw wool and increases in the prices of sisal, aluminium, tin and hides.

The other Board of Trade indices, for materials used in particular groups of industries, also showed slight declines in October. The index of prices of house building materials fell by 1 per cent, as did the index for materials used in the

PRICE INDEX NUMBERS OF MATERIALS FOR INDUSTRY
June 30, 1949=100

	1952		1951 Annual Average
	Sept.	Oct.*	
Basic materials (excluding fuel) for non-food manufacturing industry	154.9	153.4	193.3
Materials used in mechanical engineering industries	151.4	150.6	134.3
Materials used in the electrical machinery industry	168.3	166.6	151.9
Building and civil engineering materials	133.2	130.9	125.6
House building materials	130.1	128.7	123.0

* Provisional figure. Source: Board of Trade Journal.

electrical machinery industry; that for materials used in mechanical engineering fell by half of one per cent. The largest fall recorded was in the prices of building and civil engineering materials, where the index was down by 1.7 per cent, mainly as a result of declines in the prices of lead and zinc, but also because of lower prices for cement, hardboard and paint. Among indices representing individual commodities, a notable change in October was a decline of 6.1 per cent in the price of cotton yarn.

* * *

Dollars for the Colonies?

The purpose of the Colonial Loans Bill (which was given its Second Reading on November 15th) is to permit the Treasury to extend its guarantee of total borrowings by the Colonies from the International Bank from £50 million to £100 million. Such a guarantee is necessary since the colonies are not members of the Bank in their own right. Hitherto the World Bank has made only one loan to a territory affected by the Bill—that of \$28 million to Southern Rhodesia. But missions from the Bank now in Central and East Africa are expected to recommend loans amounting to

£15 million. Moreover, a mission from the Bank is about to begin work in West Africa, and loans for these Colonies are expected to follow its investigations.

The Colonial Secretary emphasised that these loans were necessary because the rising scale of borrowing by the Colonies was likely to exceed the capacity of the London capital market. Since the total interest charge on World Bank loans (amounting to 4½ per cent in all) is relatively high, the Colonies will be anxious to raise money in London rather than from the Bank if they can. But the Bank's loans will presumably be made in dollars; and London will no doubt be anxious that projects that need dollar equipment should be financed in this way—provided they are projects that should reap sufficient, and if possible more than sufficient, additional dollar earnings to meet the dollar interest charges involved. There seem to be plenty of schemes that should satisfy both conditions.

* * *

Open Licences for Softwood Imports

By allowing softwood importers to have "open individual licences" that technically would permit them to import as much softwood as they like during 1953 from where they like, the Government has made a marked change in its method of limiting these imports, most of which have still to be paid for in scarce currencies. Hitherto it has placed a quantitative limit on the amount of softwood that private traders could import, and in September the Ministry of Materials announced that import licences would be available for 1953 for 500,000 standards, about half the general estimate of consumption for the year. This, together with the simultaneous abolition of the previous system of quotas for each importer, led to a scramble to secure buying contracts and licences before these were exhausted. It was generally expected that the Government would soon announce licences to import another 500,000 standards or more; instead, it has now given freedom to merchants to import according to their own judgment.

This freedom, however, is more apparent than real. The Government is now relying on three main restraining influences. First, control of the use of softwood by consumers is to be maintained and strictly enforced, which will limit the importers' potential market. Second, since the timber traders not only took up all the original licences for 500,000 standards of softwood but also entered into contracts and applied for licences for about another 200,000 standards, much of the trade's available finance is already committed to cover about two-thirds of next year's purchases, and there can hardly be finance available for very much additional buying. Third, with commodity prices generally tending downwards, merchants are likely to be cautious for some time to come. The Government has of course the power to terminate these open licences if the volume of buying should exceed its expectations. Nevertheless, despite its limitations and the scepticism of the trade, this experiment in freedom for softwood imports in 1953 will be watched as a guide to the possibilities of extending similar freedom to other imports at present restricted for balance of payments reasons.

* * *

Made in Hongkong

The belief that Hongkong continues to be used by unscrupulous merchants to flood Commonwealth markets with cheap goods of Japanese or Chinese origin masquerading as goods "made in Hongkong" dies hard among British businessmen affected by competition from the colony's imports. It was recently mentioned in these columns, for example, in the controversy over prices of rubber footwear. It now seems clear that the conditions that might have enabled such an abuse have disappeared since the war.

For exchange reasons, all Japanese goods come under import and export licensing, and re-export to the sterling area is forbidden. Hongkong's imports from China since the advent of the Communist regime have been confined to foodstuffs, oils, fats and other forms of Chinese produce, and the Communist authorities have themselves banned the export of consumer goods. Moreover, Hongkong is no longer solely an entrepôt. It has also developed into a manufacturing centre of importance in the Far East: the annual value of its local manufactures is now between a quarter and a third of the total value of all its exports.

Before a "Hongkong Government Certificate of Origin" is issued, the factory must have been registered with the authorities and given a comprehensive inspection by Customs officers. Spot checks are made of individual shipments, and any false declaration renders the manufacturer liable to a heavy fine and a period of imprisonment. Such certificates at present certify only that manufacturing or processing has taken place in Hongkong and omit any reference to the origin of the raw materials used. But the latest United States import regulations require that the raw materials used for processed goods must be of non-Chinese origin. The Hongkong system of certification is now being amplified to specify the source of the raw materials.

To obtain Imperial Preference for his exports to the Commonwealth, a Hongkong manufacturer must, in addition, first apply through chartered accountants approved by the Hongkong Government. It is only after a detailed examination that takes into account the origin and cost of the raw materials, overheads, local labour costs, and packing charges, that a certificate may be issued that the goods contain not less than the required percentage of "Empire content"; and a separate costing has to be made for each shipment. As far as rubber boots and rubber-soled canvas shoes are concerned, no such imports have come into Hongkong from China during 1952 and the total imports from Japan up to the end of September consist of 500 dozen pairs of rubber-soled canvas shoes valued at less than £1,200. In the same period the colony exported 333,490 dozen pairs of rubber footwear valued at £854,507; 225,210 dozen pairs valued at £558,158 were sent to Britain.

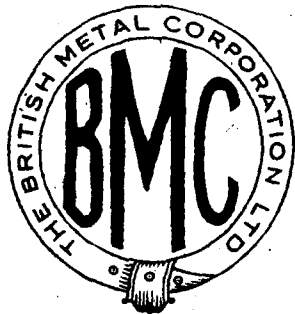
Owing to its proximity to Communist China, Hongkong has also had to devise a system whereby imports of essential materials for its own factories can be guaranteed as required for local consumption. This system, which provides heavy penalties, has been administered scrupulously enough for the United States, with its strict embargo on shipments to China, to accept the certificates issued by the Hongkong Government as a guarantee that goods are for consumption locally and not for re-export.

Shorter Notes

The future of the three-cornered transaction between the Brazilian Government, the Raw Cotton Commission and the Gloster Aircraft company will be decided when the representative of the Raw Cotton Commission, who has completed his examination of the stocks of cotton held in Brazil, makes his report to the Commission next week. The Commission is only prepared to buy cotton of a certain quality, stocks of which are rumoured to be lower than expected. If this is in fact true, the sale of this cotton to the RCC will provide finance for the purchase of far fewer than the 70 Meteors originally planned.

*

The Stock Exchange Council formally celebrated a victory at the beginning of this week when it confirmed the new rules relating to the new scale of commission rates and rebates to agents. The new charges, differing only in detail from the original proposals made at the beginning of August, will come into force on December 1st.



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Company Notes

Tube Investments.—By running down its stocks of raw materials and by scouring the world's markets for other material supplies Tube Investments secured—in the chairman's words—"another crop of records" in the year to July 31st. The group's exports of cycles increased by 22 per cent, and its total direct export sales increased by £3 million to over £20 million. This expansion in sales was accompanied by an advance in the group's trading profits from £3,694,400 to £10,574,315. But £1 million of this increase represented fortuitous profits, arising from an appreciation in stock values after a rise in steel prices. If this windfall element is excluded from the reckoning, then the increase in trading profits was limited to only a little over £500,000. The chairman, Mr Ivan Stedeford, draws attention to the contrast between this increase and the increase of £9 million in the value of the group's sales. In other words, sales have only been increased because profit margins have been kept down—a reminder, as Mr Stedeford points out,

	Years to July 31, 1951	1952
Consolidated earnings:		
Trading profit	8,694,400	10,574,315
Total income	9,039,984	10,809,554
Depreciation	1,263,211	1,517,720
Taxation	4,732,894	5,879,675
Net profit	2,979,162	3,388,970
Ordinary dividends	475,453	539,691
Ordinary dividends (per cent)	25	15
Retained by subsidiaries	585,803	881,994
Dividend reserve	1,417,693	1,430,754
General reserve	203,698	187,959
Added to carry forward	18,103,979	19,731,523
Cons. balance sheet analysis:		
Fixed assets, less depreciation	21,671,962	23,948,258
Net current assets	13,058,602	15,933,459
Stocks	4,216,058	3,930,275
Cash	28,511,991	27,841,231
Reserves	3,412,668	6,856,980
Ordinary capital	1,417,693	1,430,754
Added to carry forward	203,698	187,959

that a sellers' market has given way to a buyers' market. Shareholders in Tube Investments should keep this warning in mind in judging what the effective increase in the company's ordinary dividend from 12½ to 15 per cent portends for the future. It is clear from Mr Stedeford's statement that the group, in common with many other British exporters of consumer goods, is feeling the cold wind of recession in many of its overseas markets; exchange and import licensing regulations have, for example, brought to "a virtual standstill" a number of markets to which the group exports bicycles. To some extent the group has forestalled overseas import restrictions by encouraging the local manufacture of its products. But the contribution that the group's factories in Canada, Australia, and India can make to profits is limited, and investors should be prepared for a decline in total earnings in the current year.

Glaxo Laboratories.—The steady expansion in the business and profits of Glaxo Laboratories that has taken place since the end of the war has been brought to a halt. The chairman, Sir Harry Jephcott, warns shareholders that in the immediate future "operations may be less profitable than in the past few years." The company's 10s. ordinary stock units cannot therefore be safely regarded any longer as "growth stocks," nor can the advance in trading profits (from £3,945,265 to £4,198,392) and the increase in equity payments (from 22½ to 30 per cent) in the year to June 30th last be taken as indications of present or future trends. Stiffer competition in export markets and import restrictions began to make their mark upon the group's earnings towards the end of the financial year. In the current year this mark may be turned into a scar. Between the end of June and the end of October the group's sales abroad, though generally maintained in volume, brought in less money than in the corresponding months last year; and Sir Harry adds that "the effect upon profitability has been more than

proportionate." The downturn in the group's fortunes may persist for some time. Since the outbreak of the Korean war over £10 million has been spent upon new antibiotic plants in the United States, but the world demand for antibiotics—the "bread and butter" product of Glaxo—has not increased as rapidly as productive capacity. The long-term prospects for the company's export trade, in which the group has invested over £4 million, either in subsidiary companies or in stocks and debtors outside Britain, cannot therefore be regarded as bright as they were a few years ago. It is worth noting that some "growth stocks" in the "wonder drug" trade in America itself have taken a substantial tumble on Wall Street in the last year.

	Years to June 30, 1951	1952
Consolidated earnings:		
Trading profit	3,945,265	4,198,392
Total income	4,047,043	4,322,866
Depreciation	453,418	511,358
Taxation	2,260,796	2,231,083
Net profit	1,326,829	1,580,425
Ordinary dividends	94,068	125,424
Ordinary dividends (per cent)	22½	30
Replacement reserve	278,111	270,000
General reserve	661,567	668,868
Added to group carry forward	Dr 26,776	83,808
Cons. balance sheet analysis:		
Fixed assets, less depreciation	3,627,542	4,439,914
Net current assets	4,036,937	3,875,315
Stocks	3,283,412	4,269,795
Cash	1,313,605	1,829,583
Reserves	4,642,058	6,125,776
Ordinary capital	796,350	796,350
Added to carry forward	18,103,979	19,731,523

In deciding what effects increased competition will have upon dividend payments, investors should also bear in mind that the full effects of EPL and other tax changes have not yet been felt—and that the group's obsolescence reserve does not yet cover the shortfall between the depreciation provision made upon the original cost of fixed assets and the actual replacement costs of these assets. The group's reserves are strong, but shareholders should not expect anything more than a dividend of 15 per cent upon ordinary capital, after it has been doubled by the issue of a 100 per cent scrip bonus.

Fisons.—The decision by the directors of Fisons to increase the ordinary dividend from 9 to 10 per cent appears to have been based upon present prospects and not upon the past year's trading results. In the year to June 30th last the group's trading profits fell from £2,561,417 to £2,304,165, and its net profits from £753,792 to £643,660; at the same time an increase in the book value of the group's stocks (from £2,552,428 to £4,968,080) was accompanied by a fall in the group's cash balances (from £1,474,810 to £859,487). Normally these movements would be regarded as a danger signal, and many boards of directors would have been content, at best, to maintain the ordinary dividend. The decision to increase Fisons's dividend appears to have been made on the assumption that these stocks would be quickly liquidated, and that the group's cash balances would consequently be reinforced. This reinforcement has, in fact, been enjoyed in the first months of the current financial year, so that—in the short term—the increase in equity payments has been justified. What, however, are the longer-term prospects for profits and dividends? Here, too, the chairman, Mr F. G. C. Fison, is confident. He thinks that it is "probable that the consumption of fertilisers should continue to increase"; after drawing attention to the "exceptionally good demand" for fertilisers this autumn, he declares that the company expects this demand to continue in the spring. But before counting too many chickens, shareholders should remember that the group's plants do not yet appear to be working at full capacity. At the current price of 31s. 6d. the £1 ordinary shares yield £6 7s. per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Nov. 12, 1952	Price, Nov. 19, 1952	Yield, Nov. 19, 1952	Gross Yield, Nov. 19, 1952
War Bonds 2½% '51-53	99½	99½	2 12 9	2 12 9
War Bonds 2½% '52-54	99½	99½	2 17 2½	2 17 2½
Exchequer 2½% '55-57	98½	98½	2 17 1	2 17 1
Ser. Funding 1½% '53	99½	99½	2 12 6	2 12 6
Ser. Funding 1½% '54	98½	98½	2 14 0	2 14 0
Ser. Funding 3% '55	100½	100½	2 18 9	2 18 9
War Bonds 2½% '54-56	98½	98½	2 17 0½	2 17 0½
Funding 2½% '52-57	99½	99½	2 17 5½	2 17 5½
Nat. Def. 3% '54-58	100½	100½	3 0 11½	3 0 11½
War Loan 3% '55-59	99½	99½	3 1 7½	3 1 7½
Savings 3% '55-65	92½	92½	3 16 0½	3 16 0½
Funding 2½% '56-61	92½	92½	2 5 6	2 5 6
Funding 3% '59-63	86½	87½	4 2 2½	4 2 2½
Funding 3% '66-68	88½	88½	2 9 8	2 9 8
Funding 4% '60-90	97½	97½	2 9 5	2 9 5
Savings 3% '60-70	85½	86	2 11 9	2 11 9
Savings 2½% '64-67	84½	84½	2 11 10	2 11 10
Victory 4% '20-76	100½	101	3 19 9½	3 19 9½
Savings 3% '65-75	83½	83½	2 11 0	2 11 0
Consols 4% (aft. 1957)	88½	88½	2 7 9	2 7 9
Cons. 3½% (aft. 1961)	78½	78½	2 6 9	2 6 9
Treas. 2½% (aft. 1975)	58½	58½	2 5 0	2 5 0
Treas. 3% (aft. 1966)	68½	68½	2 6 0	2 6 0
Treas. 3½% '77-80	88½	88½	2 8 6	2 8 6
Redemption 3% '86-96	78½	78½	2 7 9	2 7 9
War Loan 3½% aft. 1952	78½	77½	2 7 2	2 7 2
Consols 2½%	60½	60½	2 3 7	2 3 7
Br. Elec. 3% '68-73	84½	84½	2 11 7	2 11 7
Br. Elec. 3% '74-77	82½	82½	2 10 4	2 10 4
Br. Elec. 4% '74-79	99½	99½	2 5 3	2 5 3
Br. Elec. 3½% '76-79	89½	89	2 5 2	2 5 2
Br. Trans. 3% '78-88	78½	79½	2 9 9	2 9 9
Br. Trans. 3% '68-73	84½	84½	2 11 7	2 11 7
Br. Trans. 4% '72-77	95½	95½	2 6 8	2 6 8
Br. Gas 3% '90-95	77½	77½	2 8 8	2 8 8
Br. Gas 3½% '69-71	91½	92	2 7 10	2 7 10
Br. Gas 3½% '79-81	88½	89½	2 7 10	2 7 10

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Assumed average life 15 years approx. * Ex dividend

Last Two Dividends	Ordinary Stocks	Price, Nov. 12, 1952	Price, Nov. 19, 1952	Yield, Nov. 19, 1952
(a) (b) (c)				
40 b	20 Anglo-Am. 10/-	5½	5½	5 4 5
25 b	5 Anglo-Iran £1	5½	5½	5 10 4
12½ b	7½ Assoc. Elec. £1	72½	72½	5 10 4
20 b	7½ Assoc. P. Cem. £1	101½	101½	5 8 0
22½ b	10 a/bass £1	122½	122½	6 17 2
20 c	5 a/bass 5/-	19½	19½	5 0 0
8½ b	3 a/bass 2/-	22½	22½	10 2 2
4½ b	6½ Br. Colnase 10/-	24½	25½	4 8 0
17½ b	17½ Br. Motor Cp. 5/-	28½	29½	8 19 4½
12 b	6 a Br. Oxygen £1	49½	49½	5 13 5
3 b	5 a Can. Pac. \$25	55½	55½	4 13 9
3 a	7½ Coats £1	45½	45½	5 11 1
6½ b	5 Courtaulds £1	37½	38½	5 18 5
15 b	2½ Cunard £1	32½	33½	9 1 10
7½ b	15 a Distillers 4/-	16½	17½	5 5 11
17½ b	17½ Dunlop £1	44½	44½	7 15 7
12½ b	15 a Ford £1	49½	49½	6 2 5
14 a	15 a Gen. Elect. £1	42½	42½	5 4 9½
5 a	10 a Guest Keen £1	52½	52½	5 13 8
17 b	7 a Guinness 10/-	29½	30½	5 9 3½
5½ b	1½ Hawker Sid. £1	35½	36½	5 10 4
13 c	5 a Imp. Chem. £1	44½	44½	5 16 10
18½ b	13½ Imp. Tobacco £1	55½	55½	7 3 6
22½ b	22½ Int. Nick. n.p.	78½	78½	5 18 9
17½ b	17½ J.Burg Con £1	47½	47½	7 16 6
10 b	5 a Lancs. Cotton £1	39½	40½	7 10 0
10 b	7½ Lon. Brick £1	62½	62½	5 12 0
65 b	15 a Marks & Sp. A 5/-	46½	46½	4 5 7½
15½ b	6½ Monsanto 5/-	23½	23½	4 17 10
10½ b	5 a P. & O. Def. £1	48½	49½	6 16 1
7½ b	17½ P. Johnson 10/-	34½	35½	7 2 10
18½ b	18½ Prudential 'A' £1	34	33	5 15 7
5 a	17½ Rhokana £1	19	19½	11 13 9
10 b	5 a Rolls Royce £1	60½	60½	5 0 0
15 a	12½ "Shell" Stk. £1	76½	76½	6 0 2½
13½ b	8½ Tube Invest. £1	55½	55½	5 7 10½
15 b	5 a Tur. Newall £1	92½	92½	4 4 3
8½ b	5 a Unilever £1	45½	45½	5 18 8
10 c	12½ Union Castle £1	20½	20½	6 1 1½
5 b	5 a Union Disc. £1	40½	40½	4 18 9
76½ b	4½ a Utd. Molass. 10/-	28½	29½	6 16 1
30 b	7½ a U. Sra Betong £1	36½	38½	19 13 5
10 b	5 a Vickers £1	41½	43½	5 16 3
7½ b	5 a Woolworth 5/-	43½	44½	4 15 0

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 14%. (e) Yield basis 16½%. (f) Yield basis 22½% gross. (g) Div. declared for 4 months. Yield basis 52%. (h) Yield basis 15%. (i) Yield basis 64%. (j) Yield basis 40%. (k) Yield basis 20%. (l) Yield basis 11½%. * Ex div. † Free of tax.

EXCHEQUER RETURNS

For the week ended November 15, 1952, total ordinary revenue was £73,228,000, against ordinary expenditure of £82,767,000 and issues to sinking funds £670,000. Thus, including sinking fund allocations of £20,470,000 the deficit accrued since April 1, 1952, was £330,593,000 compared with a deficit of £56,129,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	Actual, 1951-52	Actual, 1952-53	Week ended Nov. 15, 1952	Week ended Nov. 15, 1951
REVENUE					
Ord. Revenue	180,425	539,593	560,720	9,241	6,770
Income Tax	123,000	43,700	41,100	1,100	1,200
Sur-tax	175,000	117,700	91,800	4,800	3,000
Estate, etc., Duties	57,500	39,700	30,950	1,100	1,000
Stamps	452,000	201,000	257,100	8,900	19,100
Profits Tax & EPT	5,000	...	...	...	...
Excess Profits Levy	2,000	2,075	1,060	40	...
Special Contribution	...	...	...	...	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,875	943,768	982,730	25,181	31,070
Customs	104,350	640,251	652,841	26,144	23,176
Excise	772,000	498,700	474,983	15,100	18,670
Total Customs and Excise	1,815,500	1,139,951	1,127,824	41,244	41,846
Motor Duties	64,150	15,281	15,440	156	...
Surplus from Trade	12,000	74,455	...	7,528	...
PO (Net receipts)	...	4,600	...	1,500	...
Broadcast Licences	15,000	6,300	6,650	...	...
Sundry Loans	26,000	19,835	19,377	102	...
Miscell. (incl. Surplus War Stores)	110,000	84,628	74,071	4,386	312
Total Ord. Rev.	466,137	2,287,818	2,226,092	80,097	73,228
SELF-BALANCING	209,235	115,600	127,100	3,500	6,000
Income Tax on EPT Refunds	4,900	3,709	3,295	132	173
Total	487,551	2,407,127	2,356,487	83,729	79,401

Issues out of the Exchequer to meet payments (£ thousand)

	Actual, 1951-52	Actual, 1952-53	Week ended Nov. 15, 1952
Ord. Expenditure	575,000	308,919	364,344
Int. & Man. of Nat. Debt	40,000	21,997	23,468
Payments to N. Ireland	10,000	5,828	5,576
Other Cons. Funds	...	...	...
Total	625,000	336,744	393,389
Supply Services	354,367	193,376	214,287
Total Ord. Expd.	419,367	232,990	256,626
Sinking Funds	...	14,027	20,470
Total (excl. Self-Bal. Expd.)	419,367	234,397	256,686
SELF-BALANCING	209,235	115,600	127,100
Income Tax on EPT Refunds	4,900	3,709	3,295
Total	439,502	246,326	268,708

After increasing Exchequer balances by £42,665 to £3,023,745, the other operations for the week increased the National Debt by £9,325,748 to £26,229 million.

	NET RECEIPTS (£ thousand)	NET ISSUES (£ thousand)
Housing (Temp. Accom.) Act, 1944, s. 8	9,254	1,000
Post Office & Telegraph (Money) Act, 1950	211	211
EPT Refunds	6,800	318
Local Authorities Loans Act, 1945, s. 3(1)	...	...
Finance Acts, 1946 and 1947, Postwar Credits	8,329	...

	Actual, 1951-52	Actual, 1952-53	Week ended Nov. 15, 1952
Savings Certificates	100,700	85,900	3,500
Receipts	85,700	88,300	2,900
Repayments	...	...	...
Net Savings	15,000	Dr 2,400	600
Defence Bonds	36,184	40,929	1,735
Receipts	46,003	47,465	1,682
Repayments	...	...	...
Net Savings	Dr 9,819	Dr 6,536	53
P.O. and Trustee Savings Banks	423,855	447,077	17,065
Receipts	487,139	513,981	15,419
Repayments	...	...	...
Net Savings	Dr 63,284	Dr 66,904	1,646
Total Net Savings	Dr 58,103	Dr 75,840	2,299
Interest on certificates repaid	21,092	24,287	812
Interest accrued	77,490	79,325	2,471
Change in total invested	1,705	20,794	3,958

	Actual,
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TUBE INVESTMENTS LIMITED

"ANOTHER CROP OF RECORDS"

EXPORTS UP TO £20 MILLION

MR IVAN STEDEFORD ON COMMONWEALTH CONSULTATIONS

"Another crop of records" in the progress of Tube Investments Limited is reported by Mr Ivan Stedeford, the chairman, in his annual statement, circulated with the accounts to stockholders on November 18th. The annual general meeting will be held in Birmingham on December 10th.

Turnover, productivity and earnings were up, he said, and prices had been kept down. Exports totalled £20 million, a gain of £3 million over the previous year's record, sales to America and Canada having increased substantially. Over half the British bicycles exported to the US came from T.I.

Profits had risen by £1,515,061 to £9,291,834, but when exceptional items, like price changes in materials stocks, were deducted, the additional real trading profit before tax amounted to little more than £500,000—this for an increase in sales of nearly £9 million. Here was a measure of costs absorbed and other efforts to keep turnover high, and a reminder that the sellers' market was behind us.

It had been felt for some time that an increased dividend was due to stockholders, but none had been recommended because of circumstances and appeals by three successive Chancellors of the Exchequer. The directors now considered that a bigger dividend could be paid, and they judged their recommendation, which made a rate of 15 per cent for the year on the increased ordinary capital, to be within the bounds of national policy.

Mr Stedeford continued: The Aluminium Division continued steadily on its way throughout the year. A certain overall recession in demand, largely due to adjustments to the rearmament programme, occurred during the latter part of the year, reducing the forward order book to more manageable proportions. Overseas sales leapt up immediately upon the ending in May last of the restrictions on aluminium exports, and progress here continues.

ALUMINIUM PRICE FACTOR

A problem of increasing concern to British fabricators of aluminium is the recent instability in the price of the metal. In only three years the price has risen from £90 to £166 per ton. While this may be largely attributable to the weakening of sterling in relation to the Canadian dollar, the fact remains that in this country—though not in the USA or Canada—the price relationship of aluminium to steel has moved considerably in favour of steel. In this situation, the full significance of Britain's continuing dependence on a single supplier outside the Sterling Area is easily appreciated. I feel sure that our good Canadian friends who produce the aluminium will not misunderstand this comment—for we both have an important stake in the British aluminium industry, which we all believe has before it a promising future if it is not priced out of the running. In confidence that the industry will retain its competitive vigour, our aluminium companies continue in their plans for servicing a wider range of industries and the development of new products.

New production records were achieved by the Cycle Division, with exports up by 22 per cent, thus further consolidating T.I.'s lead as the world's largest manufacturers in the industry. But it was a difficult year. Shortage of materials hampered production in the

earlier part, and then another series of economic crises wrought their worst in one country after another, and the exchange and inevitable licensing regulations which followed brought a number of markets to a virtual standstill.

WORLD CYCLE LEAD

It is a tribute to the competitive appeal of T.I. machines that the progress of the Division should have continued unabated in the teeth of this marketing tornado. It also offers evidence of the world prestige of British bicycles, demonstrating generally their pre-eminence in overseas markets, where they stand virtually unassailed by either Continental or Oriental competitors. Our efforts to develop the American market yielded most satisfactory results, exports to the United States representing more than half the total exported by the British bicycle industry.

Restrictions at home and bans abroad were enough to discourage the most stout-hearted, but the Electrical Division tackled all difficulties undismayed and finished the year making a not unsatisfactory contribution to the Group's total profits. The question might be asked whether it is intended to discourage the use of electricity for domestic purposes for another generation, for it would seem that this is what the present policy means. This prolonged period of depression by decree is forcing householders and manufacturers alike to turn their attention elsewhere. Any change of heart in national fuel policy would certainly receive the enthusiastic co-operation of manufacturers of electrical goods, but there is a limit to the years they can wait for it.

The serious position regarding steel supplies for the manufacture of tubes, which I reported last year, did not show the improvement we were entitled to expect. The various assurances we received, that the adverse balance would be largely corrected, have not as yet been implemented. Deliveries from the British steel industry got worse, and, finally, supplies from the United States diminished to a trickle. This situation presented us with grave problems. With steel input dropping by about 25 per cent and with our steel stocks already seriously depleted by the previous year's operations, the employment of some 25 per cent of the workers in a dozen or more of your tube factories was at serious risk, while the profits of the Division obviously were also in jeopardy.

TUBE STEEL SHORTAGE

To overcome these formidable obstacles we resorted to every manner of expedient and compromise. The application of methods for the more economic use of steel was intensified even to the point at times which normally would be regarded as uneconomic. We searched the wide world for steel, and scraped the world barrel for short tubes and second-hand tubes and surplus tubes, all of which we further processed; we reduced our remaining steel stocks to a bare hand-to-mouth level, and concentrated on manufacturing the more highly finished tubes involving the maximum employment for our workpeople. We take pride in a great all-out and successful effort to maintain employ-

ment, turnover and profits in the face of the fierce odds which confronted us, and at prices which did not reflect the total increases in costs imposed upon us.

But we are still faced with the same dilemma—which I submit again is inimical to the interests of the country—that unless determined action is taken by somebody somewhere Britain's precision tube manufacturers must continue to depend on imported supplies for an unduly large proportion of its steel—and hard experience has shown that these supplies can dry up almost overnight.

The results of the General Engineering Division beat all previous records. Our search for new products has met with gratifying success, and our activities in repairs and maintenance of aircraft and the design and manufacture of aircraft parts have been satisfactorily expanded. A first year's ownership of the New Conveyor Company has shown considerable potentialities in the manufacture of mechanical handling equipment, and whilst full advantage is being taken of present opportunities, I hope to announce further developments on another occasion. Since the close of the year terms have been agreed for the acquisition of Brookes (Oldbury) Limited, manufacturers of machine tools.

OVERSEAS DEVELOPMENTS

T.I.'s manufacturing interests and activities in Argentina, Australia, Canada, India, New Zealand and South Africa had shown satisfactory progress, the investment in each case mounting in value, said Mr Stedeford. A new project in cycle saddle manufacture had been joined in South Africa. The increasing shift in overseas demand from consumer to capital goods was a trend which many would not welcome, particularly those making the products likely to be unwanted as a result. It was, however, a fact which had to be recognised. Nothing could be done by Britain to stem it, and if we did not co-operate other countries would. If industrialisation, with British help, led to greater wealth in the countries concerned, then new markets should open up.

Mr Stedeford continued: Our direct exports for the twelve months totalled over £20 million, exceeding those of the previous year by £3 million, thus establishing another all-time record for the seventh successive year. Part of this increase was due to rising prices, but there was also a greater volume of goods shipped. The Commonwealth continued to provide our best markets. Our earnings of Canadian and United States dollars were also substantially increased. This record, good though it may be, offers no grounds for complacency. Some of the darker threats which confronted us last December, and which prompted the reservations I then made, did not fully materialise, but they were taking their course and now are being joined by some equally unpleasant fellow travellers.

As to the future, I am confident that T.I. will get its full share of the world trade that comes within our reach. We shall continue to devise new products and improve designs of old ones at attractive prices; we shall endeavour to meet competition wherever we find it; but it is difficult to see how a further

expansion in the volume of our direct exports is possible under the present very difficult world conditions.

COMMONWEALTH CONSULTATIONS

For some years, in my annual addresses, I have urged the need for international agreements, particularly on the distribution and economic pricing of raw materials. With the object lesson of the last two years before us, can there any longer be doubt that many of the troubles of the Sterling Area—and the international payments of the United Kingdom in particular—are directly attributable to a lack of co-operation in these matters. It is to be hoped that joint action by the whole Commonwealth, and understanding with the United States, will spring from the meetings of Prime Ministers later this month.

Do we need further bitter evidence than the crises of 1949 and 1951 that one of the serious weaknesses in the Commonwealth is the lack of an effective system for framing the broad lines of economic policy month by month? Measures are taken in individual capitals, in the local atmosphere, often with a view to scraping through to the immediate future. It would seem that only when something has gone crucially wrong is enough attention paid to the efforts and interests of other sterling countries, or, indeed, to long-term sterling solvency. Each Commonwealth country's interests are so closely and directly affected by the management of the Sterling Area that surely it calls for something in the nature of an economic consultative or advisory body of the Sterling Area. The sterling countries, however, cannot solve the international payments problem without American co-operation.

Despite a substantial and progressive increase in British output and productivity since the war it is apparent that the overall result is yet far from adequate, and that most American industries are still operating at substantially higher levels of productivity. Portents suggest that United States industry is on the verge of yet another great rise in productivity. There is no mystery about the way these American developments are being achieved. They stem in the main from a phenomenal capital investment in new plant; the rapidly increasing use of electronic control techniques, and the further application of highly geared automatic production lines by the spread, at great cost, of such devices as the transfer system of machines. Other countries, too, it is believed, have travelled far along the same way.

BRITAIN'S ANSWER

Britain's answer to this formidable challenge has had to be a curtailment of development expenditure, a drastic tightening of credit, and additional taxes on an industry already overburdened with them. We know that the authorities are aware of the perils inherent in such a policy, and official hopes have been expressed recently that greater expenditure on the expansion and modernisation of industry, though far short of what is needed, will be possible next year. I would urge that the matter is of greater urgency than this. Whatever else we deny ourselves, and can we afford—in any circumstances, and particularly in times of a production crisis—to continue to "go slow" technically while others advance at the double.

Discussing incentives, Mr Stedeford concluded: It may be easier and more certain of short-term and limited results to deny and restrict instead of giving, but it is surely a recognisable fact that an expanding economy cannot be built out of a contracting share of the proceeds for those who are expected to do the building. If stunted effort incurs no unpleasant consequences and greater effort the little pleasanter consequences, how can the country hope to get from society the purposeful endeavour it must have if it is to gain comfortable survival.

HORLICKS LIMITED

FACTORS AFFECTING PROFITS

The annual general meeting of Horlicks Limited was held on November 20th at Slough, Mr O. P. Horlick, chairman, presiding.

The following is an extract from his circulated statement:

Special reference was made last year to the peaks achieved in turnover and profit in the period then under review; it was also explained that these results had been contributed to by a temporarily more favourable milk situation which had made it possible to discontinue the rationing of "Horlicks" and also to restore to a normal level the scanty stocks previously carried by traders.

It was further pointed out that the absence of these special factors, together with the continued upward trend of costs in all directions, made it necessary to take a cautious view of the prospects for the year which it now falls to me to survey.

PROFIT AND LOSS ACCOUNT

The trading profit of the group of £659,138 compares with £721,665 for the preceding year, while the net profit before taxation, after miscellaneous income and charges have been brought into account, amounts to £527,222 against £551,642. In considering the decrease of £24,420, it is necessary to point out that it would have been £71,522 had it not been for a non-recurring credit of £47,102 which has been brought into account on this occasion and arose in the main from the disposal of certain redundant buildings and obsolete plant at our American factory. Provision for all taxation at home and overseas, assessed and assessable, requires £332,265 against £356,273 a year ago, and leaves the net profit after taxation at £194,957 against £195,369 last year.

In many respects the period under review has been far from easy. Events during the last quarter of 1951-52 brought home to us the severity of the impact on some industries, including our own, of the policy which the Government has been obliged to follow in its efforts to bridge the gap between imports and exports.

PROSPECTS

Perusal of some of my predecessor's addresses to you on similar occasions shows that for various reasons he almost invariably found it necessary to step warily when prospecting in the realm of the future. I have a similar diffidence, as at the present time there are several factors, particularly in connection with our markets abroad, which, if not alarming, are a source of continuing concern. Our United States subsidiary in particular is the cause of anxiety, for, in addition to the normal difficulties of the extremely competitive domestic market, it has, during the past months, had to contend with its full share of local labour troubles.

On the brighter side, our home trade keeps up surprisingly well considering the adverse factors. One reason for this, which our researches reveal, is that Horlicks is purchased so largely because of the knowledge our public has of its contribution to family health and well-being. We have reason to hope that planning and hard work will help us progressively to overcome the current unfavourable factors, and we can also hope for some easing of the burden of increasing costs which has proved such a bugbear in recent years. When practicable we shall, of course, pass on to our consumers any substantial amelioration of our costs and thus make the well-known beneficial effects of Horlicks available to an even wider public.

The report was adopted.

R. G. SHAW & COMPANY

BETTER GROUP PROFIT

The eleventh annual general meeting of this company was held on November 17th in London, Mr J. L. Milne (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The parent company, R. G. Shaw and Company, Limited, has two wholly-owned trading subsidiaries, namely, Shaw, Darby, and Company, Limited and Shaw Scott and Company, Limited. During the year under review the group profit was higher than in the previous year but, per contra, the provision for taxation was also higher and absorbed much of the improvement.

We ended up with a group profit of practically £2,500 better than the previous year, when we strengthened our resources by some £50,000. £15,000 has been allocated to general reserve and £6,000 to contingencies reserve. After providing for this and for the dividend of 10 per cent, there is a group carry forward of £84,097, which is £29,439 higher than last year. The group reserves and undistributed profits at June 30, 1952, are £50,439 higher than a year ago.

Our results are to a considerable extent influenced by the prosperity of the Tea and Malayan Rubber Plantation Industries, both of which are passing through an unhappy period following falls in prices. It will not be easy for rubber companies to make ends meet on the present price level.

As regards ourselves, conditions during our year to June 30th last were very good, but it seems unlikely that results in the current year will prove equally satisfactory.

The report was adopted.

CEMENTATION COMPANY, LIMITED

RECORD TRADING PROFIT

The thirty-second annual general meeting of this company will be held on December 10th in London.

The following is an extract from the circulated statement by the chairman, Mr Harry Clayton:

The trading profit for the year to March 31, 1952, is a net figure of £510,413, again a record in the history of the company. Figures appearing in the balance sheet do not indicate the volume of work on which the company is employed and the approximate value of uncompleted work on which the company was engaged at March 31, 1952, was as last year £8 million.

Turning to our large civil engineering contracts, Loch Erne was officially opened on October 1, 1952. The Bowland Forest Tunnel for the Manchester Corporation is maintaining good progress, while the Lawers Project for the North of Scotland Hydro-Electric Board has made an excellent start.

We have undertaken substantial work in Israel during the year. In India and Pakistan our activities grow, and we are now reaching a position of being able to recoup our initial expenditure.

A new activity during the year has been experiments in the underground gasification of coal. Our bored piling system has again been most successful and turnover has increased. The boring and drilling work of the group maintains its position among our major activities. Our South African company has again had a most successful year. We have pleasure in proposing a dividend at the rate of 15 per cent.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

CONTINUED RISE IN COSTS

MR P. H. ANDERSON'S REVIEW

At the fifty-fourth annual general meeting of shareholders in Johannesburg on November 18th, Mr P. H. Anderson, the chairman, said conditions continued to be difficult in that the supply of non-European labour followed the general downward trend that has existed over the last few years, further restrictions in the supply of power were imposed and costs continued their upward inflationary trend, although I am pleased to say that there have recently been some signs of a slackening off in the rate at which they are rising.

In my address to you last year I reviewed at some length the position on each of the five reef horizons being worked and showed how the stage had been reached where primary development had practically ceased, and operations were confined, firstly, to probing down the dip by means of winzes in an attempt to locate further zones of payability, and secondly, to internal development in the more promising areas already explored by primary development. As was to be expected, there was therefore a further decrease in the development footage accomplished during the year. No results of any significance were obtained in the various winzes, but some payable values were located on the 66th Level Main Reef drive connecting 60 W2 and 60 E1 winzes. Further development work is being carried out in this area. Internal development yielded some satisfactory results and the ore reserve positions on the Kimberley, Main Reef Leader and Main Reefs improved; but on the Bird and South Reefs, the two main sources of tonnage, the ore developed was insufficient to replace the ore mined from reserves during the year. A considerable tonnage was lost to reserves due to the rise in the pay limit, and there was on balance, therefore, a further material decrease in the total ore reserve.

INCREASED TONNAGE MINED

In view of the decrease in the labour force and the dislocating effects of power cuts, it is gratifying to note that there was a material increase in the tonnage mined during the year. This was offset to some extent by increased sorting and a reduction in the tonnage taken from surface dumps; but nevertheless there was some improvement in the tonnage mined compared with the previous year. This, coupled with a small increase in the value of the ore treated, resulted in an improvement in the quantity of gold produced, and the total revenue was higher in spite of a falling off in the additional revenue received from sales of gold at enhanced prices. Due to the continued rise in working costs, however, the profit was lower, and dividends had again to be reduced.

Results to date for the current financial year show a continuation of these tendencies. There has been a further decrease in the supply of non-European labour, with a consequent decrease in the tonnage mined. While there has been some increase in the yield of gold per ton, this has been insufficient to offset the reduced rate of milling, and in addition income from sales of gold at enhanced prices has fallen off. Total revenue has therefore decreased, and at the same time there has been a further rise in costs. Profits have suffered accordingly.

The report and accounts were adopted.

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

RECORD WORKING PROFITS

SATISFACTORY TREND OF MINING OPERATIONS

MR W. M. FRAMES ON URANIUM PRODUCTION

At the fifteenth annual general meeting of shareholders in Johannesburg on November 18th, Mr W. M. Frames, the chairman, said, although there was a small improvement in the average number of employees in service, both European and native, during the year under review which contributed largely to the increase of 205,000 tons in the tonnage milled, compared with the figure for the previous year, the labour supply was far short of requirements and in consequence the mine operated at a level considerably below its capacity. The yield per ton milled was 1.509 dwt lower but the increased output, coupled with a decrease of 10d. per ton milled in working costs, resulted in an increase of £168,670 in the working profit, which reached the record total of £7,695,319. The yield at 12.622 dwt. conformed more closely to the average value of the available ore reserve. During the first four months of the current financial year the number of non-Europeans in service has fallen severely in comparison with the figure for last year and in consequence the total tonnage milled is lower, working costs are higher and the working revenue less than for the corresponding period last year.

MINING OPERATIONS

I dealt at some length last year with the trend of mining operations and development results in order that shareholders might appreciate the position regarding grade at the mine and the probable operating results until the area below the 7th level is sufficiently opened up to contribute a significant tonnage of ore to the mill. Since then progress in the sub-incline shafts has been satisfactory and high values have been exposed in the development so far completed on the 8th level in the vicinity of No. A1 sub-incline shaft, which augurs well for future operations below the 7th level in the eastern portion of the mine. In the central section the limited amount of development accomplished exposed highly satisfactory values. To the west of No. 2 shaft the values exposed averaged 296. inch-dwt, which, although slightly better than the figure for the preceding year, continued to be considerably lower than the average for the whole mine.

ADDITIONAL PUMPING UNITS

In preparation for the future sinking of two sub-vertical shafts near the southern boundary of the property to deal with the reef at depth, twin haulages are being driven southwards from the 6th Level at Numbers 1 and 2 Shafts. The lengths of these haulages will be between 7,000 and 8,000 feet. The sub-vertical shafts will be stopped some distance above the reef horizon, which should obviate the necessity of leaving shaft pillars.

The quantity of water pumped to the surface increased substantially during the year. The mine is equipped however with a pumping capacity more than sufficient to meet the present position. In view of the larger quantity of water being handled capacities are being further increased by the installation of additional pumping units,

which are either at the mine and in course of erection or are on order for delivery in the near future.

URANIUM EXTRACTION

During the year a revised agreement was entered into with the Atomic Energy Board of South Africa in terms of which the operations of the company for the extraction of uranium are to be expanded. In addition to treating current residues the company will also treat the accumulated residues from its slimes dam and a larger plant than was originally contemplated is therefore being erected. The capital cost of the uranium plant is now estimated at £3,358,100. The whole of this amount will be provided by means of loans, which will be repayable solely out of the proceeds of uranium sales during the contracted ten-year production period. Shareholders will therefore not be called upon to provide any of the finance required and the company will be relieved of the capital risks incurred in erecting the plant. The erection of the plant is proceeding satisfactorily and it is anticipated that it will be ready for operation early in 1953.

PROFIT MARGIN

In terms of the revised agreement the company will receive a higher price for its product than that agreed upon at the end of 1950. Such price ensures the redemption of the capital cost of the plant plus interest over the contracted ten-year period of production and in addition allows a satisfactory margin of profit to the company. As production will be on a larger scale and in view of the higher price to be received for the product, it is anticipated that on the basis of present taxation costs the net profit which will accrue to the company will be greater than was stated in the directors' report for the financial year ended June 30, 1951.

Shareholders will realise that as taxation in regard to uranium production is on the same basis and formula as that applicable to gold mining and as the profits from the two sources are taxed conjointly, the capital expenditure of the uranium plant has brought about an immediate increase in the redemption allowance. This benefit will, however, diminish as the unamortised balance is reduced and the company will, in time, be faced with increased taxation and lease consideration as its taxable profit increases.

The report and accounts were adopted.

HOVIS LIMITED

SATISFACTORY DEMAND

The fifty-fourth annual general meeting of Hovis Limited was held on November 20th in London, Mr J. F. Morton (the chairman) presiding.

The following are extracts from his circulated statement:

In the accounts of the previous year, £100,000 was set aside to capital reserve for the replacement of fixed assets. This year there has been added the sum of £85,000 appropriated from profits (including £20,000 by a subsidiary) and £70,000 transferred from Contingencies Reserve. The object in view is to build up the reserve in order that, as and when it becomes necessary to replace any of the existing assets, provision will have been made to meet the increased cost of replacement, which will not have been provided by the normal depreciation based on past costs.

As it is considered essential to make the provisions to which I have referred and to conserve the group's finances to meet them, it has been decided to propose the capitalisa-

tion of part of the undivided profits necessarily ploughed back into the business and to issue to Ordinary Stockholders as fully paid up one new Ordinary 5s. share for every nine 5s. units of Ordinary Stock held.

The demand for Hovis continues to be most satisfactory. The control of flour milling operations continues to be exercised by the Ministry of Food, but it is hoped that the efforts that are being made to provide a measure of freedom to encourage enterprise and promote efficiency will be successful. We have been aided in keeping alive these essential qualities of a progressive business organisation by the operations of our subsidiary interests excluded from control.

The report was adopted, and the capitalisation proposals approved.

KEYSTONE KNITTING MILLS (1928)

PERIOD OF EXCEPTIONAL DIFFICULTY

The twenty-fourth ordinary general meeting of the Keystone Knitting Mills (1928) Limited was held on November 19th at Elstree, Hertfordshire.

Mr H. N. Lewis (chairman and managing director), who presided, in the course of his speech, said:

The company's trading in the first six months of the year under review was profitable, but the sudden cancellation of export orders and the equally sudden decline in home trade sales detrimentally affected the results for the next six months' period to a very considerable extent. Losses were incurred due to the reduction made in the controlled selling prices of our main hosiery product nylon stockings at a time when production costs were rising. The sudden withdrawal of the utility schedules had the effect of immediately dating certain of the company's products and thus making them saleable only at considerably reduced prices. These unusual conditions made the period one of exceptional difficulty.

Despite the setbacks reference to the balance sheet will assure you of the company's strong position. The company's freehold properties, plant, machinery and other fixed assets which cost £491,943 have been written down by no less than £253,115 and are included at £238,828.

Current assets at June 30, 1952, are shown at £300,868, and in reaching this figure stock has been written down to cover all reductions which were apparent to your directors at the date of these accounts.

For the reasons already mentioned, the year's trading after providing for depreciation of £20,622 and bringing into credit a net amount of £14,704 in respect of taxation, has, I regret to say, resulted in a loss of £30,653.

As the company had retained from profits of previous years £87,339 it was decided to pay the interest of 4 per cent on the funding certificates and a dividend of 5 per cent on the preferred ordinary shares on July 1st last and you will be asked to agree to the directors' recommendation to pay a dividend of 5 per cent on the deferred ordinary shares. The balance of profits to be carried forward will then be £45,174.

In regard to future prospects, although the outlook is still unsettled, I am pleased to be able to inform you that for the period since June last sales show a considerable improvement over the figures for the same period of the preceding year and if this improvement is maintained I hope to be in a position to report more favourably next year.

The report was adopted.

DEBENHAMS LIMITED

RESULTS OF A DIFFICULT YEAR'S TRADING

MR G. M. WRIGHT'S REVIEW

The ordinary general meeting of Debenhams Limited will be held on December 11th at the Wigmore Hall, Wigmore Street, London, W.1.

The following is an extract from the statement by the chairman, Mr G. M. Wright, ACA, circulated with the report and accounts:

Shareholders may remember that in my last review I thought it prudent to take a cautious view of the immediate outlook and refrain from giving any forecast of the prospects for the coming year. I think they must agree that this attitude has been justified by events.

The year under review, far from bringing any relaxation of our difficulties, proved to be a most anxious and disturbing period, calculated to tax to the utmost the resourcefulness of all engaged in our businesses.

The directors' report shows the balance on profit and loss account of £1,855,400. Debenture interest, trustees' fees and directors' fees, £74,992, and the amount required for national taxation, both current and future, £1,041,000, are deducted, leaving £739,408. The balance brought forward from last year, £406,817, is added; the payments of the preference dividends and the interim dividend of fourpence per share on the ordinary shares are deducted and the directors recommend that from the available balance £50,000 be placed to reserves, £150,000 be provided against stock contingencies and, as last year, a final dividend of elevenpence per share be paid on the ordinary shares, making one shilling and threepence per share for the year. The resultant carry forward is £419,125, an increase of £12,308.

BURDEN OF TAXATION

Taxation once again takes its very heavy toll. The amount of £1,041,000 which is to be set aside is no less than 58 per cent of our company's profit and if to that figure is added tax deducted from salaries and wages and purchase tax charged to customers, you will appreciate the enormous sums for which your company is responsible to the Government. As from January 1st last, a further burden has been introduced in the form of the excess profits levy and although I am advised that no liability arises in respect of the period under review, I must express my disagreement with a fiscal policy which exerts yet further pressure on the financial resources of the country's industry and commerce.

The fall in net profit from £3,590,610 to £3,194,943 bears witness to the difficult trading conditions which the group experienced in common with its competitors and upon which I have already spoken. I am sure, however, it is gratifying to our shareholders to note that, notwithstanding this reduction in profits, the amount carried forward in the group after charging taxation, setting aside reserves and paying the same dividends as last year, has increased in total by £212,459.

THE FUTURE

With regard to the future, the outlook is still very unsettled and if caution was advisable last year in predicting the course of events it is not less necessary today. I can only say that we are constantly endeavouring to find ways and means of improving the efficiency of every branch of our organisation. Our interests are well-spread, we have ample financial resources and shareholders may rest assured that no effort will be spared to promote the welfare of the company.

EASTWOODS LIMITED

HEAVY DEVELOPMENT PROGRAMME

The thirty-second annual general meeting of Eastwoods Limited was held on November 20th in London.

Mr George W. A. Miller, FCIS (chairman and managing director), in the course of his speech, said: The consolidated balance sheet of Eastwoods and its subsidiaries showed the written down value of fixed assets last year amounting to £1,786,000, to which we have added during the year £359,000 in capital development.

Current assets include stock-in-trade £881,000 and debtors £902,000. These two items show substantial increases reflecting the overall expansion of the business.

The development expenditure is already producing valuable results beyond all earlier expectations, and the current assets are actually £336,000 higher at a total of £1,877,000.

Share capital and capital reserves are unaltered at £1,950,000. The general reserve has been increased to £350,000 by a further transfer of £50,000 out of the profits of this year, and revenue reserves and surplus now total £513,000.

The tax equalisation account stands at £100,000, having been augmented this year by £15,000 in respect of initial allowances carried forward, plus a further £15,000 from taxation provided in previous years but now found to be in excess of requirements. Quite apart from, and additional to, the amount of £149,000 set aside to meet current taxation liabilities the joint reserves for taxes now total £273,000.

In view of our widening sphere of activities and the general expansion of the business as a whole, current liabilities and miscellaneous provisions are much higher with a total of £948,000 against £606,000.

We usually supply a diagram showing what happens to the money received from every pound's-worth of goods made, sold and delivered by your group for the year ended March 31, 1952.

The diagram can be best described as follows:

WHERE THE MONEY GOES

	s.	d.
Per 20s. of sales turnover.		
Manufacturing materials, transport, repairs, and spares, supplies and services, local rates, insurances, and general expenses	12	3
Employees' wages, salaries, and other benefits	4	3
Taxation on profits of the year ...	1	8
Depreciation and amortisation	0	11
Re-invested in the business	0	6
Dividends on Preference and Ordinary stock	0	5
	20	0

When the figures of production and sales for the postwar years are compared it will be seen how persistently our efforts in support of rearmament, housing, and export have resulted in turning out essential materials in larger quantity, better variety, and improved quality in parallel with the avowed policy of expansion and mechanisation.

Old layouts have been reorganised, old processes abandoned, works rebuilt and extended, and indeed there is hardly a single direction in which one could not say that these influences are at work throughout the organisation and that present successes are the combined result of all those efforts.

The report was adopted.

COCHRAN & COMPANY, ANNAN

(Engineers and Boilermakers)

The fiftieth annual general meeting of Cochran & Company, Annan, Limited, was held on November 14th in London.

Mr R. P. W. Adeane, the chairman, who presided, in the course of his speech, said: The trading profit at £221,737, as against £178,314, is the highest in the history of the company. In spite of this the net profit, after taxation, was not much higher at £68,234 as against £65,334 last year.

Whilst the year under review was a satisfactory one, it was not an easy one. Low deliveries of steel from our suppliers caused us in turn to disappoint many of our valued customers, a matter which has caused us grave concern, and the fact that orders have continued, and still continue, to flow in is a sign of the high esteem in which our products are held.

I am convinced that we are going into a period of intense competition in which only the fittest will survive. In search of new markets your directors have, during the year, visited South Africa, East Africa, Canada, Scandinavia, the Middle East and several countries in Europe.

That your directors believe in the future of the company is shown by the considerable extensions in the works to improve our capacity, which are being carried out. This year is the seventy-fifth year since the first Cochran boiler was constructed. During the last three-quarters of a century it has steadily grown in popularity, and with the improvement in steel supplies, which we anticipate and which has already made itself felt, I consider the outlook for the future to be good.

The report was adopted.

KOLAR GOLD MINING COMPANIES

MYSORE, CHAMPION REEF,
OOREGUM, NUNDYDROOG

At the annual general meetings of the above named companies, held at Ooregum on November 10, 1952, at which the results for the nine months ended December 31, 1951, were considered, Mr Arthur H. E. Taylor, in the chair, referred to the fall in the price of gold in the early part of this year, from Rs.294 per oz to Rs.233 per oz and reported that there had been a further fall in the price recently and that sales are now being effected at around Rs.220 per oz. This fall is having a serious effect upon the KGF companies' earnings.

Mr Taylor gave figures which showed a substantial increase in production of the KGF companies, except Champion Reef. As a result of the setbacks and the fall in the price of gold, Mr Taylor said the dividend of the Champion Reef (KGF) company for 1952 is likely to be considerably lower than 15 per cent.

The chairman said there is little prospect of any dividend for the current year from the Ooregum (KGF) company. For the Mysore company the dividend is likely to be meagre. The excellent developments and increase in ore reserves in the Nundydroog Mine, enabling the operating company to increase its output substantially, should make an increase in dividends from that company possible, provided the gold price does not fall further.

Mr Taylor said the present rate of output of the Ooregum mine could not be maintained and that under present conditions, mining has become unprofitable. He said

that schemes for the Ooregum (KGF) company to amalgamate with or to sell its undertaking to the Champion Reef (KGF) company were being considered and when the ultimate scheme is complete particulars will be put before the members of the Champion Reef and Ooregum sterling companies. When the scheme has been settled it is the intention to liquidate the two sterling companies.

The chairman referred to the Indian super tax which has to be paid by the sterling companies on any dividend received from the KGF companies; this tax, he said, would be avoided by distributing the shares in the KGF companies to the stockholders of the respective sterling companies.

Mr Taylor said the Mysore and Nundydroog (KGF) companies needed the financial support of the sterling companies, but as soon as it is possible to do so, without jeopardising the position of the Mysore and Nundydroog (KGF) companies, it is the intention to liquidate the respective sterling companies.

When the Mysore, Champion Reef and Nundydroog companies are liquidated, the shares in the respective KGF companies will be distributed to the members with the proceeds of sale of the respective UK investments. On the liquidation of the Ooregum company, the proceeds of the sale of its investments and of its other assets resulting from the scheme to be adopted, will be distributed to its members.

The reports and accounts were adopted.

HOSCOTE RUBBER ESTATES, LIMITED

The twentieth annual general meeting of Hoscode Rubber Estates, Limited, will be held on December 17th in London.

The following is an extract from the statement by the chairman, Mr H. B. Egmont Hake, CBE, circulated with the report and accounts for the year to June 30, 1952:

The lower levels in the price of rubber and the higher costs of production during the financial year under review—both features common to estates operating in Malaya—leave us with a trading profit well below the figure earned in the previous year: it was £80,792 against £208,281 in 1950-51. Taxation accounts for £44,687, which leaves us with £36,105.

Our cost of production was higher than we could have wished, our estates being in districts specially affected by communist intimidation. A drive for cheaper production is under way on all our properties, and with the fall in the price of the commodity some adjustment in wages has already been negotiated. In recommending a dividend of 15 per cent, we shall be reducing the carry-forward from £17,814 to £15,782; this your board feel can safely be done in view of the strength of the company's financial position. Production for the year was 2,341,649 lb against 2,440,078 lb for the previous year. These quantities are below the company's potential, which in normal conditions could well be 3 million lb.

The industry has now moved into a situation where there is an abundance of natural rubber, and consequently into a period of severe competition with the synthetic product. Producers are willing enough to face the realities of free and fair competition with an alternative product which has come to stay, but the competition we are now facing is heavily loaded against us by the restrictive practices of US Government agencies. One relates to what is called the mandatory use of synthetic rubber which has the effect of compelling manufacturers to produce and use GRS up to a minimum of 450,000 tons: present legislation calls for a compulsory minimum of only 200,000 tons,

but government agencies administering the law have arbitrarily raised this to 450,000 tons. Another is the arbitrary fixing, by the US authorities who own the plants, of the price of synthetic rubber at a figure which does not reflect normal private industry pricing practices.

The effect of these protective measures is in the first place to narrow the area of competition, and then to force down the price of natural to the level of this artificially low price, at which even for efficient producers there is not a sufficient margin of profit, after the excessive taxation which they suffer, to cover the cost of replanting and replacements. This compulsory use of synthetic rubber no longer has any justification now that there is an abundance of rubber and a stockpile of natural rubber of well over a million tons; and it should be the constant aim of British diplomacy, at the highest levels, to press the US Government to get rid of it, as well as to price synthetic more realistically—not only in justice to natural producers but also for the sake of the economic and political stability of South-East Asia, and the maintenance of the sterling area's dollar earnings. Given complete freedom of competition, natural rubber could be expected to give a good account of itself.

LEETHEMS (TWILFIT)

FACTORS AFFECTING RESULTS

The twenty-fourth annual general meeting of Leethems (Twilfit) Limited was held on November 20th at Portsmouth, Mr C. H. Reynolds, JP (chairman and managing director), presiding.

The following is an extract from his circulated review:

The first months of the financial year witnessed normal and satisfactory trading and profits. Towards the end of October a marked change commenced in the textile trade. Following a period of exceptionally high prices for the cloth necessary to maintain production, trade deteriorated and was accompanied by a fall in cloth prices to more reasonable levels. We were left with no alternative but to bear the excess costs incurred. This and increased costs attributable to short time working in the factories, accounts for the decrease in trading profits.

Measured by volume, the decline in production was more pronounced for export sales than that for the home market; the latter being less than at one time feared.

Sales are again buoyant and, backed by a very satisfactory order book, we are encouraged to believe that the trough of the depression is passed.

We are happy to state that the extension of our Kingston (Portsmouth) factory, referred to in previous reports, has come to fruition. The advantages are already apparent.

We recommend that the final distribution on the ordinary shares be 6 per cent (less income tax), making 9 per cent for the year.

The report was adopted.

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

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

LIVING with the DOLLAR

THE DELICATE CRUSADE
CHASM OR GAP?
FIRST PLANKS FOR THE BRIDGE
THE COMMONWEALTH'S TASK
IS DISCRIMINATION INEVITABLE?
ATLANTIC PAYMENTS UNION

LIVING WITH THE DOLLAR

The Delicate Crusade

THE Commonwealth Prime Ministers will meet in London next week to face an agenda that is baffling in its complexity, but grandiose in its design. There is now not much secret about their aims. They will seek to chart a course that would lead the sterling area nearer—at any rate, somewhat nearer—to lasting dollar balance; and then, with this chart as their testimonial, they will ask President Eisenhower for help in establishing a bolder and less restricted system of world trade. The emphasis will be on the strategy for advance to convertibility, not on the tactics for retreat from crisis. In Mr Churchill's mind—and, so long as the design is still innocent of aggravating detail it is Mr Churchill's mind that matters—this is to be Casablanca, not Dunkirk.

It will be a tragedy if these high hopes disintegrate as soon as they reach solid ground. But, if they are not to do so, the proposals that emerge from this conference will have to satisfy three exacting tests: First, they will have to be sufficiently ambitious to capture the imagination of the new American Government; secondly, they will have to impose a sufficient degree of economic discipline upon the Commonwealth to deserve that capture; and thirdly—and most important—they will have to be sufficiently realistic to work.

There are signs, unfortunately, that the last hurdle may also be the most difficult to surmount. In recent months a surprising number of leading bankers and public servants on both sides of the Atlantic, looking out upon the sorry mess of postwar exchange controls, have become converted to the philosophy of Rupert Brooke's fish:

"This life cannot be All," they swear,
"For how unpleasant, if it were!"

This emotion, with a few technical trimmings, has been the main force behind the recent agitation in favour of a dash for sterling convertibility and for freedom in the exchanges. It is true that the United Kingdom sponsors of this dash have not meant quite what the Americans, and some sterling dominions, thought they did; in particular, the United Kingdom's conception of convertibility has always been that foreign countries that earn sterling should be given the unfettered right to buy dollars from the sterling area central pool, not that British countries should ease their own restrictions on dollar imports in any way. But since a programme for some such move to freedom—with a few conditionals added and some second thoughts put in—may still be the basis of the British proposals to be put before the Commonwealth conference, there is a clear need to examine the sort of world trading system in which such an experi-

ment, and if possible something wider, could possibly work.

That, in brief, is the object of this survey. There are three lines along which the examination needs to progress. The first of the five following articles makes a sober—which unfortunately means a depressing—assessment of the supply of dollars that is likely to become available to the free world in the next few years. The conclusion emerges that it will be a very difficult task to keep the world dollar gap below \$5 billion a year—or indeed below \$10 billion a year if exchange and import controls are to be significantly eased. The third article examines what progress the Commonwealth could make towards achieving its share of this difficult task; its conclusion is that the Commonwealth could certainly do something—chiefly by curbing its two major extravagances, the uneconomic industrialisation programmes in the dominions and the uneconomic sheltering of consumer goods industries in the United Kingdom. At least so long as it continues to shelter behind the barrier of the present import controls, it should be possible for the Commonwealth to improve on its performances of the last seven years, which have never progressed beyond a fleeting dollar balance every other year, when its stocks have been running down and American production has been running up.

But the dominant conclusion remains that any further advance—to the sort of world that was dreamed about at Havana and talked about at Bretton Woods—could only be achieved within the framework of a new international payments system. The last of the articles in this survey sketches a suggested framework for such a system. In brief, the main proposal is that if the United States (or any other creditor country) continues to run a large external surplus, and thus piles up claims on other countries that it does not immediately wish to use, it should do so in a way that will not have a disastrous effect on international liquidity; in other words, its central banking system should be prepared to hold these claims in media other than (though equal in value to) dollars or gold withdrawn from other people's attenuated reserves. Quite clearly, any such system would have to be guarded by many watchdogs if worldwide inflation is to be held in check; and quite clearly, too, the decision whether to introduce such a system would have to depend wholly on the judgment of the new government in the United States. All that can be urged from this side of the Atlantic is that any serious American observer with access to the public ear should examine the case carefully, and should not delude himself or his public that there is any easier way to a world of freer, non-discriminating trade. It is a delicate hothouse flower that freer traders are trying to make burgeon; and it could so easily be destroyed by a premature blast of political wind.

Chasm or Gap?

IT is against this background that the non-dollar world needs to scout where it is going and look where it can leap. The first results of any such scouting are hardly encouraging to complacency. They suggest that the dollar problem is not merely not likely to get better; unless special steps are taken by both the Americans and their customers, the problem is actually likely to get worse. The reader should be forewarned that the analysis in this article (which deals with the likely development of United States demand for imports) and in the first part of the following article (which will deal with the prospects for United States overseas investment) is going to sound singularly depressing. A road does seem to open up at the end of the tunnel, but it is not going to be an easy one to tread.

Scope of the Problem

In five of the seven postwar years the United States surplus on current account has amounted to between \$5 and \$8 billion; the exceptions were 1947, when its surplus shot up (exceptionally) to \$11½ billion, and 1950, when it came down (probably even more exceptionally) to \$2.2 billion. On present trends, the gap is likely to remain of this order even if discriminatory restrictions imposed by most other countries against imports from the United States continue in force. If ever these restrictions were lifted, the gap would widen much further still.

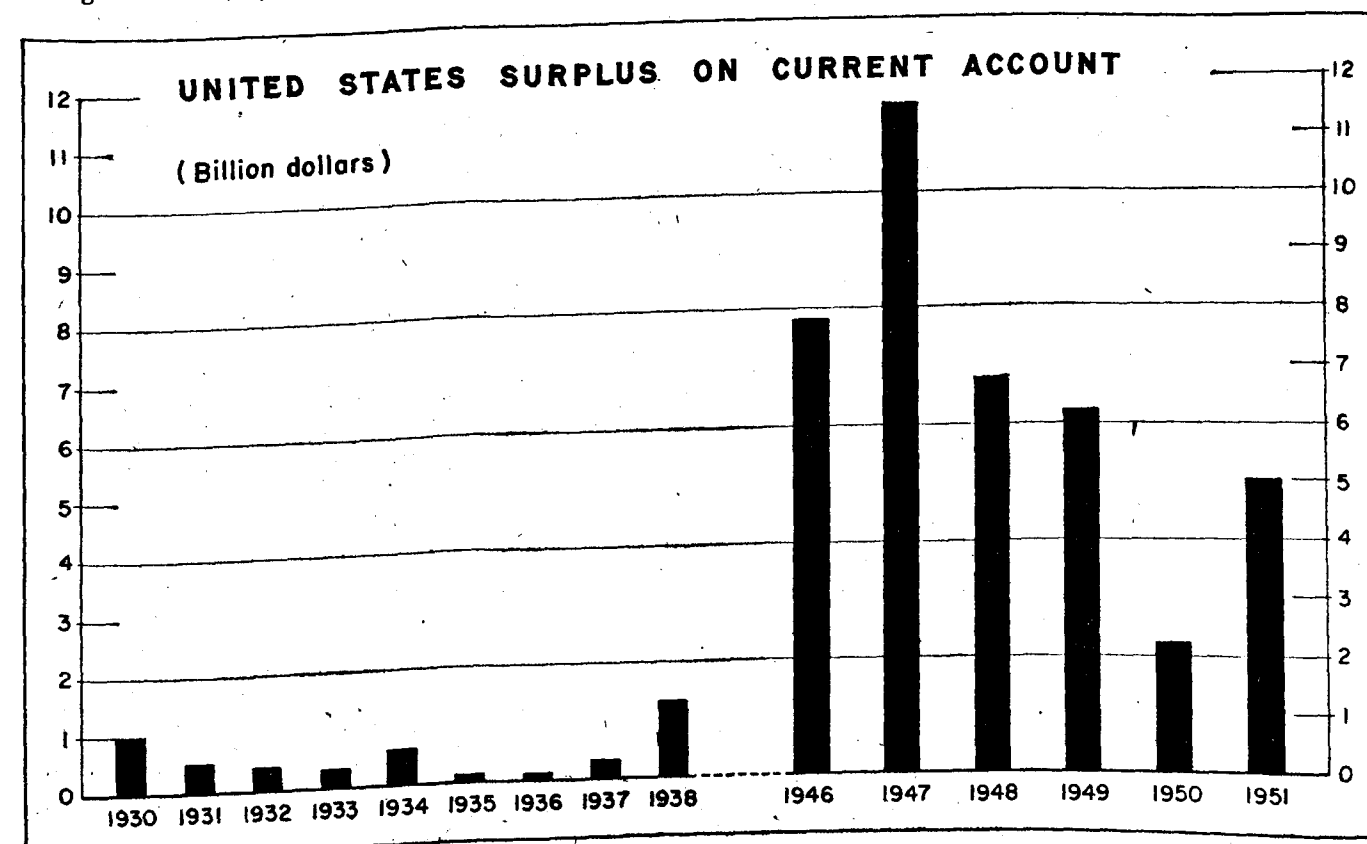
All this is a relatively new problem, for before the war there was no such thing as a serious dollar gap shortage. Between 1934 and 1938 America's exports averaged about \$2.7 billion a year and its imports

about \$2.4 billion a year, so that its total surplus on current account (including invisibles but excluding silver purchases) was kept down to an annual average of about \$470 million. This was a smaller surplus than Britain ran in the days when it was the leading world industrial power and thus the fountain head of international investment. It is true that the United States was unfortunately not a fount of overseas investment just before the war; after investing abroad up to \$1 billion a year in the twenties, it recoiled like a burned child in the thirties; and after 1934 it began to import about a billion dollars a year of foreign funk money instead. But this was hardly to be regarded as a durable feature of international trade, and in any case the annual production of over \$900 million of newly mined gold outside the United States went a long way to finance it.

What then have been the reasons for the deterioration in the postwar years? The charts accompanying this article tell the story in detail. It will be seen that the answer lies mainly in the fact that while the volume of America's imports in the postwar years has never risen by as much as 30 per cent above the 1937 level, its exports have been consistently between 80 and 160 per cent above it. In the fourteen years to 1951 America's production nearly doubled and its exports much more than doubled, but its imports increased by only 26 per cent.

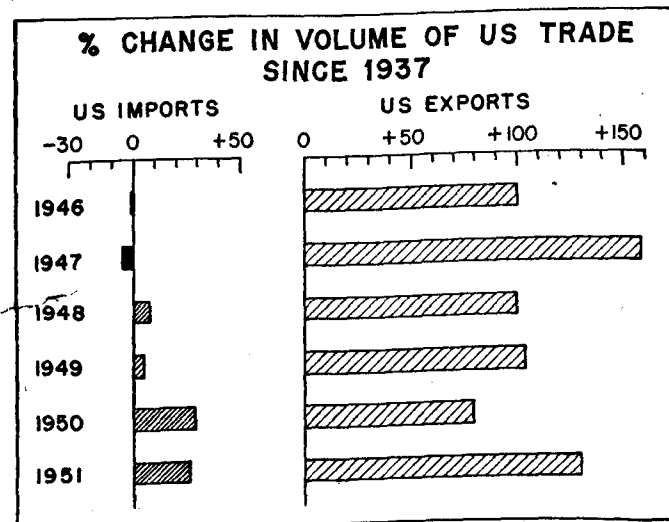
Raw Material Imports

All available evidence suggests that this lag in imports is not a short-term aberration but a long-term fact. Unfortunately, this judgment must apply both to future American demand for imports of raw



materials (on which the evidence recently collected by the Paley Commission has been widely misunderstood) and to future demand by the United States for other sorts of imports, especially "tariff-protected" manufactures. These two vistas now need to be scanned in turn.

Nearly three-fifths of US imports consist of raw or semi-manufactured materials for industrial use. In the late twenties and early thirties, the ratio between the value of imported raw materials and the total value of US manufactures varied between 7 and 8½ per cent; it was falling fairly rapidly just before the war and by the late forties (before the distortions introduced by rearmament) it seemed to have settled down at between 3 and 4 per cent. American industry has been economising in the use of raw materials, finding synthetic substitutes from domestic production and making much more intelligent use of scrap. It is true, as the Paley Commission has pointed out, that the United States is now near to exhausting some of its domestic raw material resources, especially in metals; but this seems more likely to benefit its immediate neighbours—in Canada and northern Latin America—than anybody else. If the big investment schemes presaged by this emerging gap in American metal resources do in fact take place in these



neighbouring areas, the capital equipment to carry them through must be expected to come mainly from the United States, and the upsurge in local incomes associated with these schemes will be spent mainly on US consumer goods—because of the geographical propinquity of tastes, if of nothing else. In other words, the dollar area may grow larger, but the dollar gap, for all countries outside the Americas, will not thereby grow less.

This implication of the recent report of the Paley Commission has not been sufficiently recognised, either in the United States or abroad. In particular it is not generally known that that report was a quite frightening document for the sterling area. One of the chief tasks of the Paley Commission was to collect some detailed, and many vague, estimates of demand for imported raw materials in 1975—on the very sweeping assumption that American industrial production, following the trend of the past century, would have exactly doubled by then. The commission estimated that America's demand for some metals would increase by 200 or 300 per cent, but that its demand for rubber and tin would fall and its demand for fibres would lag well behind the trend of production and incomes. Of those industrial materials for which the commission gave detailed estimates, there

were eight (wool, rubber, tin, manganese, copper, lead, chrome and bauxite) that are exported by the sterling Commonwealth; these commodities brought in some \$620 million—or nearly 40 per cent of the sterling area's total dollar earnings—in 1950. Even if the Commonwealth maintains its share of the American market in each of these commodities (and that means that it would have to increase its production of some of the metals substantially) the rise in its earnings from those of the eight commodities for which demand is expected to increase would actually be offset by a decline in earnings from those for which demand is expected to droop; in fact, at 1950 prices, the sterling Commonwealth's total earnings from these eight commodities would fall from \$620 million in 1950 to under \$515 million in 1975. Admittedly, this gloomy arithmetic takes at face value the commission's very suspect estimate of a precipitate fall in US imports of natural rubber (by \$200 million at 1950 prices); but even if allowance is made for this, the prospect for a notable increase in dollar earnings from sterling-area raw materials in the next twenty years does not seem very bright. And this, be it remembered, is on the assumption that American production doubles by 1975; which means that the supply of American goods that the outside world would like to buy is presumably expected to double too.

The Tariff Delusion

What now of the prospect for United States imports of food and manufactured goods? Unfortunately these, too, seem certain to increase less than proportionately with American national income. In the late twenties and the thirties the United States imported between 4 and 5 per cent of its food; since the war the proportion has hovered on either side of 3 per cent. There may be some reversal of this trend in the near future; as America grows ever richer—and its population larger—it will be surprising if there is not some relative drift from the land. But foreign dairying interests, who have had some unpleasant experiences in the United States market in the recent past, would do well to remember that any drift from the farm is bound to be slow, so long as the manufacture of feather beds for farmers is the main competitive industry for the congressionally inclined.

United States imports of manufactures, which represented between 3 and 3½ per cent of total consumer expenditure on non-food items in the thirties, have also lagged since the war; in the last five years the average proportion has been nearer 2 per cent. This decline has occurred despite a reduction of over 60 per cent in the United States tariff on dutiable imports between 1937 and 1951; in other words, even if the whole of the remaining tariff were swept away in the next twenty years, the consequent gain to foreign exporters would not be as great as that which they have secured—and been unable to make much use of—in the last fifteen. This statistic illuminates the two sides of the great tariff delusion, which is as self-righteously believed in on this side of the Atlantic as it is fearfully clung to on the other. Because of these false fears the political obstacles in the way of further tariff reductions in America are very great; indeed, in 1953, when the United States Trade Agreements Act (on which all the GATT concessions hang) comes up for congressional renewal, non-dollar countries are likely to be on the defensive on this battleground. But even if the defence is successfully accomplished, and American liberals succeed in further assaults on a tariff

structure that is admittedly a disgrace to the world's leading creditor nation, the outside world should not expect that its opportunities for earning dollars will be greatly and immediately strengthened thereby. Total US imports of manufactured goods subject to tariff amounted to only \$1 billion in 1951. The remaining tariff is not so high that its removal could be expected to lead to more, at the very best, than a doubling of the present rate of these imports—and more probably to an increase of 50 per cent or less.

The blunt fact is that the domestic productive facilities and marketing institutions that have been created behind the American tariff wall are now so firmly entrenched that it is an exorbitantly expensive business to start up in competition with them. This does not mean that foreign exporters should not make every effort to overcome these difficulties; it simply means that they should not expect that reductions in the United States tariff can significantly help them in their task. The best that the outside world can reasonably hope for is that the Customs Simplification Act, which would remove certain barriers to imports into the United States caused by tariff procedure rather than tariff rates, will eventually pass through Congress; and that some effort may be made to modify or repeal the legislation that requires the US Tariff Commission to recommend (though it does not require the President to enforce) an increase in duties, if it finds that a domestic industry stands to be injured by any tariff reduction caused by a trade agreement.

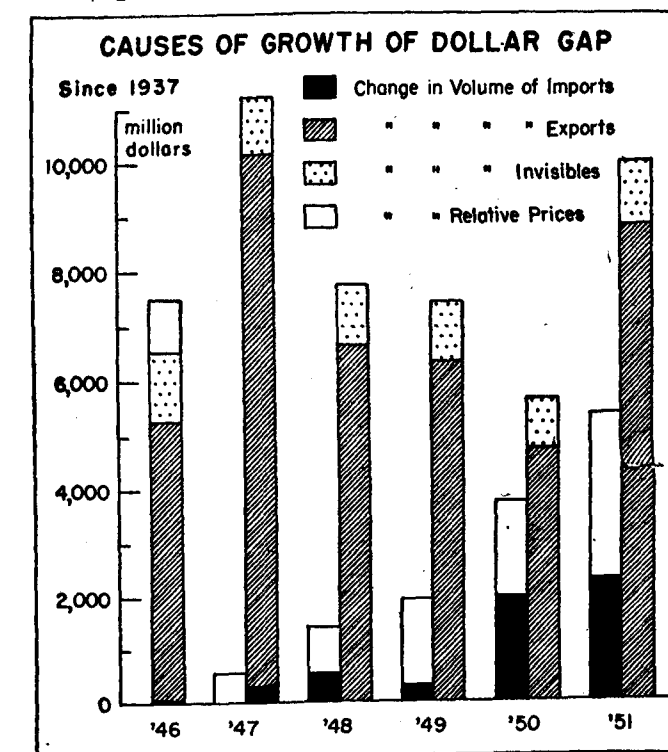
The Emerging Gap

The prospect emerges formidably that there is little likelihood of American imports coming to bear a larger proportion of American national income over the next few years—the proportion is more likely to fall still further. There are, moreover, three further factors that need to be taken into account. First, this discussion has so far been set in the context of continuing boom. The Economic Co-operation Administration has estimated, from analyses of experience in the slump of 1930 and the recessions of 1938 and 1949, that when United States consumption falls by 4 per cent, its total imports fall by about a quarter and its imports from the sterling area by about a third; it would be optimistic to suppose that there will not be some setbacks of a larger order than this in the next twenty years. Secondly, it must be remembered that American industry is now replacing its machinery at least twice as fast as is British industry; it is therefore lengthening its already long lead in competitive efficiency with every year that passes. This advantage may be partly offset by a faster increase in labour costs in America than Britain—and/or (probably and) a further depreciation of sterling against the dollar. But in the modern world the advantage in exploitation of new inventions and new techniques will be with those who have the access to new capital equipment, not to cheaper labour. Thirdly, if American demand for any particular commodity imports (such as South African uranium) does increase notably, then America can resort to bulk buying and prevent the terms of trade from turning against it by exploiting the sheer force of its bargaining power. Mr Stuart Symington (in the case of tin) and Mr Jess Larsen (in the case of rubber) used this weapon of socialist and monopolistic exploitation against Malaya and Bolivia in 1951; and they gained considerable political popularity in a country whose liking for free enterprise tends to be outweighed by its suspicion that

it is always being done down by clever foreigners, whether in dhotis or striped pants.

It is devoutly to be hoped that some of these prognoses are too gloomy, but it will be surprising if all of them are. They suggest that the natural growth of America's need for imports cannot be expected to go very far towards closing the now customary dollar gap of between \$5 and \$8 billion a year, even if American production continues to rise and with it America's demands for imports of materials. The second condition would imply a further rise in the dollar incomes of the producers of such materials, but it would not guarantee the closing of the gap, unless exports from the United States were screwed down to or below their present level. How then is the gap to be financed?

In postwar years it has been financed by between \$4½ and \$6½ billion of annual "foreign aid," and between



Factors reducing dollar gap between 1937 and year in question are shown on the left of each pair of blocks, and those increasing it on the right.

\$700 and \$1,700 million of "remuneration-seeking" investment (including dollar investment by such institutions as the International Bank). Foreign aid obviously cannot go on for ever; the countries of the Commonwealth and Western Europe cannot really expect to continue to enjoy a tolerable standard of life largely because—and this is a statistic that should be pinned up in every trade union committee room—each American worker continues to lend or give to them between 9s. and 14s. of his weekly wage.

But if foreign aid is to taper off and American imports are not to be spontaneously increased, then one of three things will have to happen:

Either American investment overseas will have to go up

Or other ways of injecting dollars into the free world will have to be found

Or American exports will have to go down.

It is to the discussion of the first two of these possibilities that the next article in this survey is devoted.

First Planks for the Bridge

WHAT, first, are the prospects that "remuneration-seeking" dollar investment will increase above its recent average of rather over \$1 billion a year? They are frankly not very bright, except perhaps for investment in Canada and in primary producing ventures in Latin America (which, together with the oil areas of the Middle East, have absorbed the lion's share of direct American overseas investment in the postwar years).

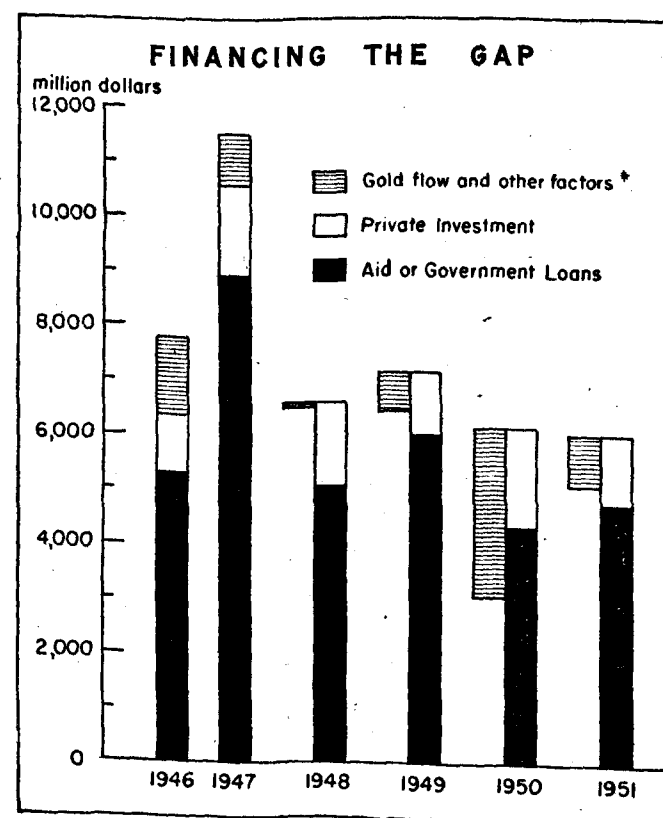
There are two essential differences between the position of the United Kingdom in its industrial heyday and that of the United States today. First, nineteenth-century Britain was a tight little island which depended on overseas sources for much of its food and raw materials, and which could start up primary producing ventures overseas in the sure knowledge that it would want to buy the fruits that came out of them. Incidentally, the fact that the bulk of Britain's imports in this period were primary essentials, while many of its exports were already secondary inessentials, meant that the British economy tended to relapse into a deficit in times of slump; as a result, the years in which private investors were inhibited against pumping out sterling on capital account happened to be the years in which the country was pumping sterling out on current account instead. It was for this reason that there was no such thing as a sterling shortage in the nineteenth century. The United States, on the other hand, is a vast and remarkably self-supporting sub-continent, and the years of recession in which its businessmen will be most inhibited from investing abroad are likely to be the years in which the country will be running a very large current surplus indeed.

A second major difference between the mid-nineteenth and mid-twentieth centuries lies in the changed political climate for foreign investment. In part, this is a matter of changing power and changing fashions in diplomacy; there were no Abadans in Lord Palmerston's day. In part it is an effect, as well as a cause, of the very size of the dollar gap; in a world in which American businessmen could feel sure that they would always be able to draw back their profits (and, if need be, their capital) in dollars, dollar investment in foreign countries might increase—especially if it was fostered by a favourable tax policy both in the United States and overseas. The easing of this particular transfer problem might be one of the major contributions that would flow from the setting up of a new payments system—but to postulate such a solution at this juncture is to answer a question by assuming the initial question-mark away.

Prosperity through Point Four?

The next possibility to be considered is that of United States Government investment which is not motivated by purely commercial considerations—in particular, of course, the generous concept of Point Four aid for under-developed countries. This year Point Four aid is expected to reach some \$350 million and this figure is more likely to rise than fall in the next year or two. The programme,

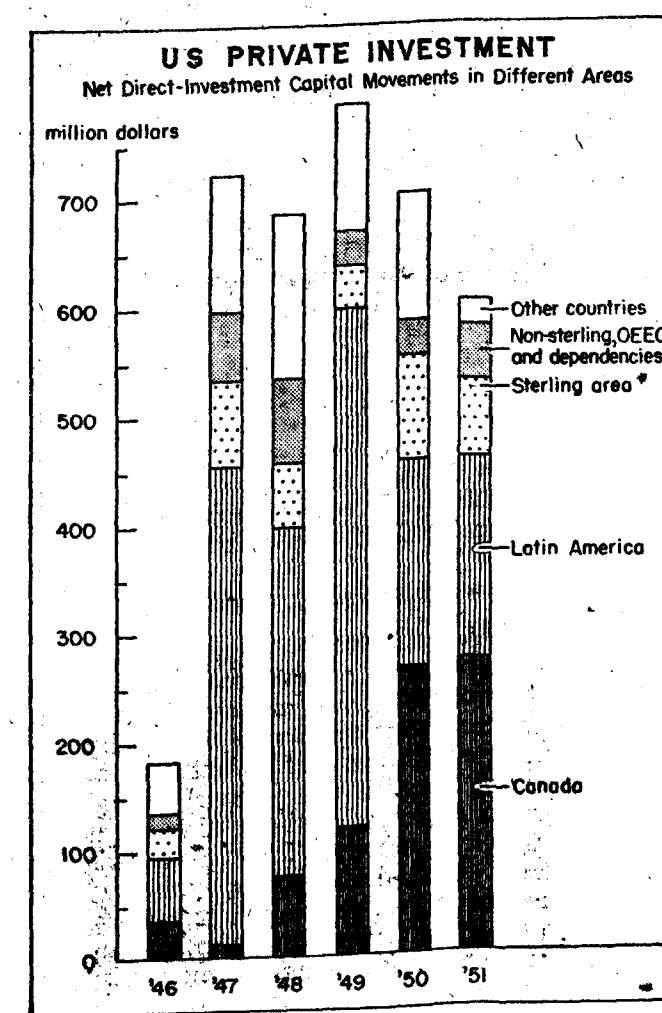
as at present conceived, is one for making available American expertise and technique, not for providing substantial injections of dollar capital; it has never been intended that Point Four aid itself should rise from millions to billions. But there is perhaps a hope that projects for lending to under-developed countries may capture the imagination, both of American officialdom and of private American foundations, rather more easily than projects for making similar loans to America's industrial competitors. The outside world should do all it can to keep this generous impulse flowing. The other developed countries such as Britain should constantly aim at a surplus in their overseas payments, in order to be able to add their dimes to American dollars in developing the neglected areas. Up to now, Britain has not been doing this; it has been lending to the developed dominions but borrowing from the undeveloped colonies on a scale (in relation to income per head) that has not been far below its borrowing from the United States.



* Mainly composed of net movement in foreign gold and dollar reserves. In years when these have increased they are set at left of relevant block.

But, even if the development of backward areas becomes part of an integrated international design, it would be idle to suppose that it will do much to bridge an annual dollar gap that seems likely to be measured in billions of dollars. In the first place, many of the dollars that are lent will be used for additional purchases of American machinery, so that the disbursements made are not likely to result in significant net accretions to the

world's dollar supply. In the second place the enthusiasm that has generated the whole programme is likely to have to ride over some bitter disappointments. These disappointments may be partly political and partly economic. It needs to be frankly recognised that an increased flow of development aid will not necessarily stimulate anti-Communism or damp down anti-Americanism. In the early stages of economic development (as distinct from the advanced stages of economic decay), it is not very poor men that become Communists but men who are getting richer more slowly than they like; and it is not neglected and primitive peasants who become anti-Americans, but labourers and clerks who are envious of the standard of living of resident American advisers and irked at the conditions that necessarily have to be attached to American aid. On the economic plane, too, there are bound to be some disappointments from grandiloquent investment schemes in countries that are



* Excluding Iraq. US investment in colonies partly estimated.

not yet well prepared to handle intricate modern equipment, and not inclined to work as hard as Americans do; for Englishmen, there is now a wealth of bitter experience in the one word "nuts." Moreover, American enthusiasm for such projects may be somewhat damped by the sheer size of the task to be accomplished. There are over a billion people in the world with an average annual income of less than \$100; if the Americans devote a billion dollars a year to aiding them, they will provide the funds to buy each one a new hoe and not much else.

It will be a grave misfortune if these difficulties cause the Point Four programme (and the programmes that other developed countries should introduce to supplement it) to falter before it has taken its first steps. But the fact must be faced that economic disappointments may cause such aid to be more and more grudgingly given, and political developments may cause it to be more and more grudgingly received. Certainly it would be most unsafe to assume that this concept will do much to bridge a world dollar gap of the order of \$5 to \$8 billion, and to believe that any dash for exchange freedom can be partially carried on these slender wings of hope.

* * *

So far, this survey has been concerned with factors in the dollar problem that the free world probably cannot do very much about; they are factors in the lap of those historical and sociological impulses that the ancients thought were gods. Economists are never wise to tinker with such forces; their proper sphere of action is in the field of Mammon instead. And it is on this home ground—that is to say, the ground of estimated advantage to mutual and material self-interest—that the first tentative proposals for narrowing the dollar gap can be made. It is here that this survey can cease to be a passive contemplation of a gloomy future, and enter the stage of making controversial calls for action.

Apart from further disinflation in the non-dollar countries and the establishment of a new international payments system, there are three major problems that deserve consideration. America and its allies should look anew at

- the problems of defence finance;
- the dollar price of gold; and
- the stability of American raw material purchases;

and decide whether their individual best interests would not be served by some change in their policy towards these questions.

Defence Finance

On the first of these problems, there is real reason to fear that defence support aid, under the present system, will taper off before rearmament can safely be slackened. Congress seems likely to keep up its steady pressure on the yearly appropriations, and Stalin to keep up his on Western Europe. This is not the fault of the Americans, but of the whole North Atlantic Treaty Organisation. For Nato has not made as significant an advance towards setting up a common defence budget as was at one time hoped.

In any national defence effort people are taxed according to their incomes; weapons and materials are bought in the cheapest market; and troops are deployed in the most effective way. These decisions are made quite independently of each other; any suggestion that there should be a separate vote to decide what proportion of the taxes paid by the citizens of Birmingham should be spent on the manufacture of arms in Birmingham instead of along the Great West Road (or for that matter what

proportion should be spent on equipping the Warwicks instead of the London Scottish) would rightly be regarded as absurd. But at the moment there is a separate vote in Washington on what proportion of US defence funds should be spent at home instead of abroad; and there is a tight watch in London to see that virtually none of the defence funds in the British budget is spent abroad at all.

Part of the difficulty lies in the transfer problem, which might disappear if there were a fully effective international payments system. In effect, Nato could be given a quota of its own in a worldwide clearing union. Obviously enough, however, the contributions from the individual countries to set up this quota would have to be decided by some independent criterion. Perhaps the best system would be to relate the contribution made by each European country to that made by the United States; Congress will not be denied the unfettered right to determine the scale and direction of the United States defence effort whatever happens. But European countries, who are much nearer to the main source of danger, should seriously consider whether it would not be in their best interests to make a bold declaration that their contributions to the common pool will be a stated proportion of that made by the United States, dependent not merely on their relative national incomes but also on certain defined rules of progression (possibly those written into the American tax system). In this way it could be clearly laid down in advance how far the proportions of income paid out by rich countries should exceed the proportions paid out by poor ones. Obviously, too, once these contributions were decided, individual countries could not contract out of them and still remain in the pool; the ordinary taxpayer cannot tell the inland revenue that unexpected pressure of circumstances—such as his desire to buy a new house—makes it impossible for him to meet his tax obligations as fully as he had hoped.

The pool formed by these contributions could then be used for the purchase of armaments in any member country, on a basis of full competitive tender. It is impossible for an outsider to judge how far such pooling arrangements could extend; they obviously could not extend over more than a fraction of the whole Western defence effort, for there are many real political and technical difficulties (such as varying military commitments outside the Nato area) as well as national and professional prejudices in the way. The insider who would be best fitted to work out such a scheme is the new President of the United States. All that can be said here is that the more that purchasing decisions can be made by military experts at Nato solely on grounds of relative cost and not on grounds of political expediency, the more defence per dollar will the whole free world get; and, it so happens—relative efficiencies and costs (especially in the production of aircraft and warships) being what they are—that the system would also be likely to lead to an upsurge of American defence purchases in Europe. Such purchases could almost certainly be bigger than the \$500 to \$1000 million a year of "offshore purchases" that now seem to be in prospect. Any such system, it must be emphasised, would give the American taxpayer more for his dollar, as well as giving European countries more dollars to spend. This would be trade, not aid.

The Price of Gold

The problem of the dollar price of gold is more difficult and more open to debate. Before the war the sterling Commonwealth used to earn over \$500 million a year from sales of newly mined gold; the fact that the dollar price of gold has remained constant while all other commodity prices have doubled has hit its finances very hard. In fact, if the price of gold had moved in line with other American commodity prices, the sterling area would have enjoyed a net increase in its dollar reserves in each postwar year except 1951 and (possibly) 1947; moreover the dollar value of the central reserve would be some three or four times larger than it is now. It is quite clear on which side of this problem the sterling area's bread is buttered.

It is not so clear what attitude can reasonably be expected of disinterested American opinion. On the one hand, it can be argued that this is not the time to encourage the diversion of capital equipment and other resources to the socially useless task of gold mining; that an increase in the world price of gold would have inflationary consequences in many countries (including America) unless internal monetary measures were taken to sterilise them; and that the invidious benefits of such an increase would go primarily to South Africa and other gold producing countries, not to the deserving poor. On the other hand, a rise in the world price of gold would clearly increase world currency reserves and thus make possible some advance towards freer international trade; it seems likely, for this reason, that if trade had been more evenly balanced since the war—so that all countries had been sometimes net buyers and sometimes net sellers of gold—then the desirability of an increase would have been generally conceded. This may be another case, in fact, where the exercise of America's monopoly buying power has had undesirable economic consequences that Americans have not realised or intended.

Raw Material Contracts

The third problem on which an approach can reasonably be made to the United States concerns the stability of its annual purchases of raw materials. Potentially, this is the most important question of all. With international currency reserves at their present level, a quite modest American recession can generate, through the immediate fall in American purchases of raw materials that occurs with it, a desperate financial whirlwind all over the world. It could also grievously set back the investment needed to provide the raw materials which, according to the Paley Commission, American industry is going to require in increasing measure if it is to expand. The obvious answer to these problems seems to lie in some form of long-term purchasing arrangements.

Unfortunately postwar experience has shown that even a flexible purchasing agreement, like the International Wheat Agreement, can quickly get out of date. In a time of inflation the maximum price soon becomes too low to encourage increased production, and in a time of slump the minimum price may ride so high above free prices as to cause restiveness among consumers. Perhaps the answer should be sought along the lines of the American internal "farm parity" schemes; in other words the United States should seriously consider whether it would not be in its own interests to decide in

which materials it wants world production to expand, and then to guarantee that its annual dollar expenditure on purchasing stated quantities of these materials would not fall below a certain level—which would vary with the movements of prices in general, or perhaps of the prices of American exports. Obviously this would mean that some official body would have to be set up that would lay in stocks of these materials in years when private American purchases fell below the level stipulated; obviously, too, there would be some knotty problems about the price index by which "real" dollar expenditure should be measured, the period over which the contracts should run, and the commodities in which increased production should be encouraged.

Moreover, there is one other factor that would inevitably tend to dampen Washington's reaction to any such proposals. No American administration can afford to be in the position, during a slump, of making American industry's materials dearer than they need be. In other words, for any such scheme to be politically possible, Washington would have to stand all the cost of keeping prices up, while passing on to industry all the profits from keeping them down. Against this, however, the American authorities should carefully weigh the fact that such proposals should lead to increased production of the materials that America is most going to want, and that

The Commonwealth's Task

WHATEVER happens to American imports, overseas investments and grants in the next few years, it is obvious that the outside world will have to continue to keep down its purchases of American goods. The major question at issue is whether those purchases should be kept down by discriminatory import controls or by tighter monetary discipline in non-American countries. If Britain and its partners are to honour their obligations—and, more prosaically, if a new request for American help in solving the dollar problem is to have any hope of success—there is only one answer that can be given to this question. The countries of the Commonwealth and Western Europe—by their membership of IMF, Gatt and the rest of the alphabetical galaxy—have repeatedly and most formally promised that they will practise non-discrimination to the maximum possible extent. They have therefore a definite obligation to solve as much of their import problem as they can by general disinflation, leaving to be solved by discriminatory import controls only that part of the problem that cannot, with advantage to anybody, be tackled in any other way.

What does this mean? In practice, it means that each major country is pledged to try to solve its general balance of payments problem by general disinflation, leaving only its specific dollar problem to be solved by discriminatory controls or—if the dollar countries co-operate—by other means. The dividing line between rigid non-discrimination and what may be called the IMF type of non-discrimination is quite easy to draw. If Britain has not got the dollars to buy tobacco from America, obedience to the rules of rigid non-discrimination would require its government to grind down personal incomes (by deflation and the deliberate creation of unemployment) until the British consumer had no pounds left to buy tobacco from

they might help the dollar gap to be further bridged by private American investment (which is surely the sort of bridge that liberals should prefer). If contracts could be drawn up that would guarantee a minimum real dollar expenditure, then American investment in the exploitation of these "Paley" commodities might be much easier to arrange; in fact, it is not difficult to envisage clauses that could legitimately be inserted in the contracts with the deliberate object of safeguarding the interests of American investors. America should be talked to softly, and told it can carry a big stick.

If the United States could be persuaded to make a favourable response to each of these three approaches—and it is fair to say that there would be an economic, as distinct from a mendicant's, case behind each of them—a first significant step towards closing the world dollar gap would have been made. But it would not be any more than a first step. It is clear that a major task of further dollar economy would still lie before the countries of the Commonwealth and Western Europe. The following article traces the way that the Commonwealth should set about its share of this general task; it is, after all, the Commonwealth countries that are now about to meet in conference, and it is for them that the disinflationary prescription now needs to be most specific, if not necessarily most harsh.

anywhere else. This once pure milk of economic orthodoxy is now fortunately too sour for democratic consumption. To drink it would not do anybody any good, and neither the IMF nor anything else (since the gold standard was de-throned) obliges any country to try. All that the postwar obligations against discrimination imply is that a country should press forward with disinflation so long as this helps (instead of hinders) other nations, and so long as this conduces to its own long term interests by helping it to lasting balance and by aiding a desirable redistribution of productive resources.

Postwar Failings

It is by this test that the postwar experience of the Commonwealth must be measured, and found grievously wanting. By any criterion of sober judgment the countries of the Commonwealth have relied far too much on discriminatory import controls and far too little on internal monetary discipline in the past seven years; and sober judgment here does not mean only what the Americans would have liked (though that should be important) but what would have served the Commonwealth's own interests best. Ever since the war the sterling area has bumped along from crisis to crisis, with the individual independent members (by a co-operative effort) curbing their dollar imports whenever things have looked really bad, and then (by an unco-operative sidling manoeuvre) increasing them whenever things have looked rather better.

This system has had at least three evil consequences. First, since the dollar prospect has looked worst when the American economy is receding and best when it is

inflating, the Commonwealth has tended to buy least when dollar prices are low and most when they are high. The economics of stocking and de-stocking have been stood on their head, not (or at least not entirely) because of the natural affinity between bureaucratic purchasing missions and old Father William, but of that between the dollar crisis and the Cheshire cat.

Secondly, since the dollar pooling arrangements have never been buttressed by anything more than a tactful moral pressure against profligacy, far too many dollars have been drawn out and they have been far from economically divided. Rigid rationing of dollars has inevitably had to be tempered by political considerations; in informal pooling arrangements in a body so loosely and delicately held together as the sterling area, those who are ready to act most huffily always get the most cake.

Thirdly, and most important, too much reliance on physical controls and too little on monetary discipline and the price system has prevented the proper redistribution of resources and of demand. This has not merely been annoying to American exporters, whose share of the

THE STRAIN ON STERLING (December 1947 - June 1952) (million dollars)

The Strain.....

UK Deficit (580)	Dominions Deficit (2,540)	Net Foreign Lending and Debt Replacements (1,140)
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..... Financed by.....

Colonial Surplus (820)	US Aid (3,040)	Fall in Gold Reserves (400)
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Three Clues

The problem of finding out what redistribution of demand and resources a free market would have affected is a treasure hunt with three fairly obvious clues. The first of these clues is provided by the chart on this page, which shows estimates of the overall external deficits run by Britain and by the overseas dominions between the end of 1947 and the middle of 1952, and of the way in which those deficits were financed. This chart is based partly on unofficial data; this fact and certain technical difficulties (for example, in assessing the dollar value of sterling trade in the half-year that straddled devaluation) make it impossible to claim any precision for it. But the broad picture presented is almost certainly right.

That broad picture is that the United Kingdom's fairly small external deficit of under \$600 million in these four-and-a-half years was more than covered by borrowing from the colonial empire, while the dominions' massive external deficit of over \$2,500 million swallowed up five-sixths of American aid. The rest of the lending from the colonies and the aid from America, together with the residual fall in the gold reserves, was absorbed or accounted for, by lending to non-sterling countries or by debt repayments (of which the £564 million fall in the sterling balances of non-sterling countries was the main component). The delegates at the Commonwealth conference should be squarely confronted by the fact that Britain's share of European Recovery Programme dollars has been absent-mindedly poured down the drain of Australia's high cost industrial boom; and that it has had to be replaced by absent-minded borrowing from other capital exporting countries—such as Malaya and West Africa—instead.

The most intriguing feature of this chart, however, is its indication of what would have happened to the dollar reserves in London if the United Kingdom had kept back its Marshall Aid to itself (as other European countries did), if it had demanded payment for all its exports in dollars (as the United States has done) and if it had refused to allow any capital outflow to the dominions or debt repayments to foreign countries between the end of 1947 and the middle of 1952. If it had done all this (and done it without provoking import restrictions on the part of its customers), then the dollar reserves in London would have increased in these four and a-half years by well over \$3 billion (if the colonies are included with Britain) or nearly \$2½ billion (if they are divorced from it). If the dominions alone had been excluded from the sterling area (and made to pay in gold for their imports from Britain), while all else remained unchanged, then the gold and dollar reserves would have risen by more than \$2 billion; the reserves would thus have been nearly two and a-half times as large as they are now.

This is the first clue for the Prime Ministers' treasure hunt. The second clue, which is much more shattering to smugness in Britain, is to be found in the import restrictions that the overseas dominions imposed early in 1952. There is no doubt that if Britain had turned off the capital tap to the dominions in the early stages of

limited world markets open to dollar goods has not been determined by their relative competitive efficiency but by the relative pugnacity of a gentleman in Canberra (who wants machinery) and a gentleman in Whitehall (who wants films); it has also been deleterious to the long-term economic health of the Commonwealth.

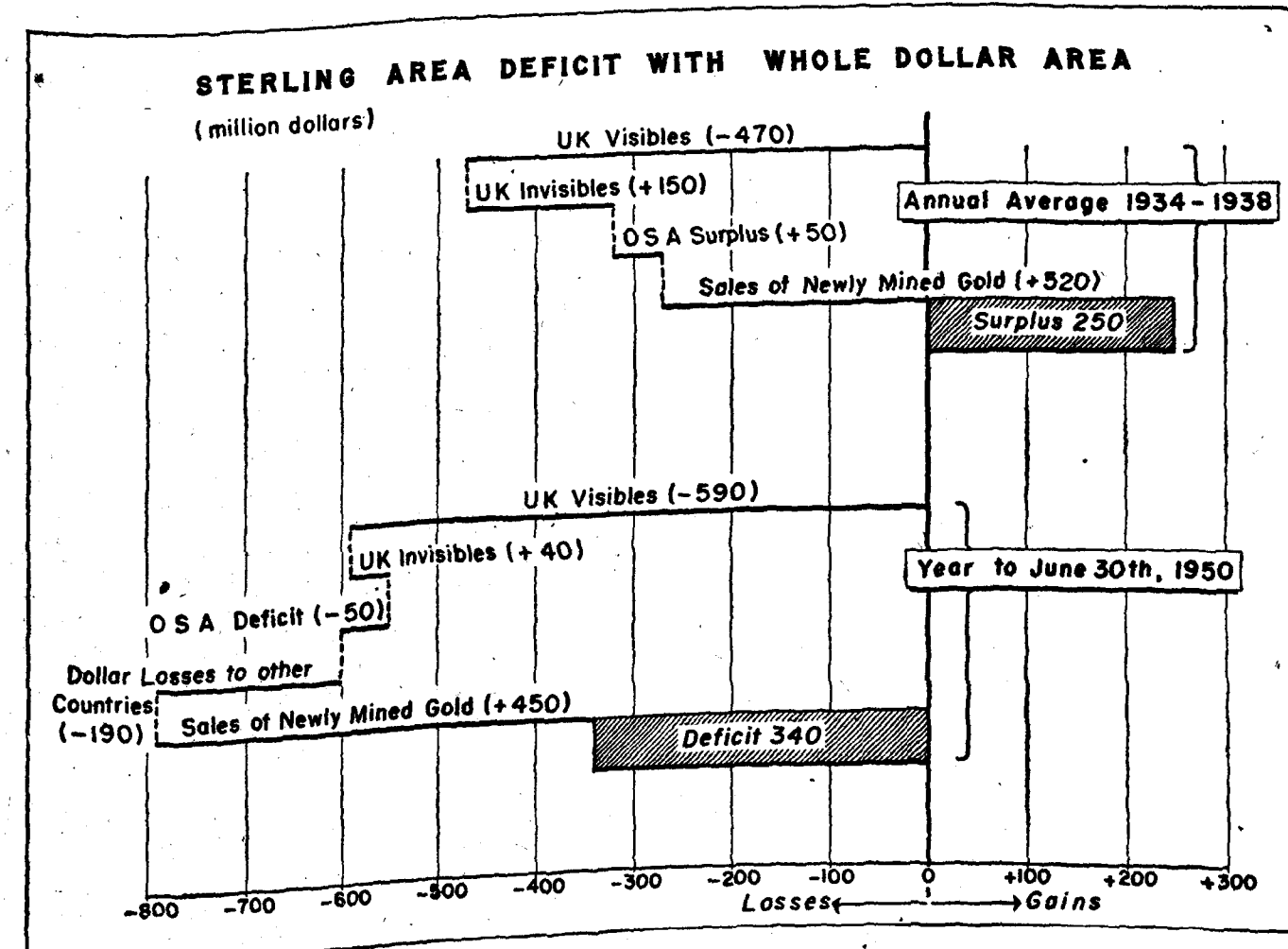
If the Prime Ministers are to make a serious search for economic remedies, as distinct from political expedients, next week, there are two puzzles that they must set themselves. First, they should examine what redistribution of dollar demand and dollar earning resources would have been effected since the war if free market forces, instead of their own civil servants, had been allowed to be the arbiters. Secondly, they should see what can be done to hasten—in, say, the next two years—the redistribution of resources that the free market would normally have accomplished in the last five. The motto of the conference should be the opposite of Mr Attlee's cry in Washington, in 1946, that "we are not going to be beaten by economics"; the Prime Ministers should recognise now that they are not supposed to be fighting against economics, but to be battling on its side.

the Marshall Plan, such import restrictions would have been imposed much sooner, and probably with much more force. And they would have fallen on broadly the same products as have in fact suffered this year—that is to say, on the imports that the dominions consider least essential, namely British consumer goods. The immediate consequence of this would have been an upsurge in unemployment in Lancashire and other centres of the consumer goods industries in Britain; it should be noted that three-quarters of Britain's exports of cotton piece goods in 1951 went to the sterling commonwealth, compared with just over half in 1938. The second consequence would have been that the United Kingdom would have suffered a rapid widening of its own external deficit—unless it had succeeded in making up for the decline in its consumer goods exports by an increase in the exports of capital equipment that the Commonwealth really wanted.

The third clue for the Prime Ministers' treasure hunt is provided by the other two charts accompanying this article, which are based mainly on data drawn from the Economic Co-operation Administration's recent massive survey of *The Sterling Area*. The large chart at the bottom of this page shows why the sterling area's annual average surplus of \$250 million with the dollar area in 1934-38 turned round to a dollar deficit of \$340 million (including losses of \$190 million to countries outside the Western Hemisphere) in the year just before the outbreak of war in Korea. Broadly, the story is one of all-round deterioration. The United Kingdom's visible deficit widened by \$120 million and its invisible surplus fell by \$110 million; the overseas sterling area countries swung round from a surplus of \$50 million to a deficit of the

same amount, and their sales of newly mined gold brought in \$70 million less than in 1934-38. Moreover it must be remembered that the year before war started in Korea was a relatively good one for the sterling area; the United States was building up its stocks after the inventory recession of 1949, and the sterling area was making a special effort to keep its dollar imports at 25 per cent below the previous year's level.

Just how good a year it was can be seen from the third chart, on the next page, which shows that the sterling area's merchandise trade deficit of \$249 million with the United States in 1949-50 was only \$22 million greater than in its annual average deficit in 1934-38. The real value of this last chart, however, lies in the fact that it delineates in some detail the factors that have affected this bilateral balance. It will be seen that the United Kingdom, if only world prices had not turned so sharply against it, would have shown an improvement of \$300 million instead of a deterioration of \$7 million. In terms of constant 1949-50 prices its imports from the United States fell by \$280 million (or more than 30 per cent) below the 1934-38 level and its exports rose by \$20 million, but it lost \$307 million through the adverse movement of its terms of trade. The overseas sterling area countries, on the other hand, contributed the remaining \$15 million of the \$22 million deterioration wholly because of the extravagance of their import policy. In terms of constant 1949-50 prices their exports to the United States rose by \$338 million and they gained \$61 million on the movement in their terms of trade; but all this was wiped out by an upsurge of \$414 million (or over 80 per cent) in the volume of their imports from the United States. Their



imports of American machinery more than doubled and their imports of American chemicals and steel mill products multiplied four times over.

One Remedy

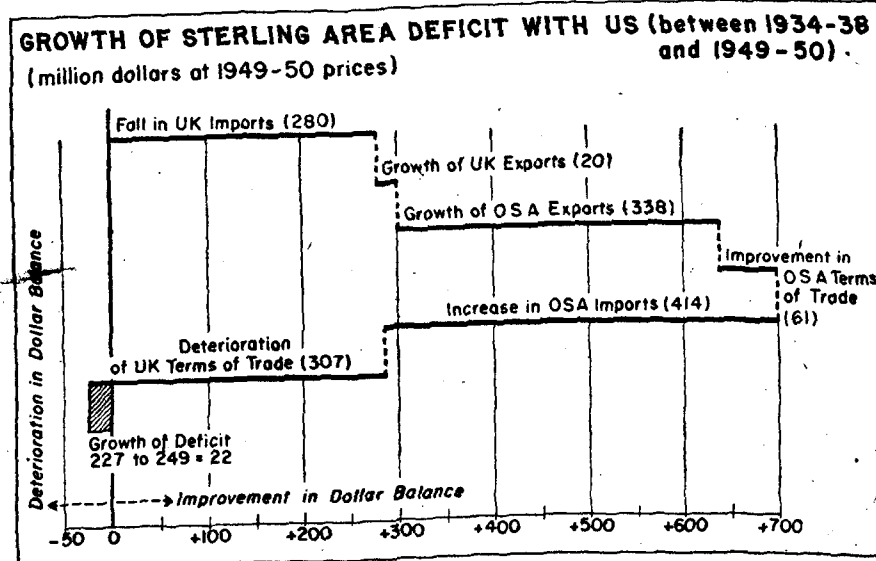
In these circumstances, if the Commonwealth Prime Ministers do not see the way that they should go towards dollar solvency, it can only be because each is determined to put a telescope to his blind eye. The first feature of any realistic programme for the Commonwealth should clearly be a determination to reduce industrial investment in the dominions to the amount that can be both financed and physically implemented from within the sterling area; in many cases this cut could be accomplished by a direct reduction of the capital expenditure of the dominion governments concerned, while in other cases it could be fostered by a rise in interest rates and a change in tax policies. The labour resources freed by this cut in industrial investment could be readily absorbed in dollar-earning primary production or dollar-saving work on the land. Britain's share in this programme should be to take stern measures to divert

the main features must be a sharp cut in industrial investment in the Dominions; some cut (or at least no rise) in consumption and social expenditure in Britain; some increase (eventually) in investment in metal mining and other forms of primary production in the overseas commonwealth; and a significant increase in investment in certain branches of British manufacturing industry that had to live on their capital equipment so voraciously during the war.

It would be idle to suppose that there are any glowing hopes that a programme of this sort will in fact emerge from the Commonwealth conference. There are many political barriers in the way. Some dominion representatives have come to London with pipe dreams about enlarged commonwealth development; by this they mean that they should be allowed to enjoy the sort of industrial boom that has roared across Canada in the last five years—though they have few of Canada's geographical advantages, fewer of its economic attractions, and nothing of its economic discipline. Others have come from countries where the building up of high-cost secondary industries has recently been accorded new encouragement behind the shelter of import restrictions. And the United Kingdom representatives have apparently thrown their own spanner into the works by proposing that margins of imperial preference might be widened; any such widening would tend to foster employment in consumer goods industries much more than in the vital capital goods field. The best that can be said is that most of these wrong-headed proposals seem to be opposed by other delegates in their turn, although often also for the wrong reasons.

But the prime object of this survey is to discuss soberly what ought to be done, not to speculate gloomily on what will be. If the Commonwealth Prime Ministers screwed up their courage to the sticking points delineated in this article, the direct saving on dollar imports by the Dominions might con-

ceivably amount to some \$200 or \$300 million a year, and the increase in exports of British capital equipment to non-sterling countries might perhaps be of the same order. If the Americans agreed to the three proposals put forward in the preceding article—and if American capital could be attracted into various schemes for the development of raw material production, of which much may be heard at next week's conference—there could then be a reasonable chance that the sterling area might run a dollar surplus more frequently than a dollar deficit; but only so long as sterling remained inconvertible and present dollar import restrictions remained in force. In four of the six postwar years the sterling area's net dollar deficit has fluctuated in the range \$900 million to \$1,750 million (and it has been \$938 million, excluding defence aid, in the first ten months of 1952); the two exceptions were 1947, when there was a net deficit of \$4,131 million, and 1950, when there was a net surplus of \$805 million. It seems quite evident, however, that a further safety valve would be needed before the sterling area could seriously consider—as distinct from lightheartedly embrace—any notable advance to freer trade or to general convertibility of sterling.



resources from consumer goods industries to capital goods industries; this could only be achieved by the creation of some transitional unemployment in Lancashire and elsewhere.

As and when production in the capital equipment industries rises, there can be some resumption of capital exports to the overseas commonwealth (preferably for the branches of metal mining which, in the view of the Paley Commission, should enjoy a mounting dollar demand) and a continuing increase in exports of capital equipment to non-sterling markets. But it should also be realised that British capital equipment industries badly need to eat more of their own young; according to the Economic Co-operation Administration, gross fixed investment in the United Kingdom increased by only £100 million (at constant 1949 prices) between 1938 and 1949—a figure that compares startlingly with the increase of £120 million (at constant 1949-50 prices) in British machinery exports to the overseas sterling area between 1934-38 and 1949-50.

If there is to be any serious attempt at an economic re-distribution of the Commonwealth's productive effort

Is Discrimination Inevitable?

THE programme delineated so far in this survey has been one that, if pursued, might lead the world back towards a precarious and discriminatory dollar balance. If present import restrictions remained in force, and if everything went right, the sterling area and Western Europe might then balance their accounts with North America more years than not; but there would still be bad years—and they might be very bad years indeed, while the good years might be only moderately good. In these circumstances it would be idle to suppose that the non-dollar countries would have much scope to make any major advance to freer trade; or, in view of the initial difficulties to be ridden over, that they would have any real incentive to try.

The tremulous attitude of many British and European economists towards currency convertibility and non-discriminatory trade is more soundly based than the impatient advocates of a dart for freedom profess to believe. For more than thirteen years demand for American goods in four and a half of the five continents has built up unassuaged behind the dam of discriminatory import restrictions; nobody knows quite how high the water has mounted now, but it is significant that whenever any government has allowed a hole to be punched in the dam, it has found the pressure greater than it had expected. Certainly, that has been Britain's experience. In the summer of 1947 a limited British experiment in sterling convertibility was washed away in less than ten weeks; and in the summer of 1952 a limited British experiment in commodity arbitrage was inundated in less than ten days. However sternly disinflation in the non-dollar world succeeds in keeping down current demand for American goods, it is clear that a great flood of accumulated demand will surge over into the American market as soon as import and exchange restrictions are modified—and there is no guarantee that that flood will be a once-for-all phenomenon. Moreover, as has been pointed out earlier in this survey, the strain would be even greater at a time of American recession; according to a recent United Nations estimate, a fall of only 4 per cent in the level of American employment might increase the world dollar gap by as much as \$10 billion a year.

Unless some mechanism is set up to take the strain of this initial flood-water, and to stand by for a rescue operation in the event of American slump, any advance towards convertibility and non-discrimination is going to be unwilling and weak. There would, indeed, be evident danger that such an advance might be swamped before it was really started. If this happened the course of freer trade would be set back for a generation. In fact, the worst outcome of the international conferences now impending (for America as for everybody else) would be the creation of conditions in which sterling convertibility and some sort of an advance towards non-discrimination might have a bare, but improbable, chance of succeeding—but in which it was a pre-requisite of American aid that Britain put this chance to the test. These conditions would give more power to the political elbow of either exactly the wrong people in Britain (if America exhorted the authorities here into a dangerous

experiment) or exactly the wrong people in America (if Britain refused to budge).

Floating Rates

Before going on to consider the sort of payments system under which convertibility and freer trade might be possible, it is necessary to consider whether the conclusion just reached is not contrary to common sense. It has, in effect, been argued above that, even if every disinflationary device is utilised as efficaciously as can reasonably be expected, there may still be an obstinately irreducible dollar shortage. This implies that there is a disequilibrium between dollar and non-dollar currencies so severe and organic that it cannot be removed by the techniques of the market, even if they are given free rein. Is this conclusion feasible—especially if the market techniques employed include that final adjuster, a floating exchange rate?

This is a subject about which more superficially learned nonsense has been propagated than about anything else—and in the field of economics that is saying a lot. It is almost certain that if an experiment in sterling convertibility (and in some sort of advance to non-discrimination) is attempted, then sterling must be set free to float. Those who still argue the case for trade freedom and rigid fixity of exchange rates are fighting a battle that was lost twenty years ago. No modern government is going to force or allow swingeing changes in its internal price and income levels merely to disguise or counteract similar swingeing changes in the real external strength of its currency—and there is no reason why it should try. In the long term it is almost certainly desirable that sterling and its associated currencies should depreciate against the dollar; such a depreciation, by making dollar goods more expensive, would discourage the dominions' extravagant imports of American capital equipment and encourage the production of materials that are at present bought from the dollar area. And, even on short term considerations, it is illogical to suppose that the appropriate exchange value for the dollar against sterling when commodity prices are at a boom-time peak is not lower than the rate that is appropriate when commodity prices are at a slump-time nadir.

In other words—in the metaphor of a preceding article—exchange movements, handled intelligently, would form another useful plank for the bridge. But there is no evidence to suggest that, by themselves, they could span the whole gap. Experience since the war has shown that America's entrenched economic position is so strong, the sensitivity of its trade balance to price (as distinct from income) changes so small, and its distance from Soviet Russia lends such a powerful support to the attraction of the dollar for capital, that the exchange rate might have to move a very long way indeed to achieve equilibrium—certainly in any political crisis or industrial recession. It is true that, at any one time, there must be some dollar exchange rate that would choke off foreign imports from America to such an extent that America's trade would balance. But the rate that would discourage

rich men from buying too many Packards (out of tax-free business expenses) might be one that would prohibit a poor man from buying any Canadian wheat at all; and the rate that might choke off dollar payments till they equated with dollar receipts at a time of recession might be a third or a quarter of the rate desirable in a time of commodity boom. It is silly to suppose that any British or European government could allow rates to fluctuate to this extent, merely to ensure that non-discrimination remains in force.

If sterling and other non-dollar currencies are devalued again, or set free to float, governments will therefore want to choose their moment very carefully, and they will need to determine themselves the limits within which rates move. Depreciation might be an indispensable weapon if prices of primary commodities fall sharply, and it almost certainly would be a useful opening cannon on the dawn of a great advance. But there is no reason to suppose that it can, by itself, blast the way clear for a major dash to convertibility and unrestricted trade. The IMF rule that seeks to prevent exchange rates from fluctuating by more than 1 per cent on either side of a fixed parity should be widened or withdrawn, but this would be a pill—not a panacea—for present trading ills.

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The conclusion that, in the absence of special currency arrangements, the world may face an irremediable shortage of dollars is not one that should surprise the trained economist; and it is one that has probably already been instinctively accepted by the untrained as an obvious and banal fact. Even the classical economists of the nineteenth century recognised that there could be limiting cases whereby very strong economies might wreck the sort of trading system that the gold standard enforced in their day,* and that the charter of the International Trade Organisation dreamed about for ours; and in his recent Stamp Memorial Lecture Professor John Williams, of Harvard University, in effect traced the way in which the growing predominance of the American economy has transformed this theoretical threat into a practical barrier in the way of facile advance to a world governed by the gospels of ITO. Those who have always pointed to the obvious fact that there is a specific dollar problem, as well as a general balance of payments one, are therefore at last in a good position to face up to those who have hitherto maintained that a specific dollar problem has no theoretical right to exist; they are now no longer in the same awkward condition as the bumble bee, which still buzzes about its daily tasks in obstinate ignorance of some convincing scientific proofs that it is aerodynamically impossible for it to fly.

Haven or Springboard?

This is some comfort, but not much practical help. For it suggests that a blunt choice must now be laid before the American public. This survey has argued that, if the measures delineated in this and the two preceding articles are determinedly put into effect, then the Commonwealth—with Western Europe and other non-dollar countries clinging to its coat-tails—ought to be able to reach a state of what might be called discrimi-

natory dollar balance. That is to say, they should eventually be able to stand free of all aid (at any rate so long as an American slump is avoided), but not free of discriminatory import restrictions. Anybody who believes that they can do more than this, even if exchange rates are allowed to float, is putting great emphasis on hope and precious little on recorded facts.

It is for the Americans to say whether such a trading system—so much better than that experienced since the war but so much worse than that dreamed about in the original Atlantic and ITO charters—would be enough. A world in discriminatory balance would certainly be a very much pleasanter place to live in than the crisis-ridden chaos of the past seven years. There would be more years in which non-dollar countries might seem to be hobbling to freedom, and fewer in which they were plainly scuttling to safety. There would be less danger of Communist contamination, and more prospect of Communist containment. But, in spite of this, the process of dividing the free world into two or more economic blocs would continue. Many American capital goods and most American consumer goods would still be kept out of non-dollar countries by import quotas; there would be no real approach to an economic distribution of labour. Moreover, as the years passed, the divergence between the two systems of economic practice would inevitably grow wider; a programme of the sort outlined so far might make recurrent short-term crises less frequent, but it would not stop the long-term drift to disunity and thus to disaster. For it would be idle to suppose that economic differences will not eventually exacerbate political ones. The supreme economic fact of the twentieth century is that it is only in an ITO world that sterling and the francs can really strive to look the dollar in the face; in all other worlds, to quote Lord Keynes, they will secretly strive to kick it in the bottom. The problem therefore remains: Under what sort of payments system would an approach to an ITO world be possible?

Defects of a Stabilisation Loan

In recent months many American Government agencies and liberal-minded public servants have been busily engaged in writing conflicting memoranda on this problem. This is a matter that British observers should treat with caution, for unofficial reports of the contents of these memoranda may be as misleading as unofficial assessments of the degree of support they command. But—at the risk of appearing ill-mannered—it does seem worthwhile to look the two most publicised of these phantom gift horses in the mouth. For one of these reported schemes seems to be just the sort that should be avoided, because it might lead to failure and disillusion; and the other—although almost certainly impractical in its present form—seems to be just the sort that the Commonwealth Conference might accept as a basis for discussion, and work on to make it more palatable to the new American administration.

The first of these reported projects is that for a straight stabilisation loan. As long ago as last spring there seem to have been some semi-official suggestions in Washington and Ottawa that if Britain decided to take the plunge into full-scale sterling convertibility, then the United States Congress and the Canadian Parliament might be induced to put a contingent credit

of some billions of dollars at Britain's disposal; the three governments would jointly express the hope that an experiment in convertibility would not make it necessary for Britain to draw on such a credit, but the cushion would be there if the worst befell.

Any such scheme would suffer from three major defects, which have jeopardised the success of all other "aid, not trade" arrangements in the past seven years. First, by relating aid to need, a stabilisation loan would reward failure and penalise success; although brave efforts were made to ignore the fact, this fault was one of the chief mistakes of the Marshall Plan. Secondly, the loan would presumably have to be liable to periodic renewal; it would involve another exercise in the insidious—and increasingly difficult—art of bilateral mendicacy. Thirdly, it would lead to nothing more than a coconut shy at convertibility by a groggy nation with a possibly unsteady aim; America and Canada would stand ready to pay for part of any really serious damage, but the loan technique would not by itself add measurably to the prospects of convertibility's success. The thesis behind such a loan seems, in fact, to be that there is some underlying equilibrium that will be uncovered once convertibility—and with it confidence—is restored. There is no evidence that any such underlying tendency to equilibrium exists. Unless, therefore, a stabilisation arrangement carries with it special measures to restrict dollar payments by, or to encourage dollar investment in, the non-dollar world, then the stabilisation dollars might flow back to the United States as quickly as the Anglo-American loan of 1946 (which was the first of many post-war plans drawn up on the same false assumption of underlying equilibrium).

That "Green Book"

The second of the projects that have recently been mooted is that reported to be contained in the unpublished "Green Book" drawn up by certain individual officials in the Mutual Security Agency. This book was not in any way an expression of the MSA's viewpoint; it was only one of the many working documents now circulating in Washington, and it is only as a working document that it requires to be considered. According to the American press, it put forward three main proposals. The first was that the currencies of Nato nations should be backed by a common reserve, to which each country should contribute in accordance with its gold holdings; the United States would therefore put up over 80 per cent of the whole. Secondly, it was suggested that there should be an Atlantic Commodity Board which would deal with problems of development and long-term purchasing contracts. And, thirdly, it was suggested that there should be an Atlantic Economic Board, which would serve as a forum for discussing the co-ordination of the economic policies of member countries.

This project, if it has been accurately reported, seems to have three subsidiary advantages, a number of technical oddities, and one crushing defect. The subsidiary advantages are that it would be collective and not bilateral; that it would be based (or so it appears) on a large initial contribution and not on an annual congressional vote; and that it would form the basis of a new system that might attract an increased flow of private dollar investment to the outside world. But these advantages are overwhelmed—and the technical oddities

rendered inconspicuous—by the project's major defect. That defect is that, in its present form, the scheme would not—and should not—have the ghost of a chance of attracting the support of any American administration.

The reason for this is clear. The authors of this document, being American citizens, have not felt in a position to propose any *quid pro quo* that the outside world could offer to America for its participation in such a scheme. This is the Commonwealth's opportunity. The Commonwealth Prime Ministers, in conjunction with the leaders of European countries, should propose two major amendments to this and other reported plans for an Atlantic Reserve scheme. First, they should suggest that countries that remain in persistent external deficit—which could only mean some of themselves—should surrender part of their economic sovereignty to the international body that would administer such a scheme. Secondly, they should submit proposals that would transform the reserve scheme into a full-scale clearing union; as will be seen from the following article, this would mean that those countries that maintained import restrictions would then find it actually unprofitable to discriminate against dollar goods. If these amendments were introduced the Atlantic Reserve Scheme, or Atlantic Payments Union as it might be called, could fairly be represented to the American public as a device for "trade, not aid"—because it could be justified economically by a clear historical analogy.

Towards a Clearing System

For, as so often, history surely provides the answer to this whole problem. This survey has shown—it is hoped plainly—that there is a hard core to the problem of trade restrictions that cannot be eradicated by further disinflation in the non-dollar world (although there is still plenty of room for that). It can only be eradicated by a new system of international payments, which recognises that an increase in world trade can only take place concurrently with an increase in world currency reserves; and which recognises, too, that this can never happen so long as the currency that is hardest to get is the one that everybody wants to hold. The great increase in national production and trade that took place in the nineteenth century would never have occurred if the system whereby internal purchasing power depended wholly on fluctuations in gold supply had not been swamped by the happy accident of the spreading cheque system; in the twentieth century the combined supply of dollars and gold to the outside world seems likely to be just as tight as the supply of gold alone in the nineteenth, and—within limits over which the United States should be given the main control—there is an urgent need for the adoption of the cheque system in the international sphere.

In other words, central banks must be prepared to hold part of their currency reserves in the form of deposits at some new international clearing union and only part in the form of hard cash; just as private individuals (whose rights would not, of course, be affected in any way by such a scheme) have grown accustomed over more than a century to holding part of their liquid claims over current resources in bank deposits and only part in bank notes. The following—and culminating—article in this survey suggests how such a new payments system might be devised.

* See, for example, Appendix J to Alfred Marshall's "Money, Credit and Commerce."

Atlantic Payments Union

IT is always dangerous to turn from the general to the particular—unless the general is very woolly indeed and the particular still peculiarly imprecise. That is why politicians rarely do it; they know that to expose detail is to expose too many sectors of their general argument to attack. But the concept of a World or Atlantic Payments Union is so vague an idea in the minds of most of its sponsors that this seems to be a subject on which it is imperative to play fair. This article will seek to set down squarely the main objectives at which a clearing union should aim, and reasonably detailed proposals about the way in which it might seek to attain them.

There are three general objectives. The first is to restore non-discrimination in world trade—not by getting Gatt or some other international body to enunciate rules that it is profitable for some countries to break, but by setting up a new payments system that would make it unprofitable for any country to discriminate in its import policy. This cannot be done so long as some imports can only be bought with very desirable currencies while others can be bought with currencies that everybody is willing to get rid of. In other words, it is a pre-requisite of non-discrimination that all exports and imports should be paid for in units of equal worth; and it is difficult to see how this can be done unless the central banking system of the United States (and of other potential creditor countries) is willing to receive payment for some of its country's exports—at such times and to such extent as it is necessary to do so—in the form of deposits at an international clearing union. These deposits should be immutable, interest-bearing claims upon other people's resources; the objective should be to make them not less valuable than gold.

The second general objective must be to ensure that the United States (and other creditor countries) are not asked to accumulate more of these claims upon other people's resources than they are willing to hold. This can only be done by keeping down the balance of payments deficits of other countries; and, if world trade is really to be freed, this has got to be done by giving an international body much more power over the internal economies of debtor countries than sovereign nations have hitherto been willing to concede. It should be emphasised, however, that no country can be obliged to accept this surrender of economic sovereignty; if it does not wish to accept, it can always resign from the clearing union and revert to the present system of international payments. The third general objective of the clearing union should therefore be to leave the way open to any such resignation—but to devise a mode of operation that will make it plain that any member country that resigns in this way will be giving up advantages that its electorate will not like to forgo.

Inducements to Hold Deposits

The proposals put forward in this article have been designed with these three objectives in view. They are intended as a basis for discussion, at all levels just a little lower than the stratosphere; certain technical difficulties have been omitted, but it is believed that they could all be circumvented by technical dodges.

One of the main problems of the scheme would be

to secure recognition of the idea that deposits at the clearing union were "as good as gold," and to prevent (in the initial stages, at any rate, it would have to be defined and mutually accepted obligations) a "run on the bank." For these reasons the units of account in the clearing union, in which deposits and overdrafts would be measured, should be specifically linked to a given weight of gold. Whether they should be called anything other than "gold ounces" seems a matter of little significance (after all, dollars in a checking account are not given a different name from dollar notes); in his proposals for a worldwide clearing union in 1943, Lord Keynes suggested the term "bancor" but this seems to be an unnecessary exercise in francophile linguistics.

When a country runs a balance of payments surplus, it should receive interest upon the credit balance that it accumulates at the clearing union; the funds for this should be accumulated by interest payments made by debtors. The provisions in Lord Keynes' proposed clearing union of 1943 whereby creditor countries would actually have been obliged to pay interest if they deposited too much with the union should certainly not be written into any new plan. They would not have served as any significant deterrent to countries that ran balance of payments surpluses (as Keynes intended they should) and they were a grave political blunder. They inevitably had the effect of helping to make his proposals stick in America's throat.

It would be idle to suppose, however, that the fact that the accumulation of deposits at the clearing union would attract interest would make countries more eager to receive payment in the form of such deposits rather than in dollars or gold. For this reason each country would have to be given a stated deposit obligation (that is to say, it should agree to receive payment in clearing union units for any balance of payments surplus up to a stated amount) and a stated overdraft facility. Under the European Payments Union, which has pioneered the way for a wider scheme, each member's maximum deposit obligation is equal to its maximum overdraft facility; there is no real reason why it should be, but perhaps also no real reason why it should not. What does seem clear, however, is that the EPU's method of calculating the relevant obligations and facilities has been a mistaken one. Each member's deposit obligations and credit line under EPU were originally set at some 10 per cent of its total trade in the year preceding the introduction of the scheme. Deposit obligations of this size soon proved quite insufficient even for a European scheme—and they would prove still more insufficient for a world scheme; they were also quickly proved to have been drawn up on the wrong criterion. If international division of labour is to be pushed to its proper limits, the smaller the country, the bigger should be the ratio of national income represented by its exports and imports. Even with international division of labour as imperfect as it is, a system relating individual quotas in a world wide clearing union to individual trade totals would have absurd consequences. It would impose upon Holland a deposit obligation and an overdraft facility which—in relation to its national income—would be ten times as large as those taken up by the United States.

If a clearing union were to have any chances of success, those who drew up the rules for it would have to avoid the main mistakes committed by those who have drawn up the rules for all other postwar instruments of international financial organisation—IMF, EPU and so on. They would have to avoid the temptation to underestimate the need for increased international liquidity. A minimum requirement—and even this might require a deep breath—would seem to be to set each member's deposit obligation (and possibly also its overdraft facility), at 50 per cent of one year's trade or 5 per cent of one year's gross national product, whichever was the greater. On the 1951 figures this would give Commonwealth countries a combined deposit obligation of up to nearly \$25 billion and the United States one of up to nearly \$17 billion. And, since the object would be to accommodate the surpluses and deficits of a long run of years, it would really be better if deposit obligations were fixed at double this amount.

It needs again to be emphasised what a US deposit obligation even as big as this "double amount" (say about \$35 billion) would mean. It would mean that if the United States continued to run a balance of payments surplus (and it should be given all the help it wants in keeping that surplus under control), then it would agree to receive payment for that surplus in up to \$35 billion of interest-bearing claims on other people's resources. It would not mean that the United States would not be paid for its surpluses but that it would have to take payment in the only way it can be taken—in imports from, or investments in, other countries. In the past twenty years it has covered its surplus instead by giving away about \$40 billion of foreign aid (excluding wartime aid) and receiving over \$20 billion in non-interest bearing gold.

Effect on Trade

What would be the effect on trade of the establishment of a clearing union of this sort? The first effect would be that European and Commonwealth countries would no longer have any cause to discriminate against imports that come from hard currency sources, compared with those that did not. Imports from all areas would be paid for in the same clearing union units; a British merchant who bought food from Canada or machinery from the United States would not cause the Bank of England any worse headaches than one who bought food from Denmark or machinery from Germany—and he could thus be allowed to make his choice solely on grounds of price.

It may be that there should be some initial shock-absorber here. Since some import restrictions would have to remain, although there would be no incentive to make them discriminatory, the immediate consequence of the establishment of a clearing union might be a massive reshuffle of the sorry pack; restrictions that particularly affected imports from the United States might be torn down, and restrictions that particularly affected imports from other countries put up in compensation. Perhaps the best way to avoid this would be to say that any import restrictions that were newly imposed (though not any that were newly lifted) would have to be approved by the clearing union; as will be suggested later, the union ought to be given some supervisory powers over members' import restrictions in any case. The result of

this would be that countries would have a continuing incentive to move towards non-discrimination when their overall external position improved; but not—as at present—a continuing incentive to move towards greater discrimination when their external positions got worse.

Moreover, the clearing union might well be able to hasten this general jostle to freedom. The EPU has set an example here, by its successful experiment in negotiating the progressive liberalisation of certain percentages of each country's import trade. A world clearing union would, of course, only be able to manoeuvre around such liberalisation within certain limits. The most crippling of these limits, on the system envisaged here, would be that a United States quota of even as much as \$35 billion could be swallowed (in a non-discriminating world) in three really bad years, or even less. The proper way to prevent this would be to bring big guns to bear on the internal policies of debtor countries.

Sanctions on Debtors

The EPU has devised three weapons to discourage countries from running into debt. It makes members settle part of their current deficits in gold, on a "sliding scale" basis, at a fairly early stage of their career as debtors; it reluctantly allows extreme debtors to default on the general liberalisation quotas; and it issues periodical special reports recommending debtors to tighten their internal policies. It can be argued that sliding scale arrangements would not be suitable for a world clearing union; such arrangements work in EPU because EPU units of account—which cannot be used for the purchase of dollar goods—are clearly not "as good as gold," while world clearing units would be meant to be. But since, in the early stages of the scheme at any rate, most countries would have a larger reserve of clearing union units than of gold, sliding scale arrangements would have some deterrent effect. They should therefore be incorporated into the scheme—and applied to creditors' receipts as well as debtors' payments—though not, probably, on the EPU formula.

The main weapon to force debtors towards solvency should, however, be a far greater insistence on internal disinflation—and probably also, if necessary, on fluctuations in exchange rates. A world clearing union would have to be much tougher than EPU has been about allowing defaults on liberalisation of trade; a body of case law might be built up, under which there could be a general assumption that a debtor country could still do more to put its external balance to rights so long as it had less than 3 per cent unemployment. This suggestion will, of course, be political dynamite, but the charter of any clearing union should be blandly explicit about what sort of club is intended. So long as a country wants to belong to the club, and enjoy drawing rights upon it, it should abide by the rules; if it wishes to resign, and return to the present system of international payments, it would of course be quite at liberty to do so—and perhaps the union should be rather generous about the funding arrangements for any accumulated debt with which it withdraws. So long as the United States continued to accept clearing union units in payment for its exports, there probably would not be many such resigning members; and those that did resign would not be much loss to the union's solvency and general peace of mind.

No Sanctions on Creditors?

So much for sanctions upon excessive debtors. The union would be able to plan these in the knowledge that it should be in a good position to enforce them. What now of sanctions against excessive creditors? It is easy to think up some unimpeachable case law here—to delineate, for example, the reflationary measures that creditor countries should take if they have more than 3 per cent unemployment. But, unless the United States volunteers proposals of this sort, economists on this side of the Atlantic should not bark learnedly through the obvious gaps in their teeth. In particular, nothing should be done to suggest that a creditor country will be asked to cut down the value of its accumulated holding of clearing union units. Indeed, if one country does emerge as a dominant creditor—and everybody can guess which it might be—then proposals might be made for the devaluation of all other currencies in terms of clearing units and of gold; this would increase the power of the claims over other people's resources represented by the creditor's holding of clearing units. And, of course, voluntary depreciations would do so, too.

The one sort of sanction that might be considered against creditors would be a scarce currency clause, on the Bretton Woods model. It has already been argued that the union, like EPU, should be able to issue instructions about "general liberalisation quotas"—that is to say, it should be able to say that no country can protect more than a certain percentage of its import trade by licences and other restrictions. If the general liberalisation quota had reached, say, 50 per cent and one country ran a persistent balance of payments surplus, then the union might be empowered to say that 50 per cent liberalisation need not apply to imports from it. There would, of course, be difficulties here, for most importing countries would not want to discriminate in this way; imports from the creditor country, like imports from all other countries, would still be paid for in the same clearing units—and only those countries that were in grave overall balance of payments difficulties at the point of 50 per cent liberalisation would feel forced to grasp at this straw. But, on the whole, European countries would not be wise to suggest that even a mild clause of this sort should come into operation until a member's deposits have reached a very high figure—unless the United States, as the country most likely to be affected by it, volunteers proposals to the contrary. It should be made clear, however, that if ever a creditor country wants purchases of its exports to be restricted, then the union will ask members to impose the necessary—and discriminatory—import restrictions. It might seem unlikely at this stage that any country would wish to risk the wrath of its exporting interests by making use of such a "discrimination by request" clause; but this could be an important feature of the clearing union.

Of course, if the worst befell and the United States, or any other creditor, ran such a huge surplus in this world of non-discriminatory trade that it exhausted its deposit obligation, then trade with it would have to revert to the present payments system. In that event other countries would again have to be allowed to discriminate against US exports, and they would again have every incentive to do so. If this return to the full scale discrimination of 1952 brought the world back into dollar surplus, then America would begin to utilise its clearing union deposits for its own imports—and thus get back into the club. If this sad return to full scale

discrimination did not bring an early return to dollar balance then nobody would be better off than they are now. But they would not be worse off either.

Several technical difficulties of the scheme have not been discussed in this article. They concern such things as loopholes in exchange controls; creditor countries might have to be asked to co-operate in preventing an inflow of capital to them. There would also be problems about currencies such as sterling that have been widely used as media of payments in international trade hitherto; and about the translation into clearing union units of existing sterling balances and even (if the scheme worked well) of existing gold holdings. There would be room for discussion whether commonwealth countries (and certain other groups) should have a combined quota or not. But these are not insoluble difficulties; and to discuss them here would be to pile unnecessary gristle into an already full plate.

America's Choice

That main question must be: Is such a clearing union politically possible? There is no doubt that it would take great courage for the Commonwealth Prime Ministers to sponsor it. There would be a howl of protest in Britain about the degree of international supervision over a debtor's internal economic affairs that it would entail; this howl would reach some way to the right of the Bevanite group. It would also be an act of great political courage for the new American Government to embrace it; the howl of protest there would extend past the Bevanites' natural allies in such matters—the *Chicago Tribune* group—some way towards the centre. All that can be done here is to put the kernel of the problem squarely before informed opinion in this country and abroad.

Under a clearing union system American business men would receive payment for their exports (as they do now) wholly in dollars; and the American central banking system would receive payment, as it did before it started to give foreign aid, wholly in claims upon other people's resources. The only difference would be that foreign countries—because they would have more claims on their own resources to hand out and no incentive to discriminate against dollar goods—might buy more American exports. They might, in fact, buy more than America thinks they should. In that case the United States would have two weapons. First, through its voice in the management of the clearing union, it would have more chance of regulating internal extravagance in foreign countries; secondly, under the "discrimination-by-request" clause described above, it could, if it wished, drive world trade back into its present pattern and cut down to or below their present level foreign demands upon United States industry.

The difference between the pre-Marshall Aid world and a clearing union world can, in fact, be summed up in one sentence. Under the old system foreign countries practised only as much non-discrimination against American goods as, in their weakness, they felt they could afford; under a clearing union system foreign countries would have every incentive to practise as much non-discrimination as America, in its strength, thinks that it can afford to let them have. That, in essence, will be President Eisenhower's choice. It is for him to say whether he will welcome such proposals if they come to him; or, if they do not, whether he will beckon them. If this survey has carried conviction, then the reader should by now be hoping that he will.

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LEADING ARTICLES

Waiting for Eisenhower	- - -	597
Kilawara, Kikuyu and Kenya	- - -	599
The Old Despotism	- - -	600
Commonwealth Consultation	- - -	602
Transport in Committee	- - -	603

NOTES OF THE WEEK	- - -	605
-------------------	-------	-----

Stately Shuffle; Stalemate on Steel; Divining Mr Dulles; Scrutiny at the Palais Chaillot; Convertibility against Socialism; The Lords on Self-Reform; Gold and Aluminium Coast; Riots in Iraq; General Mahmoud's Plans; War in the Thai Country; Fish in Dispute; The Taste for Sweets; Where There's a Will; Performance in Prague; Moscow's Change of Tactics; Umbrage at Unesco; Soft Spots for Stalin; Russia in the Reich Lectures.

LETTERS TO THE EDITOR	- - -	615
-----------------------	-------	-----

BOOKS AND PUBLICATIONS	- - -	616
------------------------	-------	-----

AMERICAN SURVEY

The Big Change	- - -	620
Teaching by Tape	- - -	621
Taft at the President's Right Hand; Budget in Eisenhower's Nest; Costello's Heir; Tobacco's Road Back; Voters have their Say; Shorter Note.		

THE WORLD OVERSEAS

Germans and the Middle East	626
Atlantic Assizes; Foreign Investment in India; German Liberals Veer to Nationalism; Venezuela Votes; Bad Example from Greece.	

THE BUSINESS WORLD

The Self-Service Revolution	- - -	636
Freeing Non-Ferrous Metals	- - -	638

BUSINESS NOTES	- - -	640
----------------	-------	-----

Commonwealth in Conference; Sterling Strengthens; More Imports from Europe; Longer Forward Exchange Facilities; The Fall in Car Exports; Ironfounders and the Bill; How Lancashire Chooses to Buy; Steel from British Ore; Airlines Over the Pole; Search for Sugar Agreement; Japan Pays Up; Wider Swing for the Kroner; Recovery in Industrial Life Assurance?; The New Measure of Production; Trends in Commonwealth Trade; Shorter Notes.

COMPANY NOTES	- - -	648
---------------	-------	-----

STATISTICAL SUMMARY	- - -	650
---------------------	-------	-----

COMPANY MEETINGS	- - -	651
------------------	-------	-----

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Waiting for Eisenhower

IT was hardly surprising that Mr Vyshinsky should have rejected the Indian proposals for an armistice in Korea. For there is no reason why he should at this moment be in a hurry to end the fighting, which is having political and strategic effects that were certainly neither expected nor hoped for when the attack on South Korea was first launched. To keep important American forces bitterly engaged; to cause dissension between the United States and its allies by the inequality of sacrifice that is revealed in the casualty lists; to strain the resources of the Soviet Union's rivals without losing a single Russian soldier—this all adds up in Moscow to an immensely profitable operation of war by proxy. There was a moment last summer when the Chinese and North Korean forces were saved from disaster by a Russian hint that led to truce negotiations. Now the situation is transformed. It is American public opinion that has expressed its desire for an end, by one means or another, to a war that cannot be won and must not be lost. It is the American President-elect who is pledged to seek a solution by personal intervention. It is the Communists, refreshed and reinforced in the lull caused by the Panmunjom talks, who have been on the offensive, attacking the vital Kumhwa ridges at enormous cost, losing two divisions in six weeks and expending ammunition on the scale of the Normandy battles. To them it must look as if it is the cause of the United Nations that is wilting: it is therefore a time for toughness about terms.

It is impossible to judge whether the Chinese want peace now or not; moreover, there is no evidence that the Indian Government has substantial grounds for believing that they would look kindly on the latest armistice proposals. It remains a main objective of Chinese policy to get the Americans out of South Korea; and if Peking is thinking primarily of protecting China, Moscow will be thinking primarily of neutralising a resurgent Japan. Even if Peking is not master in its own house, there must be a feeling among Mao Tse-tung's advisers that their bargaining power has lately grown. The fact that the decisions in American policy now lie with the Republicans, who used to criticise Mr Acheson for weakness, and that these same Republicans seem to wish to end the campaign must loom very large in Chinese eyes. Their military plan at the moment seems to be to make the campaign even bloodier, the tension even tenser, while General Eisenhower makes up his mind.

The background against which the Indians made their proposals was, therefore, far less favourable than seems to have been realised. They made certain concessions—by no means the first—to the Communist view on the handling of prisoners, which were probably interpreted by Mr Vyshinsky as a sign of weakness, not of strength. This was, perhaps, one reason why Mr Acheson, acting in the shadow of his Republican successor Mr Dulles, regarded them with suspicion. To negotiate from strength has been article one of his diplomatic creed; and at this particular moment—indeed, ever since General

Eisenhower rashly roused hopes that he could end the war—Mr Acheson must have felt a notable weakening of the United Nations position. Mr Eden, on the other hand, believes that the relationship between the Soviet Union and China invites exploitation by diplomacy. Two can play at Stalin's splitting game. China is gaining nothing by the Korean campaign; indeed, it remains in complete dependence on the Russians so long as it goes on. It may be beyond the power of western diplomacy to split the two Communist great powers in the predictable future; but it is not beyond its power to reduce the dependence of Peking on Moscow by finding ways of ending the war.

It is a subtle and attractive theory, to which some of Mr Eden's advisers are understandably attached; but it is not one which it is particularly appropriate to apply at this moment. If the Chinese had reasons to believe that General Eisenhower would do what Governor Stevenson said he himself would do if elected—keep the troops in Korea one day longer than the Communists—then they might feel it worth their while to end the ordeal by negotiation. But so long as they can hope that American opinion is moving away from Mr Stevenson's view, so long will they sacrifice six of their soldiers in order to add one more to the UN casualty list. The sooner General Eisenhower's visit to Korea is made and its results assessed, the better it will be for everyone.

The fact has to be faced that those results, after what has happened at the United Nations, may be far from reassuring. It may prove necessary to demand of the United States and its allies a greater effort for a longer time, if only to disperse any ideas in the Communist capitals that the free nations are faltering. And it is General Eisenhower's supreme asset that only he could ask for such an effort, whether of the United States or of other nations. This is a point of immense importance that may well have been missed in Moscow and Peking—the point that if General Eisenhower decides the struggle must go on or be intensified, and if the Russians and Chinese persist in demanding the forcible repatriation of all prisoners of war, then Americans will rally to him, with opinion outside the United States almost certainly following.

There is much to be said from the Communist point of view for the Indian initiative which Mr Vyshinsky frustrated. It was reasonable, conciliatory, gave the aggressors the benefit of the doubt on points of great importance, and treated the Czech and Polish governments as capable of neutral behaviour; it took the repatriation of prisoners out of the hands of the belligerents and offered them ample opportunities for delay, cheating and pressure on individuals. It was because the proposals were so open to abuse that Mr Acheson criticised them—with very good reason, given his embarrassing position as an outgoing Secretary of State. And it was, presumably, because they offered loopholes and baits to the Chinese that Mr Eden supported them, with full realisation of the risks. Yet, in spite of this—in spite of the fact that there were differences of view between Washington and London, in spite of the fact that the Western Powers were again allowing one Asian government to suggest some appeasement of another—Mr Vyshinsky said No. He may yet regret it.

The nations with troops in Korea have quite rightly decided to persist with this Indian plan. The risks it

entails are worth accepting for the prospects that it offers of breaking the Panmunjom deadlock and of mobilising the whole opinion of the free world behind the principle that there shall be no forcible repatriation of prisoners. It should be pressed ahead so that Mr Vyshinsky may be forced to seek new instructions. His masters understand and respect obstinacy and, however much they enjoy the dividends of Korea, they will not want to be manoeuvred into a position where they are clearly responsible for a failure to end the fighting. At this stage, after Mr Vyshinsky's refusal, the effort of the United Nations can be little more than a diplomatic game; but it is well worth playing, and it will be a great pity if Mr Acheson's instructions make him hold up or complicate the moves. For the game could very soon become deadly earnest; and it would then be necessary for the nations taking the leading part in Korea to show the greatest resolution and unity in seeing that the Indian plan were honestly carried out.

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Its fate will depend largely on developments in American policy. If General Eisenhower takes and announces one decision—that there is a way to peace by negotiation and bargaining—then the Indian proposals and the UN action would cease to be useful. But if he took a decision in the opposite sense—a decision that there is no quick way of stopping the war and that the fighting must go on—then the Russians and Chinese might find the UN proposals of interest. Their constant endeavour will be to keep opinion in the United States and elsewhere divided: when appeasement is in the air they will put pressure on the front; when resolution is in the air they will want to talk peace. The virtue of the Indian proposals is that their refusal to accept forcible return of prisoners shows resolution, while their concessions to Communist views show a genuine desire for peace. Both factors are vital and there is no good reason why the American and British divergences about which was the more important should have been interpreted this week as something fundamental. They were not.

For the moment Britain's role in the matter cannot be very active. So much depends on the visit of General Eisenhower to Korea. There, it is true, he will be talking as President-elect to American officers who are responsible in the last instance to the United Nations. Yet nothing can alter the fact that this will be a highly personal mission to carry out a pledge to the American people. It is no time for unsolicited advice, whether official or unofficial. The General has sufficient experience of working loyally with allies to know how and when to ask for it. The best that can be done, for the time being, by Britain and other countries involved in the struggle is to maintain unity and pressure behind the armistice proposals.

Whatever decision General Eisenhower may reach, whether the fighting can be stopped or not, there is no reason to believe that the Korean problem can be quickly solved. Even if the peninsula could be left divided between the North and South Koreans, is it credible that the North Koreans will give up their aim of national unity under Communism, or that China and Russia will not do all in their power to weaken the American position in Formosa and Japan? Behind the Korean war lies the whole question whether the United States and Japan can establish in the Far East a counterweight to the Soviet-Chinese alliance. And it is that which really worries Mr Vyshinsky's masters.

Kilawara, Kikuyu and Kenya

[T] is rare these days for the adjournment of the House of Commons to be moved to draw attention to "a definite matter of urgent public importance." It is quite exceptional for this procedure to be used to raise a colonial issue. Yet on Tuesday of this week the important and politically controversial debate on the second reading of the Iron and Steel Bill was interrupted by the discussion of the incident at Kilawara in Kenya last weekend, when 16 Africans were killed and 17 wounded.

There was a time, even within living memory, when such an incident could cause neither concern nor interest; it would have been regarded as an inevitable accompaniment of empire-holding. Much more recently it would have been discussed in Parliament and that would have been the end of it—except perhaps for the appointment of a commission of inquiry. Today, however, discussion of an incident like that at Kilawara cannot be confined either to the colony concerned or to this country. The reactions to it may be worldwide, and by exaggeration or distortion far more harm may be done than by the incident itself.

For this reason a full statement on the Kilawara affair was essential, and if the Opposition thought that Mr Lyttelton's first statement after question-time on Tuesday was inadequate or unconvincing, they were quite justified in asking for more facts and even in pressing for an early debate. But by using an exceptional form of procedure, interrupting the normal business of the House of Commons, the Opposition ran the risk of weakening the forces of law and order in Kenya. The Labour party was right to force such a debate only if it is convinced that the measures taken by the Kenya Government to combat Mau Mau are entirely unjustified. Public opinion in this country must not be thought to be divided unless it truly is. The killing of 16 law-breaking Africans by policemen acting in self-defence, after repeated warnings and persuasion had failed, is deplorable and regrettable. But does it compare in importance with the murder of at least three times that number of law-abiding Kenya citizens—Africans and Europeans—by the agents of Mau Mau?

Mr Griffiths fortunately did not press his motion to a division, and Mr Lyttelton's full account of the incident must convince most people that the shooting was unavoidable. The gathering of Africans was unquestionably illegal, for they had clearly been collected from far and wide. They disregarded the warning of the small party of police that discovered them. They disregarded the attempts of a civilian officer—an African chief speaking their own language—to disperse them. They disregarded the warnings of the police reinforcements who arrived later and found that they had been worked into a state of frenzy by a youth who, according to Mr Lyttelton, has admitted to have

prophesied that God would arrive at Kilawara at one o'clock and that then aeroplanes would fall to the earth and the police bullets would be turned to water.

In this state of frenzy they attacked the police force consisting of 22 Africans and three European officers, who, with commendable restraint, did not open fire until the mob was seven to ten yards away. Mr Lyttelton admitted that the three officers were young—aged 20-22.

But would anyone older have acted differently or with greater restraint?

Nevertheless, even if the shooting of Africans at Kilawara was a tragic necessity, there remains the danger that the whole of the Kikuyu tribe may be provoked by it into hostility to the Kenya Government. A few weeks ago, it was still true to say that only a minority of the Kikuyu supported Mau Mau. Is this true today? And, if so, will it be true in a week or two, after a few more villages have had their cattle impounded in the infliction of communal punishment? It is this danger that the Mau Mau crimes may develop into an outright struggle, first, between all the Kikuyu and the Government and ultimately between Africans and Europeans that is far more disturbing than the Kilawara incident itself.

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Hitherto, Mr Griffiths has supported the Government in its support of the Kenya Government's emergency measures. Certainly the reasons for doubt have increased, and some questions may justifiably be asked. Is it wise to prohibit all meetings of Africans everywhere and thereby prevent their moderate leaders from addressing them and persuading them to support the Government? Is it wise for the Government to punish innocent Africans who refuse to give information about the terrorists, when it cannot protect them from reprisals? Cannot the Government make a greater use of African leaders in resisting Mau Mau? What, once the present disturbances have been settled, are the long-term measures proposed to prevent a recurrence?

On the immediate issue—the wisdom of the emergency measures—it is hard to say whether Mr Lyttelton is right or wrong; but at least he made a strong case. Mr Odede, the acting president of the Kenya African Union, had himself told Mr Lyttelton that the holding of public meetings was inadvisable. The Colonial Secretary admitted that collective punishment was distasteful; he admitted, too, that it, and all the repressive measures, aroused the danger of alienating Africans who are now sympathetic to the Government. But he asserted that its use would be strictly confined to places where not even a small group of inhabitants help the police to find those responsible for serious crimes. With the example of Malaya before them, few people would be bold enough today to advise more moderation. But the justification of the present policy in Kenya will be a speedy end to the activities of Mau Mau. If repressive measures have to be maintained over many months, they will leave a long legacy of bitterness.

It is tempting to place the present disturbances in Kenya in a wider setting: to look upon them as the fruits of Malanism in South Africa on the one hand or of the big political advances made by West Africans on the other. But to ascribe them solely to extraneous influences would be misleading. The situation in Kenya has been inherently explosive for many years. How could it be otherwise, with a steadily growing African population, which is increasingly unable to find a means of subsistence on the land, living side by side with a small European population farming large acres?

Mr Lyttelton denies that the cause of Mau Mau's

campaign is directly economic. That may be true; but it is equally true that without far-reaching economic measures the danger of similar disturbances will remain. Some eighteen months ago, when he was Secretary of State, Mr Griffiths achieved a remarkable *tour de force* in getting all races to agree to a round table discussion on constitutional reform. Partly as a result of his efforts, and partly as a result of the increasing readiness of the Europeans to accept the participation of Africans in the colony's government, Kenya appeared to have lived down its former reputation of a land of inter-racial hostility. In spite of all that has happened in the last few months, the inter-racial conference on constitutional reform must go on, and Mr Lyttelton has given the welcome assurance that it will go on as soon as the present disturbances subside. But to give the Africans equal political rights

with the Europeans while leaving them without the means of subsistence cannot solve Kenya's problem.

The appointment of the promised Royal Commission is therefore of the utmost urgency. The delay in announcing the members is understandable, for in the colonies today a commission is judged as much by the personalities of the people composing it as by what they recommend, and an unfortunate appointment can destroy confidence in its impartiality. But time in Kenya is getting short. Mr Griffiths said this week that Kenya may be Britain's last chance in Africa of working out a democratic constitution in which all races can co-operate. It is also a test case of colonial development, a chance for Britain to show that it has the will and the means to give Africans bread—and enough of it—as well as the vote.

The Old Despotism

IT is a long time since any government in these islands nursed a sinister intention to interfere with the essential liberties of the people; but every government will behave illiberally for its own convenience—to an extent limited by little but the vigilance of public opinion. The present Cabinet is no exception. In the past ten days it has shown, in two separate matters, a shocking disregard for the principles of free, democratic government. Admittedly the offences, though great, are of a familiar kind. They are, first, the savage use of the guillotine to limit parliamentary debate on the Transport Bill; and, secondly, the maintenance of the last Government's emergency legislation—legislation that confers large and ill-defined powers on the executive. The Conservatives used to profess their wish to abolish this legislation, and the familiarity of their change of front does not excuse them.

The Labour party in recent years has shown clearly the politician's great capacity, in the pride of office, for ignoring middle opinion. There were, however, reasons to hope that Mr Churchill's ministers might in this respect have more wisdom. They came to office freshly fertilised by the liberal ideas that touched their party in opposition. They have a very narrow majority, which suffices comfortably only because of Liberal support in the division lobbies. And, above all, the Conservatives would never have gained office if they had not been accepted as the lesser evil by former Liberal supporters. In this, the experience of the general election has been confirmed, not refuted, by the High Wycombe by-election that has given the Tories their new confidence. In a straight fight, they won easily; but it is likely that a Liberal candidate could have attracted enough votes to tilt the balance against Conservatism.

These considerations ought to be strong in the minds of ministers. But power can corrupt the judgment as well as the principles of politicians. Both the use of the guillotine and the continuance of emergency regulations without reform have been pushed through against the opposition of the Liberals who are normally the Government's allies in Parliament. And in both cases, the reasons for the Government's actions cannot be put much higher than a mixture of laziness, inefficiency and concession to bureaucratic convenience.

In this Parliament there has to be government by guillotine. The Opposition, naturally enough, is bent

on delay, and the smallness of the Government's majority prevents it from committing controversial Bills to a standing committee, where its majority would be insecure. Business therefore cannot be got through at any reasonable pace without a timetable for the Bill's progress in committee of the whole House. But the necessity for this guillotining of debate does not make it any less an infringement of the minority's freedom to criticise—the freedom that is the foundation of genuine parliamentary government. The guillotine is an exceptional necessity, not a right that the majority can assert to suit its convenience. Mr Crookshank last week did treat it as such a right, and though in this week's debate he troubled to make some apology for his executioner's robes, the deed was done none the less.

There is a minor and a major criticism of this resort to the guillotine. The decision to use it was taken too soon, and should have been delayed until the first days of debate had shown beyond challenge that the Opposition was making the discussion unnecessarily and unreasonably slow. But the Government's major and entirely inexcusable affront to Parliament is its intention to limit the committee stage of the Transport Bill to 'seven days' discussion, or 49 hours of Parliamentary time. In 1947 the committee stage of Labour's Transport Bill was limited to 77 hours, and *The Economist* commented:

There has never been another such case of the brutal use of the guillotine. . . . There is no point in mincing words. The way the Government have rammed this Bill through the Commons is a scandal and an insult to the democratic process.

There is no more point in mincing words now. It is true that the present Bill is in some respects slighter than that of 1947; but the subject is the same and, as is argued on a later page, the Bill certainly cries out for improvement in committee. The Government's first and second thoughts on transport have already been radically transformed under the influence of outside criticism, and the process should go on; indeed the Minister of Transport has invited it. The only motive for extreme haste has nothing to do with transport. It is party pride. The Tories are anxious to get one of their controversial measures to the statute book now because they lost so much time in their first year—partly

from bad luck, but chiefly from their own hesitations and short-sightedness.

The fact that Labour has similarly misbehaved in the past provides no excuse whatever for the party that is supposedly most concerned to maintain the traditions of Parliament. Equally, the misdeeds of the other side are no reason why the Tories should be content to renew the Supplies and Services Act and the other emergency regulations of the war and immediate postwar years. In opposition, their views were plain. Mr Churchill said in 1947: "These powers are the negation of British freedom and our way of life in time of peace." When the war was still only two years away, that may have been a somewhat immoderate proposition. It is surely not open to challenge more than seven years after the end of the war.

No one denies that the modern state has to entrust the executive with a large and intricate volume of delegated legislation. No one denies that many of the powers exercised under emergency legislation are still needed. The whole system of rationing, the control of materials and most price controls depend on them; so does the Government's opencast coal mining. But if many of these things are still necessary, that, surely, is the reason why they should not still be allowed to rest on the vague powers that were conferred on the executive, without any effective Parliamentary supervision, in response to a long-past emergency.

The Conservatives were supposed to have a policy in this matter. A year ago the speech from the throne announced that ministers would

review the whole subject with the aim of reducing the number of these controls and regulations and, wherever possible, embodying those which must be kept in legislation requiring annual renewal by Parliament.

This was consistent with the attitude Conservatives had taken in opposition, and it was reasonable. Yet last week the Lord Chancellor calmly reported that "the Government have not yet been able to satisfy themselves that there are any powers which fall clearly into this category"—the category of regulations that can be embodied in legislation requiring annual review.

This change of view has not been explained. There are two possible explanations. Either ministers a year ago were being entirely foolish, or their enthusiasm for liberal reform evaporated as soon as they got into office. The second explanation is the less unflattering as well as the more likely. To frame legislation that would satisfactorily define the powers that the Government needs is admittedly very difficult. But it is precisely those diffi-

culties that make the definition necessary. If Parliament shuns them, they have to be faced in practice by the ministers and civil servants who decide how to use the powers. And the interpretation of vague powers is not, in peacetime, a function with which the executive should be entrusted.

The general inquiry into delegated legislation that the Government suggests has nothing to do with this problem; it will be concerned generally with Parliamentary supervision, and most of such legislation is made under statutory powers that are fairly well defined. The first stage in any real attempt to curb the inflated powers of the executive must be to put the regulations at present based on emergency legislation on to the same footing as other delegated legislation. The Government should have no powers that are not either closely defined in scope or limited in duration.

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The Tories no doubt sincerely feel that the liberties of the British people are safe in their hands. They will not abuse these powers, so why go to all the trouble of clearing up the tangle of emergency legislation that does no practical harm as long as ministers mean no harm? They should reflect that the lowest common factor which unites their supporters in the country is dislike of what a Left-wing Labour government might be like. How much weaker will be the defence against future inroads on the country's freedom, against the further debasement of Parliament, if the Conservatives themselves have kept in being powers that are an insult to Parliament and an open invitation to bureaucratic assertion over the rights of the individual? As Mr Boyd-Carpenter fairly pointed out at the end of last week's debate, "The general criticism has been, not that we are asking for excessive powers, but that we are not asking for enough." This attitude on the Labour side is a clear enough warning. If its liberal professions mean anything, the Government should be bringing the powers of the state into definition while it has the chance.

It does not trouble to do so because such reform is outside the immediate party battle. Here, indeed, is the outstanding defect of the British political system as it now operates. It unites the massive parties of Left and Right in one thing: they are both enabled to ignore middle opinion with impunity except when an election is close at hand. But a heavy price will be paid by the Tories, and by British democracy, if they go on yielding to that temptation.

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Commonwealth Consultation

COMMONWEALTH conferences have become more frequent since the war; meetings of the Prime Ministers, now virtually annual events, are supplemented by meetings of Ministers for foreign affairs, defence and finance. Yet, to the average citizen of the Commonwealth, the meetings seem to produce little result or apparently odd results. The most publicised decision of the conference of Finance Ministers last January was Australia's decision to include British goods in its sweeping restrictions on imports. Even defence presents an uncertain picture, with Britain claiming a role in the Anzus arrangements which Australia and New Zealand are unable to concede. Consultations multiply, but so apparently do the disagreements. At some point the observer begins to wonder whether, after all, the Emperor wears any clothes. It may well be that the widespread lack of genuine interest in the Commonwealth idea that is observable in Britain is due to this difficulty of seeing its practical advantages.

This mood of disappointment almost certainly springs from a misunderstanding of the basis of Commonwealth co-operation. The relationship between its members is essentially that of free associates, and no decision taken by Ministers in conference can supersede the responsibility of each separate Parliament. It is true that a specific obligation, agreed to by all the Prime Ministers, could be passed through each Dominion Parliament. Yet the acceptance of such obligations has not been popular, in part because each Dominion prefers to have its hands unfettered in times of crisis, but much more because of a feeling that to define obligations is to restrict the field and method of co-operation. Mr St Laurent, for instance, has affirmed both his dislike of specific commitments and his belief that the Commonwealth is a closer alliance than any in history. The explanation of the paradox lies in the fear that the more precisely an obligation is defined, the more likely it is to limit co-operation to the precise fulfilment of that obligation, and to exclude a wider field of common activity.

To these limitations, imposed by the spirit and history of the Commonwealth, must be added two others inherent in contemporary politics. Confronted with Soviet military might and the threat of Chinese expansion, the Commonwealth is not and cannot be a self-sufficient military power. The need to relate defence to American power in both the Atlantic and the Pacific has created superficial difficulties—Australia fearing exclusion from one region because of Nato, Britain fearing exclusion from another because of Anzus. In fact, however, only one policy could seriously disturb Commonwealth relations, and that would be some Bevanite or neutralist fantasy of facing Soviet might and spite in divorce from the American alliance. Any such policy pursued from London could, indeed, split the Commonwealth. The present differences are only surface deep and are, indeed, useful reminders that the Commonwealth cannot by any internal arrangements alter the pattern of world power. The realities of defence have, moreover, parallels in the economic field. The high degree of consumption in Britain and Australia is incompatible with any large export of capital goods to less developed dominions such as India. Any adequate scheme for mutual aid within the Commonwealth also depends upon securing capital from the United States.

The Commonwealth is thus neither self-sufficient nor naturally unanimous, and as the family grows, the divergence of ideas is likely to increase. Asian and African Dominions cannot be expected, for instance, to have the same views about colonial rule that are held in Europe. This, in turn, can create special problems in the relations between, say, London and Paris that touch New Delhi not at all. Commonwealth consultation cannot, therefore, tie individual Dominions in advance, supersede their parliamentary responsibility, alter the facts of power in the world or spring from a spontaneous tendency towards agreement. This is a formidable list of negotiations, and it may well be asked what, then, can consultation accomplish, and what is its value to the Commonwealth and to the world?

Such misgivings represent a serious underestimate of the true value of close consultation. The relations between most states are conducted within a penumbra of half-truths, ill-digested information and historic misunderstandings. Even if the objectives of policies are grasped, the reasons for them may not be. Through all diplomacy, therefore, runs a thread of suspicion which results more often from ignorance than from ill will. Even relations between such close partners as Britain and the United States illustrate these difficulties. It is, therefore, no small matter that in one community of diverse nations stretching from one end of the world to the other, the flow of information, full explanation, and the habit of consultation have reduced the factor of ignorance to the lowest level ever achieved between sovereign states. The result may not always be complete agreement, but it is almost invariably confidence and goodwill.

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It follows that the chief way in which the Commonwealth can be strengthened and its particular contribution to peace and prosperity enhanced is by constantly improving both the quality of the information exchanged and the methods of close consultation. These improvements will of themselves make the emergence of common policies more likely; and even where disagreement persists, the atmosphere of confidence will not be disturbed. In both respects there is great room for improvement. Quantity of information, the mere passing on by London of telegrams by the batch, is no substitute for quality. An enlightened background despatch, designed to make sense of the flood of individual telegrams, may demand more work and thought, but it is the very stuff of genuine information. Nor is the geographical flow of information satisfactory. Although there are two committees in London acting as a clearing-house—Lord Bruce pointed out in 1948 that 90 per cent of the information went out from London to the Commonwealth capitals—such a concentration upon messages from the United Kingdom cannot create a genuinely informed Commonwealth. London is quite as much in need of information, and each Commonwealth capital would also gain from a greater flow of despatches, say, from Canberra direct to Ottawa, or from Ottawa to New Delhi. London does not need to be a general posting-box, and the great increase in the direct diplomatic representation of the Dominions should make possible a wider, but also more intelligent and selective, dissemination of information.

Improvements in the machinery of consultation have often been discussed, and especially the idea of a Commonwealth secretariat. This proposal would never commend itself to the Commonwealth as a whole; either it would arouse the suspicion that it was drawing to itself policy-making functions, or it would be left high and dry by the determination of national departments to lose none of their authority. But the suggestion of a joint secretariat does not exhaust the possibilities. The preparations for the meeting of Finance Ministers last January and for this week's conference of Prime Ministers have established a new and sensible pattern: a preliminary conference of officials to put the agenda in order, and to avoid time-wasting consideration of detail by the Ministers themselves. There is also great room for advance within the various Commonwealth civil services. At present, the fighting services alone are exchanging personnel on a substantial scale. This example should be adopted more fully, and officials from all departments should be seconded for service within the civil services of other Dominions. Moreover, such secondment should be treated as virtually a condition of promotion and not as a period of exile during which those who remain behind secure the most envied posts. No single factor could so quickly increase understanding within the Commonwealth as the presence in every civil service of men who know the working of other Dominions' policy from the inside.

These criticisms of information and consultation apply in all parts of the Commonwealth, but a special responsibility rests upon the United Kingdom, which it should not fear to accept. Inevitably, London will for years to come be the centre where information is fullest, and

where vision can be widest. When, therefore, as a result of the fullest knowledge and contact, it appears evident that some joint policy would command general support, it is almost certainly London that would be best placed to take the initiative. Certain inhibitions still hold British officials back. The picture of a dominant mother country, in danger of overlaying its young offspring, lingers on. In fact, however, the young Dominions are now of age and the mother country is regarded not so much as an autocrat as a problem parent whose heavy population, narrow economic resources and financial instability give grave cause for alarm. British initiative, therefore, is unlikely to be feared or resented.

It is a big step to accept the possibility of giving a lead. The initiatives themselves demand even greater resolution. The habit of mind in London is rather that of dealing with events as they arise; this, in a worldwide community, may well mean that they are already beyond control. To go ahead of events, to grasp opportunities, to create and not suffer situations is a contribution to Commonwealth development which so far has been seized only once since the war, in the Colombo Plan. But that plan does not exhaust the field of possible initiative. In the next three or four years, the relationship between the sterling and the dollar area, between developed and under-developed areas, between the strategic problems of Europe and Asia are likely to be crucial and to cut across Commonwealth relationships at every turn. Here surely are fields in which imaginative and courageous leadership from Her Majesty's Ministers in the United Kingdom could transform the Commonwealth from a passive reinforcement to an active agent in the stability of the free world.

Transport in Committee

WHEN Mr Lennox-Boyd introduced the Transport Bill nearly a fortnight ago, he used words that strongly suggested that the Government would be ready to make improvements after scrupulous and careful examination of the Bill in Committee. This attitude seemed to be fair and wise; the Bill may be an improvement on its forerunner, but it is far short of perfect. The objection to the Government's decision to allow no more than seven days to the Committee stage of the Bill, with the guillotine descending according to a fixed time-table, is not solely the grand principle—used by both sides at will—that it usurps the liberties of the House and the rights of the Opposition; it is primarily that this is a Bill that needs more time if it is to be satisfactorily reshaped.

Since the Government are wedded to the idea that privately owned road haulage alone can provide cheap and efficient service for traders, and since the disposal of the Road Haulage Executive's fleet "as quickly as is reasonably practicable" is the primary purpose of the Bill, it would be hard for them to give way on the extent or on the method of denationalisation. Yet there is a growing volume of evidence that hasty denationalisation would disrupt the trunk road haulage services on which traders now rely—and which, on the whole, they find efficient and economical. The comments of the Association of British Chambers of Commerce on this matter of disruption are entitled to respect. But perhaps there is one risk that threatens even graver harm—the risk that

British Road Services may be demoralised by the offering for sale of its vehicles for which in fact few bidders appear. The total fleet of the Road Haulage Executive amounts to roughly 40,000 vehicles, of which 30,000 are engaged in general haulage on trunk routes and tramp work, while the rest are split more or less equally between parcels, specialised traffics, and contract hire. An optimistic private estimate of the number of the Executive's vehicles that are likely to be sold is one-fifth of the total, and the presumption is that most of the 8,000 vehicles—if they were sold—would come from the trunk services, the development of which has been the outstanding achievement of British Road Services in the past five years.

There may be an argument for selling one or more of these services as a going concern, though mere change of ownership would not in itself make them capable of better service to the public. But the wisdom of taking pieces of services and offering them as "transport units" is open to serious doubt. The terms on which vehicles are to be disposed of are intended to secure that the "small man" who wants to return to the industry should be able to do so. This involves a misconception of the economics of road haulage; the small operators will have to group together, through some form of clearing house organisation, to do precisely what the Road Haulage Executive now does to obtain return loads and avoid empty running. There may be competitive sense in having publicly and privately owned trunk services

vying with each other in efficiency and cost on the same routes; there is none in taking a few vehicles from a number of routes and expecting to attract private enterprise into running them. If mileage restrictions are to go and if "A" and "B" licences are to be made more easily obtainable, the result would surely be to give British Road Services all the competition that could possibly be needed; it will also make the "small man" think twice about "coming back" into an industry that has greatly changed since he knew it.

This suggests that it would be desirable both to fix a limit to the number of the Executive's vehicles that are to be sold, and to arrange their sale in a way that does least damage to the efficient working of the road haulage industry and promises the greatest competitive spur to both publicly and privately owned services. The small man is a figment of political imagination, no longer appropriate, and almost certainly no longer anxious, to undertake road haulage business.

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To advocate a policy of this kind is to suggest radical and unpalatable changes in the early clauses of the Bill. But the original purpose of "freeing road haulage" has now been overlaid by the reorganisation of the railways, and it is here that the restriction on the "full consideration" in Committee that Mr Lennox-Boyd promised will be most keenly felt. In his speech on the Second Reading, the Minister by no means succeeded in removing doubts about the scope of the new freedom that the railways are to be given in fixing their charges. The first impressions left by the Bill still stand—"freedom" will in practice be seriously qualified and liable to prolonged, delaying opposition. Mr Lennox-Boyd promised to listen to all that was said in Committee,

whether it comes from coal traders, who undoubtedly have views, from coastal shipping or from traders who fear that they may be subjected to unfair charges, or whether the criticism comes from those who believe that the new opportunities for the railways should be made available before the carrying out of a charges scheme, as it might be a long time before a charges scheme could be produced.

These words recognise both sides in the argument with a nice ambivalence. If the Government have any convictions about the principle of giving greater freedom to the railways in their charging powers—and it is surely the right principle—they ought to be prepared during the Committee stage to allow a greater chance for that freedom to become effective. As the Bill now stands, the greater flexibility of charges that it contemplates will be circumscribed at every turn by delays and by opposition on the part of any traders who can argue—as many undoubtedly will—that they are being hurt.

That these safeguards should still be thought to be necessary, in addition to the public obligation that the railways assume, and despite the much greater, and more effective, freedom that is promised to road hauliers, is one of the extraordinary contradictions in the Bill. But there is another matter affecting the railways' organisation on which it would be wise to take second counsels. If there is one thing that is clear in the Bill it is that the Railway Executive is to disappear; if there is one thing that is unclear in the Bill, it is the method of management that is contemplated for the future. In some respects, there is no reason to lament the disappearance of the Railway Executive—certainly not the end of an unprofitable experiment in management on functional and technical lines. Yet there have been advantages in

bringing technical matters to a central point of reference and decision, and valuable economies (by no means yet exhausted) have been won from standardisation. The work of the Railway Executive in this direction seems to have been a good deal more effective than the efforts of the general managers' conference of prewar years.

Discussion in Committee ought to concentrate on the main principles of railway organisation. First, the railways must be commercially aggressive and keyed up to meet competition. That is the argument for the devolution of commercial and operating decisions to separate regional railway organisations; presumably that is what Mr Lennox-Boyd implied in his elliptical phrase:

We have in mind . . . a substantial measure of regional railway autonomy sufficient to give genuine reality to regional railway control over matters proper to regional responsibility.

But, as he recognised, this would still leave important matters of central responsibility "for example, charges and wages" and "some standardisation of locomotives." There are two opposing pressures here. There is the pressure that comes from those who argue that power and autonomy should be given in the fullest possible degree to separate regional railway undertakings, and who minimise the importance of central management and policy making. And there are those whose inclination is towards the central concentration of direction. The British Transport Commission would, quite naturally, fall among the latter; some of those who have experience of running railway regions might be found among the former. The Railway Executive, despite all its faults, has been the only body that could attempt to apply the decisions of general management over the railway system as a whole. These decisions will still be required, and it is doubtful whether the Commission (which in any case is *parti pris*) is the right body to draft a scheme to secure them. This is a matter on which the Minister would do well to seek advice from a wider circle, and not exclusively from the Commission as the Bill provides.

If, as most observers would agree, there are to be matters reserved for central management (including, presumably, in addition to those specifically mentioned by the Minister, decisions on finance and the size and distribution of new capital works) it should not be difficult to project the form of railway organisation that is called for. At the base, there should be regional autonomy for getting traffic and moving it. In the middle, there should be central management supporting the regions by designing and securing the resources for improving the efficiency of the railway system and by accepting the responsibility for matters that can only be decided centrally. Crowning the whole, an effective policy-making body, largely part time, is required; the Bill seems to suggest (without saying so explicitly) that the Commission of the future will be of this sort. But it makes no provision at all for the taking over of the responsibility of central administration and the powers of functional direction at present exerted by the Railway Executive—which is to disappear. This leaves open a dangerous gap—dangerous because it might be filled by a functional full-time Commission, leaving entirely out of account the necessary provision of general management.

These are gritty problems, and unattractive material for debate in Committee. Yet they are matters of great importance on which experience since 1947, if objectively assessed, suggests the right conclusions. They deserve something more than snap decision in a guillotined Committee.

NOTES OF THE WEEK

Stately Shuffle

A certain pattern is discernible in the various ministerial changes that Mr Churchill has made during his year of office. Posts in the Cabinet are still reserved primarily for the Old Guard, and particularly for those whom the Prime Minister grew to trust in wartime. But outside this charmed circle, increasingly a career is being opened to the talented younger men of the Tory party, with preference for those discovered by Mr Eden and Mr Butler.

This week's reshuffle, caused by the illness of Lord Woolton, conforms to the pattern. He will not be up to the heavy tasks which fall to the Lord President of the Council in Coronation year and has therefore yielded his place to Lord Salisbury, but he remains in the Cabinet with the sinecure office of Chancellor of the Duchy of Lancaster. Lord Swinton completes this stately minuet by moving from the Duchy to take over Lord Salisbury's post at the Commonwealth Relations Office. Sir Arthur Salter becomes Minister of Materials, the job previously done in fact (though not admitted in name) by Lord Swinton. Sir Arthur's place at the Treasury is taken—now with the title of Economic Secretary—by Mr Reginald Maudling, who at the age of 35 is one of the ablest of the young men who served under Mr Butler at the Conservative Central Office, and an example of the new professional politician in the Conservative ranks.

The effect of these changes is that the Cabinet is increased in size by another lord. Mr Churchill seems determined to entrust the general brooding on affairs to men who cannot speak in the House of Commons, where the results are debated. It seems likely, however, that the "overlord" system of co-ordinating ministers is now definitely in decline. Mr Churchill appointed the overlords less as an experiment in the machinery of government than as a convenient way of making available the counsel of men like Lord Woolton and Lord Leathers without imposing on them political and departmental tasks that they did not want. The system may therefore disappear as soon as the individuals with whom it was associated move to other posts or leave the Government. It would be a pity if the result were to destroy indefinitely what could have been, if only the lords had been commoners, a valuable innovation.

There is one regrettable aspect of these changes. The Commonwealth countries will shortly find themselves dealing with a third new Commonwealth Relations Secretary within twelve months. The difficulties over the Pacific defence pact are a reminder that Commonwealth relations cannot simply be taken for granted. The post is one which should be filled for its own sake, not because it is a convenient position for a senior minister whose advice is required in the Cabinet on general policy. It is to be hoped that Lord Swinton will at least be left undisturbed to devote his considerable energies to it.

* * *

Stalemate on Steel

One thing about the debate on the second reading of the Steel Bill is certain. The Conservatives have got no political credit out of it. They fell into the extraordinary blunder of failing to keep a quorum for the major debate on one of their two major measures of the session. It is misleading to conclude that even Tory members think steel denationalisation unimportant and irrelevant. But the taunt is obvious and it will certainly be exploited effectively on Labour platforms.

The other consequence of the incident is perhaps worse. It has made feelings in the House more bitter, and the party struggle is likely to become less dignified than ever. The

immediate responsibility lies with the Leader of the House of Commons and the Government Chief Whip; they have made fools of themselves. There were, it is true, extenuating circumstances. The Speaker's acceptance of a motion to adjourn the House, in order to discuss the troubles in Kenya, was a matter for legitimate surprise. But this happened in the afternoon, and there was plenty of time to arrange that enough members should remain on the premises to keep the debate going three hours later than it would normally have done. The failure to do so produced disaster only because of a serious breach of Parliamentary etiquette. It is contrary to the conventions for the Opposition to exercise its right to have the House counted out during the inevitable quiet stage in the debate on a major bill. The counting out was an act of privateering by a handful of Labour backbenchers, and would probably have been frowned on by their own whips. But that is not an adequate excuse for the Government's failure of foresight; the counting out was precisely the sort of adventuring of which some Labour backbenchers' activities in the last session gave clear warning.

The Government's conduct of its business in Parliament would be entirely competent if the circumstances were normal. But they are not. It faces an energetic Opposition determined to make up for its lack of policy by vigorous Parliamentary attack for its own sake. Moreover, the divisions within the Labour party weaken its own whips' control over the rank and file and place a premium on aggressiveness for members on the front as well as the back benches. The Government in its response to this manoeuvring displays all the rigidity of a Spanish battle fleet. It thereby succeeds in looking dignified and even confident while Parliament is in recess—while the privateers are below the horizon—and becomes a blundering rabble under attack. The prestige of Mr Crookshank and Mr Buchan-Hepburn was battered in the last session, and the rumbling from behind them is now to reach serious proportions. Certainly the Tory leadership will have somehow to learn to think faster and farther ahead if the business of this session is not to run into the same humiliating snags as the last.

* * *

Divining Mr Dulles

The scale of the comment excited in both Europe and Asia by the choice of Mr John Foster Dulles as the new American Secretary of State is not entirely to be explained by the unprecedented importance of this post in the eyes of non-American peoples. It is also partly due to the strong personal impression that he has made abroad. In turning to the Republican party's most experienced international negotiator, General Eisenhower has necessarily picked a man who is not only a familiar figure to diplomats and politicians throughout the world, but who has become associated in many minds with particular acts and policies. Although a Republican, Mr Dulles has taken part—often a leading part—in almost every major diplomatic activity in which the United States has been involved since the war. He was among the midwives who brought the United Nations into the world, and remained to watch over its first tender years; he played a significant role in the drafting of the peace treaties with Axis satellites in Europe, and held the stage in his own right when it came to the Japanese peace treaty. It might be thought that the views of a man who had thus left his mark across the globe would be easily tagged and identified; yet the comment on his appointment has been remarkably unsure, indeed, in some respects contradictory.

To some extent, this uncertainty is due to the fact that Mr Dulles's diplomatic career has hitherto placed him in the delicate position of adviser to an administration to whose

domestic policies he was opposed. But the very fact that he was able to play such a part indicates the deeper reason for the inability of most observers to forecast his future path. Mr Dulles is a master of the art of avoiding dissension; if he does not always make new friends, at least he has a remarkable record for retaining old ones. He has not, of course, succeeded in being all things to all men; his friendship for Japan and for the Chinese Nationalists has, for instance, lost him much good will in India. Yet his successes with both France and Germany indicate the high degree of his diplomatic skill.

In the new Secretary of State the world awaits a man who has thought long and earnestly about many international issues, and who will need relatively little time to get abreast of his manifold responsibilities. But it will be wasting its effort if it tries to divine, from the many indications of his position which he has given in the past, the exact course which he will follow in the future; for Mr Dulles has always kept in reserve one of diplomacy's most valuable weapons—a touch of inconsistency.

Scrutiny at the Palais Chaillot

Few seemed to have noticed the remarkable and significant operation that is now going on in the Palais Chaillot, the headquarters of the North Atlantic Treaty Organisation. In brief it amounts to this: the defence programmes of fourteen member nations for the period 1953-54 are being submitted to close scrutiny by national officials acting in an international capacity. That is to say, Nato is expressing views and asking questions about arguments, facts and figures which have not yet been presented to national parliaments. Even when the time comes for legislatures to debate defence estimates, they will have less to bite on than Nato has; for the international operation known as the Annual Review (its method of working is described in an article on page 627) is secret and parliamentary debate is not.

This year there will be no *ad hoc* group of "wise men" to study national arguments and shortcomings and reconcile them with military requirements. To achieve reconciliation is now Nato's job; and Lord Ismay's conception of the authority that should lie with the permanent organisation of which he is Secretary-General is now undergoing its first serious test. If it survives, then the Council of Nato will have greatly increased its prestige, and cabinets will sit up and take notice when Foreign, Defence, and Finance Ministers report that Nato says this and Nato questions that.

It is futile to attempt any estimate of how much the national sovereignty of members of the Atlantic community is affected by what is happening. Formally it remains intact; actually it is being subtly modified by the influence of a common viewpoint on national policies of defence, finance and economic planning. In the exercise of this influence Nato and the Organisation for European Economic Co-operation join forces; for the OEEC is studying the economic prospects of its members—among them 12 members of Nato—at the same time as "politico-economic capability" and military strengths are being discussed in the Palais Chaillot.

Convertibility against Socialism

The tasks of the Commonwealth Conference, which opened late this week, have not been made easier by the pronouncements on economic policy that have lately come from the Labour party. At Burton on Saturday Mr Gaitskell described convertibility for sterling as a "dangerous pitfall," and hoped that the conference would "firmly reject the whole idea." How is this outright dismissal to be squared with the Labour Government's constant suggestion that convertibility and non-discrimination were the objectives dear to

its heart? The Marshall aid agreement contained no zero hour for convertibility such as led to the disaster of 1947, but a constant endeavour to restore it was certainly implicit in all the international action in which this country participated and from which it got so many dollars of American aid. To say, as Mr Gaitskell did, that convertibility "can only be considered when the dollar gap has been closed by other methods" is to suggest that he and his colleagues never thought seriously about it.

The ex-Chancellor's advice to the Commonwealth ministers seemed, in fact, to preclude any real advance on earlier conferences. He preferred to make his hearers' flesh creep with warnings of disaster if all restrictions against dollar imports are suddenly lifted. There is no question of that; there are constructive proposals on which Mr Gaitskell's opinion would be valuable. Is every Labour leader now completely committed to the sort of opposition that exaggerates government policies into bogies and offers no alternatives of its own?

Mr Douglas Jay, delivering a Fabian lecture on Tuesday, was a little more definite but hardly realistic. The sterling countries, he said, should seek to build up a gold reserve equal to five times its present size before taking steps towards convertibility. That certainly puts convertibility firmly beyond the horizon. Mr Jay made the rest of his programme sound simple. You allow no increase in imports of manufactured goods; you run a new export drive on things the world still wants—coal, steel, engineering products and chemicals; you increase home food production by 40 per cent. But what readiness is there in the Labour party to accept the consequences of such a policy: consequences such as transitional unemployment in consumer industries while the shift to capital goods industries is in progress, disinflation to shrink the demand for consumer goods to match the restricted supply, a rise in the cost of food due to producing more of it at home, and a standstill of the social services? It remains doubtful whether Labour thinking in opposition will get much beyond the prescription for Britain's recovery offered last week-end by the witchdoctor of Ebbw Vale. Mr Bevan's remedy was "the maximum injection of socialism," with the nationalisation of ICI as a particularly wonder-working drug.

The Lords on Self-Reform

Lord Simon has thought of an ingenious route through the bog that surrounds the issue of reforming the House of Lords. He is to introduce next week a Bill that would permit the Queen to create ten life peers a year—either men or women—in addition to the law lords. This is a possible way of circumventing both Government and Opposition, whose stonewalling was so evident in this week's debate in the House of Lords. Lord Samuel had then asked when the Government was going to implement its election promise to call an all-party conference to consider a reform of the House of Lords. He implied that a solution should not be difficult to find, since substantial agreement was reached at the small all-party conference in 1948. That conference broke down on the question of the Lords' power to hold up legislation, but it was able to state some principles, which Lord Samuel said were agreed, about the composition of a reformed House. Those principles are worthy of a brief restatement: (1) reform should not make the House of Lords a rival to the Commons; (2) it should not give a permanent majority to one party; (3) distinction, not heredity, should be the qualification for a seat in the House of Lords; (4) women should be eligible; (5) members should be paid; and (6) those who could not or would not perform their duties should be disqualified.

If all this were generally accepted, Lords reform would indeed be a matter that could, and should, be pushed ahead smoothly and promptly. But Lord Jowitt, for the Labour party, and Lord Salisbury, for the Government, were obviously right to say that Lord Samuel exaggerated the

measure of agreement that had been reached. The proposals were merely what the members of the conference would have referred to their respective parties if agreement on all other matters had been reached. At that stage the difficulties would have begun, mainly because of the attitude of the Labour party. Lord Jowitt, indeed, frankly confessed that the embarrassing thing about strengthening the composition of the House of Lords was that there would then seem to be a case for strengthening its powers. Even if its constitutional powers were not actually increased, the Labour party would not welcome the added prestige and influence that would follow from its reform.

Lord Salisbury firmly restated the Government's intention to call an all-party conference "as soon as matters of greater urgency have been despatched." But, as Lord Samuel complained, "the economic situation is always more urgent than a constitutional question." It will certainly be difficult for the Government to resist Lord Simon's Bill. While making an important advance towards full reform, it would be unlikely to occupy much parliamentary time. The Labour party, on the other hand, could hardly oppose a Bill that would lessen hereditary privilege. The danger is that, if the Government accepts the Bill, a complete reform of the House of Lords will be put off indefinitely. But it would be a bird in the hand.

Gold and Aluminium Coast

A White Paper published on Tuesday outlines the scheme by which the United Kingdom Government, the Gold Coast Government, and the Canadian and British aluminium companies can produce aluminium in large amounts on the Gold Coast. This is not a new-fangled project. The Volta River has long been recognised as a possible source of hydro-electric power, and aluminium production is an obvious use for it when the Gold Coast has reserves of bauxite amounting to at least 200 million tons. The scheme was first thought of some thirty years ago. Gold Coast politicians have for many years staked great hopes on it as a means of providing wealth, employment, better transport and—as a by-product of the main scheme—the development of other industries. But practical proposals for financing such a development are now put forward for the first time.

The White Paper suggests that the output of aluminium would ultimately be some 210,000 tons a year; this capacity would be attained in at most 20 years. It would be a big contribution to British supplies, four-fifths of which now cost dollars; a new sterling source of supply is the more desirable because British requirements are expected to rise from 316,000 tons in 1951 to three times that amount by 1975.

But the Volta scheme will be costly. The total capital expenditure, estimated at £144 million, would be high in relation to the output. On the other hand, the plant would have the advantage of low transport costs; most other large aluminium smelters draw their bauxite from far away. The maximum that the United Kingdom Government would spend on the scheme is estimated at £56.8 million. It would find £46 million of the total of £54 million needed for the power project, the rest being provided by the Gold Coast Government. But the bulk of the investment for the smelter—£48 million or so—would be provided by Aluminium Ltd., of Canada and the British Aluminium Company. The fact that the companies are prepared to risk so much in the scheme is certainly reason for confidence. But the Government, before undertaking its own heavy share, is to appoint a preparatory commission to examine the project and its problems in greater detail. This is wise. The lesson of the groundnuts and of the Gambia poultry schemes was certainly not that the Government should shun

large development schemes in the colonies. The lesson certainly was that it should participate only after far more thorough investigation than was then undertaken.

Riots in Iraq

Last weekend, the social and political unrest that is now always latent in Iraq bubbled to the surface. In Baghdad organised crowds took part in riots during which Iraqi, British and American premises in the town's main street were damaged, at least ten Iraqis were killed, and over one hundred injured. Events since then have followed a familiar pattern: a general took over, martial law was proclaimed, schools were closed and the city quietened at once. Watchers outside Iraq are interested to know whether developments from now on will take the shape of those in Egypt or Persia, or perhaps, in the Lebanon, where the *ancien regime* received a good shaking but where the general retired into the background and parliamentary practices have been maintained.

The ostensible cause of trouble was a demand for a direct as opposed to an indirect system of voting at the forthcoming elections. A leading article in *The Economist* of last week described how four out of five parties wanted this, and the likelihood that if their demand became vehement the caretaker government then in power would be unable to keep order. The Regent had tried to convince the dissatisfied parties that a change in the electoral law could be made only by parliament and that any attempt to make it between a dissolution and an election would be unconstitutional. But he failed. Regardless of the fact that the change they want is unlikely greatly to affect the election result, the three smaller parties were ready to brandish the weapon of crowd tactics.

Just as, in the case of the demonstrations against the Portsmouth treaty in 1947, the riots afforded other groups a chance

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to vent dissatisfaction and make trouble for the ruling few. The slogans shouted—"Down with the Anglo-Iraqi treaty," "Up with the Partisans of Peace," "Down with the Anglo-American imperialists"—were some of them in line with party programmes but the targets attacked were mainly Communist bugbears. The fact that the crowd on the first day refused to let the civilian fire brigade put out the fire in some American embassy premises, but cheered the army fire brigade when it turned up, suggests that the Communists had told it what to do in some eventualities but not in all.

General Mahmoud's Plans

General Nureddin Mahmoud, to whom the Regent gave a mandate to organise a new caretaker government, at once arrested the leaders of all parties except the two largest—those led by Nuri Pasha and Salih Jabr—and simultaneously proclaimed that his aim was to end martial law and hold elections. He later announced that he was appointing a legal committee to prepare a new electoral law; this has helped to calm the situation because it meets one main complaint of the aggrieved parties. Having stated that his cabinet's primary task was to "maintain order and to safeguard the people's lives," the general announced "general reforms" such as free higher education, less taxation, more army equipment and training, and a new economic policy to increase the national wealth and provide the poor with foodstuffs and living quarters.

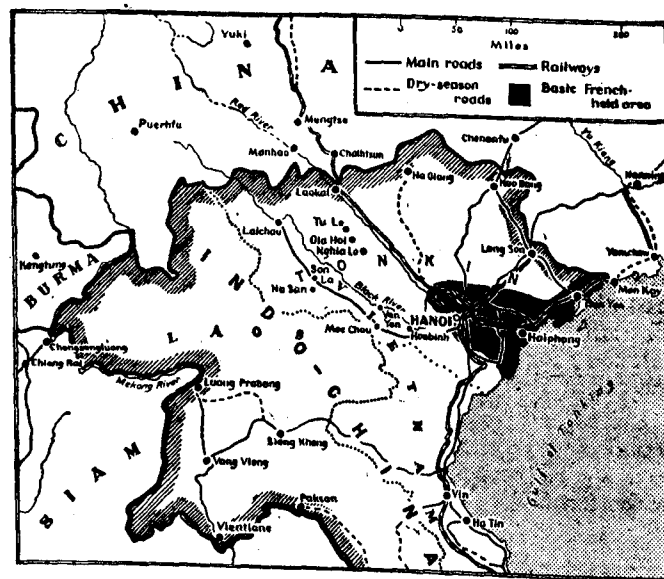
All this sounds like long-term intention; but the general, who is a rugged old soldier of Kurdish origin and Turkish type, has never before touched politics. The plan is so glib as to suggest that he stepped into the breach with the approval of the leader of the party, or the leaders of the two parties, where it is known that their fate is sealed unless Iraq remains tranquil. The outcome of the riots is therefore a defeat for Communism and eager Persian predictions of "another Abadan" can for the moment be relegated to the "misery loves company" class of comment. But the solution of the incident does not touch the core of Iraq's social trouble as described in these pages last week.

War in the Thai Country

The discovery this week for the first time of Russian lorries in Indo-China is a reminder that Moscow's interest in war in the Far East is not confined to Korea. Since the new campaigning season in Tonkin opened about a month ago, the French and Vietnamese forces have suffered several reverses at the hands of the Vietminh. These engagements in north-west Tonkin are not, however, vital to the conduct of the war in the strategic area of the Red River delta, still solidly held by the French. They do not mean that the Communist-led Vietminh will soon be in Hanoi. At the same time, they do considerably strengthen the rebel chances of removing most of the Thai country from any effective control by the central government. And it is depressing to read of the continued seeping away of both territory and prestige as the Communists press on with their attacks. It adds, moreover, to the constant danger that public opinion in France may one day refuse to bear this grim and costly burden any longer—a possibility of which the Russians are well aware.

Marshal de Lattre did no more than use his own flamboyant method of emphasis when he suggested that Saigon was the outpost of Suez. Either to underrate or to take too much for granted the importance of Indo-China is to risk doing too little about it. If the Vietminh won in Indo-China the consequences would be quite as disastrous, if not worse, than a Russo-Chinese victory in Korea. The

chain reaction of the defeat might not even be stopped at Suez. During the past few weeks, evidence on the American side of the growing understanding of these issues is shown by the start of an airlift from the United States to Indo-China—which now holds a priority in Washington second only to Korea. If the Russian lorries have played their part in forcing



the French withdrawals from the little outposts of Nghia Lo and Son-la, American supplies have made it possible to build up a much stronger base in the delta than anything which existed two years ago.

Fish in Dispute

The dispute between British and Icelandic trawler owners is still developing, and so far on an unpredictable course. Its origin was the decision of the Icelandic Government to prohibit all fishing, including its own, in certain well-fished waters off its coast; the ban was based on a government decree proclaiming these waters part of the territorial waters of Iceland. Its contention that this was necessary to end dangerous overfishing of these grounds would have carried more conviction, in this country at least, if it had been accompanied by an offer either to submit the legality of the decree to the International Court or the technical question of overfishing to an international commission.

But it is by no means clear that the subsequent actions of the trawler owners at several British ports can be justified, either on the grounds of necessity or on the grounds that they will compel the Icelandic Government to capitulate and withdraw its decree. They have decided themselves to refuse to put to sea if fish from Icelandic trawlers is landed at their ports, and they have persuaded (perhaps a stronger word would be justified) fish merchants there to decline to handle such fish. Icelandic trawler owners are now considering what countermove to make. So far, the sole beneficiary of this campaign is the German housewife, since four Icelandic trawlers due to land some 140,000 stone of fish in this country this week have been diverted to German harbours. Trade wars over food are sordid spectacles; the basic weapon is hunger. The British trawler owners say that the consumer in this country will not suffer much, for at this time of year only 10 per cent of the fish landed here is normally from Icelandic trawlers. Potentially, the position of the Icelandic consumer is weaker, since some 90 per cent of Iceland's imports are financed by the sale of fish.

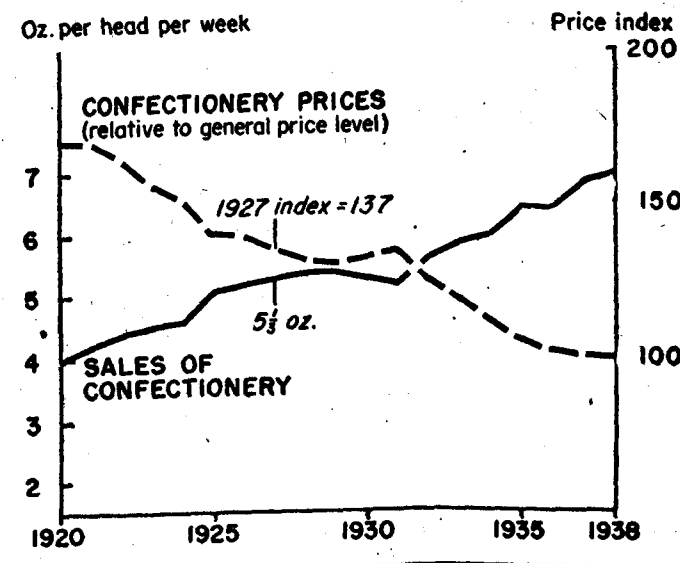
Two matters of public policy are now involved. To some extent, the weapons being used in this country are those of actual or intended monopoly; if a trade approaches a position in which it can say to the consumer: "You cannot eat fish

caught by a 'foreign competitor,' it should be investigated by the Monopolies Commission, slow as that process is. Secondly, the British Government cannot let events take their course between two obstinate groups of trawler owners. It is surely for the nation of 50 million to take the initiative and suggest to a nation of 150,000 that some kind of international arbitration should be accepted by both sides.

The Taste for Sweets

It will be surprising if a government that has wisely decided to drop the allocation scheme for eggs does not soon free sweets from rationing. The difficulty, after the abortive experiment of 1949, is to make some estimate of what the free demand would be. On this, some help at least can now be obtained from the data about the demand for various consumer goods during the interwar years that has been collected by the National Institute of Economic and Social Research.

During this period, chocolate and sugar confectionery became fairly steadily cheaper by comparison with the general level of retail prices. As the accompanying chart shows, the demand steadily expanded in response. Now, however, sweets are relatively dearer again; if 1938 is taken as 100,



the confectionery price level is now 238 and the general price level is 208. This brings the relative price of confectionery—137 if 1938 is 100—back where it was in 1927. And at that time sales were 5 1/2 oz per head per week. This is no doubt less than the current demand. The National Institute has also done some research into the relation, during 1920-38, between demand and real incomes; a rough calculation suggests that the increase in real incomes since 1927 might create an additional demand equivalent to two-thirds of an ounce per head per week. On this basis, the ration is now just equal to the free demand. On the same basis, a calculation for 1949, when sweets were derationed but cheaper, suggests that the supply then fell below the demand by about 1 1/2 oz per head per week.

These figures are in no way a proof that sweets could now be freed without a shortage. The levelling of incomes since 1927 may well have increased the demand: the new rich may eat more sweets than the old rich have stopped eating. And, incomes apart, the shortage of sugar may well have stimulated the general appetite for sweets. No estimate of these influences is possible, but it seems reasonable to guess that quite a small further increase in chocolate and confectionery prices would offset them, and so bring the free demand into line with the present supply of 6 ounces.

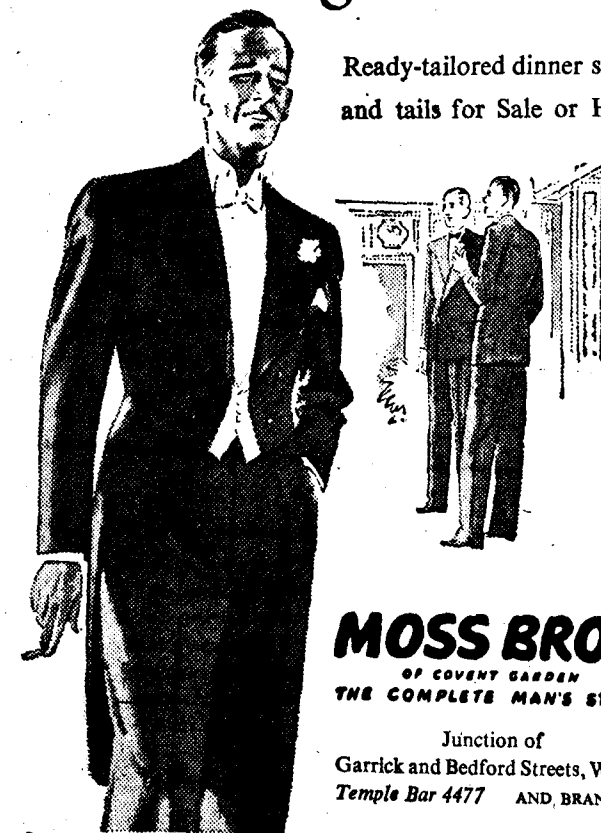
Where There's a Will

The villagers of Gotham, it will be remembered, once built a hedge round the cuckoo and were surprised and aggrieved when the ingenious bird made a vertical exit. Administrators have learned, from rather similar experience, the difficulties of restraining that highly volatile force, business enterprise.

The process was pleasingly illustrated last week when Mr W. R. A. Hudson asked the President of the Board of Trade for figures about imports of fondant, sugar fat mixtures, and piping jelly. These distressingly expensive substances can, with sufficient ingenuity on the part of manufacturers and tolerance on the part of consumers, be used by the baking and confectionery trade as sugar substitutes. Sugar imports, to begin with, are strictly limited; but no one worries at first about licensing fondant, imports of which are microscopic. Business ingenuity, spotting the possibilities of fondant as an unrationed sweetener, promptly multiplies these imports to the point where limiting action becomes necessary. Fondant is controlled. But sweetened fat mixtures remain—and become, almost overnight, a significant threat to Britain's balance in the European Payments Union. Faint yet persevering, the administrators slap a control on to sweetened fats. Undaunted, the ingenious manufacturer boards a continental plane, negotiates an unprecedented supply of piping jelly—of which the administrator has never even heard; that peculiar, vaseline-like substance is promoted from the job of providing decorative coloured squiggles to the status of a major ingredient—and a noticeable source of foreign expenditure. By the time the administrator has caught up, the trade in piping jelly and kindred quasi-edibles has attracted enough eager foreign suppliers, complete with plant and workers, to make it difficult to put a stopper in the piping-nozzle; that would be "damaging to trading relations" (a phrase to be greeted with hollow laughter by the sugar growers whose

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The skis are no more than a couple of inches apart. The whole body, first crouched, inclines forward at the take-off into a straight line, rigid from the ankles. The arms sweep up like wings. The eyes are fixed on the touch-down. **It all adds up to a happy landing, seventy metres away in the valley.**

HEAD FIRST

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it all adds up to



Associated Electrical Industries

product, available at a fraction the price, is meanwhile piling up unsold).

The tale could be further elaborated. It does not point only the platitudinous moral that controls breed controls. It also suggests that the withdrawal of a feather-bed here and there might, no less than the provision of artificial obstacle-courses for the ingenious, elicit an unexpected capacity for enterprise. The business man, in fact, is not such a tender and vulnerable flower as he would like the public to believe, or as he sometimes believes himself.

Performance in Prague

It is just over a year since Slansky disappeared into jail and nearly two years since Clementis met the same fate. In view of the extraordinarily comprehensive list of crimes to which they and their twelve fellow defendants have been confessing in Prague, it is not surprising that it should have taken some time to make them word perfect in their allotted roles. It cannot have been easy for many of them to accustom themselves to the idea that they have been engaged in a gigantic conspiracy with the "US imperialists and their lackeys"; that for years they have been working hand in glove with such enemy agents as "the well-known war-monger" Herbert Morrison and "the British spy Gladwyn Jebb."

They have, moreover, blamed themselves for everything that has gone wrong, or has caused discontent in Czechoslovakia since the war, from food-rationing to the slow development of heavy industry, from unrest in the army to unsatisfactory foreign trade deals. These people now conveniently accept sole responsibility for actions which in fact were originally approved by the whole Czech cabinet; they beat their breasts over policies which once had the cast-iron sanction of the party; and if anyone should wonder how they have in addition got away for years with so much espionage and sabotage, the answer given is that they have corrupted the security services to their own ends.

Clearly such an orgy of confession must be highly convenient to the present rulers of Czechoslovakia, who have plenty of popular discontent to contend with. All the evidence can be turned to some useful purpose. Slansky is made to confess his disruptive activities within the party in order to show how necessary it is to strengthen party organisation and discipline through the new revised party statutes shortly to be adopted. Clementis is made to besmirch the memory of his dead friend, Dr Benes, for the benefit, presumably, of those who now compare the latter too favourably with their present rulers. One is tempted to wonder, however, whether President Gottwald will not in fact defeat his own ends. The Czechs are an intelligent western people; it will not be so easy to foist last week's performance in Prague upon them as it was to foist a comparable performance in Moscow in 1937 on the Russian people.

Moscow's Change of Tactics

The Prague trial has two features that distinguish it from similar affairs in the satellite states. Slansky is a new type of East European Communist to appear in the dock; he is the first of the top-ranking revolutionaries, uncompromisingly identified with Moscow, to be thrown to the wolves. Like Ana Pauker, he has failed; he has achieved little except popular discontent and anti-Russian feeling. His present plight serves notice on all like-minded comrades that under the new Soviet policy of emphasising the role of the Communist party as the leader of united national fronts, they must watch their step very carefully.

This is also the first of the satellite show trials in which Zionism receives more than a glancing blow, although for some time it has been growing clearer that the remaining

Jews in Eastern Europe are again to be penalised. Most of the accused are Jews, and the greatest emphasis has been laid on their origins and on the help and encouragement that they gave to the new state of Israel. It is true that Communism is traditionally anti-Zionist; but it is conveniently forgotten that four years ago this in no way prevented the Russians from making every effort to win Israel over to the Communist camp. Slansky and his friends were only furthering this opportunistic policy; now they are paying the penalty for its failure.

In the Prague trial the Zionist organisations in Czechoslovakia were alleged to be tools of the "US imperialists" who used them as channels through which to carry out their subversive and espionage activities. The virulence of these attacks suggests that the Russians have finally decided to turn their backs on Israel. They have done so largely out of chagrin that their dogmatic conviction that liberation from an "imperialist power" would pave the way for a Communist state has proved to be wrong. As a by-product of this situation they have acquired a good deal of Arab support. Anti-Zionism is not, however, officially accompanied by anti-semitism; a careful distinction is still drawn between the two. All the same it looks as if Gottwald, Gheorgiu-Dej and the rest are using the latent anti-semitism of the East Europeans as a safety valve for popular discontent.

Umbrage at Unesco

Among the ten specialist agencies set up by or linked with the United Nations, the UN Educational, Scientific and Cultural Organisation has long been conspicuous for its failure to show results commensurate with the effort and money put into it. This failure is at the bottom of Unesco's present troubles. Its Director-General, Dr Torres Bodet, declared in his speech of resignation last week that he was disillusioned at the lack of a "community of ideals" between the member nations, and some of the smaller members have accused the United States, Britain and France, which provide over half of Unesco's funds, of trying to put an end to its work. These exaggerated charges were provoked by the decision, supported by 29 members against 21, to scale down Dr Torres Bodet's proposed budget of \$20,500,000 for the next two years to \$18 million, or about the same as the 1952 level—a decision which does not affect the additional \$5 million due to Unesco next year from UN technical assistance funds. In resisting the Director-General's demands, the majority group made it clear that they had not, like him, lost faith; they were merely pressing for economy in some of the more costly and less productive fields into which Unesco has strayed. Their case was the stronger because it is obvious that, despite the attempt to concentrate its efforts made in 1950, Unesco is still dispersing its resources too widely.

Six years after its birth, many of its activities are still in the stage of experiment and preliminary study, and it is busily setting up even more specialist bodies, whose appearance necessitates further co-ordinating committees. Its interests range from the unworldly "Studies of Social Problems Likely to Create National and International Tensions" to such banal publications as "Newsreels Across the World," and its output of bibliographies, monographs and bulletins is now vast. Admittedly there are, embedded in its programme like infrequent currants in a suet pudding, a number of practical and badly needed projects; but perhaps Unesco's gravest fault is the way it relegates these encouraging items to a minor place. It seems to have no idea of the importance of presenting the peoples who support it with evidence that it can produce concrete results. Support for its ideals is still widespread; but, with its shocking proposals to build a skyscraper in the Bois de Boulogne and its decision to spend an extra \$300,000 by holding its next conference in Montevideo fresh in their memories, few people will doubt that Unesco has scope for economies.

Soft Spots for Stalin

It is highly encouraging to find an American public figure whose main concern is economics but who at the same time shows such a keen appreciation for the implications of political events as Ambassador F. L. Anderson, deputy of the Mutual Security Agency. Mr Anderson, speaking recently before an audience in Washington, not only gave a masterly analysis of Stalin's new orthodoxy but also drew from it some important morals for the West. He rejected the popular view that the recent Soviet Party Congress produced a farrago of self-delusion and misunderstanding about the West. Instead he argued that in many respects the Russian leaders showed a penetrating insight into weaknesses that the Communists intend to exploit to the full.

In all probability, said Mr Anderson, Stalin has found the Western fabric soft in at least four spots. First, by seeking to turn themselves into a self-sufficient bloc of nations the Communists have shut the free world out of important markets and sources of supply. So far the West has failed to respond to the challenge on a scale vast enough "to build at home and around the world new sources for raw materials and new markets for products." This policy, moreover, has hit western Europe far harder than the United States. Indeed, it has helped along with the shortage of capital and other factors, to retard European production. The consequent disparity between rates of industrial expansion on the two sides of the Atlantic puts a heavy strain on relations between the dollar and non-dollar worlds. Also apparent to Stalin is the tension inherent in the patron-client relationship between the United States and Western Europe. Annual grants from Congress try to temper all round, but so far no satisfactory alternative has been found. In Mr Anderson's words,

We have not yet built new economic relationships within the Atlantic community and between the Atlantic community and the rest of the free world that are self-sustaining and businesslike.

Finally, Stalin's theses show an awareness of the defects in Nato. In spite of the close military co-operation that has been established, many of the most delicate problems—largely political and economic ones—are settled bilaterally between the United States and each single ally. A pattern of this kind, in which the United States invariably appears as a disputant, tends to leave Europeans with the impression that they are being bullied by a stronger ally. The west has yet to mend its ways and transform Nato into a body that takes joint decisions in the face of what Mr Anderson calls "sly, subtle dangers."

* * *

Russia in the Reith Lectures

A capacity for being broadminded, for seeing both sides of a question and understanding the other man's point of view, is one of the great virtues of a liberal culture. It may, however, be carried beyond the optimum of impartiality to that point of unfairness to one's own case which Americans call "leaning over backward." Professor Arnold Toynbee seems to have been suffering from such an excess of magnanimity in the first of the series of Reith lectures which he is currently broadcasting under the title of "The World and the West." His theme is the clash of civilisations—a subject which he has studied in detail over the entire field of world history. In the Reith lectures, however, he is very definitely relating all this to the present international situation, and any unbalanced emphasis, which for professional historians might be merely a stimulating paradox, is liable to have a political effect which Professor Toynbee himself probably would not desire.

In the initial talk of the series Professor Toynbee urges his listeners to look back at the past:

When we look at the encounter between Russia and the West in the historian's instead of the journalist's perspective, we shall see that over a period of several centuries ending in 1945 the Russians have had the same reason for looking askance at the west that we westerners feel that we have for looking askance at Russia today.

But if the record is to be viewed "in the historian's instead of the journalist's perspective," it is important that the historian should give a fair summary of the historical facts. Professor Toynbee, however, speaks only of "this threat to Russia from the west, which has been a constant threat from the thirteenth century until 1945," and recalls invasions of Russia by Polish, Swedish, French and German armies, without making any mention of Russia's own expansion and conquests of non-Russian "western" lands—the Baltic provinces, Finland and Poland—or the southward advance which created the "Eastern Question."

From the time of Peter the Great Russia was reckoned one of the Great Powers of Europe and certainly neither the weakest nor the least ambitious. Nor does the idea of "the west" as a sort of confederacy perpetually encroaching on Russia correspond to the real course of history. When Napoleon invaded Russia he had previously crushed Austria and Prussia and was still at war with Britain; on each occasion when the Germans have invaded Russia, they have also been waging war against Britain and France. It would be indeed regrettable if the contemporary tensions of the "cold war" were to produce retrospectively a picture of Russia as the eternal villain of European history; but it is even more regrettable for the British public to be presented by a famous historian with the myth of an innocent and pacific Muscovite who has become justly embittered by six hundred years of "western" aggression.

Vive L'Empereur

The new Emperor is to be Napoleon III. He puts down all constitutions, all political rights, all political power, but his own; and he ascends the throne, with the consent of the people, a complete despot. It will be a mistake, however, to suppose that he succeeds to all the power of the first Bonaparte. . . . Napoleon had . . . the whole civil administration to form—the church to reorganise—the courts of law to establish—even the rights of property to define, distinguish, and protect. Having the army in his hand, he had all the civil and social rights of the people, unsettled by the revolution, at his mercy. What he then established, the organisation he gave to the church, to the courts of law, and the rights of property he then settled, have not since been much disturbed. They have, on the contrary, been confirmed and strengthened by their continued existence, and are now so many barriers against the completely despotic power, so many curtailments of it, which is supposed to be possessed by Louis Napoleon. No usurpation that would be tolerated could possibly place in his hands all the power of the first Napoleon. . . . He is only, therefore, in one sense a despot—a despot over the political organisation of France; and its social or civil organisation, now the steady growth of nearly half a century, he may hardly dare to meddle with. He will be as unable, therefore, as his immediate predecessors to prevent violent revolutions hereafter, by any other means than by adopting such a system of Government as will secure the prosperity of the people, and allow France to share fully in the increasing industry and increasing wealth of the world.

The Economist

November 27, 1952



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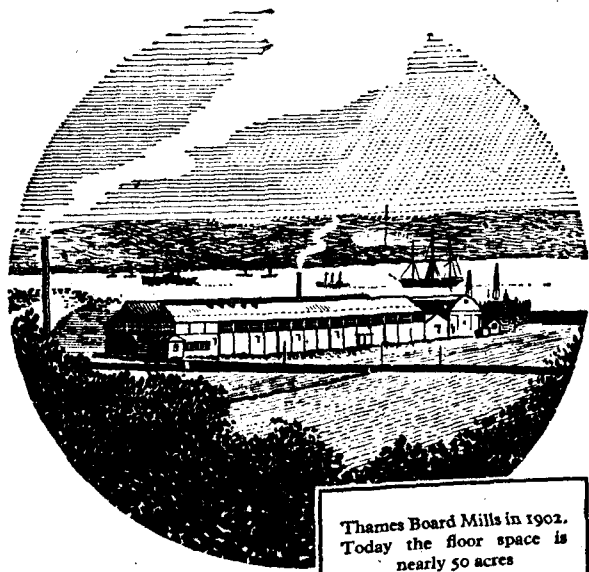
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Letters to the Editor

Living With the Dollar

Sir,—As all discussion on this subject seemed to end with what the Americans should do, perhaps you will allow me to advance my own formula, in the safe knowledge that the Americans are very unlikely to adopt it.

Briefly, they should work only in the morning. The advantages accruing, apart from the closing of the dollar gap, would be incalculable.

Almost the first gain would be that the resultant drop in their gross national product would reduce the huge proportion of their contribution to Nato, Uno and other international agencies. This would remove a main cause of the almost obsessive jealousy and resentment felt by America's allies and beneficiaries.

Secondly, she would be able to outflank her left-wing critics abroad by being the first country to bring leisure to its workers.

Finally, with the product of liberal capitalism no longer so patently superior to that of Socialism, Russia might decide it no longer necessary to encompass the destruction of the bourgeoisie throughout the world.—Yours faithfully,
London, S.W.1 W. M. G. BROWN

Sir,—There appear to be two main points at which your dollar prognoses may prove too gloomy. First, if, as seems quite likely, the continuing quest for "fair shares" and the desire to be rid of "aid" leads to the adoption of the common defence budget, with national dues assessed largely by reference to a progressive tax scale like the American, there will take place a reduction in most European partners' net defence dues, both relatively and absolutely. But since the need to strengthen the European sector of the common defence, both in arms facilities and in men, is urgent, North American acceptance of Nato's annual recommendations governing the needs of this sector could well mean additional defence expenditure on this side of the Atlantic of upwards of \$5 billion annually over and above what is now, quite wrongly, described as military and defence-support "aid."

Secondly, though for some years ahead little additional net dollar outflow can be expected from private investors, there has been increasing evidence of a strong American desire to see a large new international fund established for the development of basic capital facilities in under-developed areas. It is not so many years ago that Mr Harold Stassen, the new chief of the Mutual Security Agency, publicly urged that America devote 10 per cent of her national income to helping the rest of the world. And although President Truman's proposal that as defence expenditure declines, part of the finance thereby freed be devoted to this end is much more modest, it is not unreasonable to anticipate annual outlays of some \$10 billion, largely in

dollars, taking place within a few years. Particularly is this so if a wider interpretation is given to the concept of "under-developed areas."

There are many such areas within the Commonwealth, and provided your main premise of greater cohesion between the dollar and sterling areas holds, large additional dollar earnings should accrue to Britain and Europe. In this context it is worth recalling that most of the dollars provided by the recent International Bank loan to Southern Rhodesia are flowing to this country.—Yours faithfully,
J. L. GIBSON
Caterham

British Industry at Luxemburg

Sir,—In your issue of November 22nd, in the course of comments on the recent meeting of the High Authority of the European Coal and Steel Community and the United Kingdom delegation, at which leaders of the British coal and steel industries were present, you quote a paragraph from my speech. Perhaps you will permit me to correct this quotation which contains the word "disputes" instead of the word "issues," which was the term used and contained in the circulated copy of the speech. The sentence in question should therefore read as follows:

"In our view, the rules and regulations which will govern our relationship should be based on experience in dealing with practical issues rather than on general principles."—Yours faithfully,
CECIL M. WEBB

UK Delegation to the High Authority
Luxemburg

Bank Salaries

Sir,—The book "Professional People," reviewed in your columns last week, doubtless has great merits. May one express the hope that most of its facts are more reliable than the authors' references to banking as a career?

We are told that a bank official "may not be earning more than £600 a year by the time he is 35, and he may get less than £1,000 as a manager." At any rate in one member of the Big Five banks (and conditions do not differ fundamentally between them), none of the managers or executives receives less than £1,000 on first appointment; many branch managers are paid £2,000 or more, quite apart from the relatively large number of head office officials above that level.

An ordinary clerk on the minimum salary scale receives in London £875 at the age of 39; yet the authors quote a figure of £800 for a fully qualified actuary at 35 as evidence for their remarkable statement that "insurance employees do a little better than bank clerks."—Yours faithfully,
W. MANNING DACEY

London, E.C.3

Eggs Going to Town?

Sir,—I cannot let go unchallenged Mr King's accusation that the continuation of the controlled distribution of eggs is to the advantage of the retailer. The latter traditionally prefers to serve his customers with the quantities they want when they want them, but equally he does not want the product so expensive that the majority of his customers cannot afford to buy it. Many of us believe that a controlled distribution should only be abolished when there are sufficient supplies available to let the normal functioning of the price mechanism work without driving the product out of reach of a large section of our customers.

Anyone who has studied figures showing the steady growth of multiple food shops before the war cannot believe that restrictions and guaranteed profit margins are needed to ensure the success of this type of retail business.—Yours faithfully,
London, S.E.1 ALAN J. SAINSBURY

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Books and Publications

Commonwealth Democritus

Jan Christian Smuts. By his son, J. C. Smuts. Cassell. 568 pages. 25s.

The life of a great man by his son is sure of a friendly welcome. This book contains, as it was bound to do, a wealth of interesting detail about Smuts's personal and family life, and the liberal quotations from his writings and speeches provide excellent material for forming a judgment on the range of his powers. It is interesting though not always illuminating on South African history. Those parts of it which deal with the wider world are, however, full of elementary mistakes.

Democritus, the most brilliant of the Greek physical philosophers, was born at Abdera, a city otherwise proverbial for the stupidity of its citizens.

Some such thought may float into the mind as one reads this book. Smuts was a man of extraordinary powers, and the more extraordinary in that he was born a Boer, as they used to be called. Outside the circle of his disciples and friends his own countrymen never really liked him. They regarded him much as the hearty athletes in an old-fashioned school story regard the brainy little boy who never stops working and wins all the prizes. They did not call him "a swot" but they called him "slim," which meant "much too clever for us." Although he was prime minister for fourteen years, his power was based mainly on the support of the British half of the electorate.

His career was as notable for its breadth as for its length. At Cambridge, where he read law, the great F. W. Maitland described him as the most brilliant pupil he ever taught. At 28 he became the brain of Kruger's cabinet in the last years of its existence. Ten years later he was, with expert British assistance, the principal architect of the constitution of the Union. Six years on again, he was commanding the army which conquered German East Africa. Summoned to England he was given the extraordinary position of a non-ministerial member of the War Cabinet. It is probably true to say that Lloyd George in the first war and Mr Churchill in the second both attached more weight to his counsel than to that of any other of their colleagues. At the end of the first war almost any post, any career, that he liked to choose within the gift of the British Government was open to him. Would he, for example, like to be Viceroy of India? But his roots were deep in South Africa. Democritus must back to Abdera; and after a protest against the Versailles peace-making which resounded through the world, he returned to face the flouts and jeers of his own countrymen.

Defeated in the general election of 1924 he proceeded to write in a few months a highly original contribution to philosophy entitled "Holism and Evolution." Eight years later, as President of the British Association, he addressed its centenary gathering. How valuable that address may be is for

scientists to say; but it is in any case amazing that a man whose public career had been given to law, war and politics for nearly forty years should be able to hold forth on electrons, protons, quantum theories and the like to an audience of first-class specialists in these fields.

In 1939 he brought South Africa into the war by a narrow margin of votes. But for him it would probably have gone the way of Ireland. After a life of amazing physical resilience he died at the age of eighty—killed, his son concludes, by over-indulgence in the aeroplane, which had enabled him for the previous ten years to dash to and fro across the hemispheres with an all too fatal facility.

Britain and the Sudan

Sudan Story. By John Hyslop. The Naldrett Press. 136 pages. 7s. 6d.

The Sudan: A Record of Achievement. By J. S. R. Duncan. Blackwood. 283 pages. 12s. 6d.

Of these two accounts of the present regime in the Sudan, one is written by the former editor of an English newspaper in Khartoum, and the other by an official of the Sudan Service. Mr Hyslop's observant, informative and well illustrated story makes good reading of its kind. He likes the Sudanese, as nearly all Englishmen do, and gives first-hand sketches of economic projects in the Sudan, which are usually overshadowed by the cotton scheme in the Gezira. His clue to the success of Anglo-Sudanese relations is that both laugh at the same kind of joke.

The title of Mr Duncan's book truly reflects two-thirds of its contents. The pattern is simple: the modern Egyptians are the villains; the heroes are the British and Sudanese of the old school who together established what the author calls a "Golden Age." Its decline is due to *la trahison des clercs* among the younger generation of Sudanese, and to the weakness and ineptitude of British Governments since 1919. Nevertheless the record of achievement is impressive, both during the first twenty years of pioneering and in the period of development since 1921. The devotion of the British staff to the interests of the Sudanese, which is the main theme of the book, is amply illustrated. One is left in no doubt that "the Sudan for the Sudanese" has been a cause as effectively pursued by the British in the Sudan as by the Sudanese nationalist politicians themselves.

Mr Duncan writes with the emotion of one who has lived and worked among the majority of Sudanese who are far removed from nationalist politics. Yet his last chapter, a quarter of the whole, describing the development of an indigenous political conscience and organisation, is much the best part of the book,

even though it spells the end of British responsibility in the Sudan. No better account has appeared.

Both books are retrospective and end on the same note. Mr Hyslop, the journalist, affirms British friendship for the Sudanese, founded on the tradition of Gordon, Kitchener, Wingate, and Kipling's Fuzzy-Wuzzies. Mr Duncan, the dedicated official, finds that the real achievement of the present Sudan Government is the mutual affection of the British and Sudanese leading "to the kindling of the spirit of humanity, freedom, justice, and integrity." The reader, however, may conclude that the more logical achievement has been the creation of a relatively small group of educated Sudanese who are waiting to take over the reins of government from British hands.

After the British Raj

The British Impact on India. By Sir Percival Griffiths. Macdonald. 513 pages. 45s.

It is only four years since the British gave up direct responsibility for the government of India. Moreover, by the standards of Indian history, the length of their overlordship was short—not much more than a hundred years compared with five hundred of Moslem predominance. It follows that any assessment of the British impact on India is at this stage no more than an interim report. There can still be no firm idea of what will last and what will not as a result of a century of British rule. But an interim report, presented with the judicious spirit and copious information of Sir Percival Griffiths's study, can be—and is—extremely valuable. The author himself makes no attempt at prophecy. He would agree, with that serenity of judgment that characterises the whole book, that the permanent balance sheet cannot yet be drawn up. But even the immediate evidence is enough to underline one fact. If western forms of political and social life do in fact flourish in India, the foundations will have been laid by British rule.

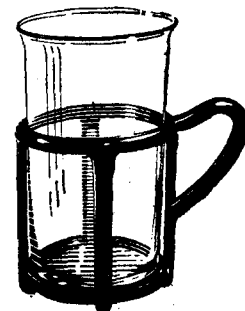
Before the advent of the British, there was no "Indian" nationality. The political genius of the Hindus had only twice for brief periods produced India-wide institutions. The Mauryas and the Guptas are the exceptions of Indian history. When British influence began to increase in the eighteenth century, the Moslem empire of the Moguls was also in decay. By giving the continent a central government, communications, a single administration and a single working language the British created Indian nationalism. By the mere fact of being foreign, they exacerbated it. By being on balance liberal, they gave it scope, even when, as in Bengal, it turned to terrorism.

So strong were both the centralising tendency of British rule and the revulsion against it that for a time they seemed

JOBLINGS OF SUNDERLAND

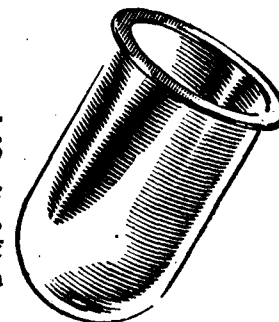
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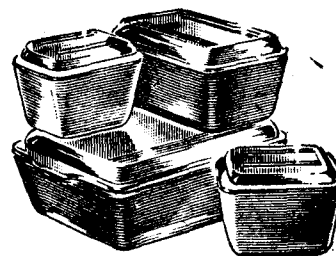
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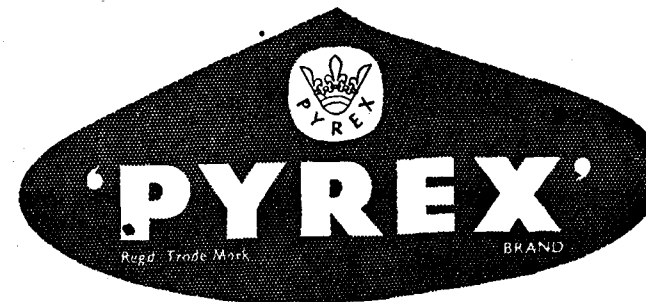
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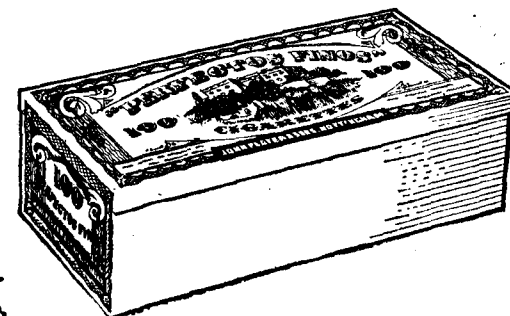
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strong enough to unite Hindu and Moslem in a common "Indian" reaction. The fact that Indian nationalism included a violent revival of traditional Hinduism was, as Sir Percival Griffiths makes clear, the chief reason for the breakdown of unity and for partition. Even so, two British legacies—the rule of law and a strong incorruptible bureaucracy—were sufficient after 1947 to carry the two new nations on to a measure of stability in spite of appalling massacres.

Yet western democratic institutions have flourished so far only when coupled with the existence of a large middle class and with a pervasive belief in western standards and ideals. Here the British legacy to India is more doubtful. The desire to train Indians for self-government was no doubt perfectly sincere and was accepted as early as the 1820's as the goal of British policy, but certain aspects of British rule discouraged its development. The very centralising efficiency of British administration killed the rudimentary but effective self-government of the villages. The collector's paternal rule overlaid the earlier village councils.

Economic development also had a two-edged effect. On the one hand, the benefit to India of railway building, of immense schemes of irrigation and the introduction of whole new industries such as tea planting was incalculable—and might well be studied carefully by those now engaged in technical assistance. On the other hand, the heyday of British rule in India coincided with the general acceptance of *laissez faire*, and when the Indians—with the exception of a brilliant group of Parsee families round Bombay—showed no interest in industrial development, the Indian Government did not think it any part of its duty to promote local enterprise. Industrial development took place but under European management. The development of Indian industry dates largely from the first World War. The result has been that the nineteenth century did not bring with it a vast extension of Indian middle and technical classes. Today the narrow basis of responsibility and education is a danger to the new states.

Perhaps the safest immediate judgment is that British rule equipped India for responsibility and expansion within the framework of sane and confident nineteenth-century liberalism. Whether the equipment will survive the totalitarian irrationalities of this century is not yet proven. Sir Percival Griffiths ends his admirable work on a note of optimism, and the reader, respecting his knowledge and judgment, can be content to share the hope.

Religion and the Orient

The Mind of East Asia. By Lily Abegg. *Thames and Hudson*. 338 pages. 25s.

It is unfortunate that Miss Abegg writes so heavily, for her book is important. She is often obscure, sometimes repetitious, and always given to far too many quotations from German philosophers and psychiatrists, quota-

tions which usually do nothing for the argument except to distract from it. Nevertheless, those who persevere will be amply rewarded, for Miss Abegg's experience and qualifications are unique. She is at once a journalist, a philosopher and a psychologist. She has lived much of her life in East Asia, including Japan during the war, and she knows both the languages and the literatures. She can not only think both as an East Asian and as a European; she understands what happens when she makes the change-over from one to the other.

Her main thesis is the contrast between the East Asian emphasis on totality and the imminence of God, and the Western concern with logic and the personality of God. The West, she argues, has developed its mind out of balance with its emotions, its intuitions, and its capacity for mystic experience; whereas the East Asian has been concerned always to apprehend the universe not with one of his faculties alone, but with them all, and for him the aim is to re-live the life of the sages. He sees God in all things, and his aim is to absorb himself into this Universality by the renunciation of every desire which might distract him from contemplation.

Miss Abegg illustrates her thesis by examples drawn from every aspect of contemporary Asian life—from a comparison between Japanese and Chinese cruelty to the occasion when the Japanese Emperor could not review a particular garrison because it lay on a branch line where the rules prescribed second-class coaches, and the rules, of course, equally demanded a first-class coach for the Emperor.

Making Great Britain

England and Scotland, 1560-1707. By Douglas Nobbs. *Hutchinson's University Library*. 173 pages. 8s. 6d.

This latest addition to a well-known series finds itself in proper company, for it is an authoritative monograph and it makes pleasant reading. Mr Nobbs's theme is not, as the title might suggest, the diplomatic history of the two countries, but their internal politics—both action and theory. It shows English and Scottish history as parallel and inter-related but not, except in connection with the Solemn League and Covenant of 1643 and the Union of 1707, inter-dependent.

An introductory survey of the main trends in the political thought of the two nations covers the whole period. This is clear, terse and fair, but it is surprising to find here no notice of Filmer (whose "Patriarcha" is, however, mentioned on page 151 and appears in the bibliography), and none whatsoever of Hobbes, the spokesman of the Cromwellian regime, or of Fletcher of Saltoun, whose ideas underlay the Scottish Act of Security (1704). There follow analyses of the political, ecclesiastical and economic aspects of the "mute commonwealth" of Scotland (the phrase is adapted from Sir Thomas Craig) and of the Tudor commonwealth in England. The balance of forces in Church and

State—crown, privy council and parliament, gentry and towns, episcopalian, puritan and presbyterian—always uncertain in Scotland and becoming uneasy in the later days of Elizabethan England, was subjected after 1603 to great strains. These produced, in succession, the "Conservative Revolution" (the return in 1641 to a balanced constitution), the "Radical Revolution," when Independents, sectaries, presbyterian high-flyers and soldiers got their heads, and the "Bloodless Revolution," which, after the crown's efforts to recapture its traditional prerogative, left parliament in virtual control. The Union followed as a consequence of setting up two sovereign—or nearly sovereign—parliaments.

The canvas is large and the brushwork bold; as with every work conceived on this scale, it is easy enough to point to debatable conclusions. On two larger issues the book is open to serious objection. The economy of Elizabethan England and of contemporary Scotland—land-use, industry, commerce, finance and social organisation—is fully treated in relation to political conflict; but from 1603 this element is forgotten until, a few pages before the end, a brief and retrospective bow is made in its direction. Secondly, the Union of 1707 (which might well serve as the unifying theme as well as the *terminus ad quem*) surely deserves fuller consideration than is possible in the six pages allotted to it. The broad picture is, however, well executed; the style is agreeable; and the contribution to the appraisal of British political development is real.

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AMERICAN SURVEY

The Big Change

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THE "change" for which the American people voted is now taking shape with a speed for which it is difficult to find a historical parallel. In the first week after the election General Eisenhower seemed more concerned to emphasise that he is at present not responsible for American policy than to prepare for the time when he will be. But last week it became daily clearer that the leisurely interregnum provided for by the Constitution is no longer feasible now that the United States is the leading world power. The General began the week with a grim but informative interview with the President and his senior advisers at the White House in which, so Mr Truman said later with more than a little relish, "he seemed rather appalled at all that the President needs to know in order to reach decisions," and departed for New York laden with a three volume brief on the world situation and the functioning of the American government. Since then he has been announcing the names of the members of his Cabinet almost daily, thus giving the new Secretaries time to digest the appalling accumulation of facts in the government files before they have to decide what use to make of them.

Although the American Cabinet is utterly dissimilar from the British in that its members are responsible only to the President and not to Congress, and there is no principle of collective responsibility, the President's choice of his "official family" is limited. Even a President who so clearly dragged his party into office as General Eisenhower must consider sectional feeling, must take account of the balance of power within his party, and must satisfy ambition where to thwart it would weaken him. General Eisenhower's appointments show that he is both broadly aware of the limitations and at the same time is determined not to be too closely bound by them.

Thus two New Yorkers, Mr Dulles and Mr Brownell, the new Secretary of State and the new Attorney General, are balanced by appointments from the industrial middle west, Mr C. E. Wilson of Michigan at the Department of Defence, Mr George Humphrey of Ohio at the Treasury, and Mr Arthur Summerfield, also from Michigan, as Postmaster-General. The farm states contribute Mr Harold Stassen of Minnesota as the Mutual Security Administrator, and the far west Governor Douglas McKay of Oregon, who goes to the Department of the Interior, and Mr Ezra Taft Benson, a Mormon from Utah with farming experience, to the Department of Agriculture. Mr Sherman Adams, now Governor of New Hampshire, who as the President's Assistant will be a civilian chief of staff, represents the rock-ribbed Republicanism of New England. The appointment of Mrs Oveta Culp Hobby as Federal Security Administrator with a place in the Cabinet is a graceful tribute both to the importance of the women's vote in the General's election and to the defection of Texas from the Democratic fold. The only area unrecognised thus far in the General's appointments, with only the Secretaryships of Labour and Commerce still to be filled, is Massachusetts and this will probably be cleared up

when the puzzle of Senator Lodge's role in the new Administration is solved.

In dealing with the balance of power within the Republican party General Eisenhower has made no major concession to Senator Taft. Mr Dulles and Mr Brownell are close associates of Governor Dewey, the Senator's arch enemy. Although Mr Dulles has of late managed to render himself unobjectionable to the Senator, Mr Stassen, by throwing Minnesota's votes to the General at the Republican convention, ensured Mr Taft's defeat on the first ballot; both Governor McKay and Governor Adams have been "Ike" supporters from the beginning. Mr Humphrey could be called a Taft man, but he was not actually on the Senator's list of suitable candidates for the Cabinet. Only Mr Benson and Mr Summerfield have been picked off that famous list, although they receive jobs which control a large share of the minor patronage. It is not impossible that in the end the Republican Old Guard has decided it is more interested in patronage than policy.

Mr John Foster Dulles needs, as the saying goes, no introduction. There is little doubt that personally the General would have preferred Mr Paul Hoffman for the State Department, but Mr Dulles's claims were formidable. Probably no Secretary of State since John Hay undertook the same office for President McKinley begins with a longer experience of international affairs or a more thorough knowledge of the mechanics of diplomacy. His relations with the next Congress should be good, an important advance compared with the past few years. He is an extremely skilful negotiator whose religious convictions do not blind him to the beauties of a hard bargain. It is no use pretending that he is not a controversial figure or that his career does not reveal great inconsistencies of view. But Mr Dulles has been cast in an impossible role ever since he came to Washington in 1944 to try to keep the drafting of the United Nations Charter out of party politics. He has had to straddle the gap between the Republican party and the State Department, representing the one to the other, advising, interpreting, but never with power or responsibility. It is only fair to expect that the inconsistencies in his behaviour will disappear with the achievement of his life's ambition and the acquisition of full responsibility for American foreign policy.

Mr Harold Stassen, like Mr Dulles, is an ambitious man whose power to harm the new Administration has been averted by taking him into it. He is no longer the boy wonder who, in 1940 at the age of thirty-three, was Governor of Minnesota; a great deal of disappointment has come his way since then, including two unsuccessful bids for the Republican nomination. Whether his prejudice against

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

giving American aid to any country with a socialist economy will survive his first contact with the highly sophisticated calculations of the Mutual Security Agency remains to be seen. But if, as some MSA officials argue, the immediate necessity is to increase the level of American aid to Asia, Mr Stassen, with his known sympathy for this idea, may be the best man to sell it to Congress and the public.

Mr Charles Erwin Wilson, the head of the General Motors Corporation (who is fatally confused in the public mind with Mr Charles Edward Wilson, the head of the General Electric Company, who was President Truman's Defence Mobiliser for two years after the Korean outbreak), is an unexpected choice for Secretary of Defence. His appointment reflects General Eisenhower's respect, and that of the US Army, for the captains of industry, but it is to be hoped that no one is under any illusion that running the enormous enterprise of the Pentagon is remotely like running an industrial undertaking, however large. The appointment of Mr Wilson, who has no political or official experience of any kind, makes it likely that the current division of power within the Pentagon, under which the civilian Secretary deals only with administrative and production matters while the Joint Chiefs of Staff have the last word on strategy, will be continued. It was probably too much to expect that the new President would appoint a Knox or a Forrestal to an office over which he clearly expects to exercise great influence himself.

The most unexpected appointment of all was that of Mr George Humphrey, the president of the M. A. Hanna company, the great Cleveland ironmasters, to the Treasury. Mr Humphrey is one of those industrialists who have worked their way up by means of the law and the position of corporation counsel. He is what bankers call a "sound" man and, although he is less likely to quarrel with the Federal Reserve Board than his recent predecessors, he is equally unlikely to restore the Treasury to the position as one of the great policy-making departments of the government which Hamilton and Gallatin intended it to have.

It is an axiom of American politics that the Department of the Interior must be headed by a westerner, for most of its business is with the public land and river projects west of the Mississippi. Governor McKay is the type of good-hearted energetic westerner who, though he disapproves of many current federal projects, will do the same kind of pragmatic and sensible job as his predecessors. Mr Brownell was clearly a candidate for the Cabinet for he, more than anyone, converted the amateurish Eisenhower movement in the weeks before the Republican convention into a professional political organisation. In his campaigns with and for Governor Dewey, Mr Brownell has acquired a kind of disinterested toughness which will stand him in good stead against Senator McCarthy when the Senator turns his witch hunt on the new Administration.

Except for the Secretaries of State and of Defence the relative importance of these appointments will depend on the way the President-elect organises his Cabinet and his relations with Congress: whether he seeks a common denominator of agreement from his Cabinet or whether he treats it as a constitutional formality like his two predecessors, weighting his reliance on the advice he receives in accordance with the capabilities of the individual adviser. One thing is certain: even with the intelligent and efficient Mr Sherman Adams to organise the sprawling executive office for him, President Eisenhower will find many problems on his desk which cannot be reduced to the famous one sheet of notepaper.

Teaching by Tape

[FROM A SPECIAL CORRESPONDENT]

It is curious that Americans should be the world's worst linguists when immigration has caused so many languages to be spoken in the United States. But it has always been rare for more than one to be spoken by the same person. The immigrants themselves often continue to speak their mother tongue until death, and acquire only a smattering of English, if any. Their sons and daughters, anxious to conform and get ahead, speak mainly English, though this one generation must speak a foreign language at home, since the parents understand nothing else. This is the end of the family's bilingualism; the immigrants' grandchildren speak only English.

Except among the wealthy, highly-educated few, knowledge of a second language is something of a social liability, reminding the hearer of recent foreign origins perhaps better forgotten. In any case, it is a generation since immigration was reduced to a comparative trickle. By and large, Americans abroad speak English—a little more loudly, if anything, than usual. Now that the United States is so deeply, if reluctantly, involved in international affairs, the handicap of a single language has become a serious diplomatic liability. The homegoing government expert, indeed even the business man, now complains that he is embarrassed by his linguistic ineptitude. Consequently, there is a demand for men and women who speak foreign languages which is out of all proportion to the available supply; fluency in a language cannot be acquired as rapidly as international responsibility. If linguists cannot be found for relatively well-paid posts, the shortage of language instructors—ill-paid except at top levels—is certainly no less acute.

Against this background of real necessity something of a major revolution is taking place in methods of teaching foreign languages. If the efficiency of a course of instruction is judged by the number of students who can attain a given level of proficiency in a fixed time and with a fixed number of instructors, then the new methods are much more than twice as effective as the traditional ones. Quantitatively, even if not qualitatively, the achievement is real.

Much simplified, the new system amounts to this: each instructor holds formal classes on the traditional pattern, and these are attended by his students for, say, six hours a week. Approximately double this time is spent by each student each week listening to recordings made by the instructor. To the instructor's recorded questions, the student records his own answers. At any moment, he may listen to the combined result, and some of the students' recordings are checked by the instructor.

So far, there is little originality in the new system. Schools have used language records for many years, and recorded correspondence courses have been available ever since the invention of the gramophone. Records can even be bought today which teach parrots to express themselves in five languages. The important difference is that the new recordings are "personalised"; they are made by the student's own instructor, who can modify them to fit the needs of his class, and the student can record his own efforts and compare them with the official version.

For this to be economically feasible, it is obvious that a recording device is needed which uses simple and cheap equipment as well as a cheap recording medium, and requires a minimum of technical knowledge to operate. On all these counts, the traditional disc recorder is ruled out and the

ubiquitous, robust, almost fool-proof tape recorder is the answer, with a beehive of cubicles, each equipped for individual private listening and recording.

The pioneer "language laboratory" of this type, which makes extensive use of electronic aids, is at the Institute of Languages and Linguistics, a part of the Foreign Service School at Georgetown University, in Washington, D.C. Here sixty courses are given in thirty-two different languages, from Arabic to Tagalog, earning every year, simple arithmetic suggests, a gross annual income of about \$500,000. The system was developed in its present form by the director of the institute, Mr Leon Dostert, who was General Eisenhower's interpreter during the last war and originated the simultaneous translation system used at the first Nuremberg trial and now used by the United Nations. Today, there are some fifty "laboratories" throughout the world (including one in Puerto Rico, one in the Pacific, and one at Shape headquarters, near Paris), largely patterned on the Dostert original. The most unexpected is the one worked out by Jesuit Georgetown for the government of Communist Yugoslavia.

A complete laboratory consists of from five to two hundred tape machines, each in a partially soundproof cell lined on three sides with acoustic tile, but open at the top, each equipped with a pair of headphones and (when necessary) a hand microphone. The degree of acoustic isolation provided is of course incomplete, but adequate for quiet speaking, while the headphones provide not only a freedom from distractions, but also a real aid to concentration. As the tape is played it may be stopped at any time, reversed, replayed as often as desired; tapes do not wear out.

The mechanics of providing students with their teacher's tapes vary, of course, from installation to installation. At the larger centres copies of the instructor's master tape are made, and stocked at a university-store. At the beginning of the academic year, a student purchases three tapes at \$3.50 each. As he finishes with one, it is traded for another; as many as seventy-five half-hour tapes may be used in a single course. On turning in the last three tapes, he receives a refund of \$2.50 a tape, thereby securing perhaps 30 hours of instruction for \$3.00, or 10 cents, the price of one large Coca-Cola, an hour. This fantastically low price is possible because a tape can be completely "erased" and used again several hundred times. The charge for classroom work is, of course, less modest, but the tape procedure does enable one instructor to handle many more students than would otherwise be the case, and thus helps to keep the total cost low.

Enthusiasts for this remarkable scheme can justly claim that their students acquire far greater fluency, and better verbal understanding, than those taught by older methods over a similar period. Indeed, one "old style" instructor recently admitted that Georgetown students, after one year, seemed conversationally the equal of his own after three. Criticism of the laboratory system is mainly directed at the fact that it does not seem to give the advanced student any comparable advantage. Since this type of language instruction is barely five years old, it is hard to know how valid this criticism may be. At present, the laboratory courses are almost confined to beginners, for it is in such elementary instruction that the need is most apparent. It may be that listening to recorded plays, recorded readings, and the like will prove a useful supplement to advanced study, though for a degree at least one year's residence abroad is usually still required. But there is no question that the mechanisation of elementary language instruction, adopted by so many universities, by the State Department and by the US Army, can give many Americans something better than the Englishman's "public school French."

American Notes

Taft at the President's Right Hand

The announcement that Senator Taft would be "available" for the role of majority leader of the Senate when Congress meets in January must have been received with mixed feelings by General Eisenhower's advisers. The majority leaders of the House and Senate are the chief connecting links between the White House and Congress; under the Democrats they paid weekly visits to the President, accompanied by the Vice-President and the Speaker of the House, to map out the legislative programme and strategy. In the last Congress Senator Bridges, who is acceptable both to the Taftites and the progressives, was the Republican leader. But he will continue in the post only if this is necessary to avoid an undignified squabble over his successor. Senator Bridges must seek re-election in two years, and the majority leadership is an exacting job which leaves little time for mending political fences, as the two last Democratic majority leaders found, to their cost, in 1950 and 1952.

General Eisenhower can count upon wide support from the conservatives and middle-of-the-roads, who make up the bulk of both parties in Congress, which Mr Truman could not. But his technical majority is the narrowest in twenty years, except for the two when Mr Truman lost control of Congress altogether. To hold his party together and present a united front, General Eisenhower will need, and apparently is planning, to work very closely with his Congressional leaders. Inevitably this means working closely with Senator Taft, the most powerful legislator Washington has seen for many years, and the undisputed leader in fact, if not in name, of the Congressional Republicans.

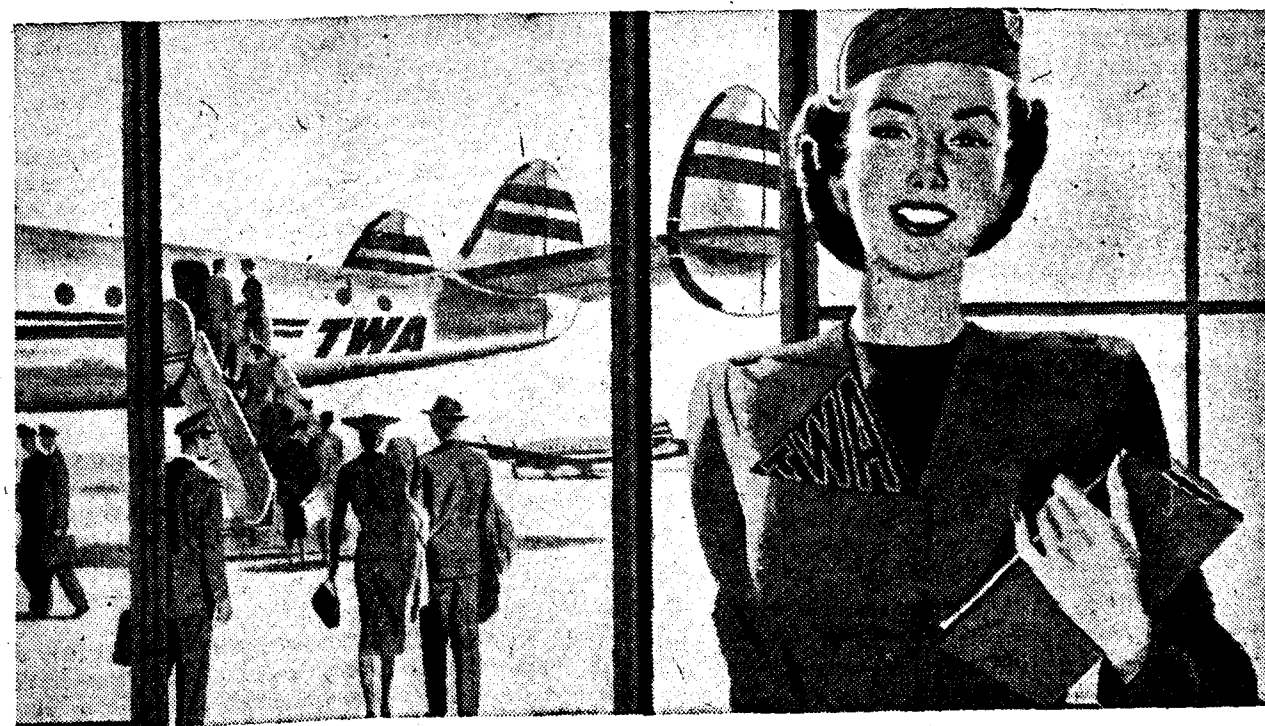
Mr Taft is already assuming a rather authoritative tone. The President's more liberal advisers may be nervous about too intimate an association, which might seem to put the President in the Senator's conservative pocket, until Mr Eisenhower has gained political experience. But they are not likely to be able to avoid it. Senator Taft has already rather sharply warned General Eisenhower that the Senate Republicans can make their own choice without help from the White House. And he need not insist upon becoming floor leader, with all the arduous duties that entails, in order to help shape the President's proposals to Congress. He has suggested that the President should invite to his legislative conference all three of the top Republican officers of the Senate, including the chairman of the Republican Policy Committee, a post Senator Taft has long held but which is not likely to be as important as it used to be, with a Republican President to make policy.

The Democrats, now in the minority, are not expected to need any behind-the-scenes conferences to settle who their leader should be. Senator Lyndon Johnson of Texas seems to have secured the support of most of his colleagues except those on the extreme Fair Deal wing, who do not like his friendship for the oil and natural gas interests and feel that the future of the Democratic party lies on the left of the road rather than in the middle, where Senator Johnson prefers to travel. This will be the first time since 1937 that the Democrats have had a leader from the South.

Budget in Eisenhower's Nest

General Eisenhower must by now be realising that almost his only chance of keeping his election pledge to reduce defence spending without reducing defensive power lies in a Korean settlement. Yet his Congressional leaders, Senators Taft and Bridges and Representative Martin, who have far more experience than has the General of the virtual impossibility of making substantial cuts in government expenditures under present conditions, are already warning him that if he

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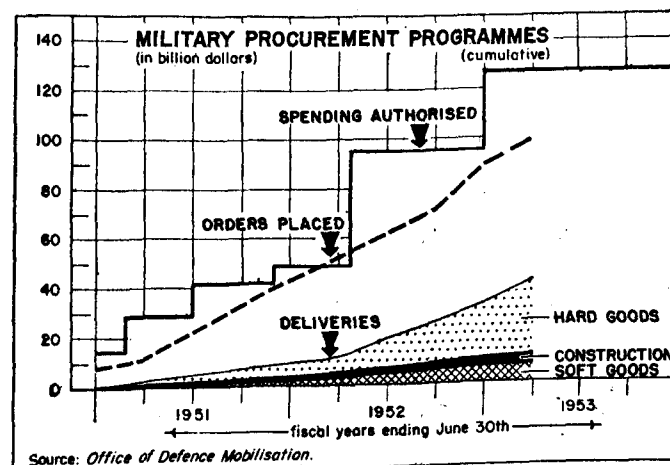
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does not bring the total of the 1954 budget down to \$70 billion, they will. That budget, for the fiscal year beginning next July, is already in the final stages of incubation and will be hatched out by Mr Truman before he leaves.

The usual inspired guesses estimate its size at about \$85 billion, with nearly \$60 billion for national security programmes and another \$15 billion for fixed charges such as interest and pensions. This is about what was asked for the current year, although Congress finally got it down to \$80 billion. Congress and the new Administration between them may reduce the 1954 budget as much or even more and it is not impossible that the 1955 budget, to be presented in just over a year's time, when rearmament is scheduled to be nearing its peak, may be kept to the \$60 billion that the Republicans are aiming at. This might enable taxes to be cut in nice time for the Congressional elections in 1954.



Meanwhile, however, General Eisenhower may be tempted to extend last year's stretch-out of the defence programme still further, putting off delivery dates on contracts already entered into, so that payment does not have to be made during the 1954 fiscal year. As the chart shows, deliveries, particularly for "hard goods" such as tanks and aircraft, lag far behind the placing of orders. Thus much of the actual military spending next year will be to pay for commitments already made with Congressional authorisation. Even if Congress were to cut the amount asked for military procurement in the coming budget, spending would be little affected until the following year. Now that foreign aid is made up so largely of military assistance, the same situation exists in that part of the budget also.

As a result both the defence and mutual security agencies always have generous spending authority in hand when they go to Congress for fresh funds and members of the new Congress are already determined to look into this practice. Congress, and particularly Senator Lyndon Johnson's Preparedness Committee, is also doubtful whether the country is getting full value for its defence dollars and has been demanding a "production czar" in the Department of Defence, a demand which seems to have been met by the appointment of an industrialist to head the department. Mr Wilson and General Eisenhower between them should know where to look for worth-while savings both in money and men. But \$15 billion is a great deal of fat to trim off even an \$85 billion budget without cutting to the bone of the country's defensive power.

Costello's Heir

The New York State Crime Commission, which has been investigating relations between political machines and the underworld outside Manhattan, has now come to the city and the dockworkers have already struck in protest at its impending inquiry into gangsterism and corruption on the waterfront. The chief revelation of the hearings held earlier in the month was the existence of an heir to Mr Frank Costello,

the underworld overlord now in prison for contempt of Congress who is due to be deported when he comes out. Testimony before the commission pointed to Mr Thomas Luchese, who is said to have been promoted to the vacant top job as ceremoniously as if he had been chairman of the board of some large corporation. To the drug peddlers he is alleged to have organised, Mr Luchese was known as "three-finger Brown." But like his predecessor, Mr Luchese ran a respectable business as a front, met federal and state judges and leaders of both political parties on friendly terms, and gave handsomely to charity—and to Tammany, the Democratic machine in New York.

In the days of its power and wealth, before the La Guardia reform administration and before it lost its federal patronage, Tammany never pretended to be pure. But it did not have to be bought and bossed by gangsters as it is today, in its decrepit old age. Further testimony before the commission showed that the sale of judgeships is common—lower court judges are elected in New York, and the district captains of the political machines can demand up to \$100,000 for a nomination and for turning out the vote. Appointment to court jobs is a political perquisite, and judicial patronage often goes to relatives or the highest bidder. One of the aims of the commission in going over ground well covered in the past by half a dozen different investigations is to discover what changes in the electoral law are needed to loosen the tight grip of corrupt political machines.

The investigation may help to guarantee the return of another reform government in the city next year. But the effectiveness of the commission, which is bi-partisan, but appointed by a Republican governor, would have been greater if it had not appeared to be dealing lightly with Republican witnesses. It was incidentally a Republican who secured from the State Parole Board the certificate of good conduct which enabled Mr Luchese to vote again, a right he lost after having been imprisoned for the theft of an automobile. Mr Carmine de Sapio, the leader of Tammany, has issued a spirited denunciation of the commission's tactics, and he is supported by less interested observers, such as Mr Spruille Braden, head of the New York City Anti-Crime Committee, who wonders why the commission gave Mr Luchese immunity from any further subpoenas. If he can be found, however, Mr Luchese may not long be available as a witness; whatever else may or may not be proved against him, he appears to have concealed four arrests in applying for his naturalisation and should soon be sent to join Mr "Lucky" Luciano in Italy.

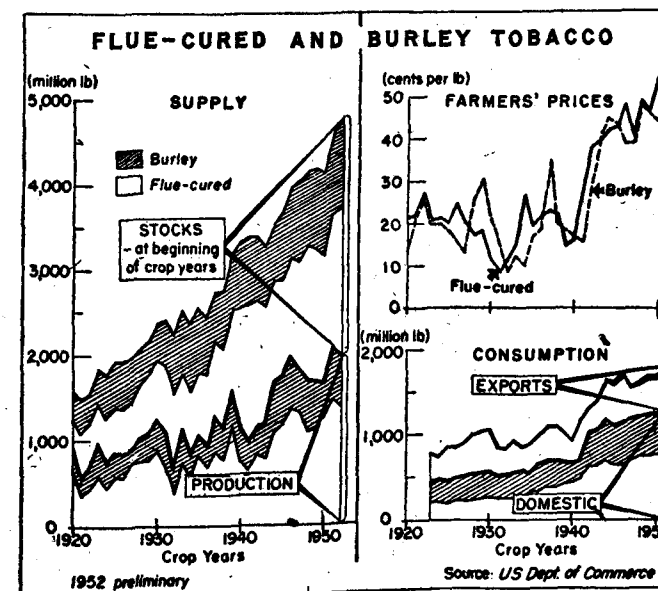
Tobacco's Road Back

Another kind of election was held last week, one of which the results were easy to predict. Over 155,000 growers of burley tobacco voted on whether they wished to continue government control over, and price support for, their 1953 crop, which represents about 27 per cent of all tobacco grown in the United States. Although the government programme calls for a considerable reduction in the amounts they are allowed to produce—from 611 million pounds this year to 546 million next year—there is little doubt these farmers have continued their adherence to the scheme, which has governed their production without interruption since 1940. Last time 95.8 per cent of burley growers voted in favour of the plan, in which the government undertakes to support the price by loan and purchase agreements provided the growers keep within acreage quotas based on the Department of Agriculture's market forecasts. A two-thirds vote of acceptance, binding on all growers in the voting group, is required.

The bulk of American tobacco—burley, Maryland, flue-cured, fire-cured, dark air-cured and cigar—is grown with such market protection, and even those growers who have chosen the rugged road away from federal aid are now tripping over their surplus tobacco in their haste to return

to a protected market. Seven northern states that produce cigar filler and binder leaf tobacco have just reversed their decision of a year ago, after having a taste of freedom during which prices dropped sharply. And a much chastened group of Maryland farmers, who refused to continue in the scheme in 1950 when they were required to limit acreage if they wanted price support, have now voted to abandon their individualist principles for the sake of collective security.

Tobacco consumption continues to rise; Americans will spend \$5.1 billion for cigarettes this year, and perhaps it was with this in mind that Maryland farmers in 1950 and 1951 sweepingly rejected quotas in favour of expansion. But by



this spring it was apparent they were headed for trouble; production exceeded sales by 7,000,000 pounds and the price dropped to 44 cents a pound compared with the support price of 54.2 cents. With a fine disregard for their earlier vote, Maryland tobacco men called for immediate federal protection from themselves, in the form of the price supports for this year's crop which they had spurned last December. Needless to say, other tobacco areas which had played by the rules would not let the Marylanders have it both ways, so Congress failed to pass the special legislation which was necessary. Sadder, wiser, and \$5 million poorer, Maryland tobacco farmers have to struggle through another year of freedom before getting back to the safety of price supports.

Voters have their Say

In 37 of the 48 states last election day the voters, in addition to choosing between candidates for every sort of

public office, from President to city councillor, had a chance to give their opinions on a variety of local topics. Altogether about 200 of these propositions, without apparently including numerous bond issues, were on the ballots, either because they concerned matters which under state constitutions must be settled by popular referendum, or because a sufficient number of the electorate had signed petitions asking for a chance to vote on the question. In Oregon the public had its say on fourteen of these propositions, ranging from changes in the state milk laws and lorry tax regulations to approval of daylight saving time. This was rejected, as it was in the neighbouring state of Washington. There, however, housewives will in future be able to buy yellow margarine, while in Oregon alcoholic liquor can now be bought by the tot as well as the bottle. Neither Oklahomans nor South Dakotans were prepared for their children to vote at 18, and Colorado is not to have gambling machines. In Arizona and Nevada anti-trade union measures were adopted; no one advocating the violent overthrow of the government will be entitled to tax exemption in anti-Communist California, and in South Carolina preparations were made to close the public schools should the Supreme Court decide that segregation of Negro children in the state schools is unconstitutional.

New state taxes seem to have been rejected nearly everywhere that they were proposed, while changes, usually important, in state constitutions were frequently approved. But the greatest enthusiasm was shown for bond issues, and the construction industry now has a comfortable cushion of state schemes to fall back on should there be a collapse of the present building boom under federal and private auspices. Of the \$1.5 billion worth of borrowing plans proposed by state and municipal governments, nearly the whole amount was approved. School building took first place, but there were also numerous schemes for hospitals and other institutions as well as for roads and sewers. San Francisco decided it needed a new fire station but that its outworn municipal railway, which includes the historic cable cars, would do as it was; Portland, Oregon, has been denied its zoo and Seattle its new parks by voters in utilitarian moods.

Shorter Note

The death of Mr William Green, who had been president of America's original trade union organisation, the American Federation of Labour, for nearly thirty years, followed closely on that of the younger Mr Philip Murray, who headed the Congress of Industrial Organisations. Of the three grand old men of American labour, the only survivor is now Mr John L. Lewis, who led this splinter group out of the parent body and then walked out of it himself. Mr Green has been succeeded without controversy by Mr George Meany, who had been performing most of his duties for some time, but the CIO is still arguing over a successor for Mr Murray.

LIVING with the DOLLAR

Additional copies of last week's issue of The Economist, which contains this supplement, can be obtained from newsagents or from:

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THE WORLD OVERSEAS

Germans and the Middle East

THE West German Government announces that, between now and Christmas it is sending special trade delegations to all the Arab states. The immediate cause of this move is anxiety to avert the boycott which the Arab states threaten to impose in protest at German reparations payments to Israel—a situation that was described in *The Economist* of November 8th. West Germany's anxiety, however, also directs attention to the very considerable recovery of its trading strength in the area.

This recovery became an obvious feature of the Middle Eastern economy from 1950 onwards. Since then, not only has the volume of trade increased but the return of the German technician as adviser has happened on such a scale as to be easily noticeable. For example there are now German experts in the Egyptian State Railways in roles which were until 1950 a British monopoly; German military experts employed in the Egyptian and Syrian armies may one day lead to Middle Eastern orders for German arms; Middle Eastern airlines are signing up ex-Luftwaffe pilots; German advice on how to keep Abadan in trim has been taken in Persia. In a word, West Germany's trade drive is benefiting from the fact that underdeveloped states which need technicians greatly prefer, for political reasons, not always to have to get these from the group of western states that they dub "imperialist."

Figures for West German trade with the main Middle Eastern countries are given in the table below.

WEST GERMAN TRADE WITH THE MIDDLE EAST
(\$ 000,000)

	German exports to:			German imports from:		
	1950	1951	1952 Jan.-June	1950	1951	1952 Jan.-June
Egypt ..	19.1	29.7	18.7	23.5	24.5	11.9
Syria	7.1	7.6	4.9	1.0	1.3	0.6
Lebanon ..	...	3.9	2.1	...	1.0	0.5
Iraq	0.3	2.3	2.0	18.2	32.9	22.2
Persia	9.3	19.9	11.1	9.3	25.4	7.2
Saudi Arabia	2.5	3.0	2.3	14.0	36.6	17.9

These reveal a balance that is, in the aggregate, unfavourable to Germany. But the breakdown shows that the balance is in fact unfavourable only in the case of the two oil-producing states, Saudi Arabia and Iraq, which between them sold to West Germany goods to the value of \$69.5 million in 1951 and \$58 million in the first nine months of 1952—virtually all crude oil. In a word, the Arabs tend to get more from Germany than they sell to it and would be severely hit economically and in terms of their development programmes if they were to turn their back on it because of its dealings with Israel.

Egypt—the biggest of the Middle Eastern states, and the biggest potential customer—would be hit the hardest because it is also a would-be heavy seller to Germany of goods that are not (as the oil is) sold through a concessionaire which might be able to maintain the supply from another quarter. Unlike its trade with other western industrial countries, Egypt's trade with Germany is nearly in balance because the

Federal Republic has been buying Egyptian cotton despite the slump this has suffered through the Wafd's price policy.

EGYPTIAN TRADE WITH GERMANY
(£ 000)

	Imports from	Exports to
1947	129	1,749
1948	336	1,753
1949	601	5,427
1950	6,149	5,507
1951	9,798	8,610
1952, 1st 9 months	8,900	8,300
1951, same period	5,600	4,500

The jump in the import figures as between 1949 and 1950 is accounted for by an agreement—which is mainly a payments agreement and which was renewed in 1951—based on a dollar rate of exchange of \$2.87 to the Egyptian pound, whereby the two countries are, within a fixed limit, buying and selling each others currencies at the agreed dollar rate. There is a fixed margin of \$15 million and when this is reached the country in deficit has to pay in an agreed third currency—sterling. No licences are needed for German imports into Egypt. At present, the trade is running so nearly in balance that the agreement does not yield Egypt any of the sterling it so badly needs but a stepping up of its cotton sales—which it is trying hard to bring about—might produce this result. A survey of the nature of the exports shows that a boycott would not only shut off a potential source of sterling but would deny Egypt latitude in commissioning capital goods for works that lie immediately ahead.

Seen through British spectacles the German export drive, particularly to Egypt, constitutes serious competition. There are few German consumer goods in the shops except pharmaceutical products; Germany is also recovering its trade in fertilisers. The main attack is along the line of investment goods; it is worth noting that in this field the Egyptians are again the beggars as they need to buy capital equipment on long term credit. So far, the Germans have not found a way of giving them the facilities that Cairo wants. Nevertheless orders for pumping plants and iron and steel constructions such as bridges are going to Germany from Egypt and big German firms are tendering for the Aswan dam and similar public works. Germany has probably in hand about £4 million worth of long-term heavy industrial contracts; this will of course lead to a market in maintenance parts. Its trade elsewhere in the Middle East is for the present much more concerned with lighter industrial products, with pharmaceuticals, electrical apparatus and agricultural machinery holding a strong place.

This rise in German trade is no unnatural development. Before the war the Middle East had strong connections with German firms and many of the trade lines that are being reformed are between old business associates. West Germany has not yet recovered the Reich's prewar position; for instance, in Egypt, in 1938, Germany enjoyed more than 10 per cent of total foreign trade, whereas West Germany's percentage was less than 4 per cent in 1951. Before the war, in Persia, Germany was second only to Russia as a supplier and in 1938 was responsible for 25 per cent of the import trade; in the first quarter of 1952, it has won its way back to third place but its share is still only 13 per cent. Although final figures are not available, the percentages have now altered to an extent that places the Soviet Union

first with nearly one-third and Germany second with approximately 20 per cent of Persia's present low volume of foreign trade. The Germans are now backpedalling somewhat because transactions under the clearing agreement which they reached with the Persians in the summer have not gone quite as they expected. The agreement allowed for an unbalance of \$8 million in either direction and the Persians are already in debt almost to this amount with little prospect of reversing the swing.

Yet the intention to narrow the gap as fast as possible is clear from the degree of agitation to which Bonn has displayed over the boycott threat. In Cairo in particular, this was made into a major diplomatic affair in which the comings and goings of the German Ambassador Herr Pawelke were more frequent and energetic than the situation seemed to warrant. Arabs are hard bargainers if they think they have their adversary on the run. This too obvious anxiety almost certainly encouraged them to take up a stiffer attitude; there were at one time distinct signs that some states were aware of the harm a boycott would do to them, and that some would have liked to escape from the propaganda position they had taken up. Instead, Saudi Arabia refused to allow a German trade delegation to enter the country, and General Neguib first asked the Germans to postpone an industrial exhibition in Cairo, and then unconstitutionally sent a direct message to Germany's industrialists pointing out the bright future that awaited them if they "settled the crisis"—i.e. settled it in the way which he hopes for.

Admittedly, Dr Adenauer's government has been in a difficult position. It has been caught between its own laudable conviction that restitution to Israel is a moral obligation and, on the one hand, pressure from the concerns which hope to expand their business in the Middle East and, on the other, pressure from those who hope to prosper out of reparation deliveries to Israel. (The first group has even been stating, according to a recent number of the *Frankfurter Allgemeine Zeitung*, that if a boycott were imposed, Germany stood to lose trade to the value of three milliard D-marks; the newspaper rightly points out that current statistics prove that the loss would not remotely approach this figure unless calculated over ten years.) As a result of this fuss and the lack of acumen about Arab technique which it displays, the delegations which Bonn now feels bound to send round the Arab capitals set out at a disadvantage.

Atlantic Assizes

[FROM OUR SPECIAL CORRESPONDENT]

JUST about this time last year the public which tries to follow the operations of the Atlantic alliance was reading about the work of Nato's "three wise men." Mr Harriman, Sir Edwin Plowden and M. Monnet were trying, on behalf of fourteen governments, to bridge the gap between the soldiers' proposals for Europe's defence and the civilian ministers' ideas of what their countries could afford. Eventually they produced a plan which was accepted, with modifications, at the Lisbon conference of Nato last February, and which has remained since then the basis of Atlantic defence planning. This year there are no "wise men," and the less said about supra-national arbitration by distinguished national personalities the better. A similar job is, it is true, being done at this moment in the Palais Chaillot; but the methods are democratic, the procedure bureaucratic, and the mood even less plutocratic than they were last year.

In the process known as the Annual Review, which is now in train, an important political precedent is being created. Nato will increase its power and prestige if it is successful in its main aim, which is to establish what forces the alliance can and should have by the end of next year, and what rough figure of forces it could afford in 1954. The process obviously involves a thorough examination of all the

economic factors affecting the common defence effort. It is just because the scope and implications of the operation are so wide that the next ministerial meeting of the Atlantic Council, on December 15th, will bring to Paris not only Foreign Ministers but also Defence and Finance Ministers. That they will settle all their business then is unlikely; too much in the future depends on American policies as yet unframed. But they will be seized of their main common problems and individual perplexities.

The process of the Annual Review began last June, when the fourteen governments received from Lord Ismay's Nato secretariat a detailed questionnaire. This inquired about the forces and production planned for the period ending December, 1953, about contributions towards bases and communications under the heading of "infrastructure," and about military budgets and the more general considerations known as "politico-economic capabilities." It amounted, in short, to asking: "What are you proposing to do, and what can you afford?" Information was also requested for more general estimates of what might be set as objectives for the year 1954. Parallel with this Nato inquiry was the more general OEEC inquiry into the economic state of member countries. At the beginning of this month most of the fourteen replies to the Nato questionnaire had reached the Palais Chaillot and work has been proceeding on them ever since.

Anyone pausing to read the semi-secret list of meetings that is shown in the main corridor of Nato's headquarters will realise that its officials and experts from national delegations are moving busily through a neatly planned maze of committees. Copies of each government's reply to the questionnaire go first to five technical teams, whose titles are: Military Considerations; Production; Infrastructure; Defence Expenditure Analysis; Politico-Economic Capabilities. Each team has as chairman an official of Lord Ismay's international staff, and he is assisted by secretariat officials and experts from three or four national delegations.

Questions and Answers

Each technical committee meets first without any representative from the country whose report is being examined. Questions are framed and the national representative and his advisers are then called in. The main purpose is to clear the ground of all technical difficulties and to get from governments all necessary elucidations. At the end of the cross-examination each technical committee will still have some questions or criticisms about each national report; but the object of what is called the "first round" has been achieved. The experts have asked their questions and the conclusions await a more general analysis and co-ordination.

At the next stage all the reports of the technical teams on a particular country are brought together before a Working Group, membership of which varies for each examination. In theory, representatives of all fourteen Nato members are entitled to attend the meetings of this group; but in practice the main work is left to four permanent experts from national delegations, assisted by the chairman of the technical teams (or their deputies) and members of the secretariat. Here again, during this "second round," the first meeting is held without the defendant country's representative being present. At the second meeting he appears to answer the questions that have been prepared. These are, of course, of a more general nature than those put by the technical teams.

The second round of question and answer having been completed, the secretariat writes a report of the working group's conclusions on each country. This goes to the Annual Review Committee, the supreme fourteen-nation body in the matter, set up by the Secretary-General and chaired by his deputy Mr van Vredenburg. This committee has to merge these country-by-country reports into one agreed report on the objectives that Nato as a whole can be set for December, 1953—that is to say figures of troops,

aircraft, equipment and so on. This will contain not only estimates but also criticism of mobilisation arrangements, reserves available and deficiencies in equipment. Throughout the process of examination, from the first round to the last, Nato officials consult with General Ridgway's headquarters outside Paris and with the representatives at the Palais Chailiot of the Standing Group in Washington.

The Annual Review Committee will therefore have done all that can be done with the national delegations to isolate those matters on which there is disagreement between soldier and civilian, between Nato and a national government or between individual governments. It is the task of the Ministers themselves meeting in December to reconcile them, or subsequently to persuade their cabinets that action must be taken to reconcile them.

As compared with the "three wise men" operation, this method of working is more democratic. It is also more cumbersome but, apparently, not less speedy. In practice the leading part in examination and discussion is taken by the larger countries. In the working group that examined the British reply to Nato the permanent representatives were supplied by Belgium, France, Norway and the United States; in the group that examined the American reply the work was done by British, Canadian, French and Italian delegates. Generally speaking, the smaller countries feel that more justice is being done this year to their complaints and difficulties. Whether the result will be a more solid backing for General Ridgway next year remains to be seen.

Foreign Investment in India

[FROM OUR CORRESPONDENT IN BOMBAY]

HISTORICALLY, foreign investment in India has fulfilled two roles, of which the second is now much the more important. First, it provided capital which could not be raised at an economic rate on the Indian market. Secondly, it acted as an *avant-garde*, bringing to India skills, technicians, and industries which the country had not hitherto had. As India has itself acquired the skills and learned to produce the technicians, the industries that foreigners have created have tended to pass into Indian hands; the scope for the foreigner has always lain in the past, and lies now more than ever, in his capacity to do something new to provide for the Indian economy modes of development which it could not generate of itself.

The straight provision of capital was important mainly in the period between the Mutiny and 1914. The railways and the telegraphs were built mostly with money borrowed in London. With the exception of steel every Indian industry—jute, cotton-textiles, coal, tea, shoes—as well as most engineering and even such services as banking and insurance, owed their origin to foreign pioneering. As late as 1914 only in cotton textiles was there a preponderance of Indian capital, though many of the managing agency houses early began to raise locally part, at least, of the capital they required for their different enterprises. After 1919, both the government and the managing agencies turned increasingly to local sources for their money; foreign investment came mainly through subsidiary companies or the branches of large outside organisations, which created such new activities as tyre manufacture and oil distribution and the modern marketing of household goods.

This was already a shift in emphasis from the capital accompanied by know-how of the days before 1914 to know-how accompanied by capital. Since the war this shift has gone even further. The total of foreign capital invested has been but a few million pounds, only about the same as the amount withdrawn as the result of the sale of existing investments. It is dwarfed by the annual release from the sterling balances, by the sum of over £30 million which it will cost the oil companies to put up the refineries they have agreed

to build (the investment of foreign capital where the capital itself is even more important than the know-how), and above all by the £300 million at which the reserve bank in 1948 estimated existing foreign investment (other than government obligations). It is, indeed, very much smaller than the £20 million a year which India remits abroad as the profits of existing foreign concerns. Obviously, the private investor is not going to provide any very large part of India's considerable requirements of capital; the primary reliance will have to be placed on such sources as World Bank loans, and aid from the United States or under the Colombo plan. Nevertheless, the private investor has a role to play out of all proportion to the amount of capital he can be expected to provide, for he brings with him an amount of knowledge and experience per million pounds infinitely greater than can be provided in any other way, even under Point IV.

PRODUCTION IN 1951

	1946 = 100
Caustic soda	507.7
Soda ash	391.6
Bicycles	265.9
Diesel engines	1,531.9
Electric motors	309.4
Coal	118.8
Cotton cloth	104.3

It must, however, be remembered that private investor, in this context, has a strictly limited meaning. It no longer includes, as it did in the early days, the pioneer starting a steamer service with one small ship, or the old lady having a flutter on a new tea share. It means almost exclusively the great corporation, with its research laboratories, its techniques of mass-production or quality control, its experience of distribution and advertising, its modern accounting, above all, its managers and foremen trained over years to work together as a team and in accordance with a tradition; such companies can greatly reduce for India the price of industrialisation, not only by their high standards of efficiency and their low costs of production, but also by their past experience of what pitfalls to avoid and by the new cadres whom they train.

Advantages for Foreign Firms

Since the war such companies have been bringing their know-how and their managers to India on an ever-increasing scale, though frequently accompanied by only a quite small or no investment of capital. The standard method has been an agreement between a foreign firm, usually English, and an Indian company, or sometimes the Indian Government, by which the foreign company provides, usually for a stipulated number of years, the advice, designs, technicians and so on, which may be necessary and sometimes a minority share of the capital, and the Indian company does the rest. Though no two agreements are ever quite the same, this basic pattern has been followed with machine tools, diesel engines, steel tubes, bicycles, textile machinery, motor cars, telephones, plate glass, locomotives and dyes, to name only the most important examples.

The benefits to India of such arrangements are obvious though in a country short of capital, the advantages are even greater where the foreign firm brings its capital with it, as the oil companies are doing. The advantages to the foreign firm are also great. It is not only that it gets paid for what it provides; it also retains for itself a customer for all those components or materials for which the Indian market is too small to justify local manufacture. For the time being at least, the market thus retained may, as with dyes, or motor cars represent a very large part of the value of the finished product. The exports of the industrial company making the arrangement may indeed go up; for one thing, once the finished product is made in India, it is normally given protection, thus reducing competition; and for another the Indian Government is becoming increasingly unwilling to agree to a series of such agreements with different foreign manufacturers covering the same product. First in, there-



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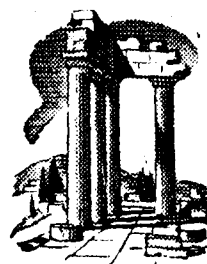
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The first Labour of Hercules was to kill the Nemean Lion, which was laying waste the countryside and killing cattle and sheep. First Hercules clubbed it with a whole tree he had torn up, then he strangled it with his bare hands.

The Nickel organisation, too, has had its battles with rugged nature to make a good life for those who work in the mines and refineries. The ore is found in remote districts, and all community services must be provided. Near Creighton in Northern Ontario, an entire new town is being built. In the Sudbury district 1,700 homes, 7 community centres and a hospital have been provided. This is but one revealing side to the enormous task of supplying the world with the nickel it needs.

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fore, very much first served. The Indian Government is, of course, aware that there are risks attached to a policy which reduces competition in this way but it considers those risks worth running. It has not the foreign exchange or the steel to spare for a series of competitive factories; and it has learnt the hard way, with the motor vehicle industry, that for many items the Indian market is so small that to have a multitude of plants is merely to ensure that they will all be uneconomic.

Provided that the investment proposed fulfils an Indian need, that it either adds to the Indian economy something new or does something old better and cheaper, the atmosphere for foreign investment is unusually favourable in India. It is not a colony like Malaya or most of Africa, so there are none of the risks of independence to come. It does not suffer from xenophobia, like so much of the Middle East. Its government is stable and democratic, unlike much of Latin America. Its policy about repatriation of capital and remittances of profits is liberal. Taxation is not, in general, discriminatory, and only recently the Finance Minister has removed from his Income Tax Amendment Bill those provisions which foreign enterprise found particularly deterrent; fiscal concessions for new enterprises are considerable. Nationalisation is not an immediate threat, and the Constitution provides for compensation for anything which may eventually be taken over. There are no compulsory percentages of Indian capital or managers laid down. Strikes are rare and judges in labour arbitration cases more reasonable than they were a few years ago.

There are, naturally, difficulties with which to contend—a low level of labour productivity, high taxes, controls, delays, and the lack of external facilities; but any concern which is prepared to make itself a part of India's life, to make its management Indian as far as it can, and to look at the problems of its Indian business from an Indian point of view, will find not only a warm welcome but, even more important, ample opportunities for making a profit.

German Liberals Veer to Nationalism

THE conference of the German Free Democratic Party last week-end did not definitely decide the question whether the Liberals will remain a centre party, or—in the words of Herr Maier, premier of Württemberg-Baden—whether they are starting on “a gallop to the right.” The rightists, however, won on points. Their leader, Dr Middelhaue, who heads the party in the industrial centre of North Rhine-Westphalia, was elected to a newly created post of second deputy-chairman, and will act as party manager to prepare for next year's elections. This more than offsets the re-election of Dr Franz Blücher as chairman. Dr Blücher is a reliable old-school German liberal democrat who is the Federal vice-chancellor and has been minister for ERP Affairs. But neither of the rival programmes—a “Liberal Manifesto” from Hamburg, and a “German Programme” from the right-wing, was adopted at the conference, and the party remains split.

The Free Democrats are the second largest party in the present Bonn coalition, and have recently been making considerable headway. They are not liberals in the British party sense, but rather conservatives with anti-socialism as their main characteristic. This has, however, not prevented the more moderate southern group from forming a coalition with the Social-Democrats in Württemberg-Baden, which is traditionally an area of small independent business enterprises and peasants; in the Ruhr, on the other hand, and in other parts of the country, this pact with socialists is frowned

upon. There the trend is to win support from the industrialists by attacking socialism and trade unionism.

The right-wing, under Dr Middelhaue, is also attempting, by drawing up a nationalist programme, to win the votes of the former Nazis, either in collaboration or in competition with the still more extreme right *Deutsche Partei*. It seems strange that the Liberals should make this bid, when it is recalled that the National-Socialists supported the very antithesis of a liberal regime, and Hitler was accustomed to denounce liberals in the same breath as bolsheviks and Jews. But the leaders are not only using vote-catching tactics; they feel that they are doing a service by offering a democratic political home to the former Nazis. There is something to be said for the idea, but everything depends on how it will be put into practice. The crucial question, on which different sides were taken at the conference, is whether the party shall distort its principles to accommodate the ex-Nazis, or whether the newcomers shall accept a conservative, democratic, pro-western programme. Dr Blücher and others felt bound to insist that the ex-Nazis must not demand that their past entitled them to leadership; on the contrary, they should admit their mistake. This warning was significant of the new self-confidence of former Nazis.

Wooing the German Soldiers

The Middelhaue group has also been trying to make the Free Democrats the party of the army. It has been particularly active in the campaign to secure an amnesty for war criminals, and, with the Evangelical Church, has made other bids for guidance of former and future soldiers. To understand this trend, it is necessary to recall that the German liberals are a Protestant party. Prussia, the backbone of the old army, was also mainly Protestant, and it used in fact to be almost impossible for an officer to become a commanding general if he was a Catholic. The links between the liberals, the Evangelical Church and the army are therefore old-established.

By adopting the Middelhaue “German programme,” the Free Democratic Party would therefore not only attract ex-Nazis, but it might well lead former and future German soldiers away from Western European collaboration, and towards a campaign for revision of Germany's eastern frontiers. At the same time, the support of industrialists would ensure financial aid for the party, and collaboration with the *Deutsche Partei* would mean the establishment of an extreme right-wing bloc. It is no wonder therefore that observers of recent developments fear that they will lead to a fresh version of the prewar *Deutsch-Nationale Partei* headed by the Krupp director, Herr Hugenberg, which joined the Nazi party in the so-called Harzburger Front, and finally succumbed to its partners.

Venezuela Votes

TOMORROW the people of Latin America's most prosperous state will go to the polls. No immediate change of government can result from these elections, which are for a constituent assembly; nor is it difficult to foretell which party will triumph. Yet the elections of 1952 will mark a significant stage in the political evolution of Venezuela, a country whose importance may be gauged by the single fact that it is the largest exporter of oil in the world.

Both politically and economically, Venezuela has moved fast and far since 1935, when the death of the dictator Gómez freed it from the chrysalis in which he had imprisoned it for a quarter of a century. For a decade after Gómez's death the country contented itself with stretching its limbs cautiously, glad of its greater freedom but

uncertain how to use it. Rich revenues from the oilfields were already pouring into the national treasury, but the military presidents who succeeded Gómez, while less opposed to innovation than him, failed to keep abreast of popular feeling. The result was the revolution of 1945, which, like the Brazilian one of the same year, succeeded because the army sided with the discontented citizens of the bigger towns.

Andean Ascendancy

The victorious revolutionaries launched out on an ambitious programme of economic and social development, based on the rapidly multiplying oil revenue, and many of their projects, if too lavish, were long overdue. For three years the entente between left-wing politicians and young army officers held firm. The first popular elections in the country's history were held, and won by *Acción Democrática*, the party led by Señor Betancourt, who had been made provisional President after the revolution. But the split was not long in coming. In 1948 the *Acción Democrática* government was overthrown by the army, and replaced by a three-man military junta, headed by Colonel Delgado Chalbaud, who had previously been Minister of Defence.

The coup of 1948 was primarily a reaction by the army against Sr Betancourt's policies of rapid social change and of favouring the organised labour groups which backed *Acción Democrática*. It was also, to some extent, a rural reaction against government by Caracas intellectuals. Its effect has been to restore the old ascendancy of the Andean



province of Táchira, in the extreme south-west; since the murder of Colonel Delgado in 1950, the strongest personality in the government junta has been Colonel Pérez Jiménez, the Minister of Defence, who, together with many of his senior officers, comes from Táchira. But the swing from left to right and from urban to rural hegemony has not meant that the clock has been put back to before 1945. On the contrary, in economic and social matters the Junta has embarked on a vigorous course which might well be described as an attempt to "dish the Whigs." Trade unions, with government backing, have secured further wage increases; schools, hospitals and social services have been multiplied; and vast sums have been poured into the development of communications, electric power, water supplies and agriculture.

Nevertheless, the junta has not achieved a feeling of security. Many Venezuelan workers have remained loyal to the proscribed *Acción Democrática* and its exiled or imprisoned leaders, and in 1951 the government was severely shaken by an unsuccessful revolt. Caracas University has been closed for months as a result of anti-government activities among both students and teachers. Only now,

four years after the coup of 1948, has the junta felt able to risk elections, and the abortive risings at the end of September suggest that its fears were not unfounded. Neither *Acción Democrática* nor the Communists have been allowed to take part in the elections, and the two main parties of the legal opposition, the Catholic COPEI and the left-centre *Unión Republicana Democrática*, have complained of the many obstacles put in the way of their election activities. These two parties have, however, been campaigning vigorously and have been allowed to put forward some strong, if indirect, criticisms of the government.

The government-sponsored *Frente Electoral Independiente* (FEI) is regarded as certain of a handsome majority in the new constituent assembly—all the more so in view of the fact that voting has now been made compulsory, and the rural population will therefore carry more weight than in 1946, when *Acción Democrática* swept to victory largely through the greater political enthusiasm of the urban worker. The FEI, moreover, has behind it not only all the power and prestige of the junta, but the equally solid fact that most Venezuelans "never had it so good." Yet, although the main issue is not in doubt, many observers will scan the election returns with interest to see how many seats are obtained by COPEI, URD and the small Socialist group, and—an even more significant point—how many of the two million voters cast blank ballots. Then, when the new assembly meets, the question will arise whether the FEI majority, which at present lacks any obvious ideological unity, can avoid falling into dissension. The answers to these questions will largely determine the speed with which Venezuela can hope to move at last into a calmer political climate.

Bad Example from Greece

[FROM A SPECIAL CORRESPONDENT]

AN official Greek delegation is now in London discussing the compensation due to the British-owned Lake Copais Company whose land was expropriated on August 22nd under Article 104 of the Greek Constitution. This expropriation is the last and greatest of the misfortunes that has fallen upon the enterprise. Ever since the attempt was first undertaken in 1886 to begin the draining of the lake, the companies have been involved in an unbroken series of difficulties. The first company, which was French, failed in its attempts to drain the lake permanently. It eventually went bankrupt and a British company took it over on behalf of the creditors.

Years of experiment followed, interrupted by the first world war and considerably harassed by the attempts of neighbouring landlords to encroach upon the land ceded to the company. These uncertainties were brought to an end in 1925 as a result of an Arbitration Award between the Greek Government and the company, the effect of which was to give the company freehold possession of about 210,000 stremmas (60,000 acres). Meanwhile experiment continued to counter the subsidence of the lake bottom which had defeated the French company; and in 1931 a successful scheme was completed. Thereafter the real work of development could go forward.

The troubles, however, did not cease. After 1933 the Greek Government severely limited any remittance of profits. In 1939 the outbreak of war put an end to all remittances. German occupation and the activities of the ELAS and EAM guerrillas during the civil war ravaged the estate. Most of the company's agricultural machinery was looted or destroyed. About 150,000 trees were cut down. Buildings were damaged and the small electricity station on the outlet tunnel was destroyed as late as 1948.

Announcement by the

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After the 1st December you can have
as much Nutty Slack coal as you like
off the ration

20/- a ton (1/- a cwt.) cheaper than ordinary house coal

You can now buy as much Nutty Slack as you like

It's off the ration. Nutty Slack is much smaller coal than you are used to, but it burns brightly and warmly if you mix it sensibly with your ordinary house coal.

What is Nutty Slack?

Nutty Slack is just what it is called—slack with nuts in it ranging in size up to lumps about as big as two match boxes put together. Your coal merchant will show you Nutty Slack and tell you how to make the best use of it.

It is just as expensive to mine and to carry on the railways as ordinary house coal. But it is offered at 20/- a ton cheaper than ordinary (Group 4) house coal because it is not as clean and is smaller.

For open or closed fires

It is good fuel to use in an open fire or an openable heating stove, mixed with your ordinary house coal. It is perfect for banking up your fire at night or when you are going out. It is particularly useful in a modern continuous burning grate.

Order as much as you like

You can buy it from your own or any other coal merchant and you can have as much as you like all through this winter. But don't wait till all your ordinary coal

allowance is finished before you buy Nutty Slack. Order your Nutty Slack this week in time for Christmas. Use it with your ordinary house coal and make sure you get through the winter in comfort.

NOT AVAILABLE IN SOME AREAS

Nutty Slack will not be available in Scotland, South Wales, Cumberland, Durham and Northumberland, but in these areas either off-the-ration coal may be available.

Nutty Slack

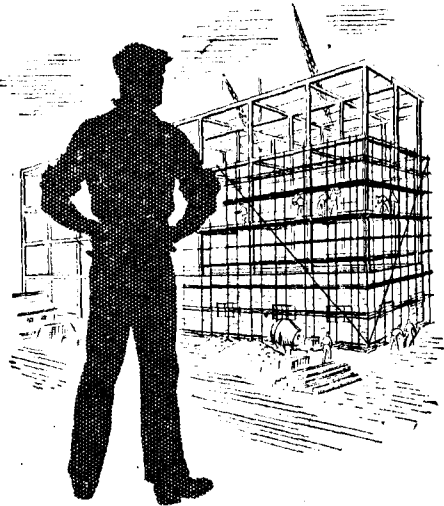
will help to keep the home fires burning
however cold and long the winter

A large-scale enquiry carried out this year for the Coal Utilisation Council shows that:—

1. 98 out of every 100 families in Great Britain have a coal fire of some sort in their main living room.
2. 84 out of every 100 families have no other way of heating that room.
3. 44 out of every 100 families say they need more coal than they are allowed.

Nutty Slack will help

Look on the building site



... or in the garden



... you see **DURALUMIN**

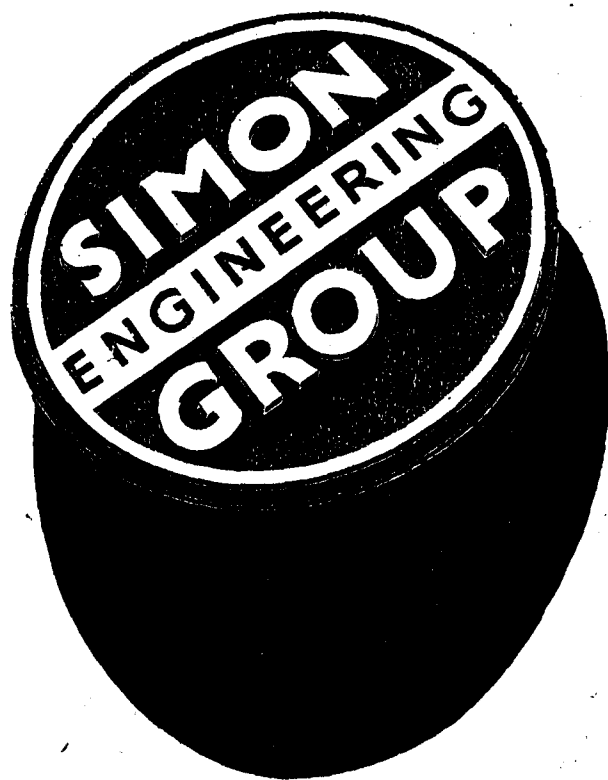
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Aspects of Enterprise No. 19



The first automatic flour mill

in the world was built by Henry Simon in 1881, using mechanical handling appliances instead of manual labour to transport the mill products from process to process. This was the first step in the transformation of flour milling into one of the most highly mechanised of all industries. Pneumatic handling of mill products is now replacing mechanical methods in many of the latest mills. Pneumatic mills by Henry Simon are at work or in course of installation in over a dozen countries, including the United States and Canada.

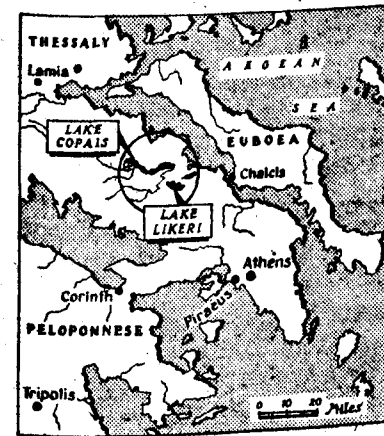


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In spite of this steady visitation of disaster, the company set to work to make good all the damage, and by 1950 the estate was in full working order. Its output steadily increased and the annual production now averages 25,000 tons of cereals, 8,000 tons of seed cotton and 1,000 tons of various pulses. It also carries 70,000 head of sheep, 600 of cattle and 5,000 of horses and mules. In addition, 30,000 turkeys are grazed on the properties. The annual value of this output is in the neighbourhood of 106 billion drachmae a year (about £2,500,000). The result has been a steady increase in net profits which amounted to over £329,000 in 1950 and over £628,000 in 1951. (An equally steady increase has occurred in taxation payable to the British Government—£152,000 in 1950, £331,000 in 1951.)

A Productive Estate

It may well be the scale of these profits—and the scale of taxation—that has tempted the Greek Government to cancel the concession, and expropriate the property in spite of the specific guarantees given by the government of Mr Sofoulis in 1947 that this would not be done. No doubt, too, a nationalist case can be whipped up of foreign capitalists and foreign governments wringing extortionate gains from Greek soil. But the facts of the case are very different. In the first place, the company has entirely created the wealth it now puts to work. Lake Copais, left alone, would still produce eels and malaria. The rest is the work of the company. Again, the capital sunk in the venture has remained at various times and for years on end without remuneration of any kind. Even now, only the tax owing the British Government has been converted into sterling for remittance to Britain.



But the most striking fact is the direct gain to the Greek people which, under expropriation, threatens to disappear.

Only about a quarter of the area (about 48,000 stremmas) is cultivated directly by the company and this direct farming was undertaken only because tenants had abandoned the less fertile sectors. The rest of

the estate is farmed by some 4,450 peasant families who enjoy a very advantageous system of share-cropping. They pay about 20 per cent of their gross produce in rent and about 11 per cent for the upkeep of the company's services—drainage, irrigation, roads, threshing, transport, storage. In fact the cost of these services amounts to much more than 11 per cent of gross yields. It is in the neighbourhood of two-thirds of the company's total receipts from rents and dues and only the fact that good returns are earned on the land directly cultivated by the company enables it to finance the services at cut price.

Nor is this the only service rendered by direct cultivation. Although the land thus farmed was originally less fertile, advanced farming methods have raised its output by 45 per cent above the tenants' production of wheat and 105 per cent in the case of cotton. This daily demonstration of better farming methods encourages the tenants to improve their own methods and they are given direct help from the company in the loan of tractors and deep ploughs and the issue to them at cost price of attested seed and fertiliser. The whole enterprise is in short a form of co-operative in which the company acts as the tenants' agent and manager.

The plight of the Copais peasants after expropriation may be a serious one. Their own reaction is to believe that once the government gets its hands on the enterprise it will soon be

back producing eels. The only known government plans for land reform hardly apply to Copais. They lay it down that landless peasants shall be settled on large estates for no more than 10 per cent of the gross yield or 12 per cent where irrigation works are involved. These terms may or may not be reasonable where a landlord provides no services, no improvements and does not farm the land. There are a number of estates in Greece which fit this category and a start might well be made on them. But Lake Copais is a single, highly organised, highly capitalised and highly efficient organism. If dues are not paid, the services of irrigation, drainage and agricultural improvement cannot be maintained. If no central organisation exists, the scientific and technical substructure of the estate will collapse. In that case, it will not be a question of a peasant scratching a living on land which the landlord would not cultivate. The issue will be the disappearance of the entire estate under the peaty waters of the rising bog.

Thus the government, in a country desperately short of agricultural supplies, threatens to destroy one of the few efficient food-producing units. It threatens, moreover, to discourage private capital of any kind, domestic or foreign, from ever attempting agricultural improvement in Greece again. The real tragedy is that by a hasty and ill-judged action it is undermining what it professes to safeguard—the property and advancement of the Greek peasants themselves.

This bludgeoning decision is, after all, quite unnecessary. The Copais Company itself would no doubt be perfectly ready to negotiate a long-term settlement by which, over the years, British capital is paid off, and a trained and efficient Greek agricultural co-operative gradually takes over from the company. The present method of immediate expropriation is, in fact, calculated to harm everyone involved in it, and not least the Greek nation.

Air Subscription Rates for 1953

Owing to increased costs, some increases in air subscription rates to *The Economist* will have to be introduced from January 1st, 1953. The countries affected are:

Australia : £8 5s. (sterling)	Malaya : £6 15s.
Hongkong : £7.	New Zealand : £9.
Japan : £9.	S. America and W. Indies : £7 15s.

The substitution of an airfreight for an air mail service to Egypt makes it possible to reduce the air subscription rate to £5 5s. Rates to all other destinations remain unchanged:

Anglo-Egyptian Sudan : £5 5s.	India, Ceylon : £6.
Canada : \$21.50 or £7 14s.	Iran : £6.
East Africa : £5 5s.	Iraq : £6.
Europe (except Poland) : £4 15s.	Pakistan : £6.
Gibraltar, Malta : £3 15s.	Union of S. Africa : £5 10s.
Gold Coast & Nigeria : £5 5s.	U.S.A., \$21.50 or £7 14s.



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THE BUSINESS WORLD

The Self-Service Revolution

THESE are too few self-service shops in Britain for this system of retailing to have had any marked effect yet upon the established pattern of distribution in this country. But as food shops, at least, may soon be turning over to self-service as fast as the necessary shop fittings can be supplied, the wider implications of the system deserve examination. Even at first glance, they seem to be far-reaching. The immediate result of converting a shop to self-service has, so far, almost invariably been a growth in turnover. Most of that growth in sales must be at the expense of competing shops. But once the first novelty has worn off, the customer is going to expect some return, perhaps in the form of lower prices, for doing some of the shopkeeper's work. And this has already brought the self-service retailer sharply up against the system of resale price maintenance by which the manufacturers of most nationally advertised branded goods sell only to shopkeepers who agree to retail those goods at fixed prices. Both of these consequences imply that competition in the retail trades may be intensified. The outcome of a wholesale change to self-service in this one trade might therefore amount to a revolution in the structure, as well as the technique, of retailing.

The economies that flow from self-service have been the subject of a good deal of misunderstanding. They do not, surprisingly enough, rest on any reduction in the direct costs of selling; the advantage comes entirely from a greatly increased volume of sales for a small increase in overheads. Self-service involves a return to the essentially old-fashioned principle of displaying the maximum possible amount of stock where the customer can see it, and carrying as wide a range and variety of stock as the floor-space of the shop can accommodate. The traditional counter can carry very little stock; what is worse, it constitutes a barrier between the customer and the goods on the shelves behind it. Take away the counter and the assistant, and the space previously occupied by them can be used as effective "selling space" for additional display stands. In this way, grocers are able to display their entire stock of 600 to 700 different lines at one time, a feat that is impossible in the counter-service store.

It would be a mistake to conclude that this leads to any saving in labour. If customers are to help themselves from the shelves, every item on those shelves must be separately and clearly priced, the stands must continually be re-filled, and the goods must be packed in such a way that they are easy to handle. A very wide range of modern branded groceries are suitably packed in the factory, but a good deal of wrapping has still to be done for other goods. Biscuits, fruit, vegetables, cakes, bread and many cooked meats and cheeses have to be weighed, wrapped and priced in the variety of quantities in which they are bought. The check-out points at which the goods are checked and paid for need to be properly staffed if they are not to defeat the

entire purpose of the change by creating a bottleneck through which the customer must queue to pass. One check-out point staffed by a cashier to invoice the purchases and an assistant to put them in a bag can handle three to four customers every two minutes; six to seven points seem to be necessary in a fair-sized grocery shop. At peak periods, certainly, assistants can be taken away from routine packing and pricing operations and put to work at the check-out points to accelerate the flow of customers through them, thus affording a highly desirable flexibility in the staffing arrangements. But any saving that this might bring is outweighed by the higher costs of pre-packing and pricing all stocks compared with wrapping them on the counter only as goods are bought.

The saving to be expected from changing over to self-service depends upon the increase in the volume of sales that it has so far generally produced; this in itself has reduced the total costs per unit of sale. The sales rise because more stock is on display. Any shop with sufficient floor space to display its stock in this way could probably get the same rise in turnover without introducing self-service. Indeed, the handful of luxury department stores still in business and the variety chain stores of the Woolworth type make good use of this principle. But, in general, retailers cannot provide the necessary room without doing away with the traditional counter.

The slow progress made so far by self-service in Britain must be partly due to the uncertainty of any immediate return from considerable initial outlay in a section of retail trade that from the end of the war until this year had been doing very comfortably on margins fixed by the manufacturer or the government. Conversion may cost £600-£1,600 for a small shop, without refrigerated cabinets for frozen food, cooked meats and—eventually—unrationed fats. If his turnover should not rise, the retailer has simply incurred unnecessary capital expenditure that he could ill afford; and the increase in turnover will be gained only if the stock displayed is to the liking of the customer. Stock for sale can be examined more closely on self-service stands than in other shops, and the wastage of unsold stock may be high if the goods are not properly chosen. This is especially likely with cooked meats, fish, fruit and vegetables. In all perishable commodities quality varies widely; in the case of fruit and vegetables especially, the wholesale markets are not accustomed to demand a high standard of grading and cleanliness from their suppliers.

Out of 134,000 grocery shops in the country, probably fewer than 2,000 are operating on a self-service basis. Many of these belong to groups or chains of stores that have converted them from counter service as an experiment. The Co-operatives were the first to test this new principle, and Sainsburys is among the most recent converts. The results of these trials are interesting. For

example, two food stores of the John Lewis group changed to self-service in the past year. One, in a good position on a main street, has increased its sales by more than 60 per cent in the first normal half-year's trading compared with the figure for the same period a year previously. This increase was obtained at a capital cost of £2,000 and with no change in the size of staff. It was, incidentally, gained without closing either the credit or the local delivery service, two economies that are usually introduced at the same time as self-service. Delivery services can account for as much as 5 per cent of total food selling charges, and retailers are becoming anxious to cut out this expense. Wherever this service exists at all in the United States, it is counted as an extra item on the customer's bill; a practice that is reluctantly being introduced into this country as the only means of counter-acting rising distribution costs, especially in department store trading. Last April, the John Lewis group converted to self-service the food department of one of its suburban stores in Finchley, John Barnes; this section of the shop had been consistently running at a loss. In this instance credit and delivery services were both withdrawn in an effort to get the department back to a profitable basis, and both moves lost customers. Nevertheless, the department is now being operated at a profit, and the group has converted a third shop at Manor Park. In the first two weeks sales have risen more than 40 per cent above the totals for the same weeks last year, having previously been below them. These results from widely differing districts closely parallel those of other companies.

The Express Dairy, which is gradually converting its small shops to self-service, has recorded increases of slightly under 40 per cent in the sales of a strictly limited range of foods, and this has encouraged the company to branch out from the dairy to the grocery business with a new chain of wholly self-service shops selling all produce but meat and fish. So far four have been opened; the company intends to expand at the rate of six a year. This particular development raises in a special form the question of the range of goods that self-service retailers should sell. A productivity team that recently visited the United States under the auspices of the Anglo-American Productivity Council devoted a large proportion of its report to describing the American self-service "supermarket," a mammoth self-service store where every conceivable item of food and household equipment can be bought under the one roof. Such markets combine the self-service technique of stimulating "impulse" buying by wide stock display with "one-stop" shopping, in which almost all a shopper's purchases can be made without moving from shop to shop. Like the self-service display, this is essentially a reversion to an old-fashioned principle—the village "general store" of the last century. The two ideas do not necessarily go together, but in practice the adoption of the one ensures the commercial success of the other.

In Britain, the great majority of self-service shops limit themselves to groceries (with a service counter for rationed goods) and household goods such as cleaning materials and sometimes saucepans. In most cases the converted shop stocks items that it did not sell before. Sainsbury, which sells poultry and rabbit joints by self-service in some branches, has taken the revolutionary step—for the company—of stocking soap-powders and other cleaners in one of its four self-service shops. Some

stores, such as John Barnes and the Express Dairy chain, have been bold enough to open self-service greengrocery departments. In both cases, managements have been somewhat surprised to find that profits from greengrocery are high, even though packing costs have been added to the already considerable price of the high-quality goods that are the only ones worth offering for sale in this way. The example of John Barnes is particularly encouraging, for the greengrocery department was previously operating at a loss, and there is strong local competition. The fact that there has proved to be a considerable public demand for carefully packed and trimmed produce sold at what amounts to a premium price, may have considerable bearing on future developments in the branch of the food trade where grading is most notoriously slovenly.

There are today nearly 600,000 workers in the retail food trades. If self-service shops can handle a larger number of sales of food and other packed items (including, perhaps, stationery and some articles of clothing) without a proportionate expansion in their staffs, there will clearly be a saving in labour costs. Not many figures are available yet, but experience in the self-service shops of the Express Dairy indicates that wage costs, as a proportion of total selling costs, have dropped by more than 1 per cent. The volume of total food sales throughout the economy in the past has remained steady, and it is highly improbable that the increase in sales reported by the self-service shops is due to a genuine expansion in trade as a whole. This business must have been gained from other grocers, also from ironmongers, chemists, stationers and greengrocers stocking goods that are or soon will be sold from the self-service shop's all-embracing display stands. This would suggest that the increase in turnover to be gained from conversion (for which 40-60 per cent seems to be representative) may diminish as the change becomes more general. Even so, the change would seem inevitably to point to a reduction in the number of shops required to do a given volume of business.

Most people would feel that a fall in the number of shops is desirable (without necessarily following all the implications of that opinion). There is likely to be a sharper division of opinion on the probable results of competition for trade between self-service shops. So far it would appear that all the profit from increasing turnover has accrued to the business, where it has been used to offset rising expenses in other directions, notably wages. Only in the case of the new Express chain does the management appear to have set out deliberately to quote keener prices. The field for doing so is limited at present, however, to cooked meats and greengroceries. In most other fields maximum selling prices are fixed by the government or minimum prices by the manufacturers; both give the retailer a set margin. If a manufacturer's brand prices give the ordinary retailer an adequate profit, it would follow that the self-service shop, with its rising turnover and lower unit costs, could work on a smaller margin. Should the big grocery chains convert an appreciable proportion of their shops to self-service and begin to compete with one another, complaints already being heard about the difficulties of competitive trading under resale price maintenance are likely to increase in volume. In the long run, this might lead to important changes in that practice. If so, self-service would have served the British economy well.

Freeing Non-Ferrous Metals

BY the beginning of next year tin, lead and zinc will all again be privately bought and sold on the London Metal Exchange. Copper alone, of the four metals traded on the Exchange before the war, will remain in the government's hands. Progress towards freedom, indeed, has been slow, but there are signs that the pace may now be quickening. Tin was handed back to the market more than three years ago, in November, 1949; but in spite of continued pleas from the metal trade, no other metal was given its release until private trade in lead was resumed in October of this year. The success of the lead market appears to have encouraged the Government to accelerate the release of zinc: by the end of October the authorities had announced that private trade in zinc would be resumed on January 2, 1953. Metal circles in London think that copper may be freed next June, but the government has so far given no hint of any such intention.

It is important to emphasise that the "freedom" for the markets that has been granted or contemplated so far is not freedom in the prewar sense. In particular, although the market has been reopened in tin and lead, and will soon reopen in zinc, it operates within the framework of exchange control, under systems specially devised to enable the Bank of England to maintain a detailed scrutiny. For members of the Metal Exchange the bonds of exchange control have, however, been made as light as is thought possible. Members of the Exchange hold open individual licences to buy and import the "freed" metals from any part of the world, and no limit is put upon the amount of foreign currency they may spend for these purposes in any period. The Metal Exchange itself has been made responsible for seeing that its members observe the exchange regulations, but the Bank also maintains a check through the monthly statements of transactions that have to be submitted to it by each dealer. Import of metal is not limited entirely to members of the Exchange, but other importers have to obtain prior permits from the Bank for each deal. These exchange controls are now the only restrictions upon dealings in tin and lead. Licences to "acquire, process and dispose of" the metals ceased to be needed from the day the metal reverted to the market. Government procurement of tin has ceased, and so has Government trading; in lead, the Government trading is confined to orderly disposal of the Ministry stocks. Broadly speaking, it seems that the Government's idea of freedom for metals stems from two incompatible aims. Its desire to see London re-established as a commodity centre—and thereby to increase Britain's earnings of foreign currency—and its policy of keeping the closest possible check on all transactions that might involve a loss of scarce currencies.

Tin, unlike the other metals, is primarily a sterling commodity and one of the Commonwealth's principal dollar earners. The reopening of the London market was, therefore, unlikely to increase dollar expenditure—on the contrary, it could be expected to bring added dollar receipts from commission and insurance. Moreover, by 1949 the world shortage of tin had eased, and

it could no longer be argued with any plausibility that government trading was essential to ensure adequate supplies. Admittedly, there was a possibility that the London market would provide a convenient channel for an increase in the shunting operations that were already causing the sterling area to lose large quantities of dollars. But these operations—which depend upon a supply of "cheap" sterling—temporarily ceased after devaluation of the pound in September, 1949, and the way was clear for the reopening of the tin market two months later. The story of tin since the restoration of the London market has not been a happy one—for a considerable period last year the market was subject to the vagaries of American government buying policy.

Any case for retaining lead under government purchase had weakened by the beginning of this year. Most of this country's lead normally comes from Australia and is paid for in sterling, but during 1951 the Ministry of Materials, fearing a world shortage, arranged to buy substantial quantities from the dollar area. These shipments continued to arrive in the early part of this year, but no new contracts were made, for by that time the shortage had eased—and, indeed, it had never become as acute as that of copper and zinc. Consumption of lead fell off sharply from the latter months of last year onwards, for the Ministry's selling prices were maintained much above the levels ruling in other countries. Pressure on the government to hand lead back to private trade naturally increased. For months the authorities wavered on the brink; finally, in August, they took the plunge and announced that trade in lead would be freed on October 1st.

To help the market to work freely as quickly as possible, the Ministry of Materials agreed to make spot lead available through the government broker and also to lend lead from its stocks to the producers' agents until private imports could reach this country. On the eve of the opening, the Ministry's selling price for lead—which was based on the American official quotation—

WORLD SMELTER PRODUCTION OF BASE METALS
(Metric Tons)

	1948	1949	1950	1951	First Half 1952 (Annual Rate)
Lead	1,297,000	1,432,000	1,547,000	1,506,000	1,568,000
Zinc	1,611,000	1,728,000	1,863,000	1,946,000	2,044,000
Copper	2,118,000	2,073,000	2,289,000	2,387,000	2,364,000
Tin	160,000	170,700	176,300	170,200	161,500

stood at £131 a ton. But the American price, though treated for this purpose as the "world" price, was unrealistic, being based on a market comprising only a few consumers and producers; on the Continent lead was selling at £95 a ton. It was obvious, therefore, that prices on the reopened London market would be much below the Ministry's end-September price. In fact, they fell even further than had been expected. Although consumers' stocks were known to be small when the market reopened, demand from consumers in this country was at first limited, for as long as prices were falling they had every incentive to postpone purchases still further.

There has been remarkably little speculation, and for the first few weeks the initiative in the market seemed to rest with the producers. In the first three weeks they were willing sellers and the price dropped to £80 a ton. At that point the producers changed roles and, for a time at least supported the market. Prices began to climb and consumer buying increased. Following the Ministry's announcement that the sale of its stocks is to be spread over a long period, prices spurted upwards for a few days and reached nearly £100 a ton a fortnight ago. Since then the market has become very quiet and the price has hovered around £90 a ton. In spite of some decline in business during the last few days the volume of trading since the market reopened has been considerable: no less than 55,000 tons of lead has changed hands. Most of the contracts have been for forward delivery, and only small quantities of prompt lead have been sold by the Government broker.

Since its reopening the London market has set the pace for continental prices and American lead prices also appear to have followed the trend of London quotations—although they have not fallen to the same extent. They fell from 16 cents a lb (£128 a ton) at the beginning of the month to 13.5 cents a lb (£108 a ton) in the third week and have since recovered to 14 cents a lb. Throughout the last two months London market prices have in general been sufficiently far below the American levels to make it profitable to export lead to the United States—allowing 2 cents a lb to cover the cost of shipment and the US duty. Despite this margin, American buying in London seems to have been remarkably small, although some European lead is known to have been sold to the United States recently.

The American lead trade, indeed, seems anxious to insulate itself as far as possible from the lower price here. Lead producers in the United States, who claim that several mines may shortly have to close because the present level of prices is too low to cover costs, have called for an increase in the current duty of 1 1/16 cents a lb. If this movement gains strength it seems likely that two worlds may develop in lead. The Americans protest that most of the fall in the London market prices has been the result of the unloading of Ministry stocks. But there is little evidence to support this assertion. It is the Ministry's announced policy to allow prices to find their own level, and it has accordingly taken care not to flood the market. A considerable part of its stocks will probably pass into the permanent stockpile; the remainder, as announced recently, will be sold to Commonwealth producers over an extended period.

It seems likely that when zinc is freed its price may follow the pattern set by lead. The world shortage of zinc, like that of lead, had passed by the end of last year. Consumption in this country has been falling for some months—in spite of the removal of restrictions on "end-use" during the summer—and since the announcement of the forthcoming freeing of the market purchases from the Ministry have dropped to a bare minimum. Government stocks, at over 200,000 tons, are about twice the level at which lead stocks stood when the market was reopened. The present British official price of £110 a ton is based on the current American price of 12.5 cents a lb, but continental prices are much below this level. A few weeks ago zinc was being sold

at £76 a ton on the Continent. The price there has now risen to over £90 a ton, so that the prospective fall in the British price when the London market reopens may be less severe than was at first expected. The prospect, even so, is causing some disquiet among the producers. In the United States, where costs of production are estimated at about 14 cents a lb, there are reports that already some mines there have been forced to close—but there is some possibility that the American Government will step in to check this process, on the ground that zinc is an important metal for rearmament. Zinc producers in the Commonwealth are apparently marshalling similar pleas. They point with envy to aluminium, whose prices are not subject to the frequent fluctuations of a market. And they are disposed to minimise the virtues of a free market for zinc—on the argument that some large consumers are already understood to be making direct arrangements with the smelters to secure their future supplies. After a prolonged spell in the hot-house, the fresh air outside is bound to feel chilly—and zinc producers will not be alone in discovering that.

Although nearly half the zinc this country buys is imported from Canada and the United States, the authorities apparently do not expect the freeing of the market to cause dollar expenditure to rise. They probably assume that a fall in price may offset any increase

CONSUMPTION OF BASE METALS BY MAIN COUNTRIES
(Metric Tons)

	1948	1949	1950	1951	First Half 1952 (annual rate)
Copper:					
USA	1,219,640	935,868	1,244,225	1,240,868	1,195,658
UK	362,517	323,870	340,744	335,664	381,508
Canada	99,611	91,536	96,980	121,746	...
Germany	62,245	165,697	215,501	240,243	...
Lead:					
USA	674,957	625,269	802,963	614,809	413,126
UK	190,966	159,486	166,018	165,292	85,100
France	68,947	53,162	59,059	89,464	118,000*
Germany	...	65,863	100,518	143,156	88,400*
Zinc:					
USA	741,817	645,745	877,353	804,686	729,558
UK	226,800	201,943	240,680	191,238	185,800
France	92,081	108,592	95,437	112,584	140,000
Germany	50,168	98,522	118,027	140,162	150,000
Tin:					
USA	60,821	47,918	72,330	57,794	44,019
UK	25,645	21,156	23,626	24,274	23,913
France	8,000	7,300	7,500	7,600	7,600
Germany	1,475	2,340	6,000	7,250	7,300

* Virgin metal only; earlier figures include some scrap.

in the quantity of dollar zinc imported. Canadian shipments are in any case unlikely to decline greatly, for about half the zinc imported into this country from Canada is of a specially high grade, of which supplies sufficient to supplement Britain's own production are not readily available elsewhere. But if American producers refuse to accept the lower London prices, British purchases are likely to decline. In any case, the United States is a net importer of zinc; Britain buys only marginal amounts to supplement Commonwealth supplies, which are limited by refining capacity. Moreover, larger quantities have lately been forthcoming from Rhodesia. There is, of course, the contingent risk that Britain might lose dollars through Continental purchases of dollar zinc through the reopened market. But at present this is not considered likely; the continent now has a small exportable surplus of zinc.

If this particular consideration—the degree of risk of dollar loss—were the sole criterion of the Ministry's policy, it would obviously have no excuse for not freeing copper. For Britain, at least, copper is now less of a "dollar commodity" than zinc, for almost all of Britain's copper imports originate in Northern Rhodesia; dollar costs arise only from refinery charges in the United States and from small imports of Canadian copper. Rhodesia's output of copper ore is rising steadily, and refinery capacity is also being increased. A new refinery is due to come into operation very shortly, and within a year or two it is hoped that Rhodesia will have sufficient electrolytic refinery capacity to cover the whole of Britain's requirements. But dollar considerations are seemingly not decisive at the Ministry. It is evidently concerned with the fact that there is still a world shortage of copper, that it is still allocated by the International Materials Conference, and that there are still restrictions upon its use both in this country and in the United States. In these circumstances the Government is apparently not yet prepared to permit free trade in the metal. But the need for a market has grown more obvious in recent months: copper prices have become so confused that there are now almost as many prices as there are producers. American prices are particularly unreliable, for domestic output is sold at a controlled price while imported copper sells at much higher prices on the New York market.

Until all the principal base metals are again traded in the market it will be impossible to judge how far postwar trends in consumption have affected their price relationship. Before the war the price of copper was usually twice to three times that of the other two metals, zinc being normally a little cheaper than lead. Copper prices rose less than those of lead and zinc during the postwar

shortages but the prewar ratio is now beginning to re-establish itself. As a result of the change in relative prices and also restrictions caused by shortages, there has been a considerable degree of substitution in certain uses of the three metals. Shortly after the end of the war it seemed likely that lead would be needed in large quantities for atomic piles; by 1949 the price of lead was far above that of zinc and nearly up to the level of copper. The building industry now uses much less lead than it did before the war; copper has been used in place of lead for plumbing and asphalt has been substituted for roofing and guttering. In the cables industry aluminium sheathing is now beginning to replace lead, but the decline in the use of lead has been masked by an increase in the total quantity of cables produced. High prices for virgin lead have also led to an increased recovery of lead scrap. It is impossible to estimate accurately how much this substitution may have affected the tonnage of lead consumed, but it is perhaps significant that in this country lead consumption is now at less than half its prewar rate.

In the other two metals, copper and zinc, substitution has been less important. Consumption of both has been restricted in the last year or two, although controls on zinc have recently been removed. In this country the use of zinc for galvanising fell sharply during the period of restriction, but it may now recover. Zinc has also been losing ground to aluminium in die casting, but the incentive for this change may now disappear because the price of aluminium appears to be rising while that of zinc is falling. The recent fall in lead and zinc prices may bring about a reversal in the process of substitution. But this is unlikely to occur speedily, for industrialists will need to be convinced that the lower prices will obtain for some time.

Business Notes

Commonwealth in Conference

November fogs and headwinds delayed the opening of the Commonwealth Economic Conference by a few hours. Both have a symbolical significance. The fog will continue to shroud the secrecy of the conference—as indeed it should do, since such delicate issues as floating rates of exchange are certain to be discussed. And the promise of headwinds and crosswinds is implicit in the divergent remarks that have been let slip by some of the delegates en route for the meeting. It can be assumed from these comments that on the crucial issue of convertibility there will be considerable differences of view—at least about timing. Canada, Australia and South Africa are likely to press for the maximum speed of advance. Spokesmen for the Asian dominions have shown a much more reserved attitude—perhaps because it is in the three countries concerned that least has been done during the past year towards making domestic economies tough enough to take the initial shock of convertibility. The Conference has opened with the advantage of more careful and copious preparation than has been devoted to any comparable earlier meeting. The high officials of the Commonwealth who spent three weeks on this work did far more than draw up an agenda. Their reports—written with the benefit of continuous interchange of views with their respective governments—are said to blaze a definite line of advance. The attitude of the British Government towards these reports will not be that of a neutral host at the party. The broad recommendations that emerge from them will probably be found to have behind them the collective support of the British

delegation—which comprises a massive phalanx of the British Cabinet.

The opening of the conference has been made the occasion for statements of policy by many organisations whose interests are intertwined in the issues of commercial and monetary policy that will be the main concern of the delegates. Among the latest of these statements, the most forceful is that issued by the American Chamber of Commerce in London, a highly and rightly interested party in the topics of convertibility and nondiscrimination. The Chamber's statement "Dollar-Sterling Alliance" traces some well-travelled ground in giving both the sterling and the dollar camps good advice about the kind of conditions that will have to be satisfied if the alliance is to be forged on these lines. Especially detailed and forceful is the advice addressed to the compatriots of the American Chamber of Commerce. For example, the familiar proposal to repeal the "Buy American Act" is supplemented by a suggestion that it should be made "mandatory on the US Government agencies, in the interests of the American taxpayer, to satisfy their buying requirements in the cheapest markets, whether in or outside the United States." The American Chamber of Commerce is critical, however, of one suggestion that will certainly come from the sterling side. It is "unalterably opposed to raising the dollar price of gold because in its judgment it would provide only a superficial and largely temporary alleviation in the dollar-sterling imbalance. It would not solve the fundamentals of the problem." This is by no means the beginning and end of the case for and against an increase in the price

of gold; but it should be instructive for the Commonwealth Conference to have this early and unmistakable expression of views from a fairly representative body of American opinion on a question that will certainly be debated but on which no action can take place without the co-operation of the United States.

* * *

Sterling Strengthens

The emphasis placed on convertibility in these preliminary comments on the Commonwealth Economic Conference has no doubt played a part in strengthening the tone of sterling in the foreign exchange market. The spot rate in New York has hardened this week to \$2.80½, compared with \$2.79¼ a week ago, while the London premium on three months' forward dollars has narrowed from ½c. to ⅓c. The market reports a fair volume of commercial demand for sterling both from North America and the Continent. This demand is partly seasonal; at this time of the year substantial payments are made for sterling area materials such as wool. In addition, the Continent is still bidding for sterling to pay for dollar commodities bought during the short phase of free commodity arbitrage in London between the dollar area and EPU countries. In the trends in overseas markets, moreover, the strength of the various types of "cheap sterling" has been even more impressive recently than that of the rates in London. Transferable sterling recently reached a peak at \$2.70 and has since held close to that point, at which it shows a discount of little more than 3½ per cent on the official rate—a margin that can hardly be narrowed further, so long as transferable sterling remains inconvertible. Its diminution in recent weeks has, of course, been associated with the shrinkage of the potential supplies of transferable sterling in consequence of the commodity arbitrage transactions.

Even more striking has been the strength of "switch" sterling (representing the capital proceeds of non-resident holdings of sterling securities and other assets), which this week has touched its highest level yet at \$2.63-64. This strength has been due less to investment demand for sterling securities on the part of non-residents than to the diminution in the supplies of this category of sterling. This reduction has arisen from the fact that switch sterling has been allowed to pass through certain legal and officially authorised chinks in exchange control, and this has become resident sterling. The operations in question are of considerable complexity; in general, they involve the sale, by non-residents to residents in outlying parts of the sterling area, of sterling securities bought with switch sterling. The securities in question are then sold by the residents, and the proceeds become resident sterling available for payments to any other scheduled territory or, subject to exchange control permission, to any non-resident in settlement of ordinary commercial transactions. The fact that the permission of the authorities must have been given to this diversion of switch sterling into channels of ordinary commercial sterling, seems to lend rather greater significance to the recent strength of switch sterling than the movement would otherwise command.

* * *

More Imports from Europe

The new list of quotas for imports primarily from the OEEC area, issued by the Board of Trade this week covering the first half of 1953, include several increases over the amounts allowed under the import restrictions of November, 1951, and March this year. Imports governed by the present quotas are restricted to an annual value of about £76 million; the increases to be permitted will bring this total up to about £90 million a year. Among the larger increases in particular quotas for the first half of 1953 are textile piece goods, which show a rise of nearly 35 per cent to £10 million, textile yarns

(£2,250,000 against about £970,000), and apparel (£900,000 against about £750,000). The half yearly quota of cheese imports is raised to £4 million compared with £3 million, and increased imports of nuts and apples are also permitted. Small imports of nylon stockings and decorated pottery are to be allowed for the first time since the war from these countries—the OEEC nations and other non-sterling countries outside the dollar area. On the other hand, quotas for certain imports are to be reduced, for example those for fondant and sugar-fat mixtures.

The import cuts now modified, which continue in the main to be operated by "global quotas," restricting total imports of certain commodities, were aimed particularly at reducing imports from Western Europe. The countries that suffered most from the restrictions—France and Italy—are those that benefit most from the relaxations now announced. Global quota restrictions, however, may have an exaggerated effect upon exporters of the more expensive range of any kind of goods, as importers may prefer to use their import licences to buy a large number of cheap goods rather than a few expensive ones. To cover this point, the British Government is now to permit special supplementary imports from most of the OEEC countries. The governments of those countries will have to specify the particular exports that they wish to benefit by this arrangement. The total additional value to which such imports will be allowed into Britain during the first quarter of 1953 is estimated at about £750,000, a rate of £3 million a year.

The Board of Trade states that Britain cannot yet make any general relaxation of import restrictions, despite the check to the loss of gold and the favourable balance that has recently developed with the European Payments Union. The relaxations now announced are offered as "a contribution to the development of intra-European trade." The move is welcome; and the permitted increase in some of the imports such as textiles may serve as a spur to competitive efficiency among producers in this country, who are hurrying to fulfil orders generated by a recovery in sales on the home market.

* * *

Longer Forward Exchange Facilities

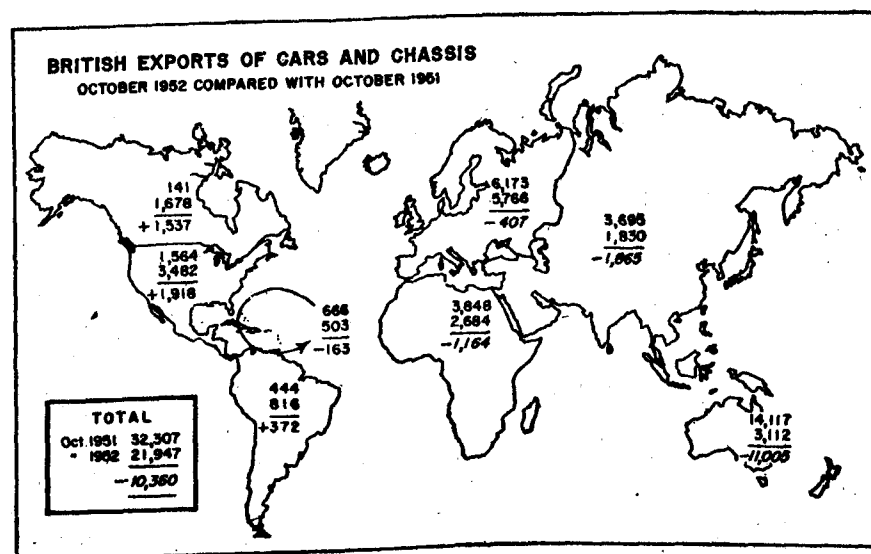
The increasing volume of orders placed in Britain on behalf of the US and Canadian Governments for aircraft, parts and other defence equipment, has led to a considerable expansion of the demand for extended forward exchange cover on the part of suppliers in this country. Last July the Bank of England issued new instructions to the authorised banks regarding the provision of forward cover for orders placed by the United States authorities. These intimated that where the forward exchange operations could not be covered by the foreign exchange market, the matter should be referred to the Bank of England, where the appropriate facilities would be provided in duly authenticated cases. These additional facilities have now been extended to orders from Canada.

In the normal course, the London foreign exchange market is not allowed to deal forward for more than six months without specific authorisation from the Bank of England. A number of transactions exceeding this period have, however, taken place. Recent orders covering both military and civilian aircraft involve delivery dates running into years, not months; and, since many of the contracts have been made in terms of dollars, the manufacturing firms on this side have shown an understandable desire to cover the exchange risk. Cover for periods of up to three years has been discussed. Where such periods are concerned, there is no possibility of finding the counterpart for such operations in the market itself. In all such cases, the proposition must be put to the Bank of England; and if the operation is clearly in the national interest, the Bank of England will provide the necessary cover at rates that will be fixed for each transaction in question. These rates will have to take

into account the length of time for which cover is required and will, presumably, be calculated on the basis of the relative level of interest rates in London and the overseas centre concerned.

The Fall in Car Exports

There is no denying the severe knock that has been taken by car exports in the past few months. Up to the end of October, a total of 271,096 cars, 110,191 commercial vehicles, and 92,262 tractors had been sent abroad. Last year, the exports of tractors during the same ten months were about the same and exports of commercial vehicles were only slightly higher. By contrast, exports of cars were 30,647 higher, and the greater part of this year's fall has taken place in recent months. At the beginning of the year, exports were running at a high rate, as more ships became available. The closing of the Australian market and the growing competition in Europe has since reduced shipments to levels well below those of a year ago. The accompanying map, which gives contrasting figures for October, 1951, and October, 1952, shows how big a shift there has been in the distribution of car exports in the twelve months. A year ago, the sterling area was absorbing cars that the Canadian market refused to take. This year, the dollar markets are taking at least a small proportion of the cars that the sterling area can no longer afford to buy. It is, however, also true that



the home market is being used to mop up some of the industry's unsold exports. The industry's own figures (which measure export deliveries from the factories and therefore differ sometimes from the trade accounts recording shipments from the docks) show that in September, out of a total of 44,829 cars produced, only 22,716, or half the total, were earmarked for export. The past year's results of a number of leading manufacturers are already beginning to reflect the effects of intensified competition on profits.

The value of the industry's export trade is, however, holding up rather better than these figures might suggest. The total value of all its shipments for the ten months to the end of October was £246 million, compared with £223 million in the same period last year (in the month of October, however, their value was £4 million lower than in October, 1951). This high level of value of shipments owes much to sales in past years; the export of spares to service the large number of British built vehicles now in use abroad is very considerable. The industry's own figures show that in the first three quarters of the year spares to the value of £62.8 million, or 28 per cent of the value of the industry's total exports during that period, were despatched abroad. Without this steadily expanding trade, which is the profit-earning side

of the industry's business, the export figures would show a drop that measured more closely the fall in the actual numbers of cars sent abroad.

Ironfounders and the Bill

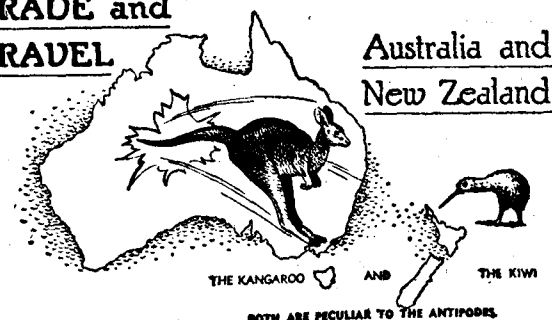
Controversy among the ironfounders about the inclusion of their industry in the third schedule to the Steel Bill as one to be supervised by the proposed Iron and Steel Board has arisen partly through the timing of the Government's proposal. The Joint Iron Council, which represents both the foundries and the foundry iron producers, were asked for their views about denationalisation—and hence the scope of the board—in November, 1951, and its executive had to give a broad expression of view then upon a scheme outlined to them in confidence. The executive could not ask for the views of their associations upon proposals that they were not at liberty to describe in any detail. For its own reasons, the Government then sat on its proposals for several months before publishing a white paper at the end of July. It was not until September that the Council of Ironfoundry Associations could reaffirm its policy of accepting the board's supervision while reserving the right to criticise the specific provisions of the Bill. At a convention in early October no agreement was reached; the ironfoundry associations were consulted, and at the end of October the original policy was endorsed by a substantial majority. Opposition to the inclusion of the industry among those to be supervised has been

voiced publicly during the past two months, in particular by the "tied" foundries that are departments of engineering concerns.

As has been said in these columns before, the elaborately limited powers of the board over development hardly seem to justify the anxiety many of these ironfounders feel. The Minister has further committed himself to the view that very few foundry developments would need the attention of the board, and that price control would be unlikely to be extended over more than the few standard iron castings of which prices are now controlled. It seems, too, that some safeguards on these lines may be written into the bill in the committee stage. Mr Strauss's mischievous hint that a Labour Government might follow the Conservative example and extend any renationalisation to cover the foundries need not be taken seriously.

It is, certainly, debatable whether the public interest requires that this board ought to possess these very vague powers over the 2,000 ironfoundries. But the ironfounders, in their own special interests, might be expected to find it useful. At some future date it might be valuable to them that the Iron and Steel Board's duties should include the promotion of "efficient, economic, and adequate supplies" of iron castings as well as of, for example, sheet steel, and that when the board is reviewing the provision and distribution of raw materials the ironfoundries should be treated as one of the industries mainly concerned (and have a voice) rather than as a mere outside consumer. At many points in the ironfoundry industry there is a frontier of contact, competition, and occasionally of conflict with the steel industry. In every way, the central organisation of the steel industry is stronger than that of the foundries; and it is perhaps fair to guess that those who support supervision by the board have been concerned with maintaining at least the present balance of power in any new organ of supervision. The whole issue is of limited importance to the public, one way or the other. But it should logically be dealt with as a whole, for in practice it would not be easy to make a clear distinction between the tied foundries—few of which would willingly relinquish their right to sell part of their output on the market—and the remainder of the industry.

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How Lancashire Chooses to Buy

Spinners and other users of raw cotton in this country have chosen whether to import the raw cotton they require next year privately or to buy it from the Raw Cotton Commission. Raw cotton users were allowed to express their choice in respect of each of the main types of cotton, and these have now all been announced. The accompanying table shows the proportion it is proposed to buy privately in 1952-53, and the quantities of the various types of cotton actually bought in the latest year for which figures are available. If it could be assumed that the buying pattern would remain stable—not only in the proportion of the total imports bought by particular purchasers but also in the types of cotton imported—this would imply that about 30 per cent of Britain's raw cotton would be imported privately and about 70 per cent left to the commission in this first year of free choice. Most of the raw cotton coming into this country is American type and about 65 per cent may continue to be bought by the Raw Cotton Commission, since users of only about 35 per cent of this type in 1951-52 have elected to import privately.

PERCENTAGE OF PRIVATE IMPORTS

Type	Total Imports by type, July, 1951, to June, 1952. Metric Tons	Percentage (by quantity) to imported privately in 1952-53*
American	283,000	35
Egyptian	100,000	15
Peruvian and Californian ..	31,000	36
West Indian Sea Island ..	1,000	64

* Options for private importation are for the period beginning September 1st, 1952, except for Peruvian and Californian type which are for the calendar year 1953.
Source: Ministry of Materials.

Users will be able to think again next year, when they are allowed a renewed option as to the method of buying they prefer. There is a tendency for the larger mills to buy privately while many of the smaller mills prefer to buy from the commission; but certain large organisations arrange for some of their mills to buy by one method and some by the other.

Meanwhile Lancashire is watching with interest the turn of events in Egypt, where the government has closed down the Alexandria cotton futures market and proposes to begin selling cotton itself in about a week's time, though leaving growers, merchants and exporters to trade privately if they wish. Despite the efforts of previous Egyptian governments, the price of Egyptian cotton has been falling during this year and before the market closed one month futures for Karnak were quoted at less than half, and for Ashmouni at about half, the prices quoted in January. Even at more realistic prices, the Neguib government has not been satisfied with the operations of the market it has taken over, according to its own statements, "in order to stabilise prices and to increase exports."

Steel from British Ore

Many British iron and steel plants were built where they still stand today because the area contained deposits of high-grade iron ore that are largely worked out by now. Such works now rely largely upon imported iron ore for their pig iron and to a greater extent than formerly upon scrap as against iron in steelmaking. Since the thirties, however, the steel industry has increased its output—though not as much as some critics would have liked—from the leaner ore to be found in Lincolnshire and Northants; by far the largest proportion of British ore consumed is now taken from these areas, though its lower ferrous content requires the use of more coke and a larger blast furnace capacity to produce a given amount of iron.

The first postwar development plan of the British steel industry, of which the production targets have now largely been attained, called for an increase in steelmaking capacity using the lower-grade home ores that are still plentiful, and notably for extra capacity at Corby; but lack of labour and housing has made it impossible to start this particular development. During the period, steelworks using imported ore have been protected, except for a period in 1950, from the growth in the cost of that ore, which was covered first by Government subsidy and later by levies upon steel output throughout the industry. This policy has now been moderated: steel producers are now charged an "estimated long-term price" for imported ore (though this is, still, less than it costs at present). For a time, too, steelworks using large proportions of scrap were able to obtain at the British prices, scrap bought expensively abroad. For much of the period since the war, therefore, the cost advantages enjoyed

by the works using home ore and paying levies to assist works using imported materials have been somewhat dulled.

Today, however, the industry's policy is to increase the use of home ores. This year it will use about 16 million tons of home ores and about 9½ million tons of foreign; because the foreign ore is almost twice as rich as the British, about half the country's iron will come from each. This is 4 million tons more home ore than was used in 1938, and the increase is to continue, according to the survey of the subject in the current statistical bulletin of the British Iron and Steel Federation:

In looking ahead over the next few years it seems likely that home ore use will expand to about 20 million tons a year.

The increased reliance upon steel made from pig iron in the industry's plans for the future is well known; the industry is participating in ore developments overseas, from which the prices of ore in the long run may tend to fall. The future balance between home and imported ore will depend upon supplies and relative prices. With the time approaching at which more and more of Britain's ore producers may have to turn from opencast to underground working, the costs of home ore are bound to rise with the years, quite apart from the additional capital and running costs of blast furnace, coke oven and sintering capacity that its use implies.

Airlines over the Pole

The pioneering flight of a Scandinavian Airlines aircraft over the North Pole last week was the probable fore-runner of a number of civil routes over this inhospitable region. The SAS aircraft, flying from Los Angeles to Alberta, continued on northwards close to the magnetic Pole with a refuelling halt at Thule in Northern Greenland, and so down into Denmark. This cut the journey between the termini by about ten hours, since the flight was almost direct from one point to the other instead of following the present circuitous route across the North Atlantic. The Scandinavian airline expects to start regular commercial polar flights to the West

coast of America next spring. The British Overseas Airways Corporation is contemplating taking a roughly similar route to reach Tokyo via Canada, in addition to flying there across Europe and Asia, as its aircraft now do.

Polar flying raises peculiar problems, the magnetic compass is useless, and the aircraft has to depend on the rather primitive method of astral navigation supplemented by a gyro compass—accepting the greater measure of human error that goes with it. Moreover, radio aids, and certainly landing facilities, are inadequate for long stretches of the route. Despite the progress being made with the American military base in the Arctic, the prospect of refuelling, and of a possible delayed take-off from such an airfield, is likely to cause civilian passengers to ponder well the compensatory advantages of shorter flying time—and the possibility of better weather, and more reliable winter flight timetables, than is found in the Atlantic. For the two companies, too, there is the possibility of some acrimonious discussion about who should bear the cost of additional Arctic radio stations if it should be decided that the safety of route demands their installation. The likelihood that BOAC will circumvent the Pole by about 1,000 miles while SAS flies within a few hundred miles of it promises to introduce additional complications.

Search for Sugar Agreement

The International Sugar Council, at its meeting in London this week, decided to ask the United Nations to convene an international sugar conference to consider the conclusion of a new sugar agreement. The 1937 Agreement has been inoperative since the outbreak of the last war. World production today is greater than demand, and more nations may be entering the export market. Stocks have accumulated in certain producing countries, notably Cuba, and the situation is aggravated by the fact that a large amount of production is by dollar countries that are dependent to a great extent on non-dollar customers.

The Sugar Council considers that a commodity agreement offers the best means of dealing with the difficulties. At previous meetings this year the Council did in fact draw up a draft agreement setting out export and import quotas, price arrangements and means of increasing world consumption of sugar. It is generally recognised that to be effective an international agreement would need the adherence of all the major producing and importing countries; the sponsors of the proposal believe this can now be achieved. In recent months it has become apparent that Russia will need to import less sugar in future because of her own increased production, and that some east European countries have now an exportable surplus. This may make other producer countries more willing to accept an agreement, especially as these new supplies will not cost dollars. The Council estimates that already there will be a world surplus of nearly 2½ million tons this year, mainly of Cuban sugar. It will be remembered that the Commonwealth Sugar Agreement, which lasts until 1959, guarantees Commonwealth producer countries a minimum yearly sale of 1,643,000 tons of sugar to other Commonwealth countries at agreed prices. Although this amount has never yet been offered, the Commonwealth producers will no doubt accept nothing less from any new international agreement.

Japan Pays Up

Almost exactly eleven years after Pearl Harbour the Japanese government has made its formal offer to resume the service of its sterling loans. As had been generally assumed, payments on the issues with a currency option clause will be made, not in dollars, but in sterling at the contractual rates. The bondholder gets the protection of

the clause, but the Treasury has been unable to tap a small but valuable source of foreign exchange. It has, however, reserved the right to reopen discussion with the Japanese government on this question if "the payments relations of Japan and the United Kingdom . . . on the present sterling basis" alter.

All the principal details of the debt settlement were made known at the end of the conference in New York two months ago, but the formal offer now clears up certain points of detail and procedure. For the British stock markets, the most important outstanding question was whether the interest arrears coupons could be dealt in separately, as they will be on Wall Street. But the tax difficulties have proved to be insurmountable, so that Japanese bonds will be quoted cum-arrears in Throgmorton Street. This may have the effect of narrowing the market as the issues quoted ex-arrears would stand under par, making them a more attractive investment to the tax-paying institutions, while the interest arrears coupons would have appealed to pension fund investors. The provisions relating to the operation of the sinking funds upon the issues have had to be adjusted to accord with the decision to quote the bonds cum-arrears. The maximum permitted prices for sinking fund purchases will be raised by the value of the coupons in arrears and the sinking funds will be increased by amounts sufficient to cover the "present values" of these coupons; the exact method of valuation will be fixed later by the Bank of Japan in consultation with the Council of Foreign Bondholders. If the bonds are drawn, the arrears coupons will be left with the bondholders. But the prices of Japanese issues have generally still a long way to go before drawings take the place of purchases—even though a sustained burst of speculative activity immediately preceding the formal announcement had forced prices up to the highest levels of the year. In the week before the announcement the price of the 1930 loan had been lifted 10 points to 165½ and the price of the Tokyo Electric stock 5 points to 186½; on the day of the announcement these stocks jumped very sharply, to 173 and 192 respectively, but they had settled down to 171 and 190 when the market closed on Thursday.

Wider Swing for the Kroner

The Swedish central bank has this week announced a considerable widening of the margin within which the sterling rate can move in the official Stockholm market. Previously, the range lay between a buying rate of Kr. 14.47 and a selling rate of Kr. 14.50. From last Monday, however, this was widened to Kr. 14.37 and Kr. 14.60. It will be noted that the new tolerance of 23 öre conforms to the spread of official dealing limits in the London market; it therefore still lies within the maximum of 2 per cent permitted under the rules of the International Monetary Fund. It would, therefore, be unwise to attribute to this change any significance beyond that of taking the maximum advantage of the elasticity provisions contained in the IMF articles of agreement. It is possible, however, that this move on the part of the Swedish authorities is connected with the rebuff they have recently sustained in their export incentives scheme. Sweden is one of the countries that has operated such a scheme in its exports with the United States, allowing exporters to retain a portion of the dollars accruing from their sales. The American customs authorities some weeks ago countered this by raising difficulties regarding the appropriate rate of exchange to apply to the valuation of the goods in question. This and other expressions of the highly critical American attitude to such schemes appear to have prepared the Swedish authorities for the inevitability of retreat on this front. In these circumstances, the Swedish authorities would naturally exploit the maximum elasticity available to them under existing IMF regulations.

Recovery in Industrial Life Assurance?

Since the postwar boom in industrial life assurance (which spent itself in 1947), new business has been comparatively sluggish. Though there were indications of some recovery in 1951, the available evidence suggests that the inclination of the British working man to save in this way has been adversely affected—perhaps by the rise of the welfare state and by the Labour party's proposals to nationalise or "mutualise" the business. The restriction of the scope of industrial life assurance for funeral benefits (by the Industrial Assurance and Friendly Societies Act, 1948) may also have been a contributory factor.

Statistics published last week by the Industrial Assurance Commissioner (covering all industrial life assurance business carried on in Great Britain by the fourteen assurance companies and 118 collecting societies operating in this field) indicate that the total number of industrial life assurance policies in force has shown a definite downward trend—from 102.5 million at the end of 1949 to 101.4 million in 1950 and 100.7 million at the end of 1951. At the same time, the number of new policies issued recovered somewhat to 6.2 million from 5.8 million in 1950 (after falling steadily from 8.5 million in 1947); and new sums assured showed a similar trend—a recovery from £232.5 million in 1950 to £254.8 million in 1951 (after a steady decline from the postwar peak of £286.8 million in 1947). The average sum assured per policy has grown from £32.0 five years ago to £41.4 in 1951. The growing popularity in industrial (as in ordinary life assurance) of endowment assurance policies as against whole life assurances (so that the former now account for three-quarters of the total new business premiums) has meant that the average premium per policy has risen more than the average sum assured. Aggregate premium income from industrial life assurance has consequently continued to rise each year—despite the fluctuations in new business. It was £133.1 million in 1951, compared with £127.6 million in 1950, and only £112.4 million in 1947 (when new business was actually 12 per cent higher than in 1951). Although industrial life assurance funds—which are now, at £892 million, about one-third of the total ordinary and industrial life funds of all British assurers—continued to increase, the rate of growth fell sharply; the increase was only £29.8 million during the year, compared with £40.8 million during the previous year, £39.8 million in 1949 and £45.1 million in 1948. Transfers to reserves—chiefly to investment reserves—during 1951 were substantially higher on the year, at some £14 million.

The costs of management—as measured by the proportion of premium income absorbed in management expenses including pension contributions—was slightly higher on the year for the assurance companies (at 30.7 per cent, compared with 29.1 per cent in 1950) and slightly lower for the collecting societies (at 36.2 per cent, compared with 36.6 per cent); though these averages conceal a widespread of ratios among different concerns.

The New Measure of Production

Full details of the workings of the new index of industrial production have now been published by the Central Statistical Office*. In essence the new index does not differ from the interim index that it replaced a few months ago, but it has undergone a complete overhaul. The weighting used to combine the individual production series is now based on the net output of industry according to the 1948 Census of Production. This has effected some major changes from the interim weights, which relied on somewhat precarious 1946 estimates using the 1935 Census as a starting point. But equally important has been an enlargement of the index. The production series have been increased in number from 400

to 1,300 and now cover 85 per cent of total industrial output, instead of the previous 65 per cent. Within manufacturing, the most important increases in coverage have been in the engineering group (from 45 to 75 per cent) and in the vehicles group (from 60 to 90 per cent). It is evident now that in neither of these sections of industry did the interim index provide a reliable measure.

As far as possible the index relies on series of physical output. But for certain products, and particularly for much of the engineering and building output, the value of deliveries or sales is the only measure. More reliable figures of changes in prices have been collected to help in deflating these series of money values, although further improvement can be expected here. (It is to be hoped that eventually these price indices will be made available for other uses.) For a few industries, such as rubber and paper, the consumption of raw materials is taken as the best indication of output. It is unfortunate that employment figures have been introduced in some series, since they assume constant productivity and hours worked, but it may be the preferable alternative to omitting these particular industries. There is still an element of doubt about these series which do not represent physical quantities, and although they are only small in number they have a comparatively heavy weighting in the index.

	Number of Series	Percentage of Weight Carried
<i>Output—</i>		
Quantities delivered or produced	1,150	55.2
Value of deliveries or sales	100	26.5
<i>Input—</i>		
Quantities of major materials received ..	37	11.7
Number of persons employed	13	6.6
	1,300	100.0

But there is no doubt that the new index is a considerable improvement on the old one and should be well worth the extra burden of work involved. Revision of index numbers is inevitable, although it is always disconcerting to their users. In a few years time this index will probably have to be revised again in the light of a later census of production. But the changes involved should be less drastic than have been necessary this time because the scope for further widening in the coverage of the index is reduced.

Trends in Commonwealth Trade

Trade figures for the sterling Commonwealth area—the Commonwealth less Canada—for the first half of this year show imports of £4,096 million and exports of £3,122 million, and thus an excess of imports over exports of £974 million. While this trading deficit shows an improvement over the deficit of £1,121 million in the previous six

STERLING COMMONWEALTH TRADE
£ million

Trade with:	1950		1951		1952 1st half	
	Imports	Exports	Imports	Exports	Imports	Exports
All countries ..	5,460	5,230	8,055	6,718	4,096	3,122
OEE countries ..	936	1,111	1,576	1,391	722	591
Dollar Area ...	830	810	1,318	1,014	792	394
Japan	92	77	201	142	128	67

Note: Imports are valued c.i.f. and exports f.o.b.
Source: Board of Trade Journal.

months, July to December, 1951, it remains considerably larger than the deficit of £215 million in the first six months

* The Index of Industrial Production. Stationery Office. 2s. 6d.

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of 1951. Even allowing for the higher c.i.f. valuation of imports, compared with the f.o.b. valuation of exports, the excess of imports over exports is still considerable. The second half of the year, however, should show a closer balance as the import restrictions imposed by Britain and other sterling Commonwealth countries have more effect.

The increase in foreign trade and the rise in commodity prices following the outbreak of the war in Korea has passed its peak and the fall in sterling Commonwealth exports that became apparent in the second half of last year has continued since, partly owing to the decline in the world price of those raw materials that are among the Commonwealth's principal exports. The accompanying table shows the extent of the excess of imports over exports in sterling Commonwealth trade with three important non-sterling areas. The change from a favourable to an unfavourable position towards Japan is particularly striking; and unfortunately there was also a considerable worsening in the sector that is most important, trade with the dollar area.

Shorter Notes

The Ministry of Works has raised the limits for licence-free building from £200 to £500 for private work and from £500 to £2,000 for agricultural and industrial buildings. In July the Ministry had raised the limit for private work

from the low level of £100, at which it had stood for some years, to £200. The move is intended to help the small builders, who get little or none of the benefits of the Government's expanding housing programme. But these men have been hit more by their own high costs, which have driven many households to do their own repairs, than by licence restrictions that cannot have been very strictly observed.

In a business note on November 8th, figures for the import of Brazilian cotton were expressed in pounds. This measure should have in fact been expressed in cents of 100 pounds, giving a total import of less than 10,000 cents for the first nine months of the year compared with imports of more than 1 million cents in the corresponding period of each of the previous two years.

Following the increases in the export price of raw jute in Pakistan the Ministry of Materials has increased its selling price in this country of various grades of long jute by £3 per ton from November 26.

The second series of London wool sales of the season opened in London yesterday. There will be seven sales, the last being on December 12th.

Company Notes

British Motor Corporation.—Inadvertently, perhaps, Lord Nuffield has given a sleeping dog a prod in his statement issued with the first accounts of British Motor by drawing attention to the differing trading experience of the two individual companies in the merger, Morris Motors and Austin Motor. It seems clear from his statement that Morris Motors has had a harder time in the export markets than has Austin Motor. The distinction between the trading experience of these two companies is still important, since in the first four months of the existence of British Motor very little could have been done technically to merge the two companies. Plans for co-ordination and standardisation have been drawn up and, as the first step towards a technical merger, the Morris assembly plant in Sydney is being doubled to take care of Austin requirements while the Austin assembly plant in Melbourne is being enlarged to take care of Morris requirements.

In these circumstances shareholders can do little else but compare the trading results of the two companies. In the year to December 31st last the net earnings before tax of Morris Motors fell from £7,136,038 to £6,986,778, while in the year to July 31st last the net earnings before tax of Austin Motor fell from £7,112,635 to £6,999,354. These results are at first glance remarkably similar, but it must be remembered that the financial year of Austin covered a period of far greater difficulties for the motor industry than the period covered by the accounts of Morris Motors. In 1951, the Morris group exported about 98,000 vehicles, compared with about 105,000 vehicles in 1950, while in both years the value of its export sales of all kinds remained unchanged at about £39 million. On the other hand, in 1951-52 Austin Motor exported about 98,000 vehicles, compared with about 102,000 vehicles in 1950-51, while the value of its export sales increased between the two financial years from about £45 million to over £48 million.

On this admittedly scanty evidence, it can perhaps be assumed that the Austin group had a bigger share in the export figures of the British Motor group as a whole in the four months to July 31st last than Morris Motors did; in this period 63,238 vehicles were exported by the combine and the value of its export sales of all kinds totalled just over £30 million.

The profits that the two companies earned in the four months to July 31st are now merged in the profit of £6,195,718 made by the group, of which £3,371,204 was set aside for taxation. The size of this new giant in the motor industry can be judged from the facts that the net book value of fixed assets is £17,238,601, that stocks and tools are valued at £31,632,033, and that £10,284,556 is held in cash. The contrast between such figures and the issued ordinary capital of £4,826,360 shows very clearly why the recently announced bonus issue of ordinary shares should be made. On the basis of a 52 per cent dividend, the 5s. ordinary shares at the current price of 30s. 6d. yield 8½ per cent.

Joseph Lucas (Industries).—By directing its investment policies towards the manufacture of aircraft equipment the Joseph Lucas group has recently been making itself less dependent upon the fortunes of the motor industry. This shift in investment policy has been shrewdly timed. In the year to July 31st the group's trading profits were already being "adversely influenced" by the decline of 10 per cent in the output of motor cars and motor cycles and of 5 per cent in the output of commercial vehicles and tractors. But a rapid expansion in the production of aircraft equipment, particularly in the group's new factories both at home and overseas, offset this; and the group's aggregate trading profits advanced from £7,318,931 to £7,570,360, despite an increase in costs of all kinds. A rise in taxation lopped away

the increase in gross profits so that net profits, which are shown after making certain appropriations to specific reserves, actually fell from £1,609,032 to £1,238,619. Clearly, the increase in the ordinary dividend from 7½ to 9½ per cent is more closely linked to the underlying prosperity of the group than to this movement in net earnings.

The rate at which the group has been investing in the production of aircraft com-

	Years to July 31, 1951	1952
Consolidated earnings:—		
Trading profit.....	7,318,931	7,570,360
Total income.....	7,539,972	7,740,720
Depreciation.....	598,075	740,720
Replacement reserve.....	850,000	850,000
Taxation.....	3,802,780	4,322,780
Net profit.....	1,809,032	1,238,619
Ordinary dividends.....	247,474	307,474
Ordinary dividends (per cent).....	7½	9½
Retained by subsidiaries.....	901,776	606,988
General reserve.....	500,000	500,000
Added to carry forward.....	101,566	Dr 96,594
Cons. balance sheet analysis:—		
Fixed assets, less depreciation.....	4,549,336	5,439,251
Net current assets.....	15,787,397	17,415,059
Stocks.....	11,900,353	14,294,208
Cash.....	1,497,384	937,200
Reserves.....	9,681,560	11,598,708
Ordinary capital.....	6,285,045	6,285,045

£1 ordinary share at 35s. yields £5 5s. per cent.

ponents can be gauged from the increase of nearly £2½ million in the value of stocks held by the group. Half of this increase is accounted for by the expansion of the group's aircraft and overseas companies; the other half is accounted for by higher labour and material costs. The new factories for aircraft equipment are operated under the Government's capital assistance schemes for defence production, but a substantial part of the group's own resources will be tied up in capital investment; at the moment orders worth more than £2½ million are outstanding for new plant and buildings. The cost of capital investment at present-day prices is illustrated by the directors' estimate that the current replacement value of the group's fixed assets, whose written down book value is

£5.4 million, is £30 million. Shareholders should bear these capital costs in mind in judging how far investment in the manufacture of aircraft equipment shortens the odds against a further increase in equity payments.

Standard Motor.—Of the companies in, or closely allied to, the motor industry that have recently published their accounts, Standard Motor appears to have received the sharpest knock of all from the contraction of overseas markets. This may perhaps be explained in part by the fact that the company's financial year ended on August 31st last, a month later than the other companies. In the financial year, the company's combined export sales of cars and tractors fell by 13 per cent to 86,097 units. To some extent this decline in export sales was offset by the release of more cars and tractors for the home market; the company's total sales fell by only 7 per cent to 125,707 units. Moreover, as a result of higher prices, the value of total sales increased from £46.9 million to £48.8 million. But higher costs more than swallowed up this increase, and the company's trading profits fell from £3,918,085 to £3,041,443.

One explanation why Standard Motor fared less well than the other manufacturers may be that its "bread and butter" product—as far as motor-car production is concerned—is the oldest of all the models that have been designed and produced since the end of the war. This would appear to be borne out by the fact that the company is now planning the production of some new models. These plans have already made their mark in the balance sheet. The book value of "dies, jigs, fixtures, patterns and press tools" has increased from £150,000 to £598,232; this suggests that new assembly and production lines are already

	Years to Aug. 31, 1951	1952
Earnings:—		
Sales.....	46,930,034	48,825,703
Trading profit.....	3,918,085	3,041,443
Contingencies.....	250,000	250,000
Amortisation.....	554,484	314,816
Depreciation.....	893,048	911,260
Taxation.....	1,290,000	1,205,000
Net profit.....	858,069	830,631
Ordinary dividends.....	325,952	323,032
Ordinary dividends (per cent).....	12	12
Added to carry forward.....	395,037	72,599
Balance sheet analysis:—		
Fixed assets, less depreciation.....	4,217,719	4,815,875
Net current assets.....	3,907,445	3,303,384
Stocks.....	5,075,078	4,835,679
Cash.....	3,531,296	3,788,483
Reserves.....	2,100,987	2,173,586
Ordinary capital.....	5,127,500	5,127,500

being laid down. The decline in the book value of stocks, from £5,073,070 to £4,835,679, suggests even more significantly that the production of the company's present models has been cut quite sharply. But it may be some time before the realignment of the company's productive capacity will have an appreciable influence upon earnings.

Rootes Motors.—Paradoxically enough, the interesting feature of the accounts of the Rootes group for the year to July 31st is that they show so little change from the 1950-51 accounts. The group has earned more from exports than ever before, but its trading profits have remained practically unchanged—at £3.2 million. Net profits have fallen—

thanks to a heavier provision for tax—but the ordinary dividend has been maintained at 32½ per cent. The group appears to have maintained its share of the market, but it is not, of course, free from the anxieties that beset the motor industry as a whole. Sir William Rootes, for example, joins Lord Nuffield in arguing that a reduction in purchase tax upon vehicles should be granted in order to stimulate sales in the home market. In common with other motor manufacturers, the Rootes group has to face not only the contraction of export markets, but also a

steady rise in costs at home. The value of stocks held by the group, for instance, has risen by just over £1 million to about £12.4 million, and part of this increase obviously represents higher labour and material costs. In order to preserve its competitive strength

	Years to July 31, 1951	1952
Consolidated earnings:—		
Trading profit.....	3,902,500	3,917,806
Total income.....	3,905,887	4,132,629
Depreciation.....	319,399	378,408
Taxation.....	2,069,925	2,270,118
Net profit.....	1,334,154	1,098,148
Ordinary dividends.....	170,625	170,625
Ordinary dividends (per cent).....	32½	32½
Retained by subsidiaries.....	650,445	566,097
General reserve.....	250,000	500,000
Added to carry forward.....	133,662	19,706
Cons. balance sheet analysis:—		
Fixed assets, less depreciation.....	3,282,346	3,680,758
Net current assets.....	8,278,488	9,052,994
Stocks.....	11,319,950	12,368,756
Cash.....	2,806,880	2,427,613
Reserves.....	5,713,953	6,847,739
Ordinary capital.....	1,000,000	1,000,000

4s. ordinary share at 16s. 10½d. yields £7 14s. per cent.

the group has therefore had to maintain a high rate of capital investment, and it is noteworthy that outstanding capital commitments at £1,076,000 are higher in value than those outstanding at the end of the 1950-51 financial year, when the outlook for the industry appeared brighter than it does at the moment.

Birmingham Small Arms.—The manufacture of motor cars is perhaps the least important of the many activities of the BSA group, and other engineering products have been selling more easily in recent months than vehicles. So the increase in the group's trading profits, from £2,801,731 to £3,084,837, in the year to July 31st should come as no surprise. Shareholders, however, were undoubtedly surprised by the decision to raise the ordinary dividend from 10 to 12½ per cent. The directors were certain that the time was ripe for such an increase "in view of the considerable expansion of the group's assets and activities." Presumably this expansion in capacity has been matched by a growth in sales. It has certainly been accompanied by an advance in profits, but this may be due in part to higher prices.

Increases in prices and in turnover probably account for the increase in the book value of stocks held by the group from £8,426,788 to £11,029,666. Certainly this increase in investment in working capital explains why the group had absolutely no cash resources at the end of last July. The group financed the increase in working capital investment by ploughing profits, by allowing "creditors and accrued charges" to run up from

	Years to July 31, 1951	1952
Consolidated earnings:—		
Trading profit.....	2,801,731	3,084,837
Total income.....	2,892,147	3,214,852
Depreciation.....	611,414	798,945
Taxation.....	1,420,000	1,520,309
Net profit.....	760,059	895,618
Ordinary dividends.....	147,797	184,748
Ordinary dividends (per cent).....	10	12½
Retained by subsidiaries.....	99,897	6,092
General reserve.....	247,455	52,351
Stock reserve.....	300,000	300,000
Added to carry forward.....	265,034	245,853
Cons. balance sheet analysis:—		
Fixed assets, less depreciation.....	4,657,554	5,037,132
Net current assets.....	5,899,436	5,985,599
Stocks.....	8,426,788	11,029,666
Cash.....	128,582	611,163
Bank overdraft.....	5,509,158	6,113,074
Reserves.....	2,815,172	2,815,172
Ordinary capital.....	1,000,000	1,000,000

£1 ordinary share at 36s. 9½d. yields £6 16s. per cent.

£5,534,865 to £8,133,213, and by increasing its bank overdraft from £611,103 to £804,662. If the increase in investment in inventories represents something more than a temporary increase in capacity—and there are signs that it does—then a new issue of capital appears to be just around the corner. The directors have prepared the way for such a new issue of shares by taking the unusual step of raising the ordinary dividend at a time when most companies would have been content to husband their resources.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Nov. 19, 1951	Price, Nov. 26, 1952	Net Yield, Nov. 26, 1952	Gross Yield, Nov. 26, 1952
War Bonds 2½% '51-53	99½	99½	6 8	2 13 0
War Bonds 2½% '52-54	99½	99½	6 8	2 17 9
Exchequer 2½% 1955	98½	98½	1 12 0	2 17 2
Ser. Funding 1½% '53	99½	99½	1 15 6	2 12 10
Ser. Funding 1½% '54	98½	98½	1 17 0	2 14 2
Ser. Funding 3½% '55	100½	100½	1 9 10	2 18 9
War Bonds 2½% '54-56	98½	98½	1 11 3	2 17 1
Funding 2½% '52-57	99½	99½	1 11 5	2 17 5
Nat. Def. 3½% '54-58	100½	101½	1 9 8	3 0 2
War Loan 3½% '55-59	99½	100½	1 11 11	3 1 0
Savings 3½% '55-65	92½	92½	2 5 2	3 15 9
Funding 2½% '56-61	92½	92½	2 5 3	3 10 5
Funding 3½% '59-69	87½	87½	2 10 12	4 2 2
Funding 3½% '66-68	88½	88½	2 9 5	4 0 10
Funding 4½% '60-90	97½	97½	2 8 9	4 7 9
Savings 3½% '60-70	86	86½	2 11 6	4 3 4
Savings 2½% '64-67	84½	84½	2 11 7	3 17 10
Victory 3½% '70-76	101½	101½	2 1 0	3 18 9
Savings 3½% '65-75	83½	83½	2 10 9	4 3 2
Consols 4½% (aft. 1957)	88½	88½	2 7 7	4 11 4
Consols 3½% (aft. 1961)	78½	78½	2 6 7	4 9 0
Treas. 2½% (aft. 1975)	58½	58½	2 4 9	4 5 6
Treas. 3½% (aft. 1966)	68½	68½	2 6 0	4 7 10
Treas. 3½% '77-80	88½	88½	2 8 7	4 4 7
Redemption 3½% '86-96	78½	78½	2 7 8	4 1 9
War Loan 3½% aft. 1952	77½	78½	2 6 11	4 9 5
Consols 2½%	60½	60½	2 3 5	4 3 0
Br. Elec. 3½% '68-73	84½	84½	2 11 3	4 3 2
Br. Elec. 3½% '74-77	83½	83½	2 10 2	4 2 6
Br. Elec. 4½% '74-79	99½	99½	2 5 3	4 6 3
Br. Elec. 3½% '76-79	89	89½	2 7 8	4 3 7
Br. Trans. 3½% '78-88	79½	79½	2 10 4	4 3 10
Br. Trans. 3½% '68-73	84½	84½	2 11 3	4 3 2
Br. Trans. 4½% '72-77	95½	95½	2 7 4	4 6 3
Br. Gas 3½% '90-95	77½	77½	2 8 6	4 5 5
Br. Gas 3½% '69-71	92	92½	2 7 9	4 3 4
Br. 1 & S. 3½% '79-81	89½	89½	2 7 9	4 4 3

(a) To earliest date. (f) Flat yield. (h) To latest date. (g) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends		Ordinary Stocks	Price, Nov. 19, 1952	Price, Nov. 26, 1952	Yield, Nov. 26, 1952
(a)	(b)	(c)			
40 b	20	a Anglo-Am. 10/-	5½	5½	5 2 2
25 b	5	a Anglo-Iran 1/-	5½ ^{ad}	5½	5 10 4
12½ b	7½	a Assoc. Elec. 1/-	72/6	72/6	5 10 4
20 b	7½	a Assoc. P. Cem. 1/-	101/10	102/6	5 7 4
12½ c	10	a Bass 1/-	125/-	131/3	6 10 8
20 c	5	a Boots 5/-	20/-	20/3	4 18 9
8½ b	3	a Brad. Dyers 1/-	22/9	22/9	10 2 2
4½ b	6½	a Br. Celanese 10/-	25/-	24/-	4 11 8
...	17½	a Br. Motor Cp. 5/-	29/- ^{ad}	30/6	8 10 6
12 b	6	a Br. Oxygen 1/-	49/4	48/3	5 16 1d
3 b	5	a Can. Pac. \$25/-	\$58½	\$58½	4 13 2
7½ b	6	a Coats 1/-	45/-	45/3	5 10 6
6½ b	6	a Courtaulds 1/-	38/-	38/-	5 18 5
15 c	2½	a Courtauld 1/-	35/-	35/6	8 19 1
7½ b	15	a Dittlers 4/-	17/-	17/-	5 12 1
17½ c	17½	a Dunlop 1/-	45/-	45/-	7 15 5
12½ c	15	a Ford 1/-	49/-	49/-	6 2 5
7½ b	15	b Gen. Elect. 1/-	42/6	42/6	5 4 10½
5 a	10	b Guest Keen 1/-	52/9	52/3	5 14 10
17 b	7	a Guinness 10/-	30/9	31/6	5 6 8
5½ b	4½	a Hawker Sid. 1/-	36/3	37/9	5 6 0
13 c	5	a Imp. Chem. 1/-	44/6	44/6	5 16 10
18½ b	13½	a Imp. Tobacco 1/-	55/9	57/6	6 19 20
\$2.6 c	\$2.6	c Int. Nick. n.p.	\$7½	\$7½	6 1 0
17½ c	17½	c J.Burg. Con. 1/-	44/9	47/3	7 8 2
10 b	5	a Lanes. Cotton 1/-	40/-	40/-	7 10 0
10 b	7½	a Lon. Brick 1/-	62/6	62/6	5 12 0
65 b	15	a Marks & Sp. A 5/-	46/9	46/6	4 6 0½
15½ b	6½	a Monsanto 5/-	23/-	23/6	4 15 9
10½ b	6	a P. & O. Def. 1/-	49/-	49/6	6 14 8
7½ b	17½	a P. Johnson 10/-	35/-	35/-	7 2 20
78½ a	100	c Prudential 'A' 1/-	33	33	5 15 7
5½ a	175	b Rhokana 1/-	191	191	11 7 10
10 b	5	a Rolls Royce 1/-	60/3	58/1	5 3 3
15 a	10	b 'Shell' Sdk 1/-	76/3	76/3	6 0 7
13½ b	8½	a Tube Invest. 1/-	55/7½	55/7	5 7 10½
15 b	5	a Tur. Newall 1/-	95/-	95/-	4 4 3
8½ b	5	a Unilever 1/-	45/6	46/3*	5 16 9
10 c	12½	a Union Castle 1/-	20/6	20/6	6 1 1½
5 b	5	a Union Disc. 1/-	40/6	41/-	4 17 7
16½ b	14½	a Utd. Mohass. 10/-	29/3	29/3	6 16 7
30 b	7½	a U. S. B. B. 10/-	38	38	18 15 0
20 b	20	a Vickers 1/-	43/-	43/6	5 14 11
27½ b	15	a Woolworth 5/-	44/9	44/9	4 15 10

THE WALL PAPER MANUFACTURERS
LIMITED

MAINTAINED STRENGTH OF SUBSIDIARIES

MR ALFRED WHITTLE ON RETRENCHMENT OF PUBLIC EXPENDITURE

Notes Issued:-	1461,427,920	Govt. Debt...	11,015,100
In Circulation		Other Govt.	
In Bankg. De-	38,928,903	Securities...	1485,767,170
partment...		Other Sec...	705,743
		Coin (other	
		than gold)	2,511,987
		Am't. of Fid.	
		Issue	1,500,000,000
		Gold Coin and	
		Bullion (at	
		248s. per oz.	
		fine).....	356,823
	1500,356,823		
			1500,356,823

BANKING DEPARTMENT	
Capital	14,553,000
Rest.....	3,408,809
Public Deps.:—	41,976,445
Public Accts.*	15,380,034
H.M. Treas.	
Special Accd.	26,596,411
Other Deps.:—	348,014,870
Bankers.....	275,378,252
Other Accts....	72,636,618
	407,953,124
Govt. Sec.....	341,849,930
Other Secs....	25,632,783
Discounts and	
Advances.....	9,860,201
Securities....	15,772,532
Notes.....	38,928,993
Coin.....	1,541,508
	407,953,124

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

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

COMPARATIVE ANALYSIS

	(₹ million)			
	1951	1952		
	Nov. 28	Nov. 12	Nov. 19	Nov. 26
Issue Dept. :—				
Notes in circulation	1363.7	1452.2	1455.5	1461.4
Notes in banking department	36.7	48.1	44.9	38.9
Government debt and securities*	1396.7	1496.8	1496.7	1496.8
Other securities	0.6	0.7	0.8	0.7
Gold and coin	2.9	2.9	2.9	2.9
Valued at s. per fine oz.	248/0	248/0	248/0	248/0
Banking Dept. :—				
Deposits :—				
Public Accounts	16.4	12.7	13.2	15.4
Treasury Special Account	0.6	26.6	26.6	26.6
Bankers	294.7	283.0	280.0	275.4
Others	89.4	67.9	71.7	72.6
Total	401.1	390.2	391.5	390.0

Government.....	329.5	333.7	332.3	341.8
Discounts, etc.....	16.8	5.0	12.3	9.9
Other.....	34.5	19.7	18.4	15.8
Total.....	380.8	358.4	363.0	367.5
Banking dept. reserve.....	38.2	49.7	46.5	40.5
	%	%	%	%
"Proportion".....	9.5	12.7	11.8	10.3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,550 million to £1,500 million on August 27, 1952.

100

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	SILVER			GOLD
	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
Nov. 20..	d. 72-83	c. 83-25	Rs. a. 154 1	Rs. a. 83 1
" 21..	72-83	83-25	152 9	82 8
" 22..	Markets Closed		151 8	82 2
" 24..	72-83	83-25	149 10	82 4
" 25..	72-75	83-25	150 2	82 4
" 26..	73-75	83-25	148 6	81 6

Mr Alfred Whittle, FCA, chairman of the company, who presided, said: Ladies and gentlemen, you will have observed in the directors' report that since our last meeting two members of our Board have resigned on account of ill-health, Mr A. R. Wildey, who was an executive director and in charge of our Sanderson and Sons factory at Pervale, with 54 years' service and Mr F. B. West, the company's sales director, with 50 years' service. Both these gentlemen have rendered valuable service to the company for many years and we hope their health will improve to enable them to enjoy a well-earned retirement.

Before I deal with the accounts I would like to say that the principal factor in the substantial fall in trading profits has been the exceedingly difficult trading conditions which have been experienced by our wall-paper mills during the whole of the past year, together with the high costs of pulp, paper and other materials which I referred to at our last meeting, and which have had serious effects throughout our various manufacturing units. We have not passed on to the consumers all the increased raw material costs because it is our considered policy to keep our selling prices as low as possible and at the same time at least fully maintain the qualities of our various products. You will have noted on reading the directors' report that wallpaper manufacture during the year has proved unprofitable; it therefore follows that our other interests have been the profit earners mitigating the effects of the wallpaper trade recession.

Turning now to the accounts, I will comment upon the consolidated accounts which show the position of the Group at the end of June last.

On referring to the consolidated profit and loss account it will be seen that trading profits, less losses, but including income from investments and transfer fees, amount to £2,679,000 as compared with £4,559,000 for the previous year, a drop of £1,880,000. On the other side of this account interest on debenture stock, depreciation, pension fund contributions and audit fees total approximately £531,000, leaving a net profit before taxation of £2,148,000 as against £4,008,000 last year, a fall of £1,860,000. We now come to the very heavy slice of our profits which is taken for taxation and which for the year just ended is £1,267,000, leaving only £881,082 available on the year's trading for reserves and dividends.

As just stated, the net profit of the group after charging taxation amounts to £881,082 and before bringing this amount into the parent company's accounts we are retaining £227,901 in the accounts of the subsidiary

companies; in addition, are providing £36,310 representing the proportion of profits attributable to outside shareholders. These two deductions reduce the sum remaining for the parent company to £616,871, which with the amount brought in from last year, makes the total available for allocations, reserves and dividends £1,308,588. Out of this amount your directors have allocated £50,000 to pension funds, £100,000 to investment reserve and £200,000 to stock depreciation reserve and recommend to the stockholders, as last year, final dividends of 5 per cent on the ordinary stock and 8½ per cent on the deferred stock. If you approve these recommendations and after charging the preference dividend for the year, and the interim dividends on the ordinary and deferred stock, the sum to be carried forward to next year will be £686,215 as compared with £691,717 brought in, a slight reduction of £5,502.

CONSOLIDATED BALANCE SHEET

The assets of the group at June last stand at a book value of £21,685,811. Fixed assets have been increased during the year to the extent of over £840,000 on extending and equipping some of the establishments of our subsidiary companies. Current assets at £16,491,000 stand at practically the same figure as last year, the chief changes being that stock in trade at nearly £8 million is higher by £1,925,000 and cash at bankers £527,000 is lower by £1,850,000 if we include for purposes of comparison tax reserve certificates held at June, 1951.

On the other side of the group balance sheet the major changes in revenue reserves are that investment reserve has been increased by £100,000, stock depreciation reserve by £217,000 and exchange differences by £69,950. The unappropriated profits of the group carried forward to next year, viz.: £2,282,521, have also increased by £236,193, making our total revenue reserves and unappropriated profits £6,495,742 at June, 1952, as against £5,872,693 at June, 1951, an increase of £623,049. Including under this heading the group's estimated liability to future taxation we, therefore, have a grand total of £7,867,173.

Current liabilities and provisions amount to £6,697,178. The only material change as compared with last year is the amount owing to our bankers, viz.: £1,104,000, but we have on the other hand, as previously stated, £527,000 in the bank. The actual cash position at June, 1952, as compared with June, 1951, including tax reserve certificates, shows a reduction of nearly £3 million which has been used almost wholly to finance the higher values of stocks held by the group and the expenditure on fixed assets. Of our investments, 89 per cent represents British Government and Colonial securities purchased at or below par value, all of which have fixed dates of redemption.

Current assets of the group at June, 1952, are in excess of current liabilities and provisions by almost £10 million.

WALLPAPER

The shortage of our main raw material, paper, which has restricted our production and sales of wallpaper every year since manufacture was recommenced after the war, gave way during the year to more plentiful supplies and we were thus enabled to remove all restrictions on the sale of wallpaper in the domestic market. Nevertheless, the year has proved to be one of the most difficult in our history due to the very high price of paper.

The price of paper has had a very adverse effect on our manufacturing costs. An additional and wanton burden is the purchase tax levied at the rate of 33½ per cent on prices swollen by abnormal paper costs. It is hardly surprising, therefore, that home trade sales showed some falling off but, more seriously still, it has not been possible to recover all the increased costs in our selling prices, and so for the first time for many years wallpaper manufacture has proved unprofitable.

Since the end of the financial year paper costs have shown a tendency to fall, though not so much as had been hoped. On the other hand we have reduced our prices at the lower end of the range because the public is still unwilling to pay prices which will enable us to recover costs.

Export trade was well maintained until the last few months of the year when the company began to feel the effects of the import restriction policy embarked on by the Dominions and other countries. We are now experiencing the full effect of the loss of orders from restricted markets.

During the year we have made determined efforts to reduce our operating costs to a minimum and you will be aware, on reference to the directors' report that we have ceased the manufacture of wallpaper at our Blackburn, Irlam and Derby branches, so that those we are continuing to operate will work closer to their rated capacities and so on more economical lines.

The carrying out of this policy has naturally been attended by many difficulties and hardships to the personnel employed at these plants. The directors express their sincere regret for the hardships caused and have done their utmost to minimise them.

We feel that the impact of high paper costs and purchase tax must continue to act as a brake on the expansion of sales to which must be added the depressing effect of import restrictions on export trade.

In an effort to combat these adverse effects considerable care and planning has been put into the company's publicity schemes and much success has been achieved at exhibitions throughout the country, and in raising the standards of display and presentation of

After increasing Exchequer balances by 247,641 to £3,271,386, the other operations for the week increased the National Debt by 149,243,320 to £26,278 million.

NET RECEIPTS (£ thousand)	
Housing (Temp. Accom.) Act, 1944, s. 8	1,123

NET ISSUES (6 thousand)

Post Office & Telegraph (Money) Act, 1950	1,000
EPT Refunds	97
Export Guarantees Act, 1949, s. 3(2)	20
Local Authorities Loans Act, 1945, s. 3(1)	5,500
New Towns Acts, 1946 and 1952	1,100
Coal Industry Acts, 1946 to 1951	4,150
Cotton (Centralised Buying) Act, 1947, s. 21(1)	3,000
Finance Acts, 1946 and 1947, Postwar Credits	319
	15,538

NET ISSUES (£ thousand)

Post Office & Telegraph (Money) Act, 1950	1,000
EFT Refunds	97
Export Guarantees Act, 1949, s. 3(2)	20
Local Authorities Loans Act, 1945, s. 3(1)	5,580
New Towns Acts, 1946 and 1952	1,100
Coal Industry Acts, 1946 to 1951	4,500
Cotton (Centralised Buying) Act, 1947, s. 21(1)	3,000
Finance Acts, 1946 and 1947, Postwar Credits	319
	15,535

wallpaper in our own showrooms and shops and those of our customers.

SUBSIDIARIES

Last year I spoke of the main products manufactured by our subsidiary companies, viz.: straw pulp, paper, colours, paints, brushes, fabrics, powdered mica, ebonite and moulding powders for the plastics industry. These companies form a very important section of our group. I do not propose this year to deal with each company in my remarks as I did last year, but you will have seen brief references in the directors' report to the main companies producing these products. I would like to mention, however, our marketing subsidiaries—wholesale and retail—which, as you know, distribute a proportion of our output of wallpapers, paints, brushes and fabrics. These distributing companies, on the whole, have again made a valuable contribution to the trading result of the parent company and, together with the manufacturing group of subsidiaries, account for the profit shown in the accounts. At the present time, and on the information available, it is very doubtful whether our group of manufacturing subsidiaries will be able to maintain last year's profits but I am a little more hopeful about our distributing companies.

Of our Canadian companies those manufacturing and distributing wallpaper and colours have had a difficult year with lower sales and lower profits. Strenuous steps are being taken to improve the position but the outlook at the present time is far from encouraging. Our Canadian company manufacturing and distributing paints has had a successful year but so far during the current year profit margins are narrowing although sales are being maintained. Unless there is a complete change for the better between now and the year end I do not expect our Canadian group will maintain last year's profits.

STOCKS

During the latter half of the year we took steps to reduce our stocks of raw materials and finished products as it was recognised that a fall in inventory values might have a serious effect on our trading results and on our finances. Even so at the end of the financial year a certain amount of writing down of stocks was necessary, particularly of pulp and paper and materials at the fabrics section. In addition we think it prudent to set aside £200,000 out of the past year's profits to provide for further falls in stock values that may take place during the current year.

EXPORT

If the industries of our country are to maintain their positions, their competitiveness and their ability to extend the area of their operations, it is essential, as I have stressed in former years, to check inflation, to remove the distortions that have grown on our economy, and to restore financial incentive to all who are able to contribute to the greater flexibility and effectiveness of British industry. Your company has spent considerable sums in extending its export trade and it is unfortunate that when retrenchment becomes necessary in overseas markets it is consumer goods, such as wallpaper and paint, that are amongst the first victims. I can only hope that more freedom to import will be restored to our industrialists so that in turn other countries will be better placed to increase purchases from us. The vulnerability of our country's exports to these restrictions will, in my view, if long continued, result in a decline in our standard of living and bring unemployment if our imports of raw materials decline below normal working levels. The

cutting of imports has caused other countries to apply financial and economic restrictions which are reacting most unfavourably on the expansion of world trade upon which alone rests the hopes of increasing exports.

LABOUR

The past year has been difficult throughout the country because it has brought us nearer to the conflict which sooner or later is going to confront all industry—wages to be regulated by the cost of living or by the ability of the particular industry to pay them? Industries whilst enjoying a sellers' market have in their wage negotiations been forced to follow the cost of living index. As competition and consumer resistance gradually get the upper hand it will be extremely difficult for employers, however sympathetically they feel about the matter, automatically to accept the cost of living plea, without applying the realistic but doubtless unpopular test—will the public support with its purchases a higher rate of wages?

The cost of living index figure is loaded with purchase tax on many commodities, but does not reflect the benefits of taxation reliefs and other allowances.

I feel that tact and forbearance on the part of all concerned with labour problems is going to be needed during the period of adjustment that trading conditions in this country will force upon industry in the immediate future.

I do not think anyone would seriously contest the view that one of the major cures for the economic ills from which this country is suffering must lie in higher productivity. Higher productivity is intended to mean not just greater output but greater output per man hour. It means using machinery as near as possible to its rated capacity and seeing no more people than are necessary are engaged on any one job. In other words it means the most economical use of manpower, of raw materials, of time and of machinery. The gain from that would reflect itself in increased competitiveness not just on the home market but throughout those parts of the world that are still open to trade with the Western nations.

TAXATION

Over the past few years I have said much on this subject; it is a matter of great concern that this year has brought no relief. In fact since our last meeting heavier burdens have been placed on industry by the withdrawal of initial allowances and the further imposition of excess profits levy. The decrease in our trading profit means, however, that we shall not be liable for excess profits levy for the period to June last; I see no justification whatever for the imposition of a new levy at a time when British industry is struggling to maintain its strength. It is so clear that for some years the ability of British industry to expand has been seriously impaired by the amounts paid out in taxation and the unrealistic method of computing business profit; this is particularly true at the present time when many progressive companies are prevented from expanding by the lack of liquid funds and the difficulties of the capital market, where there is little inducement to investors to subscribe owing again to heavy taxation. It is not in my province to say how government expenditure may be reduced so as to lower the need for taxes, but I am glad to hear the Chancellor has promised to deal now with this urgent matter. Unless a substantial reduction is made quickly the result cannot fail to weaken seriously the country's commercial position and its ability to compete internationally. There are now unmistakable signs of a fall in the revenue the

state will obtain from taxation from British industry. To a large extent this is due to the high level of taxation and the financial policies of postwar years which have strangled industry and so prevented natural expansion. Future employment is in jeopardy, and of course with it, our standard of living.

GENERAL

It would be idle of me to pretend that the past year has been anything but difficult from a trading and financial angle. In earlier years I have stressed the need for financial retrenchment to counter the scourge of inflation; accordingly I shared the welcome given to the Chancellor of the Exchequer when a year ago he took the first steps in the direction of a return to financial stability by imposing financial restrictions, although it was realised by all those concerned with the conduct of business that those steps would for a time make trading more difficult. It is, however, disturbing to see that these restrictions which have affected industry so severely have not been applied to the same extent to government expenditure and to that of local authorities; unless there is ruthless cutting of public expenditure there is little hope of restoring financial stability and ending inflation. How futile to impose financial reticence on business and then to allow the benefits so painfully won to be dissipated through increased government spending.

For a company such as ours this mounting inflation assumes most serious importance because we are concerned not only with manufacturing costs but with the increased costs of hanging wallpapers and of applying paints. Inflation and high taxation have changed the pattern of spending through redistribution of incomes which in turn has had its effect on our trade. We have moved a very long way from the days when it was normal for householders to call in the decorator annually to decorate one or more rooms. Greatly increased application costs are having the inevitable result that an ever growing number of householders are applying our products themselves. The traditional avenue of sale through the decorator is giving way to distribution through the wallpaper retailer direct to the public. This social change is reflected in the more pleasing display of wallpapers of every quality to be seen in the retail shops. Wallpaper is almost wholly used for improving appearance whereas paints, in addition to being used for inside decorations, play an important part in the maintenance and preservation of properties. The wallpaper industry is, therefore, much more vulnerable to the vagaries of trade however caused.

FUTURE OUTLOOK

Turning now to the current year, whilst I am not unduly gloomy about present trading, I cannot say there are definite signs of improvement taking the group as a whole. We shall continue our policy of expansion and re-equipment of our establishments and of preserving the quality and service of all our products despite the uncertainties and difficulties we may have to face in the future.

CONCLUSION

I should like to conclude with a tribute to all the directors of our subsidiary companies, to our managements and staffs, and to all employees at home and overseas for their loyal and devoted services during a most difficult year. I and my board gratefully acknowledge and appreciate the assistance we have received from all.

The report and accounts were adopted.

THE NATIONAL BANK OF AUSTRALASIA

(Inc. in Victoria)

END OF INFLATIONARY PERIOD

MR H. D. GIDDY ON MEANS OF ACHIEVING ECONOMIC STABILITY

The ordinary general meeting of The National Bank of Australasia, Ltd. (with which is united The Queensland National Bank, Ltd.), was held on November 26th at Melbourne.

Mr H. D. Giddy (the chairman), in the course of his address, said: The balance sheet totals of £229,007,227 are approximately £59 million below last year. Nearly £40 million of this decrease is accounted for by repayment of Central Bank borrowings and by a decline in the item liabilities under letters of credit, etc., the latter item reflecting, in the main, reduced financing associated with the lower level of imports this year. Customers' deposits have decreased by £17 million, a moderate fall in view of general banking experience over the last twelve months. Advances also have shown only a reasonable rise of £13 million. Additionally a reasonable business and other factors have lifted gross earnings by just about £1 million to a new record of £6,340,242, but higher expenses and increased taxation provisions have absorbed practically the whole of this rise. There has been a small increase in net profit to £616,965.

TRADING CONDITIONS

At present overall business activity inside Australia is at a more restrained level than a year ago. The inflationary tempo that culminated in what is commonly termed the "wool boom" has quietened down, and, for the present, ever-mounting annual records in sales, in turnovers, and, above all, in public demand, are generally a thing of the past.

ECONOMY HAS BEEN JOLTED

It is not surprising that business and the community in general has felt a jolt in the change from the frenzied expansion in activity which is always an accompaniment, and a symptom, of active inflationary conditions. If entirely unchecked, the inflationary process would, of course, gallop on and end in a major economic collapse. Over the last twelve months that process has been checked, at least up to a point, by a great change in our overseas balance of payments brought about largely by the flood of imports with a resulting reduction in our money supplies to pay for them. Additional factors were the emergence of strong and perhaps timely buyer resistance to ever higher costs and prices, and government financial policy.

As a result of these checks entirely new conditions now confront Australian industry and commerce. A fresh breeze, in the form of competition, both individual and corporate, has swept over the economy.

THE VITAL ROLE OF INCENTIVES

Restoration of incentives is fundamental to a resurgence of real confidence. Let us adopt incentive differentials in employee remuneration wherever they would assist greater efficiency and, therefore, lower prices to the consumer. But, freedom to retain in large measure the rewards for individual economic effort is just as vital as freedom to make that effort.

Nothing is more damaging than the wear-

some repetition that it is impracticable to reduce, to any material extent, the load of taxation which the Australian people have been forced to carry. It is alarming to realise that the total amount of taxation levied last financial year was well over £1,000 million, nearly 32 per cent of the National Income. There surely is room for a substantial alleviation of this burden. Real relief here would give new zest to our free enterprise system in all its aspects.

MEETING THE CHALLENGE

Just at present the Australian economy appears to be balancing between the extremes of over-full employment and a condition of recognisable overall idle capacity. One senses, nevertheless, a tinge of the precarious in this balance. "The line of demarcation between inflation and deflation is necessarily a matter for delicate judgment," say the Executive Directors of The International Monetary Fund in their 1952 Annual Report. Yet this is the road we must tread to achieve and to maintain stable trading conditions, the foundation of all progress that is real.

How is business, and the economy generally to meet this challenge? This is, I think, a pertinent question to ask. We have got to find ways and means of achieving a steady national development, and of using for the benefit of all the new eagerness for efficiency and better productive effort.

We are not without weapons for a campaign against the waste and inefficiency of either depression or inflationary boom. Within strict limits, internal credit can be expanded in time of idle resources; taxation can be reduced to bolster public buying power; we are able to regulate our imports to meet a sudden reduction in overseas monetary reserves; we know far more than in years gone by about the effects of changes in investment expenditures, whether private or public. We are unable to influence overseas prices paid for our exports, but we ought to be able to frame policies to increase export production, and to keep its cost at competitive levels.

The wise application of such implements, and an intelligently confident attitude on the part of business and the general public, should ensure reasonable stability in general business activity and employment, without plunging into over-full employment where individual and corporate responsibility is too often weakened, leading to excesses in all directions.

But in a community which places a very high value on its freedom, success will not be achieved unless its economic implements fit a business structure that is basically free enterprise. Too often in the past their application, or their nature, has been such as to bend and at times nearly break that structure. Full appreciation of this fact by governments, and other controlling authorities, will give the nation renewed confidence that it can surmount current difficulties, and will enable the individual to regain initiative and strength of purpose in our economic life.

The report was adopted.

THE BRITISH LINEN BANK

STEADY GROWTH OF BUSINESS

The annual Court of Proprietors of The British Linen Bank was held on November 25th at the head office, Edinburgh, The Earl of Airlie, Governor, presiding.

The following is an extract from Lord Airlie's speech:

The general picture presented in the report and accounts must, I feel sure, have given you much satisfaction, for signs of steady growth of our business are not lacking, and the Bank's financial strength is again demonstrated in the testing conditions resulting from the depressed state of the gilt-edged market. That strength has become a tradition.

The net profit for the year at £225,726—although some £2,500 better than last year's figure—is still £30,000 below the 1950 result. Adding the balance of £189,411 brought forward from last year, the sum available for distribution is £415,137. Of this, £52,500 has already been applied in payment of the usual dividend for the half-year to March last at the rate of 16 per cent per annum, less income tax, and it is now proposed to devote £52,500 in payment of a dividend at a like rate for the second half of the year. Transfers of £54,000 and £75,000 respectively to staff pension fund and contingency account are not over-liberal in present conditions and on future prospects, and the balance of £181,137 left to be carried forward to next year is down by £8,274.

BALANCE SHEET

Although satisfaction with the results disclosed by our profit and loss account must be qualified, our balance sheet still exhibits under present conditions a remarkable degree of over-all strength. Deposits at the record figure of £78,202,000 are up by over £1,200,000 in comparison with last year's figure. Notes in circulation have increased by some £644,000 to £9,367,000, while acceptances and other engagements on account of customers at £3,043,000 show a rise of £209,000.

On the assets side, cash, cheques in course of collection, short money, and bills discounted (largely consisting of Treasury Bills), together amount to £30,469,000—giving a ratio of highly liquid assets to deposits and notes of 34.8 per cent, as compared with 31.3 per cent a year ago. Notwithstanding the heavy writing down of our gilt-edged investments again necessitated this year by the depreciation current at the date of the balance sheet, our portfolio of these at £41,161,000 shows a slight increase over last year's figure. As indicated in the Report, our quoted investments—all issued or guaranteed by HM Government—consist entirely of dated stocks, and as usual they stand in our balance sheet at less than their market value.

During the past year, our advances reached a peak of over £24 million in the spring, from which level they steadily declined to £18,650,000 at the date of our balance—a decrease over the year since September, 1951, of £2,139,000.

Bank premises and other property as written down stand at just over £765,000, a figure which is far below their market value on a conservative basis. Quite apart from the rise in property values which has been the concomitant of a depreciating pound, the sums written off our premises annually over a long period prior to the recent war were particularly generous.

The balance sheet total of fully £94,597,000 constitutes a fresh record.

The report was adopted.

THE INDIAN IRON AND STEEL COMPANY, LIMITED

BENEFITS OF THE MERGER

MR T. LESLIE MARTIN'S REVIEW

The thirty-fifth ordinary general meeting of The Indian Iron and Steel Company, Limited, was held on November 14th, in Calcutta.

Mr T. Leslie Martin, the chairman, presided, and in the course of his speech said:

I would draw your attention to what may be regarded as somewhat abnormally favourable features of your trading results during the year 1951-52, compared to 1950-51. We have been able to transfer from our gross earnings to a reserve Rs.5 lakhs towards the cost of the rehabilitation of the Kulti Blast Furnaces, in accordance with the requirements of Government in pursuance of the recommendations of the Tariff Board. This is not an appropriation of normal profit, since in the revised selling price of pig iron there was included a special element to provide for this reserve.

We have also paid our preference shareholders Rs.7,50,000/- for the whole year, compared with only Rs.2,28,081/- for the broken period ended March 31, 1951. In addition, we have been able to transfer a sum of Rs.10 lakhs as provision towards the development of our ore mines and collieries.

The higher profits for the year under review are, to a large extent, due to the increased production of pig iron and the improved working of the Kulti foundries as a result of the recent installation of modern mechanised equipment. Further, the upward revision of the selling price of pig iron, which came into force in August, 1951, had a bearing on our more satisfactory working results.

As the demands of the steel side of our company's operations expand, the off-take of pig iron, in the form of hot metal, will increasingly develop, but as a consequence of the merging and expansion of the company's plant and that of the Steel Corporation of Bengal, the uncertainty of the position of this company often created by the agreement with the Steel Corporation of Bengal will disappear.

The higher retention prices for steel recently announced will remain in force to the advantage of both the companies from the beginning until the end of this year, and those for pig iron until June 30, 1954. Your dividend earning capacity will not be adversely affected by any smaller sales of pig iron or as a consequence of the merger.

THE MERGER

In order to enable you to appreciate the effect of the merger on your trading prospects I can do no better than quote two short extracts from a letter of the Government of India dated October 30, 1952, and addressed to both companies:

"The Tariff Commission have made the following recommendations besides the recommendation regarding the retention prices:

(1) IISCO and SCOB may be informed that should Hirapur Iron Works be amalgamated with SCOB, the retention prices of steel produced by the amalgamated concern will be calculated on exactly the same principles as have been applied in the case of Tatas.

(2) The merger of IISCO's Hirapur works with SCOB, besides improving the economic

position of both the plants, will help the expansion of iron and steel capacity in the country... and the companies should, therefore, make determined efforts to bring about the merger as early as possible.

The Government of India have accepted these recommendations."

From the inception of the Indian Iron and Steel Company it was contemplated that as soon as a convenient moment arose it should extend its operations to the manufacture of steel. The opportunity fully to carry out this purpose did not arise, but in 1937 the Indian Iron and Steel Company became associated with the Steel Corporation of Bengal. It contributed a substantial amount of the ordinary share capital to help the establishment of the Steel Corporation of Bengal and agreed to supply to it the hot metal and all auxiliary raw materials and essential services for the manufacture of steel.

With the growing shortage of both iron and steel and the anxiety of the Government to improve the supply of both, and with the visit of the representatives of the International Bank, the question of amalgamation came to a head. It is a splendid opportunity, whether from the short or the long term point of view, upon which the shareholders of both the companies may well congratulate themselves.

DIVIDEND PROSPECTS

The effect of the acceptance by the Government of the first recommendation referred to above, namely, the calculation of the retention prices on the same principles as have been applied in the case of Tatas, will be that both the companies when merged will benefit by receiving what may be considered an economic price for the hot iron and services which had previously been reduced entirely in the interest of the consumer, who had never been at any time even in the picture when the Agreement of 1937 had been made. Full overheads and profit will be calculated on the value of the entire Hirapur block and included in the future retention prices of steel. This will make a substantial addition to the amount of depreciation and the return on investment at present allowed and will be included in the calculation of the retention prices.

The time necessary to carry out the extension schemes to bring them fully into operation and to discharge all the obligations incurred by us to finance them will require many years. For the sake of convenience I shall divide these years into three periods.

The first period during which the whole benefit of the merger will be effective will be from January 1, 1953, until the completion towards the end of 1953 of the works now in progress in connection with what is called the first stage of extensions of the two companies. This will add four to five crores of rupees to the value of the combined blocks on which full overheads and return on investment will be allowed and included in the retention prices of steel. This position will remain practically unchanged during the construction of the major extensions, which are expected to be completed and brought into operation in 1957-58. This may be regarded as the second of the three periods. Your dividend earning capacity can reasonably be expected to remain unaffected throughout the period of construction.

This brings us to the third and the last stage of the development of the amalgamated companies. It would be not only very difficult but unwise for anyone to venture on making a forecast of how the financial position and the trading results of the company will precisely stand several years hence. But this much can be said with some confidence: that your prospects may reasonably be expected to improve. It is true that we are to carry a large burden of debt, estimated at present to amount to over 31 crores of rupees, in order to carry out the extensions. But the terms offered and now being finalised between the Government of India, the International Bank for Reconstruction and Development, and the company are expected to be such that you will not only be able to meet your liabilities both as regards the principal and the interest, but there may be a certain margin left which will help you to expedite the discharge of your liabilities. You will be the owners of one of the largest integrated plants outside the United States of America with possibilities, if opportunity arises, for even further expansion.

In order to make the principles of the merger effective fresh retention prices for steel will have to be fixed, on our application, for each one of the three periods mentioned by me. The works costs will have to be calculated by a method different from that followed up to the end of 1952. The overheads and profit also will require adjustments to bring them into relation with the changing value of the combined block as and when new units are completed and brought into operation. We have the assurance of Government that this will be done. When all matters pertaining to the merger have been completed it is our intention to issue to shareholders a further short circular letter.

The report and accounts were adopted.

TRINIDAD LEASEHOLDS LIMITED

MR SIMON J. VOS'S REVIEW

The annual general meeting of Trinidad Leaseholds Limited will be held in London on December 19, 1952. The following is extracted from the chairman's circulated statement:

Once again I am pleased to be able to report that the operations of the group for the past year have shown satisfactory results.

Further deep drilling in Trinidad has not so far revealed a substantial new reservoir, but medium and shallow outstepping has resulted not only in maintaining the required level of production, but in some improvement of crude oil reserves.

Refinery throughput increased considerably and the installation in Trinidad of a fluid catalytic cracking and associated plants, recently completed, is of special significance for Regent Oil Company Limited, whose progress in the marketing of products continued satisfactorily in face of the keenest competition.

Consolidated net profit of the group for the year was £1,899,952, as against £1,470,705 last year, after allowing for all charges, including provision for depreciation, taxation and contingencies.

Before arriving at the net profit it has been necessary to provide approximately £1 million more for taxation than in the previous year.

In Canada nine wells were drilled on proven and semi-proven leases, of which seven were completed as producers. Five exploratory wells were drilled, none of which found commercial oil. Refinery operations increased as also marketing outlets.

FERRANTI, LIMITED

RECORD ORDER BOOK

The forty-seventh annual general meeting of Ferranti, Limited, was held on November 20th, in London, Sir Vincent de Ferranti, MC, MIEE (chairman and managing director), presiding.

The following is an extract from the chairman's circulated statement for the year to June 30, 1952:—

We celebrate this year, the seventieth anniversary of this business.

The accounts show continued expansion in the activities of the company and its subsidiaries and further extension of our manufacturing capacity. The consolidated profit for the year, including dividends on investments, amounts to £1,320,164, as compared with £1,227,601 for the year ended June 30, 1951. After provision for tax on all profits earned to date, the net profit is £529,208, against £540,129 a year ago.

HIGHER GROUP OUTPUT

The output of the group, which is employing 11,000 people, is more than 30 per cent above that of last year. All the departments have contributed to this increase.

There has been a steady increase in orders received during the year, and we are left with a record order book of over £15 million. Further extensions of our manufacturing facilities are in hand to deal with this and with the continuing demand for our products.

The Canadian company has substantially increased its turnover and its profits. It has started the current year with a healthy order book. The American company has increased its output. It closed its year with a profit.

The steady and continued expansion in our normal activities and our increasing commitments in respect of contracts for HM Government call for a corresponding increase in working capital in the form of stocks and work in progress and accounts in course of collection. Proposals will be laid before you at this meeting to increase the borrowing powers of the company and its subsidiaries to £5 million.

INCREASED DEMAND

The demand for power transformers continues to increase, and the output was 26 per cent higher than that for last year. As a notable contribution to the national problem of the dollar gap we recently obtained an order for nine 230 kV transformers for the Garrison Dam Power Plant, North Dakota, in the face of the most determined competition from US manufacturers.

The turnover of our insulation department in the past twelve months has exceeded all previous records. With an output of over half a million electricity meters of all types, the meter department broke all previous records.

The demand for castings continues to increase, and the output by weight of our foundry would have been even higher but for restrictions in the supply of raw materials. The demand for commercial instruments and special metering equipment continues. Our contribution towards the development of guided weapons is considerable.

The value of sales of radio and television sets shows an increase over the previous 12 months. The national demand for electric fires and water heaters continues, however, to be depressed.

The report was adopted and the resolution increasing the borrowing powers of the company was approved.

ANGLO-DUTCH PLANTATIONS OF JAVA

MR G. C. DENHAM'S STATEMENT

The forty-second general meeting of The Anglo-Dutch Plantations of Java, Limited, was held on November 25th in London, Mr G. C. Denham, CIE, CBE (chairman and managing director), presiding.

The following is an extract from his circulated statement:

Of the problems which confront us perhaps the most immediate one is security. We have suffered probably more than any other company in Java from lack of security. Not only have our staff suffered but the company has also suffered materially from this lack of security, which prevents proper supervision in the gardens with resultant loss of crop.

The Government realises only too well its difficulties and is dealing with the whole problem steadily and methodically. The task is indeed a vast one and I fear that it will take another two or three years to restore security in Indonesia to enable every man to go about his lawful business without fear.

Despite the heavy and inevitable rehabilitation expenditure, the results for 1951 show that the company was working on a profit-making basis and I am glad to say that we shall be allowed to make profit remittances. It is, however, problematic whether we shall be able to do so in the future so long as we carry an overdraft in Java. Should such action be taken by the Government then the overdraft in Java must be liquidated, and the only way by which this can be done is by making the most use of fiscal depreciation.

PROFITS MULCTED BY TAXATION

At first appearances we seem to have had a most successful year; in fact, our trading profit of £968,267 is an all-time record. This, however, is heavily mulcted by taxation and by the necessity to provide £313,283 for obsolescence and renewals ("free fiscal depreciation"), together with the normal charge of £274,571 for depreciation and writings off of the fixed assets. Indonesian tax amounts to £229,024 and the United Kingdom tax to £50,000. There is an exchange profit of £30,769 to be added, so that the final result for the year shows a net balance available of £16,036. To this figure is added £167,426 brought forward from 1950, making a total credit in the profit and loss account of £183,462. As will be seen, the net result for the year hardly justifies the payment of a dividend. I feel, however, most strongly that despite the somewhat sombre picture I have had to paint and the present difficult situation, our stockholders should get some small reward for their long-term patience. We have decided to make an interim dividend distribution of 3 per cent, less tax, in respect of the year 1952. It is unlikely that there will be any further distribution.

FUTURE PROSPECTS

I cannot pretend that future prospects are good, and it will be a hard struggle to make both ends meet. The fall in the price of rubber has very materially altered the position and blighted the whole outlook. Our present policy is to effect every possible economy, and at the same time to preserve in as good condition as possible the still fine assets which we own. It may truthfully be said that our future lies in the hands of the Government of Indonesia, and that our future prosperity will be a reflection of its successful administration.

The report was adopted.

D. & W. MURRAY (Merchants and Warehousemen)

The fifty-fifth annual general meeting of D. & W. Murray, Limited, was held on November 20th in London.

Mr A. W. G. Streatfield, who presided in the absence of the chairman, Mr C. J. Jones, read the latter's speech, in the course of which it was stated: In common with other business undertakings, the company experienced the full effect of the trade recession during the past year, the conditions contrasting greatly with those of the previous year, which proved to be a record for the company.

Needless to say, the trading results for the period are disappointing, the decline in the company's earnings being accounted for by the widespread change in economic conditions prevailing throughout Australia, occasioned mainly by the considerable falling off in income derived from the export of wool and other primary products. As the result, the profit recorded for the year shows a decrease to the comparatively low figure of £57,492, after making full provision for taxation, depreciation and all contingencies.

After adding to the profit for the year the balance brought forward from the previous year, the total profit available is £139,075. It is proposed to pay a dividend on the ordinary shares at the rate of 5 per cent for the year.

In view of all the circumstances, any forecast of future trading results would be speculative, as from present indications the prospects may be regarded as being far from reassuring, as the ensuing year promises to be more difficult and much less favourable than that through which we have passed.

The report was adopted.

KUALA MUDA RUBBER ESTATES, LIMITED

INCREASED PROFIT

The twenty-seventh annual general meeting of this company was held on November 24th in London.

Mr L. I. Simpson, ACA, the chairman, presided.

The following are extracts from his circulated statement for the year ended March 31, 1952:

The profit for the year amounted to £211,397, which compares with a figure of £195,128 for the previous year. From this profit an estimated amount of £116,780 is payable in taxation. In view of the satisfactory profit which we have made it is a considerable disappointment to us to be unable to recommend the payment of a final dividend. We have, however, out of the profit of the last two years, provided a sum of nearly £136,000 for debenture redemption and paid out £14,700 (net) in dividends.

Replanting in Malaya today is no easy matter owing to present conditions, and we have therefore joined with two other rubber-producing companies in the planting up of suitable land in Nigeria.

Our crop for the year was 2,983,662 lb, a considerable drop on that of the previous year. This is attributable to several factors, foremost of which, I think, we must place the very difficult labour conditions in Malaya. Weather too has been abnormal.

Although we are still short of liquid resources, I believe, now the debentures have gone, we can look forward to a very successful future for the company.

The report and accounts were adopted.

JOHANNESBURG CONSOLIDATED INVESTMENT

MR K. RICHARDSON'S SPEECH

The annual general meeting of this company was held on November 25, 1952, in Johannesburg.

Mr K. Richardson, who presided, in the course of his speech, said:—

The chairman, Mr H. J. Joel, has asked me to express his regret that he is unable to be present today.

Owing to very much reduced activity on the stock and share markets, few opportunities have existed during the year for dealing profitably. Dividends received have, however, been maintained and the net profit was £1,444,237, as compared with £1,628,647 for last year. A sum of £500,000 has been transferred to investment reserve, which now amounts to £1,441,992. Dividend No. 60 of 3s. 6d. per share, less United Kingdom income tax at the standard rate of 9s. 6d. in the £, absorbed £362,906, and the balance of profits carried forward amounted to £348,352, reflecting a decrease of £24,208.

Working costs have continued to rise and, in June, 1952, the average figure for the Transvaal mines, which are members of the Chamber of Mines, was 33s. 5d. per ton, compared with 32s. 3d. in June, 1951, being an increase of 3.6 per cent, as against the increase of 9.9 per cent for the corresponding figures last year. This upward trend still remains a matter of grave concern for the gold-mining industry.

Revenue from gold sold at enhanced prices during the year under review amounted to £5,043,000, which is equivalent to a premium of 8s. 8d. per ounce on all the gold produced during that period, and reflects a decrease of £419,000, or 10d. per ounce, as compared with the corresponding figures for 1951.

The Prime Minister, in opening the first uranium recovery plant at the property of West Rand Consolidated Mines Limited on October 8, 1952, stated that the annual gross revenue from uranium, when full production is reached, is likely to be in the order of £30 million per annum. The value of the gold produced by all mines, members of the Transvaal Chamber of Mines, for the twelve months ended June, 1952, was £143 million, and it will therefore be realised that the potential revenue from uranium will be of considerable importance. So far thirteen mines have been selected to produce this mineral and the first mine is already in production.

ORANGE FREE STATE

Progress in the Orange Free State gold-fields continues satisfactorily. Development is proceeding on seven mines from thirteen shafts, and at September 30, 1952, a total of 101,997 feet of development had been accomplished on basal reef; 101,225 feet had been sampled, and of this, 50,481 feet proved to be payable.

In spite of difficulties which have been encountered in the form of water, gas, and shale, it is evident that the technical mining problems are being overcome. In fact, at two mines milling has started and the total combined tonnage which they had crushed to the end of October, 1952, amounted to 1,126,000 tons.

The main problem is that of providing sufficient finance to enable the huge projects which have been planned to be brought to fruition. So far the amounts either already raised for all mines in the Free State, or in respect of which financing arrangements have been made, total some £103 million.

The report was unanimously adopted.

CONSOLIDATED AFRICAN SELECTION TRUST, LIMITED

MR C. W. BOISE'S REVIEW

The twenty-eighth annual general meeting of this company will be held on December 11th in London.

The following is an extract from the statement by the chairman, Mr C. W. Boise, for the year ended June 30, 1952:

The combined profit for the year of your company and its subsidiaries, of which Sierra Leone Selection Trust, Limited, is by far the most important, reached, before taxation, nearly £2,200,000, a decrease of some £500,000 compared with the previous financial year. This is due to a shortfall in our Sierra Leone production. The net surplus after providing £1,450,000 (66 per cent) for taxation was £740,000, a decrease of about £240,000 compared with the previous year. An interim dividend of 1s. has already been paid, and your directors recommend a final dividend of 3s. per unit of stock, subject to income tax. These dividends require a net sum of £636,953, as compared with £796,191 (4s. plus bonus of 1s.) for the previous year, when we were able to distribute a special bonus of 1s. from funds accumulated as a consequence of the observance of the voluntary limitation of dividends requested by an earlier Chancellor of the Exchequer.

GOLD COAST

Production from our mines in the Gold Coast improved both in quantity and value during the year under review. This territory provided approximately £900,000 after charging the year's production expenses. This amount was first reduced by £200,000 in respect of export and minerals duties and concession royalties. Taxation took a further £520,000, and the profit was therefore reduced to £180,000. Demands for higher pay were again presented by the Mining Workers' Union to all mining employers.

Exports of diamond by African producers increased throughout the year under review, and now considerably exceed those by the organised mining companies. Parallel with this development, illicit diamond mining continues as a serious threat to our operations. It is gratifying to note the practical and helpful approach of the new Government to the problems of our industry. Our security organisation, with the full support and co-operation of the Gold Coast Police, has had some success in reducing the depredations of the illicit miners. There is, unfortunately, no doubt, however, that substantial quantities of diamonds continue to be removed illegally from our concession areas.

MARKET PROSPECTS

The prices at which your company's production of industrial and gem material is sold to Industrial Distributors (1946), Limited, and the Diamond Corporation, Limited, have substantially improved during the year, and this has compensated to some extent for the fall in our total output. World sales for the year 1952 will show a high figure, and the whole of our available production will be absorbed under our selling contracts.

Our record for the last year has clearly shown the ever-increasing burden of taxation and of the labour and operational costs which we have to meet. These factors will continue to affect our position, and must be given their due weight in assessing your company's prospects. I consider, nevertheless, that the outlook for the current year's trading is again satisfactory.

RHOKANA CORPORATION, LIMITED

INCREASED INCOME

The thirtieth annual general meeting of this company will be held on December 10th at Nkana, Northern Rhodesia.

The following is an extract from the statement by the chairman, Sir Ernest Oppenheimer, dated October 22, 1952, which was circulated with the report and accounts for the year ended June 30, 1952:

The results for the year to June 30th last will, I am sure, be regarded as very satisfactory. The operating profit at just over £10 million, shows an increase of £1 million, but it should be remembered that this increase was to some extent caused by exceptional sales during the year. The investment income, £500,000 higher at over £2 million, again includes a substantially increased dividend on our large holding in Nchanga Consolidated Copper Mines Limited, to which we look for even more material contributions to your company's prosperity in the future.

In my statement last year I said that, as far as could be seen, the company's resources were sufficient to take care of all capital expenditure approved in principle at that time. I qualified this statement with warnings that delays and cost increases might alter the picture, and that further retentions of funds to finance stocks and stores at higher price levels, and additional capital expenditure, would almost certainly be found to be necessary. These warnings have been justified, and in order therefore to finance a part of the additional commitments which have now arisen, a further appropriation of £1,800,000 has been made to general reserve from the year's profit.

It has been decided to form a company to develop the Konkola and Kirila Bomwe special grant areas at present owned by this company. The combined area will be known as the Bancroft Mine. The mine has ore reserves which earlier and current diamond drilling programmes have already proved to total over 80 million tons. It is proposed to develop and equip the mine on the basis of a production of 4,000 short tons of copper per month.

HIGH COPPER PRICE LEVEL

The price of copper has advanced to a new high level in recent months, and this level has been maintained, with minor variations, until now. The new electrolytic cobalt plant, when commissioned early this year, ran into a number of the operational difficulties which always beset a new process, and it was not until August that production of cobalt metal began. Small tonnages of uranium-bearing ore have been proved at the south end of the Mindola section of the mine. Further exploration to delimit this occurrence is in progress.

The coal supply position during the year to June last continued to be unsatisfactory; for much of the time our smelter and power plant were restricted in output, and the smelter and other sections of the plant had to shut down on several occasions. Since the year-end there has been some improvement, July and August showing the best monthly deliveries ever received, though these were still far short of the ever-increasing requirements of the Copperbelt.

The subject of electric power supply is closely associated with the coal problem. The Copperbelt Power Interconnection Scheme is now in commission, and your company's plant is linked with those of the other three copper companies through high-voltage transmission lines. The benefits of a pooling of power resources are already being experienced, and further developments in hand will make the benefits even more apparent.

The annual report and accounts may be obtained from the Head Office, Kitwe, or from the Transfer Offices at 44 Main Street, Johannesburg, and 11 Old Jewry, E.C.2.

THOMAS PRESTON LIMITED

(Packaging Manufacturers)

IMPORTANT NEW ACQUISITIONS

The thirty-third annual general meeting of Thomas Preston Limited was held on November 21st in London, Mr George Castle, LL.B. (chairman and managing director), presiding.

The following is an extract from his circulated statement:

The trading profit for the year amounts to £285,110, against £355,033 for the previous year, but this year we have to provide a sum of £104,093 to write down our stocks of raw materials and finished goods to their market price at June 30, 1952. The profit, after charging all expenses and taxation, is £61,822 against £103,379. After bringing into account the balances brought forward from last year, providing £23,531 in respect of profits earned by the new subsidiaries before acquisition, the preference dividend, the same rate of dividend as last year, viz., 35 per cent, on the increased ordinary share capital, and making the same transfer of £2,000 to the work-people's benevolent fund, there remains to carry forward £102,059, against £114,627 brought in.

FIXED ASSETS CONSIDERABLY INCREASED

Turning to the consolidated balance sheet you will see a very considerable increase in our fixed assets, which, after depreciation, now stand at £818,597, against £434,728 last year. The increase in the ordinary share capital of £127,002 results from the rights and other issues of twelve months ago, and the satisfaction of the consideration for the acquisition of the two subsidiaries acquired during the year.

The first of these subsidiaries is Dobson and Crowther Limited, of Birmingham. This company was established in the year 1906, and has specialised throughout its existence in the production of tea and similar bags. Its products are of a high quality, and well known.

The other acquisition was Kraftcord Limited, which company produces paper yarns, cordage and fabrics. These products are in extensive use in the carpet and cable industries, and the furniture, upholstery and motor trades.

The net current assets of the group show little variation from last year's figures. Revenue reserves, however, show a reduction of some £7,000. The total assets of the group show a very substantial increase from £891,267 to £1,352,044.

During the year we have formed two subsidiaries, namely, Thomas Preston (Containers), Limited, and Thomas Preston (Cotton Bags), Limited, and since the close of the financial year we have formed Thomas Preston (Paper Bags), Limited, and have transferred to that company the trading assets of Thomas Preston, Limited. The latter company has thus become a purely holding company.

TRADING RESULTS

Turning to the trading results, the year has proved most difficult and complex for all paper converters.

During the first six months of the financial year we remained restricted in our trading by raw material shortages, and thus demands upon us remained heavy. Early in the second six months of the financial year the demand

for all packaging products fell away heavily and rapidly, due to overstocking and anticipated reductions in raw material prices. During such periods, and since, very considerable price reductions have taken place in our raw materials and finished products, and the serious extent of them will be appreciated from the provisions made as at June 30th last for stock depreciations.

Today, although there has been a buyers' strike for approximately six months, demand has not yet returned to normal proportions, but signs are evident that trading conditions should improve in the near future.

We are appreciative of the very competitive days ahead, but provided we can be assured of reasonably stable raw material and selling prices, the efforts made over the last few years should not prove unproductive.

The report was adopted.

DALGETY & COMPANY

FALL IN WOOL PRICES

The sixty-eighth annual general meeting of Dalgety and Company, Limited, will be held at the company's office on December 18th.

The following is an extract from the statement by the chairman, Mr D. Abel Smith, MC, circulated with the report and accounts:

As wool plays such an important part in the economies of Australia and New Zealand the figures of sales for 1951-52 and comparative figures for the previous season are set out:

Australia, number of bales sold 3,413,805 (3,549,998); value £A308,107,658 (£A636,156,430); average per bale £A90 5s. 1d. (£A179 4s.).

New Zealand, number of bales sold 1,231,577 (613,124); value £NZ71,107,413 (£NZ92,583,729); average per bale £NZ57 14s. 7d. (£NZ151 0s. 1d.).

The drop in the Australian wool cheque has had far-reaching effects throughout the country and following so quickly upon the prosperity of the previous year, was largely responsible for the imposition of credit and import restrictions. The increased quantity sold in New Zealand is mainly the result of the carry-over of some 300,000 bales from the previous season, due to the dock strike.

INCREASED WOOL SALES

During the year the company sold 695,441 bales in Australasia as compared with 613,200 bales in the previous season. The 1952-53 selling season opened with prices in Australia approximately on a par with the close of the previous season, and to date those values have been fully maintained. Our produce business continues to progress satisfactorily within the limits imposed by the policy of bulk trading by governments.

Our merchandise departments have made further progress and their turnover, in mixed currencies, now approaches £25 million per annum. The increased business transacted has not resulted in a similar increase in net profit owing to rising costs, price control and other factors, but the net profit still constitutes a very satisfactory contribution to the result of the company as a whole.

In both Australia and New Zealand our shipping departments have done well to return profits which were only slightly less than those of the previous year. In their anxiety to achieve a quick turn round for their vessels shipowners have tended to curtail the number of ports of call, but this has not been wholly detrimental to us in that one branch's loss has usually been another's gain.

Our travel business has again made good

progress, but the other ancillary sections of our shipping business are causing no little concern.

PROFIT AND DIVIDEND

The profit for the year, after providing for all expenses and taxation, amounts to £435,155, as compared with £667,541 for the previous year. This drop in profits was inevitable following the fall in wool prices; but, apart from 1951, this year's results are a record for the company.

We are recommending a final dividend of 6 per cent on the ordinary shares, which, with the interim dividend of 4 per cent paid in May, represents 10 per cent for the year, and we also recommend the payment of a bonus of 4 per cent on the ordinary shares, making a total distribution of 14 per cent. The ordinary shareholders' funds employed in the business amount to £5,585,670, on which figure the above distributions, after deduction of tax, only amount to 2 per cent for the year.

ALLIED BAKERIES

SUBSTANTIAL CONTRIBUTION TO NATIONAL ECONOMY

The seventeenth annual general meeting of Allied Bakeries, Limited, was held on November 21st, in London.

Mr W. Garfield Weston, the chairman, in the course of his speech, said: Total revenue at £4,516,000 is £666,000 above last year's figure, and net profit after depreciation is £623,000 up, at £3,666,000; both these increases are highly satisfactory in a period when the baking industry generally is experiencing falling profits, and speak highly of the regional directors and their teams who are responsible for this excellent showing. Our overseas companies have also contributed to these increased earnings.

We hear quite a lot today on the subject of the rising cost of living, and suggestions come from many quarters that profits are too high and contribute to the general rise in prices. So far as the baking industry generally is concerned and Allied Bakeries, Limited, in particular, nothing could be more fallacious. We are subject to rationing of most of our essential ingredients, the selling prices of many of our products are fixed or have a ceiling laid down by the Ministry of Food, our labour is well paid, and many of our major expenses are charged to us at prices available to everybody. How, then, can there be wide variations in earnings and apparently high profits in some sections of an industry? The answer is that under present-day competitive conditions (as opposed to monopolies) profits are a measure of efficiency.

Last year I touched on the subject of national taxation, and the moral obligation of industry to earn as much as possible to assist the country by its contribution to the National Exchequer. Whether we like it or not, we shall be faced for many years to come with huge budgets, and industry—directly and indirectly—is the largest contributor to the national needs. An efficient and prosperous national economy will be the payment of large sums in taxation make it possible to keep down personal taxation and help to lower the cost of living.

We of Allied Bakeries are proud of our contribution to the State needs—over £1 million this year; moreover, since the formation of the company, over 60 per cent of the group's earnings has been paid over to the Government in taxes.

It is a source of great satisfaction that we have consistently, each and every year, returned to the Government in taxes far more than we have received in subsidies.

The report was adopted.

ROOTES MOTORS, LIMITED

RECORD EXPORTS

LOWER PRICES—GREATER SALES—BETTER PRODUCTS

The annual general meeting of Rootes Motors, Limited, will be held on December 16th in London.

The products of the Rootes Group are Humber, Hillman and Sunbeam-Talbot cars and Commer, Karrier, Tilling-Stevens and Vulcan Commercial Vehicles.

The following is an extract from the statement circulated by the chairman, Sir William Rootes, KBE:

The accounts for the year ended July 31st last show the group trading profits at £3,425,697. These results show a slight fall when compared with the profits of last year at £3,473,873. Taxation absorbs £2,270,118 including £262,530 for Excess Profits Levy.

Referring to the question of taxation, Sir William Rootes said: No progressive business enterprise can reconcile itself to a state of affairs which demands that out of its earnings no less than 66 per cent has to be handed over in direct tax alone, apart from its many other burdens. Assuming the same level of profits and the continuation of the present levels of taxation, the tax appropriation next year would increase to 71 per cent. I am conscious of the necessity of providing the Exchequer with funds for major national issues such as rearmament and a sound social service, but I am not overstating the present trend when I say that, if current rates of taxation continue, industrial enterprise will lose vitality, and employment and national prosperity will decline.

Apart from the purely material side, there is also the human aspect. The country has loyally borne frustration and high taxation as the bitter fruits of war; the time has now come, however, when greater freedom and greater incentives are necessary if enterprise is to be allowed its proper scope.

GROUP'S OVERSEAS ACTIVITIES

I am glad to report that our export turnover for the last financial year was a record. This is a noteworthy achievement and, in spite of the now well-publicised restrictions in exports, I believe that the solid organisation and ground work on which our overseas business has been built will stand us in good stead in the more trying times ahead.

I feel I should refer particularly to the progress of our exports to Canada and the USA. These are relatively new markets for British vehicles. In spite of the many difficulties, we are making continuous progress and have every reason to believe we have a permanent future in that great North American Continent. Our industry holds the proud position of being the country's greatest individual exporter. There is hope of improved material supplies, and this will allow us to increase output.

The all-important problem that confronts us, our industry, and, indeed, the nation as a whole, is whether or not we can adjust ourselves to the highly competitive position that is becoming more and more evident both at home and overseas. This in short means making better and better products available at lower and lower prices to more and more people. The Government must show greater initiative in adapting itself to the new world conditions, which means that the nation cannot sell unless it buys. We have outlived the period of restrictive economy; it now undermines the foundations of our international trade.

SMITH'S STAMPING WORKS (COVENTRY), LIMITED

FULL ORDER BOOKS

The fifty-seventh annual general meeting of Smith's Stamping Works (Coventry), Limited, was held on November 24th at Birmingham, Mr J. F. Byrne (chairman) presiding.

The following is an extract from the chairman's circulated statement: It is with deep regret that I have to record the loss which the company has sustained since our last meeting in the death of Mr H. C. Aston.

The profit of the parent company of £94,817, compared with £53,698, and of the subsidiary company of £118,693, compared with £107,535. The subsidiary company has again paid a dividend of 10 per cent; including this, and after provision for taxation, the net profit of the parent company amounts to £60,966. As will be seen in the profit and loss accounts, the charge for income tax is reduced by tax on initial allowance on capital expenditure. These allowances ceased in April, 1952, and in future years the burden of the tax charge will be relatively higher. It will be noted that the balance of profits for the year has in both the parent and subsidiary company been transferred to general reserve.

DEMANDS EXCEED SUPPLY

During the year under review both your companies have had full order books, in spite of some reduction in the defence programme to which we were to have been large contributors, and at all times our customers' demands have exceeded our ability to fulfil them. This situation has been aggravated by continued shortage of steel, and the introduction of the steel authorisation scheme did little to relieve the position. In spite of the shortage of raw material, the trading results show an increase in profits at both companies; and with the national increase in steel production and the forecast of additional supplies of steel for drop forging purposes, we hope for an early return to the position of being able to supply the full requirements.

An increase in supplies of steel is vital to enable us to make full use of the steady replacement and expansion of our forging capacity at both works, which is in continuance of the policy to maintain our factories and equipment at the highest degree of efficiency. To this end, during the year £175,000 has been spent at both works in additions to fixed assets, and at the end of the year contracts placed for capital expenditure amounted to £227,000. Notwithstanding the high cost of capital equipment today, it is anticipated that further expansion of our capacity may still be necessary. We believe it is only in this way that we shall be able to assist our principal customers in meeting increasing competition.

ADDITIONS TO BOARD

During the year we were fortunate in having an addition to our board in the person of Mr H. B. T. Wilde. Mr Wilde has been associated with your company for many years and has an intimate knowledge of the financial accounts and is a most useful addition to your board.

During the year we also decided to invite Mr H. M. H. Fox, general manager of our subsidiary, to join the board of that company. Mr Fox has been responsible for many of the improvements at our Lincoln works, and his knowledge and guidance will be of great value.

The report was adopted and a dividend of 12½ per cent on the ordinary stock approved.

PETER BROTHERHOOD LIMITED

ORDER BOOK OF HIGH LEVEL

The forty-fifth ordinary general meeting of Peter Brotherhood Limited was held on November 24th, in London, Mr A. M. Neal, JP, ACGI, AMICE (chairman of the company), presiding.

The chairman, in the course of his speech, said: The total of current liabilities amounts to £434,711, against a total of current assets on the other side of £1,394,941—a surplus of current assets over current liabilities of £960,230 which, it will be agreed, reveals a very satisfactory position.

The value of our sales for the year has decreased by some 17 per cent, resulting in a reduction in net profits, before providing for taxation, from £340,942 last year to £268,022. The decrease in the sales during the period is more than offset by the increase in the value of the work in progress in our shops, amounting to the sum of £340,856.

Of this trading profit of £268,022, provision for taxation absorbs no less than £157,000, leaving us with a net profit for the year of £111,022. Provisions for taxation made previously, but now no longer required, amount to £30,000, bringing the total of available net profit to £141,022, which is within £2,270 of last year's figure.

DIVIDEND RECOMMENDATION

Your board have decided, in view of the promise made last year that the underpayment due to the limitation of dividends at that time should be redressed this year, to pay an extra 4 per cent, less tax, in respect of last year. The board also feel fully justified in recommending a final dividend of 16 per cent, less tax, making a total of 28 per cent, less tax, 4 per cent, less tax, of which is in respect of last year.

After the payment of this final dividend, a balance of £110,533 remains to be dealt with. Bearing in mind the necessity of keeping our means of production in a high state of efficiency we recommend the allocation of £78,806 to fixed asset replacement, increasing this fund to £250,000; the placing of £29,074 to general reserve which, with £15,000 transferred from contingencies reserve, increases the general reserve to £275,000 and the addition of the balance of £2,653 to carry-forward, increasing this item to £169,630.

The considerable balances under general reserve, under reserve for replacement of fixed assets and to the credit of profit and loss account, totalling £694,630, are in daily use in the business as extra capital without which it would be impossible to finance the large volume of work in hand.

The question of these reserves has received the consideration of your board who, in order to bring the issued share capital more into line with the capital employed in the business, have decided to apply to the Capital Issues Committee for permission to capitalise a portion of these reserves by the issue of existing ordinary shareholders of one new ordinary share for each existing share held.

On receipt of the necessary permission we propose to invite the shareholders to meet us again in order that we may be given the necessary authority for the increase in the authorised capital of the company.

As to the future, our order book remains at a high level which should ensure a continuity of work for a considerable time. In the absence of unforeseen difficulties, therefore, we see no reason why a continuance of prosperity should not be enjoyed.

The report and accounts were adopted.

NORTH BRITISH RAYON A DIFFICULT YEAR

The twenty-fourth ordinary general meeting of North British Rayon, Limited, was held on November 27th in London, Mr Ernest Walls (the Chairman) presiding.

The following is an extract from his circulated address:

The year under review, which ended June 30, 1952, falls into two very different portions. In the first half-year demand for rayon yarn exceeded available supply, in the latter half-year demand fell to a very low level.

The main cause of the decline in the later period was the world-wide fall in demand for textiles to which the designation "recession" has been applied but for which "slump" would be a more appropriate term. The textile slump was not only world-wide but also it affected all the fibres, whether natural or fabricated, which form the raw material of the textile industry.

STOCKS POSITION

At December 31, 1951, we had no more than a working stock of rayon with full order books, but from January onwards, even at reduced output, stocks rose steadily right up to June 30th. From that date we reduced output drastically; also more recently orders have been received at a larger rate, so that we can now look forward with some assurance to a progressive reduction in the stocks as the weeks and months go by, for it is hardly reasonable to suppose that the severe situation of the earlier months can possibly represent a permanent state of affairs in the textile industry. If it does, that industry, in the past our great pride, is doomed to near extinction.

As a result we hold a large stock of rayon yarn produced during January-June of this year at an economic cost and which, when sold at current prices should show a reasonable profit, but these profits will have to be averaged with the production after July 1st, which, owing to the low rate of output, shows a considerable loss per lb at current selling prices. When the market situation enables us to increase output rate to the economic level the loss on new output will cease, and if this improvement develops soon enough we shall have an average but reduced rate of profit for the current year. We can only hope that, as in 1951-52 an unsatisfactory second half-year followed six months of satisfactory trading, the position in 1952-53 will be reversed. The steadiness of price of artificial fibres has been one of the reasons for thinking that as the general situation improves rayon yarn will be one of the first to reap the benefit. Rayon is still the cheapest of all textile fibres, and the domestic price of British-made rayon is lower than that in any other country in the Western world.

We have, in common with other rayon producers, gone through a difficult time and are still doing so. None the less we were able to show a trading profit which I hope you will consider not unsatisfactory in all the circumstances. I may add that we made a profit in each quarter of the trading year.

Although it is early days to arrive at definite conclusions it would seem from current statistics and reports that we have recently passed the worst and, if so, our main objective must now be, by every means in our power, to get back to a reasonably normal level of production. This level can hardly be as high as the recent peak and it is not going to be reached quickly or without hard work and effort on the part of all concerned.

The report and accounts were adopted and the final dividend of 6 per cent (making 8½ per cent for the year) approved.

STAVELEY COAL AND IRON COMPANY, LIMITED

INCOME INCREASE OFFSET BY TAXATION

The eighty-ninth annual general meeting of this company was held on November 25th at Sheffield, Mr Thomas A. McKenna, chairman and managing director, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to June 30, 1952:

It is the intention of your directors to give most serious consideration, when the Act to denationalise the iron and steel industry has been passed, to the desirability of repurchasing the Iron and Chemical Company, which for 89 years has been the heart of the business, and which showed earnings in its last published accounts at a rate in excess of £900,000 a year. The timing depends upon Parliament, but it appears probable that no final decision on this matter can be made for a least a year from now. Your directors consider that until this major problem has been resolved it would be unwise to make any capital distribution to stockholders. In the meantime, therefore, the large capital sum arising from the sale of the Iron and Steel Compensation stock has been invested in short-dated Government securities. This should maintain its capital value but will of course result in a substantial reduction of income.

BOARD'S POLICY

Should your directors eventually decide that the repurchase of the Iron and Chemical Company is undesirable or impracticable, they will adhere to the policy outlined last year and will consider the question of some capital distribution to stockholders in so far as this may be practicable under the financial legislation then prevailing and having due regard to the taxation liability such a procedure may entail.

Your board also propose to use some of the capital funds to extend, where prudently and profitably possible, the holding company's interests in those fields of activity in which the Staveley organisation had acquired experience during the course of its long history and in which the knowledge could be constructively used.

The total income of the group has risen from £822,479 last year to £1,141,077 this year, but this increase is almost entirely offset by the increased charge for taxation due largely to a higher proportion of the dividend being paid out of current earnings. It will be seen that this year taxation absorbs no less than £740,954, equivalent to 65 per cent of our total group earnings.

TAXATION DANGER

If the industry of this country is to be in a position to meet the increasingly competitive days which lie ahead, it is essential that plant and equipment be continually improved and kept up to date, but with taxation at its present level this task is well nigh impossible. Indeed, it is difficult to see how any industry can continue to prosper unless there is some relief from the present penal rates of taxation which, if continued, must ultimately seriously endanger the source from which spring the profits on which tax is levied.

An 8½ per cent interim dividend was paid in March last and your directors recommend a final dividend of 14 per cent, making a gross rate for the year of 22½ per cent. The total capital invested in the group is £13,654,377. The distributions to stockholders of £399,896 therefore represents no more than a net return of 2.9 per cent on the capital invested.

The report was adopted.

SOBRANIE LIMITED

The fourteenth annual general meeting of Sobranie Limited was held on November 21st in London, Mr I. Redstone (chairman and managing director) presiding.

The following is an extract from his circulated address:

We have been confronted with a succession of circumstances which, all things considered, make the present accounts with their reduced profit a creditable achievement.

The factors which have operated to our detriment are principally two. First, the general trade recession. We have encountered a decrease in spending power which is bound to have an early reaction on the pleasures and comforts of existence in advance of any reduction in the essentials and necessities.

The second of the factors that has caused us grave damage is, of course, the closing or curtailment of many export markets. We know how large the demand is for our products and I have no doubt that once we are permitted to introduce them into the markets which are now closed to us, there will again be steady and substantial sales.

Our Sobranie Straight Cut cigarettes which were introduced last year are selling satisfactorily and will, I sincerely trust, go from strength to strength as their exceptional value is realised by the discriminating consumer. We are on the point of introducing into the market a new "cocktail" cigarette intended for special occasions and packed and boxed in a most colourful and luxurious fashion. I mention these matters as an indication of our unceasing regard for the possibilities of our trade; coupled with the traditional caution and conservatism which many years of experience have taught us is indispensable to safeguard our old-established trading name.

The report was adopted.

JOHN I. THORNYCROFT AND COMPANY, LIMITED

SATISFACTORY RESULTS

The fifty-first annual general meeting of John I. Thornycroft and Co., Ltd., was held on November 26th in London.

Sir John E. Thornycroft, KBE (governing director and chairman), said that the Tory and Socialist political parties must be told in definite terms by industry that if the iron and steel industry and the transport industry were to be the playthings of politicians, neither party could expect exports of the type of engineering products being made by their companies. The immediate necessity was long-term stability to allow of a consistent forward policy. The country's survival was at stake. That meant their standard of living and security.

During the year delays in supply of steel and other materials had caused serious hold-ups to production of ships and vehicles. In fact, the Southampton Shipyard had not delivered a single new vessel over 40 tons during the company's year to July 31, 1952, which explained the fall in trading balance for the year.

Despite all the frustrations and difficulties experienced during the year, by hard work and patience reasonably satisfactory results had been achieved, although output had not been such as he would liked to have seen. Estimated delivery dates had not been kept, which in the export market meant loss of goodwill and sales resistance to new orders. Orders in hand were sufficient to keep all sections busy for at least twelve months.

The report was adopted.

MODDERFONTEIN EAST, LIMITED

MR P. H. ANDERSON ON LABOUR SHORTAGE

At the thirty-sixth annual general meeting of shareholders held in Johannesburg on November 19th, Mr P. H. Anderson, the chairman, said the average number of non-Europeans in the service of the company over the last three financial years has been 5,451, 5,250 and 5,195, and the position has deteriorated from a peak of 5,700 in May, 1950, to 4,912 last month. This general falling off in the labour supply has been the main factor in the decrease of just under 50,000 tons per annum in the tonnage milled for the past two years.

INCREASED COSTS

As far as the increase in costs of production is concerned, these have risen steadily since devaluation, the figures for Modderfontein East over the last three financial years being 19s. 6d., 21s. 9d. and 24s. 6d. per ton milled, giving increases of 2s. 3d. and 2s. 9d. per annum. There is, however, some encouragement, in that for the first quarter of the current financial year costs have averaged 24s. 9d., or only 1s. 5d. per ton more than the average for the same quarter in the previous year. It would appear, therefore, that the rate of increase in costs is slowing down.

As I mentioned in my address about two years ago, the grade of ore mined is steadily decreasing as the workings progress away from the higher grade and more consistently payable ground in the South-western portion of the mine into areas of lower grade scattered payability. Taking into account the steady rise in pay limit due to increasing costs, there is therefore a progressive closing of the margin between the pay limit and the value of the ore mined. Apart from the diminishing latitude in grade control, mining conditions are becoming more difficult, in that as operations have advanced northwards and eastwards into these patchy areas the workings have become more scattered and the long stope faces that were one of the chief characteristics of the mine are gradually disappearing.

DEVELOPMENT OPERATIONS

In the new lease area satisfactory progress has been made in the northern portion of the old Klipfontein Corridor where some relatively small blocks of payable ore have been added to reserves in each of the last two years. Advance workings on the 11th Level are now approaching a fault which is known from boreholes drilled in the area to have displaced the reef laterally by about 1000 feet. In view of the consistently negative results of boreholes on the other side of this fault the considerable amount of cross-cutting required to pick up the reef horizon again would not be warranted. Work in this northern part of the Corridor will therefore have to be confined to probing the area up to the line of the fault in order to locate any further patches of payable ore. In the

southern portion of the new lease area adjoining the Holfontein and Welgedacht properties progress has been slow due to the fact that reef in this area lies above the East Rand sill. A relatively large amount of off reef development has therefore been necessary. Results to date have not been encouraging, but the workings have not yet reached the probable position of any continuation of the pay shoot located in the Holfontein property—if any such continuation exists.

The report and accounts were adopted.

HARMONY GOLD MINING COMPANY, LIMITED

The second annual general meeting of shareholders was held in Johannesburg on November 21, 1952.

Mr G. V. Richdale, chairman, presided and said: Gentlemen, sinking conditions at No. 3 shaft, which has now reached a depth of 4,050 feet, have become increasingly difficult since June 30th owing to faulting and the intersection of water-bearing fissures. Between July 1st and September 30th no less than 73 per cent of the total time available was absorbed in the treatment of ground by advance cementation. The estimated depth of the Basal reef in this shaft is 4,910 feet and it is now likely that it will be intersected early in the second quarter of next year. The final depth of the shaft will be approximately 5,340 feet.

The ventilation shaft intersected the Basal reef early in July at a depth of 4,364 feet and the results of sampling are contained in my statement attached to the annual report. The shaft has now been sunk to its final depth of 4,730 feet and stations and ore passes have been cut. The bottom of the shaft is at present being equipped to facilitate hoisting, and a haulage level to No. 3 shaft will be started shortly. The Basal reef should be intersected in this crosscut during February, 1953, and development on reef will then commence. It is hoped that the crosscut to No. 3 shaft will hole through early in 1954.

ENCOURAGING RESULTS

A new borehole LR8 has been drilled to determine the nature of the strata in the area where a second hoisting shaft may be sunk in due course. This borehole intersected the Basal reef at 5,044 feet, and in spite of some loss of core due to grinding, the assay results of the original intersection and three deflections averaged 1,671 inch-dwts. I think you will agree that this further confirmation of the results obtained previously is most encouraging. Your board has great faith in the future of Harmony and developments during the last year have strengthened our belief that it is going to be one of the richest mines in the new Orange Free State goldfield. Work on the surface is progressing satisfactorily, and permanent accommodation for Europeans and natives is being extended rapidly. Eighty-one additional housing units for Europeans are in process of erection in the Harmony suburb of the proposed Virginia township, while the extension of the

native hostel by 10 rooms, each to accommodate 14 natives, has been completed, and work has commenced on the construction of 10 more rooms. The excavations and foundations for the first 45,000 ton unit of the reduction plant have been started and the erection of the brown tanks is progressing. Work on the plant will be pressed forward steadily with the object of completing it during the first half of 1954 so that, given favourable conditions, milling may commence in the latter part of that year.

PROVISION OF FURTHER FINANCE

The progress of work on your company's property, and consequently the rate of expenditure, are governed to a large extent by deliveries of equipment and material and by the performance of outside contractors. It is therefore difficult to forecast with any degree of accuracy how long our present funds will last. The net cash on hand at October 31, 1952, was £2,130,697 and it is expected that this amount will be sufficient to finance operations into the second half of next year. Thereafter, as I have said in my statement, it will be necessary to make further financial arrangements to bring the mine to the production stage. These matters are now under consideration and you will be informed in due course of the proposals which your board has to make in this regard. While market conditions here and overseas are not at present favourable for raising large amounts of capital for new mining ventures in South Africa, I am nevertheless confident that we shall be able to obtain, without serious difficulty, such further sums as may be necessary to enable your mine to reach the production stage.

When the time comes to raise the third tranche of capital for Harmony, several thousand feet of development on the Basal Reef horizon should have been completed and we should have a good indication of the values and percentage payability likely to be obtained in the neighbourhood of the ventilation shaft, where mining operations will be concentrated during the early years of production. In view of the very satisfactory values so far obtained in the many boreholes which have been sunk on and around the Harmony lease area and in the ventilation shaft it is reasonable to hope that the footage to be developed on reef next year will also give encouraging results. Your board has every confidence that these hopes will be justified, in which case the problem of finding further finance for the company will resolve itself largely into a decision regarding the manner in which the necessary funds can be obtained to the best advantage of shareholders. To bring to production a large deep-level mine, such as Harmony will be, is a lengthy and very costly undertaking, calling for faith and great patience. These qualities have been shown in a marked degree by shareholders in Harmony, particularly by those of you who acquired your interest in the early days when the Sand River area of the new goldfield was only partially proved by a few boreholes. In these circumstances it is gratifying to know that your faith and patience are likely to be rewarded in a few years' time in a manner which will, I believe, be commensurate with the risk you have taken.

The report and accounts were adopted.

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December 6, 1952

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LEADING ARTICLES

- The Claws of the Dove - - - 661
- Cortisone for Politics - - - 663
- Neguib against Odds - - - 664
- "Gas and Water" Telephones - 666

NOTES OF THE WEEK - - - 668

Opposition by Procedure; Twelfth Man Stumped; After the Korean Debate; Templer Reports; Division Over Kenya; Saarlanders Keep Their Heads; Conscript and Commitments; Peace on Planning; Autarky in the East; Where Germans Compete; Let Them Forget; Gentle Push for Dockers; Punch in the Fourth Arm; Hospitals into Business; People in Glass Houses; New Men at the Vatican; The Irish Troubles; Self-Discipline for the Press.

LETTERS TO THE EDITOR - - 678

BOOKS AND PUBLICATIONS - 681

AMERICAN SURVEY

- Economic Horizon - - - 685
- Segregation in the Schools - 686

Full up in the Cabinet; Wilting Controls; Fire at the United Nations; Trustbusters in Competition; Foundations on the Carpet; Steel Goes East; Shorter Note.

THE WORLD OVERSEAS

- Berlin Outpost - - - 694
- Epitaph on East-West Trade; Time and Money at Uno; The Roman Question; Jerusalem Answers Prague; Across the Limpopo.

THE BUSINESS WORLD

- Prospects for the Gold Price - 705
- How Thrive the Armourers? - 706
- BUSINESS NOTES - - - 711

First Week of Conference; Bloom on the Gold Reserves; Recovery in Production; Credit Expansion Continues; Pause in the Markets; Bonus Issues and Preference Shareholders; Clinging to the Car Covenant; Mr Rank's Ice-cream; Wool Holds Firm in London; Rayon on the Way Up; Rubber Looks Up; A Development Council Dropped; Barclays (D.C. & O.) on the Bright Side; Grounds for Dearer Coffee; Competition in the Air; New Ways in Machine Tools; Pakistan and Jute; Meat from the Commonwealth; Cotton in Egypt; Shorter Notes.

COMPANY NOTES - - - 723

STATISTICAL SUMMARY - - 724

COMPANY MEETINGS - - - 725

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The Claws of the Dove

SOMETIMES history imitates art in a grotesque and terrifying manner. In that wistful city of Prague where Kafka wrote "The Trial," there ended last week a travesty of justice more bestial and absurd than any ever conjured up by a novelist. Revolutionary leaders and Czech Communists whose lives had passed between underground and barricade, men who had survived Nazi torture camps, rose before the judges of the people's courts to plead for their own death. Incredible though it may seem, wives wrote letters to the august court demanding the execution of their husbands, and sons testified against their fathers with the implacable gravity of children playing a lunatic game. One of the sons of the accused, Thomas Frejka, wrote asking that his father "a creature who no longer deserves to be called a man" should be executed. The boy's letter closes on an ultimate note of horror: "I ask that this letter be shown to my father and that, if possible, I may be given an opportunity to tell him personally what I have written in it."

The mechanics of it all had been perfected fifteen years ago during the great Moscow purge trials: the prosecutor screaming out against the accused, the defending lawyers asking the court to forgive their temerity in undertaking the case, and the condemned pouring out their confessions in toneless abjection. No moment, perhaps, was more terrible than on the last day, when the presiding judge asked whether the defendants wished to appeal. As one, the eleven doomed men rose and demanded that no appeal be allowed and that the sentence of hanging be carried out at once. Their demand was fulfilled two days ago. The Communist secret police has boasted that a man can be made to do anything after three weeks without sleep; apparently he can even be kept wakeful enough to bring down the curtain on his own life. Stress has rightly been laid on the fact that eleven out of the fourteen men on trial were Jews. The word "Jew" followed their names as the clerk of the court droned out the death sentences. Now from Czechoslovakia, in the last days, come reports of Jews and Jewish families committing suicide to forestall the anti-semitic hatred and persecution which seem to be inevitable adjuncts of modern totalitarianism. It is doubly disturbing that this should happen in Prague, where Jews have long been in the forefront of radical thought and politics, and where the Jewish population suffered so deeply under Nazism. Various motives are being assigned to the anti-semitism of this blood-trial, which may soon be followed by that of other Jewish leaders, such as Anna Pauker in Rumania.

No doubt the Communists are wooing the Arab states; moreover, the Jews in the satellite countries have kept up a measure of contact with the West. But the real motives behind this judicial farce are of a more fundamental nature. As long as revolutions are in the dynamic, fluid and creative state, gifts of the mind are prized and fearlessness of spirit is a prime weapon. But when the revolutionary state has become the monolith of totalitarianism, when the bureaucrats and the

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BUSINESS EXECUTIVE, specialised departmental co-ordination, accustomed dealing range administrative, economic, personnel problems simultaneously, seeks Assistantship to Managing Director or similar executive post. Scot. 36 years, Hons. degree Economics, knowledge Law, Accounting, 12 years' business administrative experience. Residence India, East Africa on business, practical experience international trade, Familiar Government Department, trade union negotiations.—Box 122.

EXPERIENCED Market-Research Executive, Graduate Statistician (M.A. Oxon) seeks appointment in manufacturing concern. Four-figure salary.—Box 119.

political bosses consolidate their power by exerting utter brutality and exacting unquestioning obedience, the free-ranging mind becomes a seed of peril. Revolutions devour their own children or the leaders which gave birth to them; they have to murder their Girondists, their Radeks and their Trotskys. Again and again, the Jews in Eastern Europe have maintained the heritage of rebellion out of which Communism springs; but now the Marxist paradise has been established and those that have tasted of the fruit of knowledge and freedom must perish. Slansky and Clementis are being murdered by the very party which they helped bring to power.

The story is more appalling than that of Rajk or Kostov because it took place in a cultured modern city, within short range of Western Europe and amid a population familiar with democratic processes and ways of thinking. The Moscow purges and the mass-trials and judicial murders in China profoundly disturbed the West, but the ordeal has now come closer. What can now remain of western hopes of Titoism supposedly latent in the satellite countries? Russian soldiery are not patrolling the streets of Prague, yet this trial took place without the slightest symptom of resistance and in that kind of unreal silence and acceptance which Kafka so often described. Moscow can be proud of its junior disciples.

*

At the very moment when the Communists are completing yet another stage in their assassination of the mind, a Communist-sponsored Peace Congress is being assembled in Vienna. At the very moment when any sparks of intellectual restlessness and questioning are being stamped out in the Soviet empire, the Communists are drawing to Vienna a formidable galaxy of talent and intellect. The measure of their success has been particularly noticeable in France, where men such as Sartre and Domenach, the editor of the Catholic *Esprit*, have given their adherence to the Vienna platform. That Paul Robeson should record "peace" melodies for this Congress or that Picasso's dove should be its symbol is no longer astonishing; but that non-Communist artists and intellectuals from the West should fall into the trap cannot be dismissed as a mere sign of artistic naïveté or philosophic confusion. What is happening is both monstrous and simple: the Communists, even while they are killing free minds in those countries which have already fallen under their sway, are eager to use every-

where else the capacity of free minds for criticism and doubt. What would condemn a man to the gallows in Prague or Warsaw may ensure him an honoured place on the peace platforms of the Communist united fronts in Paris or Rome. It is the supreme gesture of contempt of the commissar for the intellectual.

The Communists have nearly succeeded in pilfering the word "peace" out of the vocabulary of reason. The Vienna Congress represents their most thorough attempt to corrupt the words "intellectual" and "liberal" into the shoddy counters of propaganda. In some degree, that is the West's own fault, for the counter-attack of the free mind has been too feeble. The liberal imagination is attempting to fight conspiracy and the degradation of man with doubt and self-scrutiny. Yeats's famous words—"the best lack all conviction and the worst are full of passionate intensity"—are still true of some intellectual and artistic circles in the West. Such, moreover, is the skill and experience of Communism in its seduction of the mind, in its exploitation of any symptoms of confusion and fear, that some gratitude can be felt when the full hypocrisy and callousness of the enemy is revealed by this close juxtaposition of the Prague trial and the Vienna Congress.

No one is arguing that M. Sartre or M. Picasso should be prevented from going to Vienna, or denying that a certain measure of suspended judgment and confusion are normal adjuncts to a creative artistic mind. The fundamental question is about the use that an honest man should make of such a trip. Will any among these intellectuals and artists dare ask their Communist hosts precisely what has happened in Prague? Will any of them use their intellectual eminence to speak openly about the extent of freedom prevailing in the West? If one man were to raise a doubt and persist in it up to the point where he is thrown out of the meeting—then the Vienna Congress would have been worth holding. The spell would have been broken.

The non-Communists who are planning to attend the rally must be clearly aware of what they are doing. In lending their names to a roll of dupes, in remaining silent during what will prove to be a carnival of lies, they are hastening the day when the assassins of the mind will attempt to operate in the West, as they have already tried to do in France. As these poets and artists happily fraternise with the North Korean people's choir and the union of Uzbekistan dramatists, let them remember how near they are to Prague. The Communist dove of peace has blood on its claws.

Cortisone for Politics

CONSTITUTIONAL reform is coming back into discussion. First, the Government may be forced to shift its ideas for improving the composition of the House of Lords from the cold store to the incubator. Lord Simon is introducing a Bill that would restore the Queen's prerogative to create life peers, in addition to the law lords; and the effect should be at least that both the main parties have to redefine their views on the second chamber of Parliament.

Secondly, and potentially more important, Mr Churchill has agreed to meet a deputation from the Liberal party that will urge on him the case for some kind of reform of the electoral system. The Prime Minister has in the past shown his personal sympathy, at any rate with the motives for such proposals. He could perform no greater further service to British democracy than to force his reluctant party to reconsider them. For on any objective interpretation, government by a narrow Conservative majority has confirmed the experience of government by a narrow Labour majority. A little more of this sort of thing will bring parliamentary institutions into a disrepute that might weaken the whole foundations of democracy.

The source of the danger requires careful definition. It is not the growing bitterness of the party conflict; present-day politics are still demure by comparison with many periods when the state of democracy was healthy enough. Nor does the danger lie directly in the irresponsibility of Labour opposition, nor even in that party's preoccupation with an internal struggle for power at the expense of policy-making. The basic trouble is that the party battle is sterile. The electorate's narrow choice between the parties reflects a real uncertainty about their policies. Most of the argument between them rings unusually false.

This is most apparent in the tussles about steel and transport. There is room for argument about which side has the better, or the less bad, scheme for those industries. There can be only one opinion about the outcome of their political battle, with one side undoing the legislation of the other and the other stoutly declaring its intention of re-doing it. This must be bad, and no one except the blindest zealot can think that either party is so right in its views that it is justified, on grounds of the national interest, in refusing to budge from its present stand. Plainly the result will be a morass worse than either nationalisation or denationalisation, unless someone gives way somewhere. The extreme arguments used by both parties are wholly artificial to the public ear; they are also stale, for neither party has much to add to what it has been saying about transport and steel nationalisation for five years.

The two major measures of the session have thus been received with scepticism and indifference. Their passage through Parliament has become, both for politicians and public, less a debate than a battle about procedure. The immediate responsibility for this lies with the Opposition, whose members have little to offer in justification except a plea that, since the Government's disciplined body of supporters will not be moved by argument, delay is the only parliamentary tactic available. This is nonsense. It is a long time since party loyalties were so lax that a government might be brought down by argument. The purpose of parliamentary debate is

not, in most matters, to change immediate government policy. It is to influence public opinion for or against the government, with an eye to the next general election. Admittedly, the tactics of procedure as well as the logic of argument have always played a part in this process. But at present procedure is playing too large a part, for two reasons. Both parties are stale in argument. And, secondly, the narrowness of the Government's majority both makes procedure particularly important and exposes the skeleton of party discipline to public gaze; the fist of the party bosses can be gloved when their majority is secure, but the iron flashes when it is insecure. The gross effect is to reduce politics to a drill-ground manoeuvre. What initiative there is lies not with men who will raise principles or argue policies; it lies with privateering lawyers like Mr Bing. Such real discussion as takes place is debate not between the parties but within the parties. Inside the Labour party, it is the general debate keyed to a crude struggle for power; inside the Conservative party, it is specific debate on subjects like transport—debate in which party calculations play too large a part and suspicious prominence is given to special interests. Public opinion can have little influence on these internal debates, and as a result Parliament fails to fulfil its primary purpose.

*

This is the arthritic state of British democracy. The only cortisone that offers itself is the one that the Liberals are to urge on Mr Churchill. They, admittedly, will suggest in the first instance proportional representation, which is probably bad in principle and which certainly cannot be attractive to the two main parties. But a lesser measure of electoral reform would satisfy the Liberals and is practicable. The case for the simplest reform—the alternative vote—was stated in these columns on July 12th, and can be quickly summarised. The purpose of the alternative vote is not to convert the British political system, as it has existed in the past and with all the traditional virtues for which it is extolled, into something utterly different; the purpose is to save that system from death by ossification. In the past—with a smaller electorate and greater geographical diversity, with a government in London impinging relatively little on everyday life—the electorate, given the chance, would have been inclined to vote for a variety of policies instead of registering a clear decision for or against a government; the discipline of the single, non-transferable vote, forcing politics towards a two-party mould, was the necessary counter-force to secure effective government. Enough diversity survived: party organisation was loose and some independent members could hold a place.

Now the tide is the other way, and the institutions have to be reversed in order to exert the same balancing effect. A mass electorate, swayed by modern techniques of propaganda, and conscious of the growth of state activity to the point at which it exerts an intimate and obvious influence on the life of every individual, is now only too inclined to vote for or against a government rather than for particular policies. In these circumstances the effect of the strict two-party mould is to make the parties rigid and remote. The elector can exercise only a general choice between alternatives too vaguely defined to give

LIVING with the DOLLAR

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his decision real meaning. The concrete party policies come about by processes exempting him from both knowledge and influence. He does not even have such concern in party affairs as the primary elections provide in the United States. He chooses simply between Mr Attlee (not certain whether that implies Mr Bevan or not) and Mr Churchill.

The case for the alternative vote is that it would make policies more important in politics without disrupting the two-party system, as full proportional representation admittedly might do. It would provide the elector in the middle with an opportunity, which he now lacks, to show that in leaning to one side or the other he is not voting for extreme party measures. He would do this by voting Liberal as his first preference and for one of the main parties as his second preference. He would have a means of saying, for example, "I am disappointed with the Tories and now prefer Mr Attlee, but I don't want a full-blooded Bevanite policy." That is an example of a political attitude far too common to go unexpressed at the polls, as it is now. The possibility of its expression would force the two major parties to take more trouble to win moderate opinion, to attract the second preferences of Liberal voters, and so strengthen the public's influence on policy-making instead of leaving it at the mercy of the party zealots on both sides. The effect would be, in short, to restore the traditional virtues of the two-party system as it existed when party organisation was a little less rigid. The alternative vote is an electoral reform only in the sense that it is an adaptation to changed circumstances; it is in the strict sense a measure of conservation.

Why, then, do most Conservatives dislike it so much? Their case does not appear to rest on principle. The common argument is that if electoral reform is refused the Liberal party is bound to die at last, and the majority of its surviving supporters will then shift to Conservatism. That is a rash assumption. But even if it is true, does

it offer the Conservatives as much as they might gain by the survival of a party in the middle? The evidence of the last general election is that very few Liberals at present abstain from voting; where they must, they exercise their reluctant choice between the two main parties. If this is true, the alternative vote, and the consequent intervention of Liberals, will never affect which of the two main parties wins a seat. It will not give Labour a seat that under the present system the Conservatives would win, or *vice versa*. It will change the composition of the House of Commons, in addition to the policies of the parties, only to the extent that it actually increases Liberal representation. Immediately, that seems unlikely. But even if it is likely, are the Conservatives so lacking in confidence as to think that the Liberals would capture their seats rather than Labour seats?

It is true, of course, that when opinion was swinging to the Left, the Conservatives might lose more seats—to Labour and Liberal combined—than they would lose now. But Labour would also gain fewer seats; and its majority over all other parties in the House would be smaller, not greater, than it would get under the present system. With a swing to the Right, the reverse process would work. It is difficult to believe that on balance the Conservatives would lose much even of the cruder fruits of party politics. It is quite certain that the causes that the modern Conservative cherishes could not fail to benefit from the greater moderation that the alternative vote would induce in his opponents.

These are not, it must be confessed, simple issues. At this stage, Mr Churchill probably cannot do more, when he answers the Liberals, than suggest an inquiry into electoral reform. But it should not be an inquiry designed to shelve action. Each day shows more clearly that British politics is approaching a sterility from which nothing but electoral reform is likely to rescue it.

Neguib against Odds

AFTER four months of ruling Egypt, General Mohammed Neguib looks and is a tired man. The dimensions of the job that confronts him are enough to warrant weariness. When he came to power, most Egyptians seemed glad that an honest man with a sense of purpose was ready to tell them what to do. Since then he has proved intelligent as well as honest. Yet, as the months go by, time is revealing how great are the odds against which he is working—the heaviest being the dreadful economic legacy left by his predecessor the Wafd, and the eternal difficulty of meeting population pressure in a country with its cultivable land already overcrowded. The moment has come to weigh his chances of proving to Egypt that he is beneficent and deserves to be given time to carry on.

Only a man of great physical strength could work as he has worked in the last four months. He now needs a rest, if only for a few days, from the cacophony of clashing detail that obscures the main theme of his revolution. The movement which he leads was always in danger of confusion because it lacked at the outset a coherent philosophy. Its aim was national salvation. Its method was generalised and empirical. The execution of the plan was, therefore, at the mercy of minds which read the

immediate future in different ways; today, no one can be certain that all his followers are in sympathy with the dominant theme. General Neguib turns out to be a man who sees this. If his original vision was idealistic, it was qualified by his awareness that the army which was the weapon of reform was itself the nation in miniature, lifted for a moment above the people's weariness and despair by a limited purpose. Beyond the dismissal of the King and the dispersal of the old-gang politicians, there lay only an over-simplified pattern of social and political regeneration. To convert such ideas into workable decrees and laws is a test of ability, and this test comes at a time when General Neguib, and possibly some of his officers who share his realism, are wearied simply by the daily round.

There is little to show for four months of "the blessed movement." Some prices are down, but the economic situation is worse. The Anglo-Egyptian question shows signs of lapsing into a bog of detail. A fickle public is becoming tired of virtue and an influential section is yearning for the good old bad days when politics were less hazardous and more rewarding. The press, which formed a partnership with the old political regime and profited by it, is sufficiently free of control to counter-

attack. Army censors are not well-enough versed in newspaper subtleties to see, until too late, the *double-entendre* which spreads rumours. Economic difficulties, for example, are deftly underlined by assurances that they can be overcome. The reliance on civilian ministers has produced a schizophrenia in government, with some members of the Cabinet as extreme and unrealistic as any of their discredited forerunners. There are officers who support them.

These elements in combination support sections of the press which cultivate an extremism which conflicts with the original realism of the army movement. By raising such issues as republicanism and preaching a leftist economic policy which the country cannot afford, they disturb confidence; they also tend to push General Neguib into a rigid and narrow nationalism which, despite his honesty of purpose, would put him into a position as difficult as that of the old regime. Already there are signs of this. When the Egyptian Ambassador in Washington said that Egypt might join a Middle East defence plan, his statement was censored and did not reach the Egyptian papers. The negotiations on the Sudan have been made more difficult by a declaration in advance that Egypt insisted on "every word" of the agreement. Such actions smack of the old days.

Inside Egypt relief from pressure may well be too much to hope for. Inevitably the army's attack on political and other vested interests has made enemies for Neguib, and these are reinforced by disillusioned ignorance which expected miracles overnight. To take the single example of land reform, which is sometimes said to be "the only issue that unites all Neguib's supporters." Land reform has been talked about but postponed for decades on the pretext either that more study was necessary, or that it would upset production, or that there would not be enough land to go round—so best not try. Now it is to be undertaken forthwith, but on a prudent and fairly manageable scale that will be spread over five years, that will affect only 2,000 land-owners and that will re-allocate only 10 per cent of Egypt's cultivable land. In a country that is ignorant and impatient, so prudent a scheme is bound to occasion more blame than praise.

In other fields the chances of spectacular improvement are equally flimsy. The Wafd had squandered the fruits of profitable cotton seasons; the army, therefore, took over without sterling in its coffers and with a slack world demand for cotton to prevent its earning any. Lack of sterling (and other foreign currencies) compelled the Finance Minister to restrict imports, and, with fewer

imports, there is less of the customs revenue which should provide about 40 per cent of the budgetary income. Egyptians tend to cite current foreign failure to buy their cotton as the main source of their economic plight, but the figures for the first fourteen weeks of the season show that they sold 71,000 bales, as against 73,000 in the same period of 1951 and 81,000 in that of 1950. They cannot expect annually to achieve the bumper sales of 1949; India as well as the United Kingdom tends to be a variable buyer. The main difference between this year and previous years is that they have sold far less than usual to the chief buyers who pay in sterling.

Failure to produce quick change at home would be mitigated if the regime were able to show some spectacular result for its foreign policy. But here also the yield is negligible. The United States has paid public tribute to the movement's aims and has sent experts; but it had played middle-man to Egypt and Britain for both Nahas and Sirry, so that its good opinion was at a discount; and "experts" lie thick on the ground in the Middle East. Meanwhile Egypt, including the Army Committee, is convinced—no doubt wrongly—that the United States High Commissioner in Bonn ensured the Israeli reparations agreement by twisting Dr Adenauer's arm. Britain's behaviour, on the other hand, is improving but only tardily. The minor assistance with arms that it gave to the Egyptian air force and army seemed to the officers to be qualified by so many "conditions" that they felt their good intentions were on trial before a suspicious judge. Britain's release of £5 million sterling as an advance on the 1953 release from Egypt's sterling balances held in London helped the country towards the new cotton season, but did not restore its accustomed sterling position and so was thought meagre. ("After all, the money in London is ours.") At about this stage, Neguib became a realist on the Sudan issue and, after seeing some leading Sudanese, produced his proposals. But when these showed the Foreign Office and the Sudan Government that he had become a realist on Egypt's behalf, lawyers were put to work on the text, and telegrams shuffled around the Cairo-Khartoum-London triangle. Neither the principle nor the broad outline of his plan received prompt acceptance.

It is time for the western powers and Egypt to take stock. The army movement was launched against a reactionary ruling class whose misgovernment was bringing dishonour and disaster to the country. Egypt is important to the western powers; and the army move-



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ment is important to Egypt. Ahead there lies the danger of reaction or of an equally inept leftism, the fires of which are diligently stoked by the Soviet Union. In Iraq there is new evidence of the use to which Communism can put the irrationality of nationalist leftism. The urban Middle East, whether conservative or radical, is essentially nihilistic. Into this vacuum of belief and thought there move organised subversive elements, not seeking power—which is, as yet, beyond their reach—but aiming at a state of chaos which will make their accession to power ultimately possible. Pseudo-Communist newspapers in Egypt increased their circulations from about 20,000 to 150,000 between the winter of 1951 and the abrogation of the Anglo-Egyptian Treaty in the following October.

If General Neguib would not express the position exactly in these terms he would probably not reject them; but the pressure of difficulties, of enemies and of unwise friends, gives him little opportunity to recapture the tactical grasp which was clearly his a few weeks ago. For the western powers, the problem of what to do is not a diplomatic one. If they want to help General Neguib, and through him Egypt, they must look less to diplomatic niceties and more to a firm, confident plan of material assistance.

No single western country could undertake such help without at once being branded with the familiar charge of imperialism. The job is one for—at the least—Britain and the United States and, if possible, also for other

countries that have long been investors in Egypt, notably the French and the Belgians. As to the form their help could take, the fashion is to give it in the form of experts. But Egypt has no need of many experts; it has many technicians of its own who know just what is needed. Its chief weakness is not on the technical but on the administrative and financial side. Its immediate needs are for capable and hardworking civil servants and for foreign exchange. The former only time can produce; but there are two ways of producing the latter. One is to give outright, as was the way with Marshall aid; the other is to restore balance to Egypt's international payments and to its budget by buying up its surplus cotton.

In Britain, the prospects of doing this by commercial means are slight: British cotton spinners are only just beginning to emerge from a recession, and are doing so only thanks to defence orders for which Egyptian cotton is less suitable than Peruvian. The Raw Cotton Commission is an agency buying in competition with private importers, is intended to balance its books, and cannot possibly be asked to make what must, for the moment, rank as a bad buy. But are governments so lacking in ingenuity that they can think of no other agency? The problem presented to them is straightforward enough. General Neguib is in deep water; either his regime is valuable to them and, therefore, worth assistance; or its disappearance would be unimportant, and it can be left to struggle on its own. What is inexcusable is to think it valuable but do nothing to help it.

“Gas and Water” Telephones

THE City of Hull, the third largest port in the United Kingdom, is unique in several respects and not least because it owns and runs its own telephone system. In Hull, the telephone call-boxes are painted green, and as recently as six months ago any of its 39,000 subscribers could call another within an area of 120 square miles for only a penny. The passionate advocates of municipal trading in the nineties, the “Gas and Water Socialists” as they were contemptuously called, would no doubt have been exasperated if they could have foreseen this vigorous offshoot of their teaching surviving for half a century to disturb the orderly pattern of a fully nationalised service; but though their socialism might have been affronted, their business sense could not have failed to be impressed by such an example of local enterprise and efficiency.

All the country's telephone services were in their early days much bedevilled by politics. In 1880 the Postmaster-General asserted his monopoly, almost casually, by a free interpretation of the eleven-year-old Telegraph Act, and was content for twenty years more to do nothing but collect a royalty from private enterprise—that is, from the National Telephone Company. Public criticism of the company, however, grew steadily more vocal—criticism based to some extent on popular ignorance of the technical complexities of this new service. Press and platform demanded “more competition,” and the blessings of competition were accordingly bestowed upon the infant industry by the licensing of municipal undertakings, while the Post Office itself developed the long-distance service. Before long, how-

ever, telephone users discovered that competition, wherever it was attempted, involved renting two telephones instead of one, and consulting two directories; long-term development was paralysed by price wars, and every fresh invention—in an era of telephone inventions—threatened catastrophe to the local rates. With the exception of Hull, all towns that had experimented with municipal telephones were glad to surrender their embarrassments after a few years.

How Hull's telephones survived and made a profit is still something of a mystery. Some Yorkshire caution prompted the town council not to declare open war on the local branch of the National Telephone Company, as other cities were doing, but to use its power of granting wayleaves, for running the company's cables under the city streets, as a bargaining counter to enforce some degree of co-operation and interchangeability between its own and the company's service. But, at first, it made the same mistake as other municipal telephone services by charging low rates and starting with outdated equipment which had to be scrapped and replaced after a few years. These were the days when “to ring up” meant literally cranking a handle to generate the necessary current for a tinkle at the other end of the line; the system was already technically obsolete when the municipalities were investing large sums in its installation.

When the telephone service was nationalised, Hull almost went with the rest of the municipal services. But some vestige of popular prejudice against coercing municipalities led the Postmaster-General to offer Hull a reprieve, on condition that it bought out the local branch

of the National Telephone Company; Hull, bursting with local pride, called his bluff and closed with the offer. The price was stiff—£192,423, as agreed for nationalisation—and the Hull Corporation was saddled with a whole department on civil service scales of pay and pension which were unheard of for local government in 1914.

But the local telephone service that resulted has been very good. Except in the slump just after the first World War, when, like the Post Office, it was obliged to increase its prices, it has shown a steady profit each year, in addition to paying the Post Office a royalty of 10 per cent on all its receipts. The pay and conditions of its 500 staff are the same as those of the Post Office, as also is its standard of service to the public—a measured rate of less than one per thousand calls which fail through faulty or busy apparatus. Yet it continues to operate at prices appreciably lower than those of the Post Office, as the following comparisons show:—

ANNUAL COST OF TELEPHONE SERVICE
(Single Line)

No. of Local Calls Per Year	BUSINESS			DOMESTIC		
	Hull	Comparable Provincial Towns	London	Hull	Comparable Provincial Towns	London
200	£ 6 s. 0	£ 10 s. 0	£ 12 s. 0	£ 6 s. 0	£ 6 s. 0	£ 8 s. 0
500	7 10	12 2 6	14 2 6	7 10	8 10 0	10 10 0
800	9 0	14 0 0	16 0 0	*9 0	10 7 6	12 7 6
2600	*18 0	25 5 0	27 5 0	9 0	21 12 6	23 12 6
Over 2600	18 0	Extra Calls at 12/6 per 100		9 0	Extra Calls at 12/6 per 100	

* Unlimited service.

“Why,” asked *The Times* in 1905, “should a municipality have a private telephone system any more than a private post office or telegraph system?” There was no simple answer to the question at that time, and there is none now. First impressions of the cheap and efficient service at Hull suggest that there must be some set of circumstances peculiar to the city which favour telephone operation. One such factor is not hard to find; the terrain is flat and the district of 350,000 inhabitants forms an isolated industrial community in a thinly populated agricultural county, and consequently a clearly defined area of inter-communication. In 1951 it had 11 telephones per 100 of population, compared with an average of 10.7 for the United Kingdom and something over 17 in Greater London. For serving a large number of subscribers with a small mileage of line, this sort of concentration seems advantageous.

But telephone economics are not so simple as that. On the contrary, from the economic point of view the telephone is probably the most complex of all the public utilities. Two simple examples illustrate this point. In the first place, unlike most commodities, which are cheaper when produced in large quantities, telephone communications within a local area are subject to certain diseconomies of scale. The economy of having a large number of subscribers to share overhead expenses is soon outweighed, in big centres of population, by the cost of providing enough exchange equipment for each to speak to each—a factor that increases in geometrical, not arithmetical, ratio to the number of subscribers. The more people the individual can ring up, or who can ring him,

the more valuable his telephone becomes, and there is therefore a sort of rough justice in the Post Office charges in the five biggest towns, which are higher than elsewhere. So if Hull corporation does not have to carry telephone cables up mountain sides and under tidal estuaries, nevertheless the fact that subscribers are fairly thick on the ground is not the pure gain that a layman would assume it to be.

Secondly, besides this spatial dimension of telephone service there is also a time dimension too. That is to say, costs are not only related in this special way with the geographical distribution of subscribers and the extent to which they are concentrated into big inter-communicating groups; costs are also affected by the amount of use these subscribers make of the telephones they have. “Peak hour” traffic, usually in the forenoon, poses a problem of supplying enough capital equipment to meet the demands of this busy period, although much of it must lie idle during the rest of the day. This is, of course, the same problem of uneven demand that is familiar in electricity supply or local transport industries. It is here that the method of pricing is of interest. In the early years of telephones flat rates were popular—that is, an annual rental with unlimited service or else a combined rental and charge-per-call with main emphasis on the rental. This sort of tariff, besides benefiting the large user rather than the small, encouraged all subscribers to be larger users than they would be if the size of the bill rose every time they lifted the receiver. Flat rates were abandoned by the Post Office as long ago as 1921; it did not disclose whether the intention was to encourage the small user and so extend the service, or to discourage the indiscriminate use of existing telephones which it was so costly to cater for. Whatever the motives of the Post Office, Hull did not follow its example, and the flat rate for unlimited service is still very popular there, while all its tariffs carry a generous allowance of free calls. Yet although they thus appear to benefit the large user at the expense of the small one, and to aggravate the peak-hour problem, it remains true that Hull's waiting list (presumably chiefly small or domestic users) is as long proportionately as that of the rest of the country, while its peak-hour traffic is still dealt with comfortably.

None of these factors offers any explanation of Hull's cheap telephone service. Various other considerations make the phenomenon all the more strange. For example, the Post Office showed a large surplus for several years during the mid-thirties, and again during the last war, as a result of utilising its margin of spare exchange equipment without making any comparable provision for the future; there is no sign, at present, that Hull is living on capital in this way. The Post Office had made great technical economies in the trunk lines which are a profitable branch of its business; Hull's benefit from this is only indirect. Furthermore, manufacturers of equipment work, necessarily, with their eyes on the great Post Office market, and Hull suffers financially from their relative lack of concern for its requirements which, for historical reasons, are technically different. But if the outsider cannot see why Hull's telephones should be cheap and profitable, the typical Hull citizen has no doubts: “Why, the thing is run on sound business lines,” he exclaims, and leaves the implication in the air.

NOTES OF THE WEEK

Opposition by Procedure

The House of Commons on Wednesday fell into more disorder than has been seen there for many years. The remark that caused the trouble—Mr Churchill's imputation of unpatriotic motives in Mr Shinwell—would certainly have been better left unsaid. But the uproar was in proportion to the state of party feeling, not to the offence. Similarly, the Opposition's complaints against the use of the closure on Tuesday night, on the committee stage of the Expiring Laws Continuance Bill, have some basis; but they certainly would not in any normal circumstances justify the extreme action taken by Mr Attlee—the tabling of a motion of no confidence in the Deputy Speaker. The backbenchers have joined in with a motion of censure on Mr Churchill.

All this was the prelude to the day's debate occupied on Thursday by Labour's earlier censure motion, which arose out of the Government's failure last week to maintain a quorum for the debate on the Steel Bill. This constant pre-occupation of Parliament with its own procedure cannot look anything but silly outside Westminster. The Opposition may be moved by some genuine resentment at the way the Government is conducting its business in Parliament, but it is undoubtedly using that emotion with deliberate intent to impose an unjustifiable delay on the proceedings of the House. Up to a point, this tactic is inevitable; pushed as far as Labour is pushing it, it may well damage the prestige of the Opposition as much as of the Government.

But whatever verdict is passed on Labour's delaying tactics, there can be no doubt about their power to upset the Government. At this early stage of the session, one day more or less on the timetable may appear to be of little consequence. In fact, however, the Government is working to a tight schedule. The intensified legislative programme carried through by the Labour Government after the war was possible only because it took over all private members' time, and was able to send even its largest Bills to standing committees; nor did it hesitate to call Parliament back on three separate occasions for meetings in September. This Government has no such extensive list of Bills but it has nevertheless no margin to speak of. Its majority, though large enough to avoid defeat, is too small to permit major Bills to be referred to standing committees, and its difficulties have been increased by the Labour whips' threat to keep a stringent control on all pairing in future. These measures have increased personal friction in the House and have strained the normally cordial relations "through the usual channels." It must be hoped that the immediate tensions will die away, but even so the problem facing Mr Crookshank, the Leader of the House, will remain acute until he not only has the denationalisation Bills safely on the Statute Book but also has the financial business of the session well in hand.

Twelfth Man Stumped?

The outcome of the second ballot for the Labour party's parliamentary committee has greatly annoyed Mr Bevan's partisans. He has been elected to the committee under the most disadvantageous circumstances—with the lowest total of votes, with no other Bevanite to support him, and with the rest of the committee composed of his most implacable opponents. Not even one middle-of-the-roader, like Mr Strachey or Mr Strauss, is there to give him comfort. This is a far less desirable result for his friends than a straight defeat would have been. That would have enabled Mr Bevan to retire to the back benches with the honours of a martyr struck down by the last-minute change in voting rules.

The actual outcome may be said not to make matters worse

within the Labour party; it certainly does little to make them better. The Right wing of the party, and particularly the trade union MPs (who seem to have voted *en bloc* in the two ballots for the committee), has shown its determination to exclude Mr Bevan's supporters and any "waverers." But in the process it has given the party a weaker and less representative committee than it merits. One or two of the older members re-elected no longer have real claim to front bench rank. The danger that the committee will in practice exasperate the party is the greater because both wings of the party remain unshaken in their pet illusions. The Right clings to the belief that Bevanism is no more than the ambitions of one man. The Bevanites hold to the view that they alone stand for a new policy in the Labour movement. In fact personal ambitions and considerations of policy are inextricably intermingled in this dispute.

Mr Bevan's return to party office imposes on him also a public test of responsibility. Can he work as a loyal member of a team of which he is not the leader? If he cannot, if he breaks from this committee as he broke from the Government in 1951, he may do himself much greater harm with the party's rank-and-file. Even his supporters' need to find the symbol for the new policy they seek might be insufficient to sustain Mr Bevan's prestige in such circumstances. Yet he will risk losing this very support if he appears to be tamed by the committee. Mr Bevan has been manoeuvred by the party leaders into a tight corner; but it would be rash to assume that he has not the resource and the ambition to break out of it.

After the Korean Debate

Now that the practical interest of the Indian proposals for a Korean armistice is over—at any rate for the time being—it is worth taking stock of what has happened. The long debate in the United Nations Political Committee was brought to an end by three remarkable votes. On Monday the Indian resolution, watered down but still recognisably akin to the original proposals for a truce without forcible repatriation of prisoners of war, was passed by 53 votes to 5, with only Nationalist China abstaining. On Tuesday the Russian alternative proposals, put forward so petulantly by Mr Vyshinsky, were rejected by 41 votes to 5, with 12 states of the Asian-Arab bloc abstaining. On Wednesday both these votes were decisively endorsed by the General Assembly. Whatever the Russians' calculations about the Korean war, such a clear expression of world opinion can hardly fail to create a new factor in the situation.

In the process of the debate the Assembly undoubtedly reassessed current strengths and weaknesses among its members, for even the great powers do not always look the same. The British moved with greater assurance and showed more old school diplomatic deftness than on some recent occasions. The Americans showed the strain of a post-election hang-over and a pre-inauguration chill. The Russians were juggling too many balls at once, and occasionally one slipped. All three felt the fluid and ambiguous strength of the Asian-Arab bloc. The position of India in this bloc gave Russia its most difficult moments. At one and the same time India must, in the Korean argument, be spanked as a tool of the West and flattered as a leader of nations able to make trouble for the West. This simultaneous double-dealing is not beyond Mr Vyshinsky's skill, though it is less impressive when done in broad daylight before an audience which has seen and heard these things before.

There is little chance now of halting or changing the actual war of attrition in Korea, at any rate until General Eisenhower returns with new plans or new proposals. But

what does emerge is that, while the Geneva Convention may need redrafting to suit the needs of the cold war, not even the Russians can fool all the people all the time. This primarily humanitarian document was twisted phrase by phrase into an apparent argument for the use of force. And this was done by a state which, beyond any other in modern history, has itself refused to repatriate its prisoners. Perhaps we shall never know how many Austrians, Germans, Frenchmen, Italians or Japanese—to name no others—still remain in Russia to-day. But even Mr Vyshinsky's infinitely skilful cynicism failed to drown their voices in the wings.

Templer Reports

General Sir Gerald Templer, the High Commissioner for Malaya, had a good record to show when he spoke in London this week. It will soon be a year since he was appointed, and throughout that period there has been a tendency for the condition of Malaya to improve. At first, the favourable trend was debatable, and men and women daily risking their lives on the estates and mines were justifiably bitter at premature rejoicing by chair-borne strategists in the safety of the towns and here in Britain. Indeed, there are still areas in Malaya, particularly in Johore, where it would be hard to point to a falling off in Communist pressure. But few could now deny that statistics for Malaya as a whole present an encouraging picture. In November the number of terrorist incidents was 41, the lowest so far, and to be compared with a monthly average of nearly 200 last year. Civilian casualties were 10, compared with 28 in October, a monthly average of 72 in the early part of this year, and 91 over the last two years.

It is, however, difficult to determine just how much of this success may be attributed to the most recent measures taken against the Communists and how much to either longer-term or external factors. General Templer deserves the highest credit for turning the tide in the battle of morale and for the determined measures by which he has done so. But of even greater significance are captured Communist documents going back over the past year which are only now becoming public.

These documents show that the Malayan Communist party has switched policies and carried out purges in true Moscow style. Instead of murdering civilians, conducting economic sabotage and cold-shouldering rival organisations, the Malayan Communists are now to work more subtly to involve the masses in revolution. They are to stop violence in unsuitable places, penetrate the trade unions and exploit bodies like the Malayan Chinese Association and the United Malay Nationalist Organisation. They have issued absurdly cynical lists of who is to be killed and who is not. This undoubtedly reflects the failure to win outright in the guerrilla struggle. But it is also in keeping with Moscow's new world-wide policy of creating common fronts against the government in power. Though the Communists may have lost a round in Malaya—and an important one—there is still a tough political battle ahead.

Division Over Kenya

There can be no doubt of the concern felt by members of Parliament over the situation in Kenya. It spilled over into the debates on the Colonial Loans Bill; it caused the interruption of last week's business; and it is likely to lead to a full-dress debate in the near future. In itself, such concern is proper, particularly when severe and repressive measures, in some instances denying individual liberties, have been taken to combat Mau Mau. But there can also be little doubt that a section of the Labour party is exploiting this concern as a stick for beating the Government and Mr Lyttelton in particular.

From the public's point of view, and in normal circumstances, a personal vendetta of this sort is unimportant. But when the Minister concerned is Secretary of State for the Colonies, and in the dangerous situation existing in Kenya today, a sustained personal attack can have most undesirable repercussions. Few Europeans in Kenya and fewer Africans can be expected to appreciate the difference between official and unofficial Labour opposition; and the campaign against Mr Lyttelton may be generally interpreted in the colony as evidence of widely held dissatisfaction with the policy being pursued there. This in its turn may embitter the Europeans, bewilder the loyal Africans and encourage the terrorists.

In the last two or three years of the Labour Government, some Conservative backbenchers became increasingly critical of the pace of constitutional change in the colonies, with the consequent danger in a time of racial tension that Conservatives as a whole would be regarded as pro-European and Labour as pro-African. In fact, Mr Lyttelton has shown himself as much in favour of the political progress of the African as his Labour predecessors, Mr Griffiths and Mr Creech Jones, were in favour of private enterprise in the colonies. There is no justification for identifying either front bench with the cause of black or white respectively, and the Labour backbenchers now attacking Mr Lyttelton should remind themselves that European settlement in Kenya after the war was encouraged under a Labour Secretary of State. At the cost of snubbing one of his own backbenchers, Mr Lyttelton last week welcomed any constructive proposals that Mr Griffiths might offer for dealing with the present situation in Kenya. For his part, Mr Griffiths, while carrying out an Opposition leader's undisputed duty to question and to criticise, should make it clear beyond doubt that he dissociates his front bench from the mischievous campaign behind him.

Saarlanders Keep Their Heads

The French Government has every reason to be satisfied with the outcome of the Saar elections. The Christian People's Party of Herr Hoffmann and the Saar (SPS) Socialists together polled 88 per cent of the valid votes cast. Both parties have opposed the reintegration of the Saar into Germany and this victory can be taken to mean approval for the policy of "Europeanisation" and a customs union with France. The French Government now finds itself in a very strong position for resuming negotiations with Germany for a long-range settlement of the Saar problem. M. Pinay and M. Schuman can face their own deputies more confidently in debate on foreign policy. In striking contrast to the period after 1925, in which France was under continuous hostile pressure to get out of the Saar, it now finds itself with something of a mandate to speak for it. Its government can now afford to be generous to Dr Adenauer, and the British should now help to find a way of keeping in being a modified form of the present regime until there exists a real West European federation into which the Saar can be fitted.

German nationalists are still wincing under the blow administered by the electors. The results could hardly have proved more clearly that the people of the territory, most of them heavy industrial workers, are little influenced as yet by the appeal of German national unity; they voted for their local economic interests. Wages, the cost of living, prospects of employment, and the always burning question of confessional schools, decided the voters' choice. But not even Herr Hoffmann, the Saar Premier, expected such an overwhelming victory for the present regime of political separation from Germany and economic union with France. The fact that 93 per cent of the electorate turned out to vote was remarkable in itself, considering that the order had come from Germany to abstain from voting, or to return blank ballot papers.

It would be wrong to deduce that the results would have

been much the same if a powerful campaign for reunion with Germany had been freely carried on. The pro-German parties suffered severely from the ban imposed by the Saar government: no subversive organisation worthy of the name was set up and there were no illegal demonstrations. The electioneering of this opposition had to be confined to whisper propaganda and leaflets. The lesson is, in fact, that Germans, whether in the Saar or the Federal Republic, are not psychologically ready for idealistic appeals of any kind after their terrible experiences in recent years. Generally speaking, they will not be moved unless a determined organisation whips them up into hysteria with demonstrations and threatens them with penalties if they fail to be good nationalists.

At present the forces working for German unity are still to a considerable extent offset by the centrifugal forces at work in a country that has been united only since 1871, and has now a federal structure. A leading and urgent motive behind the propaganda that is constantly conducted for German unity is to prevent the Saarlanders, or the refugees from the territories east of the Oder-Neisse line, or the Bavarians from slipping out of this recently acquired national cohesion. To the German nationalist, therefore, the autonomy of the Saar is not only important for itself; it sets a legal precedent for the other dismembered parts of Germany, and it affects the future of German unity in other, less precise, psychological ways. For this reason, the Saar can never be formally abandoned for all time by a German Government in favour of a meaningless "Europeanisation."

Conscription and Commitments

As a deliberate preliminary, perhaps, to the Prime Minister's general statement on defence, the Secretary of State for War has restated his answers to Mr Shinwell's campaign for a reduction of national service to 18 months. The army's resources are in any case becoming strained, for its strength is expected to fall by 15,000 by 1955; a cut of six months in national service would mean a further loss of 50,000 trained men, making altogether a loss of two divisions. That would necessitate a wholesale withdrawal from present commitments. It would also reduce the usefulness of national servicemen. The longer period of service has made it possible to send them as far as Malaya and Korea, and the cost of troop movements, already over £30 million, would be much increased if their stay in distant theatres were shortened. Moreover, the army relies on national servicemen for 1,250 officers and for about half its corporals, without whom training would be seriously disorganised. To cut the conscription period would be to lose these men in their most valuable six months of service. Finally, to make the change now would be to encourage our European allies, who have now agreed to conscription for 18 months, to fall further below the present British standard.

Mr Head is undoubtedly right. But Mr Shinwell, who continually shifts his ground, has lately made his case more plausible. He would offset some of the lost national servicemen by recruiting more regulars, whom he would attract by offering better pay. Most of the arguments for a two-year period of service clearly apply even more strongly to the three-year short service engagement, and any substitution of voluntary enlistment for compulsion is obviously to be welcomed. But this would be a costly solution if it were possible. Is it possible? Could the regulars gained balance the national servicemen lost? Numerically, they almost certainly would not. The army's intake of regulars has doubled since the short service engagement was introduced, but in the past year it was still fewer than 39,000. Mr Shinwell argues that the regular soldiers would be more efficient; but it would have to be a large gain to balance the likely loss in numbers.

His arguments are, however, what much of the public wants to hear, and they will gain force as it is generally realised how disproportionate a share of western defence is borne by Britain as compared with the Commonwealth and Western Europe. In the circumstances, the Government would probably be wise not to resist the Opposition's request that there should be some sort of inquiry into the use of manpower. Its disposition must be left to the military expert; but a committee untrammelled by military traditions might usefully consider whether the serviceman's time was being used as economically as possible.

Peace on Planning

The Government's Town and Country Planning Bill was given its second reading on Monday with a Government majority of thirty, and after a full and good-tempered debate. Mr Macmillan was at his best, and Dr Dalton, the principal Opposition speaker, at his most rotund. This Bill is the first instalment of the White Paper proposals. It is designed principally to remove the development charge and to nullify the existing liability of the Treasury to create and distribute £300 million in compensation stock before next July. What Mr Macmillan described as the main Bills are to follow next session.

It is a fair summary of the debate to say that all parties agree that the development charge, in the form in which it has existed for the last four years, is dead; but there is much less certainty that the Government's alternative proposals for the financial aspects of planning are adequate. Mr Macmillan was firm in his stand that the public should not pay again, in the form of a high price for land ready and required for development, for land values that it has helped to create. The broad principle of no compensation for values which accrue after 1947 has, he said, been generally accepted as fair. But he could do no more than hope that the private developer of land would do equally well in his bargainings with the private landowner, and that the existing armoury of powers possessed by the authorities would be sufficient to prevent extortion.

On the other hand, there was no unanimity among the Opposition about any alternative. Dr Dalton hinted, cautiously, that land nationalisation might be the only answer; at least he asked whether the time had not come when "we should bring more land . . . into public ownership," which sounded very much like Dr Dalton thinking aloud over the phrasing of a paragraph for some future Labour election manifesto. Mr Donnelly, more to his left, was obviously in favour of answering Dr Dalton's tentative question with a firm "Yes." Mr Sparks suggested that all land transactions should be conducted through the Central Land Board, surely one of the most fantastically rigid and bureaucratic proposals that Parliament has heard for some time. Mr Macmillan argued in reply that those seeking to "tax" betterment must bear two things in mind. The tax must not fall on the developer himself, for he is the pivot on which the creation of new wealth depends; secondly, while development may increase the value of fixed assets, it does not necessarily provide anyone with the cash needed to pay an immediate claim for tax. That is a challenge as well as a warning. At least the Government has been wise enough to give those interested another twelve months in which to attempt to formulate and offer their own suggestions for the future.

Autarky in the East

There is no better antidote for the nonsense so often talked about east-west trade than the periodic reports prepared by the Economic Commission for Europe, whose latest review was published this week in Geneva. As usual, the authors

probe the subject deeper and single out salient trends more skilfully than any other group of experts in the West. This is all the more remarkable in view of the handicaps under which they work. ECE must, as an agency of the United Nations, seek to look impartially at both parts of divided Europe, and it must also fashion its analysis of conditions in the East from the most fragmentary statistics.

It reports, among other things (a general summary is given on page 695), that the Communist bloc still shows very little enthusiasm for buying western consumer goods. Imports of western equipment, with a new emphasis on ships and boats, continue to receive by far the highest priority; but raw materials have begun to assume greater importance in the bloc's import schedules.

The authors of the report, using what they describe as "statistical courage," have for the first time estimated the broad dimensions of a revolutionary trend in the policy of the Soviet bloc—the enormous rise in trade between the Eastern countries themselves. They estimate that the volume of trade conducted within the Comecon group has increased tenfold since 1938. This vast reorientation of eastern foreign trade has played a very big part in the decline of trade with the west and goes far to explain why the volume of exports from the Soviet bloc to western Europe now amounts to only one-fourth of the prewar level.

Where Germans Compete

Out-of-date statistics are always misleading, and therefore the Economic Commission for Europe's latest review of conditions in free Europe paints too gloomy a picture. Its report is concerned mainly with the second quarter of this year; but recovery was already noticeable in the third quarter and it appears to be gathering momentum during the current three months. ECE might have warned its unsuspecting readers about these later developments.

The report, however, throws a new light on the rise in German exports. Ever since the end of the war some British manufacturers have waited fearfully for the day when German competitors would invade their overseas markets. A few now claim that the day has arrived, though the facts hardly support their defeatism. What has happened in recent months is that, while British exports have remained stationary in value, German exports have continued to rise. The following table shows how, during the first eight months of this year, a fall in British exports to the sterling area was offset by slightly greater exports to other overseas countries outside western Europe; exports to Europe, as compared with 1951, have remained constant.

(Millions of Current Dollars, f.o.b.)						
Year and Quarter	To Europe		To Overseas Sterling Area		To Other Overseas Countries	
	UK	W. Germany	UK	W. Germany	UK	W. Germany
1951:— Quarterly av.	536	590	822	71	438	208
1952:— First quarter.	574	670	995	73	432	203
Second "	544	686	747	61	457	231
*Third "	499	711	681	61	440	244

* Two months at quarterly rate.

Source: ECE

The German picture shows a similar decline in exports to the outer sterling area, but this was more than made good by increasing sales to the rest of the world, especially to western Europe. Among the regions where German goods have made the greatest headway are the countries of southern Europe—Jugoslavia, Italy, Spain and Turkey—and the

Scandinavian nations. France and Britain itself have increased imports of German machinery.

The explanations put forward by ECE cast no reflection on the energy or efficiency of British exporters. It points out that Western Germany is the last of the west European countries to recover, and that even now its exports have barely caught up with the postwar expansion of its neighbours. In fact, as ECE and others have repeatedly declared, the only way in which Germany can be absorbed into the economy of the West, without damage to the exports of other European nations, is to expand world trade generally.

A second reason for the comparative success of Germany is that capital goods make up a larger share of its exports than is the case with Britain. At present, capital goods are in greater demand and less subject to import cuts than the many consumer goods on which British exporters rely. Earlier delivery dates and more attractive credit terms also help to explain Germany's recent progress. These advantages, however, are due in large part to the fact that Germany as yet has no rearmament programme and its engineering industries are not, therefore, burdened with military priorities.

Lest They Forget

At a time when political and strategic exigencies make too vivid a memory of past tragedies somewhat embarrassing, the memorial service held last week at Belsen was particularly appropriate and moving. Professor Heuss, President of the Federal Republic, stated quite plainly that it would be mere insolence for any German to minimise or palliate the atrocities and crimes committed in the concentration camps. "The Germans," continued Professor Heuss, "must never forget what men and women of their own nationality did in these shameful years." Much attention is justifiably focused

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on the symptoms of resurgent Nazism throughout Germany and on such incidents of violent nationalism as the murder of a French soldier at Ockfen, where the mayor refused to summon an ambulance and left a man to die in a ditch. But it is right that attention and respect should also be given to the many Germans in private and public life who have the courage to speak of the past without extenuation and of the future without arrogance. Professor Heuss has shown courage and an all too rare Christian humility in this matter.

Nothing can compensate for the 22,500 people tortured to death at Belsen; and the memory will take long to die. But those in Europe who keep it alive will look shabby both to their contemporaries and in the eyes of history if they refuse to extend their condemnation to all concentration camps, whatever the political colour of the regime that has set them up.

Gentle Push for Dockers

The decline in imports and exports has compelled the National Dock Labour Board to try to reduce the heavy cost of maintaining idle dockers. About one fifth of Britain's 80,000 dockers have been out of work for the last two months. Under the dock labour scheme their "fall-back" wages of £4 8s. a week have been paid out of a fund to which the employers of dock labour contribute a levy proportionate to their weekly wage-bills. The proportion, which is fixed from time to time by the National Dock Labour Board, was raised to 22½ per cent on November 1st. This means that the wage-bill of the port transport industry has been increased by nearly one quarter in order to keep in idleness some 16,000 dockers for whom no work can be found.

The scheme now adopted was first proposed by the port employers, who are naturally worried lest they should have to increase their charges to such an extent that entrepôt trade is diverted to the Continent. It is designed "to encourage men to seek temporary release from the industry to obtain other employment." Dockers who so wish will be allowed to take other jobs at any time between now and January 1, 1955, without losing their places on the register—although they will not, of course, draw the fall-back wages. They are liable to recall by their local dock boards at any time during 1954 and are entitled to reinstatement, with full rights, on the "Live Register" on January 1, 1955. They will be entitled to ordinary unemployment benefit after they have left the docks, either temporarily or permanently, and until they find other work.

The board's decision is based on the assumption that trade will not improve for at least a year, and perhaps for two. According to its official statement, "a careful survey of the future trend of imports and exports makes it obvious that for some time to come no great improvement in the present level of dock work is to be expected." The rise in unemployment, which has been of the order of 150 per cent in the last year, is out of all proportion to the fall in imports and exports; this is because the trades which have declined are those which deal in goods, such as motor-cars and "luxury imports" from the Continent, which need careful handling by comparatively large numbers of men.

The new scheme was decided upon after consultation with the dockers' leaders. But the dockers themselves, with their long-standing suspicions, are unlikely to be pleased, if only because they usually react automatically and instantly against any change of any kind in the workings of the dock labour scheme. Although this change is entirely voluntary and does not infringe any of their rights, they may well regard it, for the time being at any rate, as an attempt to deprive them of the benefits they won at the end of the war—of which the most important was protection against the fluctuations of the labour market. Now that a slump has arrived, for the first time since the scheme came into operation, the dockers look to it for the protection that they lacked and needed so badly in the thirties. But although the dock labour scheme

can deal with minor fluctuations it cannot deal with a prolonged slump. The merit of the new proposals is that such protection as the scheme can give is not withdrawn; the dockers are merely encouraged to seek something better. It is a sensible and humane alternative to dismissing thousands of men outright.

Punch in the Fourth Arm

The Monte Bello tests, according to the Home Secretary, show no need for "any drastic alteration to the assumption on which the nation's present civil defence is being built." The assumption may be a sound foundation, but the building makes very slow progress. A report (Cmd. 8708) published this week suggests ways to speed it up. Mr Mabane's committee had to consider how recruitment to the civil defence and allied services could be improved and what the public should be told to do in the event of war. The present report deals only with the first of these questions.

Its practical suggestions include the issue of uniforms and badges of rank, house-to-house canvassing to find recruits, and the use of films and other visual aids to preserve training courses from the tedious lecturer. Films are also recommended to stimulate recruitment; but their use is somewhat restricted since the mobile projector units of the Central Office of Information were disbanded in a moment of economy.

The committee suggests, however, that more important than any change in recruiting methods is the need for "a change in the climate of opinion." Recruitment figures show that the public is interested in civil defence only when war seems imminent. Somehow the idea must be implanted that it is the "Fourth Arm of Defence," to be kept in being permanently like the three services. The report suggests that it might be raised in public estimation by the appointment of a single head. This appointment is certainly needed, but not merely, as the committee seems to suggest, to provide a figurehead to fire public imagination. The great need of civil defence is a clear chain of command on the military model. At present it is tied up in the best civil service principles and submerged in local bumbledom. Sir David Maxwell Fyfe has accepted the Mabane committee's recommendation that local authorities should be told to appoint controllers. But where are the regional controllers whose appointment was promised long ago? With so little urgency in administration it is not surprising that the civil defence forces have reached only 46 per cent of their peacetime establishment.

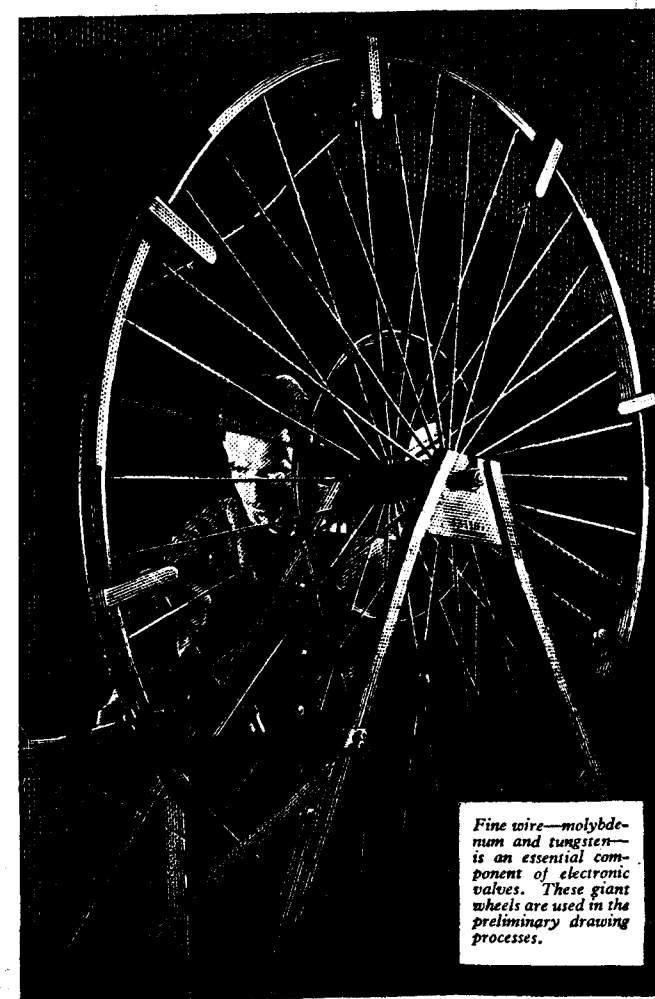
Hospitals into Business?

Two reports of first importance to the hospital service were published* last week. They give the results of the experiments in hospital costing carried out by King Edward's Hospital Fund for London and the Nuffield Provincial Hospitals Trust, and their importance lies in the fact that the two bodies, pursuing their investigations independently, have come to broadly the same conclusions. If their recommendations are accepted by the Ministry of Health, they will lead to a revolution in the financial control of the hospital service and consequently in the spending of nearly £300 million annually of the taxpayer's money.

At present, the total cost of the hospital service is calculated on the basis of the cost of running each hospital group estimated under a number of headings. After the total cost has been agreed by the Government departments concerned, the amount authorised is allocated by the regional boards among their hospitals for spending under the same headings.

* "Costing Investigation for the Ministry of Health." King Edward's Hospital Fund, 10, Old Jewry, E.C.2. 6s.

"Experiment in Hospital Costing." Nuffield Provincial Hospitals Trust, 12-13, Mecklenburgh Square, W.C.1. 5s.



PROGRESS IN ELECTRONICS

IN the course of its progress the electronics industry has had a profound influence on many subsidiary industries. Twenty-five years ago, for instance, Britain's annual output of fine molybdenum and tungsten wire was about fifty million yards. Today, this figure represents little more than a month's production in Mullard's own giant plant. These enormous quantities are largely absorbed in the manufacture of Mullard radio valves, television tubes and other electronic devices.

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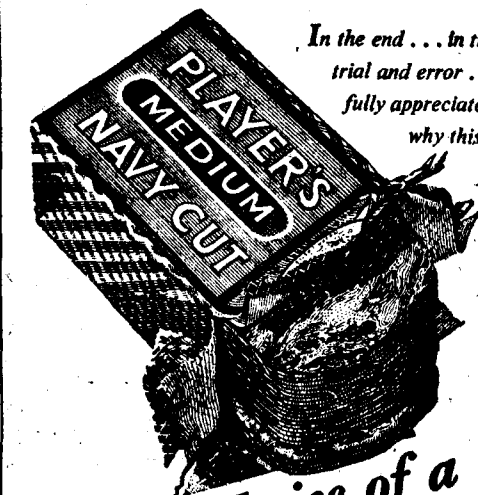
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Transfers of savings from one heading to another need prior approval, and money unspent at the end of the financial year has to be surrendered. The disadvantages of this system, and the extravagances it leads to, have often been pointed out, but it is worth quoting the comments of King Edward's Fund:

A highly centralised rigid financial control of one side only of the equation—payments—is quite inadequate and inappropriate as, under it, success comes to be measured more by the degree to which expenditure is kept within the defined limits than by the returns obtained for the expenditure.

Much more realistic budgeting could be obtained, in the opinion of both the fund and the trust, if departmental costing were substituted for the present system. Thus, instead of the hospitals' expenditure, estimated and actual, being broken down under subject headings—salaries and wages, provisions, drugs and dressings and so on—it should be based on the departments (wards, out-patients, physiotherapy, radiology) and services (catering, laundry, administration). Where possible, departmental expenditure should be broken down into unit costs to allow comparisons to be made between similar hospitals. The fund and the trust differ on the extent to which departmental costing should be carried out and on whether the expenditure of the medical departments should be expressed as prime cost or include a proportion of the cost of the service departments. But they agree that a costing system could be introduced in all but the smallest hospitals; that it would provide a much more accurate yardstick of the hospitals' financial needs than the present method of estimating; and that it would prove an efficient means of checking extravagance and calculating the cost of new developments.

People in Glass Houses

There are some pretty paradoxes in the issues raised by American charges of subversive activity on the part of members of the United Nations Secretariat in New York. The Secretariat includes, and must include, Soviet, Polish and Czech officials who are clearly Communists; what purpose, then, is served by ridding it of American Communists? It also retains the services of East Europeans and Chinese who have been denounced by their governments as traitors; why should it not continue to employ Americans who are in a similar position? On joining the Secretariat, officials must take an oath of loyalty to the United Nations, overriding their allegiance to their own governments; can an international civil service thus constituted accept governments' demands for the expulsion of its members on account of acts committed before they joined it? There is no end to these questions. They arise from the nature of the UN experiment in maintaining a bridge across a divided world, and those who wish that bridge to remain in place should not try to answer the questions too glibly.

The three jurists appointed by Mr Trygve Lie to advise him on these issues have rightly pointed out that the relationship between Uno and any nation in whose territory it maintains offices is essentially that of guest and host. (It must be remembered that there are UN offices in over a dozen countries, including Communist ones.) If this relationship is to work smoothly, both guests and hosts must act not only correctly, but also courteously, towards one another; they should avoid conduct which is merely embarrassing as well as that which is actively injurious. The advice given by the jurists appears to conform to this principle. They insist that the Secretary-General must be master in his own house; but they strongly advise him not to employ any person, regardless of nationality, whom he has reason to suspect of committing, or intending to commit, subversive acts against the government on whose territory he is employed. To carry out this principle must involve some harsh decisions, but if the good name of the United Nations is to be kept clean, the Secretariat must accept the uncom-

fortable role of Caesar's wife; neither in New York nor in Prague, Cairo, Rome or Montevideo can it afford to risk incurring the charge of harbouring subversive groups.

What Mr Lie's advisers did not say—it was beyond their mandate to do so—is that the obligation on the host countries is equally severe. There is no reason why such a country should not present its complaints against individual members of the Secretariat discreetly and politely. The tactics of Senator McCarran's committee, which have the effect of whipping up indiscriminate suspicions against the Secretariat as a whole, are in no way justified by the fact that some of its charges are well founded. The United States is, by its own wish, Uno's principal host, and the obligations of hospitality cannot be ignored.

New Men at the Vatican

In naming twenty-four new cardinals, the Pope has brought the Sacred College to its full strength. It now includes twenty-seven Italians and forty-three non-Italian members. This, in terms of a papal election, still gives the Italian bloc a concerted edge of power. Among the noteworthy aspects of the policy of Pope Pius XII have been the close interplay of ecclesiastical and political concerns and the way in which the Vatican has acted as a centre of combat intelligence in a world-wide struggle. The cardinals are its general staff and several of the new appointments are of considerable political interest.

The choice of Mgr Stepinac, Archbishop of Zurich, had been expected for some time. Together with Cardinal Mindszenty he has been a symbol of the Catholic opposition to Communism and of its renewed tradition of martyrdom under tyranny. Marshal Tito has repeatedly indicated that he will allow Mgr Stepinac to leave Yugoslavia but would not permit his return. The archbishop, however, has made it plain that he will not leave his flock, even to receive the red hat in the consistory to be held on January 12th, unless his return can be assured. This intransigence, and the amount of world attention focused on it by the elevation of Mgr Stepinac to the Sacred College, must embarrass Marshal Tito at a time when he has close relations with the West.

Of even greater interest is the Pope's choice of Mgr Wyszynski, Archbishop of Warsaw. He was largely responsible for the concordat between state and Church in Poland whereby the Catholic hierarchy and people, in return for important political concessions, have won a certain measure of safety, even of influence. It was by no means clear whether the Pope approved of this Polish solution, as he had given a specific warning against a similar arrangement undertaken in Czechoslovakia. But the vital importance of keeping Catholicism strongly alive in Poland seems to have influenced the Vatican in the direction of flexibility in East European policy.

One of the most remarkable men to be elevated to the purple at the new consistory will be Mgr Siri, Archbishop of Genoa, the youngest of the cardinals and one noted for his progressive views. His future is much discussed in Rome, where the game of predicting the next Pope has been played for so many centuries. On the whole, the political sagacity and sense of timing of Pius XII suggest that Stalin's celebrated query—"How many divisions does the Pope have?"—may admit of more than one answer.

The Irish Troubles

In the last fortnight the Irish economy has been the subject of two important reports. Our correspondent in Dublin writes that the report of the Central Bank, which covers the year ended last March, has been received more quietly than was the case a year ago. The echoes then raised by a detailed and pungent commentary on the financial situation have not yet died down; by an agreeable coincidence

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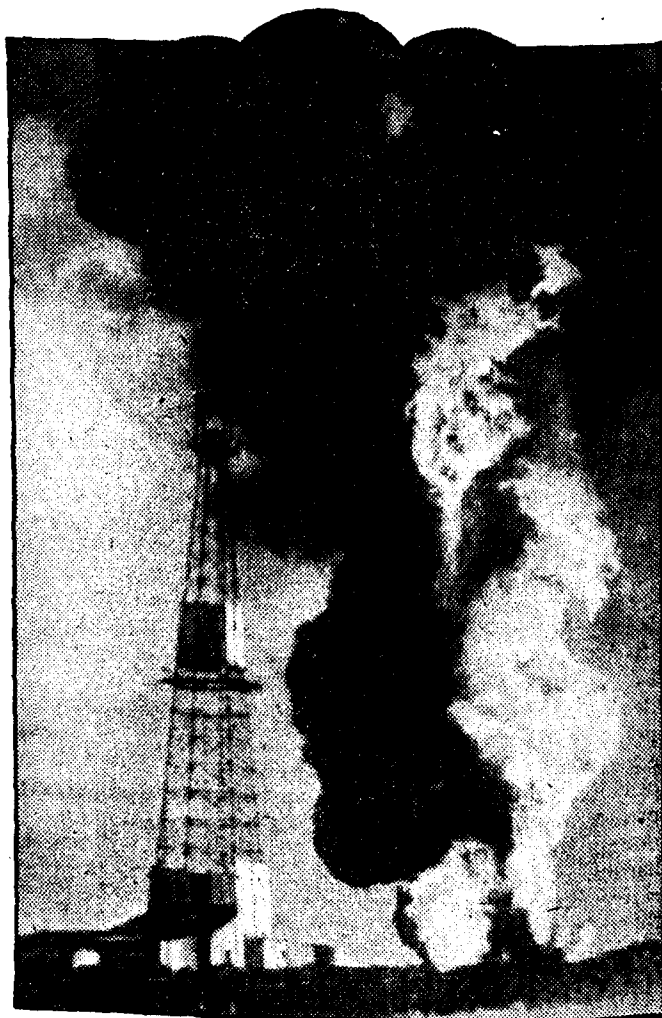


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the latest report appeared in the middle of a debate in which Mr MacBride invited the *Dail* to condemn its predecessor. This year, the bank's observations are pitched in a notably lower key, though they are supplemented by an omnibus clause stating that the views expressed last year have lost none of their appositeness and, indeed, "have been reinforced in urgency" by the heavy deficit in the balance of payments in 1951. This deficit, it is now noted, was caused to a significant extent by stockpiling. Imports have fallen during 1952. On the other hand, the bank views with anxiety the growth in state expenditure and the glaring disproportion between savings and investment. The bank has been charged with pessimism, and it is true that there has been an encouraging growth in exports. On the other hand, state expenditure continues to rise, and it is plain that the increased taxation imposed in the last budget has failed to secure a proportionate return. Although the state now borrows at 5 per cent, there is little sign of an adequate increase in saving, and there is much less room for manoeuvre than there was a year ago.

The second report, on the industrial potentials of Ireland, was prepared by the Ibec Technical Services Corporation of New York, under the ECA Technical Assistance programme. Our correspondent thinks it unlikely that the Central Bank was among the Irish advisers of its authors, but there is a striking agreement between the corporation and the bank in their remarks on the high level of consumption and low level of production, on the dangers of recurrent heavy deficits in the balance of payments and on the degree to which, in the absence of savings, domestic investment is financed by external disinvestment. The report also notes the astonishing degree of state control in the Irish economy, although, as it points out, this is due as much to the failure of private enterprise as to ministerial ambitions. A review of the principal groups of Irish industries allows them in general a greater degree of efficiency than they usually get credit for, though the yardstick of comparison with the United States hardly seems helpful. The corporation stresses the overriding importance of agricultural production, especially of those forms of production (such as the dead meat trade) that lend themselves to processing. In that respect at least it is at one with all the innumerable reports that have been made on the Irish economy in the last century; in the last resort, everything depends on the land.

* * *

Self-Discipline for the Press

The debate on Mr Simmons's Press Council Bill, the first private member's Bill of the session, was talked out last week; and that would be a kindly fate for the Bill itself. At best, it needs a great deal more discussion before any new Act is placed on the statute book. Admittedly, it follows the recommendations of the Royal Commission on the Press very closely, but with the important exception that the commission advocated a voluntary body set up by the press itself. The composition of Mr Simmons's Press Council—twenty members from the press itself and five, including the chairman, from outside—and the objects set before it all follow the Royal Commission's proposals. They are, on paper, unexceptionable. So, too, are the duties the Bill would impose on the council when set up, although one, defined as the censuring of "undesirable types of journalistic conduct," has a looseness of phrase inappropriate in an Act of Parliament.

But it is in clause 4 of the Bill that the woolly, and the dangerous, are really encountered. The council would have power to make rules "for making provision with respect to any matter with respect to which the council thinks that provision should be made for the purpose of carrying this Act into effect and for prescribing anything which under this Act is to be prescribed." That is only too reminiscent of the eighteenth century company floated for purposes which were to be disclosed later. But the criticism of this clause

is not based on the words used; it is based on the whole idea that any statutory body can usefully and safely be given power to make rules for securing that what are no more than a set of aspirations are followed. It is no use saying that this power is not intended to restrict the freedom of the press. In an Act of Parliament, a power to make rules implies a power to impose sanctions; otherwise words have lost their ordinary meanings.

The case against a regulatory Press Council does not mean that the journalism of this country cannot be improved. Yet the MPs who criticise its vices know that they would no more dare attempt to prohibit sex stories on Sundays than they have dared to prohibit football pools all the rest of the week. Is the Press Council, then, intended to do this dirty work for them?

There is, of course, a real and familiar dilemma. If a Press Council is imposed by law on the press it will become either a nullity, like the consumers' councils set up under the nationalisation Acts, or an instrument of dictation which will destroy the freedom of the press as it now exists. If the council is a voluntary body, its effect will depend upon its own qualities and activities; it may become something between the Royal Academy and the Fine Arts Commission—which is not to condemn it. Certainly the experiment should be tried, as an experiment.

Henry Esmond

THE History of Henry Esmond, Esq., a Colonel in the Service of Her Majesty Q. Anne. Written by Himself. Smith, Elder and Co. By Wm. Thackeray, Esq.

The story not being excellent either as a work of art or a piece of history, it might deserve much approbation from the careful delineation of the real men or the fictitious personages the author has introduced. Marlborough's base treachery, Swift's brutal rudeness, Prince Eugene's fiery resentment of the insult to the Abbé de Savoie, Steele's extreme sottishness, Addison's seclusion, the polished Atterbury's cunning, are all represented in colours of a much deeper dye than they are painted by historians. The fictitious people, too, are distasteful to us. They are all represented as creatures of impulse without principle—at one time overflowing with tenderness, at others inflamed by jealousy, or tied to a stern, unyielding pride; their religion, a submission to priests—their virtues, those prescribed at courts. They have courage, but less gallantry or generosity than envy and jealousy. . . . Fielding's novels are censured for indelicacy, and it must be admitted that the period to which the book refers requires Mr Thackeray not to be over nice; but it was hardly necessary to surpass Fielding in indelicacy and almost to equal Smollett. . . . Mr Thackeray's book would have been pleasanter reading had his own proper style been continued throughout; and it is remarkable that most of the charming passages of the book—for it is irradiated by genius—are all written in Mr Thackeray's person and manner, not in those of Col. Esmond. . . . Neither as a history nor as a novel can we say it is worthy of commendation, save and except many admirable passages that ought not, as a history, to have been in it. To speak so disparagingly of a work of a great public favourite will probably be held as a proof of heresy in us rather than of defects in it. Our respect, however, for our own deliberate convictions and for Mr Thackeray himself, whom we are sorry to see seduced from more praiseworthy pursuits to concocting improbable fictions mixed up with facts, compel us to brave the risk of expressing an unpopular opinion. There are too many very poor books not to make us regret that a gentleman endowed with the very highest talents should add to the number.

The Economist

December 4, 1852

Letters to the Editor

LIVING WITH THE DOLLAR

The Meaning of Convertibility

Sir,—You criticise me for opposing "convertibility" in my speech at Burton on November 22nd on the two contradictory grounds that (a) I am going back on the policy of the Labour Government, and (b) that no one is proposing convertibility in the sense that I used it.

As to the Labour Government, at no time after 1947 did we contemplate convertibility as a means to force dollar-sterling equilibrium, which was what I was attacking. Both in and out of office I have repeatedly emphasised that we could consider convertibility only (a) when the gold reserves were several times their present level, (b) when—even without restrictions—there was a good prospect of a continuing balance in our dollar accounts. If the fulfilment of these conditions seemed remote to me, at least I am in good company. For you devoted a large amount of space in your issue of November 22nd to proving precisely this.

Convertibility is a word that can be used in many different senses. But I maintain that in present conditions it has little significance except as carrying with it non-discrimination. I have never met an American or Canadian who did not use the word in this sense. The rest of the Commonwealth also so interprets it.

This is not surprising. As far as I know, it is not suggested that free convertibility on capital account should be permitted. But most sterling earned on current account is in the narrower sense already convertible. This is true both of American and Canadian account sterling, and of sterling held by the rest of the sterling area; sterling held by the European countries is convertible into their own currencies and may be convertible through EPU, as far as we are concerned, into dollars.

We are left with sterling earned on current account by other countries. I presume it is not suggested that we should concede convertibility to the Iron Curtain group. As far as I can see, about all that remains is a few Latin American countries not already in the dollar area, with whom at present we have special monetary agreements. Quite apart from the merits, which are very doubtful, of granting convertibility to their earnings, I am afraid that if we use convertibility only in this sense we shall make ourselves ridiculous, and the Americans, Canadians and Commonwealth very angry. It is far better to come clean and admit that the real issue here is non-discrimination in trade relations—or control over dollar imports.

But was there really no reason to fear that convertibility in this sense would be considered? What, then, about the

rumour, to which you referred on page 470 of your issue of November 15th, about the attitude of the British Government? Do not many Canadians and Americans look on convertibility as a lever to force equilibrium? And why, if it is really not a live issue, did you devote so much space in the article "Is Discrimination Inevitable?"—far more than I could in a speech—to explaining, for the same reasons as I did, why it was not acceptable?

Finally, you refer somewhat mysteriously to "constructive proposals" on which my opinion would be valuable. What proposals? The British Government have certainly disclosed nothing. I have heard of nothing new from the other governments. Perhaps you meant your own proposals in "Living with the Dollar." I had not read these when I made my speech. But I have now read them, and I would say that I am broadly in agreement with the first five articles in which you seem to me to break from the pro-convertibility line to which *The Economist* was generally inclined in the past. The sixth article seems to me to fall into many of the errors against which the previous articles warned us. We are to have non-discrimination, internal disinflation for debtors—they are not to be allowed to have under 3 per cent unemployment—and there are to be no effective sanctions against creditors. If I had any doubts about the need to give warnings, they were dissipated when I read that last article, "Atlantic Payments Union."

As to constructive proposals, I made some in my Burton speech, and have done so on other occasions. I agree broadly with Mr Jay and with some of the suggestions in the other articles in "Living with the Dollar." I think we need a development plan for the sterling area and the machinery with which to carry it out. In particular, there should be far more central control of investment and dollar expenditure.

The Commonwealth Conference should try to reach agreement on these points. Failing this, I am doubtful if the sterling-dollar pool can continue in its present form, and some very drastic change, which puts more responsibility on each country for its dollar position, might have to be considered.

The conference should also work out proposals for discussion with the Americans. As far as I am concerned these would exclude convertibility and non-discrimination. Our aim should be in the first place to persuade the United States to play its part in helping to produce what you call a state of "discriminating dollar balance."—Yours faithfully,

HUGH GAITSKELL
House of Commons

Investment

Sir,—In the course of your illuminating survey you suggest that, while industrial investment in the dominions should be reduced, Britain's share in the programme "should be to take stern measures to divert resources from consumer goods industries to capital goods industries." May one take it, therefore, that when you rightly object, as you did in a leading article the week before, to trying "to freeze the existing labour force in the consumer goods industries, by off-setting at home the markets lost abroad," you have in mind the need for fiscal measures aimed directly at consumption (including, for example, the maintenance of purchase tax in the face of hostile agitation)? Obviously a general deflation brought about by restriction of investment is not a means of promoting investment. May one infer that you do not now favour dear money, except as a short-term device in an emergency, and that as labour becomes available from, and is forced out of, the consumer goods industries, it is the expansion of the capital goods industries which is called for rather than the discouragement which dear money, if it is effective, must impose?—Yours faithfully,

R. F. KAHN

King's College, Cambridge

Australian Case

Sir,—Your dollar survey says: "The delegates at the Commonwealth Conference should be squarely confronted by the fact that Britain's share of ERP dollars has been absent-mindedly poured down the drain of Australia's high cost industrial boom."

Now, in fact, in the four years ended June 30, 1952, Australia drew only net \$27 million annually from the central dollar pool, an amount less than 5 per cent of the American aid and apparently considerably less than Australia's annual drawings prewar. Moreover, in this period Australia accumulated £100 million in sterling balances. Only in the rather peculiar sense that Australia has made use of part of the capital flow the United Kingdom has seen fit to permit has the statement any shadow of resemblance to fact. If this is the sense intended, it is a rather new concept of sterling balances that not only are they never to be drawn down but also they are to grow to the full extent of any capital outflow from the United Kingdom.

Of course, it is possible to claim that Australia, along with the United States and Canada, should have been willing to provide greater assistance to the United Kingdom. But to state the case in such terms places it in a rather different light.—Yours faithfully,

R. L. GRAY

London, W.2

The Supply of Dollars

Sir,—Your analysis takes a quite pessimistic view of the feasibility of a liberal and expansionist type solution to the problem of closing the dollar gap. This view is apparently based on what seems to be a canted analysis of the ability of the rest of the world to earn enough dollars in the foreseeable future from "normal" United States expenditures overseas to purchase anything like the level of American goods and services presently consumed outside the United States. You seem to lean quite heavily on the proposition that the volume of American imports has not shown a tendency to expand greatly in the past, and that it is not likely to do so in the future, regardless of world trade and payments policies.

Perhaps your conclusions would have been different if you had taken adequate account of the following apparently slighted facts.

(1) In considering past tendencies for "normal" American expenditures to expand so as to enable the increased purchase by foreigners of American goods, you should examine past changes in the real value of the annual flow of non-governmental expenditures out of the United States. If the average of 1937 and 1938 is taken as a base, we find that an index of the real value of private American expenditures overseas (the sum of expenditures for goods and services, private unilateral transfers and net American private long-term capital movements) is 152 for 1947, 159 for 1949, 204 for 1950, and that it has levelled off since then. Thus your figure of a 30 per cent increase in American imports since prewar is certainly misleading in appraising the change in the world's annual supply of dollars from "normal" or private American expenditures.

(2) One reason, of course, why the volume of American imports has not risen more is simply that the terms of trade for the United States have deteriorated greatly since prewar, much more than is the case for Europe. Imports are relatively much more expensive for Americans than they were. As a result, a given volume of American imports in 1951 enabled the rest of the world to purchase roughly 50 per cent more (by volume) of American exports with their receipts than they could have purchased, on the average, in the period 1936-1938. The dollar gap problem has clearly been reduced and the rest of the world has gained greatly from this change. This fact appears casually in one of your graphs, but is nowhere mentioned in the text, which is generally singularly free of mention of the role of relative price factors in the problem under discussion.

(3) Another important item in the post-war dollar accounts which is frequently neglected in analyses of what to do about the dollar gap is the very large (though difficult to measure and analyse) flow of short-term capital into the United States. This flow has, of course, very important political causes, but its fluctuating behaviour suggests that it may not be

entirely unrelated to postwar trade and payments policies in the non-dollar world, however necessary the latter might have been.

(4) Finally, in considering directly the important American import item in the dollar balance of payments, there is good reason to dispute strongly your implication that the potential responsiveness of the volume (and total dollar value) of American imports to price changes is very low. The behaviour of world trade after the 1949 devaluations and before the impact of the Korean war was felt suggests large opportunities, for example, for European goods and services to displace American goods and services in both American and third markets. The most recent and thorough analysis, published by the Federal Reserve Bank of New York, "The Pattern of United States Import Trade since 1923," certainly tends to contradict your pessimistic judgment about American ability to absorb more imports if foreign goods are made more competitive.—Yours faithfully,

JOEL BERNSTEIN

Paris

Timing of a Clearing Union

Sir,—Various designs of clearing union are very much the fashion nowadays, and your model is as well tailored as any. But does it meet the occasion? Your proposal envisages a movement in two stages. First, by various measures, the non-dollar world may hope to achieve what you call a discriminatory dollar balance. Then the discriminatory import restrictions which buttress this position are to be eradicated by the introduction of an Atlantic clearing union.

This plan surely confuses two problems. On the one hand there is the problem of persistent disequilibrium between the dollar and non-dollar parts of the world. On the other there is the necessity of devising some method of mitigating fluctuations in the world supply of any major currency which may occur from year to year. In view of the predominance of the American economy and the sensitivity of its imports to small changes in its level of activity, the latter is likely as often as not to take the form of a dollar problem. But it is one which will remain even when we have lived down a persistent shortage of dollars, and is therefore distinct from it. Now your plan suggests certain measures to solve part of the first problem, namely that part of it which exists even when discriminatory import restrictions are at work, and assigns to the Atlantic clearing union the task of solving both the remainder of the first problem, namely the further persistent dollar shortage which would arise if discrimination were abandoned, and the second problem, namely that of mitigating fluctuations in the supply of dollars about an adequate average.

But it is only the second problem that a clearing union can be called upon to tackle. Certainly the various proposals canvassed before the International Monetary Fund was set up had only this in mind. If a clearing union is established before all elements of persistent disequilibrium have been eliminated, it can do no more than postpone the date at which the ultimate creditor will tire of accumulating foreign currencies. Of course, such an organisation can be given teeth to compel debtors to mend their ways. But if it is to be set up and the teeth allowed to bite at some stage before all elements of persistent disequilibrium have been removed (i.e., when the world has reached a discriminatory but not a non-discriminatory balance), what reason is there why it should not be brought into operation now and allowed to grind away not only the unbalance which would accompany the removal of discrimination, but also that which exists in spite of its presence?

Whatever may be the merits of your plan for an Atlantic clearing union in the presence of the problems proper to it, your proposal surely envisages its introduction at a premature stage. Rather there are three stages in which the solution of the dollar problem should be considered. First there is the stage in which measures (such as you suggest) must be taken to eliminate the deficit which defies even our existing discriminatory import restrictions. In the second stage these measures must be intensified and supplemented in order to make possible a gradual lifting of discrimination. It is only when both of these stages have been successfully passed that it is time to move towards the establishment of an Atlantic clearing union.—Yours faithfully,

J. R. SARGENT

Worcester College,
Oxford

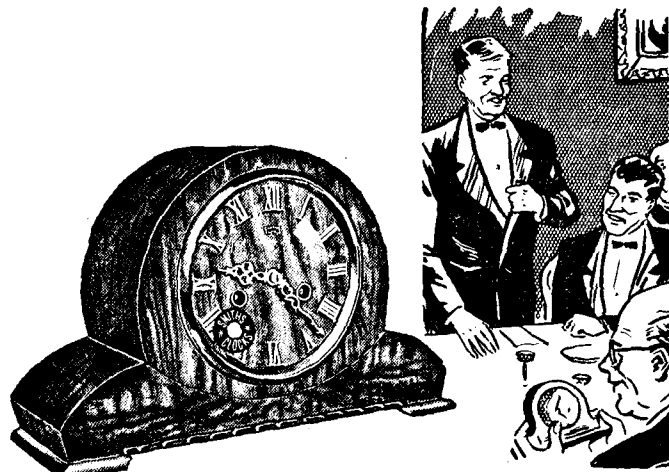
Benelux

Sir,—In your article on "Lessons for Economic Federation," of November 15th, you mentioned the achievements of Benelux and pointed out that to the "observers on the sidelines" they may seem slight. Noticing that this is a fairly general impression here, I wonder if it is sufficiently realised that there is practically complete free trade within the Benelux area. The few agricultural products for which import restrictions are sometimes applied add up to less than 10 per cent of the total trade between the partners. In doing away with quantitative restrictions to the extent of more than 90 per cent of the trade and abandoning all import duties, the Benelux countries have, in the short period since the end of the war, achieved amongst themselves greater freedom of trade than exists even between the areas of the British Commonwealth.—Yours faithfully,

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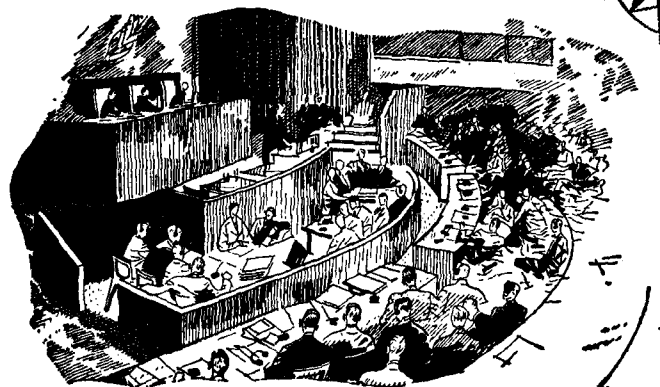
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Books and Publications

Economics of Little England

The British Economy, 1945-1950. Edited by G. D. N. Worswick and P. H. Ady. Oxford University Press. 621 pages. 30s.

These essays by a group of Oxford economists, mostly from the younger generation, have to be judged by high standards. No doubt the first five years after the second German war will seem less uniquely interesting in retrospect than they were in experience. But they will certainly remain significant enough to get unusual attention from economists and from policy-makers of other kinds. An assessment that is at once contemporary and considered, as should by now be possible, can therefore claim permanent importance. And Oxford is surely the right place to produce it. The discipline that combines philosophy and politics with its economics may have defects as a training in the modern specialisations of mathematical economic theory, but its virtues should be demonstrated in essays on government policy.

If it is read with these considerations in mind, the present book is greatly disappointing. Its primary defect is in structure. Little more than a sixth of its space is given to Britain in the world. At an early stage, there is a brief essay by Mr P. D. Henderson on "Britain's International Position"; it is competent but slight. Apart from this, foreign trade and payments are reserved until the last four essays. The general one is named, significantly, "The International Aspect." The approach is that of the theorist and the elementary textbooks: this is how a self-contained economy would work; now let us introduce the complication of foreign trade. Whatever its merits for the class-room and the senior common room, this is an odd way of assessing five years predominantly concerned with how Britain was to pay its way in the postwar world. The author of the essay on the external problem is Mr Balogh, and his firmest admirer would hardly claim that it is a complete and balanced survey of the period and its ideas. It has, however, only three specialised supports—two by Mr J. R. Sargent and one by Miss Ady—treating Britain's relations with Europe, with the sterling area and with overseas development generally. All are workmanlike, but they cannot in a short space make up for the unbalance in the book's structure.

The majority of the essays, concerned with various aspects of domestic policy (in which exports have, of course, an occasional mention), are highly uneven in achievement. Among 25 essays by 19 authors this is largely inevitable, but they do not need to be so conflicting in method. The contributors vary considerably in the amount of knowledge assumed for their readers; and many seem to be uncertain whether they are writing a factual history, an analysis of events, or a critique of policies. The resulting unsureness of touch is magnified by a general dullness of style. There are conspicuous exceptions, but several

of the essayists tend to write sentences like the following:

A redistribution of disposable income from private individuals to the Government will increase the overall average propensity to spend, since the marginal propensity to spend of a government which keeps a balanced budget is unity.

Among themselves, economic theorists may be left to enjoy this pompous use of jargon, which gives a truism some cloak of profundity; but they have to stand more nakedly if they want to be read on political economy.

Among the essays that are free from these criticisms are those by Mr Chester, on the machinery of government and planning, and by Mr Kennedy, on monetary policy. Significantly, they are alike in treating their subjects historically. Too many of the other essays treat the sequence of postwar events as the means of showing where the economy was by 1950, and thereby do violence to a period that was in fact cut sharply in two by the events of 1947. This is particularly the fault of Mr Worswick's introductory essay. Until the fuel crisis, economic policy was dictated by the belief that a natural process of recovery and rehabilitation was at work; the main argument was whether to open most of the sluices and let the tide float the economy off, or to keep most of the sluices closed, in order that the economy might be pushed in particular directions. But in 1947 there came the sudden realisation that perhaps the tide was running out, not in. This change of spirit gets little reflection except in the essays by Mr Chester and Mr Kennedy, and much of the book therefore seems strangely remote. Exchange policy and devaluation, import controls, the level of social service expenditure, wage policy—these and much else of the stuff of the postwar years are inadequately treated. It may be said in the authors' defence that they have merely chosen too ambitious a title; it should have been "Some Essays on the British Economy, 1945-50." But in that case there is another book for Oxford to produce belatedly.

Russia's Ancien Régime

The Decline of Imperial Russia. By Hugh Seton-Watson. Methuen. 406 pages. 32s. 6d.

In writing of an *ancien régime*, historians are often tempted to discuss how its downfall could have been avoided. For decades writers pondered on how the Bourbons could have been saved. For some years now it has been the turn of the Romanovs. In his readable survey of the last sixty years of the Tsarist Empire, Professor Hugh Seton-Watson is greatly concerned with whether its downfall could have been averted. Indeed, the last part of his book is entitled "Lost Chances," and he turns

to the question again in the epilogue, with an indictment of the Tsar as the gravedigger of Russia.

This sustained interest is somewhat curious since the preceding narrative has already answered the question in the negative. The October Revolution was—it might be said—almost a delayed operation, since Russia was pregnant with revolution for about a century, and this was particularly noticeable in the period under review—the period, that is, following the Crimean War and the death of Nicholas I. Indeed, Mr Seton-Watson rightly devotes a large part of his book to the description of the successive revolutionary movements. An answer to a second question—why Russia could not find a middle-class alternative to autocracy—is also implicit in the economic chapters of the book. Russian industry was developing fast towards the turn of the century, but it was growing in hot-house conditions, dependent on tariffs and state-guaranteed foreign loans. The Tsar's granted concessions only under pressure. The Russian bourgeoisie was too weak to transform autocratic rule into a constitutional monarchy. Industrial development was, however, sufficient to create a large and concentrated working class, which, led by a disciplined party and supported by land hungry peasants, dealt a death blow to the Tsars.

Mr Seton-Watson gives some additional causes of their downfall. As an expert on national problems, he devotes many interesting and well-documented pages to that disruptive centrifugal force—nationalism. As an acute observer of the Balkan scene, he comes to the conclusion that a Russo-Austrian conflict was inevitable and war only was needed to precipitate the collapse of the *ancien régime*. Why, then, does he come back to the ifs and might-have-beens of history? Towards the end, particularly in the epilogue, one gets the impression that the propagandist sometimes gets the upper hand over the historian who has marshalled the facts so scrupulously. Thus, in his description of the Bolshevik-Menshevik controversy, Mr Seton-Watson gives a rather one-sided picture, leading one almost to believe that the spring of Lenin's policy was a thirst for personal power. In the brief parallel between Tsardom and Stalinism, too, the balance seems somewhat tilted against the latter, whose economic and social achievements are minimised.

It should, however, be emphasised that for most of the book Mr Seton-Watson lets the facts speak for themselves, and the amount of material he has collected, compiled and consulted may be gauged by the impressive bibliography (with, however, the curious omission of Pokrovsky, once the most prominent Soviet historian, now banned in Russia). In this interesting and valuable book he uses all along rich sources made available by his non-Russian predecessors and the Russians themselves. It is only occasionally that the historian of the late Romanovs lets himself be carried away by his dislike of their successors.

Academic Dinosaurs

The Development of Economic Thought. Edited by Henry W. Spiegel. Chapman and Hall. 811 pages. 52s.

Comparative Economic Systems. By T. Surányi-Unger. McGraw Hill. 628 pages. 47s.

One unsolved mystery of the intellectual world—Unesco might take a look at it—is the propensity of American academics to write, even on a quite elementary level, at a length three or four times as great as scholars of any other nationality seem to find necessary. They have not, it is true, endured the same discipline by paper shortage; it is also true that the American undergraduate is on an average younger both actually and mentally than his British or European counterpart and therefore—but does it inevitably follow?—happier with a comprehensive textbook which spares him the effort of parallel reading.

Even so, the sheer tonnage of American textbooks remains an unexplained phenomenon. Of the two latest examples "The Development of Economic Thought" has the better excuse for encyclopaedic format; it is an ingenious and indeed sometimes entertaining compilation of the views of economists on economists, ranging from Aristotle on Plato through Cairnes on Bastiat to Professor Samuelson on Keynes. Its subtitle—"Great Economists in Perspective"—is, however, decidedly misleading. The chosen commentators are far too often far too close to their subject—it is no doubt interesting to know Adam Smith's views on the Physiocrats, or for

that matter Marx's, but a twentieth-century appraisal would be much more to the point. The three papers on Malthus were all delivered at a centenary celebration, hardly the occasion for purely objective judgments. The assessments of Bentham by Mill and of the Webbs by Professor Tawney are hardly concerned with economics at all. And the need to match economists in pairs leads to the exclusion of the greatest and most acute of all historians of classical economic thought, Edwin Cannan. Professor Kenneth Boulding, in his introduction, compares "The Development of Economic Thought" to a stimulating collection of *hors d'œuvres*. If, however, stimulus rather than sheer bulk of nutriment, perspective rather than minutiae, are wanted, the student would do much better to re-read Keynes's "End of Laissez-Faire," at about one-twentieth the length of Professor Spiegel's compilation.

"Comparative Economic Systems" explains "the relationships among economic systems based on various interpretations of individual freedom and collective guidance." As a European intellectual from what is now an Iron Curtain country, Professor Surányi-Unger has the advantage of a wide-angled view of these systems and their underlying historical and social roots. He also has great erudition, public spirit, intellectual power and balanced judgment. But the reader must dig for evidence of these through a welter of sententiousness, prolixity, laboured analysis of the obvious, and sheer impenetrable obscurity. Boiled down to a third or so of its present length and rewritten in English (Queen's or President's) this book would be useful to students and salutary as a contribution to objective public judgment. As it stands, it is practically everything that a textbook should not be.

The Centre of the Web

Specially Employed: The Story of British Aid to French Patriots of the Resistance. By Maurice Buckmaster. Batchworth. 200 pages. 12s. 6d.

Stories of British parachutists, who went to France during the war to organise sabotage and the Maquis, continue to appear. People have seen films, heard talks, and read books about Odette, The White Rabbit, Madeleine and half a dozen others; but none of these individual narrators was able to give the whole truth about the organisation and organisers behind their secret training and clandestine activities. Maurice Buckmaster is the ideal person to give this, for he was in charge of the "French Section" from 1941 until the end of the war. From the centre of his web in London he could direct and observe all the activities of British sabotage agents in France. His must have been one of the most fascinating administrative jobs of the war. He was in close contact with men and women sent out to France on dangerous and secret work—work that demanded the attention of people high up in all three Services, of responsible politicians, and involved the chief of the section in decisions bearing upon high

strategy. The story of this job is told by Maurice Buckmaster in "Specially Employed," and he has accomplished the remarkable feat of making the telling of it into a dull book.

The first half of the book deals with the administrative organisation of the section and is larded with anecdotes and a few facts told here for the first time. The second half consists of the stories of the fantastic activities of selected agents. The genuine affection and admiration felt by the author for these people is expressed with attractive simplicity as he tells their stories, and obviously explains much of his success as head of the French Section, but his narrative style oscillates between the flat and the perky. This accounts, perhaps, for his remarkable failure to give roundness or humanity to the various characters he describes.

There are, no doubt, people who collect and read Resistance stories and these people will naturally welcome, and read with pleasure, this account by the controller of so many secret agents. Their fund of anecdotes and stories will be greatly increased by the reading of this book, but even they will doubtless regret that the spider at the centre of such a fascinating web should have spun so disappointing a yarn.

Another China

Flowering Exile: An Autobiographical Excursion. By Dymia Hsiung. Peter Davies. 288 pages. 15s.

At a time when educated Chinese are being more and more cut off from contact with the West, it is refreshing to read the autobiography of a Chinese woman who, while remaining a patriot, has become truly a citizen of the world. Dymia Hsiung is the wife of the writer, equally at home in the Chinese and English languages, whose rendering of an old Chinese play under the title of *Lady Precious Stream* was such an outstanding theatrical success in London before the war. He brought his wife and three children to England in 1937, and this book is the story, told with great sensibility and humour, of the life of a Chinese family in a European environment from the point of view of a woman responsible for making a home for a literary husband, a daughter and two sons—with an additional daughter born in England.

Mr Hsiung himself appears in these pages under the name of Lo Ken, and "Uncle Sung," the friend of the family, who dies of tuberculosis in an Oxford hospital at the end of the book, was Tsui Chi, whose excellent "Short History of Chinese Civilisation" was published by Gollancz some years ago. There are no politics in Mrs Hsiung's book, apart from incidental conversations, yet one is always aware of the background to this intensely personal history—Japanese invasion and civil war in China, the spiritual stresses of an uprooted generation in a period of profound social change, the conflict between the life of "flowering exile" and loyalties pulling the family back to China. It is a book of rare and unusual quality and a significant document of a world overlapping between East and West.

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This book provides an account of the recent development, the present organization, and problems of banking in the countries that are, or have until recently been, included in the Commonwealth. Though intended primarily for university students it is not couched in highly academic terms, and it should be of interest to bankers and others interested in the comparative study of financial institutions. The book may be considered a companion volume to Professor Sayers' *Modern Banking* (17s. 6d. net).

Contributors: PAUL BAREAU, A. C. L. DAY, G. S. DORRANCE, G. A. DUNCAN, H. A. de S. GUNASEKERA, W. T. NEWLYN, C. G. F. SIMKIN, J. S. G. WILSON.

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AMERICAN SURVEY

Economic Horizon

Washington, D.C.

WHEN, during the weekend before the election, General Eisenhower gave a "brief summary of the pledges I have made," he included the "pledge that the full resources of our new Administration will be thrown into the battle against inflation," but he did not repeat the complementary one, made earlier, that "the full power of the government" would be "instantly marshalled" if there were "any sign on the horizon of a recession or an economic collapse." All through the campaign, indeed, the Republicans were talking about high prices and the perils of inflation while the Democrats were talking about Mr Hoover and the horrors of depression. The result suggests that there are no longer enough people who remember 1932 to make a Democratic majority and that today the shrinking dollar is a more potent bogey than shrinking employment.

In spite of all this there is nothing to indicate that inflation will be the most immediate problem that faces the new Administration at the end of January, when it takes office. By then the economic tide should be ready to turn, if it has not already started to ebb. Both wholesale and retail prices have been going down since the middle of August and the gross national product has almost stopped its regular quarterly rise. It is true that the steel strike affected the gross national product and that food prices have been entirely responsible for the slight drop in the cost of living so far. But, while the retail prices of items other than food have continued to rise slightly, wholesale prices have been going down for some time. Even before the Republicans are well in the saddle the dollar will, unless there is some unforeseen international crisis, have stopped shrinking. This, by itself, would be a healthy development if unfortunately there were not also signs that the level of industrial activity may begin to fall in the spring.

In terms of the American economy alone—though not of the economies of those countries trying to earn dollars—there should be no serious recession as long as government expenditure continues at anything like its present pace. At the moment, it seems to be fairly steady at a rate of about \$78 billion a year, of which just under \$50 billion is for defence. As there were \$58 billion worth of orders placed but not delivered at the end of September and \$30 billion of funds appropriated but not committed, no cut in the defence budget this year could have any immediate effect on the economy, except perhaps psychologically. But a slight recession, of the type experienced in 1949, is possible, and

even probable, by the late spring without any cut in government expenditure. And it would have come whichever party had won the election.

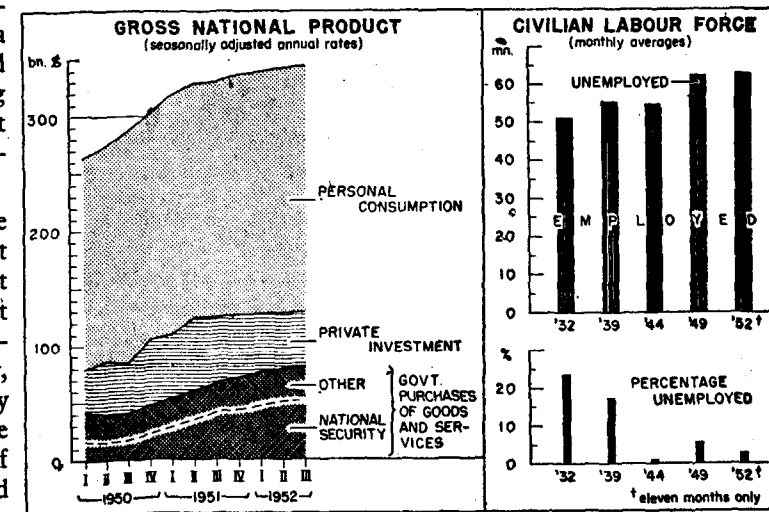
Its cause will be a progressive reduction in private capital investment as the programme for increasing armament capacity begins to taper off. Neither public spending nor non-armament investment will expand to take up the slack and it is very doubtful whether private consumption expenditure will be able, or inclined, to do it. Private investment at the moment is at an annual rate of about \$50 billion, or 15 per cent of the gross national product, and is, therefore, equal to government expenditure for defence. According to some estimates, it may be running at a rate \$8 to \$10 billion lower by the summer and there may be between 4 and 5 million unemployed by that time.

In every armament programme the inflationary effects of actual defence expenditure are increased and preceded by investment in productive facilities. In the United States at the moment a guide to the progress of this investment is provided by the issue of tax amortisation certificates, which allow firms building new facilities for defence purposes to write them off at an

especially fast rate; during the last three months there has been a drop in the number of these certificates issued. Normally this fall in capital investment in armament production would be counteracted by the taking up of postponed investment for non-armament purposes, but this is unlikely at the present time. It is not only in consumption that the United States has been having guns and butter but in investment as well.

This fall in investment, even if it is as much as \$10 billion will not be as large as that in government spending at the end of the rearmament programme. Even if there is no settlement of the international situation and the level of military expenditure never again approaches the pre-Korean \$18 billion, it is reasonable to expect that it will get down to somewhere near \$30 billion when the standing forces of the West have been re-equipped and have only to be maintained. A couple of weeks ago Mr Walter Williams, who has just been designated as Under-Secretary of Commerce by General Eisenhower, suggested that "greatly expanded sales of con-

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sumer and durable goods," encouraged by "good old American salesmanship" would have to "sustain the expanded civilian market" when armament expenditure is reduced. There are those who doubt whether this will even be able to compensate for the much smaller reduction in private capital expenditure next summer.

The problem is, as Mr Williams admitted, likely to be a psychological one. Mr Hoover may be perfectly right in pointing out that unemployment never dropped much below 10 million after Mr Roosevelt took office until the war came to the rescue, but that is not the way the story of the New Deal years is told, now that folklore has taken over. And, as is so often the case, folklore contains truths deeper than do the mere facts. The Democrats have a reputation for doing something affirmative when faced with a recession; the Republicans have a reputation for counselling patience and letting nature take its course. Even if Mr Hoover's contention that the measures that Mr Roosevelt took in 1933 delayed, rather than accelerated, economic recovery is admitted, there is still no doubt that they helped the recovery of morale. If there is any large increase in the number of unemployed over the next year, therefore, it is questionable whether it will be enough for a Republican Administration to put its trust in "good old American salesmanship." Something more positive will be needed.

There is indeed nothing to suggest that the public has been starved of either consumer or durable goods in the last two years. There was a great deal of over-stocking during the buying-spree in the autumn of 1950 by people who remembered the shortages of the war years but, although retail sales dropped off sharply in the spring of 1951, they

have maintained a consistent level ever since—and one somewhat above the level of the four previous years. Retail inventories, on the other hand, have remained perceptibly higher in proportion to sales than they normally are. The first "sign on the horizon" of the arrival of a small recession, or of an increase in unemployment, would probably produce an outbreak of clearance sales in all the large shops. Whether they would be successful in attracting customers or whether the public would prefer, at such a moment, to save against a possible slump is the question that cannot be answered at present.

Its answer will depend on the "psychological factor," mentioned by Mr Walter Williams. It will depend on how much public confidence there is, by that time, in either the will or the ability of a Republican Administration and a Republican Congress to do something to stop the recession developing into a slump. General Eisenhower has given a clear promise that something will be done and there are plenty of Republicans who realise only too well what effect another depression—or even something that could be made to look like a depression by Democratic candidates—would have on the future of their party. But it is still probably true to say that the majority of the party is by instinct and training reluctant to use the machinery of government and that the kind of measures that are popularly credited with reversing the trend in 1949 would not be used as quickly as they were then by the Truman Administration. And measures used grudgingly and too late might never catch up with the recession.

Segregation in the Schools

[FROM A CORRESPONDENT IN VIRGINIA]

It is not a coincidence that the Supreme Court put off its hearings of five cases challenging Negro segregation in the publicly-supported schools until the quadrennial emotional orgy of choosing a President should be over. This is the most emotion-charged of all racial issues. The Justices' decision to postpone discussion of it must have been welcome to the writers of the party platforms, who had trouble enough in finding satisfactory formulas to cover the related, but secondary, questions of anti-lynch law, equality in employment, and the poll tax, which restricts voting in a few southern states.

The cases to be heard next week originate in widely separated areas, South Carolina, Virginia, the District of Columbia, Delaware, and—historic anomaly—Kansas. They pose, to an unusual degree, the problem of finding enforceable law for a federal society. The local autonomy of American schools is guarded with a fierceness which no threat to their local powers arouses. More often than not, the school buildings are owned by the locality, not even by the state government. In most cases grants in aid have been acceptable only for special purposes.

The southern states' opposition to federal aid to education has been based in large part on fear that to accept it would mean, sooner or later, giving in to federal demands for an end to segregation of Negro children. But the South, like other regions, also opposes national control of what is taught in the schools. So the Court is on delicate ground, and President Jackson's warning to Chief Justice Marshall, "Mr Marshall has made his decision, now let him enforce it," undoubtedly rings loud in judicial ears.

Seventeen states and the District of Columbia maintain school systems which are segregated throughout. A very considerable number of other states north and west of the Mason-Dixon line contain districts in which there is local segregation at the elementary level—the present Kansas case concerns one of them. This segregation is required by law. In the remaining states whose school systems theoretically take no account of colour differences, there is, in fact, often segregation in practice because of the crowding of Negroes into black ghettos—something which seems a secondary matter to Southerners whose ancestors had slave quarters built near their mansions as a matter of convenience. As a result, children living in overcrowded Negro areas of New York, Chicago and other big cities fill the nearby schools to the exclusion, or near-exclusion, of others.

Segregated or unsegregated, the expansion of Negro education in the present century is amazing. In 1870, fewer than two Negroes in ten were literate at all; by 1900, more than half could read. Today, nearly 95 per cent are literate. In 1900, just over half the Negro children went to school; today, 90 per cent attend. Enrolment in Negro institutions of college level was 2,624 at the turn of the century; it was 74,526 in 1950-51. This was almost three times as rapid an increase as that for all colleges.

★

The legal basis for the expansion of Negro rights has been the Fourteenth Amendment which was passed after the Civil War and provides

No state shall . . . deprive any person of life, liberty or property without due process of law, nor deny to any person within its jurisdiction the equal protection of the laws.

The constitutions adopted by the southern states after the war also provided, for the first time, for the establishment of publicly supported schools. (The New England tradition of the common school, which spread west across the northern half of the country, had no prewar southern counterpart. In the plantation society, education of the privileged was entrusted, as a rule, to Scottish and English tutors, to whose memoirs is owed much information about eighteenth and nineteenth century southern life.) Moreover, in the post-Civil War years northern money established a number of the Negro institutions in the South which are today first-rate sources of higher education.

But progress was subject to various checks. By the latter part of the nineteenth century, the "equal protection of the laws" theoretically guaranteed by the Fourteenth Amendment began to be modified by judicial interpretation. A new doctrine emerged; that Negroes might be segregated in schools, trains, and so forth, provided that the facilities for them were the equal of those for whites, the so-called "separate but equal" doctrine. The separateness was enforced, in a state like Kentucky, by the passage of the Day law in 1904 which forbade interracial student enrolment at Berea College, which had taken students of both races since before the Civil War. The provision of equally good facilities for Negroes was not taken seriously. This was also the period of many new state constitutions, and included in them were such restrictive measures as the poll tax, which limited Negro voting and hence the effectiveness of political action as a remedy.

Furthermore, during the early years of the twentieth century, the schools of the South, whether for Negroes or whites, were stunted by the grinding poverty of the area. This not only limited the available funds, but also made hard-pressed white farmers, dependent on one-crop agriculture and some-

what dubious of education even for their own children, reluctant to see their taxes used to benefit Negro children. As one Southerner puts it: "The less we have, the worse we divide it."

The really rapid change has come in the past twenty years, during which the South has been transformed from what President Roosevelt called the "Number One Economic Problem" to the country's fastest growing region. There has been more money, and better division of it. And as Negroes increased their earning power, their pressure to qualify for skilled and professional jobs, and for the community to recognise their capacities, has mounted very rapidly. The National Association for the Advancement of Coloured People has provided militant leadership.

The present effort to do away with segregation in the elementary schools follows success in securing Negro admission to the graduate and professional schools of the southern states, which was ordered in a series of individual cases appealed to the Supreme Court. The graduate level was tried first for several reasons: provision of equal but separate instruction, within time to give relief to the plaintiffs, was next to impossible, and in any case staggeringly costly; and the small number of potential applicants for such training would allow for adaptation on both sides with a minimum of friction. More than a thousand Negro students are now attending the higher educational institutions of the South, on an unsegregated basis. Their arrival went well in Arkansas, less well in North Carolina. But the change has taken place quietly.

Negroes now seek the end of segregation at all educational levels. This pressure, together with court decisions stressing that the "separate but equal" doctrine will stand up only

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if Negro schools really are the equal of white schools, has caused impressive building funds to be devoted to Negro education throughout the South. The result is that in many areas the more recently erected Negro schools compare more than favorably with the older white schools. But the critics of segregation hold that the social stigma attached to separate schools means that even the best facilities cannot provide equal opportunity or enable Negroes to compete on an equal basis with whites in the colleges and universities.

This view is contested not only by some white but also by some Negro groups. Their arguments are two. One is similar to the argument for separate colleges for women; in a mixed school the top jobs in the extracurricular activities which mean much in American student life—self government, theatricals, the student newspaper, and so on—are unlikely to go to Negroes. Negro teachers and school administrators would also find it harder to get appointments. The other argument is that white resistance to mixed schools at elementary and secondary levels may jeopardise the gains recently made in the South.

In South Carolina, one of the states directly involved in the present cases, the legislature has passed a law which would permit the state to lease its schools to private groups; and in the November balloting, the provision of the constitution which requires the state to maintain a system of public schools was removed by state-wide referendum. South Carolina, at least, will be in a position to defy the Court if the decision, which it is expected will take some months to reach, goes against segregation.

American Notes

Full up in the Cabinet

If General Eisenhower wished to assert his independence of Senator Taft, or test his relative strength in the Republican party, by picking a quarrel with him, then the Secretaryship of Labour was perhaps a good bone over which to do it. Mr Taft's condemnation will strengthen the trade unions' predisposition in favour of the new Secretary, Mr Martin Durkin, a Roman Catholic who was president of the American Federation of Labour's plumbers' union. But since his first government job will be to stem the Congressional flood of anti-labour amendments to the Taft-Hartley Act, it is important that the new Secretary should have co-operation in the Senate. So far neither Mr Taft's colleagues nor the press have echoed the Senator's criticism, but it is bound to make Mr Durkin's task more difficult. If it was impossible to find a suitable Republican trade unionist, General Eisenhower might have done better to go outside the movement altogether. There is also justice in Mr Taft's contention that, if the General were going to honour a Democrat, he might at least have rewarded one of those who voted for him rather than one who worked actively for his opponent. But this would not have brought the genuinely bipartisan element which he evidently wanted in his Cabinet.

All the places in this have now been filled, with a southern Republican the only conspicuous absentee among the various groups of supporters who might have expected a place either there or somewhere equally close to the General. He is now rewarding individuals by putting them on his personal staff, among them Mr Emmett Hughes, who is supposed to have had the bright idea of the Korean visit. One group that seems to be over-represented is the automobile industry, which has provided three Cabinet members from its various branches. It is well known that this industry gave the General substantial financial assistance both before and after his nomination. Mr Winthrop Aldrich, the new Ambassador to Britain, and Mr Sinclair Weeks, the Secretary of Commerce,

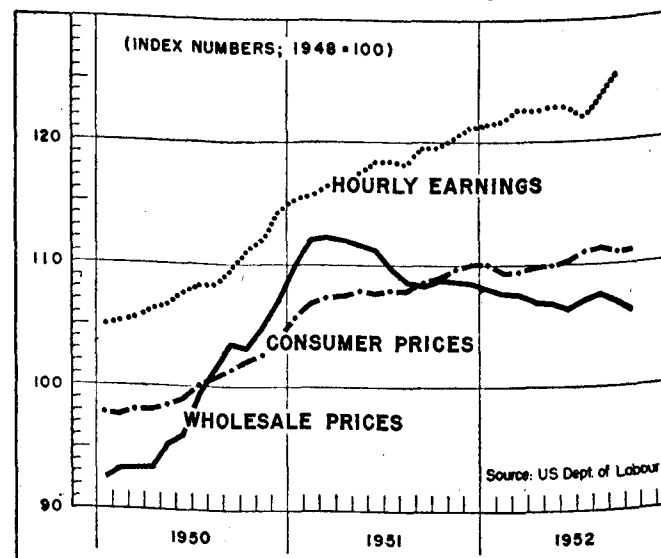
also helped the General in this way, by collecting money as well as by giving it. But the extent to which such men were prepared to back their faith in the General with cash is, after all, also a measure of their sympathy for his aims. Mr Aldrich is an outstanding example of this and his experience of international economic affairs makes him a particularly suitable Ambassador for Britain at present. This is certainly a Cabinet of businessmen, which may be another reason why General Eisenhower introduced such a solid lump of labour leaven as Mr Durkin.

By the appointment of the able and experienced Mr Henry Cabot Lodge, the grandson of the man who turned America's back on the League of Nations, to be American representative at the United Nations, General Eisenhower has given striking proof of his belief in international organisation and his desire to strengthen it at a crucial time. New England's place in the Cabinet, which had been expected to go to Mr Lodge, is given instead to Mr Weeks. It is a little ominous to find the man who will be responsible for foreign trade policy saying that he is "for adequate tariffs in the case of industries that are important in the national economy and cannot compete without tariff protection"; he comes from an area full of declining industries that will apply this argument to themselves.

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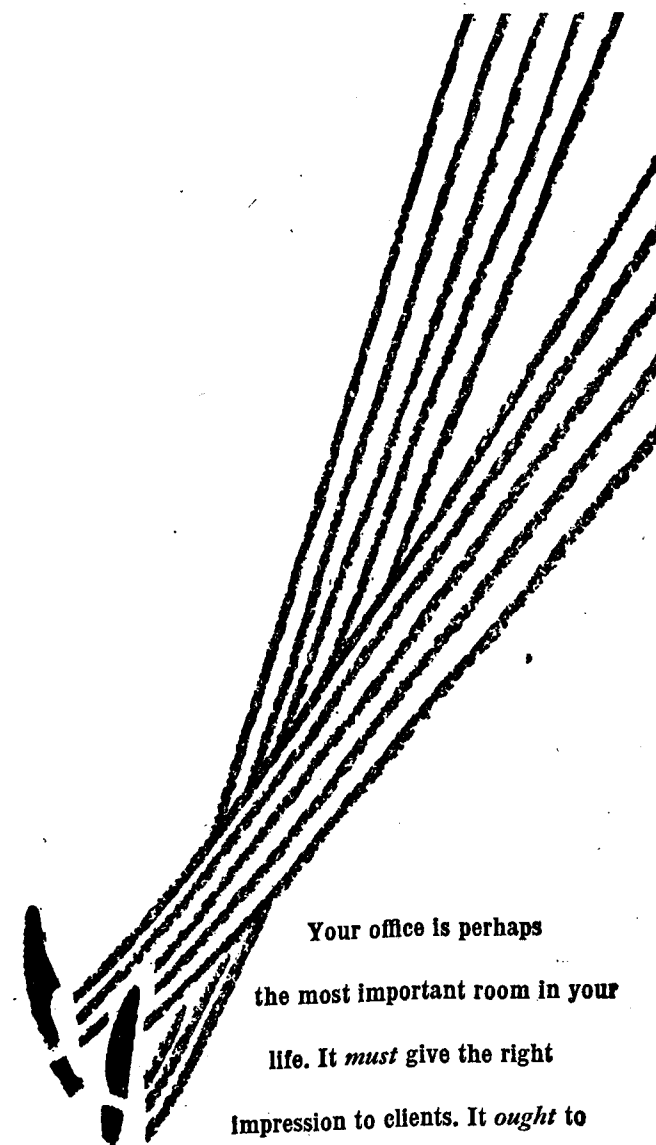
Wilting Controls

The election of General Eisenhower left wage and price controls with little future, for in his campaign the General made it clear that he was opposed to them and preferred to rely, for economic stabilisation, on indirect controls. But many price control officials themselves believe that the direct controls have served their purpose and that orderly dismantling is desirable. Ceilings have already been taken from items on which the consumer spends 15 per cent of his dollar and so far they have been reimposed in only one case. (The controllers reserve the right to restore ceilings if prices threaten to reach the old controlled levels.)



Congress, in extending the Defence Production Act, took away the authority to regulate a number of other prices. Only goods on which shoppers spend about a third of their incomes are firmly controlled. It is not surprising that the last legacy of Mr Philip Murray to the Congress of Industrial Organisations was a report demanding that wage controls be abolished.

Mr Tighe Woods, the third price stabiliser this year, has resigned in disgust from a job which, he complains, has come to consist merely of signing authorisations for higher prices and suspensions of price controls. He fears that, if controls are jettisoned, the prices of 200 articles will leap up. But his assistant, Mr Phelps, who has a longer experience with price



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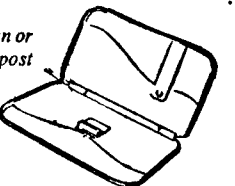


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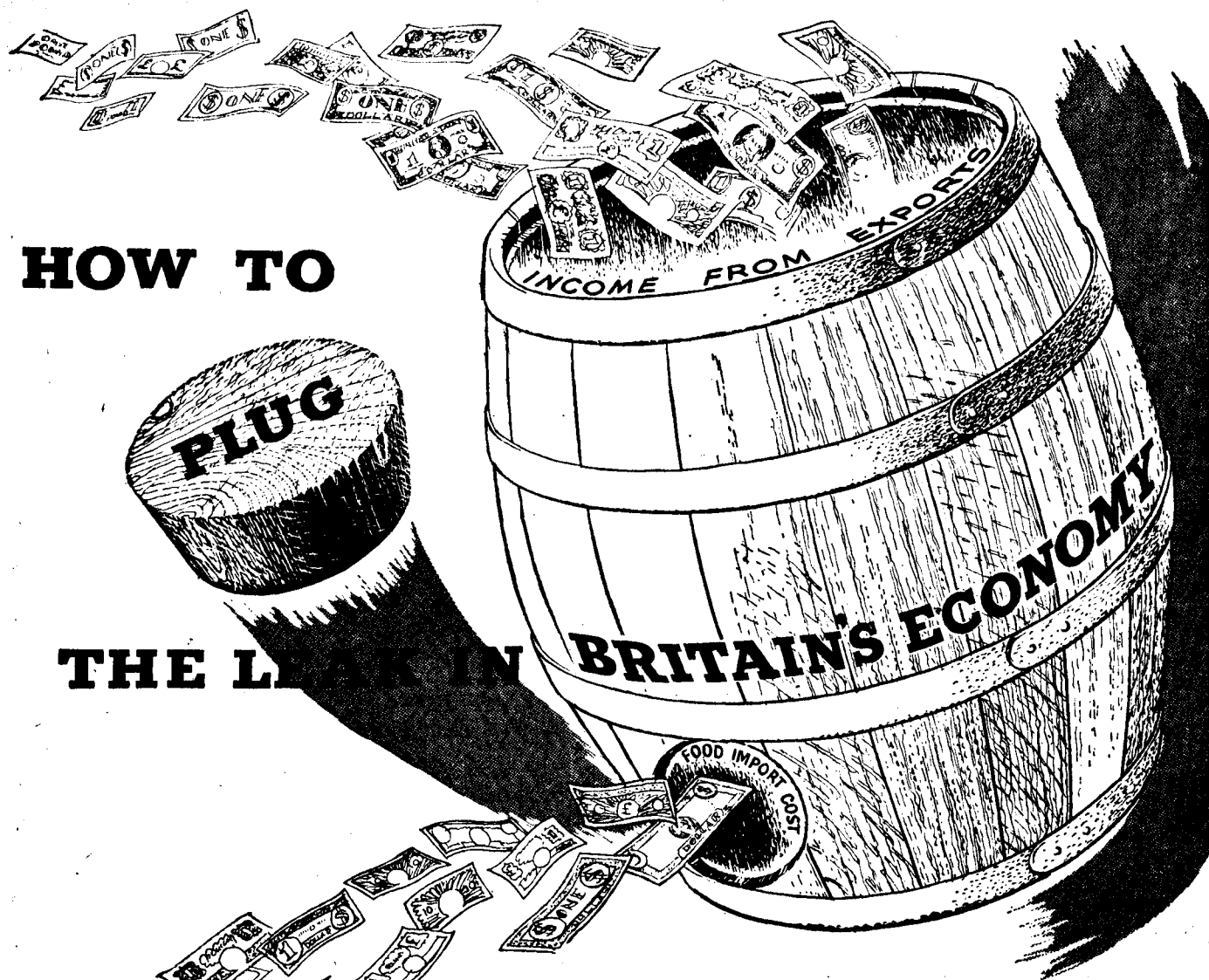
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regulation, is not so gloomy. He believes the economic outlook is calm enough to justify doing away with both wage and consumer price controls within three months, though he would retain controls over goods going directly into defence production and thinks the new Administration would be wise to ask Congress for stand-by controls when the present authorisation expires in April.

The Democrats, who can take credit for stabilising the post-Korean economy, have no intention, however, of doing the Republicans' political dirty work for them. They feel that the ending of economic stabilisation should be left to the Republican Administration which takes power next month. The recall for consultation of Mr Michael Di Salle, who was more successful as a price stabiliser than as a candidate for the Senate, suggests that Mr Truman hopes to leave at least the framework of controls intact. But his latest move will shake them severely and casts doubt on the depth of the outgoing Administration's attachment to its own stabilisation scheme. For Mr Truman has over-ruled the various agencies concerned with the coal wage settlement, all of which agreed that, in the interests of stability, the miners should draw only \$1.50 of the \$1.90 daily rise they had won. The President has allowed them the full increase in order, so he says, to save General Eisenhower from having a coal strike on his hands. It will also make Mr John L. Lewis, the only trade union leader who delivered a satisfactory number of labour votes last month, feel that it was worth his while to come down on the Democratic side.

Fire at the United Nations?

Americans normally inclined to give the benefit of the doubt to victims of Senator McCarran's unending search for subversives have been jolted by two occurrences this week. One is the refusal of Mr Frank Coe, secretary of the International Monetary Fund and the most exalted official yet to be questioned, to tell the McCarran subcommittee, which since last spring has been examining Americans working for international organisations, whether he was now, or ever had been, a member of the Communist party, or engaged in espionage. Mr Coe pleaded that to answer might incriminate him, a reply by now all too familiar from recalcitrant Communist witnesses and one which the committee of jurists advising Mr Lie considered grounds for dismissal. Mr Coe has now resigned from the IMF, at the bidding of the director.

Hardly had Mr Coe left the stand before the grand jury covering the same ground as the McCarran committee finished its task with the conclusion that an "overwhelmingly large group of disloyal Americans," formerly employed in large group of disloyal Americans, the Far Eastern Certainly the case of Professor Lattimore, the Far Eastern expert, is not encouraging. He submitted to several days' questioning by the hostile committee many months ago. Now he is to undergo a grand jury investigation ordered by Mr McGranery, the Attorney General, who seems to have imbibed much of Senator McCarran's zeal. The charge is that he committed perjury in giving his evidence.

In the present atmosphere of hysteria, even innocent persons may prefer the damaging implication of invoking their constitutional rights to the risks of speaking frankly. Certainly the case of Professor Lattimore, the Far Eastern expert, is not encouraging. He submitted to several days' questioning by the hostile committee many months ago. Now he is to undergo a grand jury investigation ordered by Mr McGranery, the Attorney General, who seems to have imbibed much of Senator McCarran's zeal. The charge is that he committed perjury in giving his evidence.

In the interests both of the United Nations and his own Administration, it is to be hoped that General Eisenhower, once he is installed, will accept the idea of a non-partisan commission to assess the extent of Communist infiltration in the United States. The suggestion is that it should be modelled on the Canadian Royal Commission. It is hoped

that it would take the initiative away from Senator McCarran and Senator McCarthy, determine how much fire there is behind their smokescreen, and draw a clear line between dangerous subversives and the liberals whom some Congressmen consider are just as bad.

Trustbusters in Competition

The present investigation of the international operations of the oil industry provides a classic example of that need for greater co-ordination of government policies which General Eisenhower is expected to insist on. For, in spite of the protests of both the State and Defence Departments that the investigation will embitter the international relations and endanger the security of the United States, only the Supreme Court, which can hardly be guided by such non-judicial considerations, can now prevent the Department of Justice from forcing at least the American companies involved to present details of their transactions for the last 12 years to a grand jury in January. Next week, however, a District Judge will decide whether the objections of foreign governments justify keeping documents back and also whether the British government's instruction to the Anglo-Iranian Company to withhold information means that this company must be excused from the enquiry altogether.

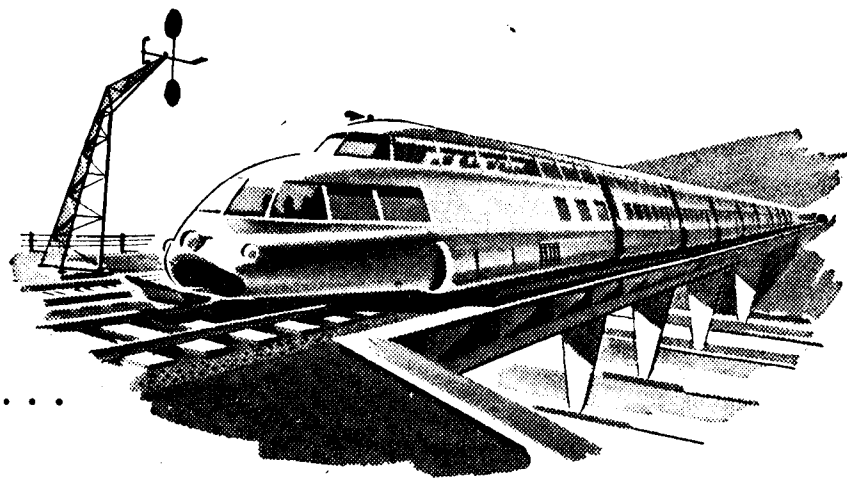
Should this case actually come to trial, it promises to be the largest and longest anti-trust suit in history. But another competitor for that honour is already being heard in a Chicago court, where the du Pont companies and 117 members of the du Pont family (59 of them too young to appear) are accused of having exercised monopolistic control, through share holdings, over the General Motors Corporation and the United States Rubber Company. This case, the sixth anti-trust prosecution in which the du Ponts have recently been involved, goes even further into history than the oil investigation, for it begins with the French Revolution. The main charge is that the General Motors Corporation has been forced to buy its supplies from the du Pont and US Rubber companies rather than from the cheapest source available. The defence is that such a charge is unrealistic in view of the competition that exists within the corporation as well as outside it, and that the Department of Justice, not for the first time, has confused mere bigness with monopoly.

This is only one of a series of cases that the department has had in preparation for years—begun, it is said, in the hope of leaving a troublesome legacy for Governor Dewey in 1948 and now ripe to drop into General Eisenhower's lap. The Federal Trade Commission has also lately been putting a bigger thumb into the anti-trust pie in the hope of pulling out more influence for itself. But if, as is expected, the Republican member of the commission, Mr Lowell Mason, becomes chairman, he may be more inclined to advise and warn businessmen than to prosecute them. In this and other directions the winds in Washington will be more favourable for business after next January, but whether the anti-trust suits will all be blown away is less certain. Just because the du Pont case is embarrassing to his Secretary of Defence, who comes to him from General Motors, General Eisenhower may think it politically advisable to continue at least that prosecution. However, a President with such a sound grasp of international and military realities is likely to see that the oil enquiry had better be abandoned.

Foundations on the Carpet

The great philanthropic and educational foundations may not, after all, prove the last sacrifice to the passion of the Eighty-second Congress for investigating "subversive activities." Representative Cox, as he opened his hearings a fortnight ago, confessed that his suspicion of the foundations as founts of "ultra-liberal ideas" and Communism in the schools had been much tempered by a closer acquaintance

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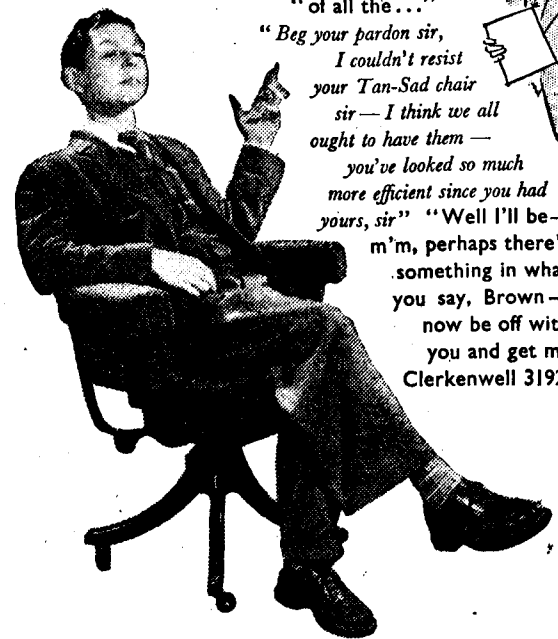
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"O-ho" said the G.M.,



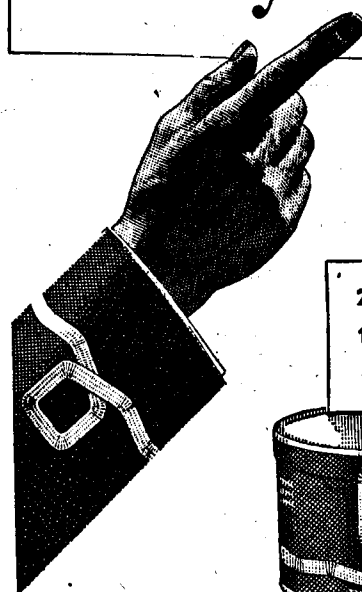
"of all the . . ."
"Beg your pardon sir,
I couldn't resist
your Tan-Sad chair
sir—I think we all
ought to have them—
you've looked so much
more efficient since you had
yours, sir" "Well I'll be—
m'm, perhaps there's
something in what
you say, Brown—
now be off with
you and get me
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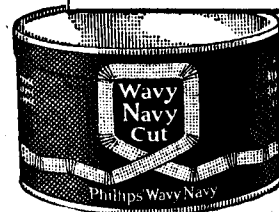
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with the facts. Last April Mr Cox, an arch-conservative Democrat from Georgia, secured \$75,000 from Congress to discover whether tax-free foundations were "using their resources for un-American or subversive activities or for purposes not in the interest or tradition of the United States." His investigators have found nothing to support a serious charge; to their chagrin, the Robert Marshall Foundation of Chicago, which was a particular target of the group, has had its tax-exemption withdrawn. The Un-American Activities Committee listed this fund as an open source of finance for Communist-front organisations.

Not many people beside Mr Cox can have expected to find nests of Communists in organisations bearing the names of Rockefeller, Ford and Guggenheim, the great plutocrats of the gilded age. But it is reassuring that to Mr Brooks Hays, Mr Cox's liberal and reasonable deputy, the hearings appear as an opportunity to show "what voluntary organisations are doing to promote democracy." Presumably the hearings will show that tax-free funds are used to fight diseases such as malaria, hookworm and rabies; to build schools, to study the problem of displaced persons, and to assist scientific research of all kinds. Private colleges and universities owe a great deal to the generosity of the foundations.

There are more than 30,000 tax-exempt organisations, but only just over a thousand in 1950 had assets of more than \$50,000. Their total assets were \$2.6 billion, and they spent \$133 million. It is true, of course, that tax exemption of any kind has ultimately to be paid for by the tax payer. There is, therefore, a case, as one of the first of Mr Cox's witnesses suggested, for making all tax-free foundations give an accounting to the public, as the larger ones already do. But it would be disastrous if their activities had to secure Congressional or government approval. More financial supervision, on the other hand, might discourage the use of the foundation as a means of avoiding taxes which have sprung up since 1936, when corporations were allowed to contribute five per cent of their income to charity. The investigating group, after recording the good which the legitimate foundations do with their money, could devote what time is left before January 1st, when its powers expire, to examining the possible abuses by corporations who believe that charity begins at home.

Steel Goes East

The present rate of steel output, over 2.2 million tons a week, means that the industry is running steadily at about 106 per cent of capacity. This is possible because actual capacity has increased substantially since it was calculated officially for the year on January 1st as the result of the completion of new facilities under the defence expansion programme. By the middle of next year at the latest, there should be plenty of steel available for all civilian requirements. By then, too, the most interesting of the new steel plants should be in full production—the \$400 million Fairless Steel Works on the Delaware River at Morrisville, Pennsylvania. Output of pig iron is about to begin and steel production will follow soon after. Initial capacity will be 1,800,000 tons of steel ingots a year and it is planned eventually to increase it to somewhere near 8 million, when this will become the largest, and probably the most efficient, integrated steel plant in the country. Steel products, such as tubes and wires, are also to be made by subsidiaries of the parent company, the US Steel Corporation, on the same 3,800-acre site.

No difficulty in selling the output of this particular mill is anticipated, even should the demand for steel drop, because of its favourable situation in the middle of the east coast of its favourable situation in the middle of the east coast of the country's leading industrial centre. Hitherto this eastern market has been dominated by the Bethlehem company's plant at Sparrows Point, but now steel users are said to be

queueing up to get on the books of the Fairless Works, in order to save the ever-rising expense of freight. It will cost only 20.7 cents a hundredweight to ship steel from Morrisville to New York, compared with 35.7 cents from Sparrows Point and 57.5 from Pittsburgh. It will, however, be some time before the company itself can take advantage of the new plant's chief cost-saving factor. Both coal from Norfolk, Virginia, and iron ore from Venezuela and Cuba will be brought in by water, but first the Delaware River must be dredged to enable sea-going ships to get above Philadelphia.

The construction of this huge steel mill is bringing many other problems to the local authorities of a comparatively rural district, which was already being rapidly industrialised because of its water transport and its nearness to rich



markets. Now still more factories are coming, both those which supply the steel mill—a maker of refractories, for example—and those which use its products, such as a manufacturer of kitchen sinks. It is estimated that the existing population of about 100,000 will be more than doubled before long, with 14,000 additional production workers needed in the next three years, 6,000 by the Fairless Works alone. Two low-cost housing projects, an improved version of Long Island's Levittown, to have 16,000 units all for sale, and another contractor's Fairless Hills, with 5,600 prefabricated houses, are rapidly going up. Already sewage and highway facilities are inadequate and new bridges must be built across the Delaware River, in order to bring labour from further afield.

Shorter Note

Senator Wayne Morse of Oregon, who left the Republican party in protest against General Eisenhower's election tactics, has announced that he will vote with the Republicans on the question of organising the new Senate, which meets on January 3rd. Otherwise the Democrats could have retained control of the machinery and committees until the Republican Vice-President, who has a casting vote, took office on January 20th; the two parties would be evenly divided should Senator Morse vote on the Democratic side. He may do this later, but he feels that responsibility for the Senate should be placed squarely on the Republicans from the beginning.

Correction:—The information for the chart of tobacco supply, consumption and prices, on page 625 of *The Economist* of November 29th, came from the US Department of Agriculture and not, as stated, from the Department of Commerce.

THE WORLD OVERSEAS

Berlin Outpost

(By Our Special Correspondent)

THE two-thirds of Berlin that are in Western hands still form the only gap in the iron curtain from the frontier of the Soviet world on the Elbe to its other end at Vladivostok. If a Londoner could take a twopenny tube from Hyde Park Corner and alight in the Red Square of Moscow, it would hardly be more fantastic than the situation in divided Berlin. There anyone can still take the "Metro" from the Zoo station in the British sector and alight in another world in the Soviet centre of the city; and, moreover, inhabitants of the Soviet German area can still make the trip westwards to freedom.

The contrast between the eastern and western sectors of Berlin is a measure of its importance in the cold war, in which each side is anxious to prove the superiority of its way of life to the other. In Berlin the balance has been increasingly in favour of the free world, ever since the United States decided to support the city's economy with Marshall aid, and the Soviet blockade was decisively defeated by the great air lift. In the west, Berlin is alive again. The buildings along the main thoroughfares have been extensively repaired or rebuilt; there are innumerable offices, restaurants and shops full of unrationed goods. The streets have far more traffic on them than a year ago, and the West Berliners show in their dress and bearing that they are poor but free citizens who can indulge their cockney humour as it pleases them. Statistics confirm this impression of moderate recovery. Unemployment and short-time work have been reduced, West Berlin's industries are securing many more orders than before, and again contribute a third of the output of clothing in the Federal Republic. Rather surprisingly only one per cent. of goods have in the past year been prevented from getting through to the West by Soviet controllers.

Certainly, compared with the Federal Republic, West Berlin is still poverty-stricken; and much of the centre is still barren, but it is a paradise contrasted with conditions at the eastern end of the twopenny Metro ride. The pride of the Hohenzollerns—the palaces, museums, shops, offices, restaurants, and hotels of this once rather vulgar, busy city—has gone from Unter den Linden and the neighbourhood. Now the vast desolation left by the war is broken only by a few politically significant buildings such as the Soviet Embassy, the local headquarters of the Socialist Unity Party, parts of the Humboldt university proclaiming on a banner that "to learn from the Bolsheviks is to learn how to win"; and in the former Lustgarten by wooden tribunes from which President Shvernik of the Soviet Union, side by side with President Pieck and the former *Wehrmacht* general, Vincenz Müller, watched a march past of the new Soviet German army a few weeks ago. The German Communists have one showpiece farther east—in the so-called Stalin-Ailee, and they have established large state shops at intervals; but the whole impression is of a dead, proletarian city. The Soviet Berliners are a drab, depressed community. Work, as Bishop Dibelius pointed out in his recent London address, has been raised to a religion in Soviet Germany, and it is a creed which in some

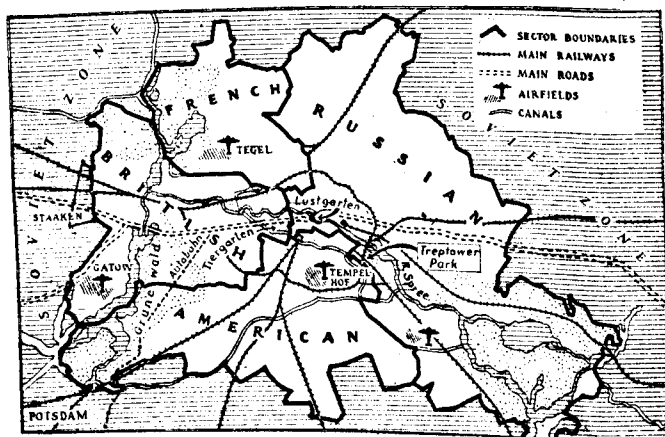
respects ideally suits the German character, but it is evident that conditions in Soviet Germany are too hard even for this hard-working race.

The difference between the economies of East and West Berlin has been reflected in the rate of exchange between the two currencies that are used in the city. Until last week, free two-way trade has been carried on in the city. East Berliners and inhabitants of the Soviet Zone came to the western sectors to buy consumer goods, such as shoes, that are particularly scarce in their area; while the West Berliners went eastwards for cheap services, and for the goods that are sold off the Soviet Zone ration in the state stores at prices that are high to the Soviet German but low to the westerner. A free rate of exchange adjusted supply and demand fairly well. Last week, however, the Soviet authorities banned the sale of goods from state shops to all except inhabitants of the eastern sector or the Soviet zone. This was done as a face-saving move to hide the real reasons for a crisis in food distribution in the East, which were panic buying and building up stocks for the Soviet German army; it has brought financial and commercial exchanges between the western and eastern sectors practically to a standstill.

This new development shows how very unwise it would be to assume that the division of Berlin is one of those temporary solutions that will last. There are good reasons for doubting that in life with the Russians *ce n'est que le provisoire qui dure*. In fact, the situation has been changing in recent months, and will undoubtedly continue

to do so. In the summer, after Dr Adenauer's signature of the new treaties with the western powers, the Soviet German authorities cut telephone lines between the city sectors, and later confiscated the few little businesses in the East that belonged to West Berliners. At the same time, the zonal frontier was cleared of all but a few politically reliable inhabitants by ruthless action that greatly embittered the Germans against their alleged protectors, the People's Police. One effect of closing the zonal border was to make West Berlin the sole remaining loophole of escape from the Soviet Zone. The trickle of refugees that has constantly flowed into the Federal Republic was concentrated on Berlin; and it grew to a stream when Herr Ulbricht announced in May that the People's Republic was to be reorganised as a Communist state and compulsory, paramilitary labour service was instituted. Although as many as possible of the refugees are flown out to the West, those who remain almost offset the number of Berliners who have found employment. They account for the fact that the drain on the Federal exchequer remains very large.

To the Communists, the number of Germans who "vote with their feet" for the capitalist camp is a matter of extreme political concern. The refugees are propagandists against the People's Republic, and the Russians must fear that they may some day be used as guerrillas against that state. Even now, it is plain that any German who plans some act of opposition to the Soviet Zone regime is encouraged by the



Epitaph on East-West Trade?

POLITICS apart, the main barrier to any expansion of east-west trade is the sheer inability of the Communist bloc to provide anything suitable in exchange for increased exports from the West. This is one of the most important conclusions to emerge from the latest study on east-west trade prepared by the Economic Commission for Europe at Geneva. For those who see the Soviet bloc either as an unplumbed source of non-dollar food and raw materials or as a profitable market, the report comes as a douche of cold water.

Needless to say, the eastern bloc lacks any export surpluses of capital goods; but far more serious from the West's viewpoint is the fact that its traditional exports of raw materials—coal, grain, timber—are static or dwindling. An analysis, showing how and why these key exports have declined as compared with prewar days, forms the kernel of the ECE report.

Exports of coal and coke from the East fell by a million tons between 1950 and 1951. Supplies of hard coal alone dropped from a record of 12.4 million tons in 1948 until in the year ending June, 1952, they amounted to only 7 million tons—a level 40 per cent below the prewar average. When in 1951 western Europe faced a severe coal shortage, it was rescued not by imports from the East but by large shipments from the United States. Put in a more precise way, the contribution of the East to the total coal imports of western Europe declined from 22 per cent in 1949 and 1950 to a mere 12 per cent in the first half of 1952.

ECE gives four reasons for the decline. The first is increased consumption in eastern Europe—no doubt part of the trend, noted elsewhere in the report, for the eastern bloc to speed-up industrialisation and to trade more and more exclusively within its own orbit. A second reason, not fully

thought that he can, if need be, escape westward through the wide open door of Berlin.

In the last few months, the Soviet German leaders have shown very plainly that they are extremely perturbed about the various organisations in West Berlin which foster resistance in the east. It is clearly against all the rules of the Soviet game to allow a centre of German-American opposition to operate in the very heart of the Pieck Republic now that it is to become a model Communist state with a politically reliable army. There are indeed many signs that the Communists find the peculiar situation in the city intolerable. From this it might be concluded that the Russians will take active measures to force the Allies from Berlin, and institute a new blockade. The building of a by-pass round the city by the Eastern Berlin authorities seemed to indicate that preparations were being made to overcome a western counter-blockade in the event of a new trade war. But to assume that Soviet action will take this line is to overlook the advantages that Moscow hopes to gain from keeping a door open into the western world.

Communist policy, it may be assumed, will be to bar the way out to the west for Soviet Zone refugees, and the way in for Germans who foster resistance in the People's Republic. It will also undoubtedly aim at punishing the Germans as far as possible if the *Bundestag* ratifies the new treaties with the western powers. For these reasons, the western governments must be prepared to find that the communications between the eastern and western sectors of Berlin are cut off for all but Communist-controlled traffic, that the terrorist restrictions on Soviet Zone Germans are tightened, and that alarming announcements will be made about the People's Army. The depressing effect of such measures on the West Berliners must be taken into account; for, in the long run, it is their morale that will be decisive.

Problem of Morale

Communist action will, however, probably be directed against the Germans rather than the Allies in Berlin, and will not go so far as another blockade. Economic and political advantages for Moscow can be seen in such a policy. The present state of interzonal trade—as of exchanges between the Federal Republic and other Soviet satellites—shows a great excess of deliveries from the west over those from the Soviet area; and it may be assumed that the Communists would like this to continue. Moreover, Moscow's political strategy presumably requires the Communists to keep Berlin as a centre where Stalin's tactics of splitting the West can be tried out. Conferences with French neutralists, such as the recent meeting of the "Congress for the Peaceful Settlement of the German Question," can be held in East Berlin, and western business men can be enveigled there to discuss deals with China. Finally, it is a place where the German "Christian-Democrat" tools of the Pieck Republic can drop informal hints into western ears about the value of accepting Moscow's treaty proposals.

The main problem for the Allies in Berlin is, therefore, to prevent German morale from breaking under the strain of prolonged resistance to Russian tactics. This can be done only by convincing the Germans, first that the Americans will not tire of supporting the Berlin economy, secondly that the Allies are united in their determination to let no chance pass of securing German unity in conditions of peace and freedom. Mr Donnelly, the American High Commissioner, has taken an admirably firm line in Berlin since he assumed office, but the Berliners are a canny people who know where the limits of his powers lie. It is on General Eisenhower that their eyes are fixed, and if their morale is not to weaken it will be for him to undo the harm that distorted reports of his intention to withdraw from Korea have had on Berlin's confidence. There is no part of the world where the repercussions of events on the distant Korean front are felt as they are in this forward position of the western camp.

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elucidated by ECE, is traced to "difficulties in the Czech coal industry." To judge from the steady flow of protests, both in the Czech press and broadcasts, about absenteeism, "failure to fulfil norms" and "sabotage," these difficulties are the result of dissatisfaction with food shortages, labour conditions and the regime in general among Czech coal miners.

A third factor is the price policy pursued by Poland, the largest coal exporter in the East. During the period in 1951 when western Europe was forced to turn to American coal supplies, Poland boosted its price to match the landed cost of American coal, thus including in its charge the inflated freights across the Atlantic. When the freight boom collapsed, Poland failed to reduce its prices accordingly, and in consequence American coal c.i.f. was for some time cheaper than Polish. Not until September of this year did the Poles reduce their prices to the level of British export coal. The fourth and final reason for declining exports is an acute shortage of manpower in the Polish coal mines.

Grain Exports Halved

The postwar facts about grain exports from the East are more discouraging. While coal exports—on the average at least—have hovered around the prewar level, grain exports from the bloc have dropped to less than half. Soviet exports, it is true, are recovering; but the other eastern countries have contributed less and less food for the West. In the words of the report:

The absence in postwar years of any substantial exportable surpluses of grain from the Danubian countries is one of the most important single factors making for a low level of postwar east-west trade.

Another recent and, so far as Europe goes, disturbing tendency is for the Soviet Union to offer its export surplus of wheat to Egypt, Brazil and Pakistan in preference to its former customers in western Europe. ECE makes no comment on this switch, but there are at least two possible explanations. One is that the Soviets are using wheat as a political blandishment; the other is that, as a rapidly growing industrial power, the Soviet Union has more need for the raw materials provided by the under-developed countries than for the products of the industrialised West. Also in line with the declining trend of grain exports is the United Kingdom's failure to obtain more than 200,000 tons of Soviet coarse grain in the harvest year 1952/53 (as compared with one million tons in the previous year).

Prices, too, may come as a surprise to people who believe eastern grain to be cheaper than dollar grain. Soviet wheat usually costs considerably more than wheat purchased from the United States and Canada under the International Wheat Agreement: Soviet maize has also, in recent months, become about 15 per cent dearer than imports from America.

Among the three commodities under review, timber exports from east to west show the most precipitate decline of all. In 1951, western Europe drew from the eastern bloc only six per cent of its total timber imports, as compared with more than one-third of a much larger import total in the years 1935-38. Indeed, until 1949, western Europe was a net exporter of timber to the east, if Finnish exports of pre-fabricated houses to the Soviet Union are regarded as of western origin. According to the report, the explanation lies partly in the failure of Polish exports to revive, owing to greater home consumption and war damage; but most of all the onus rests on the Soviet Union. With the greatest timber resources in the whole of Europe, it has failed to export on anything like the prewar scale, chiefly because of bigger demands at home and what the report describes as "difficulties in reaching the planned output."

The position today is summed up in very compact form by the following table taken from the ECE Study.

Setting aside, for the moment, the West's actual experience with eastern trade, ECE has tried to measure what the Soviet bloc could contribute, if it were so minded. The report

EASTERN BLOC EXPORTS TO WESTERN EUROPE

	Hard Coal (million tons)	Grain (million tons)	Sawn Softwood* (million cubic metres)
Prewar average . .	11.6 (1937-38)	3.9 (1934-38)	7.0 (1935-38)
Postwar maximum	12.4 (1948)	2.2 (1949-50)	1.9 (1948-50)
July, 1951, to June, 1952	7.0	2.1	0.8

* Exports to western Europe from USSR, Czechoslovakia, Poland, Rumania and Western Germany.

estimates that by even a modest expansion in its current exports of the three key commodities, the Russian sphere would enable western Europe to make a substantial saving on dollar imports—a saving of perhaps \$300 million.

Whether an increase of this kind forms part of Soviet intentions is doubtful, in spite of the hullabaloo generated by the Moscow Economic Conference, where visiting delegates were promised a magnificent burgeoning of mutual trade. The Russians declared themselves ready, together with China, to double or treble the present volume of trade with the outside world. But, as ECE points out, their plans are not likely to be of special benefit to western Europe since the bulk of the increase was envisaged for trade with areas other than western Europe. The Soviet estimate of orders that the bloc might place in west European countries over a three-year period came to \$1 billion, while the corresponding figure given for imports of food and raw materials from South-East Asia, the Far and Middle East and from Latin America was \$2-3 billion.

After analysing the implications of speeches made at the Moscow Conference, ECE concludes that in the years 1953-55 the Communist bloc, including China, aims to raise its annual trade turnover with the outside world by at least 100 per cent. In the process the share of the Soviet Union, little more than 20 per cent in 1951, will rise to about 40 per cent of the new total. These targets may or may not be reached but at least they indicate the direction of Soviet thinking. But what the speeches left unsaid is how the Russians propose to pay for an increase in imports that would be roughly fourfold.

Time and Money at Uno

[FROM OUR UN CORRESPONDENT]

GIVEN the dimensions and implications of the Korean affair, it was probably inevitable that its discussion by sixty nations should last for at least six weeks. This has, however, completely upset the Assembly's time table, and it is now obvious that its political business cannot possibly be finished by December 20th. Present planning assumes that economic, social, humanitarian, legal and financial matters can be put through by the desired date, but that the two political committees must recess then, to return in late February or early March. By that time the new American administration will be in office, Senator Lodge will head the new delegation, and decisions should be easier.

Fortunately the extension of time demanded by the political committees will cost Uno members less than did the recess at Paris. That much the completion of headquarters has accomplished: it is no longer possible to make out a reasonable case for transporting a large secretariat to another city, no matter how attractive. There are even signs that the

MOULDY ROT



"MOULDY ROT" is a fungus disease that attacks the rubber tree and restricts its yield of latex—the substance from which rubber is produced. Growing on the tree where it is cut for tapping, this fungus has caused irreparable damage on plantations in Malaya, for it spreads rapidly and the fungicides used against it in the past did not always control the disease effectively. Working on the problem in 1946, the Rubber Research Institute of Malaya invited I.C.I. to collaborate in developing certain newly discovered organic compounds with fungicidal properties. I.C.I. Dyestuffs Division accordingly produced a number of experimental samples which were tested in the Hawthorndale laboratories of the company's agricultural research station at Jealott's Hill in Berkshire, and then sent out to Malaya. In comprehensive field trials carried out by the Rubber Research Institute, one of these fungicides—subsequently named "Fylomac" 90—proved entirely effective in controlling mouldy rot disease. Easily applied by spray and containing a violet dye to mark trees that have been treated, "Fylomac" 90 is now widely used in Malaya—the largest rubber-producing and dollar earning country in the British Commonwealth.



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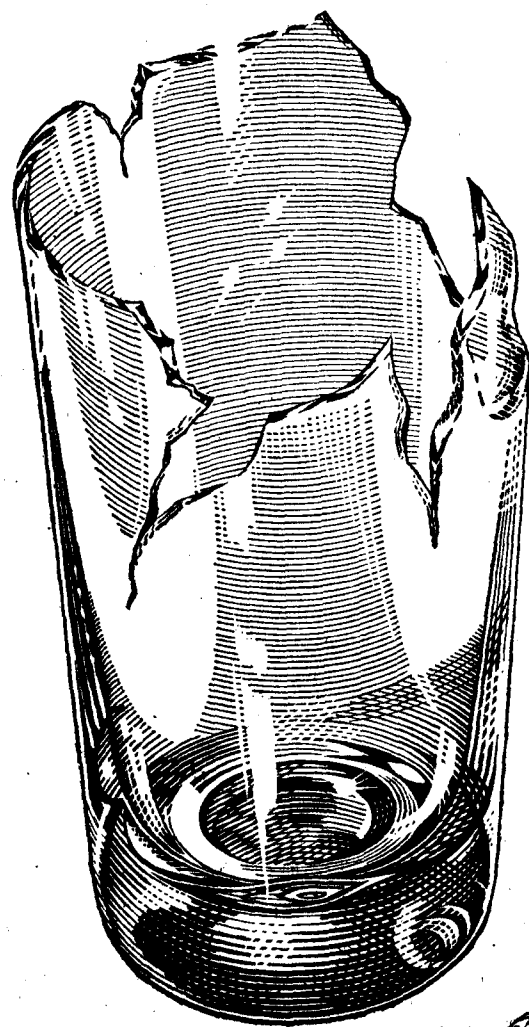
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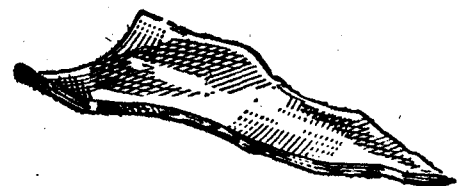
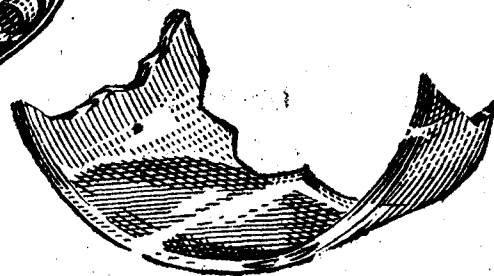
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glamour factor in Uno's budget may henceforth shrink. The flags, the guards, the big glass house, the flattering attention of visitors who at times flock in such numbers as to overflow the public galleries and crowd out the press—all this is glamour built in and hence less expensive. It is also true that the prospect of a new Secretary-General brings with it an opportunity to probe into old Secretariat empires and clear out sections which were important in the days of building up, but now become less important.

Just what the new budget will look like has not yet been determined, but the Fifth Committee is working toward a figure slightly smaller than the \$4.09 million appropriated in 1952. The British are urging that on the one hand the Assembly should go slow in recommending new projects, and that on the other the Secretary-General should cut administrative costs even further than he has promised. Early in November they suggested that Mr Lie undertake an "economy exercise" to see where he could take out \$750,000 if the committee decided that this must be done. The most frequently cited sources of economies include ECOSOC activities, the Technical Assistance Programmes, and the Department of Public Information.

At the same time the Latin Americans, who tend to defend all these activities and cry for more of them, have recently asked for the addition of Spanish as a working language in Uno. This will cost an additional \$350,000, a figure which will be a focal point of bargaining if the proponents of cutting have their way. The British hope to get Uno's budget down to \$48.7 million gross, which, when about \$6 million of income is subtracted, means a net charge to governments of about \$42.5 million for 1953.

The method of assessing contributions is also in flux. Since 1948, when it was decided that no country should pay more than a third of the total budget and none less than half of one per cent, the necessary revisions have been slow and bitterly contested. Russia, which so often boasts about its power and prosperity, in the Fifth Committee cries poor. Against its vigorous protests it was decided last year to begin a three-year phase of scaling up its contribution and that of the Poles, the Ukrainians and the Byelorussians. At the same time the contributions of Britain and the United States would slide down, and minor changes would be made elsewhere. If both a budget and a 1953 contribution scale are finished by Christmas the latter will probably show the Soviet Union to be paying 12.28 per cent (up from 9.85 per cent), while Britain pays 10.30 per cent (down from 10.56 per cent), and the United States pays 35.12 per cent (down from 36.90 per cent).

The Roman Question

[FROM OUR ROME CORRESPONDENT]

FATHER LUIGI STURZO, the pioneer in Italy about fifty years ago of a modern-style Catholic political activity, which has matured into the majestic Christian Democratic Party, advocated last spring a common front of all anti-Communist forces in the Rome local elections. That proposal would have linked Christian Democracy tactically with the Royalist and Fascist factions. Save to diehard anticlericals, who expect tortuous conduct from anyone in a cassock, the sight of Mussolini's dauntless critic counselling co-operation with the illiberal right appeared startling. Some said that Signor De Gasperi must have induced Don Sturzo to sacrifice his own reputation by putting his name to the proposal and letting the Premier turn it down before some irresistible personage in the Vatican pronounced in its favour. But though Signor De Gasperi reveres Don Sturzo, he seldom draws him into his counsels. More probably Don Sturzo, now 80 years old, has sincerely come to see the political scene in a new light. His proposal foundered, but doubtless before the 1953 general

elections more will be heard in Italy and in the Vatican City of the need to close the ranks against Communism.

The conservative group inside Christian Democracy known as "the Wasps" feel far closer to the Monarchists than to the Social Democrats. But even if the Monarchists as a whole broke a tactical alliance with the Fascistic Missini, who are rather strong meat for the Wasps, the acceptance of Monarchists (let alone Fascists) into a governmental bloc would alienate the electorally stronger Social Democrats—a painful and perhaps intolerable business for Signor De Gasperi. The Roman Curia itself seems to have decided on tactical grounds to restrain Professor Luigi Gedda, dynamic organiser of Catholic bids for the favours of the extreme right, from disrupting the prospective centre bloc next year.

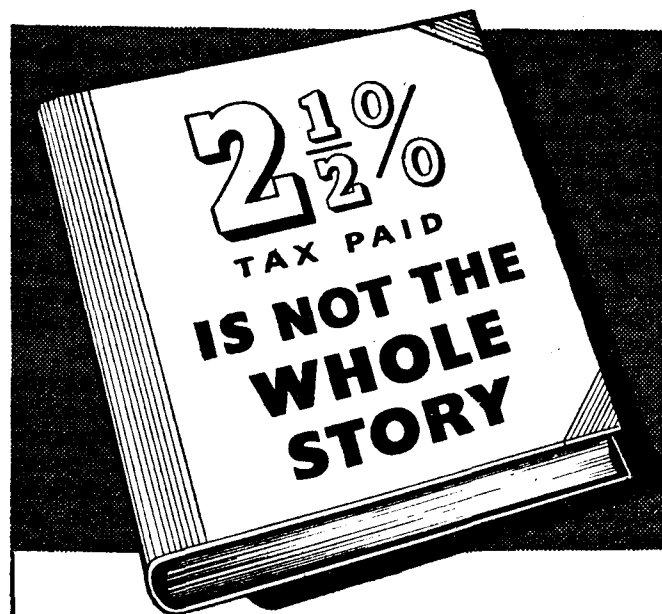
The Pope's advisers are not satisfied with De Gasperian Christian Democracy as the political expression of Italian Catholicism, tied up as it is with a "lay" democracy, incarnate in three small but collectively weighty parties. Neither the old nor the young guard of militant Catholicism forget that Social Democrats, Liberals, and Republicans discreetly cherish an anti-clerical tradition. Indeed these "lay" groups lack even that technician's admiration for the Holy See's managerial capacities which the Communists have some times exhibited, and which has facilitated the speculation that Stalin, like Napoleon, might one day offer the Church a provisional business deal. Between the "lay" left centre and the Catholic left centre antipathy persists.

As for the Catholic "right," if one may use this term for the strictest guardians of Papal tradition, their nineteenth century alarm at the progress of individualist and parliamentary democracy has given way to a rather sardonic twentieth century contemplation of the democrats now at grips with "left" extremists, who have come round to sharing with Papal tradition an authoritarian and corporate methodology of politics. What wonder if even a democratic Catholic sociologist like Don Sturzo may have come to feel that political Catholicism can now argue with the "lay" politicians "from strength." So much has happened since the Liberal heyday of September 20, 1870, when the temporal power of the Roman Pontiff collapsed.

Catholic Self-Confidence

A newly self-confident tone from Catholic politicians in the present decade was altogether to be expected. The hierarchy has influenced the Italian state since 1945 far more powerfully than politicians and ideologies of recent generations would have deemed possible. The men of the Risorgimento believed that the political unification of Italy would be accompanied by a wave of religious enthusiasm, but save for the rather eccentric Gioberti the major Risorgimentalists either held with Mazzini that inspired poets and prophets would arise to outclass and silence priestly cults and dogmas; or they believed, more moderately, with Cavour and Ricasoli, that liberalism's triumph in secular Italy would set the stage for a liberal revolution inside the Roman Church. When those aspirations had begun to fade, Italian statesmen of the later decades before 1914 felt themselves to be building up a secular organisation of society in which the unchanging Church would play at best a secondary, specialised, and perhaps dwindling part.

Impotently resentful against the growing State's invasion of the educational and welfare domains of society, the Church disdained to utilise the new political techniques even for its own defence, until men like Sturzo, shortly before 1914, arose to demonstrate how universal suffrage could be employed to regain for Catholicism a grip on the modern world. The Catholic Popular Party, under Sturzo, severely shook the foundations of secular Italy in 1920. Yet Mussolini's subsequent reconciliation of the Italian State with the Church was effected in a confident belief that the State, having shed its liberal softness and taken on the hard armour of tyranny,



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could now afford to buy off the residual pugnacity of the Church by external homage and material payments, without loosening its own grip on the soul of the citizen. Thus the abnormal situation of 1870, whereby religion waged a subdued cold war against the State, was apparently rectified.

But in 1943 the Italian totalitarian State foundered. It left, as heir to the Fascist agreements with the Church, a Republic founded afresh but uneasily on liberal professions. The Italian Republic was far outmatched by the Roman Church which, transcending national limits, had eluded any taint of defeat. It is true that Italian Communism claimed not only to be free of the taint of Fascist Italy's defeat, but actually to be a victorious force leagued with the Red and the other Allied armies, capable, if trusted, of shepherding the whole nation into the victors' club. But this Communist overture was, with rather a close shave, rejected by the nation. With a similar close shave the overture of the Italian elements closest to the undefeated super-national Church was accepted, and they have been at the centre of Italy's remarkable re-emergence out of the chaos of 1943-46 into a situation almost of international prestige. The part played in withstanding Communism by the liberal and "lay" democrats has been important, indeed indispensable; but it has tended to be overlooked.

Formally speaking, Italy in 1952 has a parliamentary regime working on the same lines as that which Mussolini claimed to have swept aside for ever. But this regime owes its existence more to external defeat than to the operation of intimate tendencies. This Italian parliamentary Republic of the mid-twentieth century is dominated not, like the liberal Kingdom of 1860, by men with a naive belief in the infinite utility of free institutions to the cause of progress, but by men who prize these, perhaps, as one of various alternative legitimate methods of exercising political power. It is not meant that men like Sturzo and De Gasperi are merely opportunistic friends of freedom. They have with obvious sincerity put their hearts into a theory of Catholic liberalism or democracy. But oncoming generations of fervently Catholic politicians will have rather less motive than these pioneers to emphasise the compatibility with Catholicism of a liberal democracy which is no longer the triumphant doctrine of a "lay" majority. The powerful non-Catholic political force today appears to be authoritarian Communism, and one may expect the Churchmen to try diplomatic as well as polemical methods in dealing with such a rival.

Realists in the Vatican

An intellectual and ethical class which sets high store upon civil liberties and upon the honest reflection of public opinion in representative government (as contrasted with those who are interested in liberty only as a method for conquering the State and dominating exclusively) will be taken rather less seriously by the realists of ecclesiastical Rome, though the support of a wealthy and buoyant America, co-operation with France in federal European institutions, and good relations with Great Britain can somewhat aid their cause.

It is possible to hope that Italy may resist fresh currents tending to carry it—in this or in that direction—as much away from the ideals of the Liberal Risorgimento as these in their day carried it away from the reactionary traditionalism of Gregory XVI. The fact of a Christian Democrat predominance in Italian politics ought, notwithstanding some dangers incidental to it, to be accepted as desirable in the present stage by those who want a stable Italy for their partner in western civilisation. The political Italy built up by the schools of Cavour and Mazzini was obviously incomplete, in that it failed to win the loyalty of such a notable class of Italians as the hierarchy and the theorists of Catholicism. It would be a narrow outlook upon the problems of Italy to deplore the reinforcement of national unity by the ending of the schism between Church and State, and this necessarily meant an influx of militant and even mildly

vindictive Catholics into politics. What would be regrettable would be the loss by political Catholicism in Italy of the tentative synthesis with the liberal and democratic tradition which Signor De Gasperi has both exalted in words and also, in a considerable degree, made the basis of his actions. For such a loss would face the most thoughtful Italians with tormenting problems of conduct.

Jerusalem Answers Prague

[FROM A CORRESPONDENT IN ISRAEL]

NOT since the struggle for independence has Israel been in such a state of tension, worry and anger. The venomous attacks on Zionism in the Prague trials have aroused great anxiety and dismay over the fate of the remaining Jews in eastern Europe; it has also thrown into sharp relief one of the great sources of domestic political tension in Israel. This is the split in the ranks of Labour Zionism. This is not new, but it has been made more bitter and dangerous by the dominance of moderate Mapai in the Government and by the concentration of the extreme left in Mapam (United Workers' Party). This cleavage has prevented a clear Socialist majority in the Knesset and has thereby forced Mapai into a most unsatisfactory alliance with the religious bloc; it has created a source of blind and ruthless opposition propaganda; and—most serious of all—it has cut off some of the finest of the country's youth from the rest of the community.

Mapam, and in particular, its central constituent group, *Hashomer Hatsair*, arose out of the ideological quandary in which certain Jews, chiefly from eastern Europe, found themselves. They were at once Marxists and Zionists; they would have accepted the dictates and discipline of the Communist party had they not simultaneously believed that the Jewish problem could not be solved by the otherwise sovereign remedy of revolutionary socialism and proletarian dictatorship. As a result they have spent the last thirty years expressing their vast contempt for all other Zionist parties; at the same time, they have tried hard to convince orthodox Communists that they are really on their side.

Today, the Israeli Communist Party proper, which is a somewhat isolated political group, is largely dependent on Arab votes and therefore has to concern itself with what interests the Arabs. Mapam has thus been put in the position of unofficial, and probably unwanted, spokesman for the satellite bloc in eastern Europe. So long as Cominform policy was only incidentally anti-Zionist, this position was just tenable. But with the Prague attacks on Zionism and on Mr Ben Gurion and others, a major political storm has arisen.

A Bitter Debate

It was probably these domestic considerations, much more than the stories of Mr Ben Gurion's plots with the Americans and such-like, that prompted the Government to raise the matter in parliament. The occasion was an official denial of the charges levelled against the Israeli Government in Prague. The bitter debate which followed turned into a judgment on both Prague and Mapam, for the Government was clearly determined to make as much political capital as it could and, if possible, to force wavering members of Mapam to change sides. The Knesset has rarely been so agitated or the atmosphere so tense. The members of Mapam contented themselves with an assertion of their belief in "popular democracy" and a denial of unswerving support for "the extreme left-wing of approval of Prague. They expressed their belief in the innocence of Mordechai Oren, the extreme left-wing Israeli journalist who, after nearly a year in a Czech prison, was produced as a witness at last week's trial and confessed

to impossible, subversive activities. At Mapam's further declaration that they sincerely wanted Oren's safe return, one deputy shouted "Are you ready to go to Prague to free him?"

The Government speakers concerned themselves chiefly with heavy attacks on Mapam: on their inconsistency; on their own contribution to the anti-Israel propaganda in eastern Europe; on their extraordinary assumption that Oren was innocent while all the others were guilty of the crimes they confessed to; on their ingratitude to Clementis, who had probably done more for the State (by facilitating the supply of arms in 1948) than Oren, and so on. The bitterness of Mr Ben Gurion and other Government speakers reflected accurately enough the unhappy party situation.

It would be rash to expect a speedy break-up of Mapam under the weight of the attack and the feeling in the country. Even if elections were held immediately, it is doubtful if they would lose more than a few of their 14 Knesset seats. Their strength is largely based upon the collective settlements, whose members are indoctrinated, passionate believers in their cause. They, and their essentially more dangerous fellow-travelling associates in the towns, are not likely to swerve quickly from their allegiance. They will only be impressed, not by one crisis but by an accumulation of incontestable evidence, of which the Prague trial is a new sample. Indeed, the process of disintegration in a section of Mapam has been going on for some time without the party being deeply damaged. Two members of the parliamentary party crossed the floor last February. Others of the leaders, particularly in the *L'Achduth Haavodah* faction, have become increasingly uncertain about policy. But there has been no real split, no party crisis, and the series of small defections has only strengthened the hand of the pro-Soviet group led by Dr Moshe Sneh. Yet even they feel the need for caution over an issue so deep and so tragic as the fate of the Jews in Soviet hands—for that, it is believed here, is what is at stake now. That is probably why they voted against the Communist-sponsored motion at the end of the debate in parliament and why they have publicly taken great pains to reassert their loyalty to Zionism. But whether Mapam will actually take the great step of declaring that the Soviets, not they, have wandered from the faith, is far from certain. The trial in Prague has brought that a little nearer; that is all.

Across the Limpopo

[FROM A CORRESPONDENT LATELY IN SOUTHERN RHODESIA.]

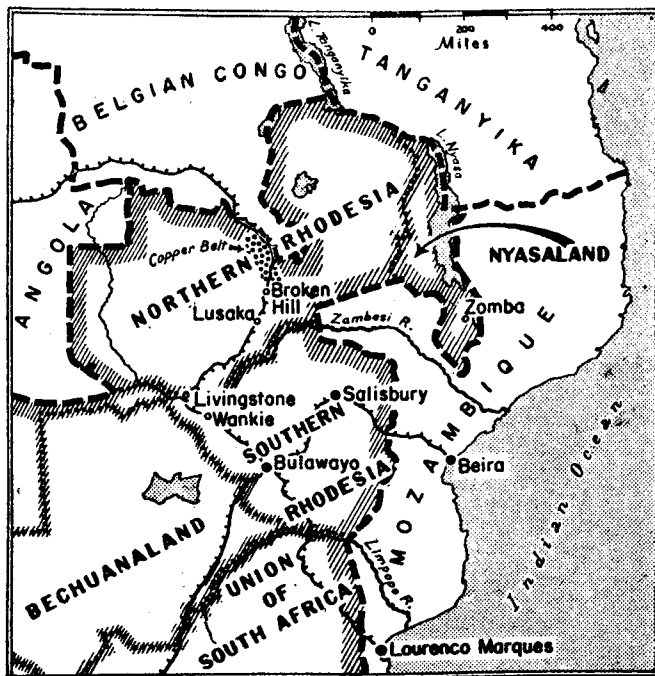
MOUNTAINS like crouching lions, their forepaws foothills, are scattered about a vast plain, under a vaster sky. The scene is almost Dali-esque. Across a slow-rolling river where hippos sometimes wallow, spanned by a steel bridge, the scenery changes: first to thorn-bush country, then to bald granite kopjes, lastly to softly rounded hills clothed with the shimmering jade or deep bronze of *msasa* trees. The change is not merely physical. Crossing the Limpopo, going north, one immediately enters a different atmosphere. The Rhodesians view their South African neighbour with the wary distrust of a hard-working citizen who suspects that the large and prosperous looking house across the street is really a high-class brothel. Johannesburg is regarded as a get-rich-quick town full of confidence tricksters and shady night-clubs, with no real stability. The Union as a whole is looked on as a rumbling political volcano.

Rhodesia, compared with the Union, is still a pioneering country. Since the first white settlement, only 62 years ago, life until quite recently was very hard indeed. The original pioneers of 1890 had to break their backs merely to survive. Fever and rinderpest killed off their cattle; malaria killed off their children. The colony encountered one setback after another. It began to get on its feet after the first world war,

only to be knocked flat again by two depressions. Prosperity did not really come until the late nineteen-thirties. It is still too novel an experience for most Rhodesians to take it for granted.

While it would be an exaggeration to say that South Africa and Southern Rhodesia are as different as chalk from cheese, an unmistakable difference exists. Southern Rhodesia has as yet no whiff of moral decay about it. The yellow sunlight that floods bush and *kopje* seems to have an antiseptic quality. Rhodesia appears a more wholesome, less complicated country than the Union. The racial climate is certainly healthier. Though still a servant of the white *baas*, the black man in Rhodesia seems less resentful than the black man in South Africa. The difference is almost entirely psychological, for segregation is just as rigorously practised in Southern Rhodesia—and for that matter in Northern Rhodesia—as in the Union. Nevertheless in Rhodesia there seems to be far less hostility between white and black than there is in the Union. "Segregation" is still not quite *apartheid*.

Conscious of the—rather intangible—advantages which "their" natives enjoy in comparison with natives in South Africa, the white Rhodesians are correspondingly irritated



that so many of "their" natives should want to go south. The fact remains that most South Rhodesian natives, given the opportunity, go like a shot. They are attracted in particular by Johannesburg, in the same degree as nearly all white Rhodesians are repelled by the place. The reason is tragically simple. The Rhodesian natives know that, in South Africa, wages are in general much higher, while the cost of living is at least no greater. This increases the white Rhodesians' dislike of the Union: like all whites everywhere in Africa, they are perennially short of black labour. It is not so long since Rhodesian farmers were bitterly upbraiding Transvaal farmers for luring "boys" across the border, by offering the "preposterous" cash wage of 30s. a month as against Rhodesia's 10s.

The real answer of course is greater economic development; and both the Rhodesias are expanding economically. It is claimed that in five years the national income of Southern Rhodesia has increased by over 80 per cent. But Rhodesia's income per head is still not much more than half South Africa's. Further expansion requires more transport, and more power—which means more capital. This is one of the arguments for federation. It is believed that federation would bring the required capital more quickly and in larger volume.

The white population of Southern Rhodesia has increased by 63 per cent, to 150,000, in five years; more than half is now crowded into the three towns of Salisbury, Bulawayo and Gwelo. The influx has created other problems besides an acute shortage of housing. Many immigrants came from South Africa, and a large number were Afrikaners. When it was found that they tended to bring their uneasy nationalist politics with them, Sir Godfrey Huggins's Government put a brake on this Afrikaner influx. The step did not improve Rhodesia's relations with the Union. The Rhodesians found that the immigrants pouring in from Britain also jarred. "All they want are fish-and-chip shops and cinemas," said a Rhodesian bitterly. Another said bluntly: "Some of these people come here expecting to have a soft life. They never had servants before. Now they have black ones and try to put all the work on them. If anything goes wrong, they blame the natives—or 'this damned country.'"

These are common complaints against the British immigrants. For their part, the immigrants accuse the Rhodesians of being aloof and "cliquey." Until quite recently the Rhodesians formed a small white aristocracy. As one writer has significantly put it, the original pioneers were mostly drawn from "the clubs, the shires, the professions and the army." But all this was changing even before the first rush of postwar immigration. A natural white aristocracy, with aristocratic virtues as well as vices, was already becoming merely a pigmentocracy. The immigrants have only made this obvious. The average cultural level of the enlarged white population is no longer that of Victorian gentlemen. Its sentimentality however is not extended to natives. Most Rhodesians think British preoccupation with African rights insane. This view is quickly adopted by many British immigrants within a few weeks of their arrival in the country. "In the sphere of native policy," says a cynical South African, "the only difference between Rhodesia today, and South Africa, is that the South Africans call natives 'damned Kaffirs' and the Rhodesians call them 'damned munts.' The Rhodesians are Nationalists who happen to dislike Afrikaners."

If this is not quite correct, it is because Southern Rhodesia's native policy has not so far been shaped by average white opinion. The aristocratic tradition has been maintained in politics. With a fine disregard for the views of the average white voter, native policy has been made by reasonable-minded politicians and enlightened administrators. This is now in some danger. The immigrants are by no means on the side of the angels. If they resent the older Rhodesians' "aloofness," it is only because they see no reason why they should not automatically qualify for all the privileges of the pigmentocracy, admission to whose ranks ought, they feel, to be assured merely by their possession of a white skin. Rhodesians would prefer to continue the pretence that the white community is a sort of Brook's Club with the right of admission strictly reserved. This is the real cause of friction between older settlers and new immigrants.

In Rhodesia, race relations have not yet hardened. The situation is still so to speak plastic. But this is largely due to the wise direction of the men like the Prime Minister, Sir Godfrey Huggins. Whether their school of thought will continue to guide and mould events remains to be seen. Those who do not wish to see British Central Africa following the Union into a *cul de sac* of race chaos must hope that federation will be achieved, but in a form capable of opening up new vistas of racial co-operation.

Correction: In the article on "Party and State under Stalin," published in this section on November 15th, the number of probationary members (i.e. candidates or alternates) of the Central Committee of the Communist Party of the Soviet Union was wrongly given as eleven. It should have read: **111.**

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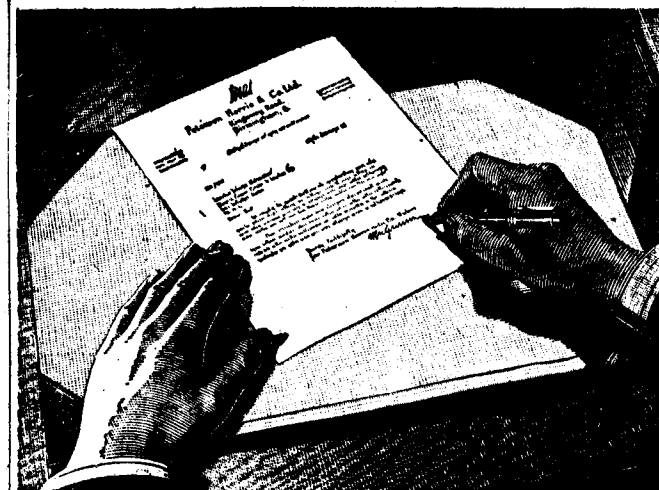


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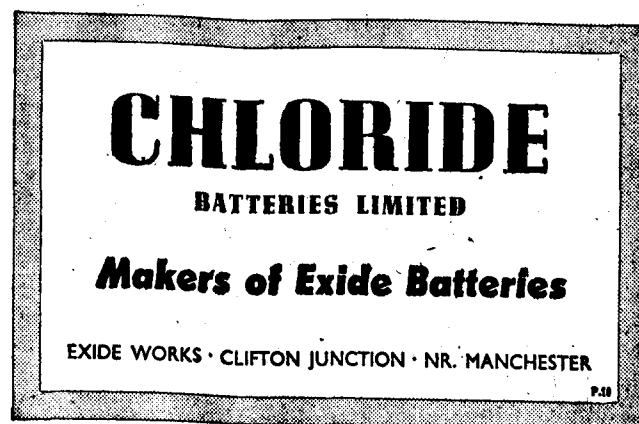


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THE BUSINESS WORLD

Prospects for the Gold Price

RUMOURS about a possible increase in the dollar price of gold have waxed and waned throughout the postwar years with almost monotonous regularity. At the moment they are waxing more strongly than ever before, and this has been marked on world stock exchanges by a revival of activity in gold shares. The most compelling reason for this renewed speculation has been the convening of the Commonwealth Economic Conference. No conference that is attended by a South African delegate can avoid some discussion of the gold price, and on this occasion Mr Hayenga's voice will not be crying in the wilderness. He is certain of active support from most of the other delegations at the conference. Some of the other Commonwealth countries—such as Australia, Canada and Southern Rhodesia—are themselves gold producers; while no Commonwealth Government can now disregard the advantages that would accrue from an increase in the \$500 million odd of annual current income that the sterling area derives from its gold production, and from an expansion of the wholly inadequate dollar cushion represented by existing gold reserves outside North America. It is, therefore, more than probable that some resolution in favour of a rise in the world price of gold will emerge from the conference.

The conference may propose on this subject, but it will be for the United States to dispose. What disposition is the new American Administration likely to make? At first sight, at any rate, the prospects do not look very rosy. Any hopes aroused by the disappearance from the Treasury of Mr John Snyder, who so often and so resolutely opposed any increase in the dollar price of gold, seem likely to be disillusioned as more becomes known of his successor, Mr George Humphrey, and of Mr Joseph Dodge, who has been appointed by the President-elect to be the "link-man" with the Bureau of the Budget during the interregnum and who is clearly destined to be one of the principal financial advisers to the new Administration. Mr Humphrey is a lawyer—the new Administration. Mr Humphrey is a lawyer—the new Administration. Mr Humphrey is a lawyer—the new Administration. He has recently claimed to have been "a supporter of Taft from the first time he ever ran for office," and as such he may be among those Americans who still feel it appropriate to blush with shame for what was done to the gold parity of the dollar in 1934. Mr Joseph Dodge is an austere, orthodox Detroit banker who, in his excursions into international affairs, has two severe and successful monetary deflations to his credit—that of the Deutsche Mark and of the Japanese Yen. Both these deflations were eminently sensible and necessary, and there is no logical reason why the author of them should be opposed to an inflation of the gold price. But as circumstances alter cases more frequently than they alter temperaments, there are grounds for fearing that he will be.

The rest of the Eisenhower Administration is heavily weighted with business men—and the views of the American Chamber of Commerce in London may be

representative of the views to which these business men may incline. It is worth while, therefore, to quote in full the comments made by this Chamber in its recent pamphlet on the problem of dollar-sterling imbalance.

There is one thing the USA should not do, and that is to increase the dollar price of gold. There is constant agitation, particularly by gold-mining interests and investors and speculators in gold-mining shares, to induce the United States to raise the dollar price of gold. More responsible circles are now advocating an increase in the price of gold to assist in correcting the imbalance between the dollar and the sterling areas. The Board of this Chamber is unalterably opposed to raising the dollar price of gold because in its judgment it would provide only a superficial and largely temporary alleviation in the dollar-sterling imbalance. It would not solve the fundamentals of the problem. Besides, it would damage confidence in the US dollar. Further tinkering with the parity of our currency would not only destroy its integrity but would have thoroughly bad psychological and inflationary effects on our monetary system.

Other influential American voices, it is true, have lately sung a different tune. In his recent Stamp Memorial Lecture in London, Professor John Williams recognised that the rigidity of the dollar price of gold in relation to other commodity prices was one of the prime causes of the sterling area's postwar dollar deficit. He mentioned the fear of inflation as the main American objection to an increase in the gold price, but agreed that "under conditions of modern central banking there should not be over much basis for such a fear." And he concluded by a somewhat hesitant support of the case for a higher price: "I do not say I would welcome such a change from an American standpoint, but I would not weigh my objection too heavily if there were a clear case for it as part of the American contribution to a basic solution of the dollar problem." This is very non-committal and conditional support and, even allowing for Professor Williams's high position and influence in the United States, it would be unwise to interpret his remarks as the harbinger of a real change of attitude by those who make policy in Washington.

The fact must therefore be faced that any plea for an increase in the gold price may still fall on stony ground. The new American Administration may stress, in the first place, that this is not a time at which the forces of inflation should be encouraged. It is true that the effect of the revaluation of the US Treasury gold stock on the domestic banking and credit situation could be neutralised (though some Americans believe that it would be more difficult to neutralise the psychological effect of the devaluation of the dollar). But the Americans' main objection is that what could not be offset would be the stream of increased dollar purchasing power that would be put into the hands of sellers of gold in the United States. The exercise of that purchasing power, they argue, would be bound to have some expansionist or inflationary effect on the American economy. There is, of course, some confusion of argument here. The

expansion of internal US demand arising from an increase in the gold price would be tiny, even when allowance is made for the multiplier effect; US production of gold last year was only \$59 million. The main effect of an increase in the gold price would be that foreign demand for US exports would be stimulated—or, if aid ran off to an equivalent extent, maintained. Any measure that stimulates foreign demand for American exports—whether it be classified as trade or aid—must, of course, have some inflationary consequences in America; there is really not much more in this side of the argument than that.

If, however, an increase in the price of gold is recommended to the United States merely as a veiled and more decent manner of giving assistance to the non-dollar world than the recent technique of "hand-outs," another awkward question will have to be faced. If all that is involved is assistance, the Americans may well ask, would not every interest, including that of the United States, be best served by giving the dollars to the deserving and not to those who happen to be large producers or holders of gold? It will not be forgotten in this context that Russia is a large producer and holder of gold and would, therefore, be one of the incidental beneficiaries of an increase in the dollar price of the metal. The United States may also justly argue that there are better things to do with scarce capital equipment and resources than to divert them at this moment to encouraging the production of gold. This is perhaps the strongest part of the opposition case.

There remains, too, the basic argument that gold is still a monetary metal and the standard by which values are measured. If the principal countries of the world begin to move the currency price of gold up and down with the general level of commodity prices, why, it will be asked, use gold as a standard at all? Why in these circumstances place on the Federal Reserve system, or any other monetary authority, the obligation to buy gold at stated prices and in unlimited quantities? The gold producers, it may be said, should be faced with the choice of producing either a monetary metal or a commodity that fluctuates in price as other commodities do. In these circumstances, gold producers would be very silly indeed

to choose the latter—to choose to be left to the tender mercies of a free market with no floor, with no obligation on the part of central banks to buy at fixed prices all the gold that is offered to them. Gold producers should have learned this lesson from their experience in the last year. Thirteen months ago, when gold could be sold at over \$39 an ounce on the free markets, it still seemed possible to argue that the official price of \$35 an ounce was well below the price that the world was willing to pay for the metal. But it is now clear that the high prices that ruled in the free gold markets in 1951 and earlier years were due to the artificial restrictions on the supply of gold to that market that were imposed by the International Monetary Fund. As a result of the loosening of those restrictions towards the end of last year, the price of "free" gold has recently fallen below \$37 an ounce, a figure at which there can be very little inducement to take the trouble and incur the expense involved in preparing the metal for sale in the free market.

There are, therefore, some weighty and logical objections that can be raised against any proposal to increase the dollar price of gold at this moment. But they are not overriding objections. The basic fact remains that if international trade is to be expanded, then international liquidity needs to be increased. It is easy to conceive better ways of increasing that liquidity than by raising the price of gold, and it is true that any rise in that price would not solve the whole problem; it could be only a supporting arm in the array of weapons needed to blast the way forward for a lasting advance to freer trade. In present circumstances, however, even a slender chance of deploying such a supporting arm should not be ignored. If trade had been more evenly balanced since the war—so that no one country had been left as the main residual purchaser of monetary gold in conditions of both boom and minor recession—it is likely that most governments would have agreed that an increase in the gold price, and the injection of liquidity consequent upon it, would have been to their mutual advantage. The Commonwealth Prime Ministers will, therefore, be wise if they make their expected plea for an increase in the gold price. But that does not necessarily mean that speculators would be wise to expect that any such plea will be successful.

How Thrive the Armourers?

IT is only at the worst of times that a Royal Ordnance Factory can work to full capacity; and since it supplies weapons at cost, it can never make a profit. These facts of life in the ROFs can hardly be expected to inspire the men who have to work in them, run them, and direct their activities. They also handicap any independent scrutiny of ROF operations according to ordinary business principles—for instance, by the Select Committee on Estimates of the House of Commons. Yet the factories have to be run with as little inefficiency as possible, and costing criteria have to be evolved. They employ public funds, yet are shrouded from the public gaze by an unevenly opaque veil of security. So they constitute an obvious field of expenditure to be policed by the Select Committee. And from time to time, one authority or another—their master, the Minister of Supply, or the partially informed Parliament—must make major decisions about their future. One such decision now impending concerns the oldest state

munitions establishment—Woolwich Arsenal. But the ROF organisation as a whole presents certain larger problems.

The Royal Arsenal developed from an armoury, and originally a naval dockyard, that existed at Woolwich in Tudor times, and during some lengthy periods thereafter almost the whole of the state's munitions capacity was concentrated there. In the period of disarmament after the first world war, the Arsenal was almost the only official reserve of arms potential for which successive Parliaments were prepared to find the money. Its main value as a reserve resided probably in the cadres of staff, foremen, and craftsmen—whether formally skilled or simply accustomed to the job—whom it kept employed on a trickle of output and the servicing of equipment. It was from the Arsenal's three main factories—making and filling ammunition, making guns, and making gun carriages—that the key men were drawn in the mid-thirties to plan and open up the new "green-

field" ordnance factories built in the provinces to expand and decentralise Britain's specialised munitions-making capacity. But the Arsenal's three square miles on the edge of the Thames were highly vulnerable, and with the erection of the new specialised factories there remained little that could be done effectively only at Woolwich. It was kept busy during the second world war, but since then it has been comparatively idle.

Rearmament in 1950 posed anew the question that the second world war had postponed: to what extent should the increasingly vulnerable Arsenal and its reserve of skill be employed upon the new defence programme? In practice, a certain volume of extra work appears to have been put upon the Arsenal in the first year or so of the production programme, particularly in special work to assist the expansion of arms output in other ordnance factories; but the Select Committee was told that "Certain aspects of it appear to have passed their peak," and agreed that "people do not quite know what to do with Woolwich." At the time, just over 9,000 people were employed in the factories that cover 1,312 acres there—about seven persons to the acre—while the remaining 849 acres are used for storage or occupied by "lodger units" from the armament branches of the services. In a number of workshops about half the machine tools seemed to require major overhaul, and about a quarter were fit only for scrap. The costing of this hive of under-employment is less than realistic: the Select Committee reports:

No figure for rent or interest on the capital value of the land occupied is included in the manufacturing accounts of the Royal Ordnance Factories. . . . It seems likely, therefore, that the true costs of production at Woolwich are never recorded and that the uneconomic nature of the vast site occupied is in this way concealed.

It is not altogether surprising if in the Ministry, as the Select Committee concludes, the Arsenal is regarded as "something of a white elephant." In April its activity was estimated by the Ministry at 40 per cent of its single-shift capacity; "no great expansion" was expected. The Arsenal has experience in making guns, carriages, mountings, tanks, shells, cartridges and in filling ammunition. But it would hardly seem qualified to go in for the production of specialised machine tools for munitions as a central workshop for the ordnance factories—one suggested new role that was mentioned by the Select Committee in its recent report.*

Woolwich is a special case, on a vulnerable site and no longer essential to any particular branch of armaments production. But the problem that it presents for the Ministry of Supply is partly one of maintaining reserve capacity; and to a large extent the administration of the ordnance factories as a whole is an extension of that same responsibility in the factories actually operating as well as the eight others retained on a "care and maintenance" basis. Not all of the 21 active factories, it is worth noting, are busier than Woolwich, though some of them are becoming much busier. The two factories producing tanks are being brought up to more than full single-shift capacity; and there is heavy pressure upon four others producing certain guns, 20 mm. ammunition and its filling, and the explosive picrite. Production of small arms and their ammunition remains low, because stocks are fairly adequate to meet the planned demand.

*12th Report from the Select Committee on Estimates, Session 1951-52. The Royal Ordnance Factories. Stationery Office, 9s.

As a whole, the factories today are employing about 50,000 people, against an estimated single-shift capacity of about 120,000 and a multi-shift capacity of some 200,000; during the war, when 44 ordnance factories were in operation, they employed at their peak 340,000 workers. Despite even the increased activity of the current rearmament programme—and the evidence of ordnance factory output given to the Select Committee pre-dated announcements that the programme was being curtailed to take the weight off engineering—it does not appear likely that much more than half the total single-shift capacity of the factories is likely to be required in production. Any radical developments in the design of weapons may tend, in the short run of the present programme at least to reduce the demands these factories can satisfy. Nor does it seem that these factories, specialised for the quantity production of fairly conventional weapons, could take much of the load of producing other armaments off private defence suppliers.

Other considerations that remove the ordnance factories' production of weapons from the sphere of ordinary production management arise from their special

ROYAL ORDNANCE FACTORIES:
ESTIMATES OF EXPENDITURE, 1952-53

	Capital	Current	Total
FACTORY PRODUCT—			
Manufactures, modifications and repairs.	—	39,157,000	39,157,000
Services for Ministry of Supply, other	—	—	—
Government Departments, etc.	—	4,093,000	4,093,000
Miscellaneous	—	1,100,000	1,100,000
Sales and Services	—	44,350,000	44,350,000
Reserve capacity maintenance	—	5,200,000	5,200,000
Repairs chargeable to Insurance Account	—	50,000	50,000
Capital expenditure	650,000	—	650,000
Increase in stocks and work in progress	2,250,000	—	2,250,000
Total Factory Product	£2,900,000	£49,600,000	£52,500,000
CAPITAL EXPENDITURE BY H.Q.			
ROYAL ORDNANCE FACTORIES—			
Land and Buildings	20,000	—	20,000
Works Services	2,725,000	—	2,725,000
Plant and Machinery	9,250,000	—	9,250,000
TOTAL ROF EXPENDITURE	£14,895,000	£49,600,000	£64,495,000
TO BE FINANCED FROM—			
Non-cash Supplies and Services:			
Factory depreciation	—	3,750,000	3,750,000
Injury pay, etc.	—	1,180,000	1,180,000
General expenses and Ministry of Supply H.Q.	—	670,000	670,000
Services	—	—	5,600,000
Increase in creditors	—	—	545,000
Appropriations in aid	—	—	44,350,000
Net provision in cash estimate	—	—	14,000,000
			£64,495,000

relations with Service users. These users are responsible for inspection both of the finished products and of the manufacturing processes; and while stores for the Army and RAF are inspected by the staff of the Chief Inspector of Armaments, whose salaries are paid by the Minister of Supply, the Royal Navy has a separate inspectorate responsible not only for inspection but for the design and development of all naval ammunition. In the ammunition filling factories, these two separate inspectorates employ large staffs—amounting together to one inspector for every 4.3 workers. Even where the stores concerned are common to military and naval users, the Admiralty insists upon its separate inspections, and hence upon separate stocks of materials and components, partly upon the ground that the ordnance factories pay their filling workers by results, a practice that is not allowed in naval ammunition establishments. The Admiralty also argues, quite justly, that ammunition that will have to be stored in the confined spaces of a ship's magazine, where it might endanger men and vessels, needs more rigorous inspection than ammunition that can be stored more

safely on land. Little progress has been made with the mechanisation of inspection methods, and a prejudice has grown up against "controlled inspection," the more conventional system of giving the factories the responsibility for their own inspection, with perhaps a few Service inspectors on the spot. This system was tried at one ordnance factory during the war, and failed, setting up the prejudice against it that still lingers. But without it, or at least without a system of "uniform inspection" by which all common-user stores could be manufactured to the more exacting standards of the Admiralty and only one Service inspectorate employed generally in a factory, it is difficult to see how inspection can cease to disorganise production and to waste public money.

None of the problems that the Select Committee has emphasised are new to the Ministry of Supply, which in recent years has been altering the structure and methods of management throughout its nucleus of ordnance factories. Until the beginning of this year, the headquarters was organised under a Director-General of Ordnance Factories, who was responsible to the Controller of Supplies (Munitions) of the Ministry. Under him the factories were divided into four groups, covering explosives, ammunition, filling, and "guns, carriages and tanks," under separate directors, while specialist directors were responsible for accounts and for "engineering"—the servicing of the factories and the installation of plant. The Chief Superintendent of Woolwich Arsenal, with its three different factories, was on the same level as the production directors, and while the superintendents of all other Royal Ordnance Factories came under the director covering their particular types of production, the superintendents at Woolwich formed a separate, mixed group under their chief.

The organisation receives its orders—in ROF jargon "extracts"—from the directors-general of particular branches of munitions production in the Ministry, who have to decide how much of a given armament demand shall be placed with private manufacturers and how much with the ordnance factories. The "extracts" are passed down the chain of command to the appropriate ordnance factory; the arms production directorate at the Ministry has the formal responsibility for arranging the timely supply of materials and components, while the factory's demands for plant and machine tools are scrutinised in the ROF directorates and, if approved by the Ministry's finance branch and the Treasury, are ordered through the Contracts branch of the Ministry. For the present, tool demands have also to be sanctioned by the Controller of Machine Tools at the Ministry.

The allocation of arms orders between private industry and the ROFs depends to some extent on price, but direct competition for the same type of work is not very common, and the Ministry is hardly likely to allow the factories to stay very short of work while any of the munitions they can make are being ordered. The factories are credited annually, through appropriations in aid, with the value of the stores supplied to the Service departments at the prices fixed when the order is given; but any loss incurred through quoting low prices to obtain orders, or otherwise, is presumably recovered through the annual ROF vote. External pressure on efficiency, therefore, is largely absent; the efficiency must depend on internal

costing and financial control. A revised system of factory budgeting, introduced in 1949, is now standard throughout the organisation. Budgets covering every item of overhead and direct production costs are prepared, and eight times a year comparisons of actual with budgeted costs are sent to headquarters. This costing system, designed mainly to watch overheads, since standard production costing is not applicable to large sections of ordnance factory work, reaches right down to the shop managers and foremen. It does appear to have improved "cost-consciousness" throughout the organisation. The ordnance factories have had to replace the normal spur of profit with a team spirit and pride in efficiency; and anybody who has visited one knows that this rather "regimental" kind of loyalty does exist.

Nevertheless, a committee set up at the end of 1950 by the then Minister of Supply to investigate the organisation and control of the factories—which presumably had greater opportunities than a Select Committee for making a full investigation—recommended most radical changes. Its report has not been published; the Select Committee notes that its main theme was that

the factories should be divorced from the control of the Ministry of Supply and should be made into a self-contained corporation responsible to the Minister and run in the same way as most of the nationalised industries.

It is impossible to discuss this rather remarkable proposition without the committee's arguments; but it hardly seems surprising that the Minister did not accept it. In default of such a radical change, the committee recommended other changes; and the alterations in the ROF organisation that the Minister has since made are understood to be in accordance with some of them. These include the creation of a board of management for the factories, under the chairmanship of the Controller of Supplies (Munitions), and including not only the Director-General of Ordnance Factories, but two representatives drawn from industry outside. This board now reviews policy; a second executive board, under the chairmanship of the Director-General, including the ROF production directors, the chief superintendent of Woolwich Arsenal, and other officials of the Ministry, is concerned with more detailed direction.

The board of management, which has now been in existence just over six months, will have the main responsibility for decision upon the future of the Royal Arsenal, and such questions as inspection, the better organisation of machine tool purchases, the independent spending powers of factory superintendents, and other points that the Select Committee has raised. Following the board's advice, the Minister may soon be able to announce decisions about Woolwich and about inspection. It might be useful if he were able at the same time to say something about the special weaknesses that led his confidential committee to recommend such radical changes in ROF organisation, and about the degree to which he hopes the new boards will solve these problems.

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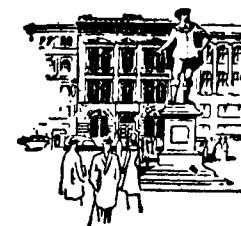
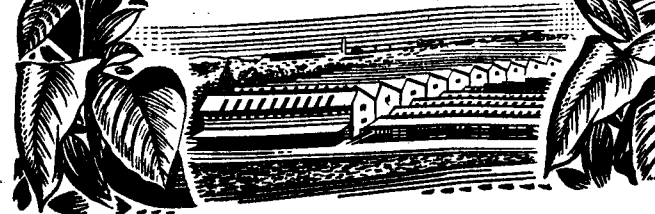
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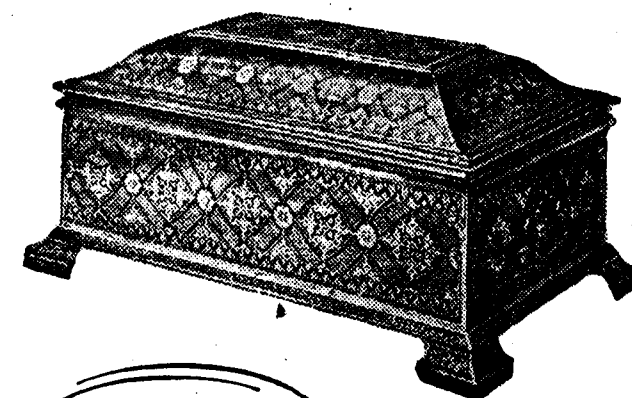
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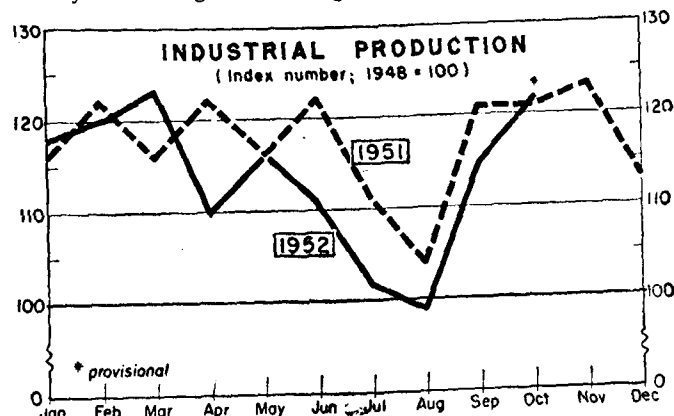
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carries the curve back to the 1951 level (the index for October, 1951, was 121). Detailed figures of production by industries are not yet generally available for later dates than July or August, and so do not reflect the apparent change of trend. But the component groups of the official index show that September's (mainly seasonal) advance upon August was primarily due to the manufacturing industries: the index for this wide group rose by 17 points to 115, a slightly larger percentage movement than the similar rise (to 124) twelve months earlier. In building and contracting and in mining and quarrying, the advance was less pronounced than in September, 1951, though it was appreciably larger in gas, electricity and water.

It would be unwise, perhaps, to base firm conclusions about the future trend on the evidence of the indices of these two months—September and October; comparisons, even from one year to another, that relate to periods that include or immediately follow the slack summer season may be unreliable as guides to the future. Moreover, it is noteworthy that the good showing of the provisional figure for



October, by comparison with 1951, is partly explained by the fact that the long-sustained rise in the volume of production entirely stopped in the fourth quarter of that year—and October showed no increase at all over September. Finally, it must be emphasised that the improving trend has almost certainly been mainly due to the recovery of the consumer goods and other lighter industries that formerly were most depressed. Disinflation is easing before it has done its full job.

Credit Expansion Continues

This year's rising trend of bank deposits, which slackened in October under the influence of the Government's conversion operation, grew steeper last month. During the five weeks to November 19th net deposits of the clearing banks rose by £32.9 million to £5,974 million, a movement that contrasts with a fall of £8 million in the corresponding month last year, with a rise of £24 million two years ago and a fall of £3½ million in 1949. Once again, the credit expansion proved to be wholly attributable to an increase in borrowings from the banking system by the central government, since supplies of credit to the private sector of the economy were further reduced during the period. Aggregate bank advances, which have fallen continuously since last April, dropped by a further £3.5 million (to £1,744 million, or £209 million below their peak), while portfolios of commercial bills contracted by another £4½ million (to only £57 million, in contrast with £187 million in February last). Investment portfolios, too, were slightly reduced. These figures suggest that the Government's demands upon the banking system expanded during the month by some £45 million, whereas in the corresponding month last year they declined by about £14 million.

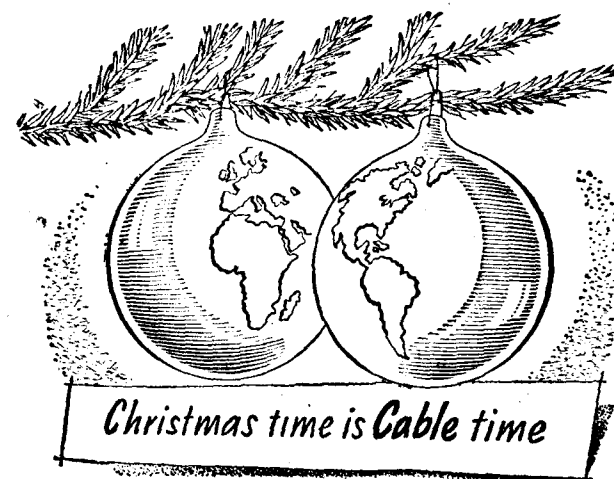
This latest increase in governmental demands arises only partly from the growth of the Treasury's current domestic

deficit. The trend of this deficit is still showing a deterioration by comparison with last year, but the difference has been a good deal smaller than the increase in borrowings from the banks. In the five weeks to November 22nd (the period most nearly comparable to that covered by the banking figures) the Exchequer showed an "overall" deficit, including issues to sinking fund, of just over £14 million, whereas in the corresponding period last year there was an overall surplus of £9 million. At that date the cumulative deficit for the current fiscal year stood at £722 million; it has since risen to £768 million. During the past month the Treasury has had to finance not only these current requirements, but the redemption, on November 14th, of the £105 million of unconverted Serial Funding Stock, 1952; to the extent that these bonds were already held by the "departments" the repayment was in effect merely a book-keeping operation, but it is evident that a substantial sum was due to private holders and therefore involved the Treasury in additional borrowings from the banking system. The published figures of Exchequer domestic finance do not, moreover, measure the full strain that has had to be borne this year; a major cause of the Treasury's heavy dependence upon bank credit has been the big improvement in the external balance of payments. Whereas last year the huge external deficit was enabling the Government to borrow sterling from external holders and simultaneously to obtain sterling in exchange for sales of gold, this year the balance of payments has shown a moderate surplus, so that there have been large repayments of overseas sterling balances—and, quite recently, also net purchases of gold.

The outcome of these several sources of pressure, over the fiscal year to date, has been a net credit expansion of nearly £290 million, notwithstanding the steep contraction of credit in the form of bank advances and commercial bills. Hence the net total of deposits, which in the spring was as much as £200 million below the 1951 level, is now slightly above it, and the newly revised index compiled by Lloyds Bank (which is adjusted for seasonal variations) has risen during the past six months from a low point of 101.0 to 102.9 (1948=100), reversing the trend shown in the similar period of last year. Meanwhile, of course, the increase in Treasury borrowings is making good (until the season of heavy tax-gathering) part of the reduction in bank liquidity ratios that was brought about by the recent funding operation. During November, this ratio recovered from 34.4 per cent to 35.0 per cent.

Pause in the Markets

Reflections upon the further growth of the Exchequer deficit brought to a halt this week the gentle climb in gilt-edged prices that began just before the Government's conversion offer at the beginning of October. It remains to be seen whether this is a definite check or a temporary pause for breath; certainly it is the reverse side of the medal to the experience of the last two months. In this period, as the accompanying table shows, a steady accumulation of slight gains had virtually wiped out the losses that were made in September, when the market expected to receive a much stiffer dose than the Government actually administered with its conversion offer. Gilt-edged prices are thus now not very much below the levels at which they stood on the eve of the budget (and of the rise in Bank rate to 4 per cent), or for that matter at the end of last year—a point of growing significance as the accounting date of the bank's yearly balance sheets draws near. An even sturdier rally in equity prices has taken place since September. The pace of the advance quickened before the weekend and by the close on Monday the *Financial Times* ordinary share index had risen from the autumnal "low" of 112.9 to 117.8; it had fallen back to 117.2, however, by Wednesday's close.



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FOAM ON RIVERS

The following question was put in the House of Commons on Thursday, November 27th, 1952, by Sir Herbert Williams, Member of Parliament for Croydon East:—

"To ask the Minister of Housing and Local Government whether his attention has been drawn to the fact that certain detergents are now having materials added to them which have the effect of producing permanent foam with a consequential prejudice to public health and will he state what steps he is proposing to take under the Public Health Act to deal with this matter."

Mr. Marples, Parliamentary Secretary to the Ministry of Housing and Local Government, replied:—

"My Rt. Hon. Friend presumes my Hon. Friend has in mind the effect of the foaming on sewage processes and sewage effluents."

"My Rt. Hon. Friend is aware of the troubles that are being experienced and as a first step he is having the technical problems investigated in consultation with the manufacturers."

The appearance of foam on rivers and filter beds at sewage farms has become a national problem. It is possible for this foam to leave a scum on the surface of river waters which prevents oxygenation with the result that animalcula may die, the water often becomes foul and fish may either desert the rivers or die.

On sewage filter beds the foam sometimes rises four or more feet high. Portions are blown about, an occurrence which may well cause concern amongst neighbouring residents, especially those with children.

In view of the suggestion made in the House that this phenomenon is due to a lathering agent added to some domestic washing detergents, the manufacturers of Stergene wish to state that their detergent gives little or no lather, as the most modern detergents do not require foam to indicate efficiency. Stergene contains no substance which could be responsible for excessive foam on rivers or filter beds.

It is further claimed that there is ample scientific evidence for the assertion that lather is entirely unnecessary and that Stergene is the complete efficient cleanser without it.

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The market was not perturbed by the news that 59 per cent of the £2 million issue by the City of Sydney of a 4½ per cent stock (1963-65) at par was left in the hands of the underwriters; this stock opened on Tuesday at a discount of ½ per cent. The new Northern Rhodesian loan has not suffered the same fate. Unlike the Sydney stock, it is a trustee security, and has been offered on attractive terms; it was announced on Thursday that the issue had been oversubscribed. This new Rhodesian loan took the form of a 4½ per cent stock (1965-70) issued at 99½; at this price, which is the same as the current ex-dividend price of the Kenya 4½ per cent stock (1961-71), the stock offers a yield of £4 10s. 10d. per cent to the latest date. The issue was for

NET PRICES

	Mar. 11th	June 24th	Sept. 15th	Sept. 24th	Oct. 1st	Dec. 3rd
2½% N.W. Bds. 51/53	100½	99½	99½	99½	99½	99½
1½% Ser. Fdg. Nov. '52	100	99½	99½	99½	99½	99½
1½% Ser. Fdg. Nov. '53	99½	98½	97½	98½	98½	98½
1½% Ser. Fdg. Nov. '54	98½	98½	97½	98½	98½	98½
3% Ser. Fdg. Nov. '55	99½	95½	98½	98½	98½	98½
2½% N.W. Bds. 54/56	99½	96½	98½	98½	98½	98½
2½% Exch. Feb. '55	99½	96½	98½	98½	98½	98½
3% Sav. Bds. 55/65	91½	86	92½	91½	91½	92½
2½% Funding 56/61	92½	88½	92½	91½	91½	92½
3% Funding 66/68	86½	82½	87½	86½	86½	88½
4% Funding 60/90	97	94	98½	96½	96½	98
3% Sav. Bds. 65/75	81½	77½	84½	81½	82½	83½
3% Elect. 74/77	81½	77½	83½	81½	82½	82½
3% Trans. 78/88	76½	72½	78½	75½	76½	77½
3½% Steel 79/81	87½	82½	88½	86½	87½	88½
3% Gas 90/95	75½	72	77½	75½	76½	77½
3½% War Ln. after '52	78½	72½	78½	74½	76½	78½
2½% Consols	60½	55½	60½	57½	58½	60½
2½% Treasury	58½	53½	58½	55½	56½	58½
Fin. Times Ord. Index	112.7	103.1	116.8	113.6	112.9	117.2

* Issue Price.

a total amount of £2,540,000, but £540,000 of this had already been subscribed and £500,000 was reserved for Rhodesian investors. The results have also been announced this week of the first option of conversion into ordinary shares of the Distillers 5 per cent unsecured loan stock; although the equivalent conversion price of the ordinary shares, at about 17s. 3d., was slightly above the price of the existing ordinary shares, holders of no less than £1,408,350 of the loan stock have decided to exercise their first options; the company will therefore issue 1,633,686 4s. ordinary shares.

Bonus Issues and Preference Shareholders

If a recent judicial decision is upheld in the Court of Appeal many British companies will have to secure the approval of preference shareholders before making a bonus issue—or even possibly a "rights" issue—of ordinary shares. That is the implication that emerges from two recent judgments of Mr Justice Danckwerts—in *Re John Smith's Tadmester Brewery Company* on October 9th and in a friendly action brought by a director against the Bristol Aeroplane Company in the Chancery Division on November 29th. In the *Tadmester* case, the brewery were bound to call a separate meeting of the preference stockholders to vote on a proposal to create and to make a bonus issue of new ordinary shares. The company's articles of association provide—and the common form of this article gives the decision its general interest—that the rights of the holders of any one class of share may be "affected, modified, dealt with or abrogated" with the sanction (and, by implication, only with the sanction) of a separate meeting of the holders of that class of share. The point at issue was whether a bonus issue of ordinary shares "affected" the rights of preference shareholders in the company. In his decision Mr Justice Danckwerts drew attention to a passage from a judgment of Mr Justice Vaisey in a case decided in 1945...

If you have an equal number of preference and ordinary shares in a company, with equal voting rights... you would not vary the rights of the preference shareholders by issuing additional ordinary shares; in substance you would materially affect these rights, but you would not vary them.

In his elaboration of this judgment, Mr Justice Danckwerts ruled that a proposal that would have the effect of increasing the number of ordinary shares in issue and so of altering the existing balance of voting power between preference and ordinary shareholders would "affect" the rights of preference shareholders by making their votes "less telling and less important." He decided therefore that a separate meeting of the different classes of shareholders would be necessary and that the power of the preference share vote would have to be brought into play.

As a result of this decision the Aberdeen and Canadian Investment Trust has announced that it has been advised that, in accordance with its articles of association, a separate meeting of preference shareholders must be called to consider its plans to make a bonus issue of ordinary shares to its ordinary shareholders. It was in these circumstances that Mr G. S. M. White, a director of Bristol Aeroplane, arranged to bring a friendly action against his company; this case came before Mr Justice Danckwerts himself on Friday of last week and he inevitably followed his own ruling in the *Tadmester* case. Bristol Aeroplane has filed an appeal against this decision, so that comment on the merits of the arguments must be deferred. If the ruling is upheld by the Court of Appeal, the voting rights of preference shareholders will be given a legal protection that many companies have in fact already recognised—British Motor is the most recent example—by adjusting the balance of voting rights between preference and ordinary shareholders when making bonus issues.

Clinging to the Car Covenant

The shortening, announced last weekend, of the covenant period banning the re-sale of new cars from two years to one will affect only that handful of models—fourteen of them—that have not already been removed from the scheme altogether. They include all four Ford models and both Vauxhalls. It seems incongruous that a restrictive scheme of this kind is being buttressed by two American-owned manufacturers and the French Renault company, two of whose British models are still subject to covenant, while British manufacturers have withdrawn so many of their models. The only British cars still controlled are the two smallest Austin models (the baby A.30 and the A.40), the Morris Minor and Oxford, the Hillman and the small Singer.

Deliveries to the home market are bound to increase during the next two months. Shipments to Canada, which has recently been taking a substantial number of cars, always fall during the period when the ports are icebound, while import quotas to alternative markets are usually fixed on a yearly basis and most 1952 import licences have been largely exhausted already. Exports will equally certainly rise again in the New Year with the negotiation of new—and, as some believe, higher—quotas. But as that period will also see an increase in the amount of steel available for car production, the present softening state of the home market is not likely to be ended merely by the granting of new quotas to overseas importers and the thawing of the ice on the St. Lawrence.

During the next month or so, it is improbable that dealers will be left for long with excessive stocks of unsold cars on their hands—about 20,000 cars would be needed to build up their showroom stocks to the prewar level. But the rate at which their inflated order books are being run down is giving them an unpleasant taste of things to come. So far as it is possible to generalise at all, buyers are showing a strong preference for the newer models, which are not necessarily the cheapest available, and this preference affects the delivery period for different makes of cars.

Having raised the issue of purchase tax, the industry is now complaining that uncertainty about its future rates is making buyers hold back and this uncertainty will not be finally removed until the budget in April—whatever statement may be made in the meantime. But some dealers doubt whether considerations of this kind have much effect on the sale of cars for business purposes, and these transactions make up as much as 90 per cent of home sales. It is more likely that much of the impending sales resistance is the result of a greater freedom of choice among competing models, for many models have enjoyed several sheltered years on the home market while the more popular cars were being exported almost to the limit of production.

Mr Rank's Ice-Cream

Mr J. Arthur Rank made an impressive—and informative—appearance at Bow Street last week when one of his “shopwindow” cinemas in the West End of London was accused of failing to show the amount of British supporting films legally required during the “quota year” that ended in September, 1951. It was not in dispute that during the period only about 15.4 per cent of the footage of supporting films shown by the cinema were British, as against the quota of 25 per cent laid down for that year on the advice of the Cinematograph Films Council, of which Mr Rank is a member. The Circuits Managements Association, which controls the operations of the exhibition side of the Rank Organisation, was summoned. It successfully contended, however, that owing to circumstances beyond its control it was not commercially practicable to fulfil the quota at this cinema—there were not sufficient good British supporting films available during the period to this “first-run” cinema. The magistrate this week found the defence justified, and dismissed the summons. In giving judgment, he commented that “commercial practicability” was something different

from commercial advantage; the only definition that occurred to him was that the phrase was “concerned with something that must be considered sound commercial practice.” This condition is one upon which the Board of Trade, after consulting the Films Council, may allow a cinema exhibitor exemption from the quota regulations; exemption had not been allowed in this case.

In his evidence last week, Mr Rank told the court that his cinemas in the West End lost £100,000 in the year in question, and the particular cinema alone lost £17,000. He added that so far as box-office takings were concerned “there was a loss for the whole organisation” in the year in question, but that there were ancillary earnings, including a profit of £1,151,000 on sales of ice-cream.

Wool Holds Firm in London

Wool prices during this season have remained firm, in contrast to the weakening prices of a number of other raw materials. At the opening auction last week of this season's second series of London wool sales, New Zealand wools of the greasy crossbred qualities were 10 per cent higher than at the close of the first series of sales in September and as much as fifteen per cent above prevailing rates at the New Zealand markets, while Australian greasy merinos, for which there was less demand, were nevertheless 5 per cent above the September London prices and about the same as those now ruling in Australia. At the second auction of the series, held on Wednesday this week, prices were again well maintained with a further advance of about 2½ per cent for some Australian and up to 5 per cent for better New Zealand qualities. Buying throughout has come about equally from Bradford and Continental representatives, but United States buying was not apparent.

The higher prices at the present London sales were much as had been expected. Wool from the opening season's sales in New Zealand will not reach this country for some weeks and meanwhile it is known that stocks are low at the mills and orders are coming in. Australian new season wool, on the other hand, is now arriving in this country, so that the supply is relatively easier than for New Zealand qualities. But most of the clip on its way to the mills is committed to orders already booked, so it is expected that demand for Australian types also will continue fairly strong throughout the present London auctions, which last until December 12. Prices were well maintained at sales this week in Australia and New Zealand.

The world clip for the season is estimated at 2,325 million lb and consumption is believed to be at the rate of about 2,260 million lb so that current production roughly balances demand, although it must be noted that crossbred wools are more plentiful than merinos. Provided stocks held by Argentine and Uruguay, estimated at about 200 million lb, are not hurriedly liquidated—and so far they have not been—the wool market appears to be fairly stable, at least until the heavy supplies of crossbred wools come on to the market during the early months of next year.

Rayon on the Way Up

The recovery in the rayon industry is gaining momentum. In October the production of rayon staple yarn, which had almost ceased in June, was back to a figure of 15.5 million pounds, which is not far short of the industry's peak capacity. Recovery in continuous filament yarn has been slower; output increased by only 2 million pounds in October compared with an increase of 4 million in staple production. At 12.9 million pounds, it is some way below full capacity, for output has at times exceeded 20 million pounds a month. For the industry as a whole, production

in October reached 28.4 million pounds compared with 22.4 million pounds in September and 11.7 million pounds in June, when the bottom of the depression was touched.

The source of this return of confidence is best seen in the rising rate of yarn deliveries to the different classes of consumer. In August, less than 10 million pounds of continuous filament yarn were bought, compared with an average of 18 million pounds a month in 1951. Of this total, 3.7 million went to the weavers, a little under 2 million to the hosiery and other knitting industries, 2.5 million to industrial users, and 1.4 million for export. By October total deliveries had risen to 16.05 million pounds, with 7 million going into weaving, 3.2 million to the knitters, 3.4 million to industrial users (tyre production is still in the doldrums), and 1.5 million to export. Consumption is rapidly catching up on last year's figures and stocks of yarn at the factories have run down to a point where there is some delay in deliveries while plant is brought back into commission. Where stocks were held in the form of yarn, the industry has been able to clear them without too great a loss. Where, however, they were held in the form of finished cloth, they have been moved only at considerable sacrifice. And in spite of the recovery in rayon consumption, the inroads made by the cotton industry into the rayon industry's markets for certain types of dress fabrics last year seem likely to be repeated in the coming season. To meet the competition from improved cotton fabrics, the rayon industry is developing new constructions and finishes for rayon and rayon mixture cloths, some of which appear to have interesting possibilities. The slackness in the industrial demand for rayon makes the industry more dependent on the capricious market for dress fabrics than producers would like it to be.

Rubber Looks Up

The total consumption of rubber in the United States showed a further sharp increase in October, when it reached 120,000 tons, its highest monthly level since September, 1950. Moreover, American rubber manufacturers are now using a greater proportion of natural rubber as compared with synthetic. Consumption of natural rubber in October amounted to over 45,000 tons, or 38 per cent of total American rubber consumption; this compared with 37 per cent in September and 35 per cent in August. Such good news from the United States, which in spite of the high proportion of synthetic rubber it uses is still the world's largest user of natural rubber, has undoubtedly been an important factor in the recovery of world rubber markets in the last few weeks. The spot price for rubber in London has hovered around 2s. 2d. per lb during the past week. It has thus regained the level of the early days of August, and is about 5d. a lb above the low point reached in September. Political developments in the Far East—unsatisfactory news from Indo-China and the rejection of the Korean peace proposals—have also had a bullish influence on the market. Meanwhile the quantity of rubber reaching the world market continues to drift downwards. If the barter exchange of Chinese rice for Ceylon rubber goes through it will remove 50,000 tons of rubber that would otherwise have come on to the market. Output of natural rubber continues to decline in most countries, although there was some recovery in world production in October from the abnormally low figure reached in September.

World production of rubber is now expected to reach about 1,750,000 tons in 1952, some 125,000 tons less than in 1951. Indonesian production is falling particularly sharply; in Malaya the reduction in output from smallholdings appears now to be partially offset by a rise in estate production. World consumption this year may also show a fall compared with last year's level; it is expected to reach 1,425,000 tons. Most of the surplus output appears to have

been absorbed by American stockpile buying; indeed, free stocks (that is, stocks other than strategic stockpiles) at the end of September were nearly 90,000 tons lower than in January.

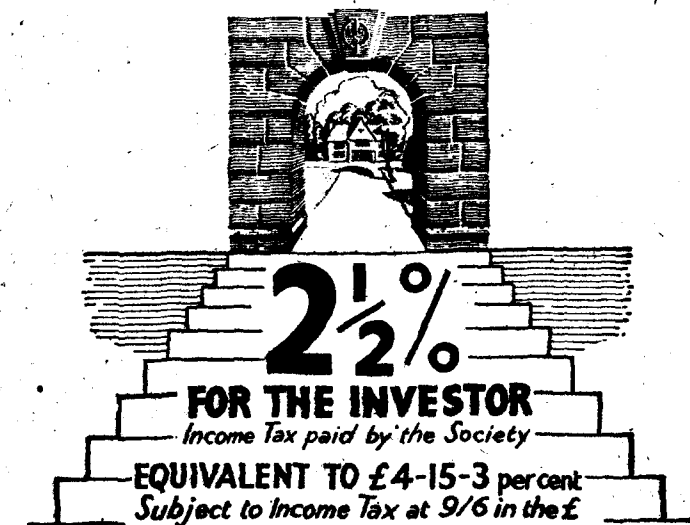
In spite of the cessation of new purchases for the stockpile—apart from stock rotation—the outlook for natural rubber in 1953 does not look as discouraging as it did a few months ago. Provided there is no sudden increase in price, output from smallholdings will probably continue to decline. On the other hand, consumption in the major consuming countries may increase; American consumption should continue to rise so long as the price of No. 3 grade natural rubber is not much above that of GRS synthetic. There is also the possibility that other deals on the lines of the China-Ceylon barter agreement may reduce the pressure of supplies on the market. If all these possibilities materialise, the rubber growing industry may yet solve its difficulties without recourse to an international agreement.

A Development Council Dropped

Once they had been brought into being, the statutory development councils imposed on certain industries by Mr Harold Wilson during his period at the Board of Trade, were safe for three years even though the Act under which they were set up did not specifically exclude a review before the end of this period. It was therefore only recently that the future of the Clothing Development Council, which was set up early in 1950, fell due for review, and it is not surprising that the President of the Board of Trade has taken the opportunity to dissolve it. The clothing manufacturers were the first well-organised opposition to be encountered by Mr Wilson; and although they lost a legal battle and the Development Council came into being, the effectiveness of their opposition then and since had its effect in Bradford. The rough handling they gave to the Council—most of them boycotted it though paying its levies under protest—may have had much to do with the eventual acceptance by the Board of Trade of the wool industry's alternative proposals for a voluntary body, covering roughly the same field, instead of a development council. It is a precisely similar type of organisation that is to replace the Clothing Development Council; a new voluntary body of employers and trade unionists, without the independent members the Council had. This is to receive from the Board of Trade the surplus funds accumulated by the Development Council, and similar powers to raise a levy from the industry.

There is not much doubt that industries such as these, where manufacturers are numerous and often small, can benefit from membership of an organisation with a wider range of function than the trade association. The work done by the Development Council on factory lay-out was certainly an interesting experiment that might have had considerable influence on the industry, had relations between the Council and its members been on a happier basis. But the programmes of such bodies need to be carefully scrutinised if the industry is to get value for its money, and the Council had a very considerable income of £114,000 before the accumulation of substantial balances led to a halving of the levy rate. To take one obvious example: the Development Council did extensive research on the problem of measurements, with the object of evolving new and better standard sizes. The result will shortly be published and it will no doubt be an excellent piece of work. But there already exists a highly efficient method of sizing developed in the United States and coming into general use in this country. Both manufacturers and retailers are going to considerable trouble and expense to educate their customers to understand it. The prospect of two sizing standards operating side by side is one that neither the clothing industry nor its customers is likely to relish, but this might be the logical result of the publication of a new British sizing system. The years have made it perfectly clear that

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experiments in industrial organisation such as the development councils cannot be made to work if the industries concerned remain adamantly hostile; they can collect their money, but they cannot be sure of spending it to any useful purpose.

Barclays (D.C. & O.) on the Bright Side

In what must surely be the most colourful report ever issued by a British bank, Barclays Bank (Dominion, Colonial and Overseas) has sketched an illuminating (and illuminated) picture of its varied and widely scattered activities in the year to September 30th last. An impression of this colour and diversity can be conveyed by the names of some of the 124 new branches opened during the year (which brought the total number of branches up to 700). These new branches range from Ocho Rios (in Jamaica) through Misurata (in Libya—the most recent recruit to the sterling area) and Kericho (in the highlands of Kenya) to a branch in the cocoa-growing territory of British Togoland with the cheerful-looking name of Hohoe, but the rather admonitory pronunciation of Hoyhoy.

The substance of the report is also nicely balanced between cheerfulness and cautious admonition. The bank's net profit rose during the year from £769,581 to £879,888, but deposits fell by £2 million to some £441 million. Advances, however, rose by over £4 million to nearly £148 million—an expansion that doubtless provoked some reduction of the investment portfolio; the book value of this (which is below market value) declined by £9 million. The cash ratio was slightly strengthened. It is evident that the end of the post-Korean commodity boom, and such special factors as the devaluation of the Israel pound, went some way towards offsetting the effects of the bank's rapid physical expansion. The chairman, Mr Julian Crossley, suggested in his statement that there may be some slackening of activity in the current year. Meanwhile, the pioneer subsidiary, Barclays Development Corporation, which started operations in 1946, continues to report a modest but satisfactory expansion in business. Its total assets now amount to over £6,300,000 and its loans and other accounts to over £4,150,000. These loans—which finance a wide range of experimental projects in under-developed areas—are concentrated predominantly in the West Indies and East Africa, but the most striking increases during the past year were in Central Africa and in the Mediterranean area. As a result of this expansion its net profit (before allowing for interest on its 2 per cent unsecured notes) rose from £88,016 to £100,695 and a small maiden dividend of 3 per cent has been declared, although many of these investments are of the sort that are expected to yield a return only in the long run.

Grounds for Dearer Coffee

Consumers in Britain may soon have to pay a few pence a pound more for their coffee. A statement issued last week by the Coffee Buyers' Association explains that private importers have to pay the full world price whereas the Ministry of Food, which until recently bought the whole of this country's supplies, was able to obtain Empire coffee under long term contract at less than its current market value. Retail prices of coffee in this country, which had been fixed at a maximum of 5s. 4d. a lb, were freed in August. As a result dealers have been able to offer better blends of coffee—but the public has had to pay up to 7s. 6d. a lb for these superior blends. Now prices are to go up again—not because of further improvements in blend, but simply because a larger proportion of the supplies is being paid for at the full world price. Some of the increases have already begun; one large distributor recently increased the price of its better grade coffee by 10d. a lb partly because the blend had been improved and partly because of the rise in the cost of its supplies. The

trade as a whole now faces the alternative of allowing its prices to rise slightly or of reducing the quality of coffee.

Only a part of the coffee trade has so far been handed back to private merchants. The allocation of coffee to dealers made by the Ministry of Food in November still covered 75 per cent of this country's requirements; after the end of the year the proportion offered by the Ministry will fall to half. The Ministry is also reducing the proportion of higher grade coffee included in its allocations; in November the grade that chiefly comprises Brazilian coffee was eliminated. The Ministry had been supplying this grade at about 60-70s. a bag below world prices; thus the increase in the cost of coffee to dealers will fall mainly on the better blends. Merchants can make up for the reduction in Ministry supplies by importing under Open General Licence from the sterling area or under Open Individual Licence from other non-dollar countries (including Brazil). Imports from the dollar area are permitted only for re-export.

World coffee prices have recently eased slightly, as American buyers have been holding off the market. This will probably prove only a temporary phase. Admittedly, this season's world crop may be a little larger than last season's, although the output from Brazil—the world's largest producer—is likely to be smaller. But European consumption is still far below the prewar level and it seems that the market can easily absorb the additional supplies.

Competition in the Air

The apparent amicability with which the airlines have now reached agreement on a world-wide extension of second-class air fares is in marked contrast to the stormy meetings, with their thinly disguised threats of secession from the International Air Transport Association, that preceded the introduction of the first experimental tourist services on the North Atlantic. The agreement of IATA is necessary before any of its member airlines (which include the great majority of international operators) can alter their fares upwards or downwards; and the outcome of the conference that has recently been held at Cannes was to approve the extension of "tourist" air services to Europe next spring and to the Indian sub-continent in the autumn. Tourist services to the Far East and to South Africa should begin the following year.

Although there was no direct opposition to this extension of tourist air travel—at rates 20 to 25 per cent below the first-class fares—the proposals were coolly received by some operators. First-class passenger traffic shows no signs of falling off, despite the fall in freight and mail, and not all airlines have big enough fleets to maintain their present first-class services and operate tourist flights in addition. The enthusiasm of any one airline for new tourist services varies directly with the proportion of old to new aircraft in its fleet. When the American operators were taking delivery of new aircraft, they pressed strongly for the introduction of tourist fares and were opposed by the other airlines, including the British, that had barely sufficient numbers to operate their first-class services. Now it is apparently the two British airlines that are pressing most strongly for an extension of tourist services. Both corporations can expect delivery over a period of years of quite considerable numbers of aircraft, which will leave them with plenty of less up-to-date, but still perfectly airworthy, machines for the second-class services. From the general tone of the Cannes conference, it would appear that neither the American nor the continental airlines (with the exception of Air France) are in the same position.

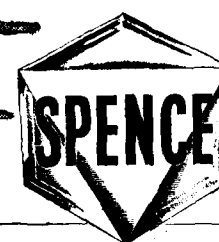
Tourist services call for a high degree of administrative skill if costs are to be reduced to a point where lower fares become profitable, and not all the airlines flying on the North



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At the end of this year the London & Scottish Assurance Corporation Limited (one of the companies in the "Northern" Group) will cease to transact new Life Assurance business, and the Actuary of the "London & Scottish", Mr. D. G. McKelvie, F.F.A., will join the Staff of the "Northern" as Associate Actuary.

From 1st January, 1953 the "London & Scottish" Organisation will issue "Northern" Life Policies. Existing "London & Scottish" Policies will continue to be administered by that Office as a closed fund. The issue of new "With Profit" Policies by the "London & Scottish" is discontinued forthwith in order to preserve bonus prospects for existing policyholders.

In further pursuance of the policy of integration within the Group, a similar reorganisation will be effected in the Marine business of the "Northern" Group. The Indemnity Marine Assurance Company Limited, under the management of Mr. E. H. N. Dowlen, will underwrite the Marine business of the "Northern" in addition to that of the "London & Scottish" as heretofore. Mr. R. Usherwood, the "Northern" Marine Manager, is to join the "Indemnity" as an Agency Manager to develop the Agency business, Home and Overseas, of all the companies for which Mr. E. H. N. Dowlen will underwrite.



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FOREIGN BRANCHES: Bombay, Calcutta and Colombo.

CORRESPONDENTS & AGENTS at all important cities of the world.

Atlantic appear to have considered the returns sufficiently attractive to justify tourist services on those routes, even though the increase in traffic so obtained is beyond dispute. In the six summer months between May and October, BOAC carried 42 per cent more passengers than in the same period of 1951, before the services were introduced; a total of 43,785 passengers compared with 30,817. Moreover, 42 per cent of those carried this summer used the tourist services. This big increase, which is common to all tourist operators, has not escaped the notice of the Government of Eire, which some years ago had arranged with the US authorities to operate a North Atlantic service through the Government airline, Aer Linte (not to be confused with Aer Lingus in which BEA has a half-interest). A change of government in Eire led to a change in policy and the sale to BOAC of the Constellations originally bought for the service. When he came back to power again, Mr de Valera's government revived the project. Since Aer Linte has no aircraft and is unable to get any for some years, it has come to an agreement with an American operator, Seaboard and Western Airlines, to charter aircraft and crews for a North Atlantic tourist service to be operated under Aer Linte colours next spring. The American company has not been able to get a licence to carry passengers on the North Atlantic, although it already runs scheduled freight flights, while the Irish company has the licence but not the aircraft, so the proposed arrangement should satisfy both. The Irish have proved a surprisingly air-minded nation, and a service of this kind could attract quite a slice of traffic from the other Atlantic operators.

New Ways in Machine Tools

Much of the progress in machine tool design that was evident at the recent British and European exhibitions concerned the extension of automatic controls, and in particular of copying systems, to the existing range of general and specialised machines. But some of the developments that the industry is now studying concern more radical alterations of approach to the central process of cutting metals. One that has reached practical application in a power tool now being tested by industrial users is ultrasonics, which was discussed in *The Economist* of October 18th. This system uses sound waves to drill metal, by inducing vibrations in abrasives in contact with the metal surface. Other methods are new applications of electricity. One method developed in the United States (though apparently originated in Russia) is the combination of an electrolytic process with the normal method of grinding tool steels and sintered materials by diamond dust. The grinding wheel is charged negatively and the workpiece positively, and an electrolytic chemical is sprayed over the grinding surface. Small particles of metal, according to the company developing the process, are detached from the work surface and deposited on to the wheel. A second electrical method is the "spark erosion" of metal by a controlled electric discharge, which has also been developed in the United States but is now under active study in Britain. This process, which breaks down the metal surface and removes particles of metal by a controlled stream of sparks, enables drilling and machining of very hard materials without contact, as ultrasonics does. Both would appear to offer immediate service in the drilling of the new special alloys and tool materials that are most difficult to deal with by conventional cutting methods.

Another tool development for cutting hard metals that has recently been re-discovered and utilised has none of the distinguished scientific lineage of the systems mentioned above. It is, quite simply, a bandsaw without teeth; and the pleasant story of its origin, according to report, is simply that a methods analyst in a San Diego aircraft factory noticed that the back of a bandsaw appeared to cut certain materials as well as the toothed edge, and to last

longer. These materials seem to be cut by the generation of intense heat at the contact with the rapidly moving edge of the band; the plain edge operates well at high speeds and lasts longer than a toothed blade. The cost of such a band—some users have been trying out ordinary mild steel strapping—is low, and its longer work life is an important factor in maintaining production. One British manufacturer at least is bringing out a cutting machine that appears to employ a similar system, and engineering companies dealing with the particularly hard alloys used in the defence programme are studying the technique for themselves.

Pakistan and Jute

The government of Pakistan recently imposed a sharp tightening of its import controls by entirely suspending the Open General Licence system for the time being, explaining that this step had been necessitated by the country's failure to sell the greater part of its jute and cotton crops. In the circumstances the decision of the Pakistan Jute Board, announced a day or two later, to increase raw jute prices seemed at first glance rather paradoxical. In fact, however, the increase relates only to certain qualities of jute, the demand for which may tend to expand. It appears, too, that although Pakistan was left with heavy stocks of both jute and cotton at the end of last season, its drop in export proceeds has probably been more serious in cotton than in jute. Japan, which is usually Pakistan's best customer for raw cotton (normally taking some 40 per cent of the crop) has bought hardly any Pakistan cotton this year. United Kingdom purchases have amounted to slightly more than half those for the similar period last year. Even the removal of the export duty on some qualities of cotton and the halving of duty on others have so far failed to bring buyers back into the market.

The jute market has also presented a very dismal picture this year and Pakistan is known to have been left with a carryover of 1.68 million bales at the end of the season. The present crop is expected to be somewhat bigger than last year's and will probably reach 6.82 million bales. In part the size of last year's carryover must be attributed to the Pakistan government's own policy of attempting to arrest the fall in prices by fixing minimum selling prices. The world price of jute, however, has tumbled from about £160 a ton at the beginning of the year to £73 a ton (by last August). Although Dundee has recently resumed purchases of raw jute from Pakistan, business in the market has otherwise remained quiet. Nevertheless, a shortage may develop in certain grades such as Mill Firsts and above, because the quality of raw jute deliveries has been deteriorating. This is probably the reason for the Pakistan Jute Board's decision; its prices for these grades have been raised by £2 to £6 a ton: Export Firsts have risen from £73 to £76 a ton and Mill Firsts from £81 to £85 a ton. There have also been some complaints lately about the quality of Indian jute goods. India is attempting to make itself independent of Pakistan raw jute supplies, but it appears that the indifferent quality of locally grown jute is hampering sales of Indian manufactured jute. It therefore seems likely that India may soon be in the market for a considerable quantity of Pakistan raw jute.

Meat from the Commonwealth

The United Kingdom remains the world's largest importer of meat and in spite of the development of Commonwealth production since the war, roughly 60 per cent of Britain's meat imports still have to be purchased from outside the Commonwealth area. A report published this week by the Commonwealth Economic Committee shows, however, that in 1951 the Commonwealth was nearly self-sufficient in

mutton and lamb and in pork. Last year Britain obtained 92 per cent of its mutton and lamb imports from the Commonwealth compared with 81 per cent before the war. Net Commonwealth imports of mutton and lamb have fluctuated violently in the postwar period; last year's level fell to less than a quarter of that of 1950 because of a sharp fall in shipments from South America. Imports in this country from New Zealand, the world's larger exporter of mutton and lamb, also declined sharply last year as high prices for wool in the early part of the year caused farmers there to delay slaughtering.

In 1951 the Commonwealth supplied 90 per cent of Britain's pork imports or more than double its share in 1950. On the other hand only 1 per cent of the bacon and ham imported into this country last year came from the Commonwealth, compared with 16 per cent in 1950 and 22 per cent in 1938. Imports of bacon and ham, which come chiefly from Denmark and the Netherlands, form the major part of the Commonwealth's net imports of meat. Exports of pigmeat from Canada have contracted sharply in recent years, while exports from European countries have risen; as a result the Commonwealth share of world pigmeat trade last year was negligible, although as recently as 1948 it had constituted 60 per cent of the world total. Last year's Commonwealth imports of beef and veal fell sharply, reflecting the stoppage in shipments from South America to this country. Australia also sent less beef to Britain as the drought had reduced output in the dominion.

COMMONWEALTH NET IMPORTS OF MEAT
(Thousand tons)

	Beef and Veal	Mutton and Lamb	Bacon and Ham	Pork	Total
1938	415.6	79.3	299.5	25.2	819.6
1947	326.7	114.0	26.8	8.0	475.5
1948	164.3	77.4	43.0	9.8*	274.9
1949	186.3	16.7	108.6	16.7	328.3
1950	181.1	115.5	206.8	19.2	522.6
1951	46.5	27.1	214.9	13.1	301.6

* Net export balance.

Source: Commonwealth Economic Committee.

World production of meat last year was almost unchanged from the 1950 level. According to the Commonwealth Economic Committee, the postwar increase in consumption in producing countries continued last year, with the result that the quantity of meat entering international trade dropped sharply and was in fact only four-fifths of the prewar level. However, consumption of meat per head fell last year in the United Kingdom, Australia, the United States and Argentina; it rose in Canada and New Zealand.

Cotton in Egypt

After abruptly closing the Alexandria cotton futures market and announcing that it would buy and sell cotton itself, the Egyptian Government has lost little time in implementing its plans. The Egyptian Cotton Commission has now begun buying on the basis of prices fixed by the Government a fortnight ago. This Cotton Commission, according to a statement from the Ministry of Finance, will buy cotton from banks and merchants who are members of the Alexandria spot cotton exchange, but not direct from owners. It will sell to local spinners for cash, on a written guarantee that the cotton will not be exported, and it will sell for export to recognised exporting firms for cash on condition that the cotton is re-sold for export within three months. The Com-

mission's daily selling price will be fixed according to the New York Exchange spot cotton price on the preceding evening, with an addition of 30 per cent for Karnak and 10 per cent for Ashmouni. The American dollar will be reckoned as equivalent to 35 Egyptian piastres. Private spot trading in cotton is still permitted; the Alexandria spot market, where dealings came to a standstill for several days after the closing of the futures market, is again active, with prices somewhat above the Commission's buying price.

The current Egyptian cotton crop is now officially estimated at 9,213,000 cantars, compared with an estimate last month of 9,187,000, and with last season's final figure of 7,840,000 cantars. The Government has already decided to regulate acreage for next year.

Shorter Notes

The recent batch of good results from brewery companies had encouraged investors to hope that the directors of Bass, Ratcliff and Gretton, would restore the tax free bonus on the £1 ordinary stock units to 5 per cent, from which it was reduced to 2½ per cent a year ago. These hopes have been disappointed. For the year to September 30th last, the directors have declared an ordinary dividend, subject to tax, of 43 per cent—the nearest round equivalent to the tax free dividend of 22½ per cent made last year; a further increase in taxation has caused Bass's net profits to fall from £679,602 to £639,642. Following this announcement, the £1 ordinary stock units were marked down 3s. to 129s. 6d.

*

International distribution of cobalt is to end. The International Materials Conference announces that the improvement in supply makes it unnecessary to recommend distribution plans for cobalt for the first quarter of 1953, though the conference will continue to keep the situation under review. When the first allocation was made, for the fourth quarter of 1951, the quarterly production of cobalt and its compounds was at the rate of 2,100 metric tons (cobalt content), but output has steadily risen to a present rate of more than 2,800 tons quarterly and production is expected to increase further.

*

The Board of Trade have now announced the arrangements for import and export of zinc after private trade is resumed on January 2nd next year. Members of the London Metal Exchange will be granted open individual licences to import unwrought zinc (not zinc alloys) from any country. Large consumers requiring regular supplies will be able to import metal on their own account under open individual licence granted for the appropriate sources. Other traders will have to apply for licences for individual transactions. These arrangements are the same as those now in operation for lead.

*

Talks have just been concluded in London between government representatives of Britain and Portugal regarding trade arrangements between the two countries in 1953. Besides dealing with a variety of other imports and exports, understanding was reached on the supply of tungsten ore and mining timber from Portugal and coal and tinplate from this country.

Company Notes

Montague Burton.—Very few annual reports have made such depressing reading this year as the report issued by Montague Burton for the year to March 31st last. In the whole of the chairman's statement there is only one faint flicker of cheer—the news that in the first six months of the current financial year the group has made a small trading profit. But the wounds inflicted in last year's trading débâcle—discussed in a note in *The Economist* on November 22nd—will take a long time to heal; the cure will only be complete when and if a full-scale recovery in trade takes place and a reasonable stability in wool prices is attained. With the help of the banks the group has given itself first aid to staunch its wounds. About £1,600,000 has been written off stocks, so that a net loss of over £600,000 replaces a net profit of over £1 million in the profit and loss account, and a provision has been made to cover losses on future commitments by transferring £1 million from general reserves. In spite of this writing down, the book value of the group's stocks has soared from £9,267,651 to £13,716,331 as unsold garments have piled up on the shelves. The chairman admits that "contracts for cus-

tomary quantities of yarn had to be placed at unusually high prices," and it seems clear that the company's buyers burnt their fingers badly by buying too much wool at the height of the boom.

	Years to June 30	1951	1952
Consolidated earnings:—			
Trading profit.....	5,983,401	7,835,658	
Total income.....	6,076,497	8,015,582	
Depreciation.....	1,135,984	1,529,906	
Taxation.....	3,212,216	4,228,868	
Net profit.....	1,470,705	1,899,942	
Ordinary dividends.....	273,242	273,242	
Ordinary dividends (per cent).....	16½	16½	
Retained by subsidiaries.....	401,225	565,579	
Exploration and replacement res.	200,000	600,000	
General reserve.....	500,000	500,000	
Added to carry forward.....	96,238	5,774	
Cons. balance sheet analysis:—			
Fixed assets, less depreciation.....	4,276,502	6,382,798	
Trade investments.....	3,855,035	5,317,684	
Net current assets.....	4,742,916	4,503,692	
Stocks, etc.....	3,712,131	4,625,027	
"Quick" assets.....	631,342	4,489,598	
Reserves.....	7,905,300	9,905,222	
Ordinary capital.....	1,639,452	1,639,452	

to £5,317,684, is some indication of the group's stake in this particular venture. The group has ample liquid resources and should have no difficulty in covering its immediate capital commitments, but shareholders seem likely to have to be content once more with a tax-free ordinary dividend of 16½ per cent in the current year.

*

Manchester Oil Refinery.—Another unhappy chapter in the history of Manchester Oil Refinery, which produces all kinds of light oils by the vacuum distillation process, is now being written. The directors have announced that the company has shelved the new issue of capital that was foreshadowed both in the chairman's statement accompanying the 1951 accounts and by the increase in the company's authorised ordinary capital last May. This unwelcome decision has been dictated by a "considerable reduction in the current rates of profit." Among the factors that have helped to upset the company's trade, the directors list the decline in the price of lubricating oils in British and overseas markets, the tendency for customers to run down stocks, and the very sharp fall in tanker freight rates. In these circumstances it is essential to conserve liquid resources, unless capital development is to be brought to a halt. The directors have therefore decided to defer consideration of the interim ordinary dividend until the full results for 1952 are available; in 1951 an interim ordinary dividend of 10 per cent was followed by a final dividend of 10 per cent. The new construction programme, the directors add, is proceeding satisfactorily and it is hoped that it will be completed next year; but it is not clear from their statement whether capital expansion will be held up by the company's inability to raise new share capital or whether further additions to productive capacity will be financed by other means.

*

Glaxo Laboratories.—In a note in these columns on November 22nd the value of net current assets of the Glaxo group on June 30, 1952, was given as £3,875,315. This value should have been £4,875,415, compared with £4,036,937 on June 30, 1951.

SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to Dec. 3		British Funds and Guaranteed Stocks	Price, Nov. 26, 1952	Price, Dec. 3, 1952	Gross Yield, Dec. 3,
High	Low				s. d.
100½	99	W. Bds. 2½% '51-53	99½	99½	2 15 2
100½	97½	W. Bds. 2½% '52-54	98½	98½	2 17 4
99½	96½	Exch. 2½% 1955	98½	98½	2 17 3
100½	97½	S. Fundg. 1½% '53	99½	99½	2 12 7
99½	96	S. Fundg. 1½% '54	98½	98½	2 15 1
100½	100	S. Fundg. 3% '55	100½	100½	2 18 9
99½	95½	W. Bds. 2½% '54-56	98½	98½	2 16 9½
100½	96½	Fundg. 2½% '52-57	99½	99½	2 16 10
101½	97½	N. Def. 3% '54-58	101½	101½	2 19 8½
100½	96½	W. Loan 3% '55-59	100½	100½	3 0 7½
93½	87	Savings 3% '55-65	92½	93	3 15 10½
94	88½	Fundg. 2½% '56-61	92½	93½	3 9 7½
88½	81½	Fundg. 3% '59-69	87½	87½	4 2 2½
89½	82	Fundg. 3% '66-68	88½	89½	4 0 8½
100½	94½	Fundg. 4% '60-90	97½	98½	4 6 5½
87½	80½	Savings 3% '60-70	86½	86½	4 2 1½
86½	79½	Savings 2½% '64-67	84½	85	3 17 10½
101½	98½	Victory 4% '20-76	101½	101½	3 19 11½
84½	78½	Savings 3% '65-75	83½	84½	4 3 0½
90½	81½	Consols 4% (aft. '57)	88½	89	4 11 4½
82½	73½	Conv. 3½% (att. '61)	79½	79½	4 9 0½
60½	53½	Treas. 2½% (att. '75)	53½	58½	4 5 8½
71½	62½	Treas. 3% (att. '66)	68½	68½	4 7 9½
89½	83	Treas. 3½% '77-80	88½	88½	4 4 7½
79½	73½	Redemp. 5% '86-96	78½	78½	4 1 10½
81	72½	W. Loan 3½% (att. '52)	78½	78½	4 9 5½
61½	55½	Consols 2½%	60½	60½	4 3 0½
85½	78½	Br. Elec. 3% '68-73	84½	84½	4 3 4½
84½	77½	Br. Elec. 3% '74-77	83½	83½	4 2 5½
100½	97½	Br. Elec. 4½% '74-79	99½	100	4 6 2½
91	84½	Br. Elec. 3½% '76-79	89½	89½	4 6 1½
79½	72½	Br. Tpt. 3% '78-88	77½	77½	4 4 0½
85½	78½	Br. Tpt. 3% '68-73	84½	84½	4 3 4½
98½	95½	Br. Tpt. 4% '72-77	95½	95½	4 6 1½
79½	72½	Br. Gas 3% '80-85	75½	75½	4 5 3½
93½	87½	Br. Gas 3½% '69-71	92½	92½	4 2 9½
89½	83½	Br. Iron & Steel 3½% '79-81	89½	89½	4 4 3½

(e) To earliest date. (f) Flat yield. (l) To latest date.
(s) Assumed average life 15 years approx. * Ex dividend.

Prices, Year 1952 Jan. 1 to Dec. 3	Ordinary Stocks	Price, Nov. 26, 1952	Price, Dec. 3, 1952	Yield Dec. 3, 1952	
High	Low			s. d.	
8½	5½	Anglo-Am. 10/-	5½	6	5 0 0
6½	5½	Anglo-Iran 1/-	5½	5½	5 11 7
78/-	66/-	Assoc. Elec. 1/-	72/6	75/-	5 6 8
105/-	89/9	Assoc. P. Cem. 1/-	102/6	103/9	5 6 0
133/-	110/-	Bass 1/-	131/3	132/6	6 9 10
23/-	16/10	Boots 5/-	20/3	20/3	4 18 9
26/-	19/10½	Brad. Dyers 1/-	22/9	23/6	9 15 9
30/6	18/3	Br. Celanese 10/-	24/-	24/-	4 11 8
32/10½	25/10½	Br. Motor Cp. 5/-	30/6	31/3	8 6 4½
57/2	44/9	Br. Oxygen 1/-	48/3	48/9	5 24 10½
74½	57½	Can. Pac. 32½/-	55½	59	4 13 1
52/9	39/8	Coats 1/-	45/3½	45/3½	5 10 6
46/3	30/3	Courtauld 1/-	38/-	39/-	5 15 6
39/-	29/9	Cunard 1/-	33/6	34/6	8 13 11
20/6	16/4	Distillers 4/-	17/-	17/-	5 5 11
61/3	42/6	Dunlop 1/-	45/-	45/11	1 15 1
51/4½	42/9	Ford 1/-	49/-	50/7½	6 18 6
46/1½	35/9	Gen. Elect. 1/-	42/6	43/9	5 2 10½
56/6	45/6	Guest Keen 1/-	52/3	52/9	5 13 9
37/7½	27/6	Guinness 10/-	31/6	33/-	5 1 10½
39/4½	31/6	Hawker Sid. 1/-	37/9	38/9	5 3 3
47/4½	38/7½	Imp. Chem. 1/-	44/6	44/6	5 16 10
59/6	48/10½	Imp. Tobacco 1/-	57/6	58/3	6 17 4½
78½	75½	Int. Nick. n.p.	77½	77½	6 0 5
71/3	41/6½	J'burg Con. 1/-	47/3	48/9	7 3 7
43/3	30/6	Lancs. Cotton 1/-	40/-	40/-	7 10 0
63/9	52/3	Lon. Brick 1/-	62/6	62/6	5 12 0
47/1½	33/9	Mars & Sp. A 5/-	46/6	46/6	4 6 0½
28/9	21/6	Monsanto 5/-	23/6	23/6	4 15 9
54/-	42/-	P. & O. Def. 1/-	49/6	50/6	6 12 0
39/6	31/-	P. Johnson 10/-	35/-	35/-	7 2 10
38	31½	Prudential A 1/-	33	33	5 15 7
26½	18½	Rhokana 1/-	19½	18½	12 3 3
63/9	43/9	Rolls Royce 1/-	58/1½	59/4½	5 1 1
86/-	64/-	"Shell" Stk. 1/-	76/3	77/6	5 18 2½
61/1½	48/9	Tube Invest. 1/-	55/7½	60/-	5 0 0½
97/-	77/9	Tur. Newall 1/-	95/-	95/7½	4 3 8
49/6	38/9	Unilever 1/-	46/3½	46/3½	5 16 9
24/4½	19/3	Union Castle 1/-	20/6	21/6	5 16 3½
42/7½	36/3	Union Disc. 1/-	41/-	41/-	4 17 7
37/6	25/9	Utd. Molass. 10/-	29/3	29/9	6 13 4
59/10½	31/-	U. Sua Betong 1/-	40/-	41/3	18 3 9
47/7½	40/-	Vickers 1/-	43/6	44/3	5 13 0
45/6	38/6	Woolworth 5/-	44/9	44/9	4 15 0

(d) Yield basis 14%. (e) Yield basis 16½%. (f) Yield basis 22.9 gross. (g) Yield basis 52%. (h) Yield basis 15%. (i) Yield basis 64%. (j) Yield basis 40%. (k) Yield basis 20%. (l) Yield basis 11½%. * Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the week ended November 29, 1952, total ordinary revenue was £71,527,000, against ordinary expenditure of £105,415,000 and issues to sinking funds £400,000. Thus, including sinking fund allocations of £21,650,000 the deficit accrued since April 1, 1952, was £399,465,000 compared with a deficit of £88,355,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53 £'000	April 1, 1951 to Dec. 1, 1951	April 1, 1952 to Nov. 29, 1952	Week ended Dec. 29, 1952	Week ended Nov. 29, 1951
REVENUE					
Ord. Revenue	180,422	569,754	584,943	17,397	14,470
Income Tax	123,000	46,000	43,600	800	1,300
Surplus from Trade	175,000	125,600	98,500	3,500	3,400
Post & Tele. Duties	57,500	42,400	32,750	1,600	1,300
Stamp Duties	452,000	212,000	270,300	4,500	5,400
Profits Tax & EPT	5,000	...	...	...	...
Excess Profits Levy	2,000	2,135	1,110	30	...
Special Contribution	...	...	...	...	...
and other Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,875	997,889	1,031,203	27,827	25,870
Customs	104,350	680,272	692,584	23,184	18,532
Excise	772,000	530,000	509,718	19,900	23,225
Total Customs and Excise	1,815,500	1,210,272	1,202,302	43,084	41,757
Motor Duties	64,150	15,450	15,440	169	...
Surplus from Trade	12,000	74,455	...	...	...
PO (Net receipts)	...	3,900	Dr 2,999	...	...
Broadcast Licences	15,000	7,800	8,250	1,500	1,600
Student Loans	26,000	19,875	19,378	40	...
Misc. (incl. Surplus War Stores)	110,000	93,313	77,464	704	2,300
Total Ord. Rev.	466,137	242,295	235,403	70,123	71,527
SELF-BALANCING	...	...	...	...	...
Post Office	209,235	124,400	136,500	6,300	4,000
Income Tax on EPT Refunds	4,900	3,797	3,458	78	83
Total	487,550	255,110	249,399	76,501	75,610
EXPENDITURE					
Ord. Expenditure	...	...	...	...	...
Int. & Man. of Nat. Debt	575,000	335,841	372,026	25,086	2,333
Payments to N. Ireland	40,000	23,583	25,138	...	1,669
Other Cons. Funds	10,000	6,723	5,610	27	23
Total	625,000	366,147	402,774	25,113	4,025
Supply Services	355,436	213,025	232,907	84,349	101,390
Total Ord. Expd.	419,367	249,172	273,185	109,462	105,415
Sinking Funds	...	14,137	21,649	...	400
Total (excl. Self-Bal. Expd.)	419,367	251,309	273,501	109,462	105,815
SELF-BALANCING	...	...	...	...	...
Post Office	209,235	124,400	136,500	6,300	4,000
Income Tax on EPT Refunds	4,900	3,797	3,458	78	83
Total	439,350	226,396	239,349	11,580	109,898

After decreasing Exchequer balances by £239,470 to £3,031,916, the other operations for the week increased the National Debt by £46,735,430 to £26,325 million.

NET RECEIPTS (£ thousand)

Post Office & Telegraph (Money) Act, 1950	1,000
EPT Refunds	102
Housing (Temp. Accom.) Acts, 1944 and 1947	30
Housing (Scotland) Act, 1950, s. 94(2)	830
Local Authorities Loans Act, 1945, s. 3(1)	6,400
Overseas Reserves Dvpt. Act, 1948, s. 17(1)	1,000
Colonial Development Commission	3,000
Misc. Fin. Provisions Act, 1946: War Damage	324
Finance Acts, 1946 and 1947, Postwar Credits	12,686

CHANGES IN DEBT (£ thousands)			
RECEIPTS		PAYMENTS	
Treasury Bills . . .	27,539	Nat. Savings Certs.	100
3½% Def. Bonds . .	1,690	2½% Def. Bonds . .	540
Tax Reserve Certs.	8,153	3½% Def. Bonds . .	1,304
Ways and Means		Other Debt :—	
Advances	11,955	Internal	418
		External	139
	49,237		2,501

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
1951				
Dec. 1	4593.3	304.8	125.0	5023.1
1952				
Sept. 6	5050.0	1443.1	309.3	4812.3
" 13	5070.0	1479.9	288.7	4838.6
" 20	5090.0	1470.4	316.6	4877.0
" 30	4554.6	278.8	8.3	4841.6
Oct. 4	5120.0	1471.8	258.9	4850.7
" 11	4320.6	248.0	...	4568.6
" 18	4348.1*	288.0	...	4636.1
" 25	4364.3*	263.0	...	4627.3
Nov. 1	4345.2*	257.2	...	4602.4
" 8	4325.0*	249.6	...	4574.6
" 15	4456.3*	238.9	1.5	4696.7
" 22	4481.3*	266.0	...	4747.1
" 29	4508.7*	273.8	4.0	4786.5

* In consequence of official purchases of tender bills in connection with cash subscriptions to the new issues of Serial Funding Stock, it is impossible to calculate the division between tap and tender bills until all the bills purchased have passed their original maturity date.

TREASURY BILLS

Date of Tender	Amount (£ million)	Average Rate of Allotment	Allotted at Min. Rate %
1951			
Nov. 30	170.0	244.8	170.0
1952			
Aug. 29	250.0	318.9	250.0
Sept. 5	260.0	308.6	260.0
" 12	260.0	308.9	260.0
" 19	260.0	331.1	260.0
" 26	260.0	309.0	260.0
Oct. 3	250.0	312.4	220.0
" 10	220.0	309.9	200.0
" 17	220.0	315.8	220.0
" 24	230.0	321.3	230.0
" 31	220.0	334.8	220.0
Nov. 7	240.0	335.4	240.0
" 14	240.0	342.5	240.0
" 21	240.0	335.9	240.0
" 28	250.0	328.2	250.0

On November 28th applications for 91 day bills to be paid from December 1 to December 6, 1952, were accepted dated Monday to Saturday at about 69 per cent at £99 8s. 1d., and above in full. Treasury bills to a maximum of £260 million were offered on December 5th. For the week ended December 6th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Total 35 weeks ended Nov. 24, 1951	Nov. 22, 1952	Week ended Nov. 22, 1952
Savings Certificates:			
Receipts	105,200	93,400	4,000
Repayments	90,200	94,000	2,800
Net Savings	15,000	Dr 600	1,200
Defence Bonds:			
Receipts	38,799	44,114	1,595
Repayments	48,393	50,752	1,540
Net Savings	Dr 9,594	Dr 6,638	55
P.O. and Trustee Savings Banks:			
Receipts	448,969	473,158	12,447
Repayments	511,979	543,032	14,021
Net Savings	Dr 63,010	Dr 69,874	Dr 1,574
Total Net Savings	Dr 57,004	Dr 77,112	Dr 919
Interest on certificates repaid	22,239	25,877	784
Interest accrued	82,408	84,301	2,488
Change in total invested	2,565	18,688	1,385

BANK OF ENGLAND RETURNS

DECEMBER 3, 1952

ISSUE DEPARTMENT		
Notes Issued:		
In Circulation	1481,556,872	
In Bankg. Department	18,799,951	
Govt. Debt	11,015,100	
Other Govt. Securities	1485,747,594	
Other Sec.	722,528	
Coin (other than gold)	2,514,784	
Issue	1500,000,000	
Gold Coin and Bullion (at 248s. per oz. fine)	356,823	
	1500,356,823	
BANKING DEPARTMENT		
Capital	14,553,000	
Res.	3,441,377	
Public Deps.	35,937,658	
Public Accts.	9,341,247	
H.M. Treas. Special Acct.	26,596,411	
Other Deps.	345,521,951	
Bankers	275,022,122	
Other Accts.	70,499,829	
	399,453,986	
	399,453,986	

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
Issue Dept.:		
Notes in circulation	1383.7	1455.5
Notes in banking department	16.7	44.9
Government debt and securities*	1396.8	1496.7
Other securities	0.7	0.8
Gold and coin	2.9	2.9
Valued at s. per fine oz.	248.0	248.0
Banking Dept.:		
Deposits:		
Public Accounts	14.1	13.2
Treasury Special Account	1.1	26.6
Bankers	296.2	280.0
Others	89.0	71.7
Total	400.4	391.5
Securities:		
Government	360.6	332.3
Discounts, etc.	15.7	12.3
Other	23.8	18.4
Total	400.1	363.0
Banking dept. reserve	18.3	46.5
" Proportion "	4.5	11.8

* Government debt is £11,015,100, capital (£14,553,000). Fiduciary issue reduced from £1,550 million to £1,500 million on August 27, 1952.

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

	Dec. 11, 1951	Nov. 18, 1952	Dec. 2, 1952
Cereals and meat	173.8	191.7	193.5
Other foods	180.4	190.1	190.7
Textiles	266.1	214.8	217.7
Minerals	360.1	363.0	361.6
Miscellaneous	195.1	187.9	190.1
Complete Index	223.8	219.6	221.3
1913=100	307.9	302.2	304.3

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

	SILVER		GOLD	
1952	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
Nov. 27	72.75	83.25	148.13	81.8
" 28	72.75	83.25	148.6	81.7
" 29	Markets Closed		147.1	81.0
Dec. 1	72.75	83.25	147.12	80.14
" 2	72.75	83.25	146.9	81.8
" 3	72.75	83.25	144.4	81.8

COMPANY MEETINGS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

IMPROVED RESULTS

The twenty-seventh ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) will be held in London on December 29th.

The following are extracts from the circulated statement of the chairman, Mr J. S. Crossley, for the year ended September 30, 1952:

You may think it surprising that our figures should have shown so little change during a year which has seen marked fluctuations in commodity prices, in interest rates, as well as in economic and political conditions in many of the territories in which we operate.

Our deposits at £441 million are about the same as last year, notwithstanding the devaluation in Israel. The cash ratio stands at 23 per cent, as against 22 per cent; the advances also at £148 million show little alteration. Our investment portfolio consists entirely of "dated" stocks, nearly 60 per cent of them having to be finally redeemed within a ten-year period. Nevertheless, market values have fallen sharply during the past twelve months.

THE OUTLOOK

The results, as shown in the profit and loss account, are better than last year. We feel that they have amply justified the declaration of the old rate of dividend on the increased capital. It has been, on the whole, a year during which a high level of economic activity has been maintained throughout our territories, but I think we must expect some reduction in earnings next year. In certain directions, there have already been signs of a slackening in activity, and the lower prices now ruling for the staple export products from many regions served by this bank must have an effect on our figures.

If we cannot predict the future with any certainty, we can, nevertheless, draw conclusions from the past, and this is perhaps an opportune moment to consider the course of events during the seven years that have elapsed since the war.

Perhaps the most striking fact to be noted is that the UK gold and dollar reserves, which in 1946 stood at the equivalent of US \$2,696 million, had fallen to US \$1,685 million at the end of September this year. Moreover, in only one of these years was any material surplus recorded in our external balance of payments. That was in 1950, and was largely attributable, no doubt, to the temporary stimulus given to our exports through devaluation in the previous year, and also to American stockpiling. During this same period, liabilities had increased from approximately £4,000 million to over £6,000 million, almost entirely due to the US and Canadian dollar loans, which together account for the equivalent of £1,700 million. In more homely language, it means that in only one year since the war have we "paid our way," and during that period we have used up more than one-third of our "cash," while our debts, which were already more than heavy enough, are now roughly half as big again.

The figures themselves suggest that only in quite fortuitous circumstances, when the tide happens to be running strongly in our favour, can we succeed in bringing our accounts into balance. (If this is so, then we have not been on the road to recovery; on the contrary, we have been following a course which encroaches further each year upon our

slender reserves. Even the hardest optimist must admit that such things must come to an end. Restriction of imports and other stultifying devices can, for a time, give a brighter appearance to the picture, but the trend is unmistakable.

Most thinking people will probably admit that something is seriously amiss, though fewer are likely to be agreed on the diagnosis, and fewer still on the means of cure. For an overseas bank, or any company operating extensively overseas and having its registered office in the United Kingdom, this question is of the utmost importance.

ROOT OF TROUBLES

It is the rigidity of our present high cost structure that lies, I believe, at the root of almost all our troubles. It is not merely that our control-ridden economy is inflexible, wasteful, and quite unsuited to the more competitive conditions that are now emerging; it also induces a negative outlook.

Not only is large-scale enterprise and initiative surrounded with obstacles, but the small man who wishes to work and make progress, even if he is not actively discouraged by his union, finds a mass of controls and regulations barring his way. Under our present system it seems that the most efficient and progressive units must often be penalised. What is really required today is something to operate in exactly the opposite direction; something that would provide a bonus on enterprise and production, and end extravagance and frustration, the inevitable results of our present system.

CRUSHING TAXATION

Unfortunately, it is the case today that almost every business transaction has first of all to be looked at from the "tax angle." I do not believe that any free society can long survive under a burden of taxation, which is at once so crushing and so ill-adjusted as that which we have at present. Man is by nature an acquisitive animal—therefore, by nature, a capitalist, in whatever guise he may choose to present himself. This needs no apology for unless he can fulfil acquisitive instincts, he must live indefinitely in a state bordering on serfdom. While he must be prepared to pay his just dues to the state that protects him and provides him with amenities, a limit must be set to these demands. It is precisely in the achievement of a proper balance here that one of the arts of maintaining a healthy economy lies.

The view is widely held that a worthwhile reduction in taxation cannot be effected without encroaching upon the welfare state, and that the scale of the economies required, in order to make an effective reduction, renders any attempt hopeless. The latter argument would be a poor one, even if the facts were true. It is defeatism to shrink from a task merely because it is formidable.

As for the welfare state, this consumes in time, labour, and materials, a substantial part of our production. It follows that if we are to support it, our production must be increased, unless other things are to be sacrificed. While there may be nothing new about the concept of the welfare state, there is surely something novel in the idea that it can be free of cost to the individual. A bold spirit is needed to attack this formidable façade. Certainly we shall not be rescued

by timidity. What is needed is a change of heart and of outlook, the parents of resolute action.

Almost daily we have proof of the genius and inventive capacity of our scientists whose supremacy in so many fields is being demonstrated again and again. Let us back their leadership with a policy which offers a chance of ending that sorry tale we too often hear of inadequate production. Nothing else will suffice if we are to free the exchanges and open up that vista of transformed economic power, without which our influence in the world can never be effective. Must we wait until our whole system of government and way of life starts to disintegrate before our eyes, or shall we now challenge the negative psychology that has too long been dominant?

BANK OF MONTREAL

TRENDS IN CANADA

The annual meeting of the Bank was held at Montreal on December 1st.

Mr B. C. Gardner, MC, the president, in the course of his address, said: The results for the year are, in my opinion, satisfactory in the light of the business conditions prevailing throughout most of the period and which have naturally influenced banking operations.

In the main the situation has been marked by a rather delicate balance between inflationary and deflationary forces. Some downward readjustments which had commenced in 1951 continued into 1952, but there have also been major sustaining influences on the demand side in the form of rising outlays for defence, a high level of export trade and a vigorous trend of new capital development. While the programme of restriction of bank and consumer credit was suspended in May, there has subsequently been no very sharp upturn in the demand for bank

controls which are, in fact, becoming more and more difficult to apply effectively. It may well be, therefore, that the advent of full convertibility and elimination of exchange controls would be greatly hastened if the sterling exchange rate were first set free to find a realistic level determined by market forces.

The foregoing may be heresy from the viewpoint of the International Monetary Fund but it seems to me that the fund's concept of exchange rates alterable only arbitrarily and at long intervals has not proven applicable to postwar needs. Indeed, it would appear that the fund's philosophy in this regard is actually at variance with the broader objectives of elimination of exchange control and other restrictive devices which the fund itself is endeavouring to achieve.

The report was adopted.

ANGLO-TRANSVAAL CONSOLIDATED INVESTMENT COMPANY, LIMITED

VOLTA RIVER PROJECT—
ANGLOVAAL PIONEERS

GOLD AND URANIUM—WEALTH
YARDSTICK

Mr S. G. Menell, the chairman, in his address at the nineteenth annual general meeting reviewed the company's accounts, which disclosed that reserves were maintained at £3,850,000, and while there was a shortfall of just over £1 million in the market value of quoted investments (book value £5,400,000) the current assets showed a surplus over current liabilities of a similar amount. The acquisition of further shares in Anglo-Transvaal Industries, Ltd., had made that company a subsidiary.

GOLD MINING INTERESTS

Mr Menell stated that production at Rand Leases (Vogelstruisfontein) Gold Mining Co., Ltd., had suffered from shortages of native labour and electric power. Uranium production at Virginia Orange Free State Gold Mining Co., Ltd., was expected to commence in 1955, and the company should be the main supplier of sulphuric acid for uranium production in the Orange Free State. At the Merriespruit (Orange Free State) Gold Mining Co., Ltd., mine the No. 1 shaft had reached 3,518 feet, the final depth being 4,600 feet.

BASE METAL INTERESTS

The Associated Manganese Mines of South Africa, Ltd., due to transport restrictions, had shipped less ore in 1951 than in 1950, and the dividend was consequently reduced, but this position had recently improved. The profits of Consolidated Murchison (Transvaal) Goldfields and Development Co., Ltd., had fallen steeply with the price of antimony and the consequent restriction of production.

THE VOLTA RIVER ALUMINIUM SCHEME

This vast project, described by the London Press as the biggest colonial development of all time, was sponsored and financed by the company since its inception in 1938, in collaboration with Mr Duncan Rose and Mr C. St. John Bird.

The British Government had that week issued a White Paper on the project, and were setting up a commission to speed the £144 million plan to create one of the world's major producers of aluminium. The project aimed

at an ultimate aluminium output of 210,000 tons yearly, and would result in a saving at present-day prices of about \$150 million per annum.

The result of the 14 years of endeavour is a tribute to the pioneering spirit of Johannesburg business enterprise.

INDUSTRIAL

Industrial interests had enjoyed improved conditions, three companies paying maiden dividends and Anglo-Transvaal Industries, Ltd., had resumed payment of its ordinary dividend. Anglo-Alpa Cement, Ltd., which produced 35 per cent of the Union output, was still handicapped by the inadequate controlled price.

GOLD MINING INDUSTRY FINANCE

They were presently confronted with a very difficult financial period. Too many new gold mines had been established in too short a period. That was largely due to the post-war extensive drilling programme carried out in the Orange Free State over an area which had become attractive at the outbreak of the war, when prospecting operations became restricted. It seemed paradoxical that the very success that had crowned their efforts towards the rapid proving of a large new goldfield in the Orange Free State, which was necessary to replace the old mines, should recoil on them as an important cause of the present financial situation.

Over £100 million had been invested in recent times in the large developing mines of the Orange Free State. In the face of that heavy drain on the flow of market money, the soundness of the present position was remarkable, and more especially so bearing in mind the adverse factors at the present time.

Generally the state was in a stage of over-rapid development with all its attendant difficulties, including constantly rising costs. He believed that the courage and enterprise of investors in the mining industry would be rewarded. Gold and uranium were yardsticks of national wealth, and an increase in the world price of gold could be expected in the not too distant future.

MERLIMAU PEGOH, LIMITED

DIFFICULT CONDITIONS

The forty-third annual general meeting of Merlimau Pegoh, Limited, was held on November 27th in London, Mr J. L. Milne (the chairman) presiding.

The following is an extract from his circulated review:

The year ended March 31, 1952, produced a profit (after taxation) of £135,582 for the parent company as compared with £297,884 for the previous year. This fall is due in the main to the lower crop coupled with continued high costs and heavier expenditure in connection with security measures.

The total distribution for the year is 15 per cent. We received by way of dividends from our subsidiaries the sum of £187,616 as compared with £304,607 in the previous year. Net profit after taxation for the group is £134,717 as compared with £432,185 in 1950-51 and £99,555 in 1949-50.

The rubber crops harvested by our group of companies showed a reduction as compared with the previous year, the total being 8,083,700 lb in 1951-52 and 10,498,900 lb in 1950-51. The difficulties affecting all Malayan estates generally played their part in varying degrees in reducing our crops. A serious shortage of tappers, frequent absenteeism, intimidation of labour by bandits, lower output per tapper and reorganisation of

working arrangements following the regrouping and resettlement of labour under the Malayan Government anti-bandit measures were some of the troubles which have continued to frustrate the efforts of the various managements.

The report was adopted.

UNION FREE STATE COAL AND GOLD MINES

The fifth annual general meeting of shareholders was held in Johannesburg on November 21st. Mr T. Reekie, chairman, presided and in the course of his remarks said:

The position of Raleigh Colliery is the cause of serious concern. The operating loss incurred in the past financial year amounted to £32,067 and since production began to £63,665. Revenue was adversely affected due to despatches of coal being seriously restricted by a continual shortage of railway trucks, but the major reason for the loss has been the unduly high level of working costs.

The Board, after very careful consideration of all the factors and supported by the recommendation of the consulting engineers, has decided that the expenditure of further very substantial sums in order to finance the continuance of operations cannot be justified in the light of the small anticipated profits and the comparatively restricted reserves of saleable coal in view. It has therefore been decided that operations at the colliery will be discontinued as soon as the present reserves are exhausted, probably before December 31, 1952, and that the colliery and equipment will thereafter be disposed of.

HARMONY GOLD MINING

I wish to refer to the other main undertaking on which the funds of the company have been expended—namely, the Harmony Gold Mining Company Limited, in which, by reason of the rights taken up during the year, our holding was increased to 3,092,206 shares. The progress which is being made in opening up this property gives cause for satisfaction that this, the company's principal asset, holds good promise of being an excellent investment. Your directors have given a great deal of thought to the question of deciding the best course to be followed with regard to this asset, especially as your company has a substantial commitment to subscribe in the next Harmony issue and as its capital funds are now exhausted. It was finally decided, in view of the circumstances, that it would be preferable for the major portion of the Harmony shares to be distributed to shareholders who, in due course, could themselves exercise the rights to subscribe in the next issue. In considering whether it would be desirable to effect the distribution by means of a reduction of capital it was taken into account that, after disposing of Raleigh Colliery and making a distribution of Harmony shares, the remaining assets of the company, apart from the residual Harmony shares and two minor shareholdings, would be the coal rights. Your directors came to the conclusion that it would be more in the interests of shareholders to wind up the company at this stage and dispose of the coal rights to the best advantage with the other assets than to maintain the company in existence for a long period in the hope of eventually being able to develop one or other of these holdings. They have therefore decided that recommendations to place the company in voluntary liquidation will be submitted to a meeting of shareholders to be convened in the near future. If these recommendations are adopted, it should be possible to make an early distribution of the major portion of the Harmony shares.

The report was adopted.

THE PERAK RIVER HYDRO-ELECTRIC POWER COMPANY

ANOTHER YEAR OF PROGRESS

The twenty-sixth annual general meeting of The Perak River Hydro-Electric Power Company Limited was held on November 27th in London, Mr Hugh G. Balfour (the chairman) presiding.

The following is an extract from his circulated statement:

The directors' report and the accounts for the year ended July 31, 1952, again indicate progress, despite the unsettled conditions which continued to prevail in Malaya during that period. The gross revenue was £1,266,709, compared with £1,138,781 in the previous year.

The total operating expenses were £509,236, which was £48,500 in excess of last year's figure, for although the cost of fuel showed a net saving of £8,927, due to the greater number of units generated by the Chenderoh hydro station, the cost of labour and materials increased by £57,427, largely due to the boom conditions which prevailed in Malaya immediately following the outbreak of war in Korea.

The surplus on operations in Malaya for the year to July 31, 1952, was £757,473, compared with £678,045 in the previous year.

OUTPUT

The peak load on the system for the year was 57,000 kW, and this compared with 53,700 kW the previous year. The units generated amounted to 367 million, which was 4 per cent above last year's figure.

At the Chenderoh hydro station the river flow was very favourable through the year, and this, together with the benefit derived from the new radial gate, resulted in a record output of 227 million units, an increase of 15.3 per cent on the previous year. A new spare 3,650 kVA transformer has been installed at this station.

Malim Nawar steam station generated 98 million units, a decrease of 6.2 per cent. A considerable amount of maintenance work was done during the year and, after making allowance for the age of the major portion of the equipment, this station is now in good condition.

Batu Gajah steam station generated 42 million units, which was 18 per cent less than during the previous year. Work on the installation of the new boiler and generating sets, and the 2,000-ton oil storage tanks, is progressing as rapidly as the slow delivery of materials allows.

We have provided a sum of £250,000 for depreciation, while provision for taxation on the profits of the year requires £381,839, leaving a balance of profit of £132,777, to which must be added the amount brought forward and over-provisions from previous years of £308,126. Out of this sum we consider it prudent to augment our general reserve by an allocation of £75,000. Taking into account the results for the year and the provision for taxation now no longer required, your directors have this year decided to pay off the seven years' arrears of preference dividend to July 31, 1951, together with that due for the year under review, absorbing, less income tax, the sum of £262,500, leaving £103,403 on net revenue account to be carried forward.

Subject to no unforeseen circumstances, I see no reason why our operations for the current year should not show a comparable result to those for the year under review.

The report was adopted.

STEEL PARTS LIMITED

RECORD SALES AGAIN

The twenty-fourth annual general meeting of Steel Parts Limited was held on November 28th at Birmingham, Mr Alan Shirlaw, chairman and managing director, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to August 31, 1952. (Unless otherwise indicated the figures quoted are taken from the consolidated accounts.)

Throughout the financial year the operations of the company were handicapped by the shortage of steel; further, there was a marked falling off in exports due mainly to currency and licensing restrictions, but partly also to the developing competition of Germany and other continental countries. Nevertheless, by making the best use of such material as with difficulty could be obtained from our suppliers (whose patient consideration I respectfully and gratefully acknowledge), the sales of both this company and its subsidiary respectively constituted a record by a substantial margin.

The trading profit for the year, plus miscellaneous income and credits, amounted to £347,268 (previous year £253,869). After deducting profit and loss account charges there remains the sum of £298,749 (previous year, £210,855), subject to tax. Taxation provision, including eight months excess profits levy and tax reserve, together amount to £190,879, leaving a net sum of £107,870 (previous year £83,688) to be carried to appropriation account.

Truly, industrial taxation has long passed the heavy stage, and the penal stage, and is now at a confiscatory level.

THE DIVIDEND

Your directors feel justified in recommending that the final dividend be increased this year by 5 per cent less tax. This would make a final dividend of 30 per cent less tax, which, together with the 10 per cent interim dividend already paid, would produce a total dividend of 40 per cent less tax for the year, absorbing £27,188 net.

Relatively to the amount of the issued capital, the company is in a strong financial and liquid position—the surplus and reserves (excluding future taxation reserve, all intangible assets, and the increment value of fixed assets) now amount to 238 per cent over and above the nominal value of the one class issued capital. It is apparent that at some time further consideration will need to be given to a capitalisation of reserves.

CURRENT YEAR

Although the current year has opened up quite well in the matter of sales, which for the first two months have much exceeded the corresponding period of the previous year, and we have full order books, yet I am a little apprehensive as to how the year's trade will develop.

Your board is of opinion that if sufficient steel was forthcoming we should find that there is sufficient processing plant installed in the country to cope with any likely demand and indeed provide a surplus of the manufactures in which your company is interested.

Perhaps some opportunities for further broadening the company's interests may arise or be found. I can only say that your directors and management will face up to these difficulties and opportunities and at the end of the year present to you the best results they can in the circumstances.

The report was adopted.

SERCK RADIATORS, LIMITED

EXPANDING TURNOVER

The thirty-third annual general meeting of Serck Radiators, Limited, was held on November 28th at Birmingham, Mr W. H. Newton, MA, FCA (the chairman), presiding.

The following is an extract from his circulated statement for the year ended August 2, 1952:

The accounts which are now submitted for your consideration show a result very similar to that of the previous year. The final profit figure, however, does not do full justice to the normal trading results as a considerable amount of expense has been borne arising out of increased costs of production and incidental costs of removal consequent on the opening up of the new tube mill and the incorporation of the old tube mill premises into our engineering department.

In the new non-ferrous tube mill the transfer of existing plant and the installation of new equipment was completed early this year and full production was reached in April. From the results of the past six months it is clear that the new venture will be a valuable addition to our organisation.

Considerable progress has been made in the absorption of the premises previously occupied by the tube mill into the engineering department, but the changeover is not yet complete. However, the relief thus given to the engineering department has already borne fruit, and the additional floor space made available will go a long way towards relieving manufacturing pressure in that department and a steady increase in output is already being achieved.

PROGRESS OF BRANCHES

Our branches make continued progress. Under vigorous management both turnover and profits expand, and again I have the greatest pleasure in reporting that the aggregate result is appreciably better than the previous year. Owing to the increase in our business at the branches several of our establishments are very cramped for space, and every effort is being made either to obtain more suitable premises or to enlarge those we possess.

Serck (Eire), Limited, has had a successful year. Notwithstanding the difficulty in obtaining a regular flow of the necessary raw materials, Serck Radiators (South Africa) Pty., Limited, has made very good progress and has earned a satisfactory profit in its first complete year of trading.

CRUSHING BURDEN OF TAXATION

I cannot refrain from referring to the crushing burden of taxation to which we are subjected. Notwithstanding the very modest slice of the profits which is distributed to the stockholders, the very serious drain on our resources by taxation has a most repressive effect on all projects for healthy development.

We feel that the conditions which influenced our recommendation of the dividend last year still prevail—we therefore recommend the same payment. It is essential that we should conserve adequate resources to finance our policy of moderate expansion, and to this end, recommend the transfer of £75,000 to general reserve.

I can only repeat my comment of last year that "the business continues to progress." While from time to time we notice a temporary slackening of demand in one direction or another, with our widespread range

For six weeks now the representatives of fourteen governments and the secretariat in the Palais Chaillot have been scrutinising the defence programmes and economic capacities of members, in the hope of producing for the approval of Ministers firm figures of the resources that the Supreme Commander should have by the end of 1953 and a more general programme of his requirements for 1954. They are unlikely at next week's session to get either the approval given or the

figures fixed. Indeed, on present evidence it looks as if neither the effort to be made nor the strategy to be followed in developing Europe's defences will be decided before next spring, when it should be possible to judge in what form and amount American aid will be forthcoming. The delay is inevitable and it will continue to plague the Atlantic alliance year after year so long as fiscal years vary from country to country and so long as national budgeting habits—both in Europe and the United States—make long-term planning impossible.

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What, then, can the Ministers in Paris do? Are they to record progress or stagnation? Are they to dilute the optimism of the Lisbon conference last February or to express their satisfaction with the general health of Nato? Are they to look at old problems, decide no solution is immediately possible, and then disperse in an atmosphere of bathos? Or are there new problems to be grappled with in a manner that will show how Nato can get things done? There is no genuine need to explain away what were called the "Lisbon targets"; General Ridgway has received very nearly all he was promised in the shape of active divisions, aircraft, and improved communications. A considerable effort has been made and the resulting economic strain has certainly been no greater than Nato's advisers last year thought tolerable. It is true that he is no nearer receiving the 12 German divisions on which so much depends; on the other hand, he is much better placed to fight a delaying action if Western Europe were attacked. It is true that he is short of certain vital supplies, but the bases and lines of communication through which his supplies must be moved are vastly better than they were a year ago. For the cold war General Ridgway is quite fairly equipped; for a real land war he is still in a position of fantastic inferiority to the mobilisable Communist forces in Europe.

This situation, therefore, presents Atlantic Ministers with at least one vital new problem. What kind of reserves is the Supreme Commander to have behind his thin deterrent coating of 25 front-line divisions? There is an infinite difference of opinion among experts about the right size for a reserve division, about the time it should need to take its place in battle, about the state of training that entitles it to be called a fighting formation. The military experts, if they believed the Ministers would face the political and economic difficulties of providing adequate reserves, could quickly overcome these differences. As the Supreme Commander's deputy, Lord Montgomery, has frequently pointed out, the reserve division of 1956 must be something quite different from the reserve division of 1939. It should be Nato's function to decide what it is to be.

Closely connected with this matter is the exasperating delay in French and German ratification of the treaty for a European Defence Community, which will frustrate more than any other single factor General Ridgway's planning for the future. The Nato Ministers have at the moment a clear choice: they can tell the French, and indirectly the Germans, that there exists no alternative plan for German rearmament—which is the truth—and that Nato wants to see the EDC treaty ratified as quickly as possible; or they can heed the numerous hostile voices to be heard in both countries and suggest that there could, after all, be an alternative. If they choose the latter course, the movement towards

a defence community will collapse and the European policy of M. Schuman and Dr Adenauer will be thrown into complete confusion. If they choose the former and more brutal course, they might yet help France and Germany to come to terms before the latter is even considered as a candidate for Nato. If such a compromise meant some modification of the defence community, some delay in executing its more drastic provisions, some departure from a text that is in places fantastically unreal—well and good. What matters is that Nato should express a firm view.

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There remains the elusive and intractable problem of "showmanship." This unique allied organisation, with all its multifarious purposes, has to be "got across" to the peoples for whom it acts. While General Eisenhower was Supreme Commander, there was no difficulty. In those days his headquarters was prepared to discuss political integration, coal shortage, the dollar problem—indeed, anything under the Atlantic sun. General Ridgway has made it quite clear that he will give all his attention to military affairs—a very proper decision. Politics and presentation are the business of the Council itself, now in permanent session in the Palais Chaillot, meeting and talking frequently, both formally and informally. The generals, to put it baldly, have asked for and accepted political direction; now Nato has it and Lord Ismay is there to look after it, what is to be done with it? There is no short answer to the question. An organisation of this kind acquires personality only by doing and saying things; and most of what Nato has said and done so far has been of a military character. What political and economic activity is to be entrusted to the Council?

There have been small and encouraging signs. Nato governments have been consulted about American, British and French policy towards the Russians in Germany. There has been much informal discussion of common problems outside Europe. The whip is being cracked at commanders who make irresponsible political speeches. The balance is more evenly held between the almighty Standing Group Authority in Washington and the Council in Paris. But little or nothing of this reaches the public in the fourteen countries, which is generally quite unaware of the fact that all its fears and questions about the cost and quality of rearmament are weighed by Nato with an expert impartiality which is something quite new in diplomatic experience. There seems to be a clear case for encouraging the Council to make known from time to time its view on major developments in the cold war. It would be appropriate and useful, for example, that the Atlantic partners should make some joint comment on the very candid and detailed statements on Soviet foreign policy made at the recent Moscow party congress by Stalin and others. If it is the declared Soviet intention to divide the Atlantic allies by exploiting the difficulties that arise between them—some of them created by Soviet policy—that is obviously Nato's business. A firm statement next week from the assembled Ministers that they have taken note of Stalin's intention, that they intend to frustrate it, and that they know how to do so could have a most salutary effect on both sides of the iron curtain. What is more, it would draw public attention to the fact that Nato can, if it wishes, offer leadership not only to the defence forces but also to the citizens of the Atlantic community.

Defence: Enough?

THE question raised by the cuts in the defence programme is not whether rearmament has failed, or whether it has done too much economic damage, or whether it has turned out after all to be unnecessary. The question is whether it really has succeeded sooner, and at less cost, than anyone dared seriously to hope. This issue has not been clarified by the Prime Minister's statement last week, which was obscure both in purpose and in matter. In spirit it contradicted, and in hard fact it added little to, what Mr Churchill said in the debate on economic affairs last July.

The famous £4,700 million programme, designed to stretch over three years from April 1, 1951, has now been changed in three main ways. First, its physical constituents have necessarily been altered as research and new designs have made some equipment out of date. Secondly, defence production as a whole has been expanded less rapidly, in the first and second years of the programme, than was intended. Thirdly, the Government has decided to level off production for the services at the volume reached in the second year—this year—instead of raising it to a much higher peak in the second half of 1953, as was originally implied. The broad effect is that next year defence production, costing some £600 million, will be running at about two-thirds of the pace that was originally planned, or at least envisaged, for that stage of the programme.

Mr Churchill announced last July that a review of the programme, on some such lines, was being undertaken. His statement last week showed, however, some significant differences. Five months ago he emphasised the American advance in atomic power and the promised technical changes in weapons—particularly, the progress made with guided missiles and new aircraft—as reasons for shaping the defence effort to a new pattern; while immediately this adjustment was bound to hold back production, the possibility of expansion next year remained open. By contrast, Mr Churchill last week seemed to have forgotten that he had ever made the pattern of the programme an issue in itself. Instead, his emphasis fell heavily on the size of the programme, and particularly on the decision to level it off by preventing any substantial rise in production expenditure next year.

This change in emphasis is naturally accompanied by a shift in argument. In July Mr Churchill gave two distinct reasons for the Government's decision to spend less on arms than the programme for three years had provided. One reason was that the technical advances had made economies compatible with a positive gain in military power. Secondly, the need for exports could not be met without reducing the further demands imposed on the engineering industry by defence. Last week, however, Mr Churchill ignored the first of these arguments and emphasised the second. The country's financial difficulties were "not . . . a decisive, but at any rate an important factor in determining the magnitude of our defence effort." Indeed, he mentioned no other reason for the cuts. If his statement is taken at its face value, the Conservatives have done what Mr Bevan and his friends have advocated for so long, and for the reason they urged—the economic consequences of heavy rearmament.

It is as well to have this brought into the open and the case considered on its merits. No one need be ashamed of agreeing with Mr Bevan now. Nobody ever disputed that rapid rearmament would be economically harmful—though it has certainly not done anything like as much harm as the Bevanites said it would. The argument in the spring of 1951 was whether rapid rearmament was necessary in order to maintain the peace. If it was necessary—if Mr Bevan was wrong at the time he resigned from the Labour Government nearly two years ago—then by that very fact we would all, as was then argued in these columns, become Bevanites eventually.

Mr Churchill could not now be cutting defence production if the programme had failed. Production has not been increased as far and as fast as was planned; nevertheless, it is nearly three times as large as it was before the Korean war began; even more important, the production lines that have been established will make it possible to expand the output of tanks and the like much more quickly in another emergency. What has happened in the twenty months since Mr Bevan resigned is that the defence programme adopted by his colleagues has fulfilled its purpose, in part at any rate, without quite the economic disaster that he predicted. Rearmament is like the insurance taken out by a man embarking on an air liner. If he lands safely, he has wasted his money; but that does not mean that he would have been wiser to spend it on a drink, or even a new set of false teeth, before he took off.

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The basic concept of the three-year defence programme was that of the heave followed by the long pull. The country had to make the maximum effort to put itself into a posture of effective defence as soon as possible; after that, the effort could drop back to the lower but sustained level necessary to maintain the posture. Mr Churchill is eliminating the peak that this programme implied for next year. Instead, the effort is being stabilised at the present moderately high point, apparently with the intention that it should be kept there for some years; it will not fall to a care-and-maintenance basis as early as 1954.

This timetable has obvious advantages. Immediately, it relieves the British economy from a further strain that it was ill-fitted to bear next year; Mr Butler can plan a policy for solvency with fewer tears than he would otherwise have had to impose. There is also a remoter economic advantage. Industry no longer has to fear the dislocation that would have been caused by falling back, in 1954 or 1955, from a sharply peaked rearmament programme. Thirdly, the new timetable represents a more efficient way of arranging military production. It will no longer be necessary, in order to gain the maximum strength by 1954, to build large numbers of those models of aircraft and other weapons that are ready for quantity production now but will soon be obsolete. The flatter curve of effort may well give by 1955 or 1956 the same strength as the old programme would have done, but at a considerable saving in total cost.

These advantages are important. They are plainly not decisive. The new policy is right if the chances of a

major war within the next three years are slight. It is wrong if war is, or becomes, the near danger that seemed possible in 1951. In that event the country should still face, as it was prepared to face in 1951, the economic strains of very rapid rearmament, the wastes of getting stronger quickly with weapons that are the best only for the moment. Here, Mr Churchill's statement does less than justice to his case. He is surely not the Prime Minister who would cut defence because he dare not ask for further economic sacrifices or because he ranks military efficiency in the long run above national safety in the short run. The real motive cannot be concealed.

Opposition by Obstruction

LAST week's offensive booing of Mr Churchill has proved to be, for a time at least, the climax to the rising fever of party bitterness in the House of Commons. Since then the House has twice debated its own procedure, on Labour motions attacking the competence of its Leader and the impartiality as well as the competence of its Chairman of Ways and Means. Both motions were unjustifiable, but the introspection has served some useful purpose by helping to cool tempers on both sides. The most outrageous of the censure motions, that put down by backbenchers against Mr Churchill, has been withdrawn with evident relief, and there is some hope that Parliament will get to the Christmas recess in a quieter mood.

But this does not look like more than a lull. The Parliamentary troubles of recent weeks have deep causes that will be removed, if they are removed at all, only by the pressure of public opinion. The bluntest comment on the behaviour of Her Majesty's Opposition was made on Sunday by one of its members—Mr O'Brien, who carries authority as chairman of the Trades Union Congress. He suggested that the electorate did not pay him and his colleagues £1,000 a year to boo at Prime Ministers. That is an opinion that the ordinary voter may share; and it gives the Labour leaders in Parliament reason for concern about their own future as well as about constitutional proprieties. Their party's obstructionism may discomfort the Government, but will it not damage Her Majesty's Opposition even more? Will not the "stupidity" (Mr O'Brien's word) of its method discredit the Labour party in the country even if its aim of hampering the Tories in Parliament is fulfilled beyond the wildest dreams of Mr Bing?

The constitutional issue is simple. Government by discussion rests on two acts of tolerance: the majority respects the right of the minority to criticise; the minority respects the right of the majority to decide. Those principles are expressed in the conventions of Parliamentary procedure. It is the Opposition's business to oppose, and the right to argue at length necessarily implies a power to delay—a power to be exercised right up to, but not beyond, the point at which it is compatible with the normally efficient discharge of the Government's business. Beyond that point opposition becomes obstruction of the will of the majority; it is quite as much a denial of democracy as is the suppression of minority criticism.

The point at which argument becomes obstruction cannot, of course, be defined *a priori*. It can be

Mr Churchill does not like to say so in this context, lest it should encourage complacency, but in fact he is cutting defence because he thinks that the danger of war has receded. For that reason only, the economic and technical considerations can now be given more weight than in 1951.

The danger is again that wishful thinking will allow them too much weight. This is a subject on which public debate is bound to be inadequately informed, and most people can do little but hope that Mr Churchill is right. An early discussion in Parliament would help, however, at least to define the issues for the parties and the country.

recognised simply enough according to the conventions and circumstances of particular times. A Government can get through the modern press of Parliamentary business, and an Opposition can enjoy its full rights of criticism on the matters that concern it deeply, only if a great deal of routine business is treated as non-controversial and allowed by both sides to pass almost undebated. For many years the Expiring Laws Continuance Bill has been put into this category. Last week, however, the Labour party sought to debate it, and for that purpose occupied more time than was taken by the measure in the whole of the seven previous years since 1945. When the debate was at length ended by the closure, the Labour party continued to waste time by its frivolous motion against the Chairman of Ways and Means. No reason, either of principle or of policy, was brought forward to justify this breach of convention. It was the latest and plainest in the series of acts of deliberate obstruction that the Opposition has performed this year.

There is no evidence that such tactics have hitherto impressed public opinion in Labour's favour. There is, indeed, no reason to suppose that they ever will appeal to an electorate that values its democracy. Admittedly, there are circumstances in which a conscious rejection of the democratic process can be justified as a measure of last resort. In the most famous case, the Irish Nationalists wasted the time of the Parliament at Westminster because they denied its right to responsibility for Irish affairs. If obstruction by one of the two main parties of the state can ever be justified, it must be because the democratic process has already broken down in some important respect. In theory, perhaps, one can imagine that a Government with a secure majority might introduce measures of fundamental importance that had never been discussed before the electorate; in such circumstances the Opposition might legitimately deny its right to go on governing, and might make the denial by obstruction if that were the only weapon available. Again, obstruction may conceivably be justified, as the only means of forcing an election, if there is very strong reason to think that a Government has exhausted the confidence of the public. The "harrying" tactics employed by the Conservatives early in 1951 were open to some justification—though not, in retrospect, nearly enough—on such grounds.

One fundamental point is common to every possible case of this kind. The Opposition's purpose in obstruc-

tion must be to force an election; it must wish and believe that it could gain office itself. Otherwise, the Queen's present government must be carried on and obstruction cannot be anything but illegitimate and distasteful. It requires no intimate acquaintance with the inner counsels of the Labour party to know that office is the last thing that party is at present prepared for, is capable of, or wants. It is obstructing not for the sake of office but for the sake of obstruction. And the British electorate is perfectly capable of recognising that fact about a party which is so patently lacking in policy.

The hollowness of Labour's position is, indeed, plain enough from Mr Attlee's own words. At the beginning of this Parliament, he promised: "We shall not oppose merely for the sake of opposition. . . . It would be quite wrong for anyone in the House to indulge now in the kind of tactics which were indulged in during the last Parliament." In these terms, Mr Attlee in effect recognised the right of the Conservatives to govern in spite of their narrow majority. What has happened to reverse this verdict? Certainly not any national catastrophe, either in foreign affairs or in economic affairs, such as might make Labour feel compelled to seek office to save the country. The Conservatives have in fact of late been remarkably successful in maintaining public confidence in themselves. Nor have they launched any legislation for which the country was unprepared.

What has in fact changed since November, 1951, is not the Government but the Opposition. The men behind Mr Attlee have moved to the Left, and in particular they have contrived to revive their enthusiasm for nationalising. They are perhaps sincerely indignant because the Tories have dared to lay cruel hands on the precious structures for steel and transport; and indignation is reinforced by the practical thought that renationalisation will probably be even more difficult than denationalisation has proved to be for the Tories. The Labour backbenchers have therefore made up their minds to hold off the Steel and Transport Bills by the deliberate obstruction of routine business. Their one attempt at self-justification was put in a sentence by the member who claimed last week that, "The present Government . . . are without any mandate for these major controversial items."

A New Mood in Denmark

AMONG their Scandinavian neighbours, the Danes have a certain reputation for levity. In the past, this national trait has taken observable political forms, the clearest of them being, perhaps, the slogan "What's the use?", with which the left-wing parties opposed expenditure on defence throughout the first decades of this century. But today, although Danish gaiety remains very much alive, there is growing up behind it a greater resolution and a deeper political awareness. This is not confined to questions of defence. The programme which the Government laid before the Rigsdag at the opening of its autumn session reflected the new mood of energy and determination in several respects. The unusually substantial list of proposals ranged from constitutional reforms and defence measures to an overhaul of the tax system and the elimination of many price controls and subsidies. Although the present Govern-

Some backbenchers may be sincere in this belief. For them the glories of 1945-50 are still shining; they cannot believe that the British public has turned its back on any part of the great achievement. But this, if understandable, is none the less a refusal to see facts. It cannot be shared by the leaders of the Labour party. There is, indeed, much to be said in criticism of the Steel and Transport Bills. The Tories are handling their legislation badly. They are foolish to try to make up for their own indecision in the last session by rushing both denationalisation measures through now. The Bills are capable of far more improvement in detail than will be possible in the limited time allowed, in the case of transport, for the committee stage.

But these are arguments for caution, not for a full-stop. The people who elected a Conservative majority to Parliament did so with full notice of their intention to denationalise. The mandate for these measures can be denied only if it is said that a majority of 26 (the Liberals support the Government on steel and transport) does not entitle the Government to do anything the Opposition dislikes. That is a constitutional absurdity; Mr Attlee, who in 1951 had steel taken into public ownership on a majority of six, is in no position to entertain it for a moment. The plain fact is that Labour obstruction is an attempt to use the machinery of Parliament to thwart the decision of the electorate. And that is hardly the way to electoral popularity.

It is the attempt of a group of backbenchers, including some whose respect for democracy (Western style) has always seemed to be scant. The leaders of the Labour party lend their authority to it because they are afraid of being outbid by Mr Bevan; they no longer dare to show any lack of enthusiasm for keeping the nationalisation cupboard well stocked. Yet it is on the leaders, not on the backbenchers, that the chances of getting out of the Parliamentary jam depend. As Mr O'Brien said, "The leaders of our political parties have a responsibility to impose on their followers a deep sense of respect for Parliamentary manners." And not only responsibility for manners; they have an interest in holding their followers to policies and methods that earn the respect, not the irritated contempt, of the electorate.

ment does not contain "strong men" in the usual sense of that term, it is showing itself ready to push ahead with new, controversial and, by Danish standards, surprisingly bold policies.

This quietly confident leadership is all the more striking in view of the position in which Denmark now finds itself, both externally and internally. Externally, it is perhaps the most exposed of all the Atlantic allies. It is the only one of the fourteen that fronts directly on to both Germany and the Soviet bloc. Not for a hundred and fifty years has it been successfully defended against invasion; in 1940 it fell to Hitler within a few hours. It has been the most pacifist and neutralist of all the Scandinavian states, and even today strong ties of sympathy still bind it to neutral Sweden.

Nor is its internal political situation an encouraging one for strong leadership. For many years, no one party

has commanded a parliamentary majority; and even the coalition now in power, comprising the *Venstre* party (historically "left," but today right of centre) and the Conservatives, is a minority government. The largest single party, the Social Democrats, are in opposition, and although they have loyally supported the present Government's efforts to make a reality of Denmark's undertakings to Nato—it was the Social Democratic government of 1947-50 that brought Denmark into the Atlantic Pact—they strongly oppose its economic policies. The three other opposition parties, the Radicals, the Communists, and the *Retsforbund* (which adheres to the single land-tax policy of Henry George), are all in varying degrees critical of the Atlantic alliance and its consequences. It is hard to see how any stable majority group can emerge or long endure. The present coalition, though perhaps the only possible one, has little natural unity. *Venstre* is, indeed, a much more right-wing party than its name implies; but, unlike its Conservative ally, it is based on the rural middle class, and on a whole row of issues ranging from tariffs to the Slesvig frontier there is a traditional gulf between the two partners.

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The Danish party system may undergo changes if the Government's proposals for constitutional reform go through, but this is by no means sure. The main parties are generally agreed that the bicameral *Rigsdag* should be replaced by a single chamber, and most Danes want to see the voting age lowered—at present it is 25—but the question of whether it should be 21 or 23 is hotly disputed, the Socialists and Radicals preferring the lower figure. The new status proposed for Greenland, which would give it two seats in the *Rigsdag*, is acceptable to all parties, and there is also general support for the proposal to introduce female succession to the throne; but while the Government parties argue that a monarch's son should take precedence over an elder sister, as in the British system, the opposition holds that the crown should pass to the eldest child irrespective of sex. Constitutional reforms are, in any case, not easy to achieve in Denmark. They must be adopted by both chambers of the *Rigsdag*, endorsed by a newly elected *Rigsdag*, and approved by a plebiscite, in which the favourable majority must represent at least 45 per cent of the electorate. It is an open question whether the Government can successfully surmount these obstacles of simultaneous plebiscite and general elections.

The prospect of early elections has not led the coalition to flinch from the fairly sharp deflationary policy which it has pursued for the past two years. Although the Social Democrats can make election capital out of the present unemployment in textiles and shipbuilding, the Government can point out that it has at last stabilised retail prices; that rationing has been abolished, except for sugar, the ration of which is a generous one; that the deficit in the balance of foreign payments that loomed so large two years ago has been sharply reduced, and that in recent months there has been a most encouraging increase in dollar earnings. Moreover, the terms of trade have moved in Denmark's favour since the beginning of the year by nearly ten per cent. The economic picture is not entirely rosy—the slump in freight rates, for instance, has cut deeply into the earnings of Danish shipping—but the Government has good reason for claiming that its policies of restricting credit, reducing

non-essential imports and allowing internal prices to find more natural levels have justified themselves.

These achievements have provided the economic basis for Denmark's present effort to arm itself. In the Budget for the next financial year the Defence Ministry's estimates total Kr. 778 million, as against an estimated expenditure of Kr. 515 million for the current year, and defence costs will account for nearly 30 per cent of the new Budget. Some 3 per cent of the national income is already going into defence, and next year the figure will be 4½ per cent. Physical factors, however, slow down the rate at which the Danes can increase their strength. In particular, lack of accommodation, equipment and trained cadres have prevented the extension of conscription from twelve to eighteen months from taking full effect; sailors and airmen are already serving the longer term, but the army will not get on to an eighteen-month basis until next May. Denmark aims at an army of 100,000 men, a navy of 25,000, an air force of nine squadrons, a local defence force of 15,000 and a home guard of 50,000—all to be built up from nothing.

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Meanwhile, however, every Dane is aware that this flat little country, whose shallow southern waters are an invitation rather than a barrier to an invader, is a vulnerable and highly desirable target on the very doorstep of the Red Army in Eastern Germany. The tangible demonstration in the recent "Mainbrace" manoeuvres that Nato has the defence of Denmark at heart was encouraging, but it brought down upon the Danes a truculent Soviet Note declaring that they alone would be responsible for the consequences if they allowed Nato forces to use bases on their soil. The Government, with the full support of the Social Democrats, rejected this charge in a restrained but firm reply, which stated that the aims of the Atlantic Pact were purely defensive. In a subsequent debate in the *Rigsdag*, a Communist motion condemning the idea that Nato forces should be stationed in Denmark was rejected by 113 votes to 8, only one *Retsforbund* member voting with the seven Communists. Most of the Social Democrats voted with the Government, after their leader, the former Prime Minister Hr Hedtoft, had scathingly condemned the Soviet Note as an attempt to intervene in Denmark's internal affairs; and although the Radicals, most of the *Retsforbund*, and one Social Democrat abstained, their spokesmen explained that they did not share the Communists' views on foreign policy. The attitude of the smaller opposition parties derives, indeed, less from contemporary neutralism than from the traditions of pacifism and isolationism that still exist in Denmark.

All the ingrained habits of many years cannot, perhaps, be quickly discarded; but, primarily as a result of the act of conscious leadership that brought Denmark into Nato, the whole tenor and temper of Danish political life are slowly changing, and the Foreign Minister, Hr Kraft, described the Radicals' attitude aptly a few weeks ago when he said that they had reverted to the past. Hr Kraft, who is now actively carrying out his duties as chairman of the Atlantic Council, has summed up the attitude of the great majority of Danes thus: "We think freedom is worth its price." These words contain the essence of the new mood that now dominates Denmark.

NOTES OF THE WEEK

More or Less War?

In spite of the calming effect of General Eisenhower's realistic statements at the end of his visit to Korea, there is plenty of ground at present for anxious conjecture about the future course of events, not only on that front but along the general frontier of the Communist and non-Communist worlds. Within a few hours of the President-elect's warning of the difficulty of finding a way to end the Korean war that did not involve the risk of enlarging it, General MacArthur proclaimed his knowledge of "a clear and definite solution" for Korea. Both the present and the future President have now asked General MacArthur to impart his secret to them without delay; but the fact that he had preferred to make his claim at a public dinner rather than to communicate directly with his Commander-in-Chief does not augur well for the validity of this "solution." Moreover, although General MacArthur claimed that his plan involved no risk of "universal" war, he does not seem to have ruled out the possibility that it might spread the conflict beyond the frontiers of Korea. Such a possibility would not appear very attractive either to Mr Truman or to General Eisenhower.

Of more interest than General MacArthur's heavy hints is the broad analysis of current Communist policy which appeared in the *New York Times* of last Sunday, and which is believed to reflect the views of Mr John Foster Dulles, the Secretary of State designate. The gist of this analysis was that the Kremlin, largely because it saw Mr Dulles himself as committed to the liberation of eastern Europe, was now basing its policies on the idea that a major war is inevitable. This implied less effort to weaken the free world, and increased attention to the consolidation of the Communist bloc. It may be argued, however, that there are two serious flaws in the reasoning. In the first place, while events such as the travesty of "trials" in Prague confirm the belief that the screws are being turned more tightly on Russia's unhappy satellites, this is no unprecedented phenomenon. Experience has shown that it is not necessarily accompanied by a lessening of Communist attacks on the unity and will of the free nations. Stalin's statements in October suggested exactly the opposite. Secondly, it is not always safe to assume that the Kremlin believes its own propaganda. However well the bogey of a "war of liberation" serves that propaganda, Stalin's intelligence services must be fully capable of telling him that the West is in no condition to prepare or launch such a war.

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Back to Abadan

A statement of policy is seldom issued unless it signifies a new policy. Naturally, therefore, a number of interpretations have been placed upon the State Department's sybilline utterance of last Saturday about Persian oil. Decisions whether or not to buy, it said, must "be left to such individuals or firms as may be considering them"; but if purchasers were to get into legal trouble on account of Anglo-Iranian's title to the oil, they could expect no diplomatic backing from home. According to the Department, the statement is just a routine answer to commercial queries. According to a number of small American companies that are hoping to run a profitable line in cut-price oil, it is the green light to go ahead; according to the major American oil companies, it is encouragement, but shocking encouragement, to "get by the cops"; according to the British Foreign Secretary, it is a fine display of Anglo-American solidarity. It was shown to the British Foreign Office before issue.

The British are lulling themselves into false security if they imagine that the State Department approves their

legalistic attitude over Persian oil; most of the present American policy-makers think it a sure way of driving Persia into bankruptcy and the arms of the Tudeh party. Indeed, they have been discussing with major American oil companies ways out of the deadlock.

But does their argument now hold water? They admit that enough oil to save Persia from ultimate bankruptcy cannot be moved without securing sufficient tankers; one State Department official belittled the significance of last Saturday's statement because it "couldn't move enough oil to save anybody." They admit Persia cannot sell enough oil to stop the long, slow but steady headway that Tudeh is making against the Persian nationalists. They admit that to turn Dr Mossadegh's version of "nationalisation" into a successful policy would be to undermine all foreign concessions in other nationalist states. Their representatives in Persia seem also to concur in the opinion that, in view of this year's good harvest in Persia, it is not an economic collapse, but a collapse of security that is most to be feared in that country.

If in the light of all these facts, Americans wish to press London to make one last approach to Teheran, they ought to be willing to pay a price for British capitulation to their view. That price is agreement on what joint action is to be taken if the policy is fruitless, and if Tudeh, nevertheless, comes to power in Teheran.

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Neguib Broadens his Base

The Egyptian political scene recovered some of its more recognisable features this week when General Mohamed Neguib, publicly supported by some of the members of his army committee, restored to grace the old-guard leaders. Their incarceration in the Military School last August had seemed at the time as drastic a break with the immediate past as the enforced abdication of King Farouk. Three months ago, there was no intention of restoring their political opportunities so quickly. Now it is plain that domestic and external difficulties, combined with dangerous pressure from a too radical left-wing, are the causes of the reversal of policy. General Neguib was not prepared to be a ruthless dictator; he was therefore compelled to seek reinforcement from the right.

He may well have chosen wisely. There were good men as well as bad among those shut out of political life; there are some whose honesty and intelligence are needed, and perhaps the old regime has had time to shed some of its reactionary evil during its confinement to barracks. The benefits of the change can be judged only when it is known to which of the freed politicians General Neguib will now turn for help.

His public restoration of Mustapha Nahas, the Wafdist leader whom he had thoroughly defeated, is not encouraging. The Egyptian is apt to regard British dislike of the Wafd as solely due to its futile and frenetic opposition to the British last autumn; but the British, requiring stability in Egypt, are equally worried by Wafdist misgovernment in general. The almost insuperable economic difficulties which the army has faced are in large measure due to Wafdist extravagance and corruption. The Wafd's passion for power will make the party a dangerous partner in national reconstruction. Colonel Sadat, the army spokesman, showed some awareness of this when he said that there would be no objection to Wafdist taking part in the government "as long as they did not work against the interests of the State." Such a statement implies that the army is still conscious of the power it can wield; but it will not find the old guard very willing to accept responsibility without power.

Whether the new Egypt is to be a republic or a monarchy is presumably the question that is to be referred to the nation for a straight "yes" or "no." Many believe that General Neguib might well have brought the present Regent, Prince Abdel Moneim, to the throne and restored the succession of his particular line. Abdel Moneim has the taste and character for constitutional rule and might have served Egypt's purpose well. As it is, the constitution-making process to which the political leaders of all parties are to be invited could be a source of endless dissension; for it will be surprising if the politicians will forget their personal ambitions and enmities under conditions which could restore their power. Certainly the changes this week and the plans for reforming the constitution do not alter the immediate fact of the army's power and responsibility. It will be dangerous if the army imagines that they have done so.

Labour Looks at the Future

The turmoil about procedure at Westminster has served the Labour party well in one respect. It has helped to make Mr Bevan's return to the Opposition front bench seem smooth and natural. Mr Attlee and his friends grasped the opportunity of the censure debate to allow Mr Bevan to reappear as an official spokesman of the party, and the new party committee has contrived to exude an air of geniality that is not altogether forced; both sides in the Labour party's controversy are, for the moment, relieved that the squabble has passed another climax. Some fingers may still be itching, but at least the knives are temporarily sheathed.

By the standards of the recent past, that is a good beginning to the policy discussions that the party's national executive committee is conducting this weekend. Similar meetings in the past have been held in country retreats dedicated to Labour causes. This time a West End hotel will provide an atmosphere perhaps in truth closer to that of the Morecambe conference from which the discussion grew. The more moderate party leaders then accepted, perhaps in order to head off other forms of left-wing pressure, a motion demanding that a new policy should be drafted and should include specific proposals for further nationalisation. A sub-committee's proposals on these lines are now ready for consideration.

The right wing has already let itself be forced into a position where it cannot resist some considerable measure of further nationalisation. But it perhaps retains powers of delay and selection. The present tendency seems to be to avoid a definite list of industries nominated for further nationalisation and to suggest instead a prior need to set out some general formula by which a list could be justified. It is even said that public ownership might be advocated as a method of reshaping the economy to the needs of a larger export trade in capital goods. That would be a sort of looking at the future, but through rather odd spectacles. It seems doubtful, indeed, whether anything precise can possibly emerge from the present talks. The symbolist may notice that the hotel where they take place is noteworthy for having doors at either side, each opening on to a one-way street.

No Action on Rents

The debate on rent restriction in the House of Lords on Wednesday merely underlined the fact that a solution to this urgent problem is as far away as ever. The Lord Chancellor, it is true, promised that Lord Silkin's demand for an all-party inquiry would receive "special consideration." But that is a time-honoured formula for inaction, and promises, if anything, less than the repeated assurances of the Minister of Housing that the subject is being studied in his department. The other Government spokesman, Lord Lloyd, seemed to retreat much further from the position taken up

by the Government in earlier pronouncements and in its election pledges. His speech was largely taken up with reasons for doing nothing.

Lord Lloyd argued, as Mr Macmillan has done before him, that the best thing for a great many of Britain's houses is that they should fall down as soon as possible and be replaced by new ones; he referred particularly to houses built soon after the industrial revolution, of which there were about 4 million. But at the present rate of building their replacement would take twenty years—an uncomfortable twenty years for the occupants as their homes fall about their ears. It is essential repairs that are needed, not substantial alterations to hopelessly substandard houses, and such repairs are a less expensive use of resources than replacement by new houses could be. Lord Lloyd also spoke of the difficulty of finding a workable formula for revising rents; as he rightly said, a flat increase was not the answer, and any increase that was allowed would have to be linked to the landlord's obligation to carry out repairs. But constructive proposals to meet this difficulty have been made. The Royal Institution of Chartered Surveyors has proposed that rent increases should be calculated by multiplying permitted deductions for repairs and maintenance by the percentage increase in repair costs since 1939. The institution calculates that in November repair costs had risen to 293 per cent of the 1939 figures.

It is a hopeful sign that a Labour peer should ask for an all-party inquiry, although it is doubtful whether the Opposition would, in fact, be willing to give up the electoral advantage of having nothing to do with raising rents. But neither a refusal of the Opposition to co-operate, nor any of the arguments used by Lord Lloyd, are any excuse for allowing houses to decay because landlords cannot afford to maintain them.

Kenya's Land

The emergency in Kenya appears at the moment to be dominated by the trial of Jomo Kenyatta, former president of the Kenya African Union, for Mau Mau activities. It would be wrong, however, to assume from this that much progress has been made in restoring law and order. On the credit side can be put the broadcast a fortnight ago by Mr Mathu, African member of the Executive Council, to the Kikuyu, urging them to have nothing to do with Mau Mau, and the formation of local Kikuyu resistance groups. On the other side of the account must be set the absence of any general rally among the Kikuyu to the support of the government and the police.

Against this background of sullen fear, a despatch to the Colonial Secretary from the late Governor, Sir Philip Mitchell, has now been published (Colonial No. 290). It is dated November, 1951, and is the document that has led to the appointment of the Royal Commission whose membership has still to be completed; it is, in fact, entirely concerned with the long-term problems of overpopulation, land hunger, low wages, poor health, and so on. The dispatch, indeed, anticipates much of the Labour party's motion on Kenya, which was tabled last week.

Yet the publication of this despatch may well have some reactions on the present emergency. Sir Philip argues, forcibly and convincingly, that the pressure of the Africans, and the Kikuyu in particular, on the land cannot be relieved for long by giving them more land to use up. Formally, African claims to land set aside for European occupation were settled twenty years ago by the Carter Commission. Although the Royal Commission has to consider the "opening for cultivation and settlement of land at present not fully used," it also has to take account of "existing obligations incurred . . . in relation to the security of land reserved for the different races. . . ." But does this rule out of consideration the grant to Africans of "land at present not

fully used" in the European Highlands? Economically, Sir Philip was right in urging that it is a change in the Africans' methods of agriculture that is needed to relieve the pressure of population. Psychologically, the apparent restriction on the Royal Commission's investigations may be a bad mistake. It may prejudice the commission in the eyes of the Africans as a whole, and it will certainly not help the government to gain the support of the Kikuyu against the terrorists.

Violence in North Africa

During last weekend, fifty people were killed in a riot in Casablanca and a leading Tunisian nationalist—the secretary of the local trade union movement, Ferhat Hached—was murdered in Tunisia. In French North Africa rioting is the stock way of drawing attention to grievances; wilful murder is not. The Tunisian incident is therefore likely to have the more far-reaching repercussions.

Tunis is a compact town where rumour always flourishes. Responsibility for the murder is being pinned on suspects ranging from the Communists (the Tunisian trade unions are anti-Communist) to the French Government; somewhere in between come a rival faction inside the Tunisian nationalist movement, and self-appointed French *autodéfense* units about whose retaliatory, black-and-tan aspirations certain settlers make no secret. That the French authorities feared violent action by either of the last two groups has been apparent for weeks, since police guards have been posted at the houses of all prominent men, nationalist as well as French.

Matters have not been improved by the first reactions of the interests concerned. The French authorities, by at once arresting other nationalist leaders, gave the impression that they considered their own people above suspicion, which is certainly not their honest view. French settlers foolishly attributed evidence of nationalist complicity to an eyewitness, who at once denied their story. Tunisian nationalists, in two reckless press interviews given in Tunisia and New York, openly accused the French authorities of the murder; by the obvious extravagance of their accusation they have done their cause much harm in the eyes of impartial United Nations delegations. If the French, however, are to reap the full benefit from this piece of folly they must find the assassins.

The events of the week both in Tunisia and Morocco reinforce France's thesis that debate in New York on domestic matters serves unwarrantably to increase local agitation. There can be no doubt that, on the eve of UN debates, lobbyists cable home a request for "demonstrations." The Moroccan riots, for instance, though graver than usual on account of the emotion roused by the Ferhat Hached murder, have their parallel in the incident of last April, in which five people were killed when the Tunisian case was being laid before the Security Council. The fact that the voting on Tunisia in the Assembly has so far gone less strongly against France than was expected suggests that these callous tactics are largely self-defeating.

Malice Without Forethought

The unhappiest feature of the United Nations Assembly is the opportunity it gives for the venting of malice by the ignorant and irresponsible. A classic example of this was last week's motion in the Fourth Committee, which concerns itself with dependent territories, condemning Britain's land reform policies in Tanganyika and demanding that the transfer of some 1,500 tribesmen to more suitable lands should immediately be cancelled. British spokesmen explained patiently, but in vain, that this move was only a small part of the Tanganyika land development scheme, based on the Wilson report, and that this scheme, far from

favouring the white settlers, left them on balance with less land and the Africans with more. The sponsors of the motion, who included Guatemala, El Salvador, Haiti, Indonesia, Liberia and Saudi Arabia, clamoured virtuously for "justice" for the oppressed Wameru.

Other nations, ranging from India to Denmark, acted quickly to tone down the resolution; but nobody thought to challenge the sponsors' right to pose as champions of the underdog; nobody recalled Indonesia's bloody repression of the Ambonese, or inquired how the Guatemalans (who, when at home, engage in a mutual barrage of threats and insults with the Salvadoreans, each accusing the other of savage violations of human rights) are getting on with their own land reforms, opposition to which has recently taxed the full strength of the Guatemalan army.

Some confusion was caused in these motley ranks when it came to light that several of them had never read, or even heard of, the Wilson programme. No clearer example is needed of the ludicrous situations into which Uno can be led by the notorious "salt-water fallacy": the theory that backward tribes are invariably oppressed if their governments are situated across the ocean, while the wretched life of millions of American Indians and Asian tribesmen is made tolerable by the absence of any expanse of water between them and their rulers. It is surely high time that the governments which are the chief victims of this fallacy insisted on a searching inquiry into the human rights and economic conditions enjoyed by the tribesmen of south Borneo, Central America and the Arabian deserts, and of some minorities in Asia.

Venezuela in Travail

The whole western world has cause for anxiety over the complex and unhappy events that took place last week in Venezuela. This northernmost of the South American

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republics contains only five million people and inevitably carries less weight in the hemisphere than such of its larger neighbours as Brazil or Mexico; but it ranks second only to the United States as a producer of oil, its output of which is almost equal to that of the whole Middle East. Its oilfields, and the great refineries on its shores and on adjacent islands, represent the only major source of petroleum outside the United States that is not strategically exposed to Soviet threats, and their products flow to all five continents. The consequences of any serious interruption of this flow need not be stressed.

Before the elections of November 30th, it was generally hoped that Venezuela was moving slowly but smoothly towards a more constitutional form of government than it had ever known. Both the government and the opposition parties expected that the former would triumph at the polls, and that the constituent assembly which was to be formed would then be able to prepare the way for a quiet transition from the former Government Junta to a normal form of rule by a president and a congress. But only a fraction of the votes had been counted when a strict censorship was suddenly imposed; and this was lifted only for the announcement that the Junta had resigned and that one of its members, Colonel Perez Jimenez, the Minister of Defence, had been appointed provisional president by the armed forces. Colonel Perez had already been recognised as the strongest personality in the Junta, and his new appointment can hardly be described as a *coup d'état*; but this event has undoubtedly increased the tension within the country to a most dangerous point. Even now, it may not be too late for the army to recognise these dangers and come to terms somehow with the infuriated opposition; but passions have been inflamed on all sides, and such a settlement will not be easy to achieve.

The Unions and Denationalisation

The process of denationalisation affords a test of trade union statesmanship from which, hitherto, the unions have emerged well. It was never likely that they would respond either to their own extremists' pressure, or to irresponsible incitements from outside the movement, and conduct a fully fledged campaign of overtly political strikes. That would have amounted to a revolutionary syndicalist challenge; and the trade unions are neither revolutionary nor syndicalist. It was, however, quite possible that the unions might encourage a new and dangerous head of steam to build up behind normal industrial controversies, both as a protest against the very existence of a Conservative Government and as a specific warning against denationalisation.

In fact, there have so far been fewer, not more, disputes in 1952 than in the corresponding period of 1951, and the threat of industrial action, or even of industrial discontent, has supplied a surprisingly minor theme in the denationalisation debates. The unions have protested; they have not attempted, or threatened, sabotage, any more than management did when the nationalisation measures were going through.

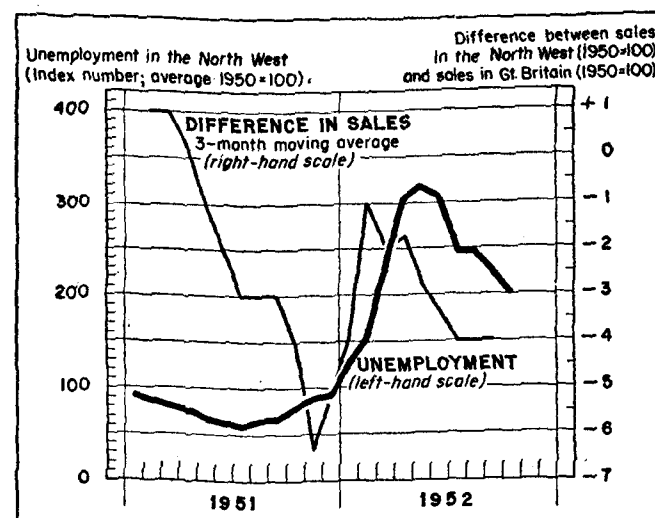
Refraining from sabotage, however, is one thing, an important but negative virtue in statesmanship; active co-operation is another. The Minister of Transport has asked the TUC to consider nominating a trade union member to the disposals board to be set up under the Transport Bill; the TUC has agreed to consider the suggestion. Superficially, it puts the union leaders in a slightly awkward position. As Socialists and active opponents of the Bill they would feel much happier sniping from outside, having no truck with the accursed thing and no responsibility for any hitches and difficulties which the process of denationalisation may encounter. As guardians of the road haulage workers' interests, however, they obviously owe it to their constituents to seize the chance of exerting influence from the inside and ensuring that the workers' point of view is adequately con-

sidered. Active and constructive collaboration would further the whole cause of workers' control—using those words in the wide sense of participation in power and responsibility—in both public and private sectors of industry. A sulky refusal would mean a corresponding setback. Here is a positive, not merely a negative, test of statesmanship.

A Comfortable Slump

The textile slump in Lancashire was, as slumps used to go, comparatively comfortable. This is the verdict of two studies published in the last few days—one a broadsheet by Political and Economic Planning, the other an article in the *District Bank Review* by Mr W. M. Clarke.

Mr Clarke points out that prosperity in other Lancashire industries did much to offset the cotton slump. But he somewhat understates the effect of the slump when he points out that retail sales in the north-west remained higher than they had been a year before. They lagged substantially behind retail sales in the county as a whole, as the accompanying chart shows. It is curious that consumers in the north-west began to buy less, relatively to other people, before unemployment showed any increase; the reason was, presumably, the prior growth of short-time working and the general lack of confidence. The comparative recession in the shops of the north-west was greatest at the end of 1951, before unemployment reached its peak; evidently the cotton workers were forewarned. Consumer buying picked up considerably with the January sales, but remained below the



national level through the summer, in spite of falling unemployment. Perhaps the first reaction of the man or woman who got back to work in the mill was to try to restore depleted savings—which is another way of saying that the hardships of unemployment had not, generally, been acute.

The evidence collected by Mr Clarke shows, indeed, that people kept up their living standards as well as they could by drawing on their savings and cashing their insurance policies. There was hardship for those who had no such resources and who were ineligible for benefits. But even in towns where about half the workers are cotton workers—in Nelson and Padiham, in Great Harwood and Rochdale—there was no return to the want and misery of the prewar slump.

The welfare state, as Mr Clarke and the authors of the PEP pamphlet are agreed, thus cannot take all the credit for the comparative painlessness of the cotton slump. Only about half the people entitled to claim national assistance seem to have applied for it. One reason, in the opinion of the PEP investigators, was a mistaken belief that national assistance is not granted to those who own a little property; but another reason was Lancashire pride. This is reassuring.

National assistance for a worker with dependants is now so close to average wages that it might seem dangerously attractive. But in Lancashire, at any rate, people have preferred to eat into their savings; they have made economies (rarely, however, to the extent of giving up cigarettes or entertainment); and some 50,000 or 60,000, mostly young workers, have left the industry. If these other resources had not been available, if the slump had been widespread and prolonged, the strain on the facilities of the welfare state would obviously have been much greater.

Fateful Intelligence Test

Once equal opportunity in education is nominally established, minor lapses from it become almost more intolerable than were the haphazard effects of birth and income. Hence the public anxiety about the entrance examinations for secondary schools. The tests can be relied on to distinguish the best and the worst. The question is whether they can effectively select, from the mass of children on the borderline, those best fitted for a grammar school. If they cannot, the monstrous consequence is that a child may deprive himself of a university career, relegate himself to an inferior occupation and generally seal his fate—at the age of eleven.

A report published this week by the National Foundation for Educational Research* confirms earlier evidence on this subject. The whole point of the so-called "objective tests" is to reveal differences of ability as distinct from teaching and other influences. But in fact a child's performance in these tests can be affected by coaching and practice, as well as by variations in teaching. The authors recommend that coaching should cease. They are not opposed to practice, which gives a chance to the child who is easily scared by examinations without giving to some the unfair advantages of efficient coaching. Variations of practice time appear to make little difference after the first few hours. Finally, as the reliability of the tests and the children's day-to-day performance can vary so much, the report suggests that decisions about their subsequent education should be based on at least two examinations and that the objective tests should be supplemented—preferably by English composition.

The report will no doubt be carefully heeded by local authorities, who contribute to the foundation which sponsored it. But even if all the recommendations are carried out, luck and good management cannot be entirely eliminated from the selection. The 1944 Act was not intended to make the initial choice of school irrevocable; transfer from, say, a secondary modern to a grammar school should be possible. But at present differences in curriculum obscure the need for such transfer. As the sheep are so hard to distinguish from the goats, there is sense in the authors' plea that their curricular diet should not be widely different. On the other hand, it would be wrong to force all modern school children through a grammar school course because some of them are not unsuited to it. The best method of lessening unfairness is a more even provision of grammar school places; at present they vary from 60 per cent of all secondary school places in parts of Wales to as little as 8 per cent in a town in the North East.

Dr Malan Defied

Few people outside South Africa can fail to admire the courage shown this week by Mr Patrick Duncan and others in courting arrest at the hands of Dr Malan's government. The name of his father, Sir Patrick Duncan, is one to conjure with in the Union: he was the first South African to be its Governor General, and was widely and sincerely respected among all races. Now his son has associated himself as a European with the African movement of defiance against the

*Secondary School Entrance Examinations. By A. F. Watts, D. A. Pidgeon and A. Yates. 3s. 6d.

policy of *apartheid*. It is a proof of his thoughtful purpose that Mr Duncan, in order to prepare for it, resigned from the British colonial service in Basutoland and moved into a small farm in the Orange Free State. No one can pretend that this decision and the motives behind it have anything whatsoever to do with Communism.

What effect will it have? So far, the action of this small group of seven Europeans—who addressed a gathering of Africans in the forbidden township of Germiston, near Johannesburg, on Monday—has been coolly received in public, even on the United Party side. It is condemned by many as a gesture that will delude Africans into thinking that they enjoy more practical support in the white community than is really the case. It is said to be encouraging African intransigence, and so delaying the day when relaxation of racial tension will be practicable.

There is no evidence that Dr Malan is slackening his measures against the Africans. Two new Bills are to be laid before Parliament in January, one providing for detention camps and the other for further emergency powers, including that of arrest without warrant. Yet a large number of white South Africans are known to sympathise in private with the African defiance campaign; and no employers have yet penalised any Africans for taking part in it. The events in Germiston have been followed by similar ones in Cape Town. Mr Duncan and his associates have given a lead which some of their countrymen may yet follow.

Europe's Economic Conference

Some disappointment may be felt on the Continent when the Council of OEEC, with Mr Eden in the chair, meets this weekend in Paris to approve its fourth annual report. People no doubt hope that out of this meeting will come more details about the Commonwealth talks in London than can be gleaned from the official communique. As a

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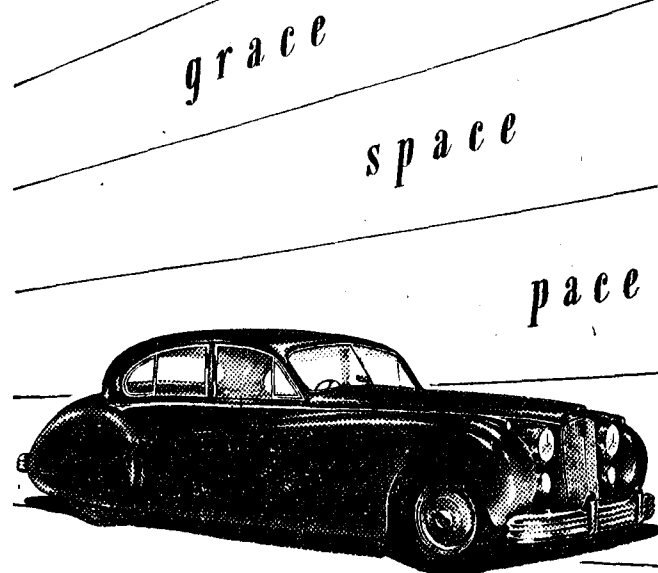
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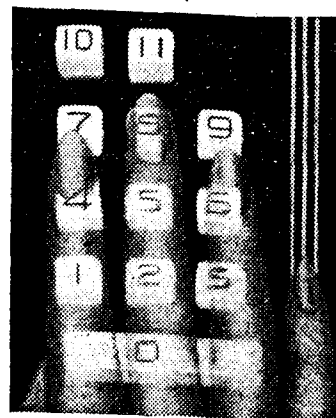
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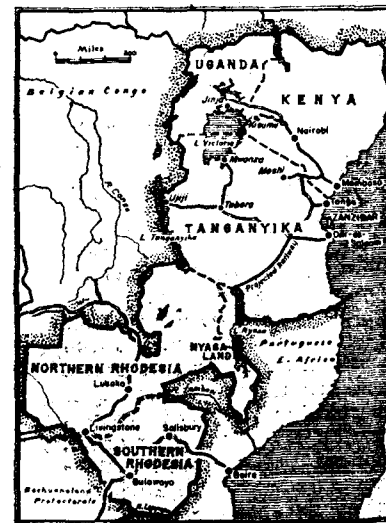
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leading member of both Commonwealth and West European groups the British Government is sooner or later bound to exchange information, but the present occasion is thought to be premature for the release of details. It follows too closely on the Commonwealth discussions for British officials to have fully digested the proposals made there and determined a course of action. It is argued also that OEEC is in no way hampered or confined because the British are obliged temporarily to hold back. For both the Commonwealth and Western Europe the goal is the same: to establish conditions for multilateral free trade and payments, looking toward convertibility. Everyone is familiar with the means: and West European countries can set about a general plan for using them without waiting for the Commonwealth.

The organisation's annual report will probably limit itself to an analysis of the dollar gap and to some general prescriptions for economic health. Little will be said about trade liberalisation beyond expressing the wistful hope that the two worst offenders in this respect, Britain and France, will shortly ease their trade restrictions. Convertibility, the most interesting topic of all, will not be discussed. This does not mean that OEEC experts have no thoughts on the subject. The managing board of the European Payments Union (EPU) has studied the question for some weeks, concentrating on the impact various forms of convertibility might have rather than on ways to achieve it. The board's study is not intended for public consumption, but will be used as a working paper when the time comes for the Commonwealth and OEEC countries to concert their policies on trade and payments.

Racial Policy for Africa

During the same long months that Central African federation has been under discussion, a private group in Southern Rhodesia, the Capricorn Society, has been formulating a statement of principles designed to be the basis of a much wider federation—the federation of the Rhodesias,



Nyasaland and the three East African dependencies. The statement was published this week under the title of "The Capricorn Declarations," together with some notes on the society's policy for race relations. The society recognises that the federation of Central Africa should precede its wider plan, and there is consequently no attempt yet to draw up a federal constitution. The chief interest in the document lies, therefore, in the means

proposed for implementing the declaration that

The successful federation of the six territories will depend essentially upon a policy of race relations which is flexible enough to meet the special requirements of each territory, and broad and liberal enough to face with confidence the scrutiny of enlightened opinion throughout the world.

Kenya and the Rhodesias, the territories where the problem of race relations is most urgent, are to be divided into two areas: native areas, where no non-African will own land, live or carry on business "except in an official capacity, or unless that business is held by the territorial government to further African interests"; and open areas, where the rights of non-Europeans to own land will be limited to urban residential and trading sites.

Superficially, the proposals appear to be *apartheid* covered up in some fine-sounding phrases. To anticipate this criticism, the society emphasises the essential differences: in the open areas, the franchise will be granted to all, irrespective of race, who have reached a certain level of civilisation, and opportunities for economic advancement will be available for Africans capable of skilled or semi-skilled labour—though here the phrasing seems somewhat hesitant. A more reasonable criticism is that undue emphasis seems to be placed on the protection of European standards, and whereas in the native areas there are loopholes for Europeans, in the open areas there are nothing but obstacle races for the Africans who want to advance. But it has to be remembered that this criticism comes easily from British armchairs—many Europeans in the territories concerned will criticise the document for placing too much emphasis on African progress. At the very least, the "declarations" can be said to be a sincere and constructive attempt to solve the racial problem from the point of view of the liberal settler. Unfortunately, the attempt is probably being made a generation too late.

True Art and False Economy

The Chancellor of the Exchequer has announced his acceptance of most of the recommendations of Lord Waverley's committee on the export of works of art. But the amount of money that he is prepared to allow will certainly not be enough for the ends he has in view. Mr Butler has apparently accepted the committee's recommendation that whenever an export permit for a work of art is refused, the owner should be offered a fair price in the home market—by a national or possibly by a municipal collection. To make such offers possible, the committee recommended that the grants to the public collections should be substantially increased. Mr Butler has accepted that also, and proposes to increase these purchase grants—now amounting to the absurdly small sum of £80,000—by 25 per cent.

This is inadequate. In the first half of 1952, permission was refused for the export of two important works of art of a total declared value of £31,000; in 1950 the value of such prohibited exports was £36,000 and in 1949 it was £73,000. An increase in the purchase grants of a mere £20,000, coupled with a ruling that there shall be no prohibition without an offer, will thus be even less effective in preventing the loss of important works of art than the present system is—and that was considered by the Waverley committee to be only partially effective. It would have been understandable if, on the grounds of economy, the Chancellor had rejected the committee's proposals altogether—though the provision made for preserving Britain's treasures is too niggardly to make economy an appropriate word. As it is, by accepting the proposals without providing adequate finance, the Chancellor will only *drop* the works of art between two stools.

Zebra Rights

Replying this week to a question in the House of Commons, the Minister of Transport declined to amend the Pedestrian Crossing Regulations. The suggestion arose out of the recent decision in the case of *Leicester versus Pearson*. The Court held that the right of the pedestrian *vis-à-vis* the motorist who arrives on a zebra crossing after the pedestrian is not absolute. The pedestrian has priority, but there may be circumstances in which a motorist whose car hits a pedestrian on a crossing may escape both criminal and civil liability. (The particular case was concerned with civil liability.)

A recent article in the *Law Quarterly Review* asked whether the regulations, as interpreted by the Court in this case, were

still a satisfactory safeguard to the public. The pedestrian injured in the street has still to prove a motorist negligent before he can recover damages and, although that may be easier where the accident happens on the crossing, it still falls well short of a certainty. The Minister apparently feels that there is not a strong enough case for extending the existing fields of absolute liability in law; it is hard to say that he is wrong. The question he was answering dealt with the civil liability of the motorist, and the penalty the motorist fears most is that imposed, or which can be imposed, by the magistrates' courts, not by the civil courts. It will not make very much difference to the total of road accidents if the punishment of the careless motorist varies chiefly according to the place where he is careless. The test should be how often he is careless, with the logical rider that the licences of drivers who are habitually careless, or for other reasons accident-prone, should be taken away more frequently than is now done.

* * *

Cold Comfort

Any coin that is much handled must lose its original brightness, and that is what has happened to the now commonplace phrase "cold war," which recently celebrated its fifth birthday. When Mr Walter Lippmann (or was it Mr Baruch?) launched this phrase on a duly impressed world, it was widely welcomed as a means of ridding the public of the illusion that because the world was outwardly at peace it was, therefore, in no danger. "Cold war" was terse and vivid, and it circled the globe at Puckish speed; but it has proved to have two serious drawbacks. Its tail was seized on by the Communists as proof of the West's aggressive instincts—although the West was only being belatedly roused to a degree of vigilance and activity which, for the Communists themselves, is the minimum permissible even in periods of "peaceful co-existence." Its head, on the other hand, introduced the confusing idea of temperature, with dire results. The impression inevitably took hold that to fight back vigorously in the "cold war" was to come perilously near a "hot" one, whereas in truth the greatest danger lay in inaction. And now, by a process of verbal attrition, "cold" is coming to imply inaction rather than action.

At this present moment, when arms are being "stretched" and other muscles perhaps unconsciously relaxed, there seems to be an urgent need for a new phrase to convey the West's need for vigilance, preparedness, and a degree of political activity that stops short of aggression but is calculated to prevent the Kremlin from always having the initiative. Danish groups organising support for Nato have devised the symbol of the hedgehog—a wholly unaggressive animal which defends itself when attacked, and makes its ability to do so plain for all to see. Hedgehogs, however, are too easily killed if caught sleeping. Alternative mottoes might be drawn from the Scout movement, or from the navies of the Atlantic allies, at least one of which uses the apt command: "Assume the second degree of readiness." But none of these can compare with Mr Lippmann's monosyllables for curtness and facility. They had better stay.

* * *

Stocktaking in Budapest

Mr Ernoe Geroe, one of Hungary's new vice-premiers, has just made an exhaustive report on the state of the nation. Like all similar exercises by satellite ministers, it contained some devastating criticisms of individual shortcomings in industry and agriculture; but the usual accompaniment of sweeping praise of the country's economic progress was conspicuously soft-pedalled.

Two points in particular are clearly worrying Mr Geroe. One is the extremely poor harvest, due to last summer's

prolonged drought; the other is the unsatisfactory state of Hungary's foreign trade. He claims that the people's food supplies have been maintained without interruption; this may be strictly true, but underground reports, as well as indirect admissions by Mr Geroe, suggest that quality, quantity and price all leave much to be desired. The bad harvest has forced the government to reduce food exports "very considerably" and, in some cases, to stop them altogether; at the same time it has had to import "considerable quantities" of coarse grains and fodder crops. As in neighbouring Yugoslavia, this has, of course, gravely upset foreign trade plans.

But Mr Geroe went on to complain of a further "fundamental reason" for the trade difficulties; he alleged that responsibility for "the lion's share" of the export arrears lay on the foundry and machine industry, a shipyard and several enterprises making railway trucks and engines. This is a surprising statement, since these have not been the sort of exports likely to make or mar Hungary's foreign trade. A possible explanation is that Hungary, after the recent Soviet Congress, was told that its heavy industry must play a bigger part in building up the Communist bloc—including China.

With increasingly importunate demands from Moscow, and with a populace made still more unco-operative by short commons, Hungary's Communist rulers can hardly view the future without foreboding. Mr Rakosi may hope that his recent appointment of five vice-premiers, as overlords under himself, will both give him a better grip on the situation and provide him with a shield in case of trouble. Mr Geroe who, as head of the recently abolished Economic Council, has been virtual economic dictator of Hungary, was plainly anxious to distribute the blame for all that has gone wrong as widely as possible among his subordinates. His new position as vice-premier is still very strong; but, of the five men promoted to Rakosi's inner cabinet, he probably has least reason to congratulate himself.

Correction.—On page 675 of last week's issue, Msgr Stepinac, Archbishop of Zagreb, was wrongly referred to as Archbishop of Zurich.

Fiscal Half-Measures

Sir,—I do hope the Liberals will be able to upset the Budget. To me the most objectionable feature in it is the frightful sacrifice of half the malt and hop duty. For what use? The consumer will not benefit by the reduction, the amount per gallon being too small to make any difference to the man who buys by retail. The whole machinery of excise must be kept up as before, and the consequent freedom of manufacture be as at present injuriously interfered with. Why not have taken off the soap duty, paper duty, or any other which interferes with manufacturing processes, and make a complete sweep. When that is done, I need not tell you the consumer benefits more than the amount of duty repealed. Witness the repeal of printed cotton duties, printed paper duties, and glass duties. In all these cases the masses of the people have benefited immensely beyond the amount of duty repealed. A maltster informed me this day, that he was of opinion that if the whole malt duty was removed, the consumer would benefit, at least, to the amount of 4s. per bushel, being 1s. 3d. more than the duty.

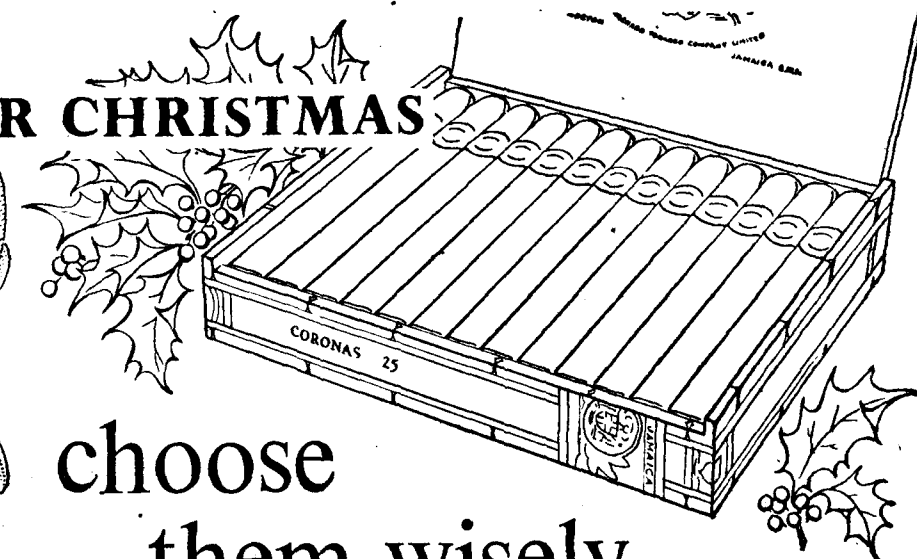
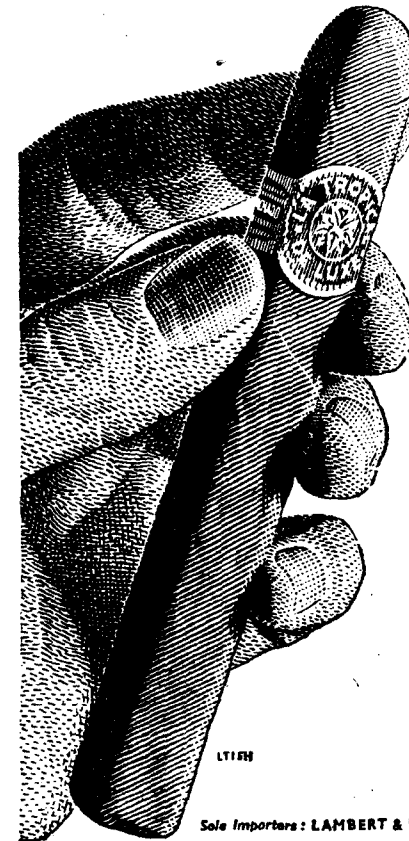
I beseech you, Sir, exert yourself with the true financial reformers, and do all in your power to defeat this vile affair. The alteration of the tea duty I have no objection to, and think it judicious, but the repeal of half the malt duty will be a monstrous loss of revenue, and no benefit to the consumer. I am, Sir, yours, etc.,

AN OLD SUBSCRIBER AND CONSTANT READER OF Carmarthen, December 9, 1852. "THE ECONOMIST."

The Economist

December 11, 1852

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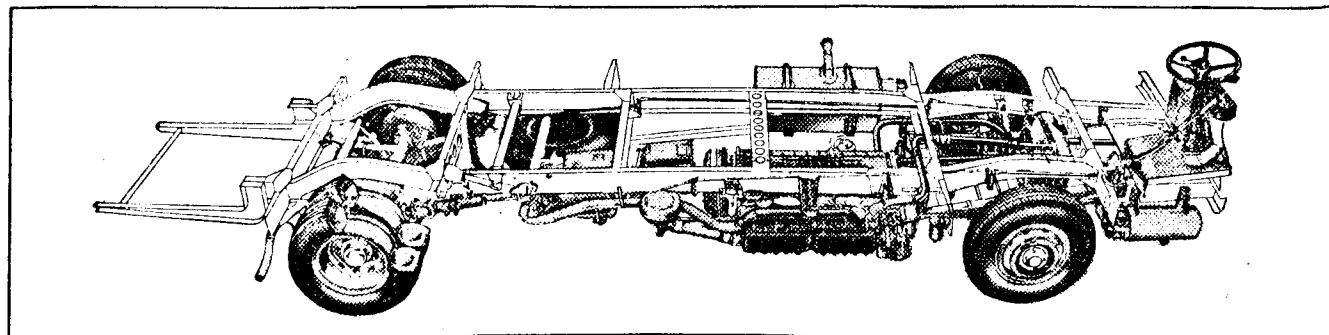
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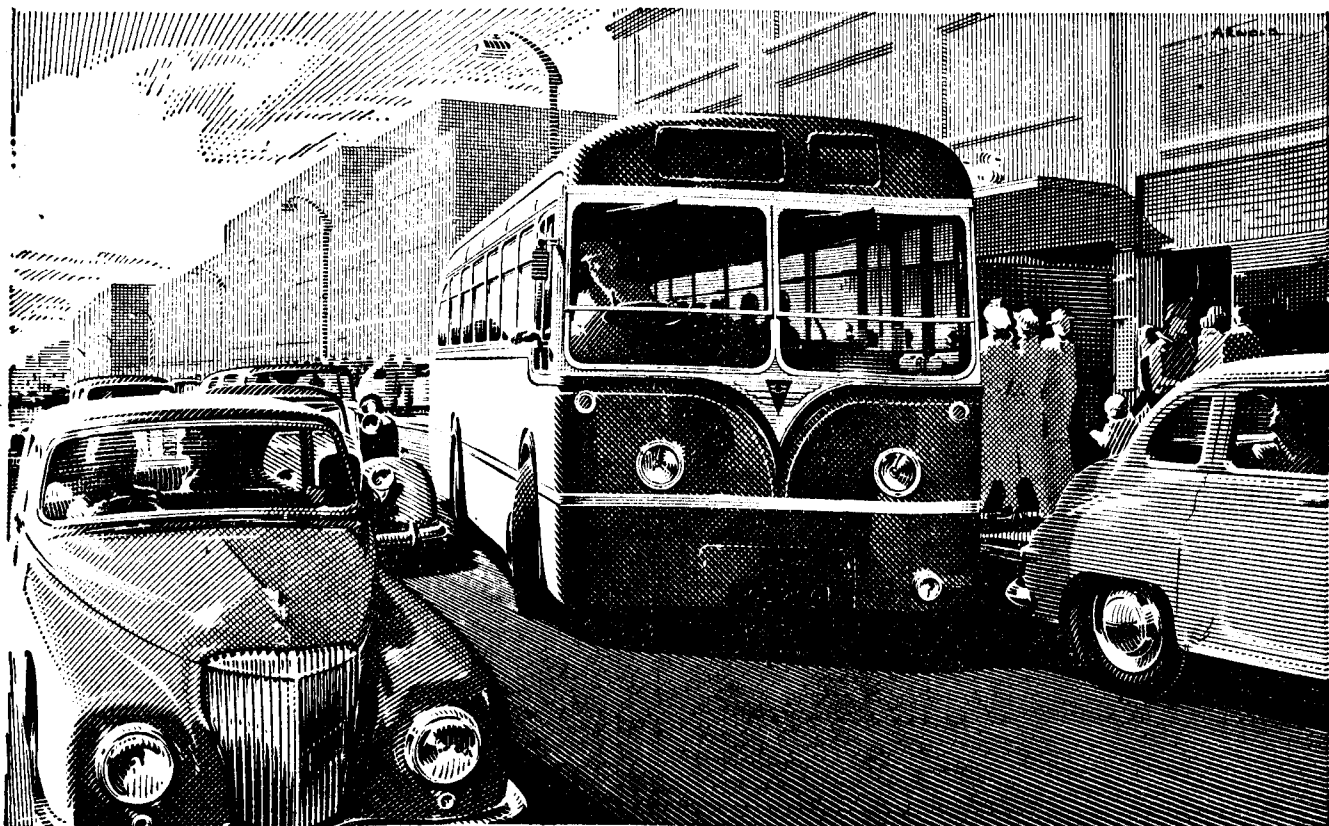
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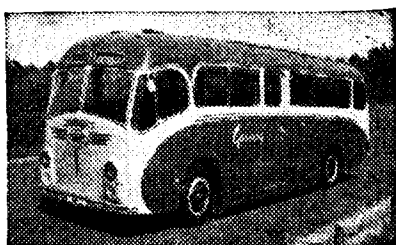


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Books and Publications

The Story of Industrial Controls

Civil Industry and Trade. By E. L. Hargreaves and M. M. Gowing. H.M.S.O. and Longmans. 678 pages. 37s. 6d.

This book, describing the work of the Board of Trade in the Second World War, will be of great value not only to those concerned with organising defence in the event of a future war but also to those interested, at any time and for any reason, in the control of industry. It could also be read with much interest, perhaps tinged with melancholy, by anyone with vivid recollections of the home front during the war. He will find it interesting to compare the remembered mood and emotions with the contemporary efforts to solve the more urgent problems and to further the war effort. Whatever the approach of the reader a number of speculations will emerge, some political, some philosophical. The book shows, for example, that in the early months of the war the Government was impeded by the lack of prewar planning. No doubt this caused much worry and some delay, but may not the action eventually taken to meet known situations have been more effective than any plan based on anticipation could have been? Some who seek to use this book as a guide for the future may reach this conclusion, rather than assume that instruments which have proved effective once must do so again. Reference is also made to the difficulty arising from the lack of prewar statistics, yet agitation to reduce the comprehensiveness of the Census of Production continues with some success. It is also instructive to study, seven years after the end of the war, the reasons for introducing certain measures which are still with us or have but recently lapsed, such as purchase tax or the utility scheme.

In developing their subject the authors draw a natural dividing line at the passing of the Lend-Lease Act. Dunkirk would have been another possible line. It is at times a little difficult to disentangle the change in national mood after May, 1940, from the change in the direction of the civilian war effort produced by Lend-Lease. The book might with advantage have been physically divided into two volumes. The picture is clearly drawn and effectively coloured, but the frame is heavy.

The early confidence that there would be no real shipping problem reads oddly today. It had the result that import control, along with the export drive, was originally aimed at improving the balance of payments. Both had changed their emphasis by 1941; the effort to preserve a balance of payments was found to be first hopeless and then unnecessary. The wrangling with the United States about the use of Lend-Lease supplies in British exports is described with a frankness justified by the sensible working arrangements that emerged. Today, we can be amused by the example of matchets made from Lend-

Lease steel by some 180 persons in the United Kingdom; this engaged the solemn attention of both the Combined Export Markets Committee and the Combined Production and Resources Board.

It says much for the skill of the authors that their apparently artless description of the gradual development of physical controls and rationing, of the gathering together of many channels of effort and the guiding of them to the desired ends, shows all the fateful inevitability of Greek tragedy. Almost concealed in this part of the work are two profound thoughts for present and future planners. First, the conclusion is drawn that the elaborate machinery of clothes rationing worked only because most people wanted to make it work. The book was written too early to point the moral by reference to the forthcoming derationing of eggs. Secondly, it is made clear that under consumer rationing generally the deadly sin in the eyes of the rationed was not harshness but unfairness.

The later sections of the book describe in detail the working out of the general principles of control in the chief "Board of Trade" industries. These will repay study and will doubtless be preserved for future reference in a number of libraries that would not have existed but for those very controls. Many trade organisations came into existence to deal with them. The authors point out that Export Groups were the first comprehensive trade associations to be formed in some trades. Interesting comparisons and contrasts can be drawn between the ways in which the principles of control were applied in different industries. They will probably continue to be drawn for many years to come and the emphasis may depend upon whether the study is made east or west, for example, of the Pennines.

Authorised Version

The Earlier Tudors, 1485-1558. By J. D. Mackie. Oxford University Press. 699 pages. 25s.

Recent scholarship has so drastically altered the interpretation of the periods preceding and following that of which Professor Mackie treats that the publication of this latest volume of the Oxford History of England excites particular interest. We have been taught to think of the fifteenth century in terms of "bastard feudalism" and of the Elizabethan age in terms of "clientage"; to look in both periods for vertical interests rather than for classes, for the complicated interplay of pressures from below and patronage from above rather than for the formal structure of institutions.

Can the early Tudor period, too, be best explained in this new language? Or was the scene then transformed into a Renaissance despotism by a temporary combination of economic and social forces and the dominant personalities?

It is disappointing to discover that Mr Mackie is almost wholly untroubled by such questions and doubts. He presents what was once the authorised version of this period, told with robust energy and thoroughness, and enlivened by shrewd and unsentimental judgments. But his detailed narrative is only loosely connected with his general conclusions. For him this was the decisive period of transition from the medieval to the modern world. But his medieval world is curiously unreal, and the hindsight which allows him to discern in Henry VIII's methods of government a stage in the development of constitutional government, already firmly rooted in middle class support, leaves one of the most revolutionary periods in English history blurred and hazy. His formula to explain Tudor achievements is that of common sense leadership "in general accordance with the English habit of thought." But men's thoughts were neither uniform nor the mere creatures of habit; they were disturbed and excited not only by the study of Greek, on which Mr Mackie expatiates, but also by Roman law, which seduced so many of Henry VIII's agents into entertaining ambitious projects of centralisation, control and planning.

Again, the alleged alliance of crown and middle classes is highly questionable: Empson and Dudley were scarcely the heroes of the gentry; Henry VIII himself complained of "the suits and clamours of merchants" and at one point proposed to endow the nobility as a separate caste with a privileged land law. The nature and severity of the social and political conflicts which followed Henry VIII's death suggest that he had attempted more and achieved less than Mr Mackie allows. Perhaps this concern with achievements explains why a whole chapter is devoted to the conspiracy of Perkin Warbeck while the activities of the predatory nobles under Edward VI receive only cursory treatment in the one chapter given to that reign.

So much space is given to the constitutional and diplomatic aspects of the period that little is left for the discussion of economic problems and policies, apart from the well-worn theme of agrarian changes. Here, too, Mr Mackie shows an optimism which contemporaries did not share. It is startling to learn that it was only towards the end of the fifteenth century that England began to export good cloth for export; and the description of the English export trade in the 1550s as bespeaking "a prosperity which shines in the confident pages of the chronicles" contrasts sharply with the views of Cecil, so intelligibly concerned with the dangerous dependence of the country on a single export, cloth, and

with the political consequences of unemployment in an economy so sensitive to the alternation of booms and slumps. Nevertheless we can be grateful to Professor Mackie for his own common sense and for the scale of his own achievement, which is a monument to the scholarship of a past generation. But perhaps it is to private enterprise and not to planned history that we must look for progress in historical scholarship.

Welfare Economics in French

L'Efficacité Sociale du Système Économique. By Roger Dehem. *Institut de Recherches Économiques et Sociales*, Louvain. 184 pages. 150 Belgian Francs.

This book is about welfare economics. More precisely, it is mainly an exposition of the internal conditions of production and exchange necessary to ensure that it is impossible to make anyone better off without harming others. These conditions are adequately stated in the Anglo-Saxon literature, and the book would not be justified if it were in English. There may, however, be a lack of such a clear and concise exposition of them in French as that which M. Dehem provides.

The chief interest lies in the author's treatment of the meaning to be attached to "social efficiency." M. Dehem sides with those who believe it to be tolerable to define such phrases without reference to the distribution of wealth. Any configuration of the economic system is of

maximum "social efficiency" if, and only if, it is impossible to benefit anyone without harming someone else. The principle that one should try to achieve efficiency in this sense is adopted as a fundamental ethical norm.

With this approach there ceases to be a one to one correlation between greater "social efficiency" and more "social welfare." Thus an inefficient state of the economy may, because the distribution of wealth is better, yield more welfare than an efficient one. Yet the word "efficiency" means nothing if not defined in relation to some end. And what is the end but welfare? Almost everyone would agree that an optimum state cannot be reached without considerable collective action, because the benefits of many economic activities are indivisible. Such activities must be paid for by taxation. Again, redistributive taxation plays some part in most people's Utopias. Yet taxation is freely admitted to be inefficient. So the optimum state is one of inefficiency. Is it right to torture language in this way?

M. Dehem ends his book with a brief but useful summary of neo-classical and neo-Keynesian employment theory. He justifiably pleads that welfare economics and employment theory should be considered as one. While willingly agreeing with Klein that the n equations in n unknowns of Walrasian economics may be inconsistent, and so possibly give rise to Keynesian unemployment, he appears to hope that God is an economist, and thus that pure competition, flexible prices, and perfect markets would, Keynes notwithstanding, lead to bliss. M. Dehem's exposition and analysis are excellent. One's only fear is that there may be no antidote available in French.

Moral Principles Revived

The Language of Morals. By R. M. Hare. *Oxford University Press*. 202 pages. 7s. 6d.

There are periods in history, as Mr Hare points out, when settled principles no longer seem appropriate to changing conditions; and so it comes about that sons of Victorian parents who were brought up to observe principles rather than to make the decisions on which such principles are ultimately based, find themselves with a rootless, unstable morality rather like the nice young men in Plato's Republic. This state of affairs is reflected in ethical theories which assimilate moral judgments to matters of private taste or decision. "Morality," says Mr Hare, "regains its vigour when ordinary people have learnt afresh to decide for themselves what principles to live by, and more especially what principles to teach their children." Perhaps morality is regaining some of its vigour in this country; for in philosophy, at any rate, the era of subjective theories is more or less over and much reconstructive work is being done in ethics, though most of it has so far appeared only in periodicals.

Mr Hare refers to much of this work in "The Language of Morals," which attempts to do justice to the importance

both of principles and of decisions and to explore their inter-relationship—a synthesis by the grandson of the contributions of his Victorian grandfather and his rebellious father. As the title of the book suggests, the author employs for his task the tool of linguistic analysis that was so ably used by his father to deflate some of the pretentious preaching of the grandfather; yet he constantly rejects the view, often canvassed by the father, that he is dealing mainly with verbal problems. Ethics, the author maintains, are worth studying because "the question 'What shall I do?' is one that we cannot for long evade." He frequently has cause to castigate linguistic philosophers for treating matters of substance as if they were verbal matters.

Hume and Kant and the logicians who carried on their critical tradition often pointed out that judgments about what ought to be done have a different logical status from statements about what is. They tended to assimilate such judgments to expressions of feelings or to commands and to leave it at that, passing on to the task of elucidating the logic of statements about what is. Mr Hare takes seriously the suggestion that "ought" judgments are similar to commands, but is uneasy about leaving it at that; he wants to show that "because they, like statements, are essentially intended for answering questions asked by rational agents, they are governed by logical rules just as statements are." He thus explores in a most interesting and exciting way the similarities and differences between commands and "ought" expressions in order to elucidate the logic of moral language.

Mr Hare intentionally says many very controversial things and omits to discuss in his short book many other key problems in ethics; but those who think that Kant was substantially right in regarding moral judgments as imperatives might see in Mr Hare's book one of the most important books on ethics since Kant's Groundwork. Whether the ordinary reader, for whom the book is also intended, will derive as much benefit from this book as the specialist, it is difficult to judge. But certainly, like the specialist, he will benefit from reading it more than once.

Shorter Notices

The Bechuanaland Protectorate. By A. Sillery. *Oxford University Press*. 236 pages. 30s.

It will not be long now before that central figure of British colonial administration in Africa, the district officer, disappears from the scene. Like their counterparts in every profession, most district officers are just "ordinary men"; but there has always been among them a sprinkling with a scholarly bent of mind. These are the men who, if left long enough in one area, become authorities on its people or its history. Mr Sillery is one of these, and his book is the outcome of leisure-time reading and observation. His aim is to outline in one volume the essential information—historical, anthropological, geographical and economic—that an administrative officer new to the territory might need. There is no attempt at original research. Mr Sillery relies on the very considerable amount of published material now

available and supplements this with information from official files at Mafeking.

The book is in two parts. The first, and for the general reader more interesting, part describes the penetration of Bechuanaland by Europeans and the steps by which it became a British protectorate in 1895. It is the well-known story of a reluctant British government yielding from a mixture of commercial, prudent and humane motives to the demands of the local chiefs, in this case mainly for protection against Rhodes's chartered company. Mr Sillery's dry and correct language gives no clue to his views, but the facts are eloquent enough. Bechuanaland was first opened up by Scottish missionaries, and even in this summary account one can see the clash between their efforts to protect their native charges and the activities of traders and Boer settlers. Although he does not emphasise this himself, Mr Sillery's account makes it clear that, for the Bechuana chiefs, the Boers were always aggressors, which helps to explain their attitude today about incorporation in the Union.

The second part consists of tribal histories and genealogies. It will be invaluable to the local administration but is of little interest to the general reader. An excellent bibliography and a good index conclude this useful book.

The Yearbook of the Universities of the Commonwealth, 1952. G. Bell for The Association of Universities of the British Commonwealth. 1,661 pages. £2 2s.

The new issue of this yearbook is larger than ever before, mainly because of an expansion in the general information entered for each university in addition to the lists of staff totalling some 25,000 names. A welcome addition is that the entry for each university bears the date at which the information was finally compiled—a date unfortunately usually some twelve or fifteen months prior to publication.

The inevitable delay today in publishing a work of this nature must mean that some of the information is already out of date before it appears. But although the individual university publications may need to be consulted for specific details, this volume is a valuable source of reference for general and comparative information about Commonwealth university education. One particular feature is a complete index of the names of university teachers for the whole Commonwealth.

Oasis Kingdom: The Libyan Story. By Nina Epton. *Jarrols*. 160 pages. 16s.

This cheerful traveller's tale fills a gap, for there is as yet no postwar book on Libya. Its first 110 pages are a description of Miss Epton's journey there, which is undated but seems to have taken place in 1952. The second part—another 40 pages called "Behind the Scenes"—sets out cursorily, but adequately for the common reader, the stages by which Libya reached independence and the principal features of its economic future as a state. The book's biggest drawback is that Miss Epton seems only to have visited Tripolitania, though she never says so, and this shortcoming is obvious only to a reader who carries the map in his head. Another gap is the omission, in her survey of the future, of the asset—indispensable if the budget is to be balanced at present—constituted by British, French and American military expenditure in the country. But she knows what to expect in the Arab world and is gay; and her mixture, though not filling, is palatable.

Letters to the Editor

Living With the Dollar

Sir,—I cannot believe that your proposal for an Atlantic Payments Union makes any contribution to the solution of the dollar problem.

The earlier articles in the series show very convincingly that a dollar gap is likely to persist and to amount to some \$5-8 billion (a figure which could in some circumstances be substantially increased) even if the present systems of import quotas and exchange control are maintained by the non-dollar world. You propose that this whole paraphernalia of restriction and discrimination should be dismantled in exchange for an agreement by the United States to accumulate claims on goods and services of the debtor countries to a total of some \$35 billion. Surely, however (I use your own words), "a great flood of accumulated demand will surge over into the American market as soon as import and exchange restrictions are modified," and it would not be long before the U.S.A. held its maximum of \$35 billion of (interest-bearing) claims on the non-dollar world, a claim which it would have no hope of ever collecting. How it would then be possible to make these "immutable interest bearing claims upon other people's resources... not less valuable than gold," I find it difficult to understand.

All you have done by this is to buy time during which the world will have acquired a lot more American goods which it will not be able to pay for and, in effect, there will be another loan by the United States which will have to be repudiated. By pushing the problem into the background for a few more years, this would only intensify the difficulty of solving it in the end.—Yours faithfully, J. W. HATCH
London, E.C.2

Constitutional Reform

Sir,—May I suggest that your analysis of the contemporary political malaise did not go far enough? If it had, then your favourite panacea of the alternative vote would have appeared as inept as it in fact is.

As you have said on other occasions the causes of the current sterility are three:—

1. The confined manoeuvring space which the economic plight of the country inflicts upon the parties for the selection and deployment of their domestic and foreign policies.

2. The close vote of the electorate, springing from its uncertainty at this apparent "sameness" in both political parties.

3. The encroachment by the Government upon the individual sphere of responsibility over the last half century or so, necessitating, in its turn, strong government, well-laden legislative programmes and strictly disciplined parties. Of these, the alternative vote is relevant only to the second—and if applied

would lead not to an improved situation but to one many times worse. It might, for instance, further jeopardise our chances, at the moment slim enough, of enjoying effective government.

Surely reform—that is, constitutional reform—should be directed first at alleviating the third problem? It is here that the more profitable field for innovation lies. Is it necessary, for example, that an advance vote on a matter of secondary importance be treated as implying lack of confidence in the Government, leading inevitably to its downfall? Or, on the other hand, might not House of Commons committees be established for particular fields of government to sit concurrently. Membership could be limited for the taking of votes, but not for the preceding discussion.—Yours faithfully,

C. J. STEWART

London, W.8

Bank Salaries

Sir,—In your issue of November 29th, Mr W. Manning Dacey paid our book, "Professional People," the compliment of a letter objecting to one sentence about the salaries of bank officials. There have been other indications of the banks' displeasure at what we had to say, but this particular issue was an unfortunate basis for an attack.

Our estimate of the earnings of junior bank clerks is apparently not in dispute; in fact, we may have been over-generous in our assessment. The statement about clerks at the age of 35 was literally true when we wrote it (it was, of course, physically impossible to bring every figure in the book up to date in proof). As regards the salaries of branch managers, on which Mr Dacey bases most of his case, we are advised that our statement is still true today. It was, no doubt, through inadvertence that Mr Dacey omitted to point out that the salary scale in the bank to which he is economic adviser is in general rather above those in other banks (to compensate for its pensions scheme being contributory).

We tried to write a serious book about broad and important issues; the detailed figures in the chapter "Rewards and Costs" were explicitly stated to be subject to frequent change and intended primarily to indicate the relative prosperity of the professions. Even if these particular figures were wrong (which we do not admit), is it not a little unfair to use an attack on our book as a peg on which to hang some publicity for the (very recent) improvement in the salaries of bank employees?—Yours faithfully,

ROY LEWIS
ANGUS MAUDE

London, S.W.1

Fish in Dispute

Sir,—The Icelandic Government has not prohibited all fishing, including its own, in certain well fished waters off its coast. In the words of the decree:

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"All trawling and Danish seine-netting is prohibited off the Icelandic coasts inside a line which is drawn four nautical miles from the outermost points of the coasts, islands and rocks and across the opening of bays." Only trawlers and seine net vessels are excluded; other methods of fishing can be carried on, and it is understood are being carried on, by Icelandic fishermen.

It is not the trawler owners at several British ports who have decided to refuse to put to sea if fish from Icelandic trawlers is landed at their ports. This decision has been taken by the skippers and mates concerned.

During the week ending November 29th of this year, six German trawlers landed their catches, amounting to 165,200 stones, at Grimsby, whilst over the same period last year no landings were made by German trawlers. It would hardly appear, therefore, that the trawler fishing industry is approaching a position in which it can say to the consumer: "You cannot eat fish caught by a foreign competitor," especially as fish has been liberalised by the British Government under Gatt.

It should be known that the foreign producer will send fish to this country only so long as prices are attractive. The home producer, on the other hand, is left with no alternative but to land his fish here whatever the price he receives. The producer has not received as much for his fish this year as he did last year. Total imports of fish for the first nine months of this year (before the trouble over Icelandic landings arose) amounted to 2,018,960 cwt. For the corresponding period last year imports were 2,364,493 cwt. The foreign producer may have found it more profitable this year to send his fish elsewhere—perhaps to the United States.—Yours faithfully,

J. H. RAY, Secretary
British Trawlers' Federation,
Grimsby

Bad Example from Greece

Sir,—The article in your issue of November 29th creates some false impressions concerning the expropriation of the estate of the Lake Copais Company.

In the first place, it is not correct that the company holds some kind of concession. That was the position originally when the company first took over the estate, but it was changed by the arbitration award of 1925 which established the company as the absolute owner of some 190,000 stremmas of land, so that the status of the company today is exactly the same as that of any other landowner in Greece. The expropriation law of 1952, like previous expropriation laws, is a general measure which applies to all owners of land exceeding a certain area; no discrimination or exception could, therefore, be made in the case of any one particular owner in this category.

Your special correspondent also seems to suggest that the company should receive special treatment on the grounds that if the estate were taken out of its hands it would once again become a bog. This is to underrate the capacities of the Greek Government's technical services.

The Copais Estate is not by any means the only example in Greece of large-scale drainage and irrigation works. There are other large areas, especially in Macedonia, where such works have been executed and are now successfully and efficiently maintained by the competent Government services. There are also areas like the Arachthos-Louros valley where well-organised agricultural co-operatives, with the expert advice and assistance of the state, maintain the technical installations in a most efficient manner, providing the necessary capital expenditure themselves.

The Greek people like to believe that their country is not so backward that it could not maintain an agricultural estate such as the Copais property. Indeed, it would be no compliment to the company itself to suggest that, after some seventy years of managing the estate, it has not yet succeeded in teaching its employees how to run it properly.—Yours faithfully,
A GREEK

London

Insurance in the Air

Sir,—I would like to comment on the Note in your issue of November 15th. Broadly speaking, the Warsaw Convention imposes a presumption of liability upon the carrier by air which he can escape only by showing that the accident was unavoidable. The liability, however, is limited in respect of death or physical injury to a maximum sum per passenger which was intended to be the equivalent of £1,000 but has since increased to about £3,000 owing to the increase in the buying price of gold. The limit does not apply where the damage was caused by wilful misconduct. The limit of liability fixed by the contracting states in 1929 represented the consensus of international opinion as what would be a reasonable limit having regard to the wide divergence of damages in different parts of the world and, one may assume, was probably a compromise figure. Although a limit of £3,000 may appear low in American or British eyes, in many other countries it is not so considered even having regard to the probable status of the passenger by air. As it was, a number of states declined to ratify the convention, one of the main reasons being that they considered the limit of liability to be too high.

Adequate facilities for effecting personal accident insurance are provided by all the major airlines. Very many passengers make use of these facilities, whose existence is made known to intending passengers. It should not be assumed, therefore, from the mere fact that a passenger seeks to recover damages from a carrier by air that he may not, in fact, have provided himself with adequate personal accident insurance. In England, at any rate, the amount of any insurance effected by the passenger does not in any way affect the right to claim damages in addition.—Yours faithfully,

L. MURRAY STEWART
Chairman
Aviation Insurance Offices'
Association
London, E.C.3

Growth of Pension Schemes

Sir,—During the postwar years many employers have taken advantage of the high rate of tax relief on contributions made to properly constituted pension schemes to establish such schemes for the benefit of their employees and, indirectly, the good of their companies. One of the results has been a phenomenal expansion in the amount of new business secured by life assurance offices underwriting pension schemes, a feature of postwar insurance to which attention has been drawn from time to time in your columns. "Nothing succeeds like success"—especially advertised success—and it is to be feared that in the atmosphere created by the advertisements of life assurance offices and insurance brokers, taking advantage of the situation for their strictly legitimate business ends, sight may be lost of a fact which is never advertised—namely, that a private pension run by the employer himself can provide exactly the benefits which he needs, and at net cost.

In this connection may I draw attention to a comment made by the president of the Institute of Actuaries in the course of his presidential address which reviewed the business of life assurance over the last forty years. Mr. Gardner said "Both types of scheme are of growing importance and each has relative merits and demerits in particular cases. It is, in my opinion, in the interests of all concerned that every employer who may consider setting up a scheme should know that there are those two broad possibilities open to him and should weigh carefully their respective merits in the light of his own circumstances and preferences."—Yours faithfully,

ACTUARY

Municipal Munificence

Sir,—In your issue of November 22, 1952, you comment in detail upon the Treasury grant to the Arts Council. Surely it is time to raise a more general question? It is stated, for example, that both ballet and opera fail to pay their way. Yet if the price of seats is raised then the attendance will fall away. It would seem then that the cultured people, who enjoy and appreciate these presentations, are not prepared to pay for the cost of producing them.

It is not at all clear why this burden should be thrust upon the uncultured, whether they be taxpayers or ratepayers. There is a difference in kind between the voluntary contributions of the individual benefactor and the conscripted levies of collective patronage.

Your own heading, "Municipal Munificence," raises that very question how far a committee or council can be "munificent" when it is distributing other people's money. Doubtless it acquires a warm glow of generous feeling—without having the less agreeable accompaniment of personally footing the bill. We should not be diverted from this point by scaremongering about the survival of the arts.—Yours faithfully,

JOHN G. WALKER
Gomersal, Nr. Leeds

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AMERICAN SURVEY

Korea at First Hand

Washington, DC

WHEN the flood of news dispatches, pent up behind the barricade of the army censor, came tumbling out of Tokyo and Seoul with the news that General Eisenhower had been in Korea and was on his way back, a sensitive instrument could have detected a vast sigh of satisfaction going up from the American people. Coupled with relief that the life of the President-elect was no longer in danger was a feeling that a great and rare symbolic act had been successfully performed—the keeping of an election promise. What the President-elect actually decides to do about the Korean war is now probably far less important, as far as public opinion is concerned, than it was a month ago.

A smaller but no less heartfelt cheer could have been heard from officials in Washington as they read the cautious statement that General Eisenhower made to the press. In words strikingly similar to those used by Governor Stevenson in the election campaign, the General said "we have no panaceas, no trick ways of settling any problems" and added:

How difficult it seems to be in a war of this kind to work out a plan that would bring a positive and definite victory without possibly running the grave risk of enlarging the war.

Apart from the few remaining adherents of General MacArthur—who chose the same day to announce that he had a clear solution for the Korean war, the President-elect's remarks should dispose once for all of the legend that Korea is simply "Truman's war."

What General Eisenhower actually saw during his three days in Korea is probably much less important than what he was told. With the snub which has been given at the United Nations in New York to every western and neutral effort to solve the question of prisoners of war, there seems to be little hope left—for the time being at least—that the armistice talks at Panmunjom will be worth renewing. There are some rather over-sophisticated suggestions for a negotiated solution still in circulation. One is that the prisoner issue should be solved simply by freeing all those North Korean and Chinese prisoners who do not want to go back and returning those who do, thus gaining the fruits without haggling over the principle of voluntary repatriation. But apart from the fact that this would leave the fate of the American, South Korean and Allied prisoners up in the air, it overlooks the reason why the United Nations has dug its toes in on voluntary repatriation: that in an age of ideological wars the precedent and principle of free choice for war prisoners must be established. There is another idea which suggests that the stalemate should be continued as at present on the analogy of the Roman wall, with the difference that attempts should be made to feel out the Chinese attitude by withdrawing one or two American divisions to Japan and seeing whether the Chinese make similar withdrawals.

But the commanders in the field seem reluctantly to have made up their minds that the only way to bring the Chinese back to the conference table in a negotiating mood is by destroying or fatally damaging the Chinese and North Korean armies between the present front line and the Yalu River. Whether this could be done by frontal attack now seems doubtful; whether it could be done by amphibious

landings without a reinforcement of two or more American divisions (which are not readily available) seems even more doubtful. Certainly it cannot be done by air power alone, since there are very few first-class targets in North Korea still undamaged and the inability of air attack to cripple the Communist armies in the field has been conclusively demonstrated. But even if final victory is impossible it is argued that the "waist" of Korea running from Pyongyang to Hungnam could be held with far fewer troops than the present ceasefire line.

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These are some of the points which will have been put to the President-elect during his visit and the conferences which have succeeded it. But in fact many of these arguments will probably be wide of the mark, for they overlook the only strong conviction that General Eisenhower was known to possess before he set off to review the situation at first hand—that the American commitment in Korea should be reduced rather than increased. And in this he has the backing of the Chiefs of Staff, whose permanent nightmare is that they will find themselves at the onset of war with their forces distributed in equal halves at opposite ends of the world. It is significant that the President-elect took General Bradley, the Chairman of the Joint Chiefs of Staff, with him, for General Bradley has never been enthusiastic about any Korean solution which involved increased use of American manpower or equipment.

For this reason it is almost certain that one of the new President's first acts when he reaches office will be to order a substantial acceleration in the training of Korean troops. There is nothing very new in this. The army of the Republic of Korea has been built up from a low point of about 40,000 in 1950 to a well-trained force of 400,000 and consists of ten divisions with another two being formed and a further two soon to be formed. The furore over the General's election remarks about training "Asians to fight Asians" obscured the fact that such a process takes a long time, and that much has already been done not only in Korea but in Indo-China and Malaya as well. As it is, about 60 per cent of the present Korean line is held by non-American troops. Hitherto, the rate at which ROK divisions could be formed has been held back by shortage of equipment and shortage of officers (the Japanese did not allow Koreans to serve above the rank of sergeant). There are signs that the first shortage may be disappearing as the American rearmament programme nears the peak of production, but there is no way in which the training of all the different kinds of officers necessary in a division, including artillery and engineer commanders, let alone pilots, can be readily speeded up.

It is unlikely that the President-elect will have been advised to replace or reinforce American divisions with Chinese Nationalist troops, which has seemed to some

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

Senators the quick and easy way out. In the first place, General Chiang Kai-shek, although he has not withdrawn his original offer of troops, is now extremely lukewarm to the idea. Secondly, the American military advisers on Formosa do not consider them fit for battle yet. And finally, their use in Korea, quite apart from enabling Peking to reduce the forces opposite Formosa and send them to Korea, would rekindle the civil war.

Whatever conclusions the President-elect comes to as a result of his visit to Korea—and there may be nothing very startling in them—he will find his officials in Washington, when he takes office in January, receptive to new ideas. In particular, the conviction is growing that the United States can no longer have a Korean policy, run jointly by the Pentagon and the American mother, separate and distinct from its Far Eastern policy in general. Containment of China may in fact require that greater attention be paid to Indo-China than Korea. The briefing that the President-elect will have received from Mr Dulles at Wake Island after his conversations with the State Department about the general course of Soviet and Chinese intentions cannot have been a cheerful one. If, when he returns, the President-elect is still thinking in terms of lessening the American commitment in Korea by increasing the use of South Korean troops or by fighting for a shorter line on which to confront the Communist armies, this is more likely to be for the sake of creating a strategic reserve to guard against an outbreak of trouble elsewhere in South-East Asia than for that of reducing the total size of the American armed forces.

Shopping Goes Suburban

[FROM A CORRESPONDENT IN WASHINGTON, DC]

ONE of the big motor manufacturers has lately been advertising proudly that "it was the automobile that started to change the cramped old way of life" and took people "beyond the city limits." But by doing so the automobile started a rot at the core of American towns. The 1950 Census showed that the population of the 30 largest city areas had risen by 11 per cent since 1940, while that of their suburbs had increased by 37 per cent in the same period; nearly three quarters of the urban population of cities of 50,000 and over was, by that time, living outside them. The exodus was caused by the simple desire for space and air, and originally the suburbs were only dormitories. However, the motor car, which took people out, has made it increasingly difficult for them to get back again. The number of motor vehicles registered, 32 million in 1940, is now just under 50 million, that is approximately a third of a car a head, and there is no city which is equipped to store during the day the cars of all those who come in to work every morning. The Regional Plan Association of New York has worked out that an average trainload of commuters would, if they drove into the city, take up four acres of parking space or 1½ miles of both sides of a street.

The "commuter"—which is the American word for the regular traveller who "commutes" his daily fare for a weekly or monthly lump sum—has accepted the fact that he must use public transport to and from work. In most cities this means very crowded trains or buses. Railways lose money on short journeys of this type and have done little to help the commuter, and fares are high and rising steadily. Chicago now boasts that its standard tram fare is the highest in the

country at 20 cents (about 1s. 5d.), but other big cities are not far behind at 10 to 15 cents. The metropolitan worker accepted these conditions when he moved out, but his wife and family have shown an increasing disinclination to make the tiring and expensive journey into the city.

At first only small shopping centres, to meet daily needs, were provided in the suburbs. They usually consisted of a crescent off the main street with a "Super-market" (self-service shop) for food and groceries, a drug store, an ironmongery and garden shop, a cinema and possibly a fancy bakery. But lately the large stores have found that it pays to follow their customers out to their homes. Even in the nineteen-twenties some of the big firms like Sears Roebuck, which started as mail order businesses, began to open branches away from the centres of the cities and provide free parking space for cars. They proved that a large volume of business could be done in this way, but it was some time before more specialised stores and those dealing with the higher class trade experimented with suburban branches. Logically, it was in Los Angeles, the most diffuse city, that the experiment began, but it has now spread all over the country and today twelve of New York's department stores have 38 suburban branches.



Herb Lubner in the Washington Post

Many of the early branches had to add vast new wings or extra floors within the first year of operation. One, in Washington, DC, thought it was brave when it opened, in 1947, a suburban unit of 163,000 square feet—at that time the largest in the east—hoping for a \$5 million turnover; it had one of \$7½ million the first year. The size of these units varies between 50,000 and 345,000 square feet. Experts now estimate that 150,000 square feet is the minimum for a branch carrying a full range of goods. For this they allow space for at least 1,000 cars; they also advise that no car be further than 400 feet from an entrance to the shop. The

last ten branch stores built or still under construction average 245,000 square feet.

This decentralisation of retail trade has taken several forms. Some firms chose a site on the main street of their most profitable suburb where it was unlikely that a competitor would be able to get enough space to follow. Others built on a main traffic road between the city and the growing outskirts where there was plenty of room for their competitors to join them and make that area the shopping district of several suburbs. A third method, which real estate promoters have developed, was to acquire a large area a short distance from a main traffic artery and parcel it out to complementary or competing firms, find suitable satellite shops, and add a cinema and sometimes a medical centre.

Building on a main road created new traffic problems and parking difficulties, as was shown by Long Island's "Miracle Mile" and the first experiment in Los Angeles. But it proved that straight competition pays. If a customer cannot find what she wants at one shop she can go next door, instead of risking a long journey in another direction. In the vast Skokie project outside Chicago, an example of the third method, it is proposed that the same giants that sit side by side downtown in The Loop should each have a branch, and it has even been suggested that they have them in the same relative positions as they occupy in the centre of the city. The problem of decentralisation in Chicago is, however, a simpler one than in other towns. All the rich suburbs are grouped to the north and one big shopping centre can tap all the valuable suburban markets.

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Most firms operate their branches from the main store. Advertising and buying costs are therefore reduced while the training of personnel is kept in the family. Incidentally delivery costs are considerably lower—sometimes less than half—in these branches as with a car so close the customer takes her purchases herself. The exception to this is Bullocks of Los Angeles whose three large suburban stores are run jointly but entirely independently of the parent. The only common features are the financing and the top management. This firm's theory is that the buyers are specialists in their own districts where tastes can vary in a few miles. They have discovered, for instance, that their Westwood branch near the university and the film colony sells shorter shorts and more double beds than the one in Pasadena. But California must always be different.

It now looks as though the main pattern will be that of the enormous and complete shopping centre, planned as such, covering about 40 acres, not on a main road, with at least a million people within half an hour's journey. The American economy has grown at such a rate that it is not yet clear how this diffusion will affect the original stores in the centre of the city. Presumably they will, in most cases, hold their own for a time, while the population is rising at the present rate. But it is no coincidence that the big merchants, helped by local newspapers which see advertising disappearing, are taking a new and constructive interest in civic projects. Slum clearance, wider streets, complicated car storage arrangements and better transport facilities are all getting more attention nowadays. In a series of articles in the *Washington Post* in January of this year called "Progress or Decay" it was stated that

Washington's ten leading downtown department stores did a million dollars less business than in December, 1950—and the experts figure it was due to the big new suburban rivals which opened last fall. . . . Facts like these make it clear

downtown Washington must be developed if the central city's multimillion-dollar investments are to be protected. . . .

And Mr William Zeckendorf, a New York builder, recently wrote in the *Atlantic Monthly*:

I do not believe it is necessary to have cities die on the vine or rot at the core. I think they can be things of beauty, light and economical functionalism; but they have got to be attacked by a combination of three kinds of thinkers: the real estate economist, the designer and engineer and the city planner and civic thinker.

Certainly something will have to be done quickly. The move of the richer inhabitants to the suburbs, where they pay no taxes to the city, created a financial problem which has grown more serious with the development of suburban shopping centres. The call on the city for facilities such as roads, parking spaces and local transport services is going up while the money to provide them is dwindling. This has meant raising the rates on land to enormous figures and there are examples in most cities, particularly in New York and Chicago, where sites are left empty and tax free because it would be uneconomical to put up a building and incur a large tax liability. The next stage, which has already begun in some places, will be the wholesale move of many light industries to the outlying districts where their employees live and shop. If this happens on a large scale, as it may well do, the centre of the cities will decay and the city shops will be left with only the less profitable trade of those who cannot afford to move out and are forced to accept slum conditions.

American Notes

Labour under New Management

It is a remarkable coincidence that the old leaders of both the American Federation of Labour and the Congress of Industrial Organisations should have died within a few weeks of each other. The stage seems ideally set for the reunion of the labour movement just when it is most needed, at the start of a new Republican era. Both the new presidents, Mr Meany for the AFL and Mr Reuther for the CIO, have even offered to step aside if this would forward the cause—sacrifices which, if they are to be taken seriously, show how much importance is attached to healing the breach caused before the war when the founders of the CIO walked out of the AFL to organise the mass production industries. Mr Meany has tactfully abandoned his predecessor's tone of lofty

Air Subscription Rates for 1953

Owing to increased costs, some increases in air subscription rates to *The Economist* will have to be introduced from January 1, 1953. The countries affected are:

Australia: £8 5s. (sterling)	Malaya: £6 15s.
Hongkong: £7.	New Zealand: £9.
Japan: £9.	S. America and W. Indies: £7 15s.

The substitution of an airfreight for an air mail service to Egypt makes it possible to reduce the air subscription rate to £5 5s. Rates to all other destinations remain unchanged:

Anglo-Egyptian Sudan: £5 5s.	India, Ceylon: £6.
Canada: \$21.50 or £7 14s.	Iran: £6.
East Africa: £5 5s.	Iraq: £6.
Europe (except Poland): £4 15s.	Pakistan: £6.
Gibraltar, Malta: £3 15s.	Union of S. Africa: £5 10s.
Gold Coast & Nigeria: £5 5s.	USA: \$21.50 or £7 14s.

self-righteousness and appears ready to treat the CIO as an equal, rather than as a prodigal son.

Yet it would be unwise to assume that the unity meetings to be revived in January will bring an early reassembly of the trade unions under one roof. Apart from the jurisdictional rivalries which have always been the thorniest obstacles to a reconciliation, the new CIO president, the ambitious and able Mr Reuther, is the type of modern trade union leader regarded with suspicion by the older "bread and butter" trade unionists not only in the AFL, but in his own organisation. His victory at the CIO meeting in Atlantic City was not conceded until the bitter end, and he is not credited with the tactful touch which enabled his beloved predecessor, Mr Murray, to hold the CIO together. Mr Reuther, the head of the Automobile Workers, is young, militant, adventurous, and an intellectual. He has secured pensions for automobile workers and the five-year contracts in the motor industry which feature automatic wage increases to match those in productivity and the cost of living. But he believes that organised labour, now it has won its fight for recognition and better working conditions, has a duty to the whole community—a duty to educate its members in political activity and international problems, to participate in industrial management, and to improve social conditions.

Mr Reuther takes control at a moment when the CIO is not only sore from its own internal disagreements, but seems to have lost the inside track at the White House to the AFL. Mr Meany is credited with having persuaded General Eisenhower to extend an olive branch to labour by appointing an active trade unionist, Mr Durkin of the AFL, to be Secretary of Labour. It may be that the CIO, fearful that unity can be achieved only by its being swallowed up by its larger rival, may be willing to go no further than to authorise a revival of the United Labour Policy Committee, which functioned at the beginning of the Korean war. One of the first tasks of the trade unions will be to concert their attitude towards the shell of price and wage stabilisation which is all that is left after Mr Truman decided to override his Wage Stabilisation Board and give Mr John L. Lewis's miners all they were asking for. Mr Cox, the head of the board, has resigned; so have the industry members, contending that Mr Truman has made a mockery of stabilisation; and trade unions who have accepted sacrifices in the name of stabilisation feel hardly less aggrieved.

Republican Diet for Government

The ominous tone of Mr. John Foster Dulles's statement after discussing the handing over of the State Department with Mr Acheson may be explained by the natural caution of the legal mind, but it was hardly reassuring for the Foreign Service to be told by the incoming Secretary of State that "on the whole" it consisted, in his opinion, of competent persons, but that they would have to be checked very thoroughly. Mr Dulles admitted that they were career civil servants protected by law and said they had nothing to fear provided they were loyal and capable. He has already shown his willingness to take his own medicine by asking the Federal Bureau of Investigation to examine his record. Such confidence as was left to the Foreign Service was further undermined a few days later when Senator Wiley, with the support of Senator Connally, whom he is to succeed as chairman of the Senate Foreign Relations Committee, alleged that American staffs abroad were often far too big.

A three-pronged attack of this kind on other branches of the government, with charges of inefficiency, disloyalty and redundancy which it will not always be possible to refute, will look increasingly attractive to the Republicans as they realise how disappointingly few government jobs nowadays can be filled by political patronage. Out of a total of 2,500,000 federal workers, only about 2,500 will automatically leave with the Democratic Administration, and another 12,000 to

25,000 vacancies will occur gradually. One Democratic officeholder, Mr John Dunlap, has taken advantage of the recent reorganisation of the Internal Revenue Bureau to transfer from the political job of Commissioner to the subordinate and less well-paid, but civil service, post of head of one of the new tax districts. Another, Mr O'Dwyer, once Mayor of New York and recently a more successful Ambassador to Mexico, has resigned sooner than was strictly necessary, perhaps to save himself from being summoned back to the United States to answer for his stewardship in New York.

Certainly a change of administration offers an unrivalled opportunity for putting the government on the slimming diet which it undoubtedly needs after twenty years of unprecedented expansion. But there are signs that fatty degeneration may be a chronic disease of modern government and that the new administration may soon become as gross as the old. Pointing this out, Mr Walter Lippmann suggests that some way of ensuring that the government's weight never gets out of control might be proposed by the three-man committee which, at General Eisenhower's request, is considering how the structure of government can be simplified. This committee, headed by Mr Nelson Rockefeller, is not to duplicate the work of the Hoover Commission and other groups which have already studied governmental reorganisation, but only to co-ordinate their schemes and prepare them for presentation to Congress. If this is done quickly, the various agencies which will be shorn of their powers may not have time to mobilise as effective an opposition in the new Congress as they did in the old.

Business on its Best Behaviour

Mr Paul Hoffman, the most successful public servant drawn from the ranks of business by the Truman Administration, warned his business friends recently that the influence they will exercise in the Eisenhower government is a challenge to them to develop enlightened public policies. Certainly nothing could be more enlightened than the chorus of business support for lowering American trade restrictions which has been mounting ever since General Eisenhower's victory. The National Association of Manufacturers, with its 18,000 members, many of them small businessmen, used to be a citadel of protectionist feeling. Yet at its convention last week it listened without a murmur to a report from its international relations committee which said:

If we are to achieve the objective here recommended, that all economic aid not directly related to and necessary for our defence programme be terminated—then the way must be found to improve the access of foreign producers to American markets and foreign producers need to improve their efficiencies in designing, producing and merchandising goods and services to earn dollars.

The association itself took no position on tariff reform, but the report had been approved by two-thirds of its Board of Directors.

A month earlier, the Detroit Board of Commerce, which has 6,000 members, went further than any other substantial business organisation has gone towards advocating free trade. Pointing out that American industry has long outgrown the need for protection, and that it is illogical for a creditor nation to refuse payment in imports, it asked for elimination of all tariff barriers, the repeal of the "Buy American" Act, passage of the Customs Simplification Bill, which has languished in a Congressional pigeon-hole for two years, and greater tax incentives to encourage private investment abroad. The American branch of the International Chamber of Commerce and, of course, associations of importers, swelled the chorus demanding a realistic foreign trade policy which would permit trade to take the place of foreign aid.

It is certainly optimistic to believe that the tariff is all that prevents Europe from earning the dollars it needs and

that makes foreign economic aid—and the taxes which pay for it—necessary. Presumably American industry would not even talk about pulling down the tariff wall if it were not confident that it can hold its own without it. And some American businessmen may change their tune once they feel the cold wind of competition. But their recognition that part of the tax burden can be traced to a restrictive trade policy and that a creditor nation has its responsibilities should encourage the Eisenhower Administration to campaign for tariff reform and strengthen it for its battle with a Congress in which the advocates of protection will occupy places of power.

Post-mortem on \$50 million

After discussing the future of the Democratic party with President Truman, Governor Stevenson, with characteristic austerity, is refusing to keep himself in the public eye with television appearances as the party's leader until the Democratic National Committee has paid off the deficit on its campaign spending. This is put at \$500,000 out of a permitted total of \$3 million, half of which was spent on wireless and television time. The Republican National Committee earmarked about the same amount of its funds for this purpose, but with a good half-hour on television costing \$30,000 or more, voluntary organisations had to contribute substantially in order to keep candidates before the eyes and ears of the American electorate to the extent that was considered essential if the democratic process was to function properly. The "Volunteers for Stevenson," for example, spent \$421,000 of the \$740,000 they collected in putting the Governor on the air and the Republican telecast on election eve cost the "Citizens for Eisenhower" \$267,000.

The *New York Times*, in a survey of election spending, estimates that at least \$5 million was paid during the campaign for television time on local stations and networks combined. The station owners themselves are not universally enthusiastic about selling time for political purposes

since their well-trained audiences, wearied by uninspired political broadcasts, switch to other programmes and thus break the habits which enable a station to guarantee a regular number of listeners to an advertiser at a certain hour. But television and radio appearances certainly enable a candidate to address, even though it may be only to bore, far more people at one time than has ever been possible before and therefore provide a strong argument for shortening the traditional campaign period of two months.

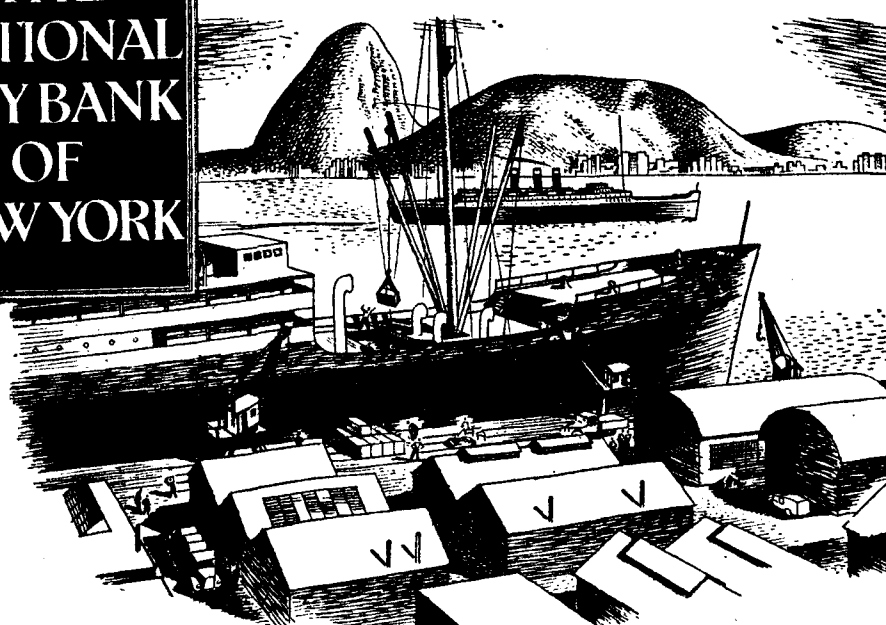
Even so, however, the existing limits on campaign expenditure would still be entirely unrealistic. They are also entirely ineffective: no national committee may spend more than \$3 million on a presidential campaign, but any number of national committees may spend that amount on behalf of the same candidate and local committees may also spend within their states. The regulations which limit expenditure in a Senatorial election to \$25,000 and in an election for the House to \$5,000 can also be got round in the same way. This year at least two unsuccessful Democratic candidates for the Senate spent in the neighbourhood of \$150,000 each and a typical House candidate \$15,000. It is estimated that there were anywhere from 5,000 to 25,000 separate committees working for the various candidates in the 1952 campaign and that altogether at least \$50 million, and perhaps twice as much, was paid out, although there have been fewer allegations of corrupt practices than usual. A special committee of the House, led by Representative Boggs of Louisiana, is now holding a post-mortem on election expenditure in the hope that agreed legislation will be produced that bears some relation to the facts of political spending in a "video-era."

Beef Sky-high

Price control may go out as it came in, with an attempt to force down the price of beef, America's favourite meat. Officials are trying to discover why retail prices of at least the better grades, which rose to almost prohibitively high

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levels after the Korean outbreak, have fallen little if at all in the last year, although the prices which farmers receive for their cattle have dropped steadily. Farmers put the blame on the ceiling prices set by the controllers, claiming that retailers regard these as fixed, rather than maximum, prices and are guided by them rather than by the actual cost of their meat supplies. The shopkeepers' excuse for what looks like profiteering is that they are making up for the losses which they suffered when they were squeezed against the ceiling last year. The basic fault seems to lie with prosperous housewives, with plenty of money in their purses and families clamouring for beef, who buy steaks and roasts whatever the price. They protest as they do so, but they are now refusing the cheaper pork which they were glad to have last year when beef was scarce; as a result prices of pork are well below ceiling levels.

Pork may go up a little next year since fewer hogs are likely to be available, but the rise will be limited by competition from beef. Cattle slaughter can hardly fail to mount in 1953, perhaps even faster than the demand for beef. This is because the expansion in the number of cattle on farms which began in 1949 is reaching the point where the increased stock is being sent to market. Furthermore, this year's drought has meant a serious shortage of pasture on many ranges and reserve stocks of feed for fattening are being eaten into by growing numbers of meat animals. It is therefore possible, especially if the drought continues, that there will be a serious break in livestock prices next year. This could hardly fail to be reflected on the meat counters, although it may take a real recession to bring beef prices down to what used to be regarded as reasonable levels.

Such a break in farmers' prices could also hardly fail to lead to a demand for restrictions on imports of meat and livestock. These have in fact been falling as market prices

have gone down, but cattle are now once more coming in from Mexico, after a ban which lasted for nearly six years. It has been possible to lift it at last because foot and mouth disease has been eradicated in Mexico with the help of the United States government. The similar ban on imports of meat and livestock from Canada, imposed last February for the same reason, is also to be lifted on March 1st.

Shorter Notes

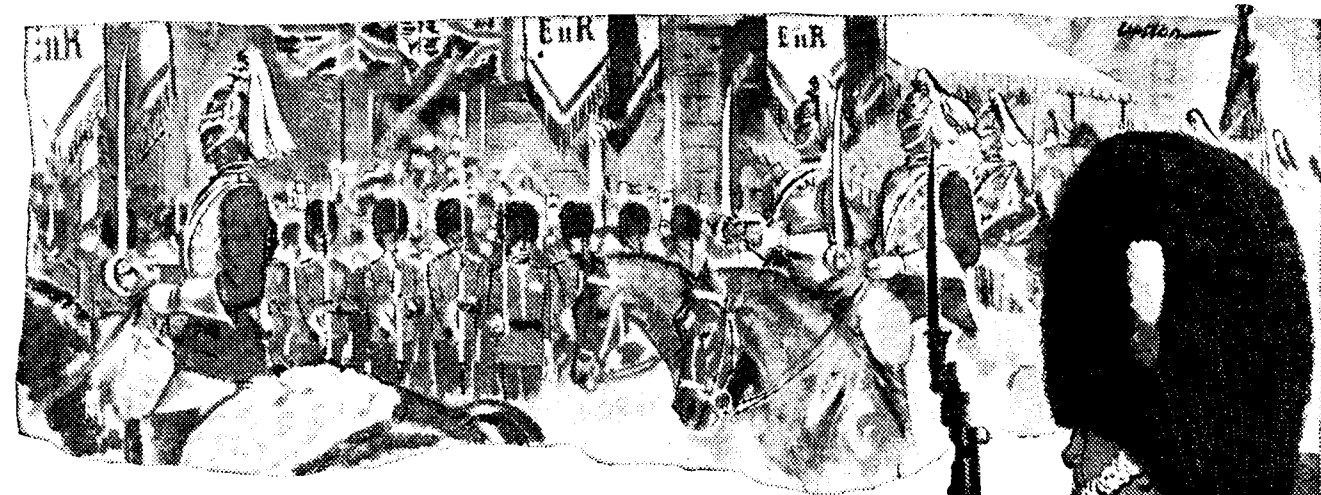
Mr Alger Hiss has served one-third of his five-year sentence for perjury in denying that he handed government documents to a Communist agent, but he has been refused the freedom on parole for which he is now eligible. He will, however, be granted another hearing next year and in 1954 he will be eligible for release for good behaviour.

★

By last June almost all of America's 14,599 banks and trust companies, and 95 per cent of all bank deposits, were insured by the Federal Deposit Insurance Corporation; most of the 960 banks that remain outside are ineligible for protection because of the rules of the corporation, which is a government agency.

★

Even the traditional Christmas tree will have its loyalty checked, if Senator Wiley has his way, for he has uncovered a "diabolic conspiracy" in the importation of Christmas tree ornaments from Eastern Europe. This year 75,000,000 may come in, worth \$7 million that will "pour back into Red lands" unless patriotic Americans boycott this "Red trade conspiracy," as they are urged to do by the Senator.



How many TIME readers will be coming?

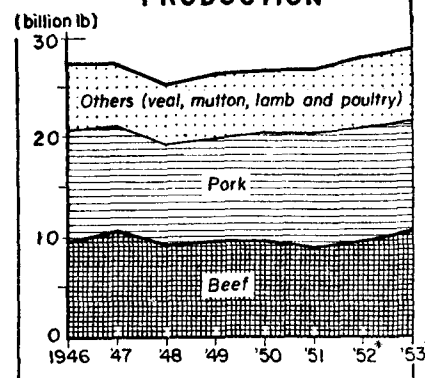


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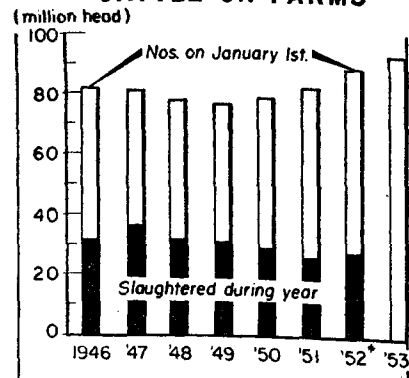
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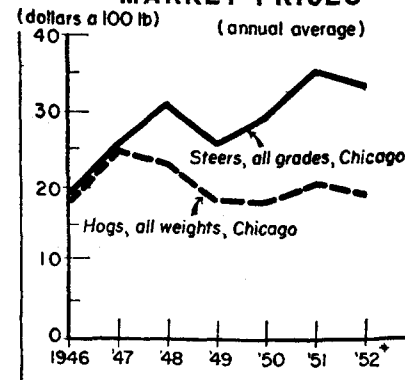
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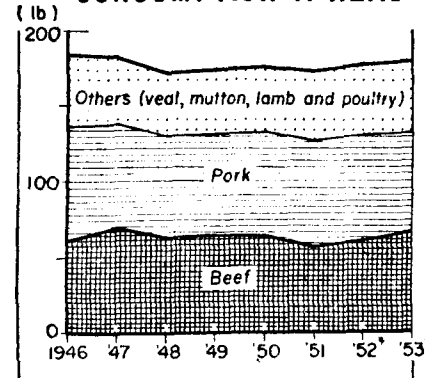
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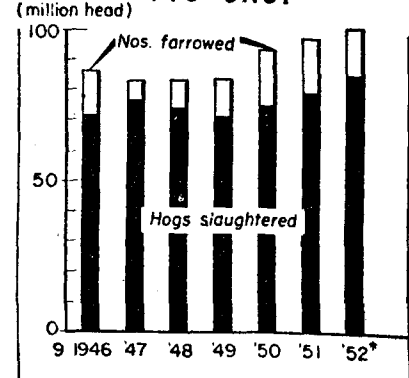
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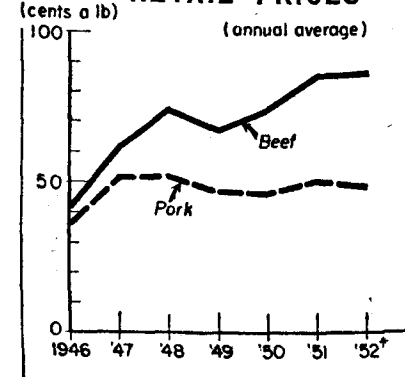
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THE WORLD OVERSEAS

Europe's Third Chance

Dollars For Defence Industries

ALL the solutions of the dollar problem so far attempted have proved to be palliatives rather than cures. The American loans granted to Britain, France and other European countries in the immediate postwar years were inadequate to fulfil their purpose and not always wisely used by the recipients. The Marshall Plan restored European industrial and agricultural production and developed intra-European trade; but in 1952 Europe's dollar balances were in almost as sorry a plight as they were in 1947, despite the injection of \$25½ billion of American aid. More recently aid has been granted for military purposes; but nobody expected that American tanks and aircraft would overcome Europe's dollar shortage. And so the technique of off-shore procurement is being developed in order to broaden the base of European defence production.

An off-shore purchase, as its name implies, is the buying of goods from countries other than the United States with dollars supplied by the United States. It is not a new method. It was first employed under the Marshall Plan to convert the bilateral gift of American dollars into a multilateral system of dollar payments. In the first year of the European Recovery Programme American dollars were used by recipient countries to buy supplies almost anywhere. Later they were restricted to the purchase of goods within the dollar area, other than the United States—such as the purchase of Canadian wheat. Out of a total American aid of \$13½ billion from 1948 to 1952, nearly 40 per cent, or \$5½ billion was in the form of off-shore purchases.

Under the new foreign aid programme, with its pronounced emphasis on defence, off-shore procurement has assumed a different and more important role. Technically it still incorporates the use of American dollars to buy other countries' products—in this case military equipment. But its purpose is not simply to inject dollars into an otherwise dollar-hungry trading community. It is to maintain a level of domestic arms production in Europe over and above that which could be financed by the countries themselves. It has become a method of maximising defence production, while at the same time enabling countries to sell part of their armament output for dollars. Some of it may remain in the producing country and some may be sent to another Nato member.

Four Kinds of Aid

American aid is currently appropriated under the Mutual Security Act under three heads. The first is *military or "end-item" aid* (i.e., finished equipment) which may be in the form of direct shipment of American weapons or of off-shore purchases in this newer role; this aid is administered by the Defence Department. The second head is *Point IV aid* mainly for under-developed territories and administered by the State Department. The third is *defence-support aid* which is mainly in the form of commodities, machine tools, etc., and which is administered by the Mutual Security Agency; part of this aid may be in the form of the old-style off-shore purchases. The new concept of *off-shore procurement* is restricted entirely to military or "end-item" aid.

In the first year of military aid, the American Congress stipulated that at least \$1,000 million out of the total of

nearly \$6 billion should be devoted to off-shore procurement. In fact for the twelve months ending June 30, 1952, only \$684 million was spent by this method. France received the largest share (\$335½ million), Italy the next largest (\$129 million) followed by Britain (\$69 million), Belgium (\$46 million) and the Netherlands (\$38 million). The items ordered included ammunition, special transport vehicles, auxiliary combat craft, electronic and engineering equipment. But in future the actual money spent on this particular form of aid is likely to increase.

The mechanics of an off-shore purchase (which will be discussed in a subsequent article) are very complicated, for the methods are still being developed. There are at present no hard and fast rules, and since off-shore procurement is concerned with military aid, the channels of co-ordination between the various agencies tend to be military ones. The whole machinery is also very largely in American hands, a fact that is disliked as much by the Americans as by Europeans. But military aid is still a bilateral American grant. At some future stage it may have to be converted into a multilateral programme determined by Nato, for member countries should be made to feel that the defence programme is a co-operative effort and not one dictated by a powerful ally. Nato is not organised for the task although it was recently asked by the US Special Representative in Europe to draw up recommendations for the off-shore purchase in Europe of military aircraft. At least it can be said that the present method ensures that American taxpayers' money is not recklessly spent. It also enables part of the West's arms production to be co-ordinated into a single programme, though it does not help in the much more difficult problem of standardisation.

One important advantage of this method is the flexibility it gives to the military aid programme—though from the recipients' point of view it is much more rigid than the old concept under the Marshall Plan or even defence support aid—since it enables political and economic considerations to be given as great weight as strategic ones. It also conforms to some extent to the "trade, not aid" principle by enabling countries to earn dollars instead of relying on the charity of the American taxpayer. Again, even though the American Congress rightly controls the total amount of aid available (and it may even set an upper or lower limit to the amount of dollars spent on off-shore purchases) the actual division of the appropriated sum among the member countries of Nato is determined by experts outside the political arena.

The most important advantage of this method is that it enables a balance to be struck between the strategic requirements of the West and the economic and political capabilities of member countries. The French Government, for example, claimed that it could not increase its defence contribution since it could not levy more taxes. At the Nato meeting in Lisbon last February, the United States agreed to give France almost half of the total off-shore authorisations for the year in order to strengthen the French budget and to ease its dollar balance of payments in return for a French pledge to increase its defence production. The need to have a virile arms industry in Europe is only too obvious. If the level of defence production in each country were determined solely by that country's ability to finance its output, the basis would be too small to provide either adequate security for the West or a rapid expansion in output should the cold war develop

into a hot one. Off-shore purchases could ensure a sufficiently large basis for both these purposes, though they can hardly be made at the expense of reducing the basis of American domestic arms production.

But although much can be said in favour of this newly developed method of providing American aid, its limitations must be recognised. It is, for one thing, unlikely even to help cure the underlying dollar problem, despite the fact that it is "trade, not aid." The essence of this problem is simply that the pattern of world trade has greatly altered during the past thirty years, while countries have not permitted their internal production and employment structures to be adjusted to these changing conditions. Indeed, they built shelters around their economies to protect them from the changes that were taking place in international trade. Thus the growing dollar problem was effectively masked until after the Second World War.

The solutions so far adopted have done little to force any adjustment either in industrial structures or in the pattern of trade. Indeed the American loan and Marshall aid were intended to preserve the pattern of world trade, and only a relatively small amount of the funds was used to alter the industrial structures of individual countries—the oil refining programme was one such example. Likewise, off-shore procurement far from helping to solve the dollar problem, could under certain conditions exacerbate it by distorting production and employment structures still more. Countries will hardly adjust their economies to the new postwar pattern of trade by devoting an increasing proportion of their productive resources to the manufacture of defence goods, unless dollar payment for these defence goods could be counted on for the next ten years or more. Admittedly, increased arms production would tend to expand the capital goods industries and thereby help some countries to switch from consumer to capital goods production; but any help in this respect would be limited. The provision of dollars through this technique of off-shore procurement will at least help Europe indirectly by giving it a third chance to develop its overseas resources (and thereby alter the pattern of world trade later on) and to adjust its individual economies.

(To be concluded)

The Debate in Bonn

[FROM OUR SPECIAL CORRESPONDENT]

DR ADENAUER is so essential to the cause of Western Europe that the most heartening point about the *Bundestag* debate on the twin treaties was the extraordinary vigour with which he spoke. The Chancellor's voice is that of a man in his prime, not of one nearing eighty. Not many Germans were able to listen to the broadcast of the debate, but any who caught Dr Adenauer's speech will have been impressed by his personality, if not by his arguments. Germans are inclined to complain that the Chancellor is pushing through the treaties without their knowing what is in them, and his political opponents accused him during the debate (in the same terms as Soviet German propaganda) of trying to bring off a "coup d'état." But, generally speaking, his autocratic methods probably gain more support than they lose in a country which particularly likes strong leaders.

Dr Adenauer's principal speech in the debate was on a much higher level than any other. He kept to the broad issues while his supporters tended to argue about the constitution, and the opposition to put a case for Germany's narrower interests on the assumption that some alternative existed to alliance with the West, and that Germany was in a position to demand everything and give nothing. One of the Chancellor's best points was made in his conclusion:

In the Bonn Conventions, the three powers undertake on a contractual basis to bring about, in co-operation with the

Federal Republic, Germany's reunification by peaceful methods and under a democratic constitution. What tremendous progress has been achieved compared with the political situation of, say, 1947. . . . We must at long last learn from history. Ever since 1870 Germany has endeavoured to find friends and allies because it was realised that Germany, despite her power at that time, could not exist without strong friends. She has never found such friends; mostly through her own fault, through blindness to offers made to her by others, through an excessive confidence in herself, Germany's situation today is more greatly threatened than ever before; she is divided and disrupted, disarmed and defenceless, neighbour to a giant who means to enslave her. . . . Can any German in this situation accept the responsibility of rejecting the helping and saving hand proffered to us by the West?

These were necessary words to Germans, who are accustomed to blame the West for their position, just as much as the Soviet Union and far more than themselves. They did not prevent Herr Ollenhauer, the Social-Democrat leader, from declaring that nobody could have framed such a treaty who had not "turned his back to the Elbe."

The Chancellor pleaded for a complete acceptance of the treaties, because there is no alternative except disaster, in the form of an agreement between the Great Powers at Germany's expense, or war. He warned the House not to accompany acceptance of the treaties with demands for revision of individual clauses. Though he did not say so, it is obvious that, once started, there would be no end to revision by the other countries concerned, as well as Germany.

Dr Adenauer hinted that, if the contractual agreements with the occupation powers were not ratified, the occupation regime would continue. But he did not stress this point, doubtless because everyone knows that, whatever happens, the time has passed for the British, American and French to direct German internal affairs. Indeed, one of the strongest points made by the Opposition was that Dr Adenauer had quite unnecessarily "frozen" the present situation in the treaties when, left to continue along the way they were going, occupation rights would have disappeared altogether without any German *quid pro quo*.

No Alternative to "Little Europe"

On the prospects of European political federation and British association with it Dr Adenauer was his usual confident self. He refuted the Socialists' slighting references to his so-called "Little Europe" (minus Britain and Scandinavia) by recalling that, after all, this community numbered 160 million people. Herr Ollenhauer could not meet this argument. His chief weakness was in fact the absence in his speech of any alternative to "Little Europe" except a vague, unconvincing and old-fashioned system of world-wide collective security. He was on much stronger ground in his negative attacks. The Opposition leader's speech owed its inspiration to the late Dr Schumacher without his biting phrases. The only important change is that the Social-Democrats do not now declare that they will not be bound by the treaties, if ratified; but they will press for revision—which may come to much the same thing in practice.

Herr Ollenhauer declared that the treaties meant the abandonment of the eighteen million Germans in the Soviet Zone, and increased the danger of war. He also poured scorn on the strength of allied forces in Germany, and said, very truly, that even if the treaties are ratified by all the countries concerned some time next summer, the German divisions will not be ready before 1955. Moreover, as the French demand that the German army shall always be relatively weaker and is reducing its own commitments to Nato, the German divisions will not number twelve as originally intended.

German objections to paying for defence were very much to the fore in the debate. Much time was spent slinging statistics from side to side in connection with Germany's financial commitments. Government speakers declared that

they had very good reason to believe that, after next June, Germany's contribution to the cost of Allied troops in Germany would stop, and that its global commitment for all types of defence expenditure would be reduced from the current maximum of DM850 million to DM716 million a month. (British Treasury please note). At any rate, the Federal Minister of Finance, Dr Schaeffer, has estimated this amount for his budget in 1953-54 and announced just before the debate opened, that the growth of the German gross national product will allow him to reduce taxes, provided that special allowances are reduced in number.

The debate closed with a series of votes in which Dr Adenauer received an average majority of fifty, then after the coalition parties made their surprise bid for a decision on the constitutional issue, the third reading had to be postponed until January 12th; in the meantime the decision on this crucial question for Europe's future rests with a handful of lawyers in Karlsruhe. (The background to their deliberations is described in the article below.)

The Parties and the Judges

At the root of the confused and bitter dispute that is now raging over the ratification of the German treaties lies a legal question with far-reaching implications. In it the Social Democrat opposition see its best opportunity of delaying ratification until next summer, when general elections are due. If it can be shown to the satisfaction of the Constitutional Court at Karlsruhe that the treaties involve a change in the Basic Law of the Federal Republic, then that change must be approved by a two-thirds majority in parliament. This is more than Dr Adenauer's coalition can muster.

This politico-legal issue is further complicated by the organisation of the Court. It can come before the lawyers in three different forms, according to the way questions are framed. Normally, the two senates of the Court sit separately, each dealing with questions falling within its carefully-defined competence. Some causes, however, are decided by the court sitting in full session. Hence the social Democrat appeal to one senate, the Government parties' appeal to another, and the Federal President's request to a full session—each dealing with the same issue in a different form.

The Opposition framed their petition in such a way that it would come before the senate which they believed to favour them. They based it on a clause that concerns the compatibility of the proposed treaties with the Basic Law. As this clause deals only with Acts and not Bills, the senate in question ruled that it must defer examination until there was a definite act of ratification.

The Government parties likewise made their application in such a way as to ensure that it would come before the senate considered favourable to its views—the "black" as distinct from the "red" senate. They argued from a clause which concerns conflicts about the competence of various organs of the constitution, and raised questions about the functions of the upper house—the *Bundesrat*. The application was made on behalf of the majority parties in the *Bundestag* or lower house; if it had been made on behalf of the Government itself the appeal would have come before the full court.

The request for an advisory opinion from the Federal President, Professor Heuss, was framed to come before the full court. This ruled that its decision would be binding on the two senates sitting individually. As this threatened to wreck the chances of getting from the "black" senate a ruling favourable to the government parties, the Government asked for an adjournment. Discussions then followed between the Chancellor and the President, as a result of which the President has decided to withdraw his request. Having asked only for an advisory opinion he found himself liable to

be presented with a binding decision of great political consequence.

As a result of these events only one appeal is now pending—that of the coalition parties to the second or "black" senate. By postponing the third reading of the Bills offered for ratification, Dr Adenauer was able to block the Social-Democrat appeal, which would have been dealt with by the "red" senate directly it became law.

A deeply disturbing feature of the controversy aroused by these manoeuvres has been the readiness of politicians and public to assume that the Karlsruhe Court cannot be relied on for impartiality. This arises partly from the method by which the judges are elected. Half are elected by the Lower House and half by the Upper House. In the former a complicated system of proportional representation is used to ensure that all parties have a say appropriate to their voting strengths. In the latter, election is by two-thirds majority. A third of the judges are elected from a list of High Court judges eligible and willing to serve; the other two-thirds are lay judges. All are individually elected on the proposal of a party. It is therefore unavoidable that each judge should be to some extent "labelled" politically "red" or "black." How far the Court can rise above this disadvantage remains to be seen.

M. Pinay Becalmed

[FROM OUR PARIS CORRESPONDENT]

SOMEWHAT to the general surprise, M. Pinay has won by a narrow margin, a second vote of confidence on his financial policy for 1953. This policy, which is outlined in the introduction to the budget, may be described as "the mixture as before." M. Antoine Pinay's essential principles—reduction of expenditure, no new taxes, reliance on loans—inspire the new *projet de loi* as they inspired the Pinay "emergency budget" of March 25th last. The Prime Minister is able to point to the defended franc (450=£1 in March, 1952, 395=£1 in October); to a moderately successful gold-loan; to increased deposits in savings banks and subscriptions to Treasury bonds; to a fall in wholesale prices (from 152 in February to 140.5 in October) and—less brilliant—in retail prices (from 148.5 to 144.9).

DRAFT FRENCH BUDGET FOR 1953
('000 Million Francs)

Expenditure	1953	1952	Receipts	1953	1952
A. Civil budget.....	1,484	1,353	A. Direct taxes.....	945	781
B. Investments.....	992	877	B. Indirect taxes (customs: stamp duty), etc.	486	421
Of which:—					
Economic investments under the Monnet plan ...	355	...	C. Taxes on Businesses:—		
C. Military:—			Production-tax ...	...	937
Europe.....	863	835	Turnover-tax ...	...	220
Indo-China.....	376	399	Special tax on wine and meat	95	90
Overseas territories	40	36	Tax <i>à la valeur ajoutée</i>	1,100	...
			Improved collection	80	...
			Reduction of fraud	1,275	1,247
			TOTAL FROM TAXATION	2,706	2,479
D. Treasury.....	65	84	D. Other products	310	294
Less Economies....	16	...	Total resources	3,016	2,773
			American aid.....	173	195
			Loans	615	615
GRAND TOTAL	3,804	3,583	GRAND TOTAL	3,804	3,583

But, as M. Charles Barange, *rapporteur* of the finance commission of the National Assembly, demonstrates in his annual analysis of the economy, this picture is less rosy than it seems. Production has not risen in 1952 in a manner comparable to

last year. Even in April there was a tendency towards stagnation in certain sectors. Now, in December, there is a serious slump in the automobile industry with a 50 per cent drop in exports on last year and the closing down of several large factories, including Rosengart. In the home market there is a general recession which is largely due to M. Pinay's own price-cutting propaganda. People are holding off in the hope of a further fall in prices. The trouble about this shrinkage of demand is that it injures the prosperity of the important mechanical industries without obtaining from them any substantial price-cuts. The automobile industry, for instance, whose costs have a high fixed component of wages, overheads and tax, cannot—or thinks it cannot—make a big price-cut. The result is simply unemployment or underemployment (a frequent reaction is a 40-hour week instead of a 48-hour one). Meanwhile dealers and distributors of consumers' goods remain fairly rigid in face of a decreased demand, often preferring to hold on to stocks in the hope of renewed inflation.

M. Pinay's horizon is further clouded by France's predicament in EPU. It has exhausted its \$520 million quota and must pay all subsequent debts in gold or dollars. (The deficit is paid by the Exchange Equalisation Fund of which nobody, of course, knows the balance). The Government has, however, shown no sign yet of defaulting on the 1953 military programme; which fact would seem to indicate that it has no fears about its ability to secure its dollar needs in raw materials—none, at least, comparable to those expressed earlier this year. Doubtless the heavy increase in invisible exports represented by American military spending in France does a good deal to redress the payments position. But France cannot continue indefinitely to cut imports without destroying the competitive capacity of its industry.

Abortive Fiscal Reform

As will be seen from the table, the centre-piece of M. Pinay's 1953 budget was a scheme of fiscal reform. Having halted inflation, the Prime Minister had to offer the country a yet brighter prospect, if he wished to avoid being discarded in the normal manner. Fiscal reform would help to sustain the necessary "progress myth." M. Pinay's proposals were designed chiefly to make the peasants pay more taxes and to reduce fraud among *commerçants*, especially sales without invoices. The reform instituted some penetrating taxes on land and buildings, and, what was worse, the imposition of the new business-tax on agricultural co-operatives and sales-organisations, which had been immune from the old taxes on production and turn-over. When, into the bargain, it was suggested that peasant-distillers should no longer retain the privilege of distilling a large part of their alcohol tax-free, the agricultural interest stuck its toes in.

The objections to the new business-tax *à la valeur ajoutée* (TVA) were more technical and mysterious. The idea was to institute a single tax of 20 per cent on sales to replace the once-for-all production tax (15 per cent) and the (multiple) transaction taxes (1.1 per cent) which grew like barnacles on the product as it passed through the chain of distribution. Under the new system each seller, from producer to wholesaler, would be liable for 20 per cent of his selling price less—and here was the tax's anti-fraudulent beauty—certain deductions computed by the authorities on the basis of invoices supplied by the *contribuable*. The latter was entitled to claim the whole of that part of his raw-material costs which itself represented tax: the whole of the "tax-component" in his service-costs (gas, electricity) and half of the "tax-component" in the price of non-durable finished products consumed in the business. The Government also intended to whittle down tax-exonerations to a very small number of cases (producers of bread, milk, cereals and vital exports) and to lighten the tax on the first 200,000 francs of profit. The reform, it was claimed, would cheapen the installation of plant, and would encourage industrial specialisation, since *entrepreneurs* would no longer have the same interest to own

their sources of supply for the sake of un-taxed "internal deliveries."

M. Pinay's reform, which was furiously contested by theoreticians, was designed to redress the situation in which the salaried, urban, fixed-income groups bear a greater tax-burden than the business class or the peasants. Whether it would have achieved the desired effect nobody can say. In the event it was wrenched out of the budget by a most determined body of politicians, many of whom were M. Pinay's original supporters.

In its other features, the budget presents no novelties. Investments have not been cut, as was feared, but slightly increased: although it is not quite clear whether the unblocked provisional credits for 1952 figure in the budget for this year or next. Considerable allowance is made for the building of schools; the moderate housing effort continues; 100,000 new houses are to be started during 1953; work on one Rhone and one Rhine barrage will begin and the modernisation of the coal-mines will continue. The military programme shows, for the first time, a slight reduction in expenditure on the Indo-Chinese war, which is the fruit of American financial aid to the Vietnamese army. The European effort laid down in the budget is a minimum one and may be increased.

Revolution in Chinese Villages

THE Batchworth Press is publishing a book on Chinese land reform based on material from the Chinese Communist press. The accounts of what has been happening, together with various exhortations and warnings, written for domestic consumption in the People's Republic, give a rather different picture from the propaganda intended for the admiring foreigner. The Chinese Communists have recently been concerned to point out errors which have been made in the process of land reform, and their admonitions to the party cadres carrying on the work show that the policy has been running into serious difficulties.

The scheme requires division of the rural population into five classes: landlords, rich peasants, middle peasants, poor peasants and farmhands. Everyone must be formally classified in one or other of these categories. Landlords are defined as those who do not directly cultivate their land, but live on rents and interest on loans; rich peasants, equivalent to the Russian kulaks, are those who cultivate, but also hire labour and let part of their land to tenants. The idea is to stir up the lower grades against the higher, confiscate all the land of the landlords and part of the land of the rich peasants and redistribute it to the poor peasants and farmhands; this is all supposed to be done by the action of the villagers themselves, not simply by government legislation. But it is apparently found that the peasant response tends to be either less or more than the Communists want. Sometimes it is not enough. One newspaper tells the sad story of a cadre who summoned a village meeting and told the peasants they were now free to tell of all the injustices they had suffered from their landlords, but nobody had anything to say; this showed that the cadre had not adequately prepared for the meeting by preliminary incitement. On the other hand, where the peasants are really roused by agitation, they tend to go too far; rich peasants are classified as landlords and middle peasants as rich peasants, so that many hard-working farmers get expropriated and production declines. It is indeed very difficult for the cadres to work up the poorer peasants into a fury against landlords and then pull them up short at the line laid down by party directives, especially as the five categories in practice merge into one another and the classification in many cases is bound to be quite arbitrary. A further effect of the policy is that peasants now strive to avoid enrich-

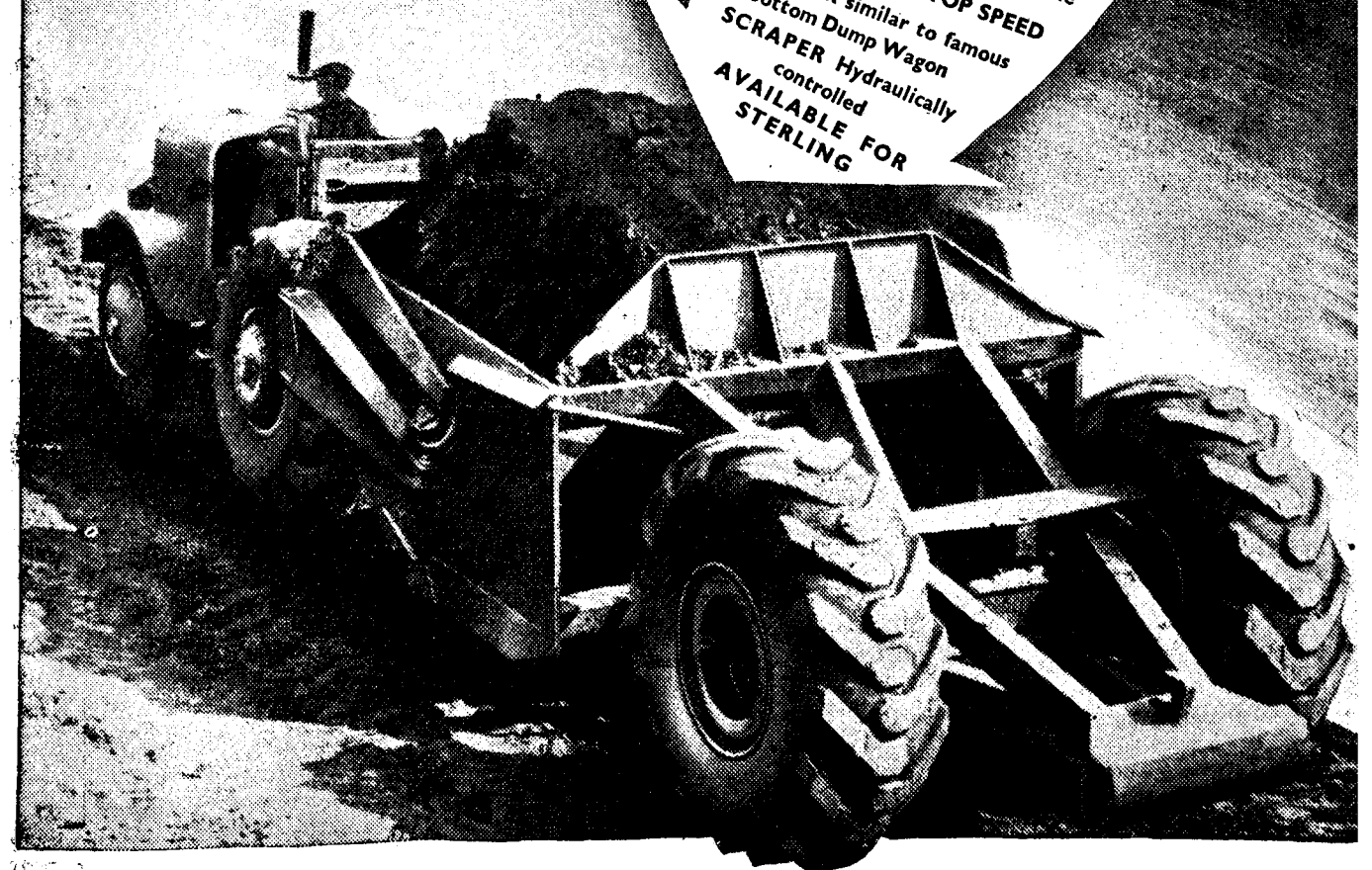
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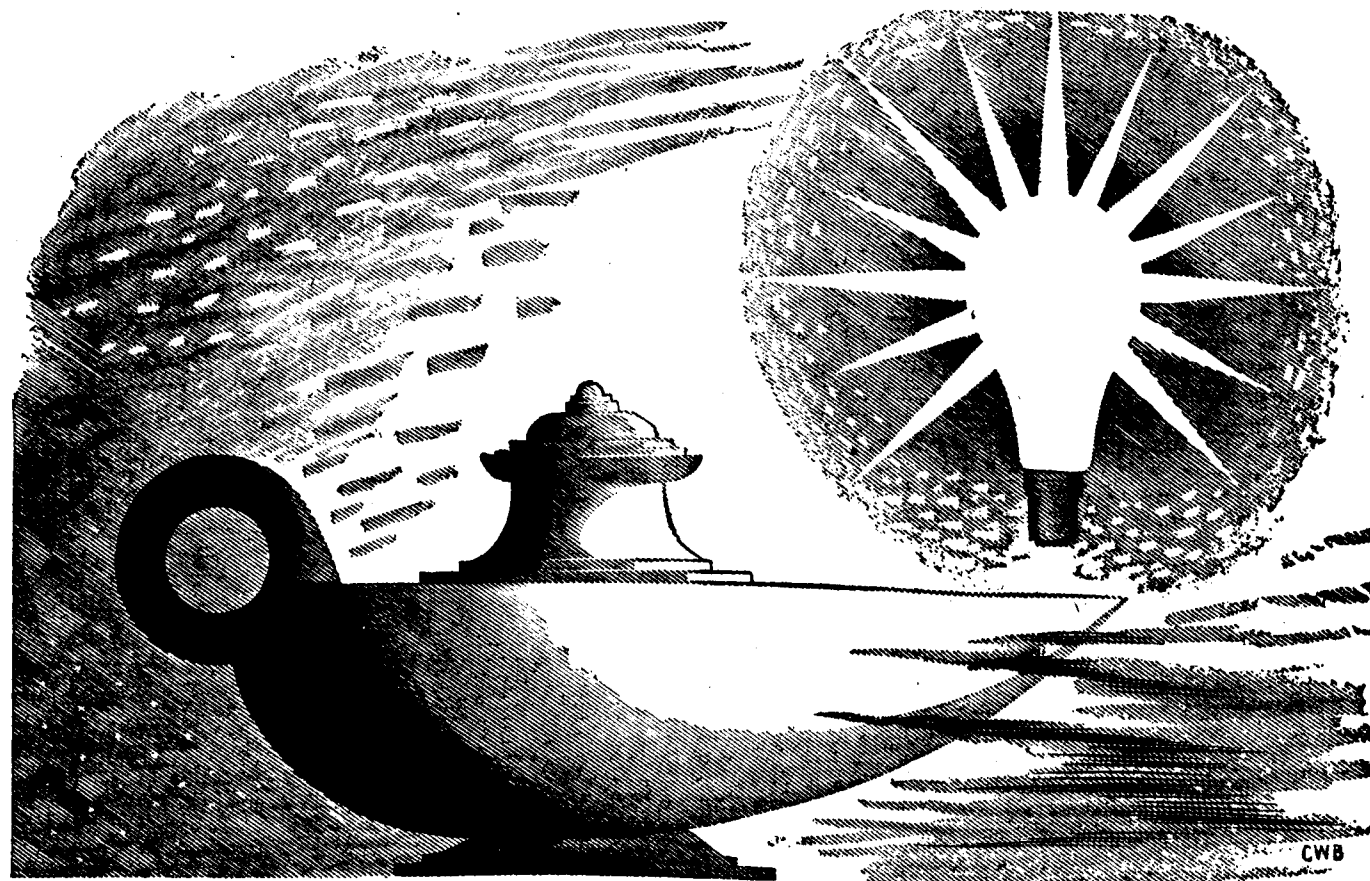
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ing themselves, hiring labour or lending money lest they be re-classified in a higher category.

The problems of classifying the peasants have certainly meant hard work for the cadres and they need to forget about it now and then, so they compel the peasants to make payments from their "class-struggle benefits" to the Peasants' Associations, and from these funds they hold "class-struggle dinners" with plenty of pork and wine. The non-cadres who do not share in these celebrations apparently regard them with disfavour, and the newspapers rebuke the cadres for abusing their position. But Communism is nothing if not a profitable business for cadres; in China they do not yet enjoy anything like the privileges of the Soviet bureaucracy, but they are already well on their way.

Pakistan Weathers the Storm

[FROM OUR CORRESPONDENT IN KARACHI]

NINE months of economic crisis have not left Pakistan unscathed, but there are indications that the worst may be over. The balance of payments forms the crux of the problem, and the October figures show that the downward curve has at last flattened out; in fact, after a series of disastrous months, the trade balance has turned slightly in Pakistan's favour.

The gravity of the crisis, and the extent of the threat to the external value of the Pakistani rupee, is clear from the figures. In the first quarter of the current financial year the balance of payments was adverse to Pakistan to the tune of Rs 28.33 crores. In the second quarter the figure was Rs 40.59 crores and it was known that the country's No. 1 sterling account was running down at an alarming rate. The Government had been far too slow to see the danger signals and to take the necessary counter action by getting exports moving at all costs. It was not till the end of June that it reduced the export duty on jute, by which time it was left with a carryover of at least 1,500,000 bales (and a bumper crop of about 7,500,000 coming into the market). It was not till the end of August that the duty on staple cotton was halved and that on desi cotton removed; it was not till September that the export duty on tea was abolished and by then the tea industry had suffered shattering losses.

On the import side, most of the critics were in full sympathy with the Government's desire to maintain its liberal policy and as far as possible to avoid the evils of import control. Unfortunately, this left the gates open for a flood of Japanese cotton manufactures which did more than anything else to upset the trade balance. When, eventually, in August, almost all categories of goods except machinery were brought under licensing control, it was a blessing in disguise as far as consumer goods were concerned, for most dealers were heavily overstocked with goods which they are even now quite unable to sell because of the progressive decline in purchasing power in the country; at the same time, the import cuts, being inevitably somewhat drastic and arbitrary, have already caused regrettable shortages to develop in supplies of various kinds of producer goods. The Government's latest move has been the cancellation of even the truncated Open General Licence; this means that all categories of goods now require import licences.

The crisis is not, however, a mere matter of difficulty in balancing payments. Import and export duties account for nearly 70 per cent of the total revenues of the central government, and the cuts in the latter combined with fewer imports have made it obvious that the year's revenue will fall woefully short of the budget estimate. Apart from the heavy burden of defence expenditure, the Government has a huge programme of development ahead. If it has yet shown no tendency to cut its coat according to its cloth it can only be because it can live on the resources accumulated during the two boom years. The various kinds of foreign aid will

no doubt help considerably; even so, a period of retrenchment and postponement of the less remunerative schemes clearly seems necessary. The price support schemes for cotton and jute have also cost the Government a good deal.

Fate—or should one say Nemesis?—chose this unhappy time to deliver a blow below the belt in the form of a severe and unforeseen shortage of foodgrains. In wheat, if not rice as well, the country had always been able to claim self-sufficiency and this was one of the most satisfactory features of its economy. The shock was, therefore, all the greater when it was realised that if famine was to be averted large quantities would have to be imported, forming another drain on foreign exchange. The prices of wheat and flour even in the Punjab, the so-called granary of the sub-continent, rose to nearly three times last year's level. The causes of the shortage were partly natural, but the inflated prices obtained by the cultivators in recent years for jute, cotton and oilseeds had a good deal to do with it. The Government has incurred a great deal of blame, on the whole rather unfairly.

Many people, particularly in India, are asking whether Pakistan's economic troubles are not all due to an over-valued rupee. To this Pakistanis might reasonably return the question: "Are Britain and India, who devalued in 1949, any better off than we are in respect of their balance of payments?" But the problem is one which deserves the most careful examination. The important thing to remember is that jute and cotton account for 90 per cent of Pakistan's exports; from this it follows that the disposal of these crops forms the crux of the matter. In neither case is the price factor, at present, a real bar to sales. Prices in the Karachi cotton market compare favourably with other soft currency cottons and even with American cotton of corresponding grades; but there is a glut of fibre in the various producing countries and buyers are taking their time. In any case, Pakistan still has plenty of export duty in hand and would prefer to sacrifice this rather than resort to devaluation to attract buyers.

The position in regard to jute is much the same. The current price is admitted to be reasonable, but the overseas demand can hardly, at its optimum, exceed 4,500,000 bales. India may take 2,500,000 (though this could easily go up to 3,500,000 if the Pakistan Government would only remove the discriminatory licence fee on jute sold to India). If the country is bound to be left with a huge carryover at the end of the season, it is simply a legacy of past policy combined with overproduction; it is doubtful whether devaluation would help very materially. In any case, from the point of view of the country's foreign exchange resources, there is little to be gained by exporting more jute and cotton but earning less from the transactions.

Arguments Against Devaluation

Why in fact, ask the advocates of non-devaluation, should we gratuitously alter the terms of trade against ourselves? The question is even more apposite when Pakistan's vast programme of development is considered. This involves very heavy imports, mostly to be paid for by the central or provincial governments or by the government-sponsored Pakistan Industrial Development Corporation. Defence requirements are also heavy. Why in such circumstances should Pakistan depreciate the external value of its rupee and thus have to pay more for its needs?

On the other side there are many points to be made. For one thing there are the interests of the cultivators, who form the backbone of the country, to be considered. Devaluation would certainly mean that they would get better prices for their produce; they would, no doubt, have to pay more for their bazaar purchases, for devaluation would mean an all-round increase in the prices of imported goods, but on balance they would gain. There are also various industries which have been hard hit by non-devaluation; for example, the manufacture of surgical instruments and sports goods—semi-

cottage industries centred at Sialkot. The trade in hides and skins also depends on exports for its survival and finds it difficult to compete with the devalued Indian rupee. Above all, the Sylhet tea industry has been brought to the verge of ruin by its high prices: although the tea export duty has now, rather tardily, been abolished, the tea companies find that, with the present cost of production, they are losing on the average five and a half annas on every pound of tea sold on the London market. This industry is an economic asset which the Pakistan Government cannot afford to destroy. If it is not to be rescued by devaluation, there are various indirect ways in which it could be helped.

The impartial observer will probably conclude that, on balance, devaluation is not immediately desirable, provided that the Government is constantly prepared to apply the necessary measures for the relief of those interests which suffer from competition with the lower valued Indian rupee. The next six months will be a critical test of the economic administration of the country.

Peace Without Goodwill

[FROM OUR VIENNA CORRESPONDENT]

OVER 1,500 delegates from all over the world have been shepherded into the unwilling folds of Vienna for the World Peace Congress which opened here yesterday. The organisers who have been busily combing every inn, hostelry and likely private house for rooms in which to accommodate the individual members of the flock have generally found that no one wants to have anything to do with them. The Congress, in fact, is so unwelcome to nearly all Viennese that the non-Communist newspapers are generally ignoring it altogether. On the other hand the capitalist transport systems serving Vienna have been rubbing their hands. British air transport companies, for example, have booked over \$13,000 worth of passages from South America alone and other air lines are doing equally good business.

Among those whose names have been publicised in advance are Emil Zatopek, Pastor Niemöller, three Hungarian Protestant bishops, and the foremost Hungarian soccer star, ex-Chancellor Wirth, Henri Matisse, Pablo Picasso, Yves Farges, Dr Kingsbury, Jean Paul Sartre, Ilya Ehrenburg and of course the Dean of Canterbury. Last, but he hopes not least, among those invited is your correspondent, who received an individual invitation in which he was told that "we would be very glad if you personally could find the opportunity to attend." The invitation was dated Prague, November 25th. This was just before the end of the Slansky treason trial in which two of the defendants had already described at great length their alleged espionage contacts with the correspondent in question. It would seem clear, therefore, that M. Paul Chareton, at any rate, who signed the letter, either does not heed or does not believe the confessions made by Dr Clementis and Dr Loebel.

M. Chareton wrote to your correspondent that

the Congress of the Peoples for Peace will be an international assembly bringing together men and women of different countries and accustomed to different ways of life, who will seek to find together, in genuine discussion, reasonable solutions to the questions today dividing the world and, thereby, to contribute to diminishing present international tension. How can the wars now going on be stopped? How can the cold war be brought to an end? How can the independence of nations be safeguarded and the security of every country guaranteed?

M. Chareton spoke of "the deep concern of bodies of all kinds—political, trade union, religious and pacifist—to find answers to these questions," but the reference to "pacifists" or even to "trade unions" and the religious bodies is perhaps unfortunate. Pacifism, said the Hungarian periodical *Szabad Ifjúság*, on April 21st, "is imperialist propaganda. It has its

agents in Hungary too. Rightist Social Democrats, clerical reaction, various religious sects, the class-enemy in villages, the kulaks." Lenin, as quoted by Moscow radio on March 25th, said that

socialists have always condemned wars as cruel and brutal. Our view, however, differs completely from that of the bourgeois pacifists, the supporters and advocates of peace, and the anarchists. . . . In all periods of history, there have been wars which are progressive wars. . . . These have advanced the development of mankind and have contributed to the destruction of particularly vicious and reactionary systems.

The East German President, Wilhelm Pieck, described Lenin's doctrine in a broadcast speech on July 10th as meaning that "there are just wars which must be supported by the proletariat and unjust wars against which there must be a determined struggle." He went on to define a just war as one which aimed "at defending a people against attack from without and against attempts to enslave people or at liberating people from the slavery of capitalism and liberating colonies and other dependent countries from the yoke of imperialism." He then gave the war in Korea as an example of "a just war of liberation" and added that the differentiation between just and unjust wars had "a certain current importance for us Germans. . . . We must fight with determination against the formation of mercenary troops in West Germany until the Adenauer Government is overthrown." There is thus a quite unbridgeable gulf fixed between the red Lazarus reclining in a bosom that certainly is not Abraham's and the pacifist and imperialist Dives suffering torments in the militarist hell stoked by Wall Street and the Vatican.

Preparation for "Just Wars"

Returning, however, to the business in Vienna, it is perhaps interesting that M. Chareton in his letter to your correspondent did not once refer to the question of disarmament or even to the limitation and control of armaments which was a central theme in the Peace Congress held here in November last year. Nor did he say a word about germ warfare. It is by no means certain that the Congress will be as discreet, but M. Chareton's caution is at least justified by what is going on behind the iron curtain where military education is now taught in all schools from the lowest classes upwards. In each of the satellite countries there is a Union for Co-operation with the Armed Forces which seeks to militarise the whole working population of the country, regardless of sex: DOSAAF in the Soviet Union, *Svazarm* in Czechoslovakia, LPZ in Poland, the 'Freedom Fighters' Association in Hungary, the GMA Rumania. Women and girls as well as boys and men are not only taught to use parachutes but also rifles. The object of the exercises, of course, is that they should be ready not only to defend their own country against an imperialist attack but also to participate in any of the wars which by definition are just wars.

In such circumstances, it is perhaps unrealistic to invite—or at any rate to expect—the delegates to the Congress to go home and tell their countrymen with any degree of conviction that war is always unjust, that it is always sinful to arm and righteous to disarm or even that Generalissimo Stalin is just aching to throw his war-weary arms round the neck of ex-Generalissimo Eisenhower and pat Mr Churchill on the back, any more than it would be to suggest that Wilhelm Pieck is ready to embrace Konrad Adenauer. It is, in fact, clear that the Congress is a weapon in the cold war; and it is clearer than ever since the so-called Slansky gang was hanged that the Communist leaders who staged the Congress can have no real part nor lot with pacifists, trade unionists and religious leaders who have a different political outlook. Indeed, if M. Chareton is sincere in his desire to bring the cold war to an end, he might start by bringing forward a resolution disbanding the World Peace Council.

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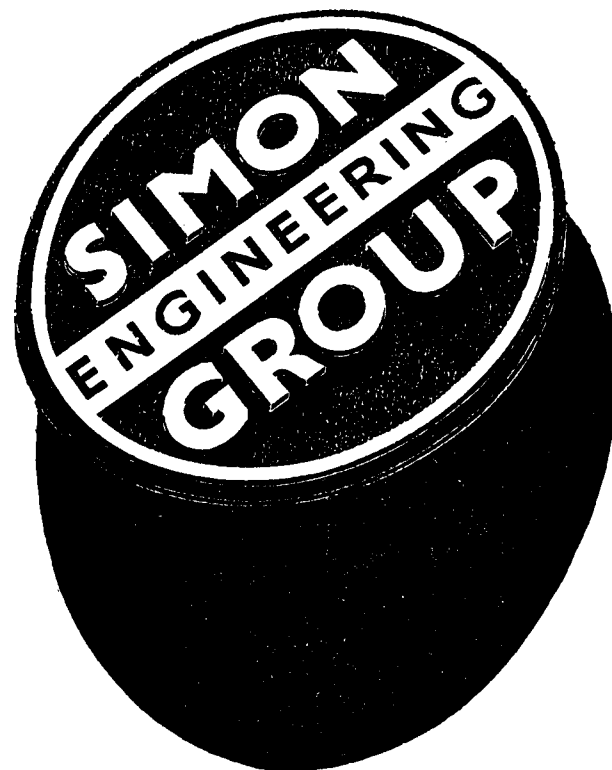
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THE BUSINESS WORLD

Industry and Defence

"SOMETIMES it is better," said the Prime Minister, announcing the defence cuts in the House of Commons last week, "to slow down the production of weapons which are being superseded by newer and better types in order to be more ahead a little later on." A review of this kind becomes inevitable when a rearmament programme hastily put together to cover a period of three years is re-examined and stretched out over a longer time. The present rate of defence spending is probably running closer to a figure of £1,600 million than the £1,462 million budgeted for the current year. More than half the cost is taken up in paying, feeding, clothing, transporting and housing troops to prescribed standards. Economies can only come from reducing the numbers of men or from reducing defence production.

The burden of defence production on industry in 1952-53 will probably amount to £600 million. The separate service estimates show an allowance of £203 million for aircraft and stores for the RAF; £156 million for guns, ammunition, vehicles and signals equipment for the Army; and £238 million for shipbuilding, aircraft and armaments for the Navy, either built under contract (£81 million) or at Naval establishments. Clothing for the three services was expected to cost a further £66 million. These figures provide a guide to the distribution of defence production orders between the three services; these sums represent payment for actual deliveries and the resemblance between the total and the estimated load of defence production is largely coincidental.

The new programme intends to hold defence production at approximately this level of £600 million during the coming year and longer. To do this, the volume of deliveries has to be reduced, and in some cases quite sharply. But for reductions that have already been made, defence production this year would have risen to £725 million—at end-1951 prices—and would have risen further next year to £850 million. And, meanwhile, prices themselves have risen. The re-phasing of the defence programme by no means indicates any reduction in the total bill when it is eventually added up.

Since defence orders account for a significant part of the activity of industries critically important in the export trades, it is desirable to attempt some estimate of what the revised programme may mean in terms of reduced pressure on these industries and in increased potential on their part for export. The first point to emphasise is that, although big reductions have been made in the air programme, the production of military aircraft will continue to rise during the next two years. It is intended to offset this increase by compensating economies in production for the Army and Navy. The Navy has an extensive shipbuilding programme in hand, partly for frigates and minesweepers that are urgently needed, and also for cruisers and fleet carriers, the completion of which could easily be postponed. The Army—according to the estimates—is spending least among the three services on defence production, and it should

be possible to make some reduction in the rate at which reserves of such items as guns and ammunition are accumulated. This year the Ministry of Supply accelerated the placing of orders for clothing in order to relieve the depression in Lancashire, and stocks are big enough to provide scope for substantial economies in clothing purchases in the coming year. Some small cuts in orders for vehicles may be made, but the initial orders themselves were not large. Much of the Army's supplies come from the Royal Ordnance Factories, where the rate of production, always below capacity in peacetime, can be easily controlled. But the tank factories present a special case. British tank production is concentrated on the Centurion. It is being built in quantity at three centres, one operated by Vickers, one a specially designed ROF tank factory at Leeds, and a third, completely new factory should be in production in a short time. Even apart from any need for economy, it is open to argument whether the Army today could effectively use the full production that these three factories could turn out, however necessary their output may have seemed early in 1951 when the lines were commissioned. Some British-built Centurions have been ordered for Nato, others have been bought outright by the Canadian authorities for the equipment of Canadian troops in Europe. If further sales of this kind can be made British tank-producing capacity can be kept fully employed; otherwise the rate of production in the three major producing units will have to be reduced, and unfortunately this would mean a rise in production costs per unit. This rise in unit costs that follows a reduction in assembly-line output is one factor that tends partially to defeat attempts at economy in defence production.

It is presumably justifiable to slow down the rate of arms deliveries to the Army and Navy if only because the need for large reserves appears to be less pressing than it was a year or more ago. But the cuts in the aircraft orders seem to have been made with totally different objects in view. The military requirements of the RAF have altered considerably since 1950. The orders placed with the aircraft industry in the first flush of rearmament were for those few aircraft that could go into production. Of the fighters, Gloster Meteors, both the day and night versions, and de Havilland day and night Venom and Vampires were the only available designs; the Canberra was the only jet bomber. In spite of their limitations, these aircraft were ordered in quantity. Once details of the high performance of the Russian Mig fighter were known, it was clear that there was no point in continuing to equip the RAF with fighters that were known to be inferior. The cancellation of outstanding orders for Meteors, Vampires and some Venoms is therefore no surprise to the industry. Nor is it surprising that orders for the Canberra should be reduced. No fewer than four production lines were laid down for this aircraft when it was the only bomber avail-

able. But since then, the medium-range Valiant and the rather longer-range delta Vulcan are in, or going into, production, and their appearance correspondingly reduces the need for such large quantities of light bombers. The reduction in orders for piston-engined trainers follows this same principle. Recruitment into the RAF is probably not large enough to warrant the numbers of elementary trainers ordered but, meanwhile, more jet trainers have been developed; hence the cuts in piston-engined trainers are accompanied by a modification of the original order for Vampire fighters into one for two-seat Vampire jet trainers.

Simultaneously with these cuts, other newer aircraft are coming into production. The Gloster and de Havilland fighters are being replaced by the Vickers Swift and, when it comes into production, the Hawker Hunter. The Armstrong-Whitworth Meteor night fighter will be replaced by the delta-wing Gloster Javelin, and the English Electric Canberra will be complemented, rather than replaced, by the Vickers Valiant, the Avro Vulcan and eventually by a Handley Page bomber. Meanwhile, the Vickers and Boulton Paul trainers are being replaced by the Vampire trainer; and the Percival Pembroke troop transport has gone the way of other abandoned orders for troop carriers. The Rolls-Royce Derwent engine used in the Meteors, and the Ghost and Goblin engines in the de Havilland fighters, are replaced by the Rolls Royce Avon, the Bristol Olympus and the Armstrong-Siddeley Sapphire (though orders for this last engine have had to be postponed to take into account the cancellation of one projected production line for Sapphire-engined Hunters in addition to those with Avon engines). For some companies, orders for new aircraft have replaced those that have been cancelled; but this exchange of types does not apply in every case, and even where it has occurred, the change from one type to another cannot be made without some interruption to production.

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Although the aircraft industry will need a further 10,000 men in the coming year and again in 1954 for military work alone, there will be some idle capacity in the industry. Some of these extra men are needed because aircraft production is still rising, but some are needed for the sole reason that the newer aircraft take more man-hours to produce. In many cases, also, the reduction in the number of aircraft or engines ordered from a given company is intended to fall at the end of the delivery period. At this present time, the RAF is under-equipped; aircraft such as the Canberra are now urgently needed for squadron service and every Canberra that comes off the new production lines at Avro, Shorts and Handley Page (and every Avon engine for them from the Napier, Bristol and Standard lines, as well as the Rolls-Royce factories) will be put straight into service. It is only towards the end of the programme period, when immediate RAF needs have been met, that the rate of deliveries is due to fall off. Aircraft production during the coming year will only gradually begin to fall below the rate originally planned; it will continue to rise above the levels of the past year.

Nevertheless, capital expansion in the aircraft industry, now almost complete, has been designed to provide capacity to meet military requirements to the full—that is, the original 1950-51 rearmament programme, plus orders for recently-developed aircraft such as the Javelin and Vulcan that were placed after the programme had

been drawn up. This investment has deliberately been left untouched by the latest cuts. So, in spite of a steady rise in employment, the industry will not enjoy full employment unless it can find other customers. Some of the smaller companies with cancelled orders will probably take on sub-contracting work for aircraft and engine sections from the main contractors—this may explain why Vickers-Armstrongs, which makes great use of sub-contracting, has been able to handle simultaneously such a heavy volume of civil and military work. But the employment of the expanded aircraft-making capacity will to some extent rest on the ability of the leading companies to find new markets, both civil and military. There is no doubt that the Western European countries are anxious to operate British fighters, particularly if these can be procured as off-shore purchases, paid for by American aid. But the American government does not sign orders of this kind without much deliberation, and there is always a risk that the advantage of early delivery may be lost; this delay might occur to the order for 250 Swifts—it was whittled down from 500—that is now under discussion. Whether a similar order for Canberras could be negotiated is still problematical; but it would make a considerable difference to the prospects of major sub-contractors to the Canberra programme, since some of these companies received the orders because they had considerable factory space and little immediate prospect of employment for it. The opportunities for civil exports have been exhaustively examined during the past years; the strenuous efforts that the major companies building civil aircraft have made to give early delivery dates has embarrassed their American competitors, but it would be a mistake to suppose that anything more than the preliminary shots have been fired in the Anglo-American battle for the civil airline markets.

Behind the aircraft and other armament industries, the engineering and radio industries have built up a reserve of highly specialised capacity to make components for the major military items. These range from tank-turret castings, presses for turbine blades, and specialised forging capacity, to intricate electronic equipment far removed from the mass-produced radio receiver of the domestic market. It is estimated that, for example, component and electronic production for the aircraft industry is employing as many men (more than 200,000) as are employed in the aircraft factories themselves. The employment of such capacity is immediately affected by any changes in the activity of the main government contractors. If military or civil aircraft or tanks can be sold abroad, they will need such components, but if such markets are not found, this specialised capacity cannot easily be diverted to other uses. The "burden on the engineering industries," imposed by the defence programme, represents, in fact, the bread and butter of certain sections of it, some of which have been brought into being for this sole purpose. Failing the development of new and specialised export markets, the relief of this "burden" may consist very largely of the diversion of raw materials, some of which are still scarce, from military to civil production and so, perhaps, to export. The Prime Minister was right to appeal to industry for understanding of the Government's motives and policy. In fact, the changes with which some sections of industry concerned with defence are now confronted will call for great understanding on the part of the Government.

Can Cinemas Pay?

IN the tragi-comedy of British film finance since the war, the cinema exhibitor has conventionally been cast in the role of the rich (though not necessarily wicked) uncle. The film technicians' argument that "Enough profits are made on British films, but they are made by the wrong people" was never formally accepted in Whitehall; but subsequent Government policy towards the industry seemed to show its influence. The Eady scheme, which combined an increase in seat prices with a remission of Entertainments Duty, siphoned off direct to the producer more of the resulting increase in box-office receipts than would ordinarily have reached him through film hire. Proportionately, the extra revenue it gave the producers was much more important than the extra earnings that were to be left to the exhibitors. In effect, it tended somewhat to redistribute the total revenue of the industry, at the expense of the shares taken by the Customs and Excise or retained by the supposedly "prosperous" exhibitor. Two weeks ago Mr J. Arthur Rank gave a sharp jolt to the conventional view about cinema earnings when he disclosed that about 35 per cent of the profits his group showed under "exhibition in the British Isles" in 1950-51 came, in fact, from the sale of ice-cream in cinemas; Mr Rank further declared that so far as box-office takings were concerned "there was a loss for the whole organisation" in that year. This week the Cinema Exhibitors' Association has produced for the Treasury an elaborately prepared version of the same argument—that the ostensibly rich uncle of films, in fact, stays solvent only by dint of peddling eatables and showing advertisements on the side.

The argument that the "profitable end of the business" was fast becoming much less profitable is not new, but in the past the exhibitors have often contrived to make it unconvincing. In 1950, for example, they argued that without certain minimum concessions in Entertainments Duty, many cinemas would be forced out of business. The concessions were granted only in part, but the cinemas stayed in business. The case, as overstated, collapsed.

It is only fair to admit that their arguments today are anything but ill-prepared; in fact, they now display considerable sophistication. They have been made possible by the thriving crop of statistics that the Board of Trade has grown for this industry during the last three years where none existed before. From the official figures, it is possible to see how total box-office takings are apportioned between duty, exhibitor, Eady fund, film hire and (a shade less clearly) between the distributor, foreign producer, and British producer. The exhibitors' accountants, working upon the Board of Trade figures and certain others collected within the industry, have carried the analysis much further in a report that illustrates the case for relief of duty that the exhibitors are now submitting to the authorities.

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With considerable ingenuity, the accountants have constructed an outline profit and loss account for film exhibition in Britain as a whole for 1951-52. Their

figures for operating costs were obtained from a "quota sample" of British cinemas designed to reflect accurately the size distribution of all cinemas throughout the country. This sample covered such costs as wages, insurance, publicity, maintenance, rates, and power, among others. But it provided no useful figures for depreciation nor, in the case of leased halls, for rent, because cinemas are operated under a wide variety of letting and profit-sharing arrangements. Notional figures for both these items have, therefore, been calculated on the basis of an estimate of the total capital value of cinemas in this country. Based upon prewar costs of cinema construction, such an estimate puts the historical cost of the country's 4,600 cinemas at roughly £95 million. Depreciation has been calculated at the rate of 2 per cent of this figure, and rent at 8 per cent of these historical costs for fixed assets. Thus constructed, the estimated profit and loss account is set out in the table. Results are given from the point of view of the owner-exhibitor and of the lessee-exhibitor, but the conclusion is, in fact, identical: the accountants argue that exhibitors' net box-office takings throughout Britain as a whole, after covering all costs other than rent, amount to some 1.4 million less than could reasonably be charged

AN ESTIMATED "PROFIT AND LOSS ACCOUNT" FOR THE BRITISH CINEMA TRADE FOR THE YEAR ENDING JUNE 30, 1952

	£'000
Gross takings.....	109,639.9
Less Payments to outside interests:—	
Entertainment tax	38,126.0
Eady fund.....	2,831.7
Film hire.....	24,029.4
	64,987.1
Exhibitors' share.....	44,652.8
Less Operating costs:—	
Wages.....	18,435.8
Overheads	18,123.0
	36,558.8
	8,094.0
Less Estimated depreciation.....	1,900.0
Surplus available to owner/exhibitor to meet directors' fees, reserves, dividends, and taxation	6,194.0
Less Estimated rent (in case of lessee/exhibitor)....	7,600.6
Loss of lessee/exhibitor (to which must be added directors' fees and reserves).....	1,406.6

Source: Stoy, Hayward & Co.

for the rent of the cinemas alone. The analysis has been carried further to secure notional results for each class of cinema; broadly, these would suggest that only those with more than 1,500 seats could more than cover a reasonable rent; cinemas with between 250 and 1,500 seats could not make enough to pay rent.

How reasonable are the assumptions on which this argument is based? The sample of cinemas for which costs were obtained was small, if well-designed, and only 58 per cent of those who were asked returned usable data; the poorest response came from the smallest type of cinema and the best—almost 100 per cent—from the major circuits. The estimates of construction costs used to calculate the total historical cost of the country's cinemas accord fairly well with others made in the trade before the war, and the total value of £95 million is

probably less than most people in Wardour Street would guess. The figure of 8 per cent of this historical value for rent is made up of 6 per cent, as the rent that a landlord might expect for any commercial building, plus 2 per cent for the special "immobility" of cinema buildings. It is certainly true that most cinemas could hardly be used economically for anything else (except perhaps theatrical entertainment, which in recent years has been supplying no buyers). One of the big circuits lately sold some small "tunnel-type" cinemas for use as variety stores of the chain type, but the larger modern buildings offer little scope for commercial conversion except at very high cost. The manifold assumptions upon which this estimate of cinema unprofitability is built naturally make it highly tentative; the Treasury, for example, might be able to make surer estimates of operating costs. But it is hard to dismiss.

Why, then, do few cinemas close? Mainly because they live on ancillaries—Mr Rank's ice-cream, sweets, soft drinks, and advertising films. The argument is not that cinema exhibitors, on the whole, fail to make some sort of profit; but that the profit derives very largely from these ancillary earnings. Only Mr Rank has disclosed what one item of these amounts to for his group's 546 cinemas—£1,151,000 profit on ice-cream in a single year. Guesses in the trade have often put these earnings at 40 per cent or more of published profits for many cinemas. The Board of Trade at one time began collecting some figures but gave it up. Whether or not the full extent of ancillary earnings for all cinemas is ever recorded anywhere, it has never been published.

The importance of these earnings can be exaggerated. As has been said this week, the logical consequence of arguments that the profits of exhibition depend entirely on them might be for the cinema posters to advertise ice-cream, rather than feature films. But in a trade where duty takes 35 per cent of box-office receipts, the exhibitors may be excused for arguing:

It is surely illogical that the solvency of the trade should depend on an income which is so far removed from the main objects which prompts the initial capital investment.

If film exhibition *per se* has become chronically unprofitable, it must be borne in mind that its net receipts amount to 35 per cent less than its customers are prepared to pay for the entertainment it sells.

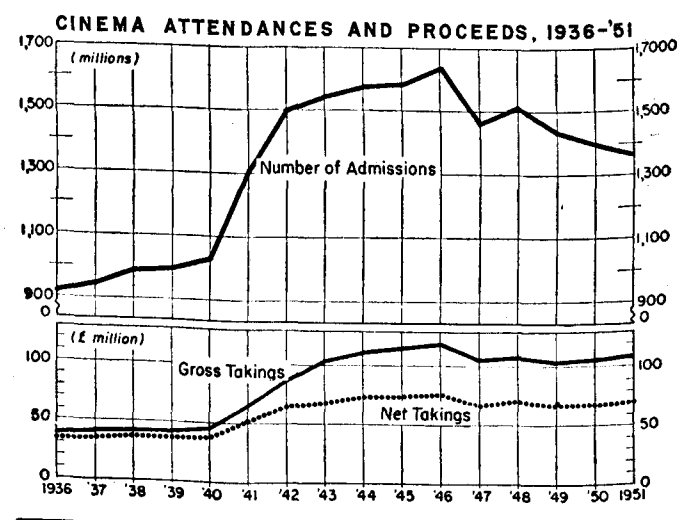
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The exhibitors' accountants then proceed to estimate what they would consider "a reasonable profit" for film exhibition. Asserting that the lessee-exhibitor should expect to make as much as a shopkeeper selling highly taxed goods such as cigarettes, they argue that a fair profit would be 10 per cent on turnover (including tax)—or nearly £11 million for the trade as a whole. Adding their calculated figure for rent, this would give a "reasonable profit" of about £18.5 million for the trade from the point of view of an owner-exhibitor. They cite one of the Inland Revenue's EPL standards—8-10 per cent on assets at current values—as a check. The replacement value of a cinema today might well be 2½ times its prewar cost; applied to their £95 million estimate for original cost, the EPL standard would give standard profits of some £19-£23 million for exhibition as a whole. However their estimate of current profits is shown, it falls more than £12 million a year short of that—and EPL standards are not usually considered over generous.

No case advanced by any part of the film industry has

ever deployed professional expertise of this kind; the exhibitors, perhaps a little dazzled by such a professional display, are not asking the Treasury to concede them anything like this "reasonable level of profit." Their requests are at present much more modest; they will probably ask for not much more than the Treasury aimed at leaving them in the negotiations over the Eady plan. When the scheme was amended in 1951, its effect was expected to be that the producers of films in Britain would receive about £3.9 million more from the Eady levy and film hire than they did in 1950; but that the exhibitors too would retain nearly £3.6 million more. In fact, with the decline in admissions, the actual effects have been much smaller; although nearly £3 million has been secured for the producers, the exhibitors have gained only about £1.7 million, nearly £2 million less than was expected. The changes in Entertainments Duty that they are advocating for the next Budget might in fact, bring them an additional £3.5 million a year.

If film exhibition, as the accountants conclude "is fast relapsing into the status of a depressed industry," who should be doing something about it? First, clearly, the



exhibitors themselves; though the direct costs in cinemas may not be easy to reduce, there must be economies to be gained. Second, in conjunction with them, the remainder of the trade. Little has been done to revise methods of charging film hire or of distribution since the Plant Report demonstrated that under the present system many of the best films cannot realise their full potential earnings. Third, the Government. Nobody is as well placed as the Board of Trade and the Treasury for testing the assumptions upon which this contention that film exhibition as such is unprofitable is based. If the case seems broadly fair, it would justify some moderation of the Entertainments Duty, which almost certainly takes too much of the industry's total revenue. But the implications reach further. Is official policy towards the film industry to continue to consist of fiddling adjustments to the shares of receipts that arise from normal commercial practice? It might be. There are, after all, the renters still to be squeezed, if redistribution remains the chosen technique. But that course inescapably sets one section of the industry against another. If the object of policy is to promote a healthy British production industry, and to economise in dollars spent on films—and presumably at least not to penalise the cinema exhibitor in doing so—this is probably not the only way of doing it.

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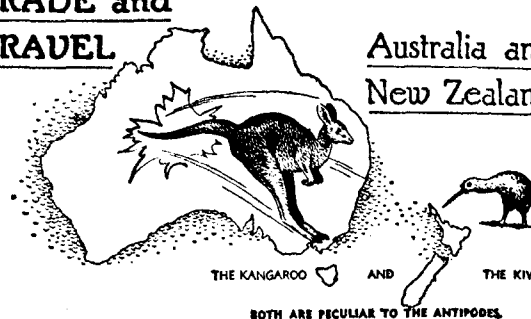
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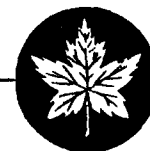
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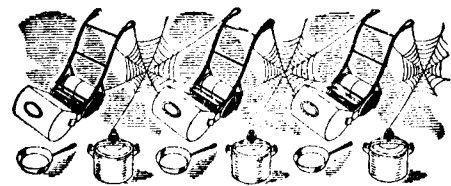
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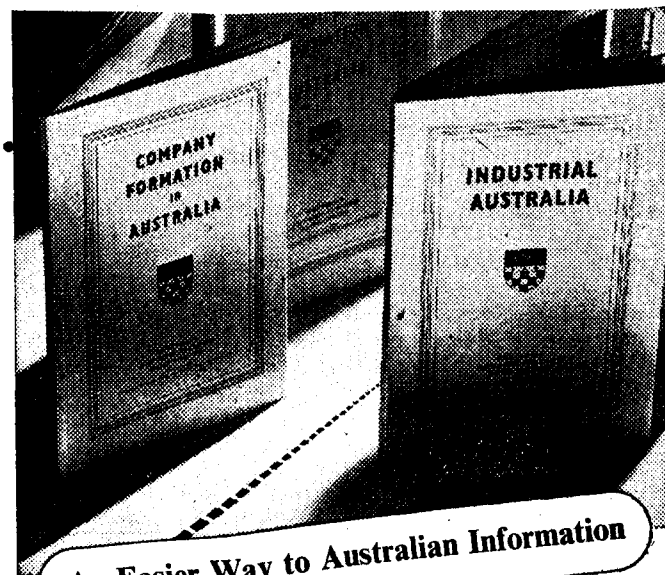
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The City and the Commonwealth

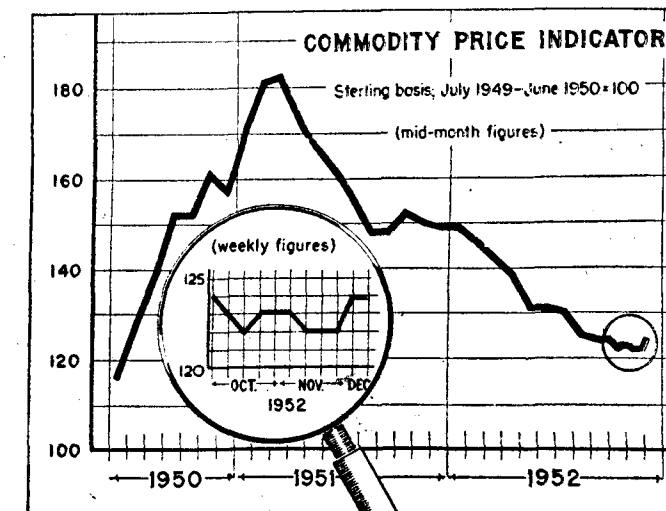
The City of London is making its contribution to the wider objectives of the Commonwealth Economic Conference by forming a new company which in the wider sphere of the Commonwealth will fill the role which has in the United Kingdom been played during recent years by organisations such as the Finance Corporation for Industry. The plan, which is still at an early stage of gestation, is to form, with the support of the Bank of England and in consultation with banking, insurance, investment trust, issuing houses, and other interests, a company with a moderate initial capital and borrowing powers, which can assist in the provision of finance for development projects within the Commonwealth. Projects especially favoured will be those that promise to strengthen the sterling area's balance of payments. Apart from direct financial assistance the company, when it is formed, will provide a convenient address to which proposals can be sent; if after sifting the projects are found promising they can then be sent to the appropriate institutions in the British capital market. It is also one of the aims of the sponsors that the company may act as a link between Commonwealth borrowers and lenders in overseas, and particularly in dollar, markets. This suggests eventual possibilities of useful co-operation with the International Bank for Reconstruction and Development, an institution which, it is understood, has expressed considerable interest in the project. So far, the organisation of this company has gone little further than the formation of an organising group headed by Sir Edward Peacock and comprising representatives of the Acceptance Houses Committee, the Issuing Houses Association, the Federation of British Industries, and other industrial and commercial interests.

The proposal has not been launched with flamboyant hopes of what it can achieve quantitatively for Commonwealth development in the near future. Those responsible for the project need no reminder that the total resources available for overseas development are related to savings and the balance of payments surplus; such resources cannot be conjured up by the mere setting up of a new institution. But the sponsors hope that, on the basis of what is intended to be a modest start and by dint of sound and businesslike management, the new company may come to play an important part in Commonwealth development. It will provide what many observers acknowledge to have been a missing link in the organisation of the City, namely an institution which can sift projects for Commonwealth development and help them by technical advice and, if need be, by direct financial participation. Provided that no excessive hopes are based upon it as an early and liberal provider of capital, this new company can be regarded as a valuable and worthwhile contribution to the progress of Commonwealth economic development.

Improvement in Commodities

Have prices of primary materials reached the turning point? In the first seven months of this year *The Economist* commodity indicator continued to drift downwards; in October and November the indicator remained virtually unchanged; but from the beginning of this month it has shown signs of improvement and has now reached 124 (July, 1949-June, 1950 = 100) compared with 122 in mid-October. The rise so far recorded is not spectacular, but it has one feature that may be significant: it has resulted from small increases in a large number of commodities, whereas earlier, and temporary, improvements arose from spurts in the prices of single materials or groups of materials.

The indicators for individual groups of commodities show that, with the exception of metals, the prices of most raw materials are now rising. Wool remained practically unchanged in November, but is now making headway. The index of wool prices is now 124 against 88 at the beginning of April. Jute and sisal prices have recently recovered, though cotton remains depressed by ever-increasing estimates of this year's American crop. Rubber has shown a striking improvement; the index of rubber prices has risen from 136 (July, 1949-June, 1950 = 100) in mid-October to 183 on December 10th.



These improvements in prices of the two main dollar-earning commodities have provided a cheerful backcloth to the final proceedings of the Commonwealth Conference. Their potential importance for the trend of dollar earnings of the sterling area is not to be minimised. If they continue—in other words, if the renewed recovery in American economic activity is sustained—they will make it the less easy to sell any plan for organised commodity dealings that may emerge from the conference. Information on that point, as on all others discussed at the conference, was awaited at the moment when this issue of *The Economist* was going to press.

Dealings in Japanese Bonds

The Japanese debt settlement has left a confused wake behind it in the stock markets. This turbulence has been partly caused by the fact that no definite final date has been fixed for bondholders to assent to the settlement (by presenting their bonds for enfacement at the London branch of the Bank of Tokyo). In the three-week account that began on Wednesday dealers will therefore have to take account of the difference between the bonds that have already been enfaced and those that have not. There is a further source of complication: the first interest payments under the settlement will become due half-way through the account, on December 22nd. Officially the assented bonds will not go ex-dividend until this date, but—by arrangement with the jobbers—dealings in the bonds are possible on an ex-dividend basis before they are actually marked as such in the Official List. For part of the account jobbers will therefore deal in three distinct classes of stock; non-assented bonds, assented bonds cum-dividend, and assented bonds ex the December 22nd dividend.

By postponing a formal acceptance of the settlement some bondholders, especially surtax payers, may secure certain

tax advantages. Accumulated interest tends to be reflected in the price of the bonds at a net value, after allowing for tax at the standard rate. Some surtax payers, therefore, do not intend to lodge a formal acceptance of the settlement immediately, but will allow interest to accumulate on their unassented bonds; they hope that if they sell these bonds later, they will then receive (in the market price they secure) the equivalent of their arrears of interest less approximately the standard rate of tax instead of taking the gross interest into their income which would attract a much higher effective rate. On the other side of this complicated medal, pensions fund investors, and others paying less than the standard rate of tax, may find it wise to delay extensive purchases of Japanese bonds until substantial amounts of interest arrears have accumulated on unassented bonds—for they might then, in effect, be able to buy up these interest arrears at a net rate. Market forces in themselves, however, may gradually wipe out these advantages by widening the premium at which the unassented bonds stand above the assented ones. Meanwhile, one major question mark hanging over the market concerns the attitude of the Japanese government itself: whether, at present prices, it will become an active buyer of its bonds.

Exports fall in November

Hopes that the improvement in exports in October might have marked the end of the downward trend faded with the announcement this week of the preliminary figures for overseas trade in November. The Board of Trade estimate that exports last month amounted to £207 million compared with £219 million in October and £244 million in November, 1951. The decline last month is the more disappointing because exports usually show a seasonal expansion in November. The only consolation to be drawn from the total is that since last month contained fewer working days, the daily rate of exports was 2 per cent higher than in October.

Exports to North America showed a disappointing setback, from £28.6 million in October to £24.4 million last month, though the latest figure was still £3 million above the corresponding amount for November, 1951. The reduction last month fell more heavily on exports to the United States than to Canada. Exports to the United States dropped from £14.4 million in October to £11.8 million last month, while shipments to Canada fell from £14.2 million to £12.5 million.

The decline in imports now seems to have spent most of its force. The November total of £262 million was £67 million lower than that for November, 1951. But last month's figure was only £5 million lower than that of October and only slightly below the monthly average for the third quarter of this year. Re-exports last month were £8.9 million and total exports amounted to £216 million; thus the excess of imports (cif) over total exports (fob) was £45.7 million compared with an excess of £35.7 million in October.

Fiduciary Issue at Peak Level

The expected increase of £50 million in the fiduciary issue was announced by the Chancellor of the Exchequer on December 9th. This restores the issue to the peak of £1,550 million temporarily attained during the phase of holiday currency demands last summer. During the corresponding week in December last year there was also an increase of £50 million in the fiduciary issue—an increase that was only cancelled in mid-January. During the past fortnight the note circulation has risen by £51 million (to £1,513 million), compared with increases of £52 million and £53 million during the corresponding periods of 1951 and 1950 respectively. In 1951 there was a further increase amounting to £22 million during the final two weeks before the Christmas

peak and in 1950 an increase of £18 million. There still remains a reserve of £37½ million of notes in the banking department, which seems likely to suffice to meet the further seasonal demands.

This year, however, it will be more than usually difficult to gauge the trend of Christmas spending from the behaviour of the note circulation as shown in the Bank Return—because of the possibility of unusual variations in the banks' till money. The latest figures available (those for the middle of November) show that for several months past the banks have been holding a much larger amount of till money than in the corresponding months last year. To the extent that they may have been using this reserve of notes during recent weeks, the apparent increase in the note circulation would naturally underestimate the increase in public spending. The reason for these larger holdings of till money—and, more particularly, the reason for expecting these reserves to be temporarily run down now—appears to be the desire of the Bank of England to economise by reducing its issue of new notes, and its consequent pressure upon the clearing banks to pay out old notes wherever possible. In response to these requests, the banks may have been refraining from returning some of the old notes they would otherwise have exchanged for new ones. At the same time there is some reason to believe that their efforts to co-operate in this way have been to some extent hampered by an increase in the number of firms using note-counting machines; these cannot operate with old notes.

Steel Hits the Target

Steel output this year seems likely to be in the region of 16,100,000 ingot tons. Last month it was the highest ever recorded, at an average of 345,200 tons a week; this compared with 327,800 tons a week the month before and with 316,100 tons a week in November, 1951. The highest rate of production previously recorded was during the same month in 1950, when output was at the rate of 336,000 tons a week. The average output for the first eleven months of this year has been 309,400 tons a week, or an annual rate of 16,087,000 tons a year; if the relation between November and December output is much the same as in 1951 and 1950, this month's output should be about 305,000-315,000 tons a week, much the same as the eleven-month average.

This steel output was supported by a very high rate of iron production. The country's blast furnaces turned out 206,800 tons a week, compared with 204,200 tons a week in October and with 196,800 tons a week in November, 1951. In November, 1950, the previous record steel output was matched by an output of only 193,000 tons of pig iron a week; at that time the usage of scrap in the steel furnaces was considerably higher, fed by the continued high deliveries of scrap from Germany that began to dry up in the spring of last year. This steady rise in pig iron output—by nearly 900,000 tons a week—has been perhaps the most important achievement of the industry in 1952; six new blast furnaces have been blown in during the year, and two others—including the largest blast furnace in Europe, at the John Summers works at Shotton—are being brought in at this moment. This year has seen the achievement of the main output target called for in the industry's first postwar development plan—a capacity of 17½ million tons of steel a year. The development plan did not count upon high imports of foreign scrap, though the industry was of course glad to use it in 1949 and 1950 to achieve high steel output somewhat in advance of plan. Whatever may be said in argument that the development of pig iron capacity to some extent slackened in the industry during those years, the leeway has largely been made up. Expansion henceforth from the schemes that make up the "second development plan" will raise capacity towards 21 million tons of steel a year, and allow for some closing of the older works that were originally intended to be out of production by this time.

Turn in Coal Consumption

Coal consumption in the ten weeks ending on December 1st was about 2 per cent higher than in the same period of 1951. There seems no reason to look farther than the temperature chart for the explanation of this. It certainly does not appear to have come from an industrial revival; consumption in general industry did not exceed the corresponding 1951 figure until the last of these ten weeks, and for the first 48 weeks of the year it was 2½ million tons lower. Of these industries, only the engineering and other metal trades show a slight increase in fuel consumption during the whole eleven months, along with the coke ovens (up by 2 million tons) and the gasworks. The electricity industry seems to have burned slightly less fuel to generate slightly more units; railway consumption, too, is slightly down.

The effect of the turn in inland coal consumption, combined with the increase in exports, has been that total consumption so far this year is only about half a million tons lower than during the first 48 weeks of 1951. The country has now entered the period during which it runs down its coal stocks; these fell by about 650,000 tons in the last three weeks of November, and were probably drawn upon more heavily last week. Though the industry has had an average of 17,000 more workers on colliery books during the first 49 weeks of the year, its output per manshift has remained obstinately lower. The net increase in deep-mined output this year has been less than 1½ million tons—with another million tons from higher opencast output. It is to be hoped that these production figures understate the advantage the industry has gained this year, owing to the transfer of men to training faces and to development work in the mines. If not, the industry would seem to have made poor use of its lull in 1952.

Caution in the Building Societies

One of the main reasons for the recent fall in the price of medium-sized and larger houses—those costing £3,000 or more—has been the very cautious lending policy of the building societies. For some time surveyors' valuations of larger houses have tended to be below the prices asked by vendors; and since building societies will customarily lend only up to 80 per cent of their surveyors' valuations, this has caused a definite softening in the market. In addition, some societies now adopt a sterner attitude towards mortgages against certain types of commercial buildings and "part-possession" dwelling houses (which are encumbered by sitting tenants statutorily protected from removal); mortgages that would have been merely discouraged a year ago are now frequently refused outright. This tightening of lending policy has come at a time when a few societies—most of them small societies in London—have increased the tax-free yield on their shares from the now customary rate of 2½ per cent to 2¾ per cent. This has naturally given rise to discussion whether the movement may be having some difficulty in maintaining the substantial inflow of funds that has been such a feature of the postwar years.

The suggestions to this effect seem to be wide of the mark. All reports indicate that most of the big national societies—and also the smaller societies, especially in the north, that have a devoted local following—are still getting virtually all the funds they want at the 2½ per cent rate. Certainly the efflux of surtax payers' funds out of the movement after the withdrawal of the surtax concession last April has been less than many observers had expected. The most recent report from a major building society, that by Woolwich Equitable for the year to September 30th last, showed that share and deposit capital rose by just over £6 million (to over £72 million) compared with a rise of £6.8 million in 1950-51; since September, some people in the movement suggest, the inflow of savings may have swollen rather than diminished. But the Woolwich Equitable also reported that its new

mortgage advances last year amounted to £13.1 million, compared with £15.6 million in 1950-51; when the usual crop of end-year reports by other societies comes out, more declines of this sort may be reported. The movement is clearly intent upon increasing its liquidity—not so much because it has any exaggerated hopes about an upsurge in demand for the sort of business it most likes to finance, namely the sale of new rather than second-hand houses, but because it believes that this is a time when all financial institutions would do well to ride on a shorter rein. In other words this is yet another field in which the past year's slight increase in disinflationary pressure can be seen at its useful work.

The End of Utility

The last of the utility schemes, that for the furniture industry, comes to an end on Monday. As applied to the furniture industry, it had two distinctive features. One was that nearly all the furniture produced was sold at or below the utility prices—the incidence of purchase tax weighed so heavily on any articles made outside the scheme that they were for practical purposes, unsaleable, and the total tax yield was running at no more than £4 million a year. The other was that, unlike the other utility schemes which had become with the course of time simply devices for fixing tax-free price limits, the utility furniture scheme maintained all its original rigidity, and specified in some detail the size, type and method of construction for each item, with generally unfavourable results on the inventive spirit of the industry. That it was tolerated so long is largely due to the industry's fears of the effect on its always unstable market of any increase in retail selling prices. The utility scheme did at least ensure that purchase tax did not add to the difficulties of selling. The "D" scheme that replaces it taxes a wide range of furniture on the margin of its wholesale price above a certain tax-free limit. A utility wardrobe with a wholesale price of £28 was previously tax-free, it will in future attract £1 6s. 8d. purchase tax. The non-utility wardrobe with a wholesale price of £36 used to carry £12 tax; this now comes down to £4. A wardrobe costing up to £24 still goes tax-free.

Customs and Excise have shown remarkable—some will probably call it fiendish—ingenuity in devising definitions for types of furniture for purposes of tax assessment. Tables are assessed by each square foot of surface, with a tax-free allowance of 13s. 4d. per square foot on the wholesale price. Chairs are loosely grouped into three classes according to the width of seat. Beds and headboards are classed as over or under 45 inches in width. But the assessment of "carcase" furniture, i.e., anything with open or closed storage space, is the masterpiece. The "D" limit is calculated on the cubic capacity of that space, but on a steadily decreasing "D" rate. The first three cubic feet qualify for tax exemption at the rate of £2 each, the next four feet at £1 10s., the remainder at 8s. each. When this sum is completed, it gives a "D" limit of about £24 for a 4ft. wardrobe with a volume of 37 cubic feet.

By this means, Customs have avoided what most critics expected to be the main drawback of the scheme, the multiplicity of definitions for different types of furniture. There has been considerable opposition to the scheme from the industry. Only a minority came out in favour of abolishing the utility system, but now that it is published, the scheme seems to provide the industry with few grounds for complaint other than the strain on its mathematical ability and even this has been anticipated by the thoughtful addition of a ready-reckoner. The industry is in the process of developing its new designs to be exhibited at the annual trade show late in the New Year. It should be possible then to assess the effects of the industry's new-found freedom as well as its new tax-liabilities and also the success, if any, of the new voluntary performance standards that are designed to replace the utility specifications.

Foam on Troubled Waters

At one point in its course the River Lea flows over a mill race where its normally placid waters have recently shown a startling metamorphosis into monstrous piles of foam that heap up on the river bank and blow across the countryside. This phenomenon has never been attributed officially to the increasing use of synthetic detergents, but the Ministry of Health has started talks between detergents manufacturers and sewage engineers to see what can be done to prevent future foaming.

Foam seems to occur where the flow of water carrying sewage effluent becomes disturbed. Moreover, foaming may become progressively worse in time. Despite the great increase in the use of synthetic detergents, they represent less than a quarter of the current consumption of detergents of all kinds, while the consumption of soap is running at its prewar rate of rather more than half a million tons. The scale of nuisance that appears to have resulted from the use of relatively small quantities of synthetic detergents may be a foretaste of what might happen if consumption continues to rise.

In the development of detergents chemical manufacturers have generally leaned towards those that foam. Not all detergents make foam; in the United States a non-foaming detergent is sold to industrial users who find the build-up of foam in mechanically agitated liquids a decided liability, and one British manufacturer had recently taken advantage of the present public concern to announce that its preparation gives "little or no lather." But a distinction needs to be drawn between the foam that rapidly disappears and the foam that persists. The chemical detergent itself produces a foam that soon breaks down, and does not therefore create a sewage problem. But these chemicals, although they are used unmodified in industry, are simply the raw material for the domestic detergent. In a washing powder, other compounds are usually added to hold in suspension the dirt released by the active agent. This active agent is highly efficient in loosening dirt from a surface; but of itself, it is less effective in maintaining this dirt in suspension. The chemicals that assist in holding dirt in suspension tend to have an unfortunate stabilising effect on the foam. Since some detergent manufacturers have encouraged the public in the view that foam is synonymous with cleanliness, persistent foam in the kitchen sink was not held to be a disadvantage. But if the chemical that causes foam were removed from these compounds they would in all probability lose some of their effectiveness.

Manpower Trends

Although the textile recovery continued to attract workers back into the mills throughout October and early November, the total number of workers of all kinds unemployed rose, partly through seasonal changes. On November 10th there were 406,400 people unemployed (2.0 per cent of all employed), but 36,200 of these were temporarily stopped and only 148,400 had been out of work for more than eight weeks. This compared with a total of 397,900 a month earlier. The number of textile workers registered as unemployed had fallen by 11,800 since mid-October. The employment figures for the end of October show that during the month 16,000 workers had returned to textiles. The total employed in these industries, however, was still 112,000 fewer than a year before.

The changes in numbers employed during October, outside the textile recovery, can be accounted for almost entirely on seasonal grounds. The basic industries, particularly agriculture and transport, lost some 44,000 people; the building and contracting trades lost 10,000 men, and the number in "professional financial and miscellaneous services" fell by 10,000, which was more than explained by the seasonal fall in hotel and catering

employment. Clothing and textiles gained 22,000 workers in all, and the labour force in the "other manufactures" group rose by 6,000. There has been little increase in employment in the metal-using industries since August; and the "metals, engineering and precision instru-

ANALYSIS OF CIVIL EMPLOYMENT, END 1950-OCT, 1952
(Thousands)

Industry or Service	End Dec., 1950	End Oct., 1951	End Dec., 1951	End Oct., 1952
Mining and Quarrying	843	848	852	873
(No. on Colliery Books)	(689)	(694)	(698)	(719)
Gas, Electricity and Water	360	365	369	369
Transport, Communications	1,742	1,755	1,751	1,747
Agriculture and Fishing	1,117	1,142	1,102	1,122
Total in Basic Industries	4,062	4,110	4,074	4,111
Chemicals, etc.	480	494	494	492
Metal Manufacture			555	558
Vehicles	4,092	4,179	1,069	1,090
Engineering, Metal Goods & Precision Instruments			2,586	2,564
Textiles	1,032	1,022	997	910†
Clothing	729	708	686	683
Food, Drink, Tobacco	838	864	852	861
Other Manufactures	1,531	1,565	1,547	1,482
Total in Manufacturing	8,702	8,832	8,786	8,630
Building and Contracting	1,425	1,465	1,422	1,436
Distributive Trades	2,640	2,643	2,645	2,648
Professional and Financial Services, etc.	3,926	3,946	3,921	3,960
Public Administration :—				
National Government	613	623	627	610
Local Government	737	744	746	751
Total in Civil Employment	22,105	22,363	22,221	22,146

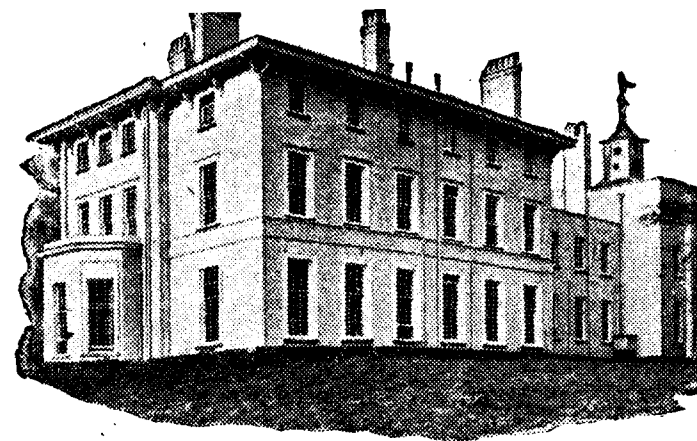
†Cotton, 270,000; Wool, 200,000; Other Textiles, 440,000

ments" group has lost more workers so far this year than the vehicles group has gained (mainly for the manufacture of aircraft). The accompanying table gives comparisons ranging back to the end of 1950; it shows that the growth of the whole metals and engineering group during 1951 has not continued in the first ten months of this year.

Wool Textile Workers Return

Recovery in trade has brought back many of the physical difficulties that affect output in the wool textile industry. Production is again being held back by shortages of labour and of materials. Of the two, the shortage of labour is likely to prove the most difficult to overcome, but the October figures published by the Wool Industry Bureau of Statistics show that the number of workers is gradually creeping up. In October the five main sections of the industry gained 4,431 workers but the present total is probably still some 20,000 below the peak labour force reached at the end of 1950. During the eighteen months of slack trade that followed, nearly a quarter of the workers in these sections of the industry were dismissed.

It was much easier to dismiss these employees than it is now to get them back. Those who have found other employment doubt whether textiles can offer equal security, and cannot easily be persuaded to return. Worst spinning, which lost a far greater proportion of its workpeople than did any of the other sections of the industry, is now recovering its labour more rapidly. Of the 4,431 that returned to the main sections of the industry in October, nearly 3,000 went to worst spinning; and this section of the trade has now made up about 6,000 of the 14,000 workers that it had laid off. The recession in trade took longer to affect the worst spinning side of the industry, and its losses were mild; in



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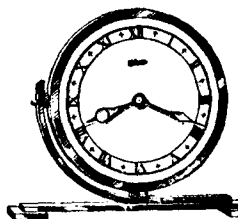
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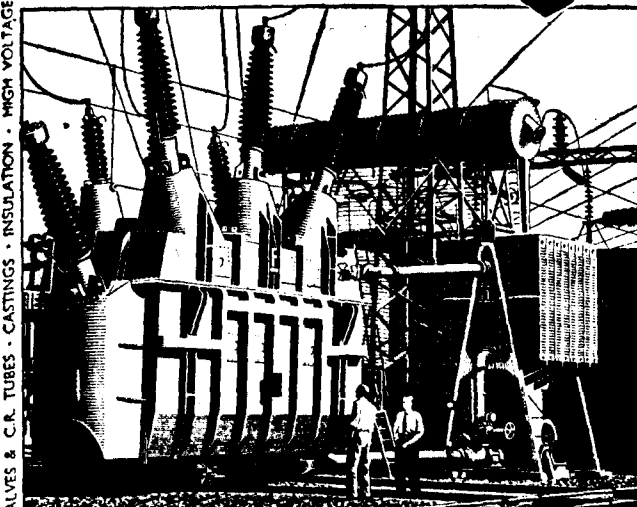
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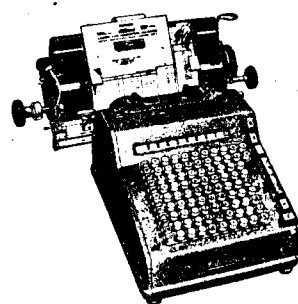
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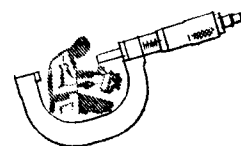
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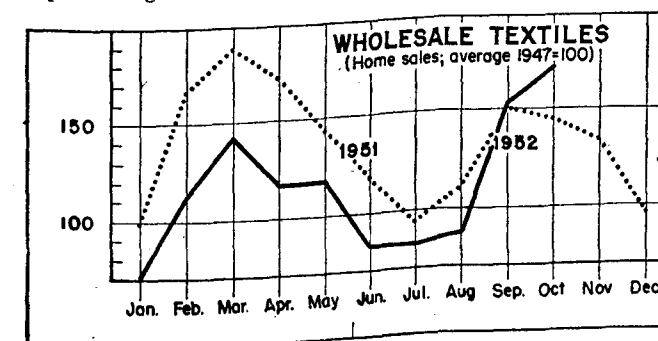
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October it gained some 250 workers—its first significant increase. Figures for combing labour are not available for the end of October, but by the middle of the month the number of workers was 350 above the mid-September level, which brought the number of workers regained up to about 40 per cent of those who had been dismissed.

This success in filling labour vacancies has had its effect on output of worsted goods, which shows a similar rapid increase. Production of tops in October reached 24.82 million lb and the rate of consumption of wool in topmaking was the highest since May, 1951, and 44 per cent above the rate for October last year. Total deliveries of worsted yarn amounted to 19.75 million lb and the rate of delivery was the highest since May, 1951. But the woollen side of the industry has a less satisfactory story to tell. Woollen spinning and weaving together lost about 9,000 workers during the 18 months' depression. Since the trough of employment in the middle of this year they have been able to regain less than 3,000 workers. The rate of consumption of wool in wool spinning and felting was 19 per cent higher than a year ago, and the rate of deliveries of blankets was 36 per cent above that of October, 1951—in fact the highest since the war.

Autumn in the Shops

For anyone involved in the buying and selling of consumer goods, October is the bell-wether of the six winter months and the rate of sales during those four weeks can usually be relied upon to set the pace for the rest of the period. This year, everything has been in the retailers' favour just as in the previous autumn everything seemed to go against them. The weather was unseasonably cold, average selling prices—and not only those of distress lines—were lower than they had been for some time and public confidence in their stability was returning. The average weekly level of sales of goods other than food (1950=100) rose from 106 to 111 between September and October. Sales were 6 points higher than in the previous October and—perhaps



a better comparison—one point higher than in October, 1950, when neither the level of retail prices nor the volume of retail sales had been bewitched by the Korean buying panic and its painful aftermath.

For the large retailers, sales were 6 per cent higher than in October of the previous year. Department stores reported increases of 6 per cent, multiple stores an increase of 8 per cent, and the co-operatives a decline of 1 per cent. But in sales of food, the co-operatives continue to expand their business, and their sales in October were 15 per cent higher than they were twelve months before compared with a 12 per cent rise for the multiples and 5 per cent for the department stores. The food trade is not, however, influenced by the same factors that affect the trade in non-food merchandise.

Sales by the wholesale textile houses to the retailers rose in sympathy with the improvement in retail sales. Home sales (1947=100) went up from 154 in September to 173 in October, 18 points higher than they were 12 months ago. The trade is satisfied that this is a "normal" seasonal

increase; but the figures for stocks, both wholesale and retail, show how greatly wholesalers and retailers still feel the need for reassurance. Stocks of wholesale textiles were down in October to a figure of 137, nearly 42 per cent lower than in the corresponding month of last year. In October, 1950, stocks stood at 152, and there is reason to believe that in spite of the fall in prices the volume of stocks held today is low.

Retail stocks present the same picture. Those of non-food goods as a group are 14 per cent lower than the year before, and stocks in the clothing categories show falls of between 20 and 30 per cent. It looks remarkably as if the process of running down stocks had been allowed to go on for too long, but while retailers remain abnormally sensitive to every slight movement in commodity prices (especially wool prices, where a recent slight decline revived memories of the price collapse of the summer and the stock losses that followed) they are going to keep stocks to the minimum even though there is increasing evidence in the textile manufacturing districts that immediate, or even early, delivery of orders can no longer be given.

Cotton and Meteors

The future of the three-cornered deal between the Brazilian government, the Gloster aircraft company and the Raw Cotton Commission rests for the moment with Brazil. The commission has had an opportunity to look at the Brazilian stocks, and there is no doubt that there is enough cotton of the type that could be sold in Lancashire to make the proposed swap of 70 Meteors for 15,000 tons of cotton a practical possibility. There is, however, a good deal of inferior cotton also in stock, and the commission wants to be assured that the bales shipped to Liverpool will be made up of cotton in the grades that it requires. This could consist of a good proportion of the cotton that the commission sells as types 5 and 6, with some classified as of lower grade. But Brazil is not anxious to sell better quality cotton and to be left with a mixed bag that will be difficult to sell at any price, and is certainly unsaleable at ruling Brazilian prices which are double those on the world markets. If Brazil agrees to let the Raw Cotton Commission pick the stocks that it wants, then the deal may still be possible. But if it insists on making up the shipments itself, then the commission will buy its cotton elsewhere, and because the time for doing this is limited, the commission has recently presented the Brazilian government with an ultimatum, to give the assurance required by a certain date. If this is not done, the commission will drop the negotiations altogether and make other arrangements for its cotton. The present impasse is a matter of some concern to Gloster, for the balance of RAF orders for Meteors has been cancelled, and unless export orders such as this can be negotiated the production line for Meteors will be dismantled.

Dearer Persian Lambskins

At the Persian lambskins auctions held in London this week prices were mostly 5 per cent to 10 per cent up on those realised at the previous sales in October. The sale consisted of about 250,000 South-West African skins and a slightly larger quantity of skins of Russian origin. On the opening day African skins sold at some 7½ per cent above the October level, but on the following day values for certain grades suitable for the European market tended to be slightly easier. The Russian skins were sold early on the second day and realised up to 10 per cent more than in October. American buying was small throughout the sale, reflecting the recent quietness in trade in that country. Nevertheless, competition

was brisk although it eased towards the end as Germany and Sweden, who were the principal buyers of African skins, appeared to have fulfilled a large part of their requirements at the opening auction. Sweden has recently lifted the restrictions on the import of furs bought for sterling and this move no doubt stimulated Swedish interest in the auction. Continental countries were the principal buyers of Russian skins and Canada also bought heavily.

With the close of this sale more than half of this season's crop of African Persian lamb—estimated at 2½ million skins—has been sold. The new season's lambs reach this country in time for the September auctions and large quantities are offered in September and October. Output of African Persian lambs has increased sharply since the war and now accounts for more than half the world total.

Life Assurance Business

The Standard Life Assurance Company, whose accounting year (unlike that of nearly all the other life offices) ends on November 15th, has announced record new life assurance business for 1951-52. Net new sums assured amounted to £34.0 million, an increase of 17½ per cent on the previous record of £28.9 million set up in the previous year. The Standard Life is one of the leading offices in staff life assurance and pension schemes; £14,288,000 of last year's new sums assured took the form of group life assurances, compared with £12,454,000 in the previous year. Deferred annuities issued last year under group pensions contracts (figures for which are not yet available) almost certainly exceeded the 1951 record total of £6.3 million per annum by a considerable margin. The Standard Life is also one of the half-dozen United Kingdom offices that transacts a substantial volume of new ordinary life assurance business overseas. Its proportion of overseas to total new business has been rising. In 1950 (the last year for which figures are available) the proportion was 24 per cent; in 1951 and in the year just ended there was probably a further increase. When the 1952 figures for most of the remaining life offices are published in the first few days of January it will probably be found that the year's new business of some at least was less buoyant than that of the Standard Life; there are indications that although new life assurance and deferred annuity business under staff schemes has continued to expand strongly, new individual life assurance policies were less easy to sell in the United Kingdom during 1952 than in previous years.

Release of French Sterling

A development that may be fraught with considerable symbolical significance for the sterling exchange market was announced last week when the Bank of England informed the market, through the Foreign Exchange Committee, that approval would be given to applications (up to an agreed limit) for the release of French-owned blocked sterling.

INDEX

The Index to *The Economist* is now published quarterly. Subscription rates are 5/- a year; single copies are priced at 2/- each. The Index to Volume CLXIV (July to September, 1952) is now available from:

The Publisher, 22 Ryder St., St. James's, London, S.W.1

Henceforth any blocked sterling in French ownership—that is, both the proceeds of capital transactions that have already taken place and the proceeds of any future sales of sterling securities by French residents—will be eligible, subject to permission from the Bank of England in each case, for transfer into a French account. After transfer, such sums will become available for normal commercial transactions. There have been certain special occasions in the past when, through the discretionary administrative action of the Bank of England, blocked sterling has been transferred into a non-resident account available for current payments. More recently, too, the Bank of England has given permission to some security operations that have caused "switch" sterling to be transferred to the account of a resident in the sterling area (who, of course, can use it as he likes). But this concession to the French is the first general ruling provision that has been made for conversion of blocked sterling into non-resident sterling accounts available for current payments. It is true that the congenial distrust of Frenchmen for their own franc means that the consequent strain upon the British economy is unlikely to be large. There may be some sales of French-held sterling securities already notified to the French authorised banks; but the greater part of the privately held French sterling securities is in the name of trustees—in bearer form or otherwise hidden from the French authorities. These are unlikely to be flushed from their hide-outs by the promise that the resultant sterling can be used by those who have French import licences to buy British goods.

The Bank of England's action is mainly intended as a neighbourly gesture. France is now as short of sterling as it is of other currencies; it has exhausted its EPU quota and any commercial sterling it can acquire will save it from paying gold to the Union. But it is doubtful if Britain's neighbourly feelings would have been translated into this action if the Exchange Control authorities had not felt it desirable, on other grounds, to make such small steps as they can in the direction of greater freedom, and towards the ultimate creation of a single and homogeneous type of external sterling.

Zinc and Exchange Control

Banks and metal exchange firms have been notified this week of the exchange control arrangements that will come into force when free dealings in zinc are resumed at the beginning of January. These follow the pattern of the arrangements already in force for free dealings in tin and lead. Participants, who must be members of the London Metal Exchange, will be allowed to make purchases of zinc in any part of the world, and will be provided by the import licensing branch of the Board of Trade with the necessary authorisation to import that zinc into the United Kingdom. They will also be entitled to hold stocks of zinc in any part of the world for their own account, or for account of another participant, but not for the account of any other resident of the scheduled territories. The usual foreign exchange control formalities will have to be observed and the necessary forms filled, but these will not hamper the freedom of dealings or the freedom with which participants will be allowed to make payments into or out of their "metals scheme account (zinc)." All payments and receipts directly connected with purchases, sales, storage and movements of zinc, will have to be centralised in these particular accounts, which will be open to inspection by the Exchange Control at the Bank of England, and the participants themselves will be required to make separate confidential monthly returns to the Bank of England showing their transactions in detail. It is understood that all books and documents relating to zinc transactions under the scheme must be available for examination by the Bank of England, if it asks to see them.

Reminder by the

NATIONAL COAL BOARD



Don't forget you can now have
as much Nutty Slack coal as you like
off the ration

20/- a ton (1/- a cwt.) cheaper than ordinary house coal

You can now buy as much Nutty Slack as you like

It's off the ration. Nutty Slack is much smaller coal than you are used to, but it burns brightly and warmly if you mix it sensibly with your ordinary house coal.

For open or closed fires

It is good fuel to use in an open fire or an openable heating stove, mixed with your ordinary house coal. It is perfect for banking up your fire at night or when you are going out. It is particularly useful in a modern continuous burning grate.

Order as much as you like

You can buy it from your own or any other coal merchant and you can have as much as you like all through this winter. But don't wait till all your ordinary coal

allowance is finished before you buy Nutty Slack. Order your Nutty Slack this week in time for Christmas. Use it with your ordinary house coal and make sure you get through the winter in comfort.

NOT AVAILABLE IN SOME AREAS

Nutty Slack will not be available in Scotland, South Wales, Cumberland, Durham and Northumberland, but in these areas other off-the-ration coal may be available.

What is Nutty Slack?

Nutty Slack is just what it is called—slack with nuts in it ranging in size up to lumps about as big as two match boxes put together. Your coal merchant will show you Nutty Slack and tell you how to make the best use of it.

It is just as expensive to mine and to carry on the railways as ordinary house coal. But it is offered at 20/- a ton cheaper than ordinary (Group 4) house coal because it is not as clean and is smaller.

Nutty Slack

will help to keep the home fires burning
however cold and long the winter

A large-scale enquiry carried out this year for the Coal Utilisation Council shows that:—

1. 98 out of every 100 families in Great Britain have a coal fire of some sort in their main living room.
2. 84 out of every 100 families have no other way of heating that room.
3. 44 out of every 100 families say they need more coal than they are allowed.

Nutty Slack will help

BARBER TEXTILE CORPORATION LIMITED.

Year ended 31st July 1952.

Consolidated Accounts show:—

	£
Issued Capital—	
£1 Preference Shares 5% ...	55,000
4/- Ordinary Shares ...	892,596
Premium on Shares ...	101,223
Reserves and Undistributed Profit ...	915,325
Surplus (including Net Current Assets £1,083,823 and Government Securities £273,387) ...	£1,964,144
Profits ...	692,130
Taxation ...	369,429
Profits (net) ...	£322,701
Dividends (net) ...	£65,878
Paid on Ordinary (subject to Income Tax) ...	13½%
Increase in Revenue Reserves and Undistributed Profits ...	£246,823



Is your livelihood in danger?

you may be insured against fire but no insurance can replace the vital contents of your records. For many businesses, fire can mean overnight ruin.

Could this be you? Arriving at work one morning, to find only rubble and warm ashes. To find accounts, receipts, records reduced to charred indecipherable fragments. Years of hard work perished. Anxious years of recovery ahead.

There is no certain means of preventing fire.

There is a way of knowing that your vital documents are safeguarded.

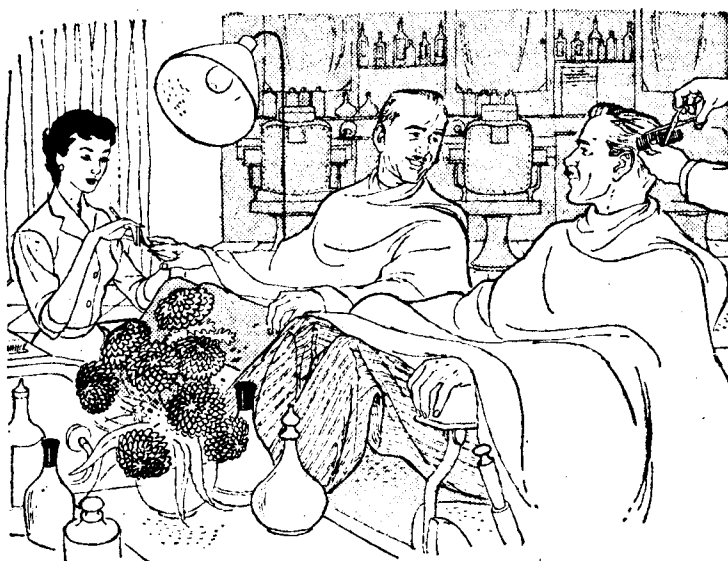
Record Protection Cabinets are made by Chubb to give fire protection to all kinds of business systems. Rigorous tests prove their resistance in actual fire conditions.

Unless your records are as safe as this, send for further details of Chubb fire-resisting equipment for your particular needs.

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Most products belong to the mass market, these days



DAILY MIRROR

THE HIGHEST DAILY NET SALE IN THE WORLD

Mine don't.

No? Then what kind of people are you after? The mass market covers all classes and all income groups.

But the vast majority are plain working class, surely?

Exactly. And, believe you me, some of them are making pretty good money and in any number of cases there are two or more wage earners in the family. Usually they have little or no fares to pay. They have canteen lunches and many of them live in subsidised houses. It's no wonder they're the people with the money to spend.

How do you get at them?

Well, I'm doing it through the Daily Mirror.

The Mirror, eh? It's hardly my favourite paper. I don't read it.

I don't read it myself. But over four million, four hundred thousand people do. If you can afford to ignore them, I can't.

What about cost of space?

On a square inch per thousand basis it's the lowest of all national dailies.

Are you certain?

Quite certain. I was doubtful myself at first but my advertising agent soon put me right.

Company Notes

Arthur Guinness.—A slight increase in beer consumption in the year to September 30th, coupled with higher prices, has produced a remarkably consistent array of trading results from the breweries. Almost without exception those that have recently published their accounts have shown increases in gross trading profits but, thanks to a bigger tax bill, little change in net profits. Most of them have, therefore, been content merely to maintain their ordinary dividends. The results of three "national" breweries—Ind Coope, Bass, and now Guinness—have conformed to this pattern. In the year to September 30th the net profits of the Arthur Guinness group increased only slightly, from £1,836,112 to £1,886,381. The increase in the net profits of the parent company—by a mere £3,555 to £1,798,569—was even

Earnings:—	Years to Sept. 30, 1951	1952
Profit, before tax	4,962,511	5,082,292
Depreciation	347,017	361,939
Taxation	2,820,480	2,921,784
Net profit	1,795,014	1,798,569
Ordinary dividends	1,102,500	1,115,625
Ordinary dividends (per cent)	28a	17b
Contingency reserve	400,000	400,000
Added to carry forward	33,709	16,992

smaller; its gross profits rose from £4,962,511 to £5,082,292, but its provision for taxation had to be increased from £2,820,480 to £2,921,784. This disappointing result has meant that the directors of Guinness, in company with directors of Bass, have not been able to restore the cut that was made a year ago in equity payments. The dividend of 17 per cent that they have now recommended is the nearest round equivalent, once account has been taken of the recent bonus issue of shares, to last year's dividend of 28 per cent; two years ago a dividend of 32 per cent was paid on the old capital.

Brewery Profits.—The trading results of six of Guinness's smaller competitors—all of them results for the traditional brewing year to September 30th—are summarised in the accompanying table. They make up a very uniform pattern. All of them report some increase in gross trading profits, mostly for the second year in succession. A year ago the advances in earnings could largely be attributed to an increase in the price of beer, but this year they mainly reflect a genuine expansion in sales. This increase in sales has been particularly marked in bottled beers, in which the "local" brewers are taking a greater interest. In this respect, the fully documented accounts of Joshua Tetley can serve as a

Profits and dividends:—	Years to Sept. 30, 1950	1951
Ansells:—		
Profit, before tax	1,302,809	1,441,796
Net profit	492,279	566,708
Ordinary dividends (per cent)	17	17
Benskin's (Walford):—		
Trading profit	620,940	672,701
Net profit	241,219	274,274
Ordinary dividends (per cent)	20	20
Brickwood:—		
Trading profit	523,668	599,675
Net profit	180,153	199,580
Ordinary dividends (per cent)	17½	20
Hammonds United:—		
Trading profit	572,792	587,951
Net profit	214,189	238,720
Ordinary dividends (per cent)	20	20
H. & G. Simonds:—		
Trading profit	912,019	959,888
Net profit	249,440	209,233
Ordinary dividends (per cent)	24	22
Joshua Tetley:—		
Trading profit	735,665	766,519
Net profit	192,924	193,630
Ordinary dividends (per cent)	16½	16½

typical sample for the whole industry. In the year to September 30th sales by the Tetley brewery of cask and bottled beers increased both in volume and value, so that the com-

pany received £6,284,857 from its sales, compared with £5,840,319 in 1950-51; this increase in turnover more than offset the continuing increase in costs.

The brewers' doubts about the future are put very clearly by the directors of Brickwood. They remind shareholders that "With the exception of malt, there would appear to be little reason to suppose that brewing materials . . . will become cheaper. The mounting evidence indeed points the other way. The effects of these constant price changes cannot be foreseen, nor can the level of trade for the year to September 30, 1953, be forecast." These doubts, coupled with the fact that taxation has absorbed much of the increase in gross profits, explain why the majority of the brewers have pursued a conservative dividend policy. Thus four of the six breweries shown in the table are recommending the same payments as a year ago, while a fall in net profits has forced the directors of H. and G. Simonds to cut the ordinary dividend from 24 to 22 per cent. The directors of Brickwood—one of the very few breweries to raise its ordinary dividends this year—are careful to explain that the increase in dividend should be regarded "not as an earnest of things to come, but rather as a recognition of a satisfactory result in the particular year under review."

Joshua Hoyle.—The recent accounts of Lancashire cotton spinners—like those of the breweries—have also had a consistent story to tell. But their story has been a much gloomier one—of smaller sales, smaller profits and smaller dividends. The accounts of Joshua Hoyle for the year to September 30th prove to be no exception. In that year the group's gross trading profits and its net profits were both halved—trading profits from £2,245,098 to £1,031,245 and net profits from £863,541 to £417,852—and the ordinary dividend was cut from 20 to 15 per cent. Thanks presumably to the accumulation of unsold goods on the shelves, the book value of stocks has risen from £4,318,536 to £4,686,187; this increase in stocks has been accompanied by its usual corollary, a decline in the group's cash balances (from £563,284

Consolidated earnings:—	Years to Sept. 30, 1951	1952
Trading profit	2,245,098	1,031,245
Total income	2,317,731	1,220,853
Depreciation	215,381	155,458
Taxation	1,166,506	459,188
Net profit	863,541	417,852
Ordinary dividends	206,112	154,584
Ordinary dividends (per cent)	20	15
Retained by subsidiaries	139,823	84,412
General reserve	200,000	350,000
Stock contingency reserve	250,000	
Added to carry forward	137,606	15,211

to £370,039). It is fair to say, however, that—despite a year of very difficult trading conditions—the group's financial resources have not been strained as severely as those of many of their competitors in the cotton trade.

The directors have submitted for shareholders' approval a scheme to reorganise the trading and manufacturing structure of the group. The directors believe that this reorganisation would give rise to certain administrative and technical economies. Perhaps a more pressing motive, however, is that it would have considerable tax advantages; in view of the reduction in profits that took place in the year to September 30th, the

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SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Dec. 3, 1952	Price, Dec. 10, 1952	Net Yield, Dec. 10, 1952	Gross Yield, Dec. 10, 1952
War Bonds 2½% '51-53	99½	100	1 8 1	2 10 7
War Bonds 2½% '52-54	99½	99½	1 8 1	2 17 6
Exchequer 2½% '1955	98½	98½	1 12 7	2 17 5
Ser. Funding 1½% '53	99½	99½	1 14 9	2 12 11
Ser. Funding 1½% '54	98½	98½	1 17 9	2 15 3
Ser. Funding 3% '55	100½	100½	1 9 8	2 18 9
War Bonds 2½% '54-56	98½	99	1 9 8	2 15 01
Funding 2½% '52-57	99½	100	1 8 11	2 15 01
Nat. Def. 3% '54-58	101½	100½	1 10 6	2 18 61
War Loan 3% '55-59	100½	101½	1 11 6	3 0 91
Savings 3% '55-65	93	92½	2 5 6	3 16 41
Funding 2½% '56-61	93½	93½	2 4 8	3 9 111
Funding 3% '59-69	87½	87	2 11 6	4 2 101
Funding 3% '66-68	89½	88½	2 9 9	4 1 41
Funding 4% '60-90	98½	98½	2 7 9	4 6 10½
Savings 3% '60-70	86½	86	2 11 11	4 2 31
Savings 2½% '64-67	85	84½	2 11 9	3 18 11
Victory 4% '20-76	101½	101½	2 1 2	4 0 01
Savings 3% '65-75	84½	83½	2 10 11	4 3 51
Consols 4% (aft. 1957)	89	88½	2 7 10	4 11 111
Consols 2½% (aft. 1961)	79½	79	2 6 9	4 9 51
Treas 2½% (aft. 1975)	58½	58½	2 5 1	4 6 21
Treas 3% (aft. 1966)	68½	68½	2 6 1	4 8 21
Treas 3½% '77-80	88½	87½	2 8 10	4 4 111
Redemption 3% '86-96	78½	78	2 8 0	4 2 41
War Loan 3½% (aft. 1952)	78½	77½	2 7 2	4 9 111
Consols 2½% '0	60½	59½	2 4 1	4 3 101
Br. Elec. 3% '68-73	84½	84½	2 11 8	4 3 91
Br. Elec. 3% '74-77	83½	83½	2 10 3	4 2 91
Br. Elec. 4½% '74-79	100	100	2 5 1	4 6 21
Br. Elec. 3½% '76-79	89½	89½	2 8 0	4 4 01
Br. Trans. 3% '78-88	77½	77½	2 10 9	4 4 51
Br. Trans. 3% '68-73	84½	84½	2 11 8	4 3 91
Br. Trans. 4% '72-77	95½	95½	2 7 6	4 6 81
Br. Gas 3% '90-95	77½	77½	2 6 7	4 5 81
Br. Gas 3½% '69-71	92½	92½	2 7 11	4 4 31
Br. I. & S. 3½% '79-81	89½	89½	2 8 0	4 4 81

(a) To earliest date. (f) Flat yield. (g) To latest date. (s) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends	Ordinary Stocks	Price, Dec. 3, 1952	Price, Dec. 10, 1952	Yield, Dec. 10, 1952
(a) (b) (c)				
40 b	20 Anglo-Am. 10/-	6	5½	5 1 1
25 b	5 Anglo-Iran £1.	5	5½	5 11 7
12½ b	7½ Assoc. Elec. £1.	75/-	75/-	5 6 8
20 b	7½ Assoc. P. Cen. £1.	103/9	103/11	5 6 8
10 a	33 Bass £1	132/6	130/-	6 12 4
20 c	5 Boots 5/-	20/3	20/3	4 18 9
8½ b	3 Brad. Dyers £1	23/6	22/9	10 2 2
4½ a	6½ Br. Celanese 10/-	24/-	23/6	4 13 7
17½	17½ Br. Motor Cy. 5/-	31/3	31/3	8 6 4½
12 b	6 Br. Oxygen £1.	48/9	48/11	5 16 4½
3 a	3 Can. Pac. \$25.	\$59	\$60½	4 11 11
7½ b	5 Coats £1	45/3*	44/9	5 11 9
6½ b	5 Courtaulds £1.	39/-	38/6	5 16 11
15 c	2½ Cunard £1	34/6	34/6	8 13 11
15 b	7½ Distillers 4/-	17/-	16/9*	5 7 6
17½ c	17½ Dunlop £1	45/11	45/-	7 15 7
12½ c	15 Ford £1	50/7½	50/7½	5 18 6
10 b	15 Gen. Elect. £1.	43/9	42/6	5 4 10½
10 b	5 Guest Keen £1.	52/9	50/-	6 0 0
7 a	10 Guinness 10/-	33/-	30/6*	5 11 6
5½ b	4½ Hawker Sid. £1	38/9	37/9	5 6 0
13 c	5 Imp. Chem. £1	44/6	44/-	5 18 2
18½ b	13½ Imp. Tobacco £1	58/3	56/9	7 1 00
22½ c	22½ Int. Nick. n.p.	\$77½	\$77	6 0 7
17½ c	17½ J'burg Con. £1.	48/9	47/6	7 7 4
10 b	5 Lancs. Cotton £1	40/-	40/-	10 0
10 b	7½ Lon. Brick £1.	62/6	62/6	5 12 0
65 b	15 Marks & Sp. A/5/-	46/6	46/6	4 6 0½
15½ b	6½ Monsanto 5/-	23/6	23/6	4 15 9
10½ b	6 P. & O. Def. £1	50/6	50/6	6 12 0
17½ b	7½ P. Johnson 10/-	35/-	34/-	7 1
185 c	100 Prudential 'A' £1	33	33½	5 13 8
50 a	175 Rhokana £1.	18½	19	11 16 10
10 b	5 Rolls Royce £1.	59/4½	58/9	5 2 2
15 a	10 Shell Stk. £1.	77/6	76/10½	5 19 0½
13½ a	8½ Tube Invest. £1	60/-	60/-	5 0 0½
15 b	5 Tur. Newall £1.	95/7½	96/3	4 3 1
8½ b	5 Unilever £1.	46/3*	46/3	5 16 9
10 c	12½ Union Castl. £1	21/6	21/6	5 16 3½
5 b	5 Union Disc. £1.	41/-	41/-	4 17 7
16½ b	14½ Utd. Molass. 10/-	29/9	29/9	6 13 4
30 b	7½ U. Sua Betong £1	41/3	41/10½	17 18 2
10 b	2½ Vickers £1.	44/3	43/-	5 16 3
27½ b	15 Woolworth 5/-	44/9	44/3	4 16 1

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 14%. (f) Yield basis 22.9 gross. (g) Div. declared for 4 months. Yield basis 52%. (h) Yield basis 15%. (i) Yield basis 61%. (m) Yield basis 40%. (o) Yield basis 20%. (p) Yield basis 11½%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended December 6, 1952, total ordinary revenue was £60,155,000, against ordinary expenditure of £82,739,000 and issues to sinking funds £1,660,000. Thus, including sinking fund allocations of £23,310,000 the deficit accrued since April 1, 1952, was £423,709,000 compared with a deficit of £98,710,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	1951 to Dec. 8, 1951	1952 to Dec. 6, 1952	Week ended Dec. 6, 1952	Week ended Dec. 6, 1951
REVENUE					
Receipts into the Exchequer (£ thousand)					
Ord. Revenue	180,422	577,196	595,186	7,442	10,243
Income Tax	123,000	47,800	45,100	1,800	1,500
Sur-tax	175,000	130,600	102,300	5,000	3,800
Estate, etc., Duties	57,500	43,400	33,750	1,000	1,000
Stamps	452,000	223,000	276,800	11,000	6,500
Profits Tax & E.P.T.	5,000	...	...	...	...
Excess Profits Levy	2,000	2,175	1,210	40	100
Special Contribution and other Inland Revenue	...	...	...	...	...
Total Inland Rev.	261,872	1,024,171	1,054,346	26,282	23,143
Customs	104,350	700,887	714,854	20,615	22,270
Excise	772,000	534,500	516,468	4,500	6,750
Total Customs and Excise	1,815,500	1,235,387	1,231,322	25,115	29,020
Motor Duties	64,150	15,619	15,725	169	285
Surpl's from Trade	12,000	74,454	...	...	...
P.O. (Net receipts)	15,000	7,800	8,250	...	...
Broadcast Licences	26,000	19,952	19,747	78	370
Sundry Loans	110,000	99,921	84,801	6,608	7,337
Miscell. (incl. Surpl's War Stores)	...	...	...	...	...
Total Ord. Rev.	4,661,375	2,482,305	2,414,191	59,362	60,155
SELF-BALANCING Post Office	209,235	126,900	139,600	2,500	3,100
Income Tax on E.P.T. Refunds	4,900	3,836	3,555	39	97
Total	4,875,510	2,613,041	2,557,346	61,901	63,352
EXPENDITURE					
Issues out of the Exchequer to meet payments (£ thousand)					
Ord. Expenditure	575,000	345,727	406,188	9,886	34,161
Int. & Man. of Nat. Debt	40,000	25,363	27,270	1,780	2,132
Payments to N. Ireland	10,000	6,723	5,856	...	246
Other Cons. Funds	625,000	377,813	439,314	11,665	36,539
Supply Services	355,436	218,765	237,527	56,600	46,200
Total Ord. Expd.	4,179,367	2,564,548	2,814,591	68,266	82,739
Sinking Funds	...	15,577	23,310	1,440	1,660
Total (excl. Self-Bal. Expd.)	4,179,367	2,580,125	2,837,901	69,706	84,399
SELF-BALANCING Post Office	209,235	126,900	139,600	2,500	3,100
Income Tax on E.P.T. Refunds	4,900	3,836	3,555	39	97
Total	4,393,502	2,711,761	2,981,056	72,245	87,596

After decreasing Exchequer balances by £193,641 to £2,838,275, the other operations for the week increased the National Debt by £30,173,467 to £26,355 million.

NET RECEIPTS (£ thousand)	
Land Settlement (Facilities) Acts, 1919 and 1921	18
Tithe Act, 1936, s. 26	200
Cotton (Cent. Buying) Act, 1947, s. 21(3)	4,500
ETU (Fin. Provs.) Act, 1950, s. 3	183
	4,901

NET ISSUES (£ thousand)	
Post Office & Telegraph (Money) Act, 1950	1,250
E.P.T. Refunds	118
Local Authorities Loans Act, 1945, s. 3(1)	7,500
New Towns Acts, 1946 and 1952	270
Cine. Film Prod. (Special Loans) Acts, 1949 & 1950	200
Coal Industry Acts, 1946 and 1951	300
Misc. Fin. Provs. Act, 1946, s. 2(1) War Damage: Board of Trade	750
Town and Country Planning Act, 1947	300
Finance Acts, 1946 and 1947, Postwar Credits	336
	11,024

CHANGES IN DEBT (£ thousand)

RECEIPTS	PAIDMENTS
Treasury Bills	58,827
Nat. Savings Certs.	500
3½% Def. Bonds	1,525
Tax Reserve Certs.	8,945
	10,996
	9
	25,025
	69,797
	39,624

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts. Bk. of Eng. Land	
1951				
Dec. 8	4631.1	289.0	3.0	123.0
1952				
Sept. 13	3070.0	1479.9	288.7	...
" 20	3090.0	1470.4	316.6	...
" 30	4554.6	278.8	8.3	...
Oct. 4	3120.0	1471.8	258.9	...
" 11	4320.6*	248.0	...	...
" 18	4348.1*	248.0	...	...
" 25	4364.3*	283.0	...	...
Nov. 1	4345.2*	257.2	...	...
" 8	4325.0*	249.6	...	...
" 15	4456.1*	238.9	1.5	...
" 22	4481.1*	256.0	...	...
" 29	4508.7*	273.8	4.0	...
Dec. 6	4567.5*	249.1	3.8	...

* In consequence of official purchases of tender bills in connection with cash subscriptions to the new issues of Serial Funding Stock, it is impossible to calculate the division between tap and tender bills until all the bills purchased have passed their original maturity date.

TREASURY BILLS

Date of Tender	Amount (£ million)	Average Rate of Allotment s. d.	Allotted at Min. Rate %
	Offered	Applied For	Alotted
1951			
Dec. 7	170.0	225.3	170.0
1952			
Sept. 5	260.0	308.6	260.0
" 12	260.0	308.9	260.0
" 19	260.0	331.1	260.0
" 26	260.0	309.0	260.0
Oct. 3	250.0	312.4	220.0
" 10	220.0	309.9	200.0
" 17	220.0	315.8	220.0
" 24	230.0	321.3	230.0
" 31	220.0	334.8	220.0
Nov. 7	240.0	335.4	240.0
" 14	240.0	342.5	240.0
" 21	240.0	333.9	240.0
" 28	250.0	328.2	250.0
Dec. 5	260.0	332.8	260.0

On December 5th applications for 91 day bills to be paid from December 8 to December 13, 1952, were accepted dated Monday to Saturday as to about 73 per cent at £99 8s. 1d. and above in full. Treasury bills to a maximum of £260 million were offered on December 12th. For the week ended December 13th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Total 35 weeks ended Dec. 8, 1951	Dec. 6, 1952	Week ended Dec. 6, 1952
Savings Certificates:—			
Receipts	107,500	96,400	3,000
Repayments	93,100	97,100	3,100
Net Savings	14,400	Dr 700	Dr 100
Defence Bonds:—			
Receipts	40,209	45,804	1,690
Repayments	49,773	51,962	1,210
Net Savings	Dr 9,564	Dr 6,158	480
P.O. and Trustee Savings Banks:—			
Receipts	463,534	486,639	13,481
Repayments	529,031	561,869	18,837
Net Savings	Dr 65,497	Dr 75,230	Dr 5,356
Total Net Savings	Dr 80,661	Dr 82,088	Dr 4,967
Interest on certificates repaid	22,978	26,745	868
Interest accrued	84,867	86,789	2,488
Change in total invested	1,228	22,044	3,356

BANK OF ENGLAND RETURNS

DECEMBER 10, 1952

ISSUE DEPARTMENT

	£	Govt. Debt	£
Notes Issued:—			
In Circulation	1512,709,376	11,015,100	
In Bankg. Department	37,647,447	1535,720,102	
		750,752	
		2,514,048	
		1550,000,000	
		356,823	
	1550,356,823	1550,356,823	

BANKING DEPARTMENT

	£	Govt. Sec.	£
Capital	14,553,000	332,364,930	
Res.	3,475,632	22,209,224	
Public Depts.	30,768,071	Discounts and Advances	8,645,200
Public Accts.	14,796,000	Securities	13,564,024
H.M. Treas. Special Acct.	15,971,411		
Other Depts.	344,918,894	Notes	37,647,447
Bankers	273,760,091	Coin	1,493,998
Other Accts.	71,157,903		
	393,715,597		

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
	Dec. 12	Nov. 26
Issue Dept.:		
Notes in circulation	1415.9	1461.4
Notes in banking department	34.5	38.9
Government debt and securities*	1446.8	1496.8
Other securities	0.7	0.7
Gold and coin	2.9	2.9
Valued at s. per fine oz.	248/0	248/0
Banking Dept.:		
Deposits	17.1	15.4
Public Accounts	0.6	26.6
Treasury Special Account	290.5	275.0
Bankers	91.8	72.6
Others	400.0	390.0
Total	340.6	341.8
Securities	16.8	9.9
Discounts, etc.	24.4	15.8
Other	381.8	367.5
Total	36.2	40.5
Banking dept. reserve	9.0	10.3
" Proportion "	5.3	10.4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,500 million to £1,550 million on December 9, 1952.

COMPANY MEETINGS

FISONS LIMITED

STOCKPILING AND OTHER FACTORS AFFECT PROFITS

GOOD AUTUMN DEMAND FOR FERTILIZERS

MR F. G. C. FISON ON THE FAVOURABLE PROSPECTS

The fifty-ninth annual general meeting of Fisons Limited was held on December 5th at Felixstowe, Mr F. G. C. Fison, the chairman, presiding.

The following is his statement, which was circulated with the report and accounts:

As I informed you last year, Mr Walter Packard retires after the annual general meeting, having completed fifty years with the company. We wish him many happy years in his retirement.

THE ACCOUNTS

The consolidated trading profits of the group, after providing for the ordinary expenses of the business, have declined from £1,901,631 to £1,602,958. Included in these figures are the trading profits of the British Chemicals & Biologicals Group, which amounted to £157,333 compared with £221,071 in the previous year.

During the first half of the year the prices of our raw materials were still rising, but during the second half of the year, and especially during the last three months, prices began to fall. There was some profit on stocks during the first period but a very considerable loss in the second period. We have written down our stocks of raw materials and manufactured products at a cost of approximately £300,000. The value of stocks carried at the end of the year was £4,968,080, and in relation to this amount the depreciation is not excessive, particularly bearing in mind the very severe declines in freight values and prices which occurred towards the end of the year under review. I should mention also that the Board decided some time before the end of the year that manufacture of superphosphate should continue at a level higher than justified by sales, in spite of the tendency of raw material prices to decline.

This decision was taken because of the availability of sulphuric acid, which had been a limiting factor on the company's production in the previous year and at the beginning of the year under review. There was, and still is, no assurance that sufficient acid will be available to meet all the company's requirements for the current year, and in the event this decision has already proved justified by the exceptionally heavy demand for fertilizers in July and August, a demand which is still continuing at the present time.

BURDEN OF TAXATION

The profits were also affected by the stockpiling of fertilizers by our customers which took place during May and June, 1951, and to which I referred last year, and which inflated the profits for the previous year and correspondingly decreased the profits for the year ended June 30, 1952.

I should be failing in my duty if I did not emphasise the serious effect upon industry of the present burden of taxation. In all industries retained profits are essential for development, and this is especially true of the chemical industry, where improved techniques are constantly being introduced and where new products are constantly replacing the old ones.

It will be seen from the consolidated balance sheet that the Group's cash resources

at June 30, 1952, amounted to £859,000. Our cash position was greatly affected by the high value of manufactured stocks carried at that date, which was largely due to our decision to continue production at our factories in spite of a falling off in sales at the end of the year. These stocks have for a great part been sold in the first few months of the current year, and our cash position has improved accordingly.

FERTILIZERS

Comparisons of the total sales of fertilizers in the British Isles for the past three years were given by the Minister of Agriculture in the House of Commons on July 25th last, as follows:

	Tons
1949-50	4,316,000
1950-51	4,027,000
1951-52	3,182,000 (estimated)

In our view the usage of fertilizers by the farming community does not correspond to these figures, for in the first two years, while the subsidy was in process of removal, there was considerable stockpiling by farmers and the stocks were used in the last year. The actual consumption of fertilizers, therefore, may not have fallen very much.

Although the major part of our business is in superphosphate and compound fertilizers for agriculture, a substantial contribution to our profits came from our interests in Corby Basic Slag Limited, and Nitrogen Fertilizers Limited, while our horticultural trade also showed a substantially increased profit. The results of Corby Basic Slag Limited were particularly satisfactory, since sales of high-grade basic slag were not affected by the general decline of demand to the same extent as other fertilizers. The arrangements agreed with the Government consequent upon de-subsidy also placed our basic slag business on a more satisfactory footing. Under the previous arrangements producers of low grade slag had been heavily subsidised by high grade producers such as Corby Basic Slag Limited, but in the new season prices were placed on a more realistic basis, with a consequent advantage to ourselves. In the current year the only remaining Government control other than that of selling prices—namely, purchase of imported basic slag on public account—has also been removed, and the industry is now free to negotiate with foreign suppliers on a commercial basis.

RELAXATION OF CONTROLS

I refer in subsequent paragraphs to the decontrol of raw materials, but during the year under review we were also released from the very close Government control over a number of aspects of our business. In all these complex arrangements the trade was responsible for putting forward plans for taking over responsibilities previously assumed by the Government, and there was considerable anxiety in some sections of the trade as well as on the Government side as to the outcome. In fact, there were no serious difficulties.

The only major difficulties encountered during the year were due to a failure on the part of both Government and industry to appreciate the extent of the stockpiling which

had been made in previous years and the effect of steep rises in selling price consequent on the removal of the subsidy in checking the steadily rising consumption of fertilizers in previous years. It is clear also that Government agricultural policy which had tended to reduce the farmer's margin of profit had a serious effect on his willingness to purchase fertilizers. There is no doubt also that the farmer, in common with industry, experienced difficulty in finding sufficient working capital with constantly rising prices.

REINTRODUCTION OF SUBSIDY

The reintroduction of a substantial subsidy on phosphatic fertilizers by the new Government did not increase demand to the extent which, no doubt, the Government anticipated. Although the Conservative Party had announced its intention of reintroducing the fertilizer subsidy before the Election, it was, in fact, only in the latter half of the season that actual details were approved by Parliament and published. The fertilizer industry itself was by no means wholly in favour of the reintroduction of the subsidy, particularly if it had involved the same type of Government control as under the former subsidy arrangements. The present subsidy is, however, paid direct to the farmer, and not to the fertilizer manufacturer, as formerly.

The usage of fertilizers in this country is still much below the optimum, in spite of the steady increase which has been characteristic of the last 20 years, and more particularly of the war and postwar years. Anything which assists in increasing the consumption of fertilizer by the farmer is therefore to be welcomed from the national standpoint, as well as from that of our industry. At the same time, it is possible to doubt whether the application of subsidies is in the long run the best method of achieving this. The object, no doubt, is to direct the farmer's expenditure into certain channels, rather than to give them the benefit of higher produce prices, irrespective of the purpose to which the resulting income is devoted.

While the fluctuations in price due to the removal of the subsidy as well as other aspects of the previous Government policy had an unsettling effect on the farming community, there is no doubt that fertilizer consumption would have continued its upward trend if the farmers' income had been brought into the proper relationship with costs. On the whole, it could be contended that it would be sound policy to rely on propaganda by the Government and fertilizer industry to increase the sale of fertilizer rather than on marginal changes in price relationships.

MAXIMUM INITIATIVE DESIRED

I think that both the farming community and industry would probably agree that, while some direction and control by the Government is inevitable in the present national circumstances, this direction should be as broad as possible and leave the maximum initiative to the individual farmer and manufacturer. Changes of detail affecting this or that commodity make it difficult to plan for the future with any security.

Such long-term planning is particularly

necessary in the case of the fertilizer industry, in view of the large size of the installations and the consequent inevitable delay between the decision to provide further manufacturing capacity and the availability of new production to the farming community. The industry would, therefore, welcome some announcement by the Government in regard to its longer-term plans, so that the necessary supplies of fertilizers may be available to meet increased demand.

FERTILIZER FACTORIES

We have continued to maintain our factories in good working order. We have made significant technical and operational improvements as a result of investigation and research carried out within the company, and we have many other investigations in hand which we hope will prove valuable in the future. At Immingham, which has not operated at full capacity due to the shortage of sulphur, we have overcome a number of teething troubles which normally arise in a factory of this magnitude and type. We have made a number of technical improvements and are producing a product of high quality which is already being appreciated by the agricultural community, as are also our high-grade compound fertilizers based on triple superphosphate.

Our relations with the trade unions continue to be satisfactory and I would like to express my appreciation of the work of all our employees, whose welfare we have very much at heart.

Advisory Services.—Our advisory services have been fully utilised and much appreciated by merchants and farmers during the past year. The demands on this department have increased beyond its capacity, and it is intended to augment the staff so that a prompt and efficient service can be maintained.

RAW MATERIALS

I noted in my review last year that although the industry had put forward detailed schemes for the reversion of key raw materials to private purchase, the then Government had not felt able to release them in the difficult conditions obtaining at the time. The trade was notified, however, by the present Government that it was their intention to release these materials at the beginning of the season 1952-53, and detailed negotiations resulted in arrangements being agreed for the reversion to private purchase of phosphate rock and potash.

In the case of the former commodity, the rather unusual step was taken by the industry of forming a private buying agency to act on behalf of the whole of the fertilizer industry of this country. The reasons leading to the formation of the company were chiefly that in the absence of some close collaboration between purchasers, much larger stocks of rock would probably have been required, and it was doubtful whether the industry was in a position to store the necessary quantities. It was believed that collaborative purchase would provide more flexibility of supply, particularly for the smaller consumers. The industry had also to bear in mind that in the present conditions of dollar shortage all supplies would be drawn from French North Africa, where the producers are grouped into one selling agency, The Comptoir Des Phosphates de l'Afrique Du Nord.

In the case of potash, the same considerations did not apply, and the trade secured the agreement of the Government that purchases should be on an individual basis in the current year. Both arrangements have proved satisfactory in practice, and the terms on which the industry is now buying are believed to compare favourably with any which the Government would have negotiated in similar circumstances. Our company benefits

from freer trade in these commodities, as it is particularly well equipped to buy large quantities of materials and to handle them in the most economic way.

SULPHURIC ACID

In my review last year I commented on the adverse effects of the shortage of sulphuric acid on the company's business. In the year under review, due to the general recession in demand both here and in the United States, particularly in the rayon industry, the supply of sulphur and sulphuric acid was adequate over all. During the first half of the year, however, acid was in short supply and continued to be diverted from our Avonmouth plant, a particularly unfavourable feature which I commented on last year, but during the course of the year the Government relaxed their control to a considerable extent, and larger supplies of acid were made available to us.

It was unfortunate that owing to miscalculations on the part both of Government and industry, the demand for superphosphate was over-estimated and the supply of acid under-estimated. The result of this was that when substantial quantities of acid became available, foreign superphosphate purchased on contract continued to be imported and, indeed, Fisons felt obliged to honour its commitments to take up imported superphosphate, although the same material could have been manufactured in our own works.

Throughout the year the allocation of sulphur to our triple superphosphate plant at Immingham was restricted to two-thirds of capacity, but in the event this allocation was adequate to demand. Although the supply position for sulphur at the present time is much more favourable than I reported in my last review, the outlook as regards our own supplies is not entirely reassuring. In the first place, the United States Government, while relaxing domestic control considerably, is still allocating sulphur for export; and, secondly, the foreign exchange position of this country appears to require that other materials, if available, should be used in preference to sulphur from dollar sources. For these reasons the sulphur allocation for our Immingham plant is much below requirements, and this may continue to be the case, particularly if there should continue to be a surplus of acid from plants not consuming elemental sulphur.

In view of the dependence of our Immingham plant on sulphur, we have continued to follow the world supply position with the closest attention. It has become increasingly clear that while there is unlikely to be any absolute shortage of sulphur, elemental sulphur as such will not at any time in the foreseeable future revert to its former position as the cheapest available material for acid manufacture. The Government has rightly refused to allow the conversion of further plants to pyrites, in view of the undesirability of the country as a whole becoming too dependent on this material, and a proportion of the acid requirements of the country will therefore continue for some considerable time to depend on the supply of elemental sulphur. It is clear, however, that in the future anhydrite will assume an increasing importance as a raw material for the manufacture of sulphuric acid, and we have already taken a considerable interest, as I reported last year, in the United Sulphuric Acid Corporation, which will produce 150,000 tons of acid from this indigenous material. The cost of acid, however, produced from this material is relatively high by prewar standards, and the fertilizer industry is therefore turning its attention increasingly to materials other than sulphuric acid for the treatment of phosphate rock. There is increasing interest in the use of nitric acid for this purpose, and this tendency is noticeable even in the United States, where materials for sulphuric acid manufacture are

more abundant and cheaper than in this country.

With the exception of our Immingham plant, the acid supply now available to us appears adequate to our requirements, however, and, in particular, the Government has restored to us the whole of the acid which we obtained under contract at our Avonmouth plant. While there appears to be some grounds for thinking that the superphosphate industry may receive somewhat more favourable treatment than in the previous year, undue optimism in regard to the acid supply for the remainder of the current year would be premature.

NORTH-EAST YORKSHIRE POTASH

The completion of our fourth bore in North-East Yorkshire within the next month will conclude our drilling programme. Results from the latter bores have confirmed our early expectations of extensive deposits of potassium salts and, in conjunction with Imperial Chemical Industries Limited, a report describing our findings has been submitted to the Ministry of Materials.

The winning of potash from 4,000 feet below the surface presents some unique problems calling for expert advice, and we therefore commissioned Powell Duffryn Technical Services Limited to prepare a report on the mining of the Yorkshire potash. This report has been received, and is now being considered.

ASSOCIATED FERTILIZER COMPANIES

I am glad to be able to tell you that our Associated Companies in Canada, South Africa and Rhodesia have all increased their sales and profits substantially during the year. South Africa, with the exception of the Western Province in the Cape, is now suffering from the effects of a serious drought which has caused many losses in crops and livestock. In Natal the sugar crop has been seriously affected. At the time of writing this report Mr P. T. Chevallier is in South Africa, and has informed me that the Board of our South African company anticipates a satisfactory year in spite of the drought.

In Rhodesia, where weather conditions are satisfactory, we have formed a new selling company, Central African Fertilizers Limited, jointly with African Explosives and Chemical Industries (Rhodesia), Limited, which will cover the sale and distribution of fertilizers in Southern and Northern Rhodesia and Nyasaland. It is expensive to maintain separate selling organisations in these territories, and the formation of a joint company will undoubtedly lead to the cheaper distribution of fertilizers, which will be to the advantage of the agricultural community.

BRITISH CHEMICALS & BIOLOGICALS LIMITED

A proposal is being submitted at the annual general meeting to change the name of the company to Fisons Chemicals Limited. The present name is rather cumbersome and, in addition, it is thought that a direct association with Fisons will be of benefit, especially in the export market.

The decline in profits shown by the accounts arose entirely on that side of the Group's business dealing with pharmaceutical fine chemicals. In my review last year I drew attention to the fact that stockpiling, due to the Korean crisis, was responsible for a substantial part of the increased sales; this continued during the first half of the current year, but in the second half of the year there was a very steep fall in turnover, due to the running down of stocks by customers, whilst some prices were also severely affected by increased competition in the export market, particularly from German suppliers. The

market is still affected severely by foreign competition and the large stock carry-over, but there are now some indications that stocks in the hands of customers are becoming exhausted.

In other branches of the Group the year was one of continued progress, in spite of the more difficult conditions obtaining in the latter half, the sales of proprietary products, ethical medical specialities and milk products reaching new high levels. Although profits were to some extent affected by very steep rises in raw material prices in the first half of the year, the businesses concerned all showed improved results. Export sales of fine chemicals and medical specialities also showed very satisfactory increases.

The turnover of the industrial fine chemical department increased at a rapid rate in spite of the general recession in chemicals, and in particular we supplied large quantities of hydrazine, of which chemical Genatosan Limited is the only manufacturer in this country, for the manufacture both here and in the United States of America of iso-nicotinyl hydrazide, the new anti-tuberculosis drug.

RESEARCH

In the fertilizer field our company has recognised the need to carry out its own research work as well as to take advantage of the work done in Government-aided research establishments. Only on the basis of first-hand experience by its own scientific staff can a large industrial organisation keep in the forefront of progress and equip itself to shoulder the risks involved in new ventures and techniques.

A prime function of a research organisation is to establish the basic scientific facts on which plans for further development should be based. And in this period of restricted capital expenditure it is more than ever necessary that large and expensive projects should be backed by carefully scaled preliminary experiment.

It is the intention of the company further to expand its facilities for research on the fertilizer side to include both short-range and long-range objectives and to equip itself with additional laboratories, pilot plant facilities and experimental field plots sufficient to give a conclusive trial to any of the company's products.

WORLD SHORTAGE OF SULPHUR

The world shortage of sulphur has stimulated interest in all forms of phosphatic fertilizers which offer prospects of economy in the use of sulphuric acid. Among possible alternatives to superphosphate the nitrophosphates are of considerable importance, and our research laboratories have continued the study of their properties and methods of production. In collaboration with Rothamsted Experimental Station we are taking part in a comprehensive series of field trials to ascertain their agronomic value in different parts of the country.

Research continues on the recovery of sulphur from the gypsum filter cake produced at Immingham as a by-product of triple superphosphate manufacture. This important possibility is still some way from an economic solution.

THE PHARMACEUTICAL SIDE

On the pharmaceutical side of our company's business sustained research in the field of "blood plasma substitutes" has been rewarded by marked success. An eminent surgeon has said: "Narrow-fraction dextran will revolutionise supportive therapy and may be regarded as one of the major advances of the year." In the solution of the

many fundamental and technical problems associated with dextran, Benger's Research Laboratories have been pre-eminent.

In fine chemicals the research laboratories continue to do basic work on a number of new products, and in particular have given much attention to hydrazine and its derivatives. It is becoming realised that derivatives of hydrazine are likely to have important industrial applications in the future, and our company is taking steps to secure full advantage from the pioneering work which it has done in this field. Close liaison is being maintained with corresponding research work now in hand in the USA.

GROUP WELFARE ARRANGEMENTS

We are—justly, as I think—proud of the welfare arrangements provided by the company for its employees. Our first pension scheme was introduced in 1935, and provided for pensions on retirement for both staff and the weekly wage earners in our factories. In 1938 life assurance benefits were added to provide for the widows of married employees who died before retirement. In 1939 a contributory sick pay scheme was introduced, providing benefits for wage earners absent from work as the result of illness or accident. In 1945 a comprehensive pension scheme was introduced for the Group to supersede the various schemes in operation in a number of our subsidiary companies. Under this scheme the section dealing with the staff remains on a contributory basis for future service, but the company bears the whole of the cost of pensions for wage earners. The cost of all pensions in respect of service previous to the introduction of the pension schemes is borne by the company.

As you are aware, there have been substantial changes both in the value of money and in average earnings during the intervening years. The Board has recently reviewed all our welfare arrangements and has authorised extensions to existing schemes, the most important of which concerns the pensions of weekly wage earners which have been brought more into line with current wages, and from the beginning of next January all these pensions, including those being paid to former wage earners, will be increased by about 60 per cent. For the staff we are proposing to introduce next April a contributory widows pension scheme to provide a life pension to widows of those of our staff who die before retirement date.

We also propose next year to complete our welfare arrangements by the introduction of a benevolent fund for both staff and wage earners, the cost of which will be borne by the company, so that provision may be made to assist those difficult cases that occur from time to time and which are not adequately covered by any of our existing schemes.

The contribution of the company to these various funds will amount to about £119,000 per annum. The capital invested by the Trustees of the Funds has now reached £563,000 and the pensions at present being paid are at the rate of £42,000 a year.

STAFF

A little more than a year ago we set up a Personnel Department for the Group and appointed Captain John Terry, CBE, RN (Retired), to take charge of it. The number of persons employed by our company is just over 5,000 excluding those who are working in our associated companies overseas. The value of the Personnel Department has been quickly appreciated, especially so since our organisation is dispersed in so many centres throughout the country.

We are fortunate that such a splendid

spirit exists throughout the staff, and I should like to take this opportunity of thanking them all for their work during the past year.

THE FUTURE

So long as it is in the national interest to produce the maximum amount of food at home, and this state of affairs seems likely to last for a good many years, and so long as farmers are given a stable long-term policy to which to work, it seems probable that the consumption of fertilizers should continue to increase. Our company is in a good position to take advantage of this. During this autumn there has been an exceptionally good demand for fertilizers, and as far as we can judge this is likely to continue in the spring, and we are therefore planning for a considerable expansion in sales. If our forecast is correct—and, naturally, it depends upon a number of external factors over which we have no control—then we can look forward to better results during the current year.

On the chemical side of our business we are also hoping for steady improvement as we build up our organisation and begin to reap the benefits of our research. It is because we have some confidence in the future that we have decided to recommend a modest increase of 1 per cent in the dividend on our Ordinary stock.

The report and accounts were adopted.

BRITISH ASSETS TRUST, LIMITED

The fifty-fifth annual general meeting of the company was held at Edinburgh on December 11th, Mr Alaister C. Blair, chairman, presiding. In moving the adoption of the report and accounts, the chairman said:

Our income has risen each year for the past ten years with the exception of the years to January 15, 1949 and 1950, which were affected by the sale to our stockholders at a very favourable price of our holding of Second British Assets Trust, Limited, ordinary stock. This past year's income has reached a further record figure, but our tax burden has greatly increased, and in view of recent trends, both here and in America, we expect a reduction in income during the current year. We are therefore recommending the distribution of a smaller proportion of our income than usual, so as to limit the ordinary dividend to a rate we hope to be able to maintain.

The company's tax position, both as regards profits tax and double taxation relief, has become more definite during the year, and we have accordingly decided, in order to facilitate comparison for the future, to charge profits tax, which this year has become payable for the first time, against revenue account, rather than provide it from tax reserve.

During the year the ordinary capital was doubled by capitalisation of part of the general reserve. To bring this reserve up to £500,000, the directors have transferred £100,000 from tax reserve and contingent fund and £68,562 from revenue account. These changes are shown in the balance sheet.

The valuation of our investments shows a decline on the year of only 6 per cent, which may be considered satisfactory. The appreciation over book value at September 30th was slightly over 55 per cent. As usual, no credit was taken in this valuation for the premium ruling in London on dollar securities.

The report and accounts were unanimously adopted.

THE PLESSEY COMPANY

(Electrical and Mechanical Engineers)

INCREASED PRODUCTION VOLUME

TAXATION A MAJOR INDUSTRIAL PROBLEM

SATISFACTORY VOLUME OF FORWARD ORDERS

MR A. G. CLARK ON DOMESTIC RADIO

TRADING DIFFICULTIES

The twenty-eighth annual general meeting of The Plessey Company, Limited, will be held on December 30, 1952, in London.

The following is the statement by the chairman (Mr A. G. Clark) which has been circulated with the report and accounts:

The accounts to June 30, 1952, which are now submitted to you, reflect the results for a year during which the volume of production, somewhat increased over that of the year before, was free from violent change, declining volume in one or two directions being at once rather more than counter-balanced by increased volume in others. In consequence of the economies in operation which can be obtained when we are free from undue fluctuations in volume and from radical changes in the nature of the work on which we are engaged, our consolidated profit before taxation is some £247,000 higher at £344,978.

However, the incidence of taxation in these days is such that we have to provide over £600,000 for the various taxes we have to pay, so that the net profit available after taxation is about £30,000 higher than last year at £234,190.

TAXATION PROBLEM

It has been my habit over recent years to devote the greater part of my statement to reviewing the more important of the factors which have affected our business during the year, and if today comment upon this matter of taxation bulks largely in my statement on the year's progress, it is because I believe taxation has become the one problem which overshadows all others in relation to the industrial future of this country.

The growth of our own company in the past was largely financed by ploughing back into the company a large part of the profits earned, but taxation is now taking so large a share of profits that, even at the end of a successful year so little remains to be ploughed back that expansion has to be restricted.

The burden of taxation, and the necessity to formulate future plans in the light of the restricted means available to carry them into effect, tends to kill ambition and initiative and to create a sense of frustration which brings with it a general slowing-down of technical progress throughout the country.

There is, too, the ever-present problem of the replacement cost of plant and machinery being far in excess of the original values on which depreciation allowances are calculated for the purposes of taxation. When plant comes to be replaced it is therefore necessary to find considerable sums over and above those resulting from the accumulations of past depreciation, so that in these days of heavy taxation it is well nigh impossible to provide, out of profits on which the taxes have been paid, enough money to replace plant, let alone the money required to extend it.

EPL—A FURTHER ONEROUS BURDEN

And now, on top of our other burdens comes the excess profits levy. Although the

tax only applies to the six months' profit from January to June of this year it will cost us about £80,000 for the half year. It is resented the more bitterly because of the capricious way in which it falls, so that one business will escape the levy and another will incur it, and this for no reason which bears any true relation to the purpose for which the levy was said to have been devised.

The levy can, in some cases, be merely a tax on growth and development, and in these cases is bad enough. But in others it can take the form of penalising a business over some indefinite future period for the fact that in the standard years it was experiencing a difficult time and was making less profit than would normally be the case. Here the levy operates at its worst.

In our own case, throughout the last war we abandoned completely all commercial activities and devoted the whole of our energies to armament work. It was therefore necessary, when the war ended, to re-establish our commercial work from scratch, and the cost of so doing both in terms of actual cost and in terms of restricted output, meant that in the standard years our profits were far from a fair measure of our normal earning capacity from our usual work. For this, the penalty we shall pay will be taxation on a penal scale for an indefinite period.

If the present position is to continue much longer it needs no great ability as a prophet in order to foresee the ultimate consequences. Already we can see how progress is being stifled and businesses are being starved, because incentives are weakening and purses are emptying.

PURCHASE TAX

Before I leave the subject of taxation I would draw your attention to the economic consequences of the way in which purchase tax changes are linked with the Budget. Because the chances of any change in the rates of purchase tax being announced in the Chancellor's Budget Statement are many times greater than the chances of such change being announced at any other time, there has been a tendency over recent years for buyers to delay their purchases until after Budget Day in the hope that the tax will then be reduced. For two or three months before April, sales fall away and the smooth flow of production is disturbed. No serious constitutional problems would seem likely to be presented if the Chancellor would but decide, and declare, that whatever changes in purchase tax should be made from time to time, they would in no event be made in his Budget speech, but would be made at irregular intervals as and when they might be deemed advisable. If this were done, I believe that labour and production facilities could be employed to better advantage and that a considerable saving in manufacturing costs would ensue, because there would be no need for the hesitation now so noticeable as Budget Day approaches.

RAW MATERIALS AND SUPPLIES

In my statement to you over recent years I have frequently told you of the difficulties experienced in obtaining raw materials and supplies purchased from third parties. These difficulties eased very greatly during the year, so that the necessity to use substitute materials practically vanished and in general the supplies we had on order began to come through more quickly than we were able to use them. In consequence the problem of redundancy and obsolescence became very much greater than it normally would be, and for a few months stocks have tended to be at higher levels than we like them to be. We have, however, made full provision for redundancy and obsolescence in our accounts. Whatever our troubles in this direction, I can assure you that they cause us very much less difficulty and anxiety than did the task of endeavouring to maintain production when much of the material we required was obtainable, if at all, only on the basis of ordering it ten or twelve months in advance of requirements.

THE OUTLOOK

Turning to consider the prospects for the immediate future, we find that with the exception of domestic radio, the divisions into which the company is organised are busy, and are facing a satisfactory volume of forward orders. The radio industry, however, is passing through a troubled time, and inevitably that side of our business concerned with domestic radio is sharing the difficulties which the industry is experiencing. The main reasons for the lowered volume of domestic radio are the incidence of the high purchase tax and the restrictions on hire purchase facilities. So great a part of the sales of domestic radio were effected on hire purchase terms, that the present restrictions have had a most disastrous effect on retail sales, and I see little chance of real improvement until the present restrictions on hire purchase are eased.

The final dividend of 12½ per cent now recommended will make a total for the year of 25 per cent, as compared with 22½ per cent for last year.

The shareholders will, I am sure, desire to join me in an expression of our appreciation for the way in which the staff of the company has contributed, by its hard work and its loyalty, to the results which we are reviewing today.

RHODESIAN ANGLO-AMERICAN LIMITED

The annual general meeting of Rhodesian Anglo-American Limited was held at Kitwe, Northern Rhodesia, on December 10, 1952, Mr H. F. Oppenheimer presiding. He said: I should like to refer to a recent press announcement made by your company advising that a Petition had been presented to the United Kingdom Parliament for leave to introduce a Private Bill, with a view to securing the transfer of registration of your company and the others of the Group, from the United Kingdom to Northern Rhodesia.

Your company has, since the beginning of 1951, been managed and controlled in Northern Rhodesia where the whole of its business is carried on, whilst it continues to be a company incorporated in England. The present position is felt to be anomalous, and your directors therefore considered that your company should take active steps to finalise the removal to Northern Rhodesia of the companies of the group.

The Northern Rhodesia Government has been kept fully informed of the intention to introduce the Bill, which by its terms extends to Northern Rhodesia, and has accorded its full approval.

The report and accounts were adopted.

THE SCOTTISH AUSTRALIAN COMPANY

ADVERSE TRADING CONDITIONS

The annual general meeting of The Scottish Australian Company, Limited, was held on December 5th in London, Mr J. Norman Eggar (chairman and managing director) presiding.

In the course of his speech the chairman said:

We issued on July 1st an interim report on the state of affairs on our properties. From that report as well as from the warning I gave when we met last year, stockholders will not have been surprised that our earnings have been so much less than in the previous year. Nevertheless, we have been able to maintain our total distribution at 20 per cent for the second year in succession, to add £100,000 to our revenue reserve, and to increase the carry-forward to £151,000, and I think that is no mean achievement in all the adverse circumstances.

I suppose the drought in the Northern Territory and in North Queensland has been the worst within living memory, certainly it was more prolonged than any previous drought. We lost 12,900 head of cattle during the year in the Northern Territory, but that is not the worst part of the story. It has taken us years to build up a Shorthorn stud and herds, and the loss of breeders and calves will mean several more years of unremitting toil to rebuild both quality and numbers.

As regards our sheep properties, you will remember that Bowen Downs, Nive Downs and the Fernlee Group of Stations in Queensland, and Warrana in New South Wales, all suffered severely from bush fires in October last year. However, I am glad to say that most of the stations have made a good recovery and conditions are normal and healthy almost everywhere.

Our Riverina properties in New South Wales have only had a fairly successful year. The wheat harvest was nearly 5,000 bushels less, the oats harvest 1,000 bushels more.

During the last few months the wool market has certainly become more stabilised. It is almost certain that a wool terminal or "futures" market will be opened in London some time next year. It seems to me that it must make for the stability which every section of the trade wants.

THE ACCOUNTS

The first item calling for comment is the drop in the proceeds of wool and live stock accounts, the decrease in wool being £443,830 and in live stock £193,607. Our wool clip was less by 1,190 bales, and owing to adverse conditions the cut of wool per sheep was 2 to 3 lb less than normal. This was the general experience throughout Queensland. The natural increase was 30,000 lower than last year. Our stock of sheep at June 30 was 285,115, 31,000 lower. Our stock of cattle at just under 60,000 is down by 7,200. There were 15,300 deaths. We sold 16,304 head of cattle, during the year, and it is somewhat surprising, in view of the world demand for meat, that average prices at £11 11s. 2d. were 14s. 8d. less than in the previous year. Our revenue from wheat and other crops is some £5,000 up.

Taxation both in the United Kingdom and Australia is lower by reason of the reduced profit, but is still a most formidable item; in fact taxation absorbs 61 per cent of our profits.

The report was adopted.

THE ENGLISH, SCOTTISH & AUSTRALIAN BANK

LARGER PROFIT AND EXPENSES

The sixtieth annual general meeting of this company was held on December 10th, in London, the Hon David F. Brand (chairman of the company) presiding.

The following is an extract from his circulated statement for the year ended June 30, 1952:

In my report a year ago I wrote of the difficulties in Australia arising from the inflation which was caused in part from the high prices she was receiving for her exports, in particular wool. This situation had encouraged the importation in great volume of goods of all kinds, both of consumer and capital nature. The fall in the price of wool, almost as spectacular as its earlier rise, had commenced about April, 1951, and continued through the ensuing season, with the result that the overseas balances of the Commonwealth were diminishing rapidly as payments for imports were made. Finally, in early March, 1952, the Federal Government was constrained to impose severe import restrictions and to take other measures to conserve the falling overseas resources.

This action by the Government was inevitable, and although it caused some confusion and brought difficulties to distributors and exporters in the United Kingdom and elsewhere, there may be some negative comfort in the thought that without restrictions the result might well have been disastrous, equally damaging to exporters to Australia as to their customers in that country.

SIGNIFICANT FIGURES

The most significant movements in the year disclosed in the bank's balance sheet are the contraction in deposits and the rise in advances. Both are symptoms of the financial stringency existing at the date of the accounts. Deposits fell by nearly £10 million and advances rose by £12,856,000. These fluctuations were caused to a considerable extent by the need to support heavy stocks of imported goods, but since June the pendulum has started to swing back again.

It will be seen that share capital and reserves have increased by about £43,000 over the year, and now stand at £5,620,159. Cash in hand, bank balances, cheques in course of collection and money at call total £18,196,000, against £15,741,000 in 1951.

The balance-sheet indicates some relaxation of the Central Bank's control of trading bank affairs. In August last interest rates were permitted to rise slightly and, more recently, the Central Bank advance policy, which controlled bank lending, has been made less restrictive.

The gross profit at £3,580,337 is £553,407 greater than last year. This improvement, however, has been more than offset by the rise of £571,184 in the expenses of management, mainly caused by higher salary and wage rates.

After charging other expenses and taxation in Australia and London, the net profit available for distribution amounts to £237,520. The directors recommend a total distribution for the year of 10 per cent, less United Kingdom income tax.

The report was adopted.

In closing the proceedings, the chairman announced that to mark the bank's centenary year a special interim dividend of 2½ per cent, less United Kingdom tax, would be paid on January 19, 1953, to shareholders registered on December 31, 1952, as well as an appropriate bonus to all members of the staff, and to pensioners of the bank.

THE CANADIAN BANK OF COMMERCE

CONTINUED ECONOMIC DEVELOPMENT

MR JAMES STEWART ON COMPLEX PERIOD AHEAD

The annual meeting of The Canadian Bank of Commerce was held on December 9th in Toronto.

Mr James Stewart, CBE, president, said that the year might well be marked by the widespread and favourable attention from many sources that had been directed to Canada's industrial and commercial progress. Evidence of interest in Canada's economic development by people outside the country was reflected not only in the relative strength of the currency but also in the volume of foreign capital that was being invested in Canadian enterprises. Domestic confidence continued to be shown in the volume of investment in industry, in resource development and in research activities. In the aggregate the general business position continued to be favourable, yet the buoyancy was not uniformly reflected in the country.

In noting some of the vulnerable points, he wished to place due emphasis on the view that they were entering a period of increasing risk in business. Nevertheless, there was no need for pessimism provided the utmost efficiency was exercised.

While, as he had indicated, the distribution of their bounty had been uneven, the collective income had steadily increased to record heights, and the aggregate measure of productivity had surpassed the peak established a year ago. An estimate of gross national production for 1952 in the neighbourhood of \$23 billion did not seem to be unduly optimistic. That was more than a 7 per cent increase over last year, due to expanded production, price increases and very heavy agricultural harvests.

The ability of overseas markets to maintain, and expand, their purchases from the output of Canada's expanding economy continued to present difficulties. The vital interest which Canada had in foreign trade prompted them to follow closely the results of conferences now taking place. The influence of international changes could have great effect on their prosperity. He held the view, however, that the essential soundness of Canada's growth up to the present time, if reinforced by prudent management both by Government and business, could lead to further and favourable expansion.

GENERAL MANAGER'S REMARKS

Mr Neil J. McKinnon, general manager, said that a year ago stockholders were informed that for the previous nine months the banking system had been co-operating with the Government in a programme of credit restriction designed to counteract inflationary forces then prevailing. The programme as a whole exercised a moderating effect, but the influence on some lines was quite pronounced; consumer credit restraints, for example, contributed noticeably to a decline in sales of consumer durable goods. Beginning in the latter part of 1951, price-levels and the cost-of-living index showed a declining tendency, and in May of this year the credit restrictions were withdrawn.

While it was natural to expect an upward surge in consumer credit because of a hungry market created by the period of restraint, the volume in the short period of time since elapsed had increased rapidly indeed, and that had had quite a stimulating effect on retail sales. Experience in the past, however, had

indicated that under less buoyant conditions of employment or confidence the servicing of consumer credit became more burdensome, and business not only lost the stimulus of a rising credit volume, but also, during the period in which people were preoccupied with reducing debts, might well suffer a temporary lessening in current business. It was perhaps

appropriate at the present juncture to draw attention to that necessary although somewhat mercurial element in the credit structure.

Mr McKinnon dealt with the balance sheet changes and with the items in the profit and loss account.

The report was adopted.

MITCHELLS AND BUTLERS, LIMITED

SATISFACTORY YEAR'S TRADING

MR ROBERT H. BUTLER'S REVIEW

The sixty-fifth annual general meeting of the ordinary stockholders of this company was held in Birmingham on December 11, 1952.

Mr Robert H. Butler, in moving the adoption of the report and accounts, said:

Ladies and gentlemen,—In spite of our having to contend with increased prices of materials and higher wages, we have had a satisfactory year's trading, which includes a full year with Messrs Darby's Brewery. The sum of £200,000 has this year been put to reserve as it is our desire to provide the necessary finances out of our profits to cover the cost of replacement of our assets. Your directors feel this amount is barely sufficient for the purpose although it is an increase of £25,000 on the amount ploughed back last year. One would have hoped that in view of the fact that the Government is such a large participant in profits of industry (in the case of this company to the extent of over 60 per cent of the profits available for dividends) that they would be more acutely aware of the necessity for preserving assets in a profit-earning state, and to this end would revise wear and tear allowances to a basis more in keeping with present-day replacement costs.

SUCCESS OF NEW ISSUE

We are pleased to report that the issue during the year of 1,600,000 5 per cent preference shares was, in the opinion of our brokers, successful. Although a percentage was left with them the amount was considerably less than had been the case with other issues round about that time. Facilities were offered employees to subscribe, and it is a pleasing feature of the issue that 232 employees took advantage of the opportunity offered to them.

With regard to the higher cost of materials, I called the attention of stockholders to this item last year, but I am pleased to say the Brewers' Society have, since our last meeting, concluded an agreement with the National Farmers' Union under which minimum and maximum prices for barley have been fixed for 1952 and 1953, which will act as a stabilising influence on our purchases of barley and malt.

Our barrelage for the year has increased both in cask and bottle, which, I am sure you will agree, is very encouraging and is ample proof that the high standard of our products is being maintained to the satisfaction of our customers. With regard to our increased bottled beer sales, we have during the year installed two new pasteurisers with automatic packing machines, case and bottle conveyors. These modern machines have replaced our obsolescent plant, and will not only reduce the manual effort and make working conditions more attractive, but will, of course, reduce the cost of bottling.

The output of our wines and spirits department continues at a very satisfactory level, and although sales of spirits show a decline on last year's output, which was a peak year, sales of wines have shown a substantial increase.

SUBSIDIARY COMPANIES

As to our subsidiary companies:

As you know, we are very interested in improving the standard of hygiene in our licensed properties, and for several years we have been carrying out very valuable research, particularly in the question of glass washing, through the Robot Company. We have now decided to concentrate this research in our laboratory and retail management department, and have therefore decided to wind-up the Robot Company early in the New Year.

Our Highgate Walsall Brewery maintains its great popularity in Walsall and parts of Staffordshire, and we have recently renewed some of our plant to give increased output in this thriving little brewery.

I am pleased to say that in spite of increased competition in the South Wales area we have more than held our own, the draught beer sales continuing to show an upward trend.

Over the last few years we have been greatly improving our properties in South Wales and we now have some very fine licensed houses that can cater for all the needs of the public. There are some, however, that still need attention and we shall continue to carry out improvements to these as opportunities arise.

Since the end of the financial year, for reasons of economy we ceased brewing at Messrs Darby's Brewery, West Bromwich, and the whole of the brewing, bottling, wines and spirits and delivery were transferred to Cape Hill. Trading in the houses has improved and the purchase of this business is proving a valuable acquisition to your company.

In connection with our reconstruction plans at Cape Hill, I am able to report substantial progress in the construction of our new cask-washing facilities. I am satisfied from what has been demonstrated in the portion now completed, that it will be one of the finest and most up-to-date in the country, with ideal working conditions. I have already referred to new plant in the bottling stores, and to cope with the increased bottling output we are also enlarging and modernising our cold room. We have continued with further mechanisation of our maltings, and also installed equipment for the handling of sugar in bulk—a great economy. All progress we make in the direction of modernisation of plant will materially reduce our overheads, improve working conditions for our employees, and reduce labour costs.

FURTHER LICENSES GRANTED

Since our last meeting we have obtained certificates from the Licensing Planning Committee for a further five temporary premises in different parts of the city's suburbs. I would like to emphasise strongly that in consequence of the housing drive and the building of new estates, there are now a considerable number of areas in which the public have no facilities for obtaining alcoholic beverages. With the progressive drive of the housing authorities, which we are all glad to see, this problem is of increasing importance, and we are pressing our claims as strongly as we can to the Ministry of Works to enable us to meet the requirements of these new and thickly populated areas by the issue of building licences enabling temporary or a portion of the permanent licensed premises to be erected, particularly in those cases where the licensing justices have indicated, by granting justices licences, that the needs of the public require to be met.

IMPORTANCE OF DEVELOPMENT PLANS

Touching on development plans, your company owns properties in the areas of 76 local planning authorities. The development plans which these planning authorities have to submit to the Ministry of Housing and Local Government cover every aspect of the planning in these areas and may affect your sites and properties to the extent that the sites cannot be developed for the purpose for which they were bought and the properties cannot be altered or rebuilt, or they may be in areas designated for compulsory purchase. The proposals in any particular development plan may not operate for 20 years or longer, so that unless successful objection is taken immediately in all appropriate cases, the result is the placing of a "dead hand" on your properties for a long period and consequent depreciation of their capital value. What is more important in our case is the possible loss of trade through compulsory purchase and the eventual loss of the property and the outlet for the company's goods.

MISLEADING ATTACKS ON THE TRADE

I welcome the passing of the Licensed Premises in New Towns Act, which received Her Majesty's assent on October 30th last. This Act takes away from the state the licensing of new towns, and substitutes a system similar to that in force in licensing planning areas. During the debate in the Commons stockholders must have been shocked by the way the trade was attacked and misrepresented. It is a pity that people who know so little of our trade should give us figures and quote gravities in such a misleading way. Far from there being any justification for the charges made, brewers have faithfully carried out their undertakings given to the Government in 1950 to increase the gravities of their beers by 3°. In fact, the average gravity today shows an increase over the 3°.

The fact must not be overlooked that at the present time the duty is the deciding factor in the beer situation, when you consider that the Chancellor has already pocketed on an average about 8½d. for every pint of beer before any expenses whatever have been met. In the case of your own company he takes more than this figure, and I earnestly hope that he may be persuaded to reduce the taxation at present afflicting the trade.

In industry generally there are signs of some recession of trade, and in the last three months we have experienced this to some degree. We must be prepared, therefore, to face less favourable conditions in the coming year than those we have experienced in the year under review.

The report and accounts were adopted.

CROMPTON PARKINSON LIMITED TOWN TAILORS LIMITED

CHAIRMAN'S SPEECH

RECORD PRODUCTION AND SALES

NEW MANAGEMENT TRAINING SCHEMES

The thirty-ninth annual general meeting of Crompton Parkinson Limited was held in London on December 12th.

The following is an extract from the speech of Mr Albert Parkinson, MBE (the chairman), which has been circulated with the accounts:

"The year has witnessed an increase in production costs, and competition, particularly in overseas markets, has been intensified. The resulting tendency to reduced profit margins has been offset by record figures of production and sales and by maintaining our various works in a state of high production efficiency. In the latter part of the financial year there was some recession in demand for the lighter products within our manufacturing range. On the other hand the majority of our products have continued to be in strong demand and customers' requirements are still in excess of our productive capacity.

The results for the past year show an improvement on the previous year and your directors regard the increase of nearly £220,000 to £1,660,040 in the surplus from trading as satisfactory in view of the many adverse factors which have affected the year's working. Of this increase taxation absorbs an additional £130,000 and specific reserves extra £50,000. In comparison with the year the consolidated net income has increased by about £36,000 to £397,934. After deducting the interests of minority shareholders in subsidiary companies and the increases in reserves and balances carried forward in those companies the net income taken to account by the parent company is about £17,000 more than last year, viz: £321,656.

The dividends paid and recommended by your directors absorb £205,441 net—a slight increase on last year owing to the issue of £18,750 ordinary stock ranking for final dividend and special cash bonus. It is proposed to repeat the allocation of £10,000 to the central benevolent fund.

The taxation provision no longer required, £150,000, arises as a result of a settlement with the Inland Revenue Authorities of various taxation computations and the consequent release of amounts set aside in previous years. After taking this sum into account and profits relating to previous periods, there is a sum of £258,215 to be added to the unallocated revenue reserves.

FINANCE AND DIVIDEND POLICY

During the year debtors and prepayments have risen by more than £500,000 to £4,323,914 and more than £2 million has been added to the value of stock in trade and work in progress, which has reached the record figure of £7,218,486. These expansions, together with the increases in fixed assets and trade investments have been financed largely by means of bank overdrafts and acceptance credits, by a reduction in cash resources and by the retention of income through increases during the year in revenue reserves. The retention of income to finance growth of your company continues to be made more difficult by the current high level of taxation.

Your directors adhere to the view that economic conditions make it undesirable to raise additional permanent capital in this country at the present time and consider it advisable to continue a conservative dividend

policy. They recommend the same distribution as last year, namely a final dividend of 3½ per cent and a special cash bonus at the same rate.

OVERSEAS

Many difficulties have beset us during the year in our export trade from this country. Import and currency restrictions have led to the curtailment—amounting at times to a complete embargo on certain products—of valuable markets, in particular Australia and New Zealand. Nevertheless we have been able to increase the value of our direct exports by nearly 30 per cent in comparison with the preceding year, and indirect exports, i.e. equipment which we know is destined to be sent overseas by our customers, have also increased considerably. We are conscious of the policy of other countries to extend their own manufacturing resources and we have met this tendency, by an expansion of our manufacturing facilities overseas. The factory for the manufacture of A.C. electric motors which has been erected in South Africa in partnership with Lancashire Dynamo Holdings Limited is now in production.

DEVELOPMENT AND RESEARCH

During the past financial year the technical resources at our works, both as regards staff and equipment, have been further increased and the main development and research department at Chelmsford is steadily extending its services to the organisation. The design and development of all our products are constantly under close examination, and we shall continue to keep them in the forefront in this respect. We continue to train and expand our production engineering staffs, both in our various works and as a central company service, so as to ensure high and constantly improving production efficiency.

TRAINING FOR MANAGEMENT

It is now nine years since we formulated our junior board, and during that period seventy men have received the training in handling management problems which service on it brings about. Many of them now occupy senior executive positions. More recently we have set up two new schemes. One is a plan to train for particular jobs by the careful selection of a limited number of promising young men for special "on-the-job" training. The other is a more general scheme of training in the problems attached to particular products, given by the appointment of selected persons to a special committee which is encouraged to discuss and make recommendations concerning that product, its development, manufacture and sale.

These schemes of management training are additional to the apprenticeship training schemes for trade, student and graduate apprentices, the Occupational Training Scheme for youths who do not enter into apprenticeship, and the Crompton Parkins and Parkinson Empire Bursaries.

In our training schemes, our research and development programmes, our overseas arrangements and our constant search for improved technique I find solid ground for belief that our foundations for the future are well laid."

RECORD SALES DESPITE DIFFICULTIES

The twenty-second annual general meeting of Town Tailors Limited was held on December 11th, at Leeds, Mr H. M. Frazer, chairman and managing director, presiding.

The following is an extract from his speech, circulated with the report and accounts for the year to August 2, 1952:

An analogy of our last financial year is that of a commercial ocean voyage. We had plenty of rough weather, which involved accurate navigation, but there was always the hope of calmer seas and satisfactory trading. For the time being these have materialised. It has also been a year of opportunities, commencing with a severe trade recession which had to be overcome. In October, 1951, we reduced prices by drastically writing down our stocks, and the public response was satisfactory; in fact, we actually ended the financial year with record sales. We dealt with the most severe fall ever in wool prices in our stride, which is a proof of the solidity of your company.

Our group net profit is £264,382, compared with £378,472 for the previous year. The fall, which I believe to be temporary, has been caused by lower gross margins, rising costs and by further writing down of stocks. We have been helped by a cessation of the violent fluctuations of wool, our chief raw commodity. Prewar, the price for an average 64s. quality Merino Wool Top was 24 pence per lb.; in 1950 it rose to 350 pence per lb., and since December, 1951, the price has fluctuated between 152 and 120 pence per lb.; but, even 32 pence is too broad a margin.

DISTRIBUTION MAINTAINED

Your directors recommend a final dividend of 16 per cent, which, together with the interim dividend of 12 per cent, makes the total monetary distribution similar to that of the previous year. Again we have decided to recommend a bonus issue to our ordinary stockholders of one ordinary stock unit of 2s. for every five ordinary stock units held. The cost will be £50,000, which we shall take from the reserve accounts. It is proposed to carry forward a balance of £352,343 on the profit and loss account.

Our decentralised factories are all giving satisfactory output, and I am pleased to state that in the last 12 months, no labour hours have been lost by any dispute. The shops are all trading successfully. Eight new branches were opened during the year, and further shops are being opened as suitable premises can be secured. The subsidiary companies continue to be of considerable help to the parent company, with the exception of our export department, which has had a severe setback. This is due to a recession of trade overseas, restricted licences, quotas and foreign competition. Our goods were too dear, although we offered them at today's cost price. This is a serious matter.

Although our gross margins have been reduced and retail prices are much lower than hitherto, yet, I consider that we shall overcome these by increased production and turnover. With our wool stocks at or below today's prices, I do not expect we shall have to face any further drastic price reductions. Trade has been much better since the commencement of our new financial year than for the corresponding period in the year under review. In the further absence of unfavourable factors, I look forward to a continuation of satisfactory results.

The report was adopted and the proposed bonus issue approved.

THE CRITTALL MANUFACTURING COMPANY

RECORD TRADING RESULTS

LORD BRAINTREE'S REVIEW

The twenty-eighth annual general meeting of The Crittall Manufacturing Company, Limited, was held on December 10th in London.

Lord Baintree, chairman and joint managing director, presided and, in the course of his speech, said:

It gives me great pleasure to lay before you the accounts of your group of companies for the twelve months ended August 31, 1952, particularly as the trading profit is an all-time record at £818,779 before taxation, as compared with £494,535 the previous year.

Incentive bonus schemes have been continued during this last year for all staff and other employees who are not paid by results.

The increase in the group trading profits, whilst being mainly accounted for by increased profits of the parent company, reflects also a gratifying increase in the trading profits of Fenestra-Crittall, A.G., our German subsidiary, and the inclusion for the first time of the trading profits of the Crittall Manufacturing Company (Australia) Proprietary Limited, which became a subsidiary company during the financial year.

To the trading profit have to be added the dividends and income from trade and quoted investments amounting to £44,524, as compared with £54,046 for the previous year, resulting in a profit for the year, before taxation, of £863,303—an increase of £314,722.

The total group taxation at £570,050, including foreign taxes, represents 13s. 3d. in the pound as compared with £328,755 or 12s. in the pound for the previous year. I should point out that the excess profits levy was payable on eight months' trading, so that a larger amount would have to be provided in a full year. Whilst it will be appreciated that the taxation charge in this year has had to be increased on account of the recommended bonus to the ordinary stockholders, it must be realised that the problem of maintaining and expanding efficient production and, at the same time, making a reasonable return to the stockholders, becomes increasingly difficult.

FUTURE PROSPECTS

Last year I anticipated an increase in the speed of house building which, though it has been achieved still leaves a considerable gap to be bridged before reaching the annual production of houses of over 360,000 for the years 1936 to 1939 inclusive. It is a significant fact that the cost of house building is now receiving greater attention, and many schemes are being referred back to obtain lower estimates. It is, of course, of far-reaching importance that the cost of house building should come down and, indeed, with slum clearance still to be tackled, a much lower figure must be achieved. In this connection I am pleased to tell you that during the month of October the metal window industry made an all-round reduction in the price of galvanised windows, which, in our case, comprise nearly 90 per cent of the windows sold in the home market, of approximately 4 per cent.

Speaking generally of exports in terms of the value of goods despatched during the financial year, there has been an increase of 30 per cent over the previous year and, in spite of American and Canadian restrictions on house building, our sales to hard currency

and oil-bearing countries have been maintained during the period.

Since I met you last I have visited Rhodesia, where I saw the new factory of Crittall-Hope (Rhodesia) Limited ready to go into production. It is now in operation and, will, I believe, become a profitable undertaking.

With the object of establishing ourselves on a firm basis in the Canadian market, we have acquired the whole of the shares in the Canadian Metal Window and Steel Products Company of Toronto, one of the oldest and most successful manufacturers of metal windows in Canada. We intend to operate this company to manufacture certain windows which we cannot advantageously export from here, and at the same time to use it as distributor for the products of the home factories.

DARLINGTON AND SIMPSON ROLLING MILLS LIMITED

Under nationalisation the original board of directors has continued to function. When the industry is again returned to private enterprise we are hoping to retain this connection. We consider that Darlington Rolling Mills is essential to the successful development of the metal window industry both at home and overseas.

Although Crittall-Hope Metal Windows (South Africa) Limited, the financial year of which ends in February, showed an increase in profits of 90 per cent compared with the previous year, the amount distributed by way of dividend (in which your company participated) remained the same. In face of the political and economic position in the Union, I find it difficult to speak of the immediate future. No effort will be spared to maintain its efficiency during the present period of uncertainty.

The German subsidiary company, Fenestra-Crittall, AG, has continued to show a gratifying improvement in its trading results, but here again the necessity for conserving resources to finance stocks and also capital expenditure has resulted in no dividend being declared.

Crittall-McKinney Metal Window Company Limited had a successful year both as to the sale of products manufactured in Northern Ireland and those imported from this country; in particular the import of our standard products into that market continues on a satisfactory level.

LIQUID POSITION

The group liquid position, at £2,219,992, shows an improvement of £260,461, attributable to profits retained in the business.

Whilst the turnover of the group increased by more than 20 per cent compared with the previous year, stocks increased by 18 per cent and the amounts outstanding from customers by over 19 per cent. This represents quite a substantial drain on the actual cash resources of the group, which position—with particular reference to the burden of taxation and the necessity for capital expenditure—is being closely watched.

The report was adopted and the ordinary dividend of 10 per cent and bonus of 5 per cent was approved.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA

MR ROBERT ANNAN'S SPEECH

The annual general meeting of this company was held on December 11th in London.

Mr Robert Annan, the chairman, in the course of his speech, said: The working profit of New Consolidated Gold Fields, Limited, for the year amounted to £1,996,000. Profit on realisation of investments and sundry revenue, which from the nature of our business is subject to considerable fluctuation, shows an increase of £680,000 at £1,072,000, to which the profit on the disposal of our shareholding in Southern European Metal Corporation made the principal contribution. Present conditions indicate that the increased profit from this department of our business is unlikely to be maintained in the current year.

A more stable source of revenue is the dividends on our investments and it is satisfactory that at £1,154,000 the record which we achieved last year has been slightly exceeded without this year drawing on the profits of our American subsidiary.

As the operating company has declared a dividend of 3s. per share less tax on its ordinary shares, your directors now recommend the payment of a like dividend on the ordinary shares of the parent company.

So far as the immediate prospects for our company are concerned, our results for the past year have been influenced by several favourable factors and for this reason should be regarded as above average, but when we survey our progressive and widespread interests we have, I believe, every reason to look to the future with confidence.

The report was adopted.

DICTOGRAPH TELEPHONES

The sixteenth annual general meeting was held on December 11th, in London, Mr Philip V. Summer (the chairman) presiding.

The following is an extract from his circulated statement: It is indeed with satisfaction that I am able to present to you results which I feel sure will merit your continued confidence in the company's affairs. The volume of work in hand remains constant, and our installation staff have been kept fully occupied during the year under review.

Your principal revenue-producing asset—Rental Installations—now stands at £333,978 against £326,709. The annual gross rental income has risen to more than a quarter of a million pounds, an income largely independent of the ups and downs of trade.

Current assets amount to £358,417 (including over £50,000 cash at bank) against £324,777 last year. Current liabilities total £151,617 against £201,895, thus showing net current assets of £206,800 against £122,882—a marked improvement in liquidity.

The consolidated profits of the group before taxation amount to £151,284, but no less than £92,553 is provided for taxation, i.e., 12s. 3d. in the £.

The net profit of the company, after taxation, amounts to £55,097. The board now recommends a final dividend of 10 per cent, less tax, making a total distribution for the year of 20 per cent, less tax.

With regard to the future, there have been definite signs of recovery in certain basic industries during the past few weeks which I feel sure will be reflected in our business, and enable me to make another satisfactory report to you next year.

The report was adopted.

GLAXO LABORATORIES, LIMITED

EXPANSION CONTINUES

MORE COMPETITIVE FUTURE

RESEARCH

The eighteenth annual general meeting of Glaxo Laboratories, Limited, was held, in London, on December 5th, Sir Harry Jephcott, MSc, presiding. The following are extracts from his circulated review:

To adjust the disparity between our issued capital and that actually employed in the business £796,350 of the reserves will be capitalised and one ordinary stock unit issued for each unit held. An increased ordinary dividend is considered appropriate in relation to the increased capital employed and the profit.

Our business has continued to expand, although the rate of growth was less than last year. At home turnover remained approximately the same, but price reductions—mainly of penicillin—will benefit the customer, including the Ministry of Health, by £900,000 in a full year. The history of penicillin prices during the last five years bears eloquent testimony to the benefits of research and technical improvements.

OVERSEAS TRADING PROSPECTS

I wish, however, to refer particularly to our business overseas, where more than 50 per cent of our sales are made. We have over £4 million invested outside the United Kingdom, to which greater hazards necessarily attach. In most years unfavourable circumstances in one market would be offset by more than ordinarily favourable conditions in some other market, but last year unfavourable conditions affected most markets. In part these resulted from inflationary conditions due to the Korean war, and in part from United Kingdom import restrictions reducing available sterling exchange.

Towards the end of 1950 and early in 1951 customers, in the expectation of continuing price increases, over-bought. On the 1952 recession in prices, purchases were sharply reduced. Expecting a rise in sterling purchases of their produce, many countries granted import licences far more freely than could be sustained by the subsequent availability of foreign exchange. United Kingdom import restrictions had an immediate effect, not only in reducing import licences, but in delaying payment for goods already shipped. Sometimes this delay extends far beyond the term of ordinary commercial credit, so there is the additional risk that payment may not be made in full. The directors have, therefore, considered it prudent to set aside £200,000 to an exchange reserve.

A further circumstance has developed that especially affects us. Owing to the Korean war, the United States Government stimulated, by special fiscal concessions, the spending of about £10 million on additional capacity for the manufacture of antibiotics, particularly penicillin. Whilst some of these plants are not even yet completed, world demand has not increased as rapidly as productive capacity, so that acutely competitive conditions have developed in markets where dollars are available.

All these influences fully developed only towards the end of the past financial year; they will become more obvious in the current year. We expect to offset them in some degree by further production economies and the introduction of new products, but their influence cannot yet clearly be foreseen. So far this year our export sales compare unfavourably in money value with the same period last year, the effect upon profitability being more than proportionate.

Our expenditures on research and development are now higher than ever before. I am well satisfied with the progress, but money spent on research cannot quickly reflect itself in profits.

As an instance of long-term research, we have produced after more than nine years' work a much improved whooping cough vaccine of standard and demonstrable potency. Extensive trials in collaboration with the Medical Research Council have shown that this disease can be so modified as to be of slight effect or completely prevented. A new combined whooping cough and diphtheria vaccine, also, is already widely accepted.

Among other new products, we have recently developed "Dionosil," a novel product for use in bronchography, favourably received at home and abroad. A further result of research has been to reduce the production costs of many products, enabling us to meet competition and still to trade at a profit.

There is another aspect of research. It has been said that, whilst the quality of British research is very high, the speed with which the outcome is carried through to production is not equally to the credit of this country. I do not think the British manufacturer is, in general, lacking in his desire to translate new knowledge into new products, but he is faced with considerable difficulties not of his own making. Whilst laboratory work will probably be completed with facilities already at his disposal, development involves capital expenditure. With the Government restraint on capital expenditure, unavoidable delays in securing licences to erect buildings and to obtain steel cast a shadow on the rate of progress and can seriously reduce enthusiasm.

Moreover, if development is to take place speedily, capital expenditure will probably have to begin before laboratory work is completed and when the economics of the new process are still incompletely known. It is the function of the industrialist to take the risk involved and to recoup losses on failures by profits on successes. The knowledge that the Government will take 80 per cent of any increase in profits is not encouraging and may cause those responsible to doubt the wisdom of incurring such expense.

DEXTRAN

From the dextrans, which are produced by fermentation, it was found possible to separate out material that can be given in place of blood plasma for treating the circulatory failure in shock arising from wounds, burns, etc. In 1947 manufacture on a commercial scale was begun by Dextran Limited, whose resources proved inadequate, and in July last we acquired all the issued shares. The product is sold under the trade mark "Intradex," and other products of even greater usefulness may be evolved.

Expecting that the favourable conditions of the last several years would not persist indefinitely, advantage has been taken to build up our resources. If we now have to face a difficult and highly competitive period, we do so with confidence, knowing that our finances are stronger than at any previous time, that our physical resources are much greater and more diversified, and that the organisation has been expanded and

strengthened throughout, although the immediate future may be less profitable than the past few years.

The directors again pay warm tribute to the work of the company's employees, at home and overseas, during the year. Their loyalty and enthusiasm continue unabated.

The report was adopted and the capitalisation proposals were approved.

RHOKANA CORPORATION LIMITED

THE BANCROFT MINE

MR H. F. OPPENHEIMER'S SPEECH

The annual general meeting of Rhokana Corporation Limited was held at Kitwe, Northern Rhodesia, on December 10th, Mr H. F. Oppenheimer presiding. He said: Shareholders will have noticed that the formation of a company to establish another large copper mine in the Northern Rhodesian Copperbelt was foreshadowed in the chairman's statement issued with the annual report and accounts. A few additional details are now available.

The financial structure of the new company is at present receiving the active consideration of your board. In the meanwhile, expenditure on prospecting, borehole drilling and other preliminary work has been financed by advances from your corporation, and approximately £300,000 has been spent to date. It is estimated that it will take about five years and cost about £11 million to bring the mine to production.

EXTENSIVE ORE BODIES

The mine will be located on extensive ore bodies near the Belgian Congo border about 14 miles north-west of the property of Nchanga Consolidated Copper Mines Limited. The ore bodies occur in areas comprised in special grants issued to your company by the owners of the mineral rights, The British South Africa Company.

Prospecting of the area of these special grants, totalling 56,848 acres, over a period of years proved the existence of three ore bodies. These are known as the Konkola ore body, the Kirila Bomwe North ore body and the Kirila Bomwe South ore body. The two Kirila Bomwe ore bodies are about a mile apart on the surface. The Konkola ore body is 4½ miles away. Prospecting rights are also held over a further 6,140 acres to cover possible extensions of the ore bodies in depth.

RESERVES 80 MILLION TONS

It is estimated that the reserves of copper ore exposed during the diamond drilling programme total approximately 80 million tons with an average copper content of 3.60 per cent. The Konkola ore body is estimated to contain 32,900,000 tons with an average copper content of 2.48 per cent, and the Kirila Bomwe North and South ore bodies are estimated to contain 46,700,000 tons with an average copper content of 4.39 per cent. These values are comparatively rich. The minerals are copper sulphides, with small amounts of oxide. A feature of the prospecting already completed has been that the deepest holes so far drilled show values and widths well above economic limits and there is little doubt that substantial reserves remain to be proved by further drilling. On the basis of the ore reserves so far proved, the mine would have a life of 40 years at the production rate envisaged.

Planning of the mine is in progress. A concentrator with a capacity of about 150,000 tons a month will be erected at Kirila Bomwe to treat the ore from all three ore bodies. The concentrate will be bailed to your com-

pany's smelter at Nkana, some 55 miles away. With recent improvements in technique, it is expected that the Rhokana smelter will be able to handle the new mine's production of approximately 4,000 short tons of copper a month without major additions of plant.

A NEW TOWNSHIP

The establishment of the new mine will involve the construction of a railway from Nchanga to Kirila Bomwe with a further connection to Konkola, the construction of roads and linking up with the electric power grid which serves all the mines of the Copperbelt through the Northern Rhodesia Power Corporation Limited. A new mining township will be laid out for European staff and employees, who will total approximately 500. African townships with houses for single and married African employees, who will number about 4,000, will also be established.

Preliminary work has already started at the site. An aerial survey to assist in the laying out of road, rail and power line routes has been completed.

TRANSFER OF REGISTRATION

I should now like to refer to a recent press announcement by Rhodesian Anglo-American Limited advising that a petition has been presented by that company to the United Kingdom Parliament for leave to introduce a Private Bill, with a view to securing the transfer of registration of that company and others of the group, including your company, from the United Kingdom to Northern Rhodesia.

Your company has, since the beginning of 1951, been managed and controlled in Northern Rhodesia where the whole of its business is carried on, whilst it continues to be a company incorporated in England. The present position is felt to be anomalous and your directors therefore considered that this company should be actively associated with Rhodesian Anglo-American Limited in the steps being taken to finalise the removal to Northern Rhodesia of the Rhoanglo group of companies.

The Northern Rhodesia Government has been kept fully informed of the intention to introduce the Bill, which by its terms extends to Northern Rhodesia, and has accorded its full approval.

The report and accounts were adopted.

LAKE VIEW AND STAR LIMITED

RISE IN WORKING COST

The forty-second annual general meeting of Lake View and Star, Limited, was held on December 10th, at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

Sir Joseph Ball, KBE (chairman of the company), presided.

The chairman in the course of his speech said: The mining profit for the year ended June 30, 1952, amounted to £482,151, as compared with £563,789 last year, a decrease of £81,638. Two interim dividends, each of 6d. per share, less tax, were declared during the year, and your directors recommend the payment of a final dividend of 1s. 6d. per share, less tax, thus maintaining a total of 2s. 6d. per share for the year.

Development footage increased during the year by 1,365 ft to 23,232 ft. The ore reserves at July 1, 1952, were estimated to be 3,723,700 tons, averaging 4.82 dwt per ton—a decrease of 376,700 tons, almost entirely due to the necessity of eliminating just over 342,000 tons of marginal ore, which, owing to the further rise in production costs, can no longer be regarded as payable.

I draw special attention to the rise in working cost per ton milled, from an average of 35s. 2d. during the year ended June, 1951, to an average of 40s. 11d. throughout the year under review. This sharp rise is responsible for the heavy fall in the company's profits; but it has had what, perhaps, may be regarded as an even more serious effect, viz., the elimination from the ore reserves as unpayable of no less than 342,000 tons of marginal ore.

This follows upon a reduction during the preceding year, for similar reasons, of 112,000 tons—a total loss in the last two years of some 454,000 tons. The main cause of the steep rise in mining costs in Australia has been the constant additions to what is known as the basic wage.

The report and accounts were adopted.

HARRIS LEBUS, LIMITED

FURNITURE TRADE OUTLOOK

The fifth annual general meeting of Harris Lebus, Limited, was held, on December 9th, in London, Sir Herman Lebus, CBE, JP, chairman and managing director, presiding.

The following is an extract from his circulated review of the year ended July 11, 1952:

The trading profit after allowing for all charges including depreciation, but before charging taxation, amounts to £416,885, as against £701,107 for the preceding year, a decrease of £284,222. After providing for income tax and profits tax computed on the profit for the year, the net profit amounts to £165,680, a decrease of £80,081. The proposed ordinary dividend is 6 per cent, less tax.

We started 1951-52 with a satisfactory order book. Throughout the company's financial year there was a marked recession in trade, in the case of upholstery the most marked that many can remember. This added greatly to the difficulties and adversely affected the profit. In spite of these adverse factors we improved our share of the Utility market, and indeed overall we delivered more units of furniture than we did in the previous year.

The furniture industry has participated in the improvement which has taken place recently in retail trade in the country, and since the beginning of our current financial year there has been a marked increase in sales made by your company. Whether or not this trend will be maintained remains to be seen, but at this date we have a satisfactory order book. The company is in a position to face the uncertain conditions with confidence and to be able to take full advantage of all possibilities for future development.

The report was adopted.

BURMA ESTATES, LIMITED

THE BOARD'S OBJECTIVE

The nineteenth annual general meeting of Burma Estates, Limited, was held on December 9th in London, Sir Rupert de la Bère, MP (the chairman), presiding.

The following is an extract from his circulated statement.

The profit for the year ended June 30, 1952, is much less than that of the previous year, but it was generally recognised that the favourable factors which accounted for the exceptional results for that year could not be expected to continue. In view of the fall in the price of rubber and the lawless conditions which have been ruling in Burma during the year under review, we are not dissatisfied with the results.

The Government of the Union of Burma

has refused our request for a remittance from Burma to meet our UK tax liabilities. There is, therefore, a danger of our company being left without money in London with which to finance current operations. The Burma Government will favourably consider sanctioning the remittance to the UK of the company's money in Burma and the proceeds of its assets if the company finally discontinues operating in Burma.

Addressing the meeting, he said inter alia: The board's objective is to get its cash out of Burma and thus make it available for distribution to the shareholders. It is equal to more than half of the company's paid-up capital and it is hoped that the scheme we have in mind will enable payment to be made to members as a return of capital which will not attract United Kingdom taxation.

The report was adopted.

CENTRAL & DISTRICT PROPERTIES

EASEMENT OF GOVERNMENT CONTROL

The eighteenth annual general meeting of Central & District Properties Limited was held on December 10th in London.

Mr A. W. Bournier, who presided, in the course of his speech, said: The net profit of the group, before taxation and reserves for amortisation and deferred repairs, amounts to £71,132 which shows an increase of £4,009 over that of the previous year.

It is gratifying to see that this present Government is adopting a realistic approach to the very thorny problem of development charges and the other financial clauses of the 1947 Town and Country Planning Act. All of us engaged or in contact with the operation of this Act since its inception have realised that the provisions as originally laid down were unworkable in practice, and a definite cause of restricting all forms of property development. The abolition of the charges, subject to wise and prudent legislation on other matters which will of necessity arise in the remodelling of this Act, will, it is hoped, create a much more enterprising atmosphere, so much needed in order to deal with the shortages of all forms of property and to meet demand.

RENT RESTRICTION

I have touched in previous years upon the extremely unfair position as affecting landlords and property owners of all types by rent restriction which, it is clear by its operation, creates shortages rather than to lessen them. There are indications that the just rights of property owners and companies are at last receiving some consideration, which is now long overdue, and we can only hope that wise counsels will prevail and that steps will be taken to amend the existing legislation so as to provide owners with the requisite income out of which to maintain their properties in good order and to provide a reasonable return upon capital investment.

During the year certain further progress has been made. Your companies have acquired three additional investment properties upon terms which, in the opinion of the management, are advantageous and arising out of commercial premises in London and the Provinces.

In conclusion, I would like to take this opportunity of thanking all who have been concerned in the management, control and operation of your companies' interests for the good work which they have put in during the course of the past financial year and without which the results as shown by the accounts could not have been achieved.

The report was adopted.

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LEADING ARTICLES

- Commonwealth by Thrift - - 797
- Europe Shivers on the Brink - - 799
- India's National Plan - - - 801
- The Vintner's Custom - - - 803

NOTES OF THE WEEK - - - 805

Style and Titles; Brown's Study; Politics of the Conference; M. Pinay on the Edge; Camp Guards and Communists; Stalin's Birthday; Houses—But in the Air?; Rents, Rates and Costs; No Progress in Kenya; Two Welcomes for Tito; Deviations in Vienna; East Germans Tighten Their Belts; Digging among the Ploughed; Butter, Bacon and Social Justice; Below Egypt's Standards; Free Trade Begins at Home.

LETTERS TO THE EDITOR - - 815

BOOKS AND PUBLICATIONS - 816

AMERICAN SURVEY

New Start for Uno? - - - 820

Parting Shots; Pirates of New York; All Clear for Construction; Higher Education's Deficit; Segregation at Stake; Shorter Notes.

THE WORLD OVERSEAS

The Chinese Trade Puzzle - - 826

Europe's Third Chance—II; Two Flags for Eritrea; Next Stage in Poland; Sniping at the Colonial Powers; The Passing of a Generation; Nigeria Learns About Itself.

THE BUSINESS WORLD

The Commonwealth Decisions - 837

BUSINESS NOTES - - - 842

Anglo-Iranian Debuture Terms; Oil in Washington and Persia; Hawker Siddeley Limbers Up; Rights of Preference Shareholders; Extending the Trustee List; Merits of the Proposals; Dollars for Centurions; Tidying Up Germany's Debts; Glaxo's Bid for Cortisone; Decontrol of Cereals Delayed; Steel According to Plan; Foundry Safety and Efficiency; No Monopoly for the Docks Executive; Excessive EPU Creditors; Releasing Zinc Stocks; Slow Recovery in Freight; Trends in Australian Banking; Ending Another Development Council; Shorter Notes.

COMPANY NOTES - - - 853

STATISTICAL SUMMARY - - 854

COMPANY MEETINGS - - - 856

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Commonwealth by Thrift

THE Commonwealth Conference ended last week as successfully as anyone was entitled to expect. The official communiqué consisted, it is true, of little but vaguely worded good intentions. But those who complain on this score are crying for the moon. More definite action was, indeed, imaginable. The conference might have decided to make the sterling area a more restricted trading system; it might have denounced the General Agreement on Tariffs and Trade, declared an all-round increase in imperial preferences, and put further quantitative restrictions on dollar imports. Alternatively, it might have decided on a dash for freedom in economic policy. Sterling might last weekend have been made convertible, the exchange rate freed, the gold reserve thrown (in all probability) to the winds. If the Commonwealth had embraced either of these two sets of policies the communiqué could have announced immediate action. But it would have been bad action—the restrictionist policy wrong in principle, the all-out liberal policy ill-judged and, almost certainly, in practice short-lived.

Happily, the conference avoided both extremes. Instead it laid down the aim of creating "by progressive stages and within reasonable time . . . an effective multilateral trade and payments system covering the widest possible area." And given that decision, the conference inevitably could go no further, publicly, than a declaration of intentions. To restore multilateral trade demands action on two fronts: external and internal. In external economic policy, it is probably true to say that the Commonwealth countries have to make more changes than any others before world trade is able to flow more freely. But primary responsibility is not sole responsibility. The American postwar policy of grants in aid to Europe is plainly going into decline if not coming rapidly to an end. A substitute has to be found, and the Commonwealth cannot move in isolation from it. But the necessary consultation with the United States and with Western Europe must wait until the next Administration is settled in the American saddle. It is, indeed, essential that the Commonwealth countries should enter upon this economic consultation of the West, when it comes, with a clear set of proposals. But an attempt to sketch such proposals officially now would have been worse than pointless; it could have done little but prejudice the discussion.

External action is, however, the lesser part of the programme. It will be wasted unless the sterling countries are capable of paying their way in a world of greater freedom in trade and payments. Internal action to this end does not have to wait on General Eisenhower. It has to wait only on the cabinets and parliaments of the Commonwealth countries. The Prime Ministers and Finance Ministers assembled in London could not there publicly commit themselves to precise measures of retrenchment and disinflation. Mr Butler could not choose a Commonwealth communiqué in which to announce that he intends, say, to remove the rest of the food subsidies in his next

Budget. In internal no less than in external policy, the public concern of a Commonwealth conference is properly confined to general intentions. Even what is said in private cannot indicate how effectively these intentions will be translated into practice.

On this, the most—but also the least—that can be said is that the prospects are better now than before. For the first time, the Commonwealth countries have collectively recognised errors in their postwar ways. "Development of the basic essentials has on occasion been impeded by other development of a less sound and permanent kind, which has overtaken the countries' resources and has failed to contribute to the building of economic strength." Objectively, the weaknesses are easy to identify. They are, for example, in Australia the growth of uneconomic secondary industries; in Britain a building programme that attempts to meet a demand for houses inflated by artificially low rents and artificially cheap food. The Commonwealth communiqué does not cite such examples, and there is as yet no evidence that any government really intends to mend its ways to a significant extent. But at any rate the underlying principle they ought to follow has at last been clearly recognised. Neither the United Kingdom nor any other Commonwealth country can, by erecting a protective fence against world competition, sustain the benefits of a humane, fully-employed, gently-inflating welfare state. Survival depends on efficiency. The Commonwealth cannot shrink behind a fence of controls; it has to pay its way in an open, competitive world. The test is that "development should be concentrated on projects which directly or indirectly contribute to the improvement of the area's balance of payments with the rest of the world."

For the sterling area as a whole, it is enough to balance external payments. For this country the task is heavier. It is, as the conference clearly recognised, to help by overseas investment to develop the resources of the rest of the Commonwealth. So far since the war such British investment has been possible, in parts of the sterling area, thanks only to American aid and to borrowing from some other countries. In the future investment will have to be net investment from this country's own resources. And that has only one source. It means that Britain must earn an external surplus; it must export in total more than it imports. There is no political dispute about this aim. The Left in this country now fully recognises the necessity of an export surplus. Indeed, the pundits of the Labour party have got so far, on paper, as to discuss whether the surplus should be £350-£400 million (so says Mr Wilson) or £300 million (so says Mr Jay). Such refinements can be left to them. The only purpose of figures at this stage is to give a spuriously concrete form to ideas that ignore all the real difficulties. The point that matters is that the required surplus is substantial and the practical problem is how to create a surplus at all.

The task has two aspects. One is to make the surplus acceptable to other countries; British exports must be cheap enough for the developing countries to want to buy them rather than American or German or Japanese goods. The other is to make the surplus available; the country can export more than it imports only if it consumes less than it produces—if, that is to say, its people spend less than their incomes. Investment overseas, just

as much as investment at home, must be matched by saving somewhere in the economy.

The first of these two sides to the medal—competitiveness—gets more attention because it is more obvious. But the second is of prior importance. There are two possible sources from which Britain can find capital for investment overseas. Investment at home can be reduced, or savings must be increased. The first would be disastrous. The Organisation for European Economic Co-operation, in its unusually forthright report published last week-end, endorses the common view: at 13 per cent of the gross national product, fixed investment in Britain is, and has been for years, inadequate. If there is to be a surplus available for development in the Commonwealth, and also a healthy volume of capital creation at home, the output of the British people will have to exceed their consumption by a double margin. These fine plans, in short, depend absolutely on a large volume of savings.

This is the critical issue that any realistic economic policy must meet. How can savings be increased? The three general methods might be characterised as the magic wand, the wise uncle, and self-help. The magic wand is higher productivity; it is commonly assumed that as production increases consumption could, fairly easily, be held steady, so that most of the extra income created by the increased production would be saved. There are two difficulties about this pleasant assumption. First, it is doubtful whether productivity will, in fact, increase at all rapidly. The rise in recent years has reflected the particular conditions of postwar recovery; its automatic continuation, in the modern, inflexible British economy, was never likely, and this year's experience makes it positively unlikely—at least without a revolution in the national attitude to work. Even, however, if productivity did rise, would savings increase much? Extra production is always matched by extra real income, largely in the hands of wage-earners. And when total saving is so low, it would be miraculous if the marginal saving from extra income were high.

The magic wand, then, is probably a fiction. The wise uncle is real enough, but grown feeble with exertion. He is, of course, the state, which steps in with a budget surplus to make up for the lack of private savings. Mr Butler could increase that surplus either by taxing more without increasing expenditure or by spending less without cutting taxes. Yet higher taxation would cripple incentives and kill any chance of raising productivity. If it fell on the rich, it would be paid largely at the expense of capital or new saving, not of consumption; that is to say, the state would save only by reducing private saving still further. Extra taxes on the workers would, no doubt, bite into personal spending, but they would still damage incentives and politically they are ruled out of court on any substantial scale.

This must also be said of the alternative method of creating a bigger surplus, by cutting expenditure without cutting taxes. From the economist's point of view, this has considerable attractions. But it is highly doubtful whether any Government will take an axe to public expenditure, and it is almost certain that no Government will incur the political odium and yet eschew the political gain; if it cuts spending substantially, it will cut taxes almost as much—and the state will not save more.

On this the lesson of experience is plain. A democratic

government is a poor saver. The wise uncle might, of course, be translated into a tyrant. An authoritarian government on the Eastern model, willing to exact large forced savings and itself taking responsibility for most of the objects of investment, can save what it chooses. But in a liberal society, saving depends on self-help. It is the British people, as individuals and as shareholders in enterprises, who must save. The state, indeed, is responsible for creating conditions that make saving worthwhile; either it must leave people with more income, after tax, from which they can save, or it must make thrift—the old virtue of abstaining from consumption—a matter once again of honour and profit. There are no easy ways of accomplishing this revolution, but it is the only means by which this country can have an expanding economy, vigorously re-equipping at home

Europe Shivers on the Brink

BEHIND the bitter conflict of parties now raging in Bonn and the confusion of voices in the French Assembly there lies a question about Europe's defence that no one has yet set apart and squarely faced. It is whether there is or is not an alternative to the proposed Defence Community. If there is, then those French and German party politicians who oppose ratification of the treaties between Dr Adenauer's Government and the western nations could be acquitted of irresponsible obstruction. They could plead that they know of a better way to bring France and Germany together, to give Germans equal status with their allies in Europe and to secure the defence of free Europe against the possibility of Communist aggression. They could convincingly deny that they are appealing to national feeling against these treaties in order to get domestic political advantage; their patriotism, they could argue, is not the last refuge of scoundrels, but an enlightened view of the national and European interest. If they cannot make such a case, if their criticism is merely destructive, then the indictment to be drawn against them at this critical moment in Europe's affairs will be severe indeed.

To take first the matter of fact. In spite of the speculations of former German generals and the hints of American newspapers, there does not now exist any alternative plan for organising European defence. There is none in the Pentagon and there is none in General Ridgway's headquarters. But that, it will be argued, is only half the matter; the EDC is not only a project for German rearmament, it is also part of a project for bringing Germany first into a European and later into an Atlantic community. Could that not be done simply by inviting unarmed Germany at once to become a member of the North Atlantic Treaty Organisation? Whether it could, in fact, be done is for the Atlantic Council to decide; but it is safe to say that the Council has not formally considered the idea, for the simple reason that M. Schuman has firmly refused to do so. Indeed it has this week asked emphatically once again for the E.D.C. to be set up.

The reason for the refusal can be simply described. Membership of Nato would give to a sovereign Federal Republic a national army, with its own defence ministry and general staff, controlled as to its numbers and

and creating capital abroad. The schemes that are now being mooted on the Left, which visualise such an economy but give no place to saving, are fantasies; if the problem is ever faced at all, they will cease to be dreams of expansion and become nightmares of rigid state control and forced saving.

The Commonwealth conference has not declared actions or propounded detailed programmes, but at least it has emphasised this central issue. Conversations with the Americans, schemes for convertibility and all the rest, will lead nowhere unless the sterling countries can create the capital on which their efficiency and wealth in a competitive world depend. And there is neither magic nor manipulation that will create capital out of nothing. Saving is thrift; it is consuming less; and it has to be done by people.

strength and the purposes for which it could be used by the parliament in Bonn. The only restrictions on German defence policy would be those embodied in the conventions between the Republic on one side and Britain, France and the United States on the other. Germany, as one of the Atlantic powers, would take a full part in the planning of their strategy and political activity; for all practical purposes it would have the same voice and rights as Britain or France. Clearly, such a leap back into the first rank is more than Germany's neighbours are yet ready to accept; the necessary confidence and trust are not yet fully grown, even in Britain.

Logically, of course, Germany's return to full equality must come one day. Even in the defence community Germans would take an important part in the work of Nato and of General Ridgway's headquarters; but they would be under restrictions also accepted by France, Italy, and their smaller neighbours. The basic conception of EDC was that Dr Adenauer could give up his country's sovereignty in defence if Germany's neighbours would do the same. It is this idea of common sacrifice that is being everywhere forgotten; and with it is being forgotten the fact that the movement for integrating Western Europe will get nowhere until it has grappled with and solved the problem of joint control over defence. One way or another, if the Germans are to contribute to the defence of Western Europe, they will have to be granted equality with the French, the Italians and the Low Countries. Is it to be equality subject to the controls of a defence community or equality in full sovereignty, subject only to the much looser restrictions of Nato?

There is also a third course of action which has its advocates, notably among the Gaullists. It is that the Germans should not be rearmed, that the United States should contribute even more to the defence of Indo-China, and that the French army should bear the main burden of protecting Western Europe. This would leave the way open to further negotiations about Germany with the Russians and restore—so it is argued—France's position as an independent great power. Of this argument it is sufficient to say that France is incapable of such an effort without American assistance.

on a visionary scale, and that the German Government could not now accept—after all that has been said and done—a formal prohibition to rearm. Nor would the American and British Governments accept such a solution.

Not only, therefore, does an alternative to EDC not exist, but the objections to trying to find one are as powerful as ever they were. Certainly it is difficult to imagine that all those Frenchmen who object that EDC would both renew the German danger and weaken France can accept the Nato alternative. And there is no doubt at all that the most faithful men around Dr Adenauer would bitterly regret any solution that would lay on their stripling parliament and state the task of controlling alone a revived *Wehrmacht*. These men still see in the defence community not only the means of restoring Germany's position in Europe but also the way to maintain the democratic institutions of the Republic against the enemy within that has defied them in the past. To ignore their view would be to abandon Europe's friends in Germany.

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To this it is sometimes replied that Nato can and should be made strong enough to control any resurgence of German militarism, that the Atlantic community should create institutions like those of the proposed European Defence Community. In the circumstances of the moment this can hardly be treated as a serious argument. It is possible that one day (some will say the sooner the better) the fourteen governments of the Atlantic alliance will set up a common defence budget, integrate their forces, abolish their national staffs and create one international staff, and put the whole complex under a group of defence commissioners responsible to an Atlantic assembly—but that day is still far off. Such a scheme is not practical politics for an American administration without long and careful preparation of public opinion; and until it is accepted in the United States it cannot be accepted in Britain.

Clearly, however, it is one thing to show that the "Nato alternative" to EDC is at present meaningless and quite another to pretend that the present treaty for a defence community in Europe is perfect. No one seriously imagines that, within eighteen months of ratification, the French, Italians, Belgians, and the rest would abolish their national defence administrations and set up an effective international substitute. No one wants integration for integration's sake, or a piece of reorganisation which would make Europe's forces ineffective until there are European army corps to accept German divisions. All kinds of technical and expert objections can be made to the treaty's clauses as they stand. But it should not be impossible for the French Assembly to ratify *en principe*, leaving it to the six governments to make what changes they wish by means of the time-honoured device of *protocoles d'application*. To create a European army might well take a generation; but foundations could be laid now without injury to German pride, without crippling France's ability to meet overseas commitments, without raising for three or four years the question of which country or group of countries will predominate. It is time that French statesmen said these things aloud and persuaded their people to grasp the possibilities of reconciliation with a weakened Germany offered by Dr Adenauer's success this week.

Of the attitude of Dr Ollenhauer, leader of the Social Democrat opposition in Germany, it is difficult to speak with moderation. He appears to believe that he can get partnership without responsibility, have his cake and eat it. He appears to argue that Germany can be reunited in some unspecified manner, provided that the western republic is not so closely tied to the West as to make re-unification unacceptable to the Russians. He wants an end to the occupation regime, equality of rights for his country and full protection from the West; but he reserves to any government of which he would be a member the freedom to make what bargain it can with the Russians, to merge democratic Western Germany with the Communist East. He shares the incurable illusion of European Socialists that they are better thought of in Moscow than their political rivals, and the incurable conviction of Germans that they can handle Russians better than anyone else. The Russian terms are, in fact, well known, and they are as unacceptable to most Germans as they are to the western allies, providing their meaning—unity without freedom—is clearly explained. This Dr Adenauer has done, fearlessly and honestly; this Herr Ollenhauer does not do. Hence the undoubted support he has won from nationalist elements in the country and his hopes of winning a general election to decide whether the treaties with the West shall be accepted or torn up. Herr Ollenhauer, it seems, would be an uncomfortable partner in Nato.

It is possible that ministers and politicians in France and Germany have been influenced in recent weeks by a feeling that an alternative to EDC would be favourably considered both in Washington and London. If so, there is a clear need for saying firmly that they are wrong. In the belief that the treaties would be ratified, the Allies have been quietly bringing the occupation regime in Western Germany to an end. Does Herr Ollenhauer think it either practicable or honourable to suggest that those treaties should now be re-negotiated in their entirety? That he should court the votes of German nationalism is understandable; but that he should threaten the whole structure of western co-operation without offering any clear alternative is just irresponsible.

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For the American, British and French Governments the lesson is clear. The whole weight of the western partnership should be thrown behind the treaties. It is a profound mistake to think that it should not help its friends in Germany for fear that they will be embarrassed. On the contrary, in the present state of German opinion, the Allies' support for Dr Adenauer is taken for granted by his opponents; they will respect it if it is prompt and effective and ignore it if it is not. In Paris, too, there are helpful gestures to be recommended. If the ratification debates in the Assembly could be begun earlier than is now contemplated and if French statesmen would admit that they have a moral responsibility to carry through the measure they designed—then the task in Bonn could be made easier. After all, there must be some advantage to France in treaties that German nationalists attack so fiercely; just as there must be some advantage to Germany in treaties that so many French nationalists regard with mistrust. It is the task of American and British policy to see that French and German nationalists do not combine to destroy European integration and defence.

India's National Plan

WHEN, a little over a year ago, the Indian Planning Commission published in draft its first five-year plan, it was clear that a firm attempt had been made to give the country's economy a number of sane and realistic priorities. The essence of India's problem is that while 80 per cent of its 360 million inhabitants live on the land practising a static peasant agriculture, the population increases every year by about 4½ million. Indian industry, barely thirty years old, cannot absorb these millions; as it is, the feeding of the urban workers is a perpetual hazard. The first task in India must therefore be to increase food supplies, to introduce some dynamic elements into the rural economy and so to balance the inexorable dynamism of the birth-rate.

In the Draft Plan the main emphasis was, very sensibly, put upon agriculture, upon the increase in food production by irrigation and better methods of cultivation, upon the raising of rural standards by such means as better transport, better marketing, rural electricity and improved administration. The agricultural programmes, which also had to include as a matter of emergency the unfinished business of resettling some 7 million refugees from Pakistan, took up about two-thirds of the proposed expenditure of the whole Plan. The share of industry was under seven per cent.

In theory, the Plan was inaugurated with the publication of the Draft and some parts of the programme have in fact been pushed forward in the last year. But the date is rather notional. Some of the biggest schemes—for instance, the three multipurpose hydro-electric projects at Bhakra-Nangal, Damodar and Hirakud, or the fertiliser factory at Sindri—were inaugurated before 1951. The Plan simply registers their continued construction, or, in the case of Sindri, their completion. Again, the Government of India's administrative resources have been strained to the limit in the last twelve months by the successful conduct of the largest democratic election ever held. The Plan could not be fully launched at the same time. It was also decided that the Draft Plan should be exposed to the maximum amount of public criticism and discussion before it was finally adopted by the Cabinet. For the last year, it has gone the rounds of the twenty-six states and of every influential public body. Only on December 7th was the final shape of the Plan fixed by the government's formal endorsement.

In the year of public discussion, the austerity of the first Draft has, perhaps, become slightly less marked. Like any other democracy, India has shown that every region and every group has its own view of priorities and the trouble has not been to compile a list of urgently

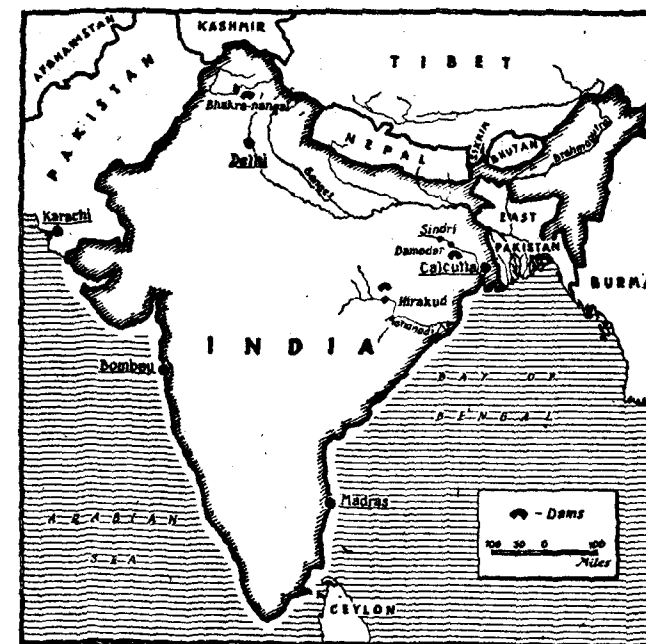
necessary projects but to relegate anything to posteriority. Pressure on the government for more "welfare" has naturally been strong and the proposed expenditure has risen from £191 million to £255 million. Industry, too, has pleaded, not without reason, for a rather larger role. The sum allotted to it has risen by about £55 million to £130 million, and now covers 8 per cent of the Plan.

All in all, the total contemplated expenditure has risen from the £1,120 million of the Draft to about £1,550 million. Yet the modifications have not changed the essential framework. Agriculture, irrigation and transport, with an investment of £1,064 million, still command 68 per cent of the Plan's resources.

India's national income is estimated at £6,750 million. Since the annual investment under the Plan is to run at about £337½ million, it amounts to no more than 5 per cent of its national income. Moreover, the expected increase in national income as a result of the five-year effort will be only £750 million, of which two-fifths will instantly be swallowed by the consumption of millions of new mouths. It is perhaps this perspective that has led critics in India to speak of a "modest" plan and to question whether it might not have been pitched in a rather higher key.

It is certainly true that a national programme of investment of only 5 per cent a year is low compared with other countries. Most European nations have achieved a level of 20 per cent of gross national income at one time or another since the war. Soviet Russia maintained a steady 25 per cent and more in its first series of plans. Nor can there be any doubt that the level of investment is the chief determinant of expansion. But these comparisons leave out of account the facts of India's existence.

The starting point is the unutterable poverty of the great majority. In a population of over 360 million, only about 700,000 are in a position to pay any taxes. In fact, in 1951 only 14,000 people had an income of more than £3,000 a year. The national income per head is just under £19. In these conditions, to talk of a higher general rate of saving—in other words, of a further restriction of consumption—is to cut a percentage of Indians out of existence altogether. More could no doubt be done to transfer wealth from the few very wealthy families, but the aggregate result would be negligible and, in any case, there is little tradition of conscientious tax paying among the rich in India. As for the middle classes, they have already been reduced to a considerable degree of frustration by the combined effect of inflation and taxation since the war.



This economic stringency could no doubt be countered by totalitarian methods. Even a very poor country can save 25 per cent of its national income if no one cares very much who dies in the process. Communist China, whose over-populated land offers a direct analogy with conditions in India, will no doubt find that ruthlessness is a powerful instrument of saving. But the Indians are committed to the way of democracy. They cannot let the poor die. They cannot completely expropriate the rich. They cannot silence the criticism of the middle class. Politically as well as economically, a policy of caution alone is practicable.

Even given this caution, there are formidable obstacles to be overcome. It is a hard political fact that most people in India at the end of the Five-Year Plan will be little better off than they are today. The labour is to prevent them slipping back under the inexorable pressure of rising population. Yet any nation newly tasting independence expects its rewards and it cannot be said that all Congress politicians have been modest in their

PATTERN OF OUTLAY IN THE PUBLIC SECTOR

	Revised expenditure		Expenditure as in the Draft Plan	
	Outlay during 1951-56	Percentage of total outlay during 1951-56	Outlay during 1951-56	Percentage of total outlay during 1951-56
I. Agriculture and Community Development	270.3	17.4	143.8	12.8
II. Irrigation and Power	421.1	27.2	337.8	30.2
III. Transport and Communications	372.8	24.0	291.1	26.0
IV. Industry	129.8	8.4	75.7	6.8
V. Social Services	254.9	16.4	190.7	17.0
VI. Rehabilitation	63.8	4.1	59.3	5.3
VII. Miscellaneous	39.0	2.5	21.4	1.9
TOTALS	1,551.6	100.0	1,119.7	100.0

promises. India's ideal is the welfare state. Indians are not alone in expecting its descent from above and all the while Russian and Chinese propaganda reiterates the sweets of a succession of painless Communist Five-Year Plans. Happily, the average Indian is shrewd. A strain of fatalism also gives him political balance. Last year's elections eschewed extremism and gave Congress a majority at the centre and in most of the states. Yet there is a wise saying in Sanskrit that "the earliest indication to the people of a wise plan should be its achievement." In India, as elsewhere, there may be a penalty to be paid for high promises and hope deferred.

The administrative problems should not be underrated. It is true that India is unique in Asia in the strength of its administrative structure. The legacy of the Indian Civil Service is a band of devoted officials who have accomplished miracles in the last five years. The resettlement of the refugees, the negotiated incorporation of over 500 princely states in the Indian Union, last year's elections and, indeed, the scope and detail of the Five-Year Plan itself—all these are administrative achievements of the highest order. But the introduction of the welfare state must mean an enormous multiplication of responsibilities. State intervention in industry has the same consequence; and at the most vital level of all for the Plan—in the village—administration must in some areas be built almost from scratch. The structure was always slight in the princely states, and land

reform has abolished the old intermediaries—the zamindars and the jagirdars—in many districts. The peasant is the pivot of the Plan. But in many areas it may be difficult to reach him effectively.

Of this dilemma, the Indian planners are well aware. One of their main aims is to fill the vacuum in part by developing the machinery of government, in part by furthering the activities of the villagers themselves. Village councils—*panchayats*—are being created or restored, the co-operative movement, which exists to a widespread degree only in Madras and Bombay, is to be fostered. On the official side, the States are urged to assign responsibility for development to district officers and to train village workers whose sphere of action will be the villages themselves. This new approach is being tried out in a series of Community Projects covering on an average 300 villages in a number of States. It is here, incidentally, that the programme of American aid under Point Four and the Ford Foundation are making their first impact.

The most immediate problem is, however, financial. The Indian Government believes that on a reasonable forecast of present revenue, about £1,034½ million out of the proposed £1,500 million can be covered by receipts and firm saving—this figure includes £97½ million of foreign aid already given. Perhaps another £217½ million can be secured by the release of sterling balances. An uncovered balance of £247½ million remains and the government frankly admits that since further internal saving cannot be undertaken, this expenditure under the Plan depends upon the support given from abroad.

It rests with the free nations of the world to decide, whether, in the widest sense, India is a good investment. Yet their decision is, whether they like it or not, set in a framework of drama and destiny. Side by side in Asia the two most populous and ancient cultures the world has ever known are on the brink of an experiment of change and modernisation. China's transformation will take place under the star of Communism and total rule. If the Soviet analogy holds good, the people will be battered into economic growth. India, in choosing the way of liberal democracy, has renounced the weapons by which spectacular progress can be achieved. Left to its own poverty, it cannot win the race to economic strength in which, in the eyes of all Asia, it is now engaged against China.

Yet India has potentially a great asset which China very largely lacks. It is the friendship and support of wealthier lands enjoying or capable of creating an exportable surplus of capital. India's achievements since independence leave no doubt of its determination and of its ability to maintain a democratic society. Even if there were no cold war with Communism, the West would have to take a vital interest in this vast attempt to transpose into the Asian key the experiment of free society. As things are, the challenge is clear, for the totalitarians have reached India's frontiers and, willy-nilly, the contest is engaged. In such conditions it would be folly on the part of the British Commonwealth or of the United States to withhold the margin of assistance which could hold India level in the race and enable it to achieve economic advance within a tolerant and humane society.

The Vintner's Custom

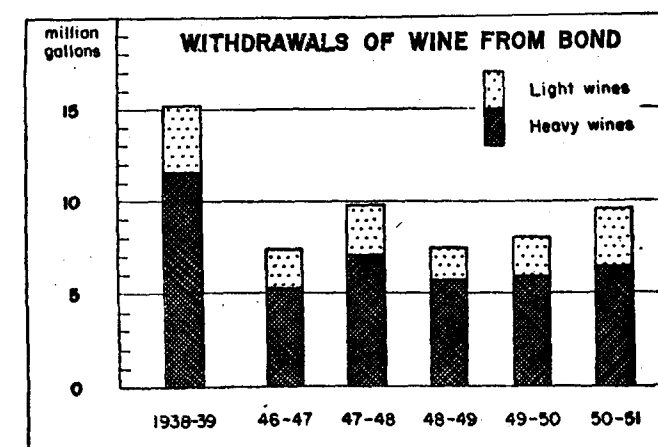
IN his latest essay on how to be one up, Mr Stephen Potter includes, as an essential part of the pattern of Gracious Living, a course in winesmanship. His admirable instructions on how to talk about wine without knowing about it will be amplified by the Christmas issues of many magazines. But it does not meet the problem of how to talk to the real expert. Here Mr Potter advises shifting the ground to what he calls "Percentage-ship." "Remarks like 'the consumption of treated vermouth rose from 47.5 in 1924 to 58.9 in 1926' will impart a considerable degree of paralysis to any wine conversation." This, perhaps, is the technique in which *The Economist* can best be of service to its readers.

The popular instruction in wine gambits that now pours from the book publishers might seem to suggest that more wine is drunk in this country than before the war. Full employment and the redistribution of income have brought wine within the means of an entirely new public; a new class of tourists takes holidays in wine-drinking countries, and beer has become very expensive. But if more people are drinking wine, they are drinking less in total than they did before the war. The quantity of wine consumed is known only approximately. It is indicated by customs and excise statistics of quantities withdrawn from bond—the point at which the duty is paid. These withdrawals precede the public's purchases by weeks or months or even years, but as they are made roughly in accordance with the rate of sales, they are a fair guide to consumption. The figures, which are charted on this page, show that Britain drinks only about two-thirds of the wine it drank before the war.

As the chart shows, it is the heavy wines that have fallen on bad times. (Heavy wines have over 25 per cent proof spirit content, or 27 per cent for Commonwealth wines; they include port, sherry, marsala and madeira.) The main reason for their loss of popularity is the duty, which is now 50s. a gallon, compared with 8s. before the war, while the preferential duty is 40s., compared with 4s. before the war. The duty on heavy wines was always higher than that on table (i.e. light) wines, but whereas from the beginning of the century until three years ago it was double the lower rate, it is now nearly four times as great. In 1949 Sir Stafford Cripps reduced the duty on table wines imported in cask to 13s. a gallon and freed all wine from quota restrictions, in an effort to help the other members of the Organisation for European Economic Co-operation, especially

France. The port and sherry shippers feel that the discrimination is somewhat anomalous. They plead that, whereas the capital invested in the wine trade in France is nearly all French, much of the capital invested in the wines of Spain and Portugal is British. About half the port trade is British. Of the three largest sherry shippers, exporting all over the world, two are British, and there are three other British firms of smaller but still substantial size.

The sherry trade in Britain has less to complain of than the port trade. Consumption is down by about 25 per cent in quantity, as compared with before the war; but as more people seem to drink the better and



more expensive types of sherry the money value, even at 1938-39 prices, is probably not down at all. But sherry now has to meet severe competition from two sources. One is South African sherry, whose appellation the dealers in Spanish sherry contest in the slogan, "Real sherry comes from Spain." If the South African wine producers succeed in improving quality as much in the next ten years as they have done in the last ten, their competition will indeed be formidable. The new popularity of South African sherry has not caused a great increase in wine imports from South Africa, for it has been offset by a decline in exports of "port-style" wines. Sherry's other competitor is gin. Gin became the British *apéritif* during the war when it was all that was to be had. A habit once formed is not easily abandoned, and the reappearance of other drinks has not

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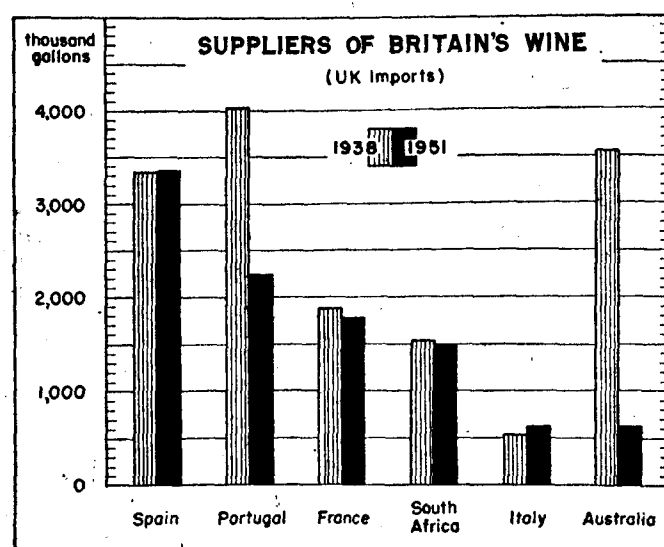
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interrupted the steady rise in gin drinking; withdrawals from bond in 1950-51, at 3.8 million gallons, were over twice the quantity withdrawn in 1938-39.

The rise in gin drinking has not all been at the expense of sherry. It has profited by the scarcity of whisky, and it has also contributed to the decline of port, which has suffered much more from the change in drinking habits than sherry has. Less than half the quantity of port consumed in 1938-39 was drunk in 1950-51. Between 60 and 70 per cent of the port sold in this country before the war was sold in public houses; it was the favourite drink of the ladies in the public bar—8d. for a real port and 6d. for a "port style." But today, the same measure costs 3s. 6d. The ladies find it cheaper—and, drink for drink, more stimulating—to take gin. The "port styles," now about 2s. 6d. for the prewar sixpenny measure, have fared even worse than port proper. The effect on Australia's exports of wine to Britain can be seen in the chart.



Port has also suffered from the belief that it is not *comme il faut* to like sweet wine. In actual fact people do like it, but they have persuaded themselves that they prefer a dry wine. At least two popular brands of sherry get the best of both worlds by putting the word Dry into the brand name; but the port shippers have not found such an ingenious way of appealing to fashion and taste at the same time. A greater problem for the port-shippers is, however, that it was a drink for the rich at one end of the scale and for the poor at the other. It was not on the whole a drink for the middle-classes, except on special occasions, and has suffered from the processes that have brought more and more people into that income range. Those who would once have done their drinking after meals, lingering over the port and the dessert, now drink before meals and wash up afterwards; and in restaurants people are usually pressed to drink liqueurs, which have the advantage of being more expensive. But the port trade has hopes that another change in British drinking habits is impending. Television has already caused an increase in the drinking of bottled beer; why should it not restore port to its place in the British home? With some special attraction beginning at 8 o'clock, there is no time to drink before meals, and the post-prandial drink can come into its own. The British wine producers have thought of this, too, and a poster showing the good use that can be made of a few minutes' interval in the television programme is now familiar. The port trade, assisted by money from

Portugal, is about to launch a three-year advertising campaign, mainly in the popular press and addressed to well-to-do working class families.

*

A campaign to promote wine drinking in general is also in progress, initiated by the Wine and Spirit Association, and financed by a levy on its members. It is trying to persuade restaurants and public houses to sell wine by the glass, and to get wine merchants to sell wine tokens for gifts, on the book token principle. Its publicity, however, is not struggling against the tide as the port campaign must do. The consumption of table wines has been rising fast and is nearly back to the pre-war level. It reacted to the lowering of the duty on wine imported in cask precisely as Sir Stafford Cripps had no doubt hoped. It rose so much that the duty of 13s. a gallon in 1950-51 brought in more, at £6 million, than a duty of 25s. a gallon had yielded in 1948-49.

The change in the duty also had the desired effect on French exports. The amount of French wine released for consumption in Britain rose by 50 per cent in the two years that followed. It did not bring France to the head of the list as the principal source of Britain's imports of wine, but in the first ten months of 1952 France is second only to Spain as the principal source, both in volume and value. There was also a big increase in the proportion of wine imported in bulk; the amount of French wine so imported doubled between 1948-49 and 1950-51. The phrase *mis en bouteilles au château* is a guarantee of quality; but the name of a reputable British merchant on the label is also a guarantee—so much so that the re-export of wine from this country will earn more than a million pounds in the current year.

Wine bottled in London by a good firm is, of course, appreciably cheaper than the same wine *château*-bottled. The saving is not solely due to the difference in duty; it is also due to savings in freight, insurance and bottling charges. It raises the question whether the wine trade could not do more to raise consumption by lowering costs rather than by advertising. The common question is whether costs could be cut if there were fewer middlemen. Normally the grower sells to the shipper, whose agent in London sells to the wholesaler, who sells to the retailer. Retailers and wholesalers, however, often overlap. Chain shops, breweries and some big retail stores buy direct from the shipper. The economies that they effect thereby are small; mass production and distribution cannot be introduced into the wine trade; and bad mistakes can be made by trying to dispense with the agents' wide experience of the market. A firm of chain stores, however, has hopes that, by an agreement with the Bordeaux growers, it will be able to sell wine at less than the usual prices, and so create a new wine drinking public in the British working class.

Perhaps that will have a wonderful effect on industrial relations in Britain. *The Economist* of a hundred years ago would have thought so. "Wine," it declared in the issue of October 9, 1852,

is a cordial, a restorative, a medicine. It seems peculiarly adapted, like tea, to invigorate the nervous sensibility exhausted by the sedentary avocations of civilised life. . . . The people of Britain, rich as they are, unable to procure it at its present exorbitant price, consume the cheap substitute manufactured at home.

Plus ça change. . .

NOTES OF THE WEEK

Style and Titles

The Commonwealth Prime Ministers ended their conference by agreeing on a new form for the Queen's style and titles. They made a happy choice. The entry of the Asian countries into full membership of the Commonwealth had made "British Dominions" inappropriate, and the words are dropped; but it is a typically British spirit of pragmatic compromise that inspires the new title:

In the present stage of development of the Commonwealth relationship, it would be in accord with the established constitutional position that each member country should use for its own purposes a form of title which suits its own particular circumstances but retains a substantial element which is common to all.

Flexibility and good sense could hardly go further or emphasise more fully the real unity of the Commonwealth. Everywhere the Queen will be known as Head of the Commonwealth, the phrase adopted in 1949 when India became a republic. In India, that title will be all. In Canada, Australia, New Zealand and Pakistan the title will specifically refer to the United Kingdom as well as to the Queen's "other realms and territories." In South Africa and Ceylon it will not; that has, of course, some political significance. Pakistan, again, differs slightly from the other members; from respect, perhaps, for the republic on the border, the form "Queen of Pakistan" will not be used. South Africa also differs from the other Christian members by not using the phrase "Defender of the Faith." It is all, perhaps, very subtle, but both what is common and what is different in the titles is representative of the nature and the strength of the ties that make the Commonwealth a unit.

* * *

Brown's Study

The Labour party's national executive committee emerged from its weekend of socialist planning in Brown's Hotel, Mayfair, with ranks and tempers intact. Common ground between Bevanites and non-Bevanites has been found by the use of the magic word "planning," which can mean everything from outright nationalisation in Mr Bevan's mouth to bureaucratic prodding with orders and regulations when pronounced by Mr Attlee. The executive decided that the party should draw up a new United Kingdom plan, probably for five years, which will grapple with the difficulties not only of this country but of the sterling area. The official statement described its purpose as being to assist Britain "towards greater viability and to enable it to make its contribution towards the coherence of the sterling area"—language which is surely Mr Bevan's. The proposals will be elaborated by the executive's sub-committee on policy.

In this scheme, nationalisation is apparently to be seen not as an end in itself but as a means of furthering "viability" and sterling "coherence." Both Mr Gaitskell and Mr Bevan have lately made play with the (shaky) argument that production is increasing in the nationalised coal and steel industries, but is declining in the industries in private hands. The way things are moving can be seen from the decision to set up working parties to study further fields for public ownership. Heavy engineering, shipbuilding, the aircraft industry, chemicals and textile machinery are reported to be possible candidates which fulfil the latest tests of ripeness for nationalisation: they need heavy capital investment and they contribute to the export drive.

There is a promising side to all this. One must be thankful that at least the Labour party is defining the right objective for its policy—that of grappling with the economic problems of Britain in the contemporary world. Even Mr Bevan

seems to have shifted his ground from preoccupation with the social services. The ideas of Mr Gaitskell's former colleague at the Treasury, Mr Douglas Jay, seem to be emerging as a possible bridge between the non-Bevanite and Bevanite fields of thought about economic policy. Both sides endorse his aim of controlling the economy in the interests of heavier capital investment, though their endorsement may be a little less enthusiastic when the price—in terms of the living standards of the voters and the methods of control necessary—becomes more apparent. At this stage, there is little behind the vaguely-sketched proposals except a desperate determination to find some formula that will enable the Right to square more nationalisation with its conscience and moderate the appetite of Mr Bevan's socialist soul. The people left out in the cold are the Fabians and other "intellectuals" who a few months ago had awakened to the dangers of too much centralisation.

* * *

Politics of the Conference

The Government naturally resisted the Labour party's pressure for a debate on the Commonwealth conference this week, before Parliament rose for the month-long recess. It was determined to scramble the Transport Bill through the remaining three days of the committee stage. But a debate would have served little purpose in any event. It certainly would not have put the Government in any difficulty. Those Tory backbenchers for whom all salvation lies in higher imperial preferences have so far taken their disappointment philosophically. They had been well prepared for it. Presumably Mr Butler will at some stage face an embarrassing few minutes indicating exactly what exertions for the cause of preferences the British delegation made within the conference. But that is all; the Government has dealt with its Empire backwoodsmen neatly enough.

Nor, if one judges by the weekend speeches, would the Opposition's reaction to the Commonwealth conference have amounted to a forcible or even a coherent attack. Mr Morrison mildly suggested that the conference had not been "the great success we had hoped." In the mouths of less senior spokesmen, the same thought became "total failure" or "complete failure." For Mr Wyatt, the communique contained nothing that was not agreed or known before. But perhaps that was a superficial view, for Mr Gordon-Walker detected in it "ominous hints" that the British Government intends to embark on "further policies of deflation," and he suggested darkly that this might bring the Commonwealth into direct party controversy.

Mr Gaitskell, however, went into detail without finding any sinister intentions. His complaint against the Commonwealth communique was that it was either platitudinous or obscure, though his one definite point was relief that there had been no (immediate) action about convertibility. Presumably he was here using convertibility in the sense, defined in his letter to *The Economist* a fortnight ago, of "carrying with it non-discrimination." But in the debate on the Queen's speech last month, when he referred to the rumour that the Cabinet had all but decided on convertibility, he opposed it in the limited sense of recent discussion—convertibility for people residing outside the sterling area. Mr Gaitskell seems, in short, to be against it all; in spite of the international discussions in which the Labour Government accepted multilateral trade as the aim of policy, the party is now opposed to any changes in exchange policy in the foreseeable future. It seems unduly cautious and negative for men who cheerfully profess to be working out an economic plan for the next five years.

M. Pinay on the Edge

After guiding his coalition government through crisis after crisis, M. Pinay has run into the worst storm yet. His survival after the votes of confidence due to be taken next week is doubtful. A number of factors have conspired to heighten the atmosphere of crisis that invariably surrounds debates on the budget in the French parliament. Budget questions proved fatal to M. Pinay's two predecessors, M. Plevin and M. Edgar Faure, whose cabinets were brought down in January and February, 1952. It had been expected, however, that M. Pinay's tactical brilliance would gain acceptance of a modified programme of fiscal reform. What had not been foreseen was the rather sudden decision of the Gaullists to overthrow—if they can—the present government and to take part in a new coalition. This decision, which was expressed when M. Pinay asked for a vote of confidence on December 9th, has whittled his margin of survival down to less than ten votes; and even the latter are not assured.

The decision of the Gaullist Rally to go on to the offensive has been provoked by the return from Indo-China of General Koenig, who would be De Gaulle's choice for Minister of Defence. General Koenig has bitterly criticised the way in which Indo-China is being handled, and he has once again advanced the Gaullist thesis that Germany is on the way to re-establishing its hegemony in Europe while France is involved in North Africa and the Far East. As a result, the Gaullists are determined that M. Schuman and M. Letourneau must be displaced. M. Pinay's often expressed determination not to carry on without his Foreign Minister has brought the present crisis to an acute point. The Popular Republicans, who have so far supported the government, are bent on increased social subsidies, and the splinter party representing agricultural interests will have nothing to do with fiscal reforms involving more equitable taxation of farmers and landed proprietors.

Paradoxical though it may seem, it will be owing to the shortsightedness and ambitions of French Socialists that the Gaullists may finally get to power. They have made no secret of the fact that they would join a coalition in order to master it. M. Paul Reynaud has been uttering a series of prophetic warnings against the Gaullist Trojan Horse, and these may check the levity with which numerous deputies tend to consider a change of cabinet. If M. Pinay manages to survive it will be owing to a sobering of opinion at the last minute among various sections of the Assembly who may still consider him the lesser of several evils.

Camp Guards and Communists

The periodic shooting down of riotous Communist prisoners by UN camp guards in Korea is as puzzling as it is horrible. It would be less puzzling to British opinion if the State Department had furnished any information to the British Government about the inquiries into previous incidents, such as that at Kojé which cost 78 lives and that in Cheju which cost 45. Mr Nutting surprised the House of Commons on Wednesday when he revealed Washington's reluctance to pass the facts to allies whose good name is as much damaged as that of the Americans by the latest casualty list from Pongam—82 killed and 120 wounded.

That fanatical fighting men, who link arms and march into machine-gun fire, are extremely hard to control is obvious. In any large prisoner-of-war camp the opportunities for conspiracy and violence are legion. But it appears that little has been learnt from the Kojé experiences, in which the commandant was captured by the prisoners. How do 3,600 men get together in a properly run camp? Is it impossible to check outbreaks save with the weapons of heavily outnumbered guards? If the Korean prisoners are ordered periodically to stage demonstrations of valour—they can hardly expect to escape from the islands—let them find minefields or electrified wire or other aids to suicide instead

of a firing squad. It looks as if the American and South Korean guards have an impossible task, with the result that riot and brutality flare up every two or three months.

Stalin's Birthday

When Stalin celebrates on Sunday his 73rd birthday he can look back on a recent exceptional burst of energy. He has produced a fifty-page long economic essay, delivered a speech at the All-Union Party Congress and stood for hours in the Red Square taking the salute during the parade celebrating the 35th anniversary of the revolution. It could be argued that Britain's premier, who is older than Russia's, is equally active all the year round; but the road from Blenheim to Chequers was easier than that which Joseph Vissarionovich Djughashvili had to travel from the village of Didi-Lilo in Georgia to the Kremlin. The squalor and poverty of his childhood, the privations of adolescence, the hard life of a professional revolutionary alternating between hiding and deportation, the tension of revolution and civil war, the strain of the deadly struggle for power and finally of the war with Germany—all this should have been sufficient to sap the constitution of the sturdiest Georgian.

Has Stalin then "conquered nature" and have the experiments of Soviet scientists given their leader a new lease of life? There is no doubt that Stalin would be the first to benefit from their discoveries and that much time and energy have been devoted to the study of longevity. Only last week the Soviet Academy of Medicine held a special meeting at which methods of extending life were the chief topic of discussion. Indeed, the Kremlin has its own Institute for Long Life, of which the chief spokesman and propagandist is the old Bolshevik, Olga Lepeshynskaya. She restated a few days ago in *Izvestia* her confidence in soda baths as an elixir of life. According to important physiologists, she argued, the span of human life could be extended to 200 years.

On the other hand, in photographs Stalin looks tired and aged. What if, despite soda baths, he should be no Methuselah, but an ordinary mortal? It still seems possible that the recent Congress was his swan song. If so, what is to be said about the succession to him in those estimates of Soviet intentions about which American, British and other experts seem now to be differing? It is hard to believe that Soviet foreign policy without Stalin would remain unchanged; and it is not unreasonable to suppose that it might become less cautious, especially if there were conflicts of personal ambition at the top of the Moscow hierarchy.

Houses—But in the Air?

The Minister of Housing's decision to allow the almost unlimited building of houses for sale is an excellent thing provided that it does not show literally concrete results. It is an instalment of the freedom that figured so largely in Conservative election promises. It may not—it had better not—result in many more houses, but freedom is measured by what it is possible to do, not by what is done. Some controls remain. Houses must normally not exceed 1,000 square feet in superficial area—slightly larger than the "People's House"—but by special dispensation of the local authority it will be possible to build up to 1,500 feet. The amount of softwood used will be limited; and the regional officer of the Ministry of Housing will be able to stop the automatic issue of licences on application if his area is taking more than its share of building resources. The speculative builder is resurrected by giving him an initial allowance of up to 12 licences; but the rents and selling prices of the houses will be controlled.

The success of Mr Macmillan's housing programme is always catching the Opposition bathing and Labour members were clearly nonplussed by this announcement. It is difficult

for them to muster righteous wrath about houses for the rich at the expense of those for the poor when the Government has so easily beaten their record for the building of council houses. The number of houses built to let will be about 235,000 this year, an increase of 29,000 over 1951. Mr Macmillan made it clear that the licensing procedure would be brought into operation again if the building of houses for sale proved to impede local authority programmes. But in most districts that seems unlikely. Already the number of houses built for sale is less than the permitted maximum. A year ago the Minister altered the Labour Government's ratio of one house for sale to every four built to let to a ratio of one for one. But the actual ratio during this year has been only about one licence of a house for sale for every five to let. In a few areas this has been due to the local authority's prejudice against houses for sale, but the main reason is that not many people want to build houses.

The new freedom, in fact, is made possible, not by the success of the housing programme so much as by Mr Butler's policies. While houses to let are so heavily subsidised, dearer money has proved a powerful weapon for choking the demand for unsubsidised and uncontrolled houseroom. The new policy will not reduce the burden of the capital subsidies paid on council houses; but it will do no harm provided that it produces only a few more houses without increasing that burden. Fortunately for the economy, it is unlikely to produce 300,000 houses a year; and the beauty of it, from Mr Macmillan's point of view, is that when that embarrassing target is mentioned he can say simply: "But people can build if they want to."

Rents, Rates and Costs

The London County Council is to raise the rents of its houses by an average of 2s. 6d. a week from January 26th. This decision underlines—all the more forcibly because it represents the decision of a Labour majority—the outrageously anomalous relation between rents, rates and housing costs.

It is anomalous that the minority benefiting from new housing schemes should be subsidised by the majority who do not—and who, more often than not, are no better off than the council tenant. (In 1951 the weekly rate subsidy, quite apart from the Exchequer subsidy, amounted for one type of house to 26s. 11d. per dwelling.) It is anomalous that one class of council tenant—the occupiers of houses built before 1919—should be given total protection by the Rent Restriction Acts, while those who happen to be housed in post-1919 houses must pay whatever rents the council thinks fit to charge. But the biggest anomaly of all is the placing of local authorities and private property-owners on a different legal footing in the face of economic facts which affect them precisely alike. The fact that the LCC's upkeep costs have roughly trebled since 1938-39—rising from £6 to £17 per house—is certainly a logical justification for increasing the rents out of which these costs must be met. But a still stronger justification exists for allowing higher rents to the private landlord, whose alternative is often not to draw on other resources, as the LCC draws on the rates, but to leave repairs undone and deterioration unchecked. One would suppose, moreover, that as between the local authority whose houses were built as a social service and the private landlord who, no more immorally than any other investor, has chosen houses as a source of income, it would be the former rather than the latter who should be expected to carry without recompense any losses imposed by rising costs. On the contrary; it is the local authority that is legally allowed to raise rents, the private landlord who may not do so.

The LCC's decision is not, of course, unique. But it affects more tenants, and consequently has attracted more attention, than similar moves by lesser authorities. In the public mind, it should knock the last moral and logical prop from under

the crazy structure of the Rent Restriction Acts. Their survival henceforward will be nakedly recognisable as what it has long been in fact—the product of a demagoguery and an inertia that are equally discreditable.

No Progress in Kenya

The weakness of the Opposition's case in the debate on Kenya this week was ill-concealed. Its leaders must have known that had they been in office they would have been impelled to agree to the measures that have, in fact, been taken under a Conservative Government. Labour's motion began by reaffirming its support of all lawful action to re-establish peace and order, but expressed grave concern at measures involving the punishment of innocent people—which was roughly the view of the Liberal party as well. But would Mr Griffiths, who, as Mr Lyttelton reminded the House, was Secretary of State when collective punishment was imposed in Malaya, have refused to allow similar action in Kenya?

Yet there is considerable weight in Labour's fear that collective punishment, and other severely repressive measures, "if continued may permanently embitter race relations." It was argued in these columns three weeks ago that the measures could be justified if they met with prompt success. In fact, there is little sign that fundamentally the situation in Kenya is any better, and the grave question facing the Government, both here and in Kenya, is whether it is prepared to continue these distasteful measures indefinitely—in other words, whether it regards the situation in the Kikuyu lands as one of prolonged civil war.

No one will envy Mr Lyttelton or Sir Evelyn Baring his task, for it is hard to see what alternative measures could be taken. The rest of the Labour motion dealt with the delay in setting up the Royal Commission and, pending its report,

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Interim measures such as the progressive elimination of the colour bar, co-operative farming, higher wages, lower cost of living, new industries and more housing: in other words, for the most part, a long-term programme of economic and social development that is indeed badly needed but cannot be produced overnight—and is therefore largely irrelevant to the question of how to restore law and order. The colour bar is, however, a different matter. Its manifestations are so varied and its roots so deeply buried that here, too, progress can be only gradual—as the Labour motion recognised. With the formation of the United Kenya Club, a start has been made, but it is only a small one. A determined effort to eliminate the colour bar would certainly be unpopular among the Europeans, but some liberal action is no more than justice at a time when thousands of innocent Africans may be punished. It would not be a concession to terrorism. It would be a concession to decency and humanity, and one that in their own interests the Europeans ought to make. No other step that can be taken immediately would be so effective in showing the Africans that the Kenya Government is as anxious to improve the lot of the mass of innocent Africans as it is to repress those guilty of terrorism.

* * *

Two Welcomes for Tito

Marshal Tito is taking no great risk when he says that he will abandon his plan of visiting Britain only if half its people make it clear that they would prefer him to cancel it. In fact, the majority of British people are curious to see the man who stood up to Stalin, who fought a good fight against the Germans, and whose country has two characteristics they admire—dour pugnacity and small size. His advisers, who have not always accurately interpreted British opinion, should try to understand this feeling for “a good little ‘un,” and talk a little less of such high falutin’ matters as Labour Party interest in the decentralisation of Yugoslav economic controls or of the intelligentsia’s interest in the liberalisation of a Communist state. The Marshal has this further claim on British attention that he is the first Communist dictator to make an official visit to London; and he is one who can—with certain reserves—be welcomed with respect, not least because he is willing to visit the West.

The reserves have been made clear to the Yugoslav people by the ferocity with which the Belgrade press periodically attacks them. There are former fighting men who remember how Mihailovitch was eliminated. There are friends of the West who still languish in Yugoslav gaols. Above all, there are Christians—not only Roman Catholics—who know with Cardinal Griffin and the Archbishop of Canterbury that the intolerance and materialism of the Communist Party still make life weary and dangerous for Catholics and members of the Serbian Orthodox Church. If the Marshal will hear privately the views of a parliamentary group representing various faiths he will do much good. The Archbishop of Canterbury put it well when he expressed the hope that wrongs would be righted “as a contribution to international comity and understanding.”

There should be some understanding, too, of the Marshal’s difficulties. Nothing will shake his ministers’ conviction that the Vatican and Italian policy work together against their regime; that is why diplomatic relations with the Vatican have been broken off. Likewise, it is not easy for Marxist-Leninists to practise or understand real tolerance, especially when Leninist-Stalinists outside their borders are doing all in their power to make life intolerable for Yugoslavia. If Marshal Tito is to savour the breezes of liberalism in London they should not blow too fiercely. Above all, it would be a pity if Roman Catholics in this country found themselves shoulder to shoulder with Communists in public demonstrations against the visit. Such a united front, however accidental, between Christians and anti-Christians would be ludicrous and ineffective.

Deviations in Vienna

The People’s Peace Congress, which has been meeting since last Friday in the Vienna State Concert Hall, has turned out to be something of a boomerang for its Communist sponsors. Instead of the expected galaxy of stars from all over the world, only a few of the old familiar faces have turned up on the rostrum. M. Joliot-Curie proclaimed at length that peace was a good thing and the Dean of Canterbury refused to be interviewed in order that he might “not miss anything of this wonderful Congress.” The Communists have, however, snared a prize bird amongst the usual doves: M. Sartre arrived in Vienna and disclosed his conversion to “social realism” and his willingness to withdraw from performance his earlier anti-Communist drama, *Les Mains Sales*.

Two issues appear to have damped the ardour of the proceedings: the horror caused throughout Western Europe by the Prague trial and the Russian rejection of the Indian plan for ending the Korean war. In a gesture unprecedented at any previous gathering of this kind, several delegates and groups of delegates have sharply challenged their Soviet friends; despite precautions against it, there has been a considerable amount of spontaneous intervention from the floor. Signora Piaggio of Italy challenged the Russians to explain why Mr Vyshinsky had rejected the Indian proposals before even consulting Peking, and she urged the “people’s democracies” to reflect on their own armaments before denouncing those in the West. Before the organisers of the Congress were able to open the necessary trap-doors and get the show rolling again according to plan, a further bomb-shell exploded. Mr Saifuddin Kitchlew, a close friend of Mr Nehru, urged the Peace Congress to endorse proposals superficially like those put forward by India in the United Nations. He was heartily applauded and the name of Mr Vyshinsky was bandied about with some irreverence.

Before matters could get even further out of line, however, Mrs Felton rose to declare that no other proposals but those put forward by Moscow deserved consideration. She repeated the charge made by Mr Kuo Mo-jo, president of the Chinese Peace Committee, that the Indian plan was mere “appeasement.” Professor Bernal also hastened into the breach and assured his listeners that the opponents of the Peace Congress were bankrupt of ideas. The spectacle of British delegates supporting the Soviet line against an Indian group is not without piquancy.

* * *

East Germans Tighten Their Belts

It is not surprising that Herr Grotewohl should have angrily discounted western reports of a serious food crisis in Eastern Germany. Such reports must help to make the West Germans feel that they are better off as they are. Yet the news is substantially correct. Herr Grotewohl, himself, has admitted as much more than once, and so have his colleagues—and not only in words. They have, for instance, banned the sale of butter in the HO shops; they have had recourse to reserve supplies of meat, fats and sugar; they have disgraced Dr Hamann, the Minister of Trade and Supply; and they have wrenched 15 hapless ministers and under-secretaries of state from their desks and sent them off at the head of “brigades” to scour the countryside for milk (to turn into butter), pigs and cattle.

As far as can be gathered, the harvest in Eastern Germany is not good, has not been catastrophically bad—not bad enough anyway to account for the present crisis. A variety of explanations have been put forward to account for it. A switch of supplies to build up stocks for the new East German army may be partly to blame, but this reason can easily be exaggerated. The vagaries of the weather and panic buying by the consumer have certainly played a part. An inefficiency in the distribution organisation, due largely to the



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★



The skis are no more than a couple of inches apart. The whole body, first crouched, inclines forward at the take-off into a straight line, rigid from the ankles. The arms sweep up like wings. The eyes are fixed on the touch-down. *It all adds up to a happy landing, seventy metres away in the valley.*

HEAD FIRST

The brains which are shaping our Nation's prosperous future
are the brains in Industry's back room. The companies of A E I,
integrated but independent, have long been noted for the breadth
and vigour of their pooled ideas. Between them they spend a million pounds
a year on research. This is a part of the price of progress.
It is a measure of the stature of Associated Electrical Industries.

These are the companies of A E I
Metropolitan-Vickers Electrical Co Ltd
The British Thomson-Houston Co Ltd
The Edison Swan Electric Co Ltd
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The Hotpoint Electric Appliance Co Ltd
International Refrigerator Co Ltd
Newton Victor Ltd
Premier Electric Heaters Ltd
Sunvic Controls Ltd

It all adds up to



Associated Electrical Industries

new administrative pattern imposed on the country last summer, has undoubtedly been responsible for many local shortages.

It may be that one of the most important reasons for the shortages lies in peasant resistance to collectivisation. Since last July there has been no room for hope that Eastern Germany would be spared this ordeal. There is, of course, no lack of lip-service to the voluntary principle; but the importance attached to building up the Machine Tractor Stations (upon which all but the richest peasants are dependent for farm machinery) is only one sign that Messrs Grotewohl and Ulbricht are not uninstructed in how to force peasants into collectives. It is true that only about 2 per cent of arable land has so far been collectivised; but these small beginnings have had a quite disproportionate effect upon the farmers' thinking. Even if the more lurid tales of sabotage and resistance are taken with a pinch of salt, the fact remains that over 2,000 well-to-do farmers fled to the West during October alone; only men moved by a very strong compulsion would abandon their land and their livelihood in this way. It is reasonable to accept the reports that many of those who stay behind are being highly unco-operative, to say the least.

Digging among the Ploughed

The universities, no less than the schools, are much exercised by the problem of selection that has been created by the postwar extension of education. At a conference in London last weekend delegates from all the British universities considered, among lesser matters, success and failure at the university and their relation to performance in entrance examinations. Sir Alexander Carr-Saunders gave some interesting figures about the London School of Economics. Of 305 students who, in 1949, were admitted to read for BSc (Econ), only 207 obtained the degree in 1952; 35 had withdrawn from the course for various reasons not accounted as failure, but the remaining 63—21 per cent—failed. Only 2 per cent failed in the final examination; the rest had failed in earlier examinations and had been "sent down." Their weakness had been undetected by the entrance examination, but it was revealed early in their university careers.

Sir Alexander suggested that the failures were often those who were "inconspicuous in the student body"; and the impression that failure in examinations goes with failure to take a full part in the life of the university was confirmed by the experience of Aberdeen University. A frequent cause of failure, it was suggested, is the student's inability, after the spoon-feeding of school work, to adapt himself to university methods of teaching. Sir Alexander was right to urge that universities should on no account take to spoon-feeding themselves; but the co-operation of the schools should be sought in making sixth form methods of work a preparation for the university, as they are in the best schools.

Most of what was said at the conference consisted of impressions and theories, and served to underline the need for an empirical study of the causes of success and failure. A ten-year research project, now half completed, has been undertaken by the Nuffield Foundation with the co-operation of Sheffield University, and should yield some valuable data. The inquiry begins in the grammar schools, where university candidates take psychological tests; those who afterwards enter the university are asked to undergo further tests and to give information about their subsequent careers. All this is related to their performance in university entrance and subsequent examinations, and to their university records as a whole. The survey would be still more valuable if it could be extended—if more students would supply information, if more universities would take part, and if the

duration of the inquiry could be prolonged to cover the subsequent careers of university graduates and not merely their first jobs. That would require more money, which the state might have to supply. But it would be worth while spending some money to avoid financing students who cannot fully benefit from a university education.

Butter, Bacon and Social Justice

In the House of Commons last Monday Major Lloyd George faced a barrage of Labour questions about certain rationed foods of which, according to his interlocutors, the poor cannot afford to buy their full entitlement. Large quantities of bacon and butter, it appeared, were being left on the retailers' hands by old age pensioners and others with small incomes and, most illegally and immorally, supplied by those retailers as off-ration supplements to their wealthier customers. The Minister's reply was a straight denial of the alleged facts. No one, however, questioned the moral basis of Labour members' indignation at the idea that those who prefer, and can afford, butter should get the benefit of any butter which others, for one reason or another, are not buying. The shabby and spiteful doctrine of "I can't, therefore you shan't" not only keeps an unchallengeable emotional hold on the Labour party; for Conservatives it apparently has enough validity, or at least enough hypnotic effect, to keep them silent when it is reasserted.

It is particularly and nakedly silly where bacon and butter are concerned. For the consumption of bacon, as the record made clear, is actually higher among the poorer than among the wealthier consumers—at the present ration level, in fact, it depends on taste; while butter, according to past Labour doctrines, is entirely indistinguishable from margarine, an article of purely symbolical superiority, to be forgone, one would think, without the slightest hardship in favour of margarine. Those deluded consumers who pretend to distinguish genuine butter from the bland, inoffensive and totally uninteresting ersatz should surely be gratefully allowed to waste their own money on backing their own nutritional fancy, leaving the less extravagant product to less picky customers. But that would not suit the Labour ethic. Since butter retains, in spite of Dr Summerskill, a reputation of especial desirability, social justice demands that no more should be available to anyone than the amount which the poorest can afford. One can only be thankful for those limitations of the administration machine which prevented, even at Labour's apogee, the rigid application of this principle to all the amenities which make it worth while to earn an income above the minimum.

Below Egypt's Standards

The unfounded charge that Britain has been deliberately squeezing Egypt and making sterling scarce by not buying its cotton has been repeated in an unexpected quarter. It appears in the normally impartial and accurate Economic Bulletin of the National Bank of Egypt's Research Department. Tables given in another section of the same journal reveal the real reason for the decline in British purchases during the period under review, namely the price charged by the Egyptian government then in office. The Bank's table of Egypt's balance of payments by areas in the first six months of 1952 shows the grave falling off in the purchases of most major buyers—notably the United Kingdom, but also India and Western Europe—with reductions (as against the first half of 1951) of £22 million, £13.5 million and £10 million respectively. The Bulletin elsewhere mentions that during the same period British army expenditures fell by over £4 million; it would have completed the picture if it had added that the British were naturally spending less sterling

inside Egypt at a time when its government had encouraged the local labour and small trading population to leave the Canal Zone.

The cotton position is, however, the biggest factor in Egypt's earnings of foreign exchange and the following British import figures for the first ten months of 1952 show how the recession in Lancashire has affected not only Egypt but all suppliers, with Brazil suffering most. It should be noted that Lancashire regards the Nile Valley as its prime supplier only for long staple cotton—that is, for fibres of 1½ inches or over; for the medium staple varieties it prefers American types, though it turns to Sudanese or Egyptian medium staple—the choice of purveyor depends on price—whenever dollars are too short to buy from America:

BRITISH IMPORTS OF RAW COTTON
000,000 lb

	Jan.-Oct. 1951	Jan.-Oct. 1952
Long staple from		
Egypt.....	66	12
Sudan.....	149	59
All other.....	2	5
	217	76
Medium staple from		
Egypt.....	65	14
Sudan.....	13	18
USA.....	113	184
Brazil.....	115	1
Other.....	323	206
	629	423

These figures do not include purchases from the 1952 crop now being sold. Sales records for the period September 1 to November 26, 1952, show that Egypt, by comparison with the same period of last year, lost slightly more custom from India and Australia than from Great Britain; there are some encouraging signs of a revival in the market for December as *The Economist* goes to press. Egypt is the victim not of deliberate boycott, but of world over-stocking two and three years ago, of a recession in the world textile trade and of its own price policy. Far from desiring or creating its present shortage of sterling, Britain is suffering from it, for it is losing contracts and customers who would have been content to go on buying British but are being forced to turn to non-sterling suppliers.

Free Trade Begins at Home

Any hopes that European countries may have had of a relaxation of British import controls were rudely dashed last week when Mr Eden, presiding at the Council of Ministers of OEEC, announced that the gold and dollar reserves of the sterling area did not permit of any major relaxations on imports from outside it. Members of the organisation had been anxiously watching Britain convert its deficit in the European Payments Union to a surplus; for it is an important market for all of them and the import cuts made twelve months ago, and again last March, wrecked many of their export plans.

No longer is it profitable for France, Belgium and Holland to send their pigs to the canning factories to provide this country with tinned ham. They have lost, too, the profitable market for sweet fat, chocolate crumb and even piping jelly, which are only a few of the devices used by British food manufacturers to get round domestic sugar rationing. These marginal industries that had grown up in Europe because of British rationing became lucrative enterprises, though they hardly helped to solve its dollar problem; if anything, they made it worse. But Europe, hearing Britain plead with the Commonwealth for freer and expanding trade, was hoping that it would set the example by restoring its liberalisation programme.

This apparent British perfidy requires explanation. It is true that the drain on the sterling area's reserves has been

stopped, and that the sterling area is again accumulating gold and dollars. But the monthly balance in Britain's overseas trade accounts is still precarious. To restore the cuts now would almost certainly perpetuate the biennial crisis and 1953, being an odd year, would show a large deficit. More important still is the simple fact that, so long as Britain's rationing is maintained, no internal fiscal measures can fully cope with keeping its payments accounts in balance. Rationing implies scarcity, which automatically gives a price premium (and generally a large one) to substitutes. European manufacturers have not been slow in recent years to show British manufacturers how the various restrictions can be evaded by dressing up food in a different form or packet. They would continue to do so, given the opportunity.

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To free trade from restrictions is an objective worthy of more than lip service. The fourth annual report of OEEC—the best so far—shows quite clearly that it is only through freer trade that competitive forces will be allowed to work so as to develop production, increase productivity and “accelerate the process of progressive adjustment which is needed in European production if substantial progress is to be achieved towards a better utilisation of European resources and capabilities.” But if internal adjustments are not possible because of rationing and other forms of economic protection, then freedom of trade can lead only to crisis. If Mr Eden wants to prove his good faith to Europe in this matter, Mr Butler will have to speed up the process, already started, of increasing economic freedom at home.

A Bad Budget

It is not to be denied that Mr Disraeli's Budget is a maximum of disturbance to obtain a minimum of benefit. The half of the malt and hop duties prospectively repealed, the tea duties prospectively lowered, the house tax extended and the rate doubled, the income tax modified and extended to one species of property in Ireland, all the town householders inflamed with discontent, Ireland roused into anger, nobody pleased and great numbers of persons offended, long debates, and a shattered Ministry, are all effected by a Budget which leaves the revenue of the Government not much less than before, and the industry of the people with every existing shackle. We are to have many changes and no adequate improvement. In a commercial country nothing worse can be said of a Budget. That no change should be made, except there be the highest moral probability that it will effect great improvement, is a canon of political science, and particularly of the science as professed by Conservatives. To reform proved abuses was their only maxim of change. The Budget introduces changes which nobody demanded, and reforms no abuses. . . . Mr Disraeli's present changes—which are so deficient in any guiding principle that they contradict one another—may be followed by other similar changes, taking away half the soap duties and half the paper duties, and raising the rates on large incomes derived from realised property, thus exposing the community to a perpetual series of changes in our fiscal and commercial relations, unsettling all business, making all contracts uncertain, and the rewards of every exertion really precarious. There is no greater evil, we repeat, for a commercial community than to have and to be threatened by continual changes in regulations affecting daily business. Our so-called Conservative Ministers, however, are beginning a series of great changes without adequate cause, which will beget other similar changes, and cannot fail to involve our daily business in perplexity and confusion.

The Economist

December 18, 1852

PLASTICS inspire new ideas

A number of British European Airways Pionair-Leopard

Class aeroplanes had to be adapted for the double duty of carrying passengers at week-ends and freight during the week. The aircraft interiors had to be fitted with surface materials



that would be pleasant to the eye for accommodating passengers, yet able to withstand the rough and tumble of freight carrying. Plastics again supplied the answer. Wall coverings of plain and patterned fabric woven from Saran yarn; window coamings, bulkhead panels, kicking plates, luggage compartment and toilet linings, roof trims and labels made of Cobex (vinyl chloride copolymer).



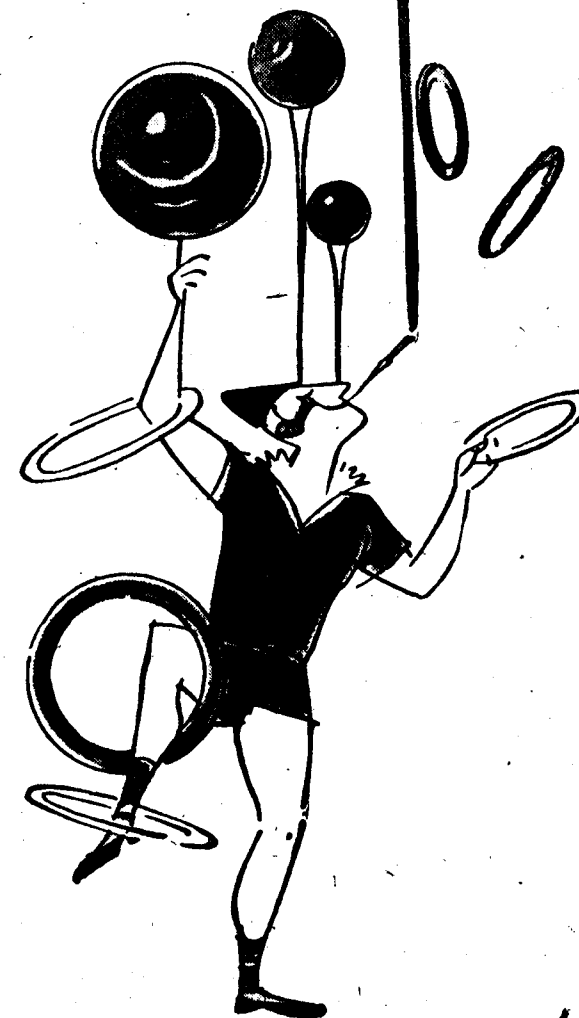
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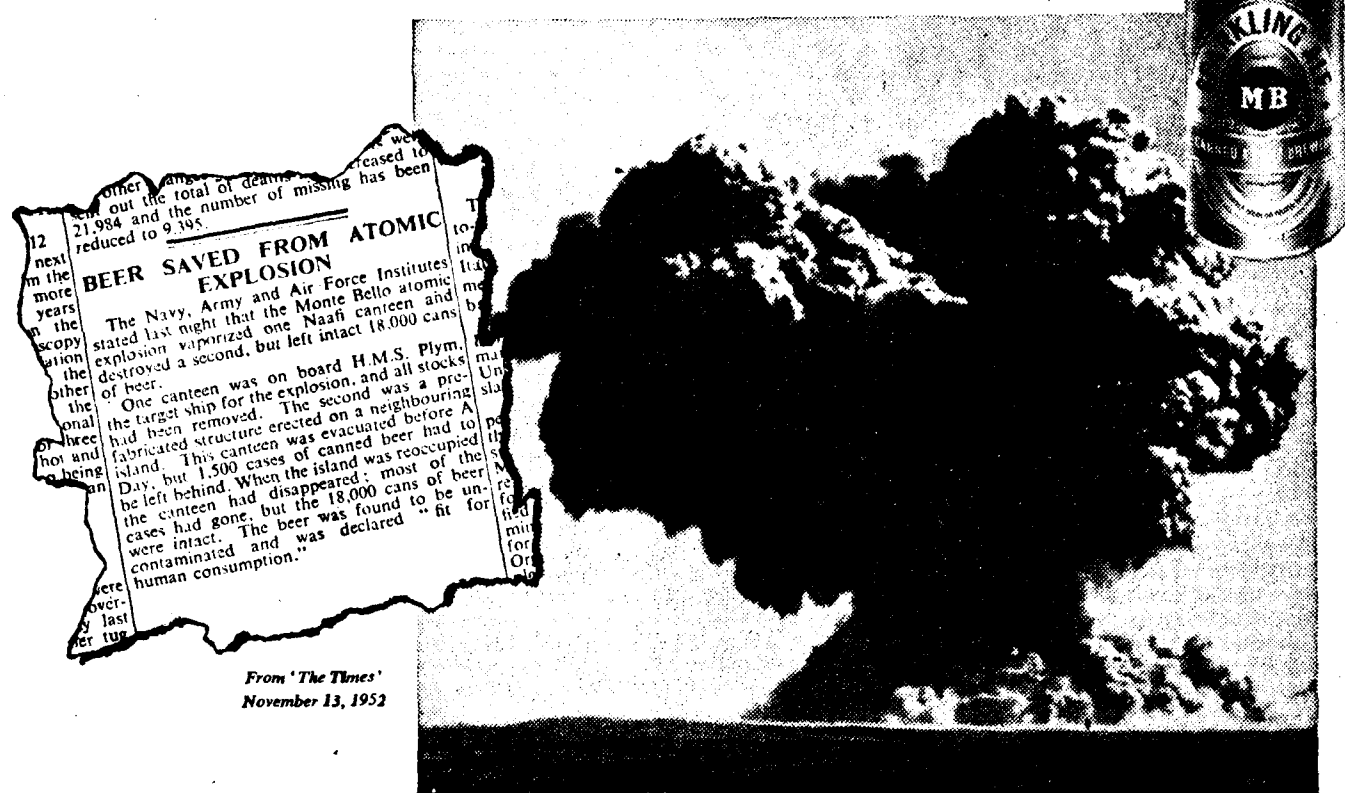


and a 7 too!

NUMBER SEVEN

'Virginia' Cigarettes 20 for 3/11
ALSO Abdulla Turkish and Egyptian

NO OTHER CONTAINER PROTECTS LIKE THE CAN . . .



From 'The Times'
November 13, 1952

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▲ THE BUYER

"I've learned to expect good service, prompt delivery, good quality and ingenious design from T & N. At fair prices too."



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"T & N packs are so light they cut down freight costs. Because they are so strong they reduce risk of damage and loss by pilfering."

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"I can double output and cut down packing room costs by using T & N containers. Each is 'tailor-made' for its particular job."



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Take advantage of the T & N Advisory Service

May we help to improve your containers or method of packing? Our experience and expert knowledge is at your disposal — without any obligation.

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Pioneers of Corrugated Packaging
THE THOMPSON & NORRIS MFG. CO. LTD.
Head Office and Factory:
Great West Road, Brentford, Middlesex. Telephone: EALing 4555
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CORSTORPHINE, EDINBURGH SHIRLEY, BIRMINGHAM
Tel.: Edinburgh 67205 Tel.: Shirley 1171
WARRENPOINT, NORTHERN IRELAND. Telephone: Warrenpoint 393
FACTORY ALSO AT: HILTON, CAMBS.



Letters to the Editor

Living with the Dollar

Sir,—Your survey has performed an important service in pointing to the need for a vast increase in international liquidity, in the form of an Atlantic Payments Union, to supplement the present inadequate gold reserves. This should suffice to act as a buffer, not only against seasonal fluctuations, but also against those year to year fluctuations which are probably inevitable in high-employment economies. It is not clear, however, how you expect by this means to solve the chronic "dollar shortage" which you so admirably diagnose.

On the one hand you say—with perhaps undue pessimism—that the sterling area, even by adopting your recommendations as to disinflation and exchange rate adjustment, though it might eliminate the need for dollar aid, could not remove the need for discrimination against dollar goods. On the other hand, your Atlantic Payments Union has no other weapon to correct fundamental disequilibrium among its members than to compel deficit countries to adopt one or other of the same two policies whose adequacy you had previously doubted.

Perhaps your point is that only through the pressure of the APU could deficit countries be induced to pursue these policies with sufficient vigour. If you are advocating greater international control over exchange rates one would be inclined to applaud. But you are vague on this subject.

Instead you say: "The main weapon to force debtors towards solvency should be a far greater insistence on internal disinflation." Dangerous doctrine! To correct a payments deficit by curtailing aggregate demand for the country's goods and services (as distinct from preventing undue increase in such demand) inevitably involves gratuitous curtailment of production and employment, which could have been avoided by other methods of adjustment. It is no accident that the widespread use of this technique in 1951 and 1952 has coincided with a serious set-back to the expansion of European production and trade. Your figure of 3 per cent unemployment as a limit beyond which countries should not be pressed to deflate is reassuring, but many enthusiasts for "monetary discipline" might find their way on to the managing board of an Atlantic Payments Union who would regard this as pusillanimous.

What could be more dangerous to the political solidarity of the West than a situation in which it could be plausibly alleged—however unjustly—that European governments were engaged in creating unemployment at the behest of Wall Street, etc., etc.?

A sounder approach, I suggest, would be (a) to continue walking the tight-rope between inflation and deflation, at a high level of employment, (b) to use exchange rate adjustments to correct fundamental disequilibrium, as revealed by the persistence of a need for import restrictions, as and when this can be

done with advantage to export earnings, and without stimulating cost inflation at home, (c) meanwhile, to continue to apply import restriction with discrimination so as to avoid the senseless throttling of mutual trade between non-dollar countries, and (d) to refrain from international payments arrangements which would encourage a premature adoption of non-discrimination in trade.

—Yours faithfully,

MARCUS FLEMING

Columbia University,
New York, N.Y.

The Claws of the Dove

Sir,—May I comment on your leading article of December 6th, which so rightly emphasised the nightmarish features of the Prague trial. The anti-Semitic features which erupted so glaringly in the course of this trial seem to merge into a deeper and even more sinister pattern. Two main categories of Communists appear to have been liquidated lately or are still being prepared in jail for their public ordeal. They seem to be: firstly, virtually all Communists, however orthodox, whose Stalinist faith may have been adulterated by western contacts. The majority of those of Jewish origin fall into this category; but so do men like Clementis, Novomesky, the "demoralised Interbrigadists" who had taken part in the Spanish Civil War, and a number of others. Secondly, the old party apparatus—Slansky, Reicin, Frank, Svab, etc.—has been virtually demolished. This must seem odd, especially when one recalls Stalin's rise to power as well as the fact that the "anti-state conspiratorial centre" now liquidated had undoubtedly the dominant position in Czechoslovakia in the years 1948-50.

The trial appears to mark a new stage in the process of total absorption of the satellite countries in the Soviet motherland. No real "Titoist" tendencies ever appeared among the Communists now liquidated. However, the only centres of potential, even theoretically possible, future opposition have now been demolished, undoubtedly by direct Moscow intervention.—Yours faithfully,

H. J. HAJEK

Edgeware

Restless Iraq

Sir,—While well-intended, the comment on Iraq in your issue of November 22nd is based on a misapprehension. You maintain that the controversy over direct and indirect systems of election is not the real issue in dispute. You rightly attribute the prevalent "restlessness" to the discontent of a rising middle class which finds itself governed by the rural classes, that is by "a peasant population that is still in thrall to a small sheikh and landlord class." The unrest, in other words, is a phenomenon of what may be termed (for the lack of a better phrase) a "class-struggle" analogous to that before the Reform Bill of 1832. This is conceded, but the suggestion that the unrest can be solved by installing in power the two "experienced" politicians

—Saleh and Nuri—in order to carry out a radical social and economic long-term reform, is paradoxical. For such a solution would quite clearly mean the support of the representatives of what were described in your own words as "landowning and tribal interests." Do you seriously think that either man is capable of effecting the necessary reform which is, admittedly, so detrimental to his supporters' interests? Have they not both been in power, on and off, all through the eventful Regency period? And is not the present state of discontent the creation of their own clique? To accept this line of analysis one is made to believe that the rotten boroughs of eighteenth century England could not have been reformed by any statesman other than Sir Robert Walpole.

Apparently the assumption on which your analysis was based is that the Old Guard's "experience" would enable them to maintain "stability" in the country—a prerequisite for any long-term programme of reform. It is submitted here, however, that what stability the country has seemingly had was actually maintained at the expense of great instability in the future. One hardly need recall the series of abortive military coups and tribal uprisings (in the South and in the North alike) which took place in the Regency period, in support of this submission.—Yours faithfully,

F. SHEHAB

Baghdad

Bank Salaries

Sir,—I fully agree with Messrs. Angus Maude and Roy Lewis that the important issue of their book is the relative prosperity of the professions. One of my complaints, not mentioned in their letter, was precisely that the adverse comparisons made between conditions in the joint stock banks and in other financial institutions are based on misconception. What purpose could be served by comparing the earnings of an unappointed bank clerk with those of a fully qualified actuary, even if there were no dispute about the figures?

As to commencing salaries, Messrs. Maude and Lewis may rest assured that their estimates are certainly not over-generous. But are they particularly relevant to the broader issue? Whatever the proper designation of their seniors, juvenile entrants to the banks are scarcely, at that stage, "professional people"; junior clerks naturally receive junior clerks' wages.

The point at issue is the prospects that banking can offer to those who qualify for positions of responsibility, and it seems to me beyond dispute that the passage to which I referred gives a false picture. The authors may not have set out to write a vocational guide; but their stimulating book may be used as such, and it is for that reason I felt entitled to invoke the courtesy of your columns.

—Yours faithfully,
W. MANNING DACEY,
(for Banking Information Service)
London, E.C.3

Books and Publications

Twentieth Century Wellington

The Private Papers of Douglas Haig, 1914-19. Edited by Robert Blake. Eyre and Spottiswoode. 383 pages. 25s.

Haig was on the main battle-front of the First World War from beginning to end, commanding half the British army for the first sixteen months and the whole of it for the remaining three years; it was his army under his direction which finally won the war at a time when almost everyone else expected it to last another year. He was, except on paper, inarticulate; he exercised no popularity-winning arts; but his soldiers believed in him so intensely that, though Lloyd George longed to get rid of him, he never dared to do so.

Throughout the war Haig kept a detailed diary, which was sent home in instalments, typed, and ultimately bound in forty volumes, together with relevant letters to or from the writer. Only one-sixth of it is published in these closely printed pages, but the remainder is, we are told, mostly concerned with military detail which has lost interest. There has been no "expurgation," such as was very properly exercised by Mr Duff Cooper when he wrote Haig's "Life" eighteen years ago. One may wonder how Haig found time to write at such length. Perhaps the answer is that he did not play bridge, and took his necessary relaxation this way.

It was more than a mere relaxation. How satisfying, for example, after a tiresome interview with Generals Wilson and Rawlinson, to add "Both these men are humbugs." Neither the writer nor his subjects deserve to be judged primarily by such comments. Haig is anything but inarticulate in his diary. Perhaps "mordant" is the best word. Dozens of highly placed persons pass across the stage, and much more blame than praise is bestowed. Even when he likes a man he does not necessarily admire him. Joffre, for example, was a nice old thing, but "the poor man cannot argue, nor can he easily read a map." There is only one hero in these diaries, the British soldier, meaning thereby the rank and file, the N.C.O.s and the regimental officers. Corps commanders and the like, eminent individuals, may (or may not) escape the flick of disparagement but seldom win a word of praise.

Everyone knows that Haig had his own private wars with Lloyd George, Sir Henry Wilson and others. The revelation of these diaries is the very low opinion Haig entertained of the French armies from start to finish. That has caused pain, as well it might, for the French, having failed in 1940, have fashioned for themselves a legendary version of their performance in 1914-18.

The striking feature of the book is the portrait of the diarist himself that emerges. This man is not in the least like any of the modern generals, the Eisenhowers and Montgomerys; but he is very like the Duke of Wellington. There is the same natural assumption of

aristocracy; Haig's money came from whisky but, as he casually remarks, the Haigs of Bernersyde are "the oldest family in Scotland" and his marriage had placed him securely within the highest circle. Again and again in the diary, a man is, or is not, "a gentleman," and that settles it, just as it so often did for the Duke. There is the same cool, sardonic outlook on men and measures, the same curious simplicity and limitations, the same blend of pride and piety and the same utter integrity.

The editor contributes a long introduction covering Haig's previous career and the principal controversies, political and military, of the war. Each chapter has an introductory note, that on the Passchendaele controversy, for example, being a model of lucidity and impartiality.

Lessons in the Kikuyu

Mau Mau and the Kikuyu. By L. S. B. Leakey. Methuen. 115 pages. 7s. 6d.

Although this little book shows signs, in the writing, of the haste with which it was produced, it nevertheless impresses the reader by its authority and complete lack of partisanship. No one could be better qualified to write it than Dr Leakey, for he was born and bred among the Kikuyu people; speaks their language as well as he speaks English; is preparing a detailed study, written but still unpublished, of Kikuyu customs; and worked for two and a half years with Kikuyu elders and men of his own "age-group" in the tribe.

What has been described by reporters in Kenya since the Mau Mau terrorism began becomes much clearer as one reads this book: in particular, the significance of the oath and hence of the oath-cleansing ceremonies. The Kikuyu background against which the terrorism has been carried out is also much better appreciated: the breakdown of the old tribal social customs without anything equally valuable and stabilising taking their place; the formal adoption by many Kikuyu of Christianity while in reality they disown all religion (according to Dr Leakey, Mau Mau's adherents are drawn neither from the genuine Christians nor from those who still hold to the religion of the Kikuyu, but from those who profess Christianity—to obtain its material advantages—while not believing it).

Dr Leakey does not, of course, take the view that the coming of the British was a disaster, in spite of the ensuing disintegration of the old Kikuyu society. His purpose is to place Mau Mau in its true setting, and in particular to show to what extent Kikuyu land grievances are genuine. Nor is he solely expository. His concluding chapter sketches the sort of measures that should be taken to prevent a recurrence of the present situation. This book ought, indeed, to be

required reading for all members of the House of Commons who presume to speak about Kenya—not excluding the Secretary of State.

Achievement of Compression

The Shorter Cambridge Medieval History. By the late C. W. Previté-Orton. Cambridge University Press. 2 vols. 1,202 pages. £2 15s.

The title of this work is in some ways misleading. It is not, and was not intended to be, a digest of the eight volumes, written by many different scholars, of the large Cambridge Medieval History; it is a quite separate work by one author. In most ways this divorce between the two is an advantage. A great amount of the first five volumes of the large History has been rendered obsolete by subsequent research, of which Previté-Orton took full note, while he obviously relied heavily on the last three volumes, whose findings are still in most cases valid. The major item on the debit side is the absence of any form of bibliography or suggestions for further reading. This lack is especially acute since many readers of the new work would be rather lost in the detailed bibliographies of the older one. It may well be thought, however, that this loss is more than compensated by the inclusion of well over two hundred and fifty excellent illustrations, which found no place in the more austere eight-volume History.

After Previté-Orton's death Sir Maurice Powicke wrote of his "breadth of view, sensitive sagacity... [and] patient and inexorable learning." These qualities, in both their positive and their negative aspects, are well illustrated in his last work. Anyone who wishes to understand the movement of ideas behind developing medieval society or the crucial stages in that development will have to look elsewhere. But the reader who seeks a patient, careful, and on the whole readable narrative of the main events in the political, economic and religious life of the Middle Ages will find it in this work. The achievement of compression is considerable, as any specialist will realise; experts might quarrel, for instance, with one or two nuances in the description of Byzantine administration, but as a basis for understanding the working of the most complicated government machine of medieval Europe it is first-class. There are, however, times when compression reaches the point of obscurity; anyone unfamiliar with the works of Kingsley might find it hard to understand why a mob of Alexandrian male-nurses should suddenly decide to set upon Hypatia ("celebrated for her beauty, ability and charm of character"), drag her to a church "and there horribly kill her with tiles." The antecedents and results of this startling event are left obscure.

The work of the two collaborators deserves special praise. The illustrations chosen by Dr Steinberg have a

No. 345, VOL. MCMIII.
Schweppshire Post 1952.

Christmas Cards

LET 'POST' ADVISE YOU
How to go one better than your friends

If sent Jolly Robins (B) show your distaste by sending scientific robin (A). If sent A, suggest with surrealist robin (C), that surely Art has its place. C, in turn can be made to feel out of date with very late Pischewepso (D). To make A, C & D feel absurdly highbrow, all you have to do is send Jolly Robins (B).

FOR THE YOUNG FOLK

ROARS OF LAUGHTER from the young and young of heart in 'Post's' new XMAS PUDDING GAME OF SPHERING THE SQUARE.

Cut out this square. Paste it on to a piece of old cardboard or preferably binding paper. Cut neatly along dotted lines, holding point of scissors towards chest and if directions are exactly followed, HEY PRESTO!! and there is your XMAS PUDDING.

Now for fun and larks. Six or eight young people, preferably of opposite sexes, pick sides. The leader holds pudding on thumb balanced at point D, and when the three girls shout BRANDY SAUCE the boys make a pyramid with their hands and the festive sphere is snatched from one corner to the other of the rectangle of players.

Post's GIFT BOX free to all

yearly subscribers who have sent cheque. ORIGINAL CHRISTMAS GIFTS For grown-ups. Are you a doctor? We will send you a novel NEW ERA two-way rustless schwepposcope.

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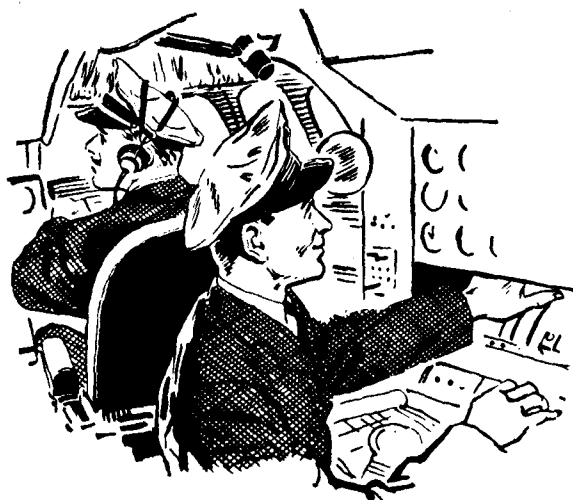
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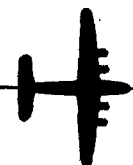
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freshness which adds to their interest for illuminating the text; how many professional medievalists know the complex architectural plan for the "ideal lay-out of an abbey" from St. Gall or the picture of the Hamburg Town Council in session? Of the work of the other collaborator, who revised the whole text after the author's death, it is more difficult to speak, since Mr Philip Grierson modestly keeps his contribution anonymous throughout. Those who know the work of both men will, however, know also that there are many places where Mr Grierson's work has not been confined to the addition of the useful maps and tables.

Social Money

Geld und Gesellschaft. By Wilhelm Gerloff. Klostermann. Frankfurt a/M. 288 pages. Dm. 25.

In the opening sentence of his "State Theory of Money," Knapp defines money as "the creature of law." Inspired by this formula, Dr Gerloff defines it in his opening sentence as "the creature of social relations." By this he means that money owes its origin to non-economic social requirements, and that money had served social purposes long before it came to serve economic purposes. He quotes prehistoric and ethnological evidence to show that, long before the growing complexity of barter made the use of money inevitable, it had been used to satisfy social needs. It was used for religious sacrifices; for payments as tribute, blood money, fines, and bride price; and in order to win prestige by sheer display. The author lays exaggerated stress on the last use at the expense of the others.

Although primarily concerned with the non-commercial aspects of money, Dr Gerloff emphasises the decisive importance of its adoption for commercial use on economic evolution. He points out that premonetary economies, which had been overwhelmingly static, were replaced by dynamic economies as a result of the adoption of money. This must strike a sympathetic note in the ears of students of static economic theory, who envisage the stationary state as moneyless. Oversimplified as Dr Gerloff's formula is, it is beyond doubt that the adoption of money greatly accelerated progress in both the economic and social sphere. In his "Greek Commonwealth" Sir Alfred Zimmern gives a fascinating account of the economic revolution, and its far-reaching social effects, resulting from the adoption of money in Ancient Greece.

Dr Gerloff argues that in modern society as in primitive society the possession of money confers prestige and power and the desire to achieve prestige and power through the possession of money is even today the chief economic driving force. In putting forward this argument Dr Gerloff confuses the concrete meaning of money with its symbolic meaning. When the preacher declares that "money is the root of all evil" he does not have coins and notes in mind. In his sense, as in the sense in which Dr Gerloff applies it to modern conditions, money is not the concrete means of payment

but simply a symbol of wealth, whether in the form of cash or bank deposits, investments or real property. Wealthy people owe their prestige to the large amount of wealth they hold in non-monetary form.

Dr Gerloff, apparently anticipating this criticism, takes the line that in modern conditions money is synonymous with "purchasing power." This is doubtless correct from the point of view of a theory of prices. But then, in his introductory chapter he emphatically disclaims that his social theory has any bearing on the value of money. When dealing with primitive conditions, he uses the term "money" in its concrete sense. It is on that basis that he has made an original contribution to monetary theory by analysing the social aspects of money. Having departed from this use of the term when dealing with modern conditions he lapses into vague generalities and ceases to be original. In spite of this "Geld und Gesellschaft" is a truly remarkable work and should influence economic literature within and outside Germany.

Shorter Notices

Capital and Employment. By R. G. Hawtrey. Longmans. 337 pages. 40s.

"Capital and Employment" was first published in 1937. The present edition is, however, virtually a new work, taking into account both the practical experiences and the theoretical advances of the intervening fifteen years. The central thesis, that of the superiority of Bank Rate as a stabilising influence to any fiscal, monetary or physical alternatives, remains essentially the same. The qualified student, to whom the book is exclusively addressed, will not only find it valuable as a weighty and penetrating statement of Professor Hawtrey's own views but as an illuminating survey of relevant modern economic theory; for Professor Hawtrey proceeds for choice by comparison and criticism, working his way from Professor Hayek's "Prices and Production" through Keynes's "Treatise," "General Theory," Professor Pigou's "Theory of Unemployment" and Mr Harrod's "Trade Cycle" to the United Nations' report of 1949 on national and international measures for full employment. His survey does not, however, cover the modifications and refinements which Keynesian theory has undergone since the "General Theory" was published; while this omission does not weaken his thesis, it does leave a gap in an otherwise richly comprehensive picture.

Design and Decoration in the Home. By Noel Carrington. Batsford. 232 plates. 144 pages. 30s.

This is a most attractive and useful book. Mr Carrington's approach is based on the various functions of the home and the different needs of social life. The compact modern dwelling, the old converted mansion, the bedsitter and the caravan are discussed in a practical and stimulating manner. A section is devoted to each main room of the house, to its lighting and heating, to contemporary designs in furniture, fabrics, wall-coverings, tableware and kitchen equipment. Contemporary furniture has emerged from the self-conscious modernity-at-all-costs phase of the thirties and the unavoidable severity of the "utility" period, and has found its balance in clean, graceful, simple lines and a sensitive use of beautiful materials. Woods from India and Australia, as well as oak and walnut, are used in their natural state with

great decorative effect. Designs compare favourably with the best of traditional models—and are often based upon them—and can blend harmoniously in the home with antique furniture. In textile designs and pottery British craftsmen are showing themselves to be second to none. With public interest aroused by the many recent exhibitions on furnishing the home and the efforts of the Council of Industrial Design, manufacturers and retailers have less opportunity for passing off the ugly and shoddy.

The text is but a small part of this book, for Mr Carrington wisely lets his well-selected photographs tell their own story. One could, however, do with a little more of the advice he offers so tantalisingly. The firms and designers mentioned in the text and plates are indexed, but their prices are not given. The emphasis is on products manufactured and obtainable in this country, although there are a few references to Scandinavian designs.

Kashmir: Its Cultural Heritage. By Dr. Kaumudi. Asia Publishing House, Bombay. 206 pages. Rs. 12/8.

It is pleasant at last to meet a book on Kashmir which is neither a farrago of population figures and UN declarations, nor a lyrical description of natural beauty. Dr Kaumudi's theme is Kashmir's real, though rather thin, culture. There are some temple remains, two well-defined schools of miniature, and a very considerable body of poetry, mainly either mystic or love lyrics, and all deeply imbued with feeling for the flowers, streams and mountains of the Kashmir countryside. Even the "proletarian" poetry of the last twenty years apparently keeps to this tradition with some rigidity. Dr Kaumudi has provided a fair number of translations of Kashmir poetry of every age, and it is that which makes her book worth reading for any student of Eastern culture.

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AMERICAN SURVEY

New Start for Uno?

New York

TO Americans who are concerned about the United Nations and American support for its principles the combination of Mr Henry Cabot Lodge's appointment and Mr Dulles's recent speech gave new hope. Senator Lodge will bring vigour and ability to his post as head of the American mission to the United Nations, an office too long in the hands of a devoted statesman rendered unfit, by age and ill-health, for any but the lightest of honorary duties. Observers are outspoken in their hope that the appointment of other new men of the first calibre will follow, to strengthen American prestige and help find solutions for the mounting problems of the United Nations.

As for Mr Dulles's speech, this first policy statement by the incoming Secretary of State (delivered from a recording while Mr Dulles himself was with General Eisenhower) shows quite clearly that wishful rumours about the new Administration's lack of interest in Uno have no foundation. In it Mr Dulles's support of the United Nations rings clear and unequivocal. He calls for intensification of the American "determination to perfect an organisation for world peace and justice." He recognises that in these seven years of experience there have been errors as well as trials, "but the lesson is to persevere." And he proclaims that "if freedom is to seem worthwhile, free men must lead the way to a just and durable peace."

The words are brave, and they carry with them emotional overtones of a time when Americans were far more optimistic about international organisations than they are at present. Then the phrase "just and durable peace" was a battle cry. Those who have wondered whether the new Secretary of State had forgotten those days will do well to remember that he used the words in the title of a book, and that it was the church Commission for a Just and Durable Peace which gave him a platform for speeches he made before the San Francisco Conference. These played a large part in bringing him to his present stature. That commission helped prepare the American public to forsake isolationism and accept the responsibilities of international leadership.

Whether the churches could again arouse so warm and abundant a wave of idealistic support for the United Nations is doubtful; Mr Dulles himself pointed out that the novelty has worn off and unexpected difficulties have emerged. Perhaps a more important question is whether such an attempt would be wise unless the churches can at the same time create a support which is informed as well as fervent. The ebbing of that earlier tide has shown that emotion alone may be dangerous as well as inadequate. If religious bodies are again to take the lead, if their members this time are to start "making the United Nations into a more effective instrument for achieving international order and justice," they will have to educate as well as inspire.

The two tasks are not of an equal order of difficulty. In its favourite mirror the United States still sees itself as an ebullient, generous young nation, sharing its wealth and its strength with a world which somehow cannot seem to catch up. It does not see so clearly the need for time, for patience,

or for willingness to understand both the problems of other peoples and the difficulties created by American attitudes. On the one hand, the Constitution is sacred. On the other, so is the slogan: "If a thing doesn't work, throw it out."

Mr Dulles's call to a new crusade comes at a time when many Americans think the United Nations does not work, and a few of them say it should be thrown out. How completely they believe this remains to be seen. The most fevered doubts are expressed by people with whom it is hard to reason, and the loudest critics of the United Nations are found among those who know least about its workings. Even Senator Wiley, now that he is serving as a member of the American delegation, has shifted his fire so that it is directed not so much at Uno as at the State Department.

Nevertheless, in a country where public opinion is venerated even when perverted or deformed, this criticism cannot be disregarded. Given the fact that it is directed against huge and complex organisms engaged in a multitude of tasks, the virulence with which these critics personify the objects of their hatred is astonishing. They regard Unesco as a corrupter of youthful patriotism. The Secretariat of the United Nations is pictured as a refuge for Communists and Communist sympathisers, or even a Soviet plot to gain control of the United States. With hardly more reason, men who should know better claim that membership in the United Nations weakens American sovereignty and opens the way to the overriding of American laws. Representative Wood of Idaho finds American membership in Uno

a crime perpetrated against us by a coterie composed of out-and-out minions of Soviet Russia, pro-British Fabian Socialists, Rhodes scholars and just plain traitors to America.

Happily this hyper-patriot was not returned to his Congressional seat in the November election, but he can still find an audience.

Even the respectable American Bar Association has been drawn into this emotional whirlwind, and has offered an amendment to the Constitution which seeks to weaken the treaty-making powers of the United States on the plea of protecting the country against the supposed inroads of international agreements. It remains to be seen whether this action was, as some suspect, a political move against the Truman Administration which will fade away under the impact of the Dulles speech.

By the customary pattern of action and reaction which ordinarily rules in these affairs, a sturdy tide of defence of the United Nations should by this time be setting in, and there are those who see this in the cheerful crowds that throng its buildings, buy pamphlets and souvenirs in the gift shop, and sit for long hours listening to dull speeches. The

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

hunt for "subversives" in the United Nations may be at its height, but more thoughtful people realise, with Justice Burton, that "the power of governments today to destroy those whom they accuse is very great," and agree with Judge Hand that "risk for risk, I would rather take my chance that some traitors will escape detection than spread abroad a general suspicion and distrust." As the recent Supreme Court decision against the Oklahoma loyalty oath shows, the Bill of Rights still has powerful champions. But optimists will do well to note that, on the same day that Mr Dulles's speech was delivered in Denver to the Council of Churches, Senator McCarthy was given a medal by admirers in New York.

Yet there are reserves of sympathy for the United Nations beneath the surface which can be tapped. One of the extraordinary features of the San Francisco Conference was the marshalling of public opinion behind American participation in the United Nations. Many of the observers who represented voluntary organisations covering a wide range of interests at San Francisco are representing those same groups at the United Nations today. Some of them have become remarkably expert at their job of keeping a steady flow of information and guidance going back and forth between the United Nations and the American grass roots.

They include representatives of the Council of Churches, labour and trade associations and so on and can rouse the intelligent and educate the emotional. They may even be able to persuade their organisations that what the United Nations most needs is a body of informed citizens in member countries who can bring intelligent criticism to bear on its ways and its woes. Toward this end the Carnegie Endowment for International Peace is working in sixteen countries, encouraging groups such as the Royal Institute of International Affairs in London to appraise the activities of its own nationals at the United Nations. The Brookings Institution has undertaken a three-part study. Its legislative history of the Charter is almost finished; its study of United Nations activities is well under way, and it is formulating recommendations for revision of the Charter in order to have them ready when they are needed.

These are the people to whom the Dulles speech comes as a long-awaited challenge. They do not get as much publicity as the McCarran Committee and the Federal grand jury which have been investigating charges that some United Nations employees are subversive, but they may prove to carry more weight in the long run.

American Notes

Parting Shots

President Truman would have done better to repress, even if he cannot forget, his bitterness about the election campaign and the attacks on his Korean policy. He could have taken quiet satisfaction from General Eisenhower's cautious comments, which have already shown how little basis there was for the Republicans' confidence that they could pull out of a hat the honourable and safe solution which has eluded the present Administration. And the State of the Union message, which Mr Truman is to send to the new Congress before he gives way to General Eisenhower, provides an opportunity to sum up the achievements of his government and defend its decisions.

But the prospect of conferences between the new President and Mr Truman's old foe, General MacArthur, tempted him to a final volley of the plain speaking for which he is known. Mr Truman is convinced that his Korean policy has earned him an honourable place in history, and that misre-

presentation of it won many votes for the Republicans. He may well be right. But now that most Americans have decided to forget and forgive what was said in the campaign, the renewed insistence that General Eisenhower's promise to go to Korea was "demagoguery" contrasted painfully with General Eisenhower's dignified silence. It has disposed of any hope that the transition period might be eased by friendly relations between the outgoing and the incoming Presidents.

General Eisenhower's expression of interest in General MacArthur's "new solution" for the Korean hostilities, and the friendly meeting he has now had with him, were examples of the tact and magnanimity for which he is famous. No details of General MacArthur's proposals are yet available, but it seems unlikely, as Mr Truman said, that he has hit upon a plan for ending the war without incurring heavy casualties or running the risk of spreading it. If he has, Mr Truman is right to insist that General MacArthur should have informed the Department of Defence, rather than using the plan to re-establish friendly relations with General Eisenhower, whom he ostentatiously refused to support during the campaign. But General Eisenhower was committed to do nothing but listen to his party's military prima donna, whose main grievance was that he had not been consulted. Like Senator Taft, General MacArthur may have to be satisfied with this.

* * *

Pirates of New York

The current investigation of the New York waterfront by the State Crime Commission is revealing little that was not known already to the initiated about the ransoms which are exacted from shipping companies and other commercial interests in return for delivery of their cargoes by the pirates who control the city's longshoremen. But the notoriety now given to the details of this buccaneering may, through the



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pressure of public opinion, force the various officials concerned to abandon the complacency which has enabled this scandalous system to take hold. It is mainly responsible, as the enquiry is making clear, for the unsatisfactory and expensive conditions which are making ports other than New York increasingly attractive to foreign trading and shipping firms.

The city and port authorities have apparently been ready to let things slide as long as the shipping and stevedoring companies do not complain; it may even have been made worth the politicians' while to turn a blind eye to the waterfront. The companies have preferred to pay up rather than to walk the plank of a longshoremen's strike; they have also appreciated the close control which the present union leaders, occasionally assisted by a little extra-legal "persuasion," can exercise over the tough New York dockers. And the American Federation of Labour, to which the International Longshoremen's Union belongs, insists that it cannot interfere in the internal affairs of an independent union, even when it is, as the federation admits, being "used by gangsters."

The most infamous of these are the four Anastasia brothers, Italians who originally entered the country illegally and have since then been constantly linked with, although seldom convicted for, such organised criminal activities as bootlegging, gambling and murder syndicates. They and other leaders of union branches, who control hiring on the city's piers, have been recruiting longshoremen in the prisons. These ex-convicts are carried on the stevedoring contractors' payrolls but work only at organising thefts from incoming cargoes, ranging from passengers' luggage to a two-ton consignment which was purloined complete with its own lifting crane. A contractor who tries to get rid of these expensive employees is soon silenced by a strike. Even such an apparently spontaneous movement as the patriotic refusal in 1950 to unload two ship-loads of Russian furs could be checked by the payment of \$70,000 to the right union official.

The Crime Commission has published details of gifts amounting to over \$180,000 given by 43 shipping and stevedoring companies to 99 union officials during a recent four-year period; altogether about three times as much was probably handed over during this time. Included were substantial annual presents to the president of the longshoremen's union, Mr Joseph Ryan. These gifts certainly justify the 40,000 dockers, most of whom must be honest men, in suspecting that their union representatives at wage negotiations may have been more interested in what they could get for themselves than in what they could get for their members. If, as is possible, Mr Ryan retires before long, resentment can hardly fail to boil over into a bitter struggle for control of the union—and probably into another strike on the New York waterfront.

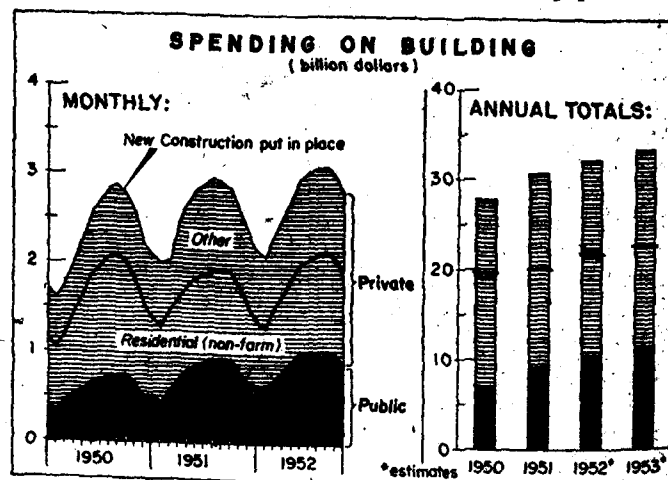
All Clear for Construction

Improved supplies of steel and copper have made a substantial relaxation of controls on construction possible in the New Year, months earlier than had been expected. Aluminium will be restricted at least until May, because output has recently been curtailed by electricity shortages, but this does not seriously hamper the building industry. More materials will now be available than at any time since the Korean outbreak for commercial and public buildings, such as garages, offices and hospitals, and for apartment houses and private homes. Most important, the complete ban on the building of entertainment facilities, such as cinemas and swimming pools, has been removed, although only small projects of this kind are yet permitted.

House building has in fact suffered little if at all from restrictions during the past year. The number of residential non-farm housing units started each month has been running steadily ahead of last year and the total for 1952, at about 1,160,000, will only have been exceeded in 1950 and is

unlikely to be surpassed for some time to come. For there is every indication that, with about 7 million new housing units completed since 1945, the postwar demand for houses has nearly been met, in the medium-priced class at least. Prices are not yet falling noticeably, but in many towns houses at over \$10,000 are selling slowly. The removal of government controls on mortgage credit did disappointingly little to stimulate demand. Furthermore, the low birth rate in the nineteen-thirties is now affecting the marriage rate and it may be some time before the number of new families formed each year begins to rise again.

Private expenditure for new industrial building will also be falling next year, as expansion for defence purposes is completed; this may go down by as much as 25 per cent.



Source: U.S. Department of Commerce.

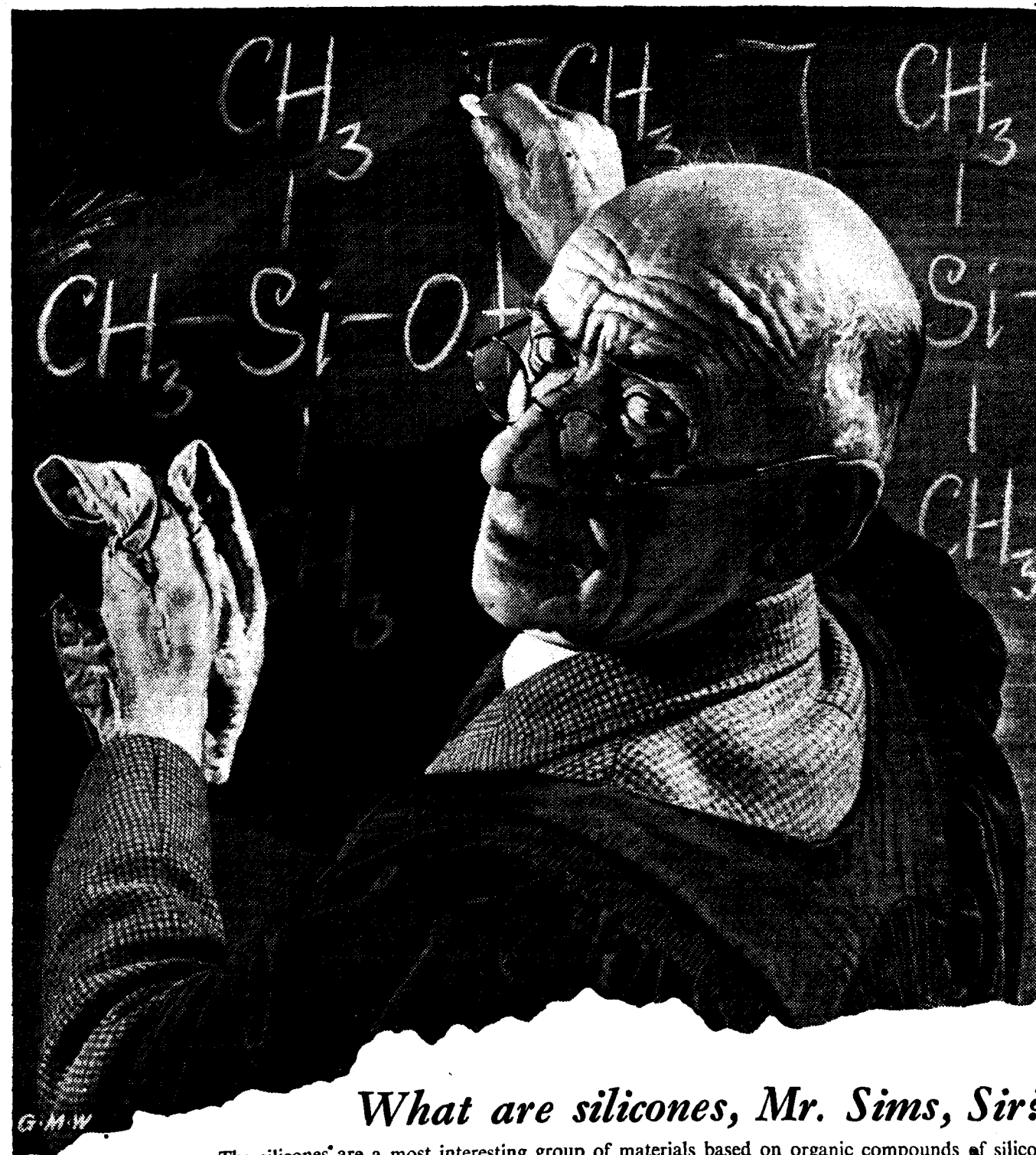
Much of this decline will, however, be compensated for by the building of projects which have been deferred while materials and credit were short—both public works, such as schools and highways, and private commercial and recreational facilities. Public utilities are also likely to go on expanding and government expenditure on military construction and atomic energy installations should continue to rise, at least during the first part of 1953. So will actual spending on housing, since many of the residential units started this year will not be paid for until 1953. As a result the dollar value of building in the United States, at an estimated \$33.5 billion, is expected to break all records next year as it has done this. When allowance is made for increases in prices, the actual volume of construction will be about the same as it was this year and last—always provided that the country's economic prospects continue to look bright.

Higher Education's Deficit

Three years ago the Association of American Universities appointed a twelve-man group to locate the causes and prescribe a cure for the financial ailments of the nation's universities and colleges. One-fifth of all Americans go to college, but, despite this mass market, institutions of higher education fail to make ends meet, professors are underpaid, and building plans remain blue-prints.

The present study was financed by the Rockefeller Foundation and the Carnegie Corporation. Its diagnosis, embodied in an eleven-volume report, is that it is inflation which has sapped the purchasing power, not only of the endowment income of private institutions, but also of the appropriations granted to state colleges by the legislatures. In addition, the services demanded grow more complex and more expensive, while income from students—the major reliance of private colleges and universities—cannot be counted upon as long as the need for military manpower remains uncertain.

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academic ground, and would do better to join forces with their neighbours and exchange students in certain specialties. Those with government research contracts might insist that the government pay some of the overhead, as well as the direct costs of the projects. State institutions might legitimately ask their state governments for more generous allowances. Student fees charged by the private institutions, which have gone up by 60 per cent in the last ten years, might go even higher, but this might divert students to the public universities.

However, all these suggestions are drops in the bucket of a need for operating funds which the commission estimates at \$250 million for the present year. More would be needed if professors' and instructors' salaries were to be raised, still more if the colleges, universities, and professional schools were to prepare for the peak of 2,500,000 students expected in 1960 when the crop of war babies comes of campus age. This year enrolments have started to creep up again for the first time since the record year of 1949; there are 2,150,000 students at the college or university level.

It is to business and voluntary groups that the commission looks for relief, not to the federal government. This is in accordance with the popular American view which holds that federal controls are likely to accompany federal contributions, but that business gives without strings attached. The federal government now contributes about \$500 million a year, in the form of grants to ex-servicemen and medical schools and payments for research. Corporations are reminded that they can give up to 5 per cent of their income to charity free of tax; a very small fraction of this would solve the problem. Colleges and universities are urged to speed the forming of regional begging groups which make giving as little trouble as possible. Already nearly \$3 million has been raised in this way for the nation's medical schools, whose deficit is the most intractable of all. It is permissible to wonder, however, what would happen in a depression to universities which had come to rely on annual voluntary gifts to pay their bills.

* * *

Segregation at Stake

The question of whether the constitutional rights of Negro children are infringed by the segregated schools maintained in seventeen states and the District of Columbia has at last been put squarely before the Supreme Court. For three days last week Mr Thurgood Marshall, the Negro counsel of the Association for the Advancement of Coloured People, and the driving force in its campaign to tear down the colour bar, argued that segregated schools, however excellent, constitute a denial of equal opportunity, a badge of racial inferiority, and a violation of the Fourteenth Amendment. This amendment was passed after the Civil War to prevent the southern states from abridging the rights of their newly liberated Negro citizens.

Five cases involving segregation were heard, but Mr Marshall's main opponent was Mr John W. Davis, the eminent constitutional lawyer, fresh from his victory over Mr Truman in the steel seizure case, who was briefed by the State of South Carolina. In Mr Davis's view, segregation is a legislative policy, well within the rights of the states, and no more involving constitutional issues than does classification by age, sex or mental ability. Unlike Mr Marshall, who insisted that the South "is not lawless" and would abide by the Court's decision, Mr Davis suggested that the results of striking down segregation could not be viewed with equanimity, and a spokesman for Virginia insisted that an adverse decision might destroy public support for the schools in his state. Finally, Mr Davis argued that the Constitution, which the Court for over fifty years has interpreted as permitting segregation, cannot overnight be reinterpreted to outlaw it. Since 1896 the Court has ruled

that segregation is constitutional as long as equal facilities are provided for Negroes. In recent years "equality" has been defined more and more rigorously in educational cases, often forcing the abandonment of segregation on the university level, but the basic theory has not been challenged. From their questions, however, some of the Justices appeared to feel that the Constitution, which has been stretched so far in other directions, should also be flexible where human rights and changed conditions are involved.

The District of Columbia, which is not a state and is governed directly by Congress, is not affected by the Fourteenth Amendment. It has had segregation ever since Negro education began, and Mr Davis pointed out that the same Congress which approved the Fourteenth Amendment within a month or two approved segregated schools in Washington. Could it, he asked, have meant to bar the states from doing what it authorised in the District of Columbia? Segregation may not survive in Washington, however, even if the Court decides it has no jurisdiction and that the remedy must be left to Congress. General Eisenhower, during the campaign, pledged himself to stamp out every vestige of segregation in the national capital. No one expects a decision in these momentous cases until next spring and, when it comes, it may not be as clear-cut as either Mr Marshall or Mr Davis would like.

Shorter Notes

Meeting last Monday in the capitals of the 48 states, the presidential electors, chosen by popular vote, cast their official ballots and General Eisenhower is now really President-elect. A grand total of 61,547,861 Americans, 20 per cent more than went to the polls in 1948, voted for eleven Presidential candidates last November; General Eisenhower's official poll was 33,927,549, compared with the 27,311,316 votes cast for Governor Stevenson. Nine other parties shared 308,996 votes among them; and of these groups, the Socialist party has since announced that it will no longer run candidates for national office, since it has ceased to be an effective political force. The Progressive party, which obtained over a million votes for Mr Henry Wallace in 1948, received fewer than 100,000 this time; most of its potential voters chose Mr Stevenson, particularly the Negro electorate, which in northern cities gave the Governor larger majorities than Mr Truman received from this group in 1948.

*

The SS *United States*, which cost \$78 million to build but was acquired by the United States Lines Company for \$28 million because of a construction subsidy and government allowances for special defence features, has just had its price tag marked up to \$38 million. The government, after investigating charges that it bore an excessive share of the cost, has decided to reduce it by \$10 million, which will be recovered for the Treasury by withholding future operating subsidies from the company. The company, on its side, is threatening to return the liner to the government rather than pay the increased price.

*

An indication of the size of the Ford Motor Company's empire—which is a closely kept secret, since all the voting stock is held by the Ford family—was given this week in a *Wall Street Journal* report that stated that the company's sales in 1951 were \$2,952 million and its profits, after taxes, \$87 million. Although Mr Henry Ford said these were "figure-guesses," he did not dispute the newspaper statement that the Ford Company is the second largest automotive firm in America.



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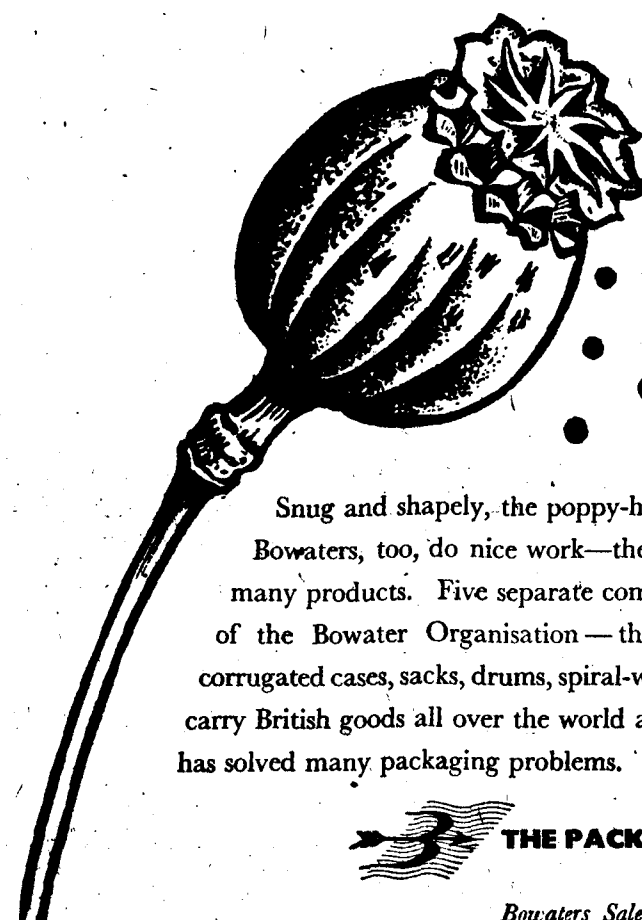
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THE WORLD OVERSEAS

The Chinese Trade Puzzle

RECENT press reports about British trade deals with China have helped to create a belief that great things are happening, or about to happen, in that direction. Rosy forecasts have been made of huge new markets for British exporters—particularly if the United Nations embargo on shipment of strategic goods to China is eased. Some interesting deals have in fact been made with China since the Moscow economic conference of last April, chemicals, fertiliser, and wool tops being the principal commodities involved. But the reality behind the rosy visions is not a comforting one. Most of the British goods sold to China this year had nothing to do with the Moscow conference. Even if they were all reckoned as its fruits, the targets for Sino-British trade set up at Moscow would still be undershot by a very big margin.

This failure has nothing to do with the UN embargo, for the Moscow "trade agreements" were drawn up after the British party had made it clear that they could not deal in embargoed goods. Nor has it been due to lack of initiative at the British end; since April, three separate organisations have been set up in London to foster trade with China and other Communist countries, and an impressive number of British businessmen have visited East Berlin to talk with the Chinese trade mission there. But there they have met with impossible offers and unrealistic prices, and the Chinese have refused to come to Britain themselves.

Nor are the prospects for the future at all hopeful. In the first place, the Chinese are still relentlessly "squeezing" such British concerns as are in their grip. Hongkong firms are not subject to "squeeze" on this scale, but their offers of goods have been spurned by the Chinese even when they eventually have to pay more elsewhere. But it is interesting to note that, despite this policy of deliberate boycott, the Communists have found it necessary to use some of these firms as export channels.

Five Depressing Clouds

This is only one of a number of pieces of evidence which suggest that Peking's original plan of ignoring the "traditional" pattern altogether and routing its external trade through Communist channels has come to grief. Earlier this year, many goods of Chinese origin, such as pig bristles, were being offered to western buyers by trading organisations in the East European satellite countries. In some cases they were priced so low as to indicate either that the Chinese had parted with them for a song, or that the satellites, having been landed with these goods as a result of transactions within the "Comecon," the Soviet bloc's international economic system, were forced to dispose of them as best they could. Recently, however, new offers of such goods have been made by the Chinese directly to British firms in the Far East. The explanation would seem to be that the Soviet bloc has not fulfilled its promises of absorbing China's export surpluses; that the Chinese are now beginning to look for purchasers who will give them a fair price; and that, receiving from the Russians little except arms for the Korean war, they are having to sup with the devil in order to obtain foreign exchange for other purposes.

But in this sorry state of affairs there is no silver lining for the British trader. The Chinese, tangled in the new intricacies of state trading on Stalinist lines, are by no means wholly disillusioned about the benefits of tying their economy

to the Soviet chariot-wheel. And even if they were, the outlook for Sino-British trade would still be darkened by five depressing clouds. The first of these is the Communist Government's policy of economic self-sufficiency. Peking has just claimed that China's output of cotton goods is now 60 per cent above its prewar peak, and still rising. There is little opening here for Lancashire; if any marginal supplies are required from abroad in the future, they will probably come from Japan, whose cheap products are more suited to a China where austerity is still *chic* than the better quality British cotton goods. It is true that some orders for cotton goods have already been placed in Britain. But the Chinese admit quite frankly that these were merely meant as an encouragement to British firms, and that there will be no steady demand. Apart from a few more similar "sweeteners," there is no prospect of any substantial market for western consumer goods.

No Export Surpluses

Meanwhile, the things which China now wants most badly from the West are machinery and heavy equipment of types which, for the most part, are not only covered by the UN strategic embargo, but are also the very things for which the whole world is crying out, and for which no new markets have to be found. To meet China's demands in this direction, British industry would have to disappoint better customers elsewhere. There would be a stronger case for meeting such demands if China were still an important source of raw materials. But the third depressing element in the picture is that China is no longer such a source. The isolation of the country, first by the Japanese war and now by its own deliberate act, has led other countries to develop alternatives for, or alternative sources of, a number of Chinese staple products.

What, then, will China be able in future to offer to the world in exchange for its needs? No great volume of trade can be built on bristles, soya beans and dried egg; and even as regards foodstuffs, no large dependable surplus seems likely to arise if all Peking's claims of rising consumption levels and falling mortality rates are true. Some Chinese Communists, admittedly, point out with disarming frankness that the People's Government can easily reduce the consumption levels of the people, and thus create an exportable surplus. But, however faithfully Stalin's example is followed in this as in other respects, the record of Soviet state trading does not suggest that China would prove a reliable trade partner. A certain amount of "surplus" rice can always be found to serve a temporary political end (as Peking found it for India last year, at a time when it had itself admitted the existence of famine conditions in several Chinese provinces) but no considerable volume of imports can be financed by such methods.

Indeed, the fifth and hardest fact of all is that even in prewar days China was not a major trading nation—except in relation to Japan. It has always been largely self-sufficient, and even Britain, most active of all western nations in this respect, never counted on its actual trade with China—as distinct from shipping and other services—for more than a small fraction of its commerce. The time is long past when western merchants were hammering on China's doors, seeking tea, silk, porcelain and other exotic goods which commanded high prices in Europe. But the Peking Government,

curiously enough, seems to have reverted to those days. Its representatives often take, or feign to take, the view that trade is a matter of indifference to them, while to the West it is a matter of life and death. In fact, the boot is on the other foot. China now has little to offer to the free world, either in supplies or in reliable markets; but it is in real need of a limited amount of specialised western products, if only for as long as it has to bear the heavy burden of its war in Korea. This need explains the Peking Government's continued use of the very "China trade" firms which it denounces, its growing impatience with the amateurishness of some of the new friends it made at the Moscow conference, and its readiness to pay for unwanted "sweeteners" in the hope that they will become a wedge with which to split the UN embargo. But in none of this is there any foundation for the belief that rich markets await the westerner who penetrates to far Cathay; and it is perhaps time that British businessmen stopped listening to the successors of Sir John Mandeville and faced the facts.

Europe's Third Chance—II

Dollars for Defence

WITH the virtual disappearance of American economic aid to Europe, offshore purchases will become the only direct means by which Washington can supplement the dollars that European nations earn through ordinary commercial channels. The latest example, announced this week, is the purchase of some 500 British tanks for Europe at a cost to the United States of \$90 million. The economic implications of this new method of aid were discussed in the previous article. The machinery used to effect these purchases is somewhat cumbersome and still in the process of development, but the basic principles are clear enough.

There are three main stages in the completion of the offshore procurement programme. The first is an assessment of the need for military equipment in each of the Nato countries. This assessment is carried out in concert between each European government and the appropriate American "Country Team." Such a team is formally headed by the Ambassador and is made up of the American Military Assistance Advisory Groups attached to each US Embassy (who carry the main burden of responsibility), representatives of the Mutual Security Agency and US Treasury, and officials of the Embassy proper.

Jointly these parties arrive at an estimate of the military requirements of each Nato country, of the prospects for unaided military production, and thus of the gap between needs and capacity. It is this gap that has to be closed by American military aid—aid which is either in the form of equipment supplied from the United States or of equipment bought for dollars in Europe, that is, offshore purchases.

Once this report (known among American officials as the "green sheet") has been completed, it is forwarded to the office of General Handy, who is deputy to General Ridgway in the latter's capacity of commander-in-chief, US Forces, Europe. In turn it is then dispatched to the Defence Department in Washington; and this procedure means that the recommendations carry the *imprimatur* of the American armed forces. In the past these country reports have not contained specific suggestions for offshore purchases; but today they tend increasingly to note those items that might best be obtained by this means.

Meanwhile, working from much the same collection of facts and figures, Mr Draper's office in Paris prepares detailed recommendations for military items to be purchased in Europe. This is the second stage. Mr Draper, the US "Special Representative in Europe" wears three hats. He is chief of the Mutual Security Agency in Europe and at the

same time US Representative on the Council of Nato; in addition he has under him a deputy for certain defence functions whose department is the one primarily concerned with offshore procurement. Defence production experts in Mr Draper's office, who are thoroughly conversant with productive capacity in Western Europe, make the initial selection of items that might be feasible for offshore procurement. In preparing their recommendations these experts call for suggestions and advice from the various "country teams," from both the political and economic specialists in Mr Draper's office, and finally from the international staff of Nato. Although this process of co-ordination is complicated and time-consuming, it does give Europeans a voice in offshore procurement, it ensures that a balance is found between economic and political factors, and it encourages the development of a unified arms programme.

When these recommendations are completed, they, too, are forwarded to General Handy's headquarters. At this point they are sent—for examination and comment only—to the procurement offices in Europe of the three American Services. Their comments are incorporated and the final recommendations for the offshore procurement programme are sent out to the Defence Department in Washington. It is here that the two sets of reports—the "green sheets" and the offshore procurements—are married and final decisions taken. All of the recommendations are examined at the Defence Department and by each of the three Services. When agreement is reached, each of the Services issues an order to buy direct to its own procurement office in Europe. Ordinarily these orders do not bear the name of any specific manufacturer, but are simply authorisations to purchase a certain piece of equipment in Europe. The procurement offices then call for bids from European manufacturers and proceed to negotiate the actual contracts.

Buying Europe's Aircraft

* This, generally speaking, is the procedure for offshore buying in Europe, but from time to time there are variations. The substantial programme for offshore procurement of European aircraft is a case in point. On this occasion Mr Draper asked Nato experts to prepare the initial recommendations for the programme; moreover, a special American evaluation team, which has just concluded its work, was sent to make on the spot tests of the individual aircraft.

While it is true that Europeans are, at several points, given a say in offshore procurement, the programme remains largely in American hands—and, specifically, in American military hands. The tendency is inevitable, since the equipment is being purchased with dollars, and it is plainly America's interest not to spend them in such a way as to narrow its own military production base. Americans naturally argue that if at any time defence production must be expanded rapidly, there should be a given minimum capacity on which to build. Therefore, the inherent conflict in the whole programme is between this American drive at home and Europe's dollar needs—political, economic and strategic.

The question now arises whether the effort to balance claims could not be performed with less friction and with greater efficiency by placing the problem entirely in the hands of Nato. This is a solution favoured not only by Europeans but also by many of those Americans responsible for offshore procurement. It would help to eliminate any suspicion among the smaller countries of coercion or neglect, and it would make for less haphazard co-ordination of defence production than now prevails among members of the alliance. At the moment Nato lacks the officials and the authority to do the job; it will require a special effort by the secretariat and the member nations to make Nato strong enough to accept the new responsibility.

(Concluded)

Two Flags for Eritrea

A UNANIMOUS vote of the United Nations is worthy of a sentence to itself. Last week, by 52 votes to nil (with only the five members of the Soviet bloc ungraciously abstaining) the Assembly congratulated itself and the United Kingdom on a happy finish to a joint job in Eritrea. Satisfaction was the greater because, at the start, disposal of this piece of Mussolini's ex-empire had seemed so difficult. First, the Big Four had disagreed over it; then the Assembly, whose decision they had bound themselves to execute failing a decision between themselves, had first rejected the Bevin-Sforza plan for part-fusion with Ethiopia and then appointed a five-power commission which emerged from its labours with two if not three different solutions, all purporting to be based on the wishes of the inhabitants.

During five years of wrangling the solutions proposed ranged from immediate independence to complete fusion with Ethiopia. In between these two extremes came various demands for a partition (based on religion and language) between Ethiopia and the Sudan, for a trusteeship and for various temporary forms of management by foreign powers. In the end none of these solutions won the day. In December, 1950, the Assembly decided upon membership of a federation—the federation with Ethiopia of an Eritrea that was to be autonomous in local affairs. It was to control its own budget, taxation and police, but to be run by a federal government in Addis Ababa in matters of defence, foreign policy, foreign trade, customs and currency.

The next stage was to execute this novel arrangement by the required date, which was September 15, 1952. By the terms of the Italian peace treaty, the authority administering each ex-colony at the end of the war was to do so until the moment of final settlement; a British administration therefore carried on. But the United Nations was responsible for drafting the terms of federation, getting them through an elected Eritrean assembly and agreeing them with the Emperor of Ethiopia. A Bolivian commissioner was appointed to do this. Meanwhile, alongside him, a British administrator ran the country, convoked the necessary Assembly, set about organising an Eritrean administration and arranged the transfer of powers, assets and liabilities. It says a good deal for the two men concerned that despite differences of upbringing and outlook they maintained a level of personal relations that enabled them to get their work dovetailed and done on time. Such situations are not easy when one staff—the UN one—is paid very much more highly than the other.

Economic Disparities

The difficulties they encountered ranged from banditry to keeping up a suitable United Nations reputation for accessibility without constantly deferring to grumblers, and from settling with the Emperor whether Eritrea was to have a flag of its own to finding Eritreans of suitable calibre for the public service. (In fact only 27 Englishmen have been kept on, although out of the 1,363 Eritrean applicants for higher government posts, only 262 passed the test in arithmetic and typing; for technical jobs, the services of a number of the 17,000 Italian residents have been retained.)

Another complication was that the population, which is half-Christian, half-Moslem, returned 34 members of each faith to the 68 seats in the Eritrean Assembly; in the end, however, all agreed to the suggested federal constitution. It is to be hoped that they will continue to do so. Powers in federal matters will be exercised by Addis Ababa, subject to consultation with an Imperial Federal Council consisting of Ethiopians and Eritreans sitting in equal numbers but with only advisory powers. In any situation in which numbers count, the Ethiopians have it by about ten to one; public

servants in Eritrea are, by contrast accustomed to much higher standards of administration.

Though the future presents difficulties, on account of the differing ways of life to which two sets of local inhabitants have been accustomed for more than a generation, the new regime started off with a flourish. The Emperor visited his new domain on the anniversary of the outbreak of the Abyssinian war; crowds acclaimed him; he sensibly allowed Eritrea its own flag and he is represented there by a suitably noble figurehead—his son-in-law. Difficulties have since arisen, however, upon ironing out certain disparities between the two economies; there is a discrepancy between the rate of the East African shilling (Eritrea's former currency) and that of the Ethiopian dollar, the result of which has been a tremendous rise in prices for the Eritrean consumer; goods ranging from petrol and firewood to textiles and telegrams have more than doubled in cost. Coupled with demands for stamp duty upon re-registration of businesses and the like, these drains on pockets have caused much discontent and several strikes. These price levels may be somewhat offset when Ethiopian grain comes into the Eritrean market, but they will not be completely so. Another potential source of discord is the division of revenue from customs. Eritrea, which possesses the ports, is entitled only to the proceeds from goods for which Eritrea is the final destination; this may be difficult to assess. Again, a falling off in administrative efficiency is bound to cause grumbling. But grumbling will not cause a breakdown of the public services and its effects will be more than offset by the satisfaction that any territory derives from running itself.

Next Stage in Poland

In a three days' session at the end of last month the newly elected Polish Diet had time to appoint a new President, a new government, to proclaim an amnesty, and then to adjourn. Apparently, it was all plain sailing. In fact, the leadership of the Polish United Workers' Party, and hence of the Polish state, is now steering its way through one of its most critical and perilous stages. The two hurdles which it has just taken in its stride—the elections and the subsequent reorganisation of the state apparatus to fit the pattern now set for eastern Europe—were but a prelude to greater obstacles, both political and economic. On the political front, after the example of the Prague trials, it is unlikely that Moscow will allow any further delays in the trial of the party's former General Secretary, Wladyslaw Gomulka. On the economic front the Polish leaders are faced with the old problem of food supplies for the towns, but in an intensified form. Last year's calamitous harvest has been followed by a rather poor one this year and the peasants are trying to take advantage of the Government's difficulties. The latter has hitherto avoided a direct showdown with the peasants. Yet it may now be forced to take stronger measures, since food shortages in the towns threaten the main objective of the regime—the rapid industrialisation of the country.

The ease with which the Government has fulfilled its electoral plan shows clearly how far Poland has travelled since the previous elections in 1947. Then, too, the Government managed to weather the storm and overcome the opposition. But M. Mikolajczyk's Peasant Party was a real opposition; it has since been smashed. Officially, it is true, Poland is not yet a single party regime. The new constitution officially proclaims this; indeed it is one of the few ways in which it differs from its Soviet model. There is still a subordinated, truncated remnant of the Peasant party, a Democratic party for the urban middle class and a Catholic group supporting the regime. The degree of independence of all these sections was shown on the eve of the elections when they all joined forces with the "non-party bloc" and the United Workers' party (an amalgamation of the Com-

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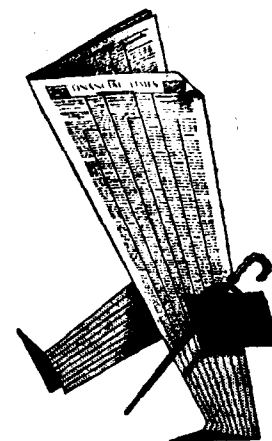
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munist Workers' party and the Socialist PPS) in a National Front. With no opposition the polling was a mere formality: over 95 per cent of the electors polled valid votes and 99.8 of these were for the united bloc.

The new parliament will not differ much from its predecessor which was already a rubber-stamp institution. It will only meet less often and devote still less time to discussion. There are, however, interesting changes in its composition. The United Party put forward more former Communists as candidates and many former Socialists have lost their seats. A notable disappearance is that of M. Osóbka Morawski, Poland's first postwar premier. Nor has M. Rola-Zymierski, the head of the Polish armed forces after the war, been selected as a deputy. Their departure is symbolic of the end of a period. They were prominent at a time when East European leaders still openly said that they would follow their "own way to socialism." Now all pretences have been dropped.

The office of President has been abolished and replaced by the post of chairman of the National Council, which corresponds to the Supreme Soviet of the Soviet Union. The newly appointed chairman of this council, Mr Zawadzki is no figurehead. He is an old Communist with a long apprenticeship in the jails of prewar Poland who has been a prominent member of the Politburo since the war. The council itself, however, is less important than the Government, headed by the former president—Boleslaw Bierut. Poland has thus adopted the pattern prevailing everywhere within the Soviet orbit, except in Czechoslovakia, in which the leadership of the state and the party is concentrated in the hands of the premier. Another man who has been in the limelight recently is Marshal K. Rokossowsky, the hero of the Red Army, now head of the Polish Forces; in the new cabinet he was made a vice-premier. Among the seven other vice-premiers, however the economic experts predominate.

Resistance in the Villages

In the economic field the Government is confronted with a grave dilemma: how to get food supplies for the greatly increased urban population without a major political upheaval. The rapid tempo of industrialisation would have provoked this problem anyhow. The vagaries of nature have rendered it more acute. Last year Poland suffered a terrible drought and food supplies suffered accordingly. This year the position has somewhat improved for most crops. The yield of wheat, sugar-beet and potatoes is apparently 10 per cent higher than last year's exceptionally low level. Yet, rye—Poland's basic cereal—fared no better than last year. Last year, in the face of the peasants' passive resistance, and their unwillingness to sell at controlled prices, the Government imposed a system of compulsory quotas. Now there are signs that it has again been difficult to extract surpluses from the peasants and the Government may be compelled to resort to stronger measures, because the scarcity of foodstuffs has had an adverse effect on the industrial front. High food prices have cut down the workers' real wages, and the resulting discontent has apparently expressed itself in an extraordinarily high turnover of labour.

The planners' solution is simple—collectivisation should provide new sources of manpower and facilitate the control of food supplies. With 35,000 tractors—in 15 hp units—already available and 60,000 planned for 1955, they argue that the tempo can now be speeded up. There is certainly room for progress. This year the share of socialised agriculture—the state and collective farms combined—in the total production of foodstuffs was only 16 per cent. The proportion of total arable land owned by the socialised sector is even smaller—early this year the collective farms covered only 3 per cent. Only about 300 collective farms were formed between mid-1951 and mid-1952. In the following quarter, however, some 900 new farms were set up, bringing the total to 4,215. But the size of the new farms is not

known and even at an outside estimate the socialised sector does not now account for one-sixth of the arable land and one-fifth of the total production. Hence it cannot yet dominate market conditions.

The Government is more concerned with the political consequences of a direct attack on the peasants. In this sphere at least it does not want to follow the notorious Russian precedent. It wants to feed the countryside with machinery and fertilisers and with the assistance of the poor peasants wear out the kulak by a policy of attrition. But rapid industrialisation coupled with bad harvests makes this policy very difficult. If the socialisation of agriculture goes on at the present snail's pace, the rich and medium peasants—the chief surplus producers—will remain for a long time the main suppliers. Hence they must be—and are—encouraged to raise their production. But the kulak is reckoned to be the chief political opponent, and the recent quickening of the tempo of collectivisation could possibly be the forerunner of a general offensive against him. Everything will depend on the effect food supplies have on industrial production. Compared with 1949 industrial production should be doubled this year and by 1955 it should have increased almost fourfold. This is the categorical imperative and agricultural policy will be subordinated to it.

Sniping at the Colonial Powers

[FROM OUR UNITED NATIONS CORRESPONDENT]

THE lot of the unhappy policeman is as moonshine and roses compared to the lot of a colonial power or an administrator of trust territories in Uno's Fourth Committee. Theoretically, Britain, France, Belgium, Australia, New Zealand and the United States (with Italy as a participant though not yet a Uno member) might expect to come together in this Assembly to exchange information and to profit by suggestions from interested observers. Actually, they have been driven into an appearance of unanimity which almost precludes progress. Gassed by repeated blasts of Soviet disapproval, sniped at by small countries with an inexhaustible supply of bird shot, they seemed for weeks to have no recourse but to take it on the chin and pretend to like it.

This appearance of helplessness has finally worn thin. The Australian delegate, taking a leaf from the opposition's book, laid diplomatic courtesy aside and by plain speaking produced almost as much of a shock as though one of the great glass panes had parted to let in rain and winter air. In the Assembly session called to vote on Fourth Committee resolutions Britain, France and Belgium each made it plain that though Gulliver might seem to be pinned down, he could not be made to work in that position unless he chose to, and if he did not so choose, the tasks happily laid out for him would not be done. In the end the resolutions most offensive to administering powers were tempered before being passed.

This modest victory, however, was accomplished only through great power solidarity, Scandinavian help behind the scenes, and a very firm speech from Mr Selwyn Lloyd in which he made it quite plain that the British delegation would not only vote against five out of six of the resolutions as passed by the Fourth Committee but would refuse to co-operate in carrying them out. After much debate and considerable amendment the British finally voted in favour of two, against two more, and abstained on the remaining two.

The offending resolutions are worth examining in some detail, if only because they show so clearly the continuous attempt to blur the line between Trust Territories which properly come under Uno's eye, and colonies (called Non-Self-Governing Territories in the air-conditioned patter favoured here) which are specifically treated by the charter

as not belonging to Uno's trusteeship system. The first three resolutions merely noted a report on social conditions in colonies and handed it on; protested against race discrimination in the colonies (Britain widened the scope of this resolution to include any discriminatory practices contrary to the Declaration of Human Rights); and attempted to secure the speedier adoption of Committee recommendations in the field of education, as well as of economic and social policy.

More bitterness lay in the other three resolutions, and it was on these that the colonial powers concentrated their fire. Resolution IV would have continued the life of the Committee on Information from Non-Self-Governing Territories "for as long as there exist territories whose people have not yet attained a full measure of self-government." Britain protested, and promised to co-operate with the committee for three more years, but no longer. At the end of that time the General Assembly must take up the task of revising the Charter; meanwhile, Britain "could not even by implication accept the thesis" that colonial powers were accountable to Uno for the administration of their colonies. The attempt to make the committee permanent was abandoned.

Turns on the World Stage

The colonial powers were equally firm on keeping clear the distinction between colonial administrators and the peoples whose affairs they run. The Fourth Committee had concocted a woolly and perilous resolution in three parts, designed to draw "qualified indigenous representatives" into Fourth Committee activities. This the Assembly passed, over the negative vote of the Great Powers, and after a reminder from Mr Selwyn Lloyd that Uno committees "must remain associations of sovereign and responsible governments. They cannot be converted into tribunals in which member states of the UN can be confronted with their subjects, the inhabitants of those territories."

The last resolution contained the much disputed checklist of factors which are supposed to show when the caretaker's daughter can cease being taken care of, and start being grown up. Colombia, Denmark, Iceland, Luxemburg, the Netherlands, Sweden and South Africa joined their negative votes to those of the colonial powers, but though the Asian-Arab-Soviet bloc was shaken by the defection of five small Latin-American countries, which abstained, the resolution went through.

Oral hearings of tribal troubles also showed the effect of the heady draught which combines a green-apple democracy with a yearning to thumb the nose at a great power. It will be remembered that soon after the Assembly convened petitions were presented from the Meru tribe in Tanganyika, the *Union des Populations de Cameroun*, and the All-Ewe Conference of Togoland. All three asked that they be allowed to tell their woes in person to the Fourth Committee, rather than by petition to the Trusteeship Council. Despite protests from the administering powers the committee voted to hear them. Then eight more groups of petitioners were granted permission to come in through the door thus opened. It is obviously a great thing for the representatives of indignant Wameras, to be able to tell their troubles to the representatives of sixty nations. But it is also a great thing for any one of the sixty who would like to make trouble for the other fifty-nine; it is indeed hard to sort out the democratic ideal from its abuses.

For new nations, small nations and smaller colonies the temptation to strut their little hour on Uno's stage is irresistible. Through the great glass windows they talk straight to the homeland. Warmed and comforted by civilisation's gadgets, they bask in the happy illusion that speaking their minds to the great powers adds to their own stature, and holds no danger. They have yet to learn that the game of invoking public opinion is one which can be played by both sides, and that the glass house itself may shatter if too many people throw too many stones.

The Passing of a Generation

[FROM OUR ROME CORRESPONDENT]

SIGNOR DE GASPERI wound up the national congress of the Christian Democrat party in the last days of November, after he had steered it tolerably safely past temptations to the Right (the "Wasps") and to the Left (the syndicalist wing, which, however, by adroit tactics captured a large representation on the Central Committee). After this achievement, he may have felt lying all too heavily upon him the responsibilities of an irreplaceable leader of an irreplaceably dominant party. As a politician who was active and prominent in the old pre-Fascist parliamentary life of Italy, and retains a taste for the determination of policy by debate, he may also have felt a growing sense of solitude in the country.

By deaths, illnesses, and political miscalculations, the surprisingly lively team of septuagenarians—and over—who reappeared on the post-Fascist political stage and gave lustre to its parliamentary drama, must be considered now to have passed away. When Signor De Gasperi began his long premiership at the end of 1945, the alternatives for office had been either a "Popular Front" or something known by the mysterious initials "ONB." The initials were used ironically for the trio of pre-Fascist premiers, Signori Orlando, Nitti, and Bonomi, the first of whom was already 86 years old. ("ONB" in Fascist times had stood for the children's battalions in the Black Shirt militia.) Of the trio, the youngest, Signor Ivanoe Bonomi, was the most unassuming and, in his quiet but tenacious way, as a Fabian Socialist with strong national sentiments, effected the most successful "comeback." He died in 1950 as President of the Senate. The oldest, Signor V. E. Orlando, died last week.

Both Signor Orlando and the somewhat younger Signor Francesco Nitti played a curious part in the postwar scene. Both have at times since 1944 been regarded as possible figureheads of a right wing government. But both have been insidiously flattered by the extreme left. Signor Nitti was even induced last summer to head a Popular Front list in the Rome local elections. He seemed after that experience to have decided to withdraw from active politics.

A much steadier and more constructive task in the politics of Italy after 1945 was performed by two men of the same generation, neither of them professional parliamentarians—Count Carlo Sforza, the diplomatist, and Signor Benedetto Croce, the historian philosopher. Both have in recent weeks been nationally mourned. They worked in close association with each other in the chaotic years of 1943-45, and their

Air Subscription Rates for 1953

Owing to increased costs, some increases in air subscription rates to *The Economist* will have to be introduced from January 1, 1953. The countries affected are:

Australia: £8 5s. (sterling)	Malaya: £6 15s.
Hongkong: £7.	New Zealand: £9.
Japan: £9.	S. America and W. Indies: £7 15s.

The substitution of an airfreight for an air mail service to Egypt makes it possible to reduce the air subscription rate to £5 5s. Rates to all other destinations remain unchanged:

Anglo-Egyptian Sudan: £5 5s.	India, Ceylon: £6.
Canada: \$21.50 or £7 14s.	Iran: £6.
East Africa: £5 5s.	Iraq: £6.
Europe (except Poland): £4 15s.	Pakistan: £6.
Gibraltar, Malta: £3 15s.	Union of S. Africa: £5 10s.
Gold Coast & Nigeria: £5 5s.	USA: \$21.50 or £7 14s.

presence greatly helped the bewildered parliamentary Italy which emerged from the great national disaster to recognise and assert its continuity with the honoured parliamentary Italy of the victory year 1918.

Signor Enrico de Nicola, a superb parliamentarian, was a third conspicuous elder statesman who worked with Sforza and Croce. He remains today in a physical and intellectual condition to exercise great influence, but has apparently sacrificed his powers to an abnormal personal sensitiveness. A few months ago, the last of his many impetuous resignations from the Presidency of the Senate ended by being accepted. With this, the whole elder generation of Liberal and Radical leaders has left the stage; for as President of the Republic until 1955 their distinguished contemporary Signor Luigi Einaudi stands above politics.

Unlike these eminent figures from a past Italy who nevertheless (especially the last three) found the strength to become national political figures in their old age, Signor De Gasperi has the experience—and had even begun to taste it before Mussolini—of leading a highly organised party, drawing its membership from every class and every region. He is confronted in the parliamentary opposition by a Communist party with a cynical outlook on the use of parliaments, which may well be shared by the extreme right. It is an unpromising stage for a septuagenarian who, like Signor De Gasperi, is by training and instinct a parliamentarian. His aim, however, is evidently to bring into permanent parliamentary co-operation with Christian Democracy those relics of the old Liberalism, Radicalism, and Fabian Socialism which are now grouped in the three small "lay" parties. He has been successful, this November, in bringing about a working understanding for the impending general elections. It remains to be seen whether, in course of time, the existence of one such great parliamentary force will encourage the growth in Italy of another, or others, to take the place of the present oppositions with their anti-parliamentary tendencies.

Nigeria Learns About Itself

[FROM A CORRESPONDENT]

FARMS no bigger than an eighth of an acre; 67 per cent of the land uncultivated bush and waste; another 14 per cent fallow; less than nine per cent under farm crops; five in six workers, perhaps, on the land; yields per acre less than half those obtained elsewhere from poor land in bad years. One begins to wonder whether these things are the result of Nigeria's being a peasant economy or the reason why it remains one.

This information is put forward very tentatively in a report on the agricultural output of Nigeria, based on a sample census in 1951.* In 1949 the Food and Agriculture Organisation of the United Nations asked for much detailed information about the colonial territories in West Africa, as part of their worldwide census of agriculture. Agricultural statistics were almost entirely lacking in Nigeria, and it was quite impossible to collect the details required. It was, however, agreed that an attempt should be made to present briefly some sort of picture of what grows where in Nigeria—or, in more rotund language, of the numbers of the agricultural population, of land utilisation, the area and production of principal crops, and the number of livestock in the different areas.

Even this has proved a sufficiently exacting task. In West Africa today statisticians are our twentieth century Mungo Parks and David Livingstones, and, as with them, pioneering

* Report on the Sample Census of Agriculture, 1950-51, Department of Statistics, Nigeria, printed by the Survey Department, Lagos, price 10s. Available from the Crown Agents for the Colonies, 4, Millbank, S.W.1.

often takes the form of struggling through dense tropical bush only to find more dense tropical bush. Population statistics will have to wait for the demographic survey to be undertaken shortly; this present survey adds nothing to our knowledge of this subject. For the rest, in practically the whole of the Eastern Region it proved impossible to apply the sampling methods used in the other two regions since the political atmosphere made questioning too difficult. Information for that region, therefore, is based on "opinion" surveys—that is, guesses, even if informed guesses, on the part of agricultural officers.

Yield data were collected separately and must be regarded simply as giving an indication of the possibilities; precision must not be expected. Livestock figures are unquestionably too low. The remaining information, mostly on land utilisation and the distribution of crops, was collected by sampling

YIELDS OF SOME OF THE PRINCIPAL FARM CROPS
lb per acre
Figures of highest and lowest yields according to zones

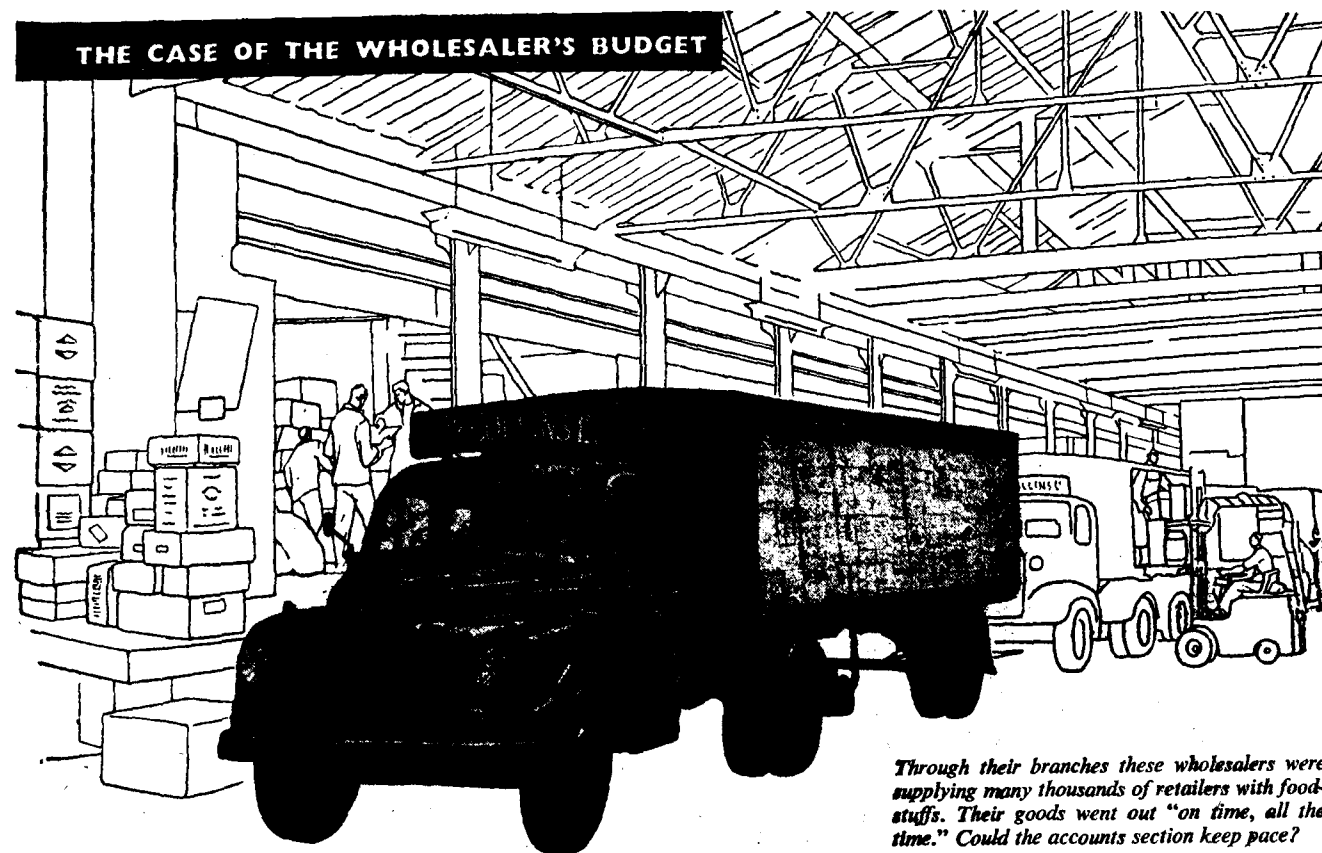
	Highest	Lowest
Rice (paddy)	2,189	513
Millet (threshed)	924	500
Guinea corn (threshed)	1,185	468
Maize (shelled)	1,407	481
Cassava (roots)	10,802	5,877
Yams (tubers)	7,784	4,652
Cotton (seeded)	563	228
Groundnuts (shelled)	732	231

methods which the writers of the report have failed to render completely intelligible. In a sentence, the country was divided up into thirteen roughly homogeneous zones or strata, which were further broken down into groups of villages, a systematic sample of villages then being selected from each group. In large villages and towns a two-stage sampling unit had to be used, and the choice of it—compound, taxpayer, or five-acre plot—had to be left to the individual officer conducting the survey.

The actual results achieved are therefore put forward with the greatest possible caution, and the officers responsible for them are less likely than anyone to attach too great significance or accuracy to them. They are at any rate "the best indication which can be obtained at present." The main value of the survey is the experience it has provided, and the lessons to be learned from it, before larger-scale or more precise attempts are made to assess agricultural output. Some points are obvious. It is clearly essential that any village surveys in the future should not be cluttered up with the sort of inquiries their methods were not designed to meet (such as population inquiries) and that they should be conducted by specially trained and appointed staff. Three more technical problems are referred to. The first is the choice of a more precise second-stage sampling unit, uniform over the whole country if possible; there is a good case for using five-acre plots. Then there is the difficulty of distinguishing fallow land or land under tree crops from uncultivated bush and waste; suggestions are made for a more exact classification which would separate the cultivatable but uncultivated from the waste. The third is the need for consistency of treatment in dealing with areas under mixed crops, for as the report points out, "crops are grown in a bewildering array of combinations and permutations, with mixed crops hopelessly intermingled with succession crops."

A final problem still remains, and one of crucial importance. Much research and study are needed to establish and perfect methods of collecting data of yield, both for farm crops and economic trees. This is all the more important because it is overwhelmingly clear that the whole future of the colonial countries depends on raising yield. Productivity is astonishingly low. Here the need for studying trends is very great—study based on information that can only be available when the collection of statistics is both systematic and continuous.

THE CASE OF THE WHOLESALER'S BUDGET



Through their branches these wholesalers were supplying many thousands of retailers with food-stuffs. Their goods went out "on time, all the time." Could the accounts section keep pace?

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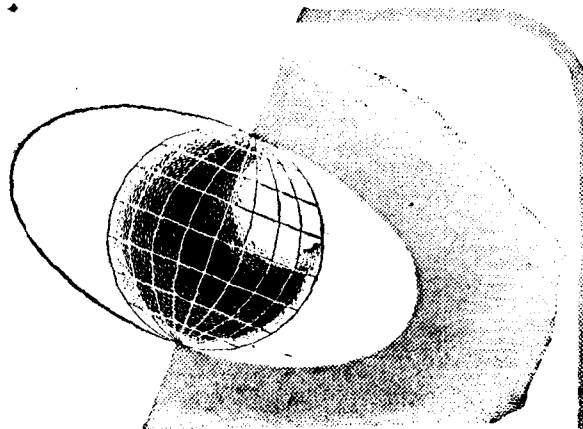
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THE BUSINESS WORLD

THE COMMONWEALTH DECISIONS

Creeping to Convertibility

THE communiqué issued after the Commonwealth conference conceals a plan behind its platitudes. This "plan"—or perhaps it should be called this bundle of admirable, but provisional, aspirations—has now been taken home by the Commonwealth Ministers for final approval by their cabinets. It has three main features. First, the Commonwealth intends to utilise the breathing space gained by its present dollar balance to make a definite advance towards freer world trade and payments, provided that Western Europe agrees to certain proposals and that the United States responds favourably to certain others. Secondly, it is hoped to set afoot ambitious investment programmes in all parts of the sterling area, and to concentrate on those schemes that should do most to strengthen the area's balance of dollar payments; the main proviso here is that internal economic policies (which remain the prerogative of individual members of the Commonwealth) must be stern enough to free sufficient resources for these schemes to be carried through. Thirdly, the Commonwealth hopes that steps can be taken to secure greater stability in raw material prices; the list of provisos here must also be a long one, in fact probably rather longer than the list of steps that are envisaged.

The centrepiece of this programme—and the feature around which speculation and rumour will now revolve—is clearly the hope of securing, in the words of the communiqué, "international agreement on the adoption of policies, by creditor and debtor countries, which will restore balance in the world economy on the lines of trade not aid." And the communiqué also recognises that an "integral part" of any such agreement must be "the restoration of the convertibility of sterling," though "it can only be reached by progressive stages."

The nature of these progressive stages, and the conditions that will be attached to the achievement of each of them, are being kept secret for the moment. But the broad pattern that they may assume seems clear. The sterling area has, happily, rejected the idea of any wild dash for freedom without adequate external support; less happily, it has also rejected the idea of trying to stimulate American support for any entirely new international payments system, such as the Atlantic Payments Union that was propounded in these columns on November 22nd. Instead, the decision has been taken "to work as far as possible through existing international institutions dealing with finance and trade." The advance, both to convertibility and to the removal of import restrictions, is only to be made "as and when circumstances permit." With head tucked well into a new protective shell, the objective is now to crawl like a crustacean to freedom.

What will be the nature of this protective shell? In its full sense, at least as understood by the British Government, convertibility would mean that the forty-three foreign countries that are at present not allowed to use their sterling earnings for the purchase of dollar goods should be accorded the right to do so. As the chart on page 839 shows, thirteen of these forty-three countries are members of the European Payments Union; they earned £1,639 million from their exports to sterling countries in 1951. The other thirty—which range across the non-dollar world from Argentina through Egypt to Japan—earned £1,547 million from sales to sterling countries in 1951. The main danger arising from full convertibility of non-resident sterling would be that these two groups of countries could use as much as they wished of their sterling earnings—nearly £3,200 million in 1951, and probably not much less than £3,000 million at the current annual rate—to buy dollar goods with dollars extracted from the central reserve in London. Since the present sterling value of that central reserve is less than £680 million—and since these "convertibility-affected" countries have over £800 million of accumulated sterling balances, most of which they could still use for their necessary sterling imports—the danger would obviously be a considerable one.

It is true that the extent to which these countries would use newly-convertible sterling for the purchase of dollar rather than sterling goods would depend on the competitive power of the sterling economy; before any restoration of convertibility is possible, that competitive power must be increased, certainly by further disinflation and probably also by a freeing of the exchange rate. But Commonwealth governments would be most unwise to underestimate the size of the backlog of demand for dollar goods that has accumulated in these countries since 1939; and they should realise, too, that some countries may rush to turn their sterling into dollars as soon as the balloon goes up—in the belief that the balloon may soon be punctured and rights of convertibility withdrawn again. Some foreign merchants may even be getting down into the starting blocks for such a rush at the moment. For this reason, although full convertibility would mean that these countries could use a large proportion of their current sterling earnings for making dollar purchases if they wished, convertibility "by progressive stages" must mean that prior arrangements will be made to ensure that they do not in fact do so. Such prior arrangements might take several forms—an agreement to continue present importing arrangements under EPU would be one possible form, and an announcement that sterling could be used to purchase certain dollar commodities but not others would be a second; the latter approach

Time for Eastern trade

Ten-fifteen in Singapore and the city office of the Chartered Bank is already a hive of business activity. The Bank's New York agency has closed its books for the day and seven hours must elapse before the London, Manchester and Liverpool offices will be open for business; but wherever merchants and manufacturers are engaged in the Eastern trade the services of the Bank will be available to them at one point or another of its far flung branch system.



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could in part be effected by the re-opening in London of free markets for commodities of dollar origin, a policy that the authorities are believed to favour in its own right. But these are guesses made entirely in the dark. The important point to stress here is that such safeguards will be necessary, and the Commonwealth will need to see that they are stringent.

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At the press conference following the issue of the communiqué, Mr Eden made it plain that the Commonwealth's approach to Europe on these matters would go forward in step with an approach to the United States. The communiqué itself stated that one of the prerequisites of convertibility was "the availability of adequate financial support, through the International Monetary Fund or otherwise."

Does this indicate that the Commonwealth is going to urge that members' subscriptions to, and borrowing rights from, the IMF should be increased? There is a strong case for such an increase. One main reason why the Fund has not worked successfully since the war can be traced to the failure of its founding fathers to accept Lord Keynes's original thesis that initial quotas should be large and should vary with the value of world trade. The total of members' quotas is still only \$8,737 million, of which \$2,750 million represents the United States subscription; since America's surplus on current account, even in a world encumbered by a mass of discriminatory import restrictions, has lately averaged over \$5 billion a year, this total is obviously insufficient as a backing for the sort of world trading system that the Fund was originally supposed to make possible. An effort to increase members' quotas in the IMF—or, if this could not be arranged, to increase borrowing facilities within the restricted limit set by present quotas—would also have one of the subsidiary advantages that have been claimed in these columns for a more ambitious "clearing union approach"; it would lead to a once-for-all increase in international liquidity and would not mean that an experiment in convertibility would be dependent on the uncertain course of annual Congressional appropriations for grants-in-aid or stabilisation loans.

Doubts about Development

THE need for stern internal disinflation is reinforced by the fact that the Commonwealth, besides keeping its cost structure sufficiently under control to meet the greater weight of American competition that must be expected if sterling becomes convertible, is supposed to be committed to an ambitious development programme. Too much emphasis should not be placed on the extensive references to development in the communiqué; the various investment schemes publicised during the conference were all schemes that had already been heard of—although, admittedly, those schemes that were publicised most happen to be those that are most economic.

In short, the main work of the conference in the sphere of development was to list and sort the most important schemes already in train or in prospect, to provide a broad order of priority and to invest the whole programme with a new sense of urgency. The highest priority is to be given to development of projects that directly or indirectly contribute to the improvement

But an approach via the IMF would be characterised by one other feature, which some will regard as an advantage and others as an enticement to lethargy. That feature is that an expansion of lending by the IMF would not, by itself, alter the present pattern of incentives and financing arrangements in the world trading system. If a large increase in borrowing facilities from the IMF can be arranged, then the advance to freer trade can be large too; if not, then the advance must be limited. It is also conceivable that an approach through the IMF could be linked to the thorny problem of the dollar price of gold. Nothing was said about this problem in the Prime Ministers' communiqué, but Mr Eden admitted at the press conference that gold was clearly "of great interest to the Commonwealth." At present, \$1,584 million of the IMF's resources are held in the form of gold, and, if the gold price went up, the legalistic case for increasing the dollar value of other subscriptions to the Fund might be strengthened too.

All this, however, is airy speculation. The only definite conclusion that emerges from study of the communiqué is that the Commonwealth's "plan" for an advance to freer world trade is in a very indefinite state. Each section of that "plan," like each section of the communiqué itself, is hedged by political and economic reservations; the flanks along the line of the cautious advance are to be guarded by the strongest defences that technical ingenuity and diplomatic negotiation can erect. The grave danger, however, is that unless internal disinflation in the Commonwealth is resolutely pursued, then foreign demand for dollar goods—once even partially released—might overwhelm the strongest defences; and unless Britain can convince the Americans that disinflation here will be resolute, then it is going to be difficult to enlist their help in making those defences really strong. The decision to advance only cautiously towards convertibility does not absolve the Commonwealth from the need to advance courageously towards internal economic balance; if this fact is ignored, then the decisions reached at last week's conference will at best mean nothing at all and at worst will lead straight to disaster.

of the sterling area's balance of payments with the rest of the world. The resources developed should, therefore, either earn dollars or save dollars by replacing goods that have now to be imported from non-sterling countries. In practice, this means that there must be more emphasis on primary production—especially metal mining—in the overseas Commonwealth, and more emphasis on engineering products in the United Kingdom. The revelations in the press briefings during the conference, and to some extent in the communiqué issued after it, suggest that the Commonwealth Ministers recognise this, even if they show no haste to accept the policy implications that ought to emerge from such recognition.

If the development schemes are to be carried through and if current production of the materials and engineering products needed is to be increased, resources have to be released from other lines of activity. The activities from which resources could most easily be spared are the projects for industrialisation in the

Dominions. There was some sign of a first stirring of conscience on this subject in the communiqué, which observed that the development of basic essentials in the Commonwealth

has on occasion been impeded by other development of a less sound and permanent kind which has overtaken the countries' resources and has failed to contribute to the building of economic strength.

But this admission was immediately tempered by one of the many passages in the communiqué that are redolent of the atmosphere of the drafting committee room, where every possible interest has to be reconciled. Thus "in some countries . . . development plans have been or are being made to provide for some basic improvement in the standards of living" and "some social investment is also urgently needed in the more developed countries." Any conceivable scheme could be slipped through these loopholes. There is no need for any Minister returning home from the conference to have to admit that the conference pointed the finger of accusation at his particular development programme. And this is a great misfortune.

The only other way in which resources could be freed for these schemes would be by a sharp cut in consumption. Any attempt to finance the programme in this way would be likely to impose a disproportionate burden on the United Kingdom, but there is some pretence in the communiqué that this is the way to be adopted:

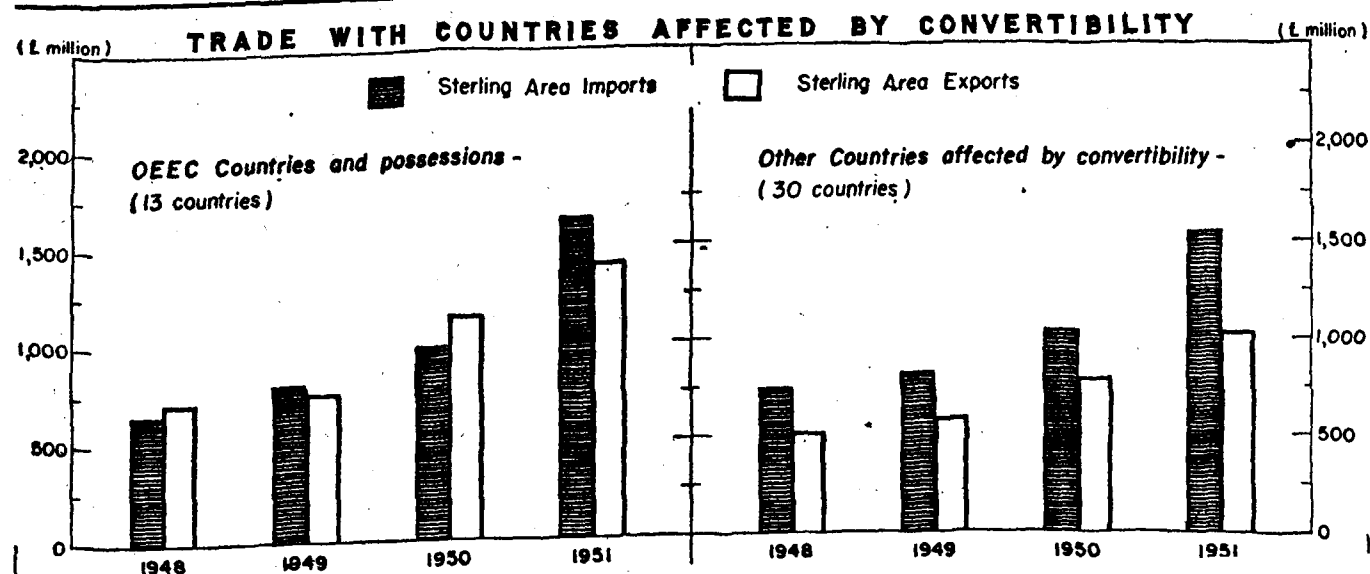
The United Kingdom Government are determined that the flow of capital from London for sound development throughout the Commonwealth shall be maintained and increased. This will only be possible if the United Kingdom can sustain the necessary level of internal savings and can achieve a surplus on overseas account additional to that required to meet its heavy existing commitments.

This passage in the communiqué deserves close scrutiny. The flow of capital from London to the Commonwealth in recent years seems to have averaged between £150 and £200 million a year. If words mean anything at all, this implies that it will henceforth be the object of British policy to budget for a persistent annual external surplus of, or rather above, £200 million—and that in a world where foreign competition will be increased by opening the floodgates of convertibility. Indeed, Mr Butler told a meeting of exporters and trade unionists this week that the aim in 1953-54 should be to attain a surplus of between £300 and £350 million, in

order to build up the reserves, as well as to meet these capital commitments. This total apparently includes some defence aid, but, even so, Mr Butler estimated that it would require an increase in exports to about 20 per cent above the 1951 level; such an increase would seem to necessitate the withdrawal of between £500 and £600 million of goods (and, therefore, presumably, of the same volume of purchasing power) from the domestic market, unless production increases sharply. This is very tough talking, and Mr Butler really should not complain when the press points out that, if words are to be turned into deeds, then the Commonwealth will have to live up to all the heartening rotundities—and forget about all the disheartening reservations—in the communiqué.

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The main problem, therefore, is not that of providing machinery to guide savings towards Commonwealth development, but of providing the savings themselves. It is an act beyond faith and hope to busy oneself with building a ladder while there is still a danger that one end of it may dangle in empty air. That, at best, is the judgment that must be passed on the plan that emerged during the conference to launch a new Commonwealth development company, with the support of the Bank of England and in consultation with financial, commercial and industrial interests in Britain. At one time it had been hoped that this new institution would have the active support of other Commonwealth central banks, but the failure to secure this should not materially affect its role and functions. The company's main object will be to provide financial assistance for projects within the Commonwealth. Its main use, however, will be to act as a postbox for the receipt of proposals; it will sift those that it receives and direct the more promising to the institutions in the capital market best equipped to handle them. If foreign capital can be attracted for some of the proposals, so much the better; and to this end the company may co-operate with the World Bank. The company will be launched with a modest capital and borrowing powers. In a market that is already abundantly supplied with private and official institutions serving similar objects, it would be unwise to expect it to carve out for itself a place or a sufficient volume of business to alter appreciably the present financial machinery for Commonwealth development.



Three other specific proposals for improving the mechanism of investment in the sterling area—including especially foreign investment—emerge from the communiqué. The first is a concession in the exchange control regulations applied by the United Kingdom Government on the withdrawal of non-resident capital. For the past three years, residents outside the sterling area who have invested in approved projects in the United Kingdom and the Colonial Empire have been entitled to repatriate their capital up to the sterling equivalent of the initial investment. Henceforth this right will also extend to capital profits—a useful concession that may attract a little additional American capital. Secondly, all the Commonwealth governments have agreed that existing controls over the movements of capital across the exchanges within the sterling area shall be removed.

Resort to Tariffs?

THERE is some element of inconsistency between two of the main objectives discussed at the conference—that of moving towards less discrimination in world trade and of building up the Commonwealth's production of commodities and materials now bought from the dollar area. In the initial stages of development, at any rate, capital charges may make the new Commonwealth products much more expensive than similar products from dollar countries—unless sterling is heavily devalued. Will there, therefore, be a tendency to protect the infant projects by import licensing and more tariff discrimination?

As usual, the conclusion reached seems to be a compromise. Although the sterling area Governments have agreed on policies for 1953 which, they hope, should "lead to a further improvement in the reserves during that year," the communiqué is at pains to stress that "the level of the reserves is as yet too low to warrant any substantial relaxation of the restrictions on imports from outside the sterling area"; there is also a hint that restrictions on imports into one sterling area country from another may be removed first, bearing "clearly in mind the difficulties which the restrictions have raised for the export industries affected." Moreover, the communiqué adds that the representatives of some Commonwealth countries

have emphasised that they must continue to use their exchange resources in the manner which enables them to carry out their planned development programmes most effectively and that they are likely to continue to need import restrictions for this purpose.

But despite these liberal loopholes for illiberal trade policies, the broad objectives of Commonwealth trade policy are unmistakably defined as "a multi-lateral trade and payments system extended over the widest possible area." To make assurance on this point doubly sure the matter is also put in negative form. "The Commonwealth countries have no intention of seeking the creation of a discriminatory economic bloc." The issue of autarky was, however, raised when, on the initiative of the United Kingdom, "a discussion took place on a proposal that all Commonwealth countries should join in seeking release from the 'no new preference' rule in the General Agreement on Tariffs and Trade." It is difficult to escape the conclusion that this debate—in this broad form—was raised by

This will mainly affect the export of capital from Australia and New Zealand, which can by no stretch of imagination be ranged today among the large exporters of capital. Thirdly, the United Kingdom has announced its intention to discuss with the World Bank arrangements to make a part of the Bank's sterling capital available for lending for projects designed to improve the sterling area's balance of payments. All this, however, is mere machinery and should not be mistaken for the substance of the problem of development. If it attracts new dollar capital into the sterling area, it will be useful. But the main burden of Commonwealth development must fall on sterling area resources—and since those resources are fully employed at the moment, this means that each new project can start up only as some less desirable project is cut down.

the United Kingdom as something of an Aunt Sally, in the hope that it would be heavily treated by the rest of the Commonwealth. That is precisely what happened, the majority view of the conference being that any such approach would not advance the agreed objective of restoring multilateral world trade. The best argument that Ministers can use with Conservative backbenchers and others attracted by the mirage of an economically insulated Commonwealth is to tell them that the rest of the Commonwealth will have none of it. The British initiative in raising this matter in the conference will thus have served one of its purposes.

But this initiative also had another—less devious and more successful—protectionist purpose. It was to secure the co-operation of the Commonwealth Governments in an approach to the other contracting parties of Gatt, to allow the widening of certain margins of preference that would occur in the event of "increases that might from time to time become necessary in duties designed to protect domestic industry and agriculture in the United Kingdom." The particular difficulty involved is that under the Ottawa agreement the United Kingdom guarantees the duty-free entry of certain Commonwealth goods; the present provisions of Gatt can be read as precluding Britain from raising tariffs on these goods from foreign countries while continuing to abide by this obligation to the Commonwealth. The British delegation would not have raised this matter in the conference, or allowed it to appear in the communiqué, unless it had the intention of raising these tariffs and, therefore, creating the dilemma from which it is now seeking escape. It is more than probable that the tariffs in question are those on agricultural produce and that a project for their increase is part of the agricultural development and protection programme on which the Government is known to be working. The promised "co-operation" of the rest of the Commonwealth in this approach to other Gatt signatories is not a matter for surprise. This is a question of one-way traffic as far as they are concerned. They may gain somewhat by the possible widening of the margins of preference that they enjoy, and they are not proposing to respond by similarly widening the margins of preference on British goods that they import.

The measures that are to be taken to ask for amendment of the provisions of Gatt will also include "certain

special tariff problems affecting the Colonies." These concern preferences that the Dominions undertook to accord to imports from the colonies at the time of the Ottawa agreement, but that were never put into effect. These commitments are known as "accordable preferences" and it is a moot point whether they could be accorded now despite the "no new preference" rule of Gatt. The Colonies feel a certain sense of grievance that these preferences may for ever be barred, though the amount of trade involved is probably small. The Dominion Governments concerned have undertaken to look into this matter and, if necessary, to take up the matter with the other contracting parties of Gatt.

These two hints of departures from or modifications of the Gatt code amount to very little. The programme

Search for Commodity Stability

A FINAL, and unsurprising, feature of the Commonwealth's aspirations—as expressed at the conference—is that of securing greater stability in the prices of primary commodities. In their communiqué, the Prime Ministers expressed their governments' readiness "to co-operate in considering, commodity by commodity, international schemes designed to ensure stability of demand and prices at an economic level." They also recognised "the need for an agreed procedure for calling together the governments concerned to consider emergency action in the event of rapidly developing surplus or shortage of commodities entering into international trade."

This problem is likely to play a central role in international economic negotiations in the coming year; it is the sort of problem where almost everybody will agree that something ought to be done, but very few will agree on what can be done. Sharp movements in raw material prices, despite devices to hedge against them, are against the interests of manufacturers; for one thing, they make production planning impossible by causing grave uncertainties about costs. They are still more obviously against the interests of commodity producers and commodity producing countries, especially when primary products form the bulk of those countries' exports—as do tin and rubber in Malaya, cocoa in the Gold Coast and copper in Chile. In such countries a marked change in commodity prices can swiftly swing the local economy into desperate inflation or deflation, all the more difficult to counteract when the fiscal system is comparatively rudimentary. Heavy falls in prices can also hinder production even after prices recover; the fall in price puts large areas out of production or leads to closing down of mines, and it requires a considerable and sustained price recovery to make it worth while to restore productive capacity once it has been abandoned. These unstable conditions, moreover, discourage investment, and make capital unobtainable or expensive. The severe economic disturbances that raw material-producing countries suffer can also produce extreme political reactions. It should not, therefore, be difficult to secure agreement, in theory, with the Commonwealth Ministers' vague aspiration that something needs to be done.

The Commonwealth countries have also, of course, a special reason to grind this axe. Almost all the raw materials they produce and export have an important market in North America; the contraction or expan-

for agricultural expansion in Britain will have to be judged when it appears; on the face of it, however, there may be some case for "infant industry" protection here—especially if quantitative import restrictions are relaxed. The proposed approach about "accordable preferences" for the Colonies can be represented as the smoothing-out of an anomaly. Certainly the objections that can be voiced are not as strong as those that would have to be entered against any wholesale attack on Gatt's "no new preference" rule. Such an attack would have had the object of bolstering up Britain's consumer goods industries (especially against Japanese competition)—and it is the consumer goods industries that should now release resources for the production of capital equipment if long-term balance is to be secured.

sion of that market often tends to determine the course of dollar crisis or recovery. The extent to which United States demand can vary was apparent during the recession of 1949 and the subsequent recovery in 1950 and the early part of 1951. The f.o.b. value of American imports of certain raw materials in the three calendar years 1949, 1950 and 1951 was as follows: Australian wool, \$80 million in 1949, \$116 million in 1950 and \$306 million in 1951; South African wool, \$19 million in 1949, then a slight drop to \$18 million in 1950, followed by a sharp rise to \$61 million in 1951; Pakistan jute, \$17 million, \$19 million and \$30 million; Gold Coast cocoa, \$47 million, \$54 million and \$76 million; Malayan rubber, \$126 million, \$229 million and \$436 million. These increases in dollar earnings were due partly to a larger volume of sales, but also to advancing prices; since receipts in any one period largely reflect contracts placed earlier, the course of dollar earnings is not simultaneous with the course of price fluctuations. But after the spring of 1951 commodity prices turned downwards, and therein lay the seeds of the subsequent sterling area crisis; the habit of American business of liquidating stocks when prices fall tends to accentuate the decline in imports at the worst possible moment. It is for this reason that any prospects for freeing world trade are now gravely impeded by forebodings about what would happen to the best-laid plans if ever the American economy suffered a serious setback.

Unfortunately, however, all these cogent arguments for stabilising commodity prices run into a rock of disagreement when discussion focuses upon the levels at which stabilisation should be aimed. Because of its split personality, Britain may perhaps lay more claim than most to having an objective approach on the matter. As a manufacturing country and importer of primary commodities, it might like to see prices stabilised at a comparatively low level; as banker for the sterling area, it wants to see prices at a high level. This dual capacity may give Britain some opportunity to play the role of honest broker in seeking commodity agreements, but in view of the urgency of the dollar problem its claims to objectivity cannot be pressed too far. Indeed, the United States, which is the largest producer of many materials and the largest importer of many others, might have better claims to be an honest broker; the difficulty here is that—since prices depend mainly on the level of

American demand—it is a broker that has every temptation, and chance, to rig the market. Its natural tendency in a slump may be to keep up the price of the materials it produces by a series of measures that will seem to it to be issues of purely internal policy; and in the post-Korean boom it tried to keep down the prices of materials that it imported by the force of its monopoly buying power. Action of this sort is a recipe for making the world's dollar problem even worse than it need be.

Moreover, even if these differences in national outlook could be ironed out—and if arrangements could be arrived at that would seem to ensure, for the short run, the fairly constant flow of dollar spending on which all plans for world trading balance must depend—long-term problems would be bound to crop up. No arbitrarily fixed price, however ingeniously calculated and adjusted, can be right all the time for all the participants—for the producers with their altering costs and the consumers with their altering demands. The situation would almost certainly arise in which expensive and unwanted production of some materials might continue that a fall in price would have curtailed, or in which desirable production might not be evoked because of the lack of stimulus of a rise in price.

Advocates of commodity agreements, well aware of these drawbacks and dangers, now usually insist that pricing arrangements should be as flexible as possible, and responsive to long-term price trends. The International Wheat Agreement, which was founded in 1948 and is due to end next summer (its renewal will be discussed early next year in Washington), is often held up as the best model yet devised. It conforms to the new theory in two respects: it is managed by a council comprising both producers and consumers; and it makes an attempt at flexibility. Producers and consumers are free to deal in wheat outside the agreement at any price they can and they invoke the agreement only when world prices reach certain defined limits; when prices reach the minimum limit producers can call on consumers to buy

an agreed quantity of wheat at that minimum, and when prices rise above the maximum limit consumers can call on the producers to sell an agreed amount at that maximum. There is also some price flexibility, because top and bottom prices can, within an agreed range, be adjusted each year. Various proposals are now being advanced for allowing still greater flexibility in price changes from year to year. But, admirable as the wheat plan may be and still more admirable as it may become it has given rise to many complaints from producers—because the course of world inflation was underestimated when it was drawn up. Moreover, wheat is a commodity with a fairly constant demand; raw materials with much more fluctuating demand may require very different schemes, and they will also have to reckon with price competition from substitutes.

These points do not mean that the economic and social advantages of international commodity agreements at this juncture should be minimised; they merely mean that the difficulties of operating them economically will be great. No commodity agreement should be applied with a sense of finality, but each should be regarded experimentally. Any agreement that is applied must conform to three requirements: first, it must be representative of consumers as well as producers; secondly, it must avoid price rigidity by taking account of long-term price trends; and, thirdly, it must encourage expansion of those materials (especially metals) for which world demand seems most likely to increase. If the Commonwealth's "plan" contains proposals that would meet all these requirements—and that would help to maintain an even flow of dollar purchases and, with it, an increased flow of dollar investment—then it can indeed claim to propose one of the most essential foundations for a sounder system of international trade. As with so much else in that "plan," however, it is not what the Commonwealth proposes, but what the new American administration disposes, that is really going to matter. And the answer to that riddle is still anybody's guess.

Business Notes

Anglo-Iranian Debenture Terms

Anglo-Iranian has sent investors a pleasant Christmas card by arranging its long-expected debenture issue on such attractive terms. The issue is of £20 million of 5 per cent debenture stock, 1974-78, at 98½. These terms, coupled with the fact that nearly three-quarters of the subscription will not be due until the end of March, should secure a warm response from investors, particularly the institutions, who will be anxious to secure a place on the allotment list. The lists are not likely to stay open very long on January 6th. Preference and ordinary shareholders in Anglo-Iranian and stockholders in Burmah Oil will be accorded preferential treatment if they apply on pink forms. The new debenture stock, the first to be in issue by Anglo-Iranian since the former stock was repaid in 1934, will carry a first floating charge on the company's assets. The issue of a first charge debenture is becoming a common practice among those industrial giants that have important subsidiaries and a reasonably strict limit on the company's borrowing powers has become part and parcel of such an operation. Anglo-Iranian, by adopting a formula that fixes its borrowing powers at two-thirds of its paid-up capital and reserves (including income tax provisions), has assumed a limit of £83 million on the amounts that it can borrow.

The need for the new issue is plain. To some extent it is a natural response to the loss of the Abadan refinery (for although the current rate of the group's profits appears to have been maintained, its income might well have expanded but for that catastrophe) but it is also a reflection of longer-term plans to increase oil capacity throughout the world. Anglo-Iranian has a mammoth programme of capital expansion, on which it expects to spend £75 million in 1953 alone, for the completion of oil refineries in this country, in Australia and in Aden, further oil exploration, and the construction of new tankers. Retained profits will provide much of the money needed to finance these developments, but if the programme of capital expansion continues at its present pace beyond the end of 1953, they may have to be supplemented by market issues. Anglo-Iranian's needs can be matched by those of the other major groups. This week, for example, Mr Felix Guepin, a managing director of the Shell group, declared that only retained profits could provide the enormous capital that is needed for the discovery and production of petroleum. Shell's profits ("considerably less than one penny per gallon net after tax") are big; but oil profits, declared Mr Guepin, have to be big simply because the world's capital markets do not produce money on the scale that an industry of such prodigious expansion requires.

Oil in Washington and Persia

Judge Kirkland, who is hearing the grand jury investigation into the alleged international oil cartel in the District Court in Washington, held last Monday that the subpoena served on the Anglo-Iranian Company requiring it to produce documents be quashed. The judge's findings are of interest on two narrower counts. First, he declared that "this court is of the impression that the corporation, Anglo-Iranian Oil Company, is indistinguishable from the Government of Great Britain." This is the point of sovereign immunity. Secondly, the judge, in further comment, made it clear that "the Court's opinion is not that Anglo-Iranian cannot be sued" but that he was giving an opinion only on the enforcement of a subpoena against the Company.

The case would now proceed as before, with Anglo-Iranian relieved of the obligation to submit documents. But on Tuesday the judge postponed the inquiry until March 16th in order to give the new Administration a couple of months to decide whether it wants to continue the case. The decision is significant, not because the incoming Attorney General has given any indication of his views on the case, but because it becomes clearer every day that the State and Defence Departments share little of the zeal that has been shown by the Department of Justice in pursuing it. Indeed, a settlement of the Persian oil dispute by some form of co-operative enterprise of Anglo-Iranian and American companies to handle Persian oil has been mooted by the Americans. It has been suggested that President Truman is a strong supporter of this move, which would obviously put in a ridiculous light the recent efforts of the Department of Justice to bring Anglo-Iranian and the other companies to book for their alleged crimes.

The State Department's efforts to find a solution to the Persian deadlock appear to have found a cool response on the British side. They were under discussion in Paris at this week's meetings between Mr Acheson and Mr Eden and no progress has been reported. It is interesting to speculate on what might happen if a solution of this kind could be found which the Persians would accept. Some involved problems of dollar payments would be created. And what would be said by the independent oil producers in the United States if Persian oil began to flow in quantity to the Atlantic seaboard? The American oil market is already under pressure of heavy supplies—as it was a few years ago when "the cartel" was blamed for "dumping" cheap oil from the Middle East.

Hawker Siddeley Limbers Up

Rearmament has imposed a new order of battle on the capital resources of the aircraft industry. Some members of the industry have had to secure reinforcements in the capital market—the successful "rights" issue of ordinary shares by Rolls-Royce is a recent example—while others, such as the Hawker Siddeley group, have had to refurbish the old-fashioned weapons in their financial armouries. In order to do this, the directors of the Hawker Siddeley group have proposed that the old limit of £5 million on the borrowing powers of the parent company should be replaced by a limit of £16 million on the borrowing powers of the group as a whole, with a secondary limit of £10 million in respect of borrowings of a permanent nature.

The reasons for these proposals, which will allow the group to borrow "further substantial sums" to support the expansion of its business caused by rearmament, are revealed in some detail in the group's well-designed balance sheet drawn up on July 31st last. At this date the group's participation in the rearmament programme—apart from the production of Meteors, which is an important factor in explaining the advance in trading profits from £6,493,208 to £7,953,267—was just getting into its stride. Even

so, the net book value of fixed assets had risen in the year to July 31st from £7,487,937 to £8,278,592 and, far more significantly, the book value of stocks and work in progress (less progress payments, which are often only paid after a delay of some months) had risen from £16,563,984 to £24,239,193. This increase in investment has been followed by its usual corollary—a fall in cash balances (from £4,067,409 to £670,339) and a bank overdraft (of £1,728,227). These figures in themselves explain the reasons for the directors' proposals that borrowing powers should be increased. It seems probable, however, that as the deployment of the group's resources will have to accord with any shifts and jolts in the defence programme, the finance needed will be sought through further loans from the banks rather than by an appeal for new money in the capital market. The support of ploughed back profits will also be needed and this, together perhaps with certain political overtones, helps to explain why the directors have been content merely to maintain the ordinary dividend at 10 per cent.

* * *

Rights of Preference Shareholders

The Bristol Aeroplane company is after all able to go ahead with its proposed issue of new preference shares to ordinary shareholders, with the authority of a general meeting of the ordinary shareholders only; and it has announced its intention of doing so. Last week the Court of Appeal heard and allowed its appeal against the decision of Mr Justice Danckwerts, reported on page 715 of *The Economist* of December 6th. In the view of the Court of Appeal, based on the articles of the company, the board's proposal does not "affect" the rights of the preference stockholders, despite the argument that the balance of the voting power in the company will be changed as and when the new shares are issued. The preference stockholders are not, therefore, entitled to demand that the proposals shall be submitted for their approval in a separate meeting. The decision clarifies the position of the Bristol Company, but it cannot be said that it gives an unobscured green light for all comparable proposals by other companies.

Mr Justice Danckwerts's original decision in the Bristol case was based on his earlier ruling in the Tadcaster Brewery case. The Bristol and the Tadcaster companies had very similar wording in their articles authorising separate meetings of the holders of different classes of shares. Both refer to any proposal that affects, modifies, deals with or abrogates the rights of members. Mr Justice Danckwerts, on the authority of earlier decisions, held that a proposal that increased the numerical voting strength of one class of shareholders necessarily affected the rights of another. The Master of the Rolls, in the Court of Appeal, produced a refinement of this. What was being affected, he said, was the enjoyment of the preference stockholders' rights, not the rights themselves. This distinction raises a pretty problem for directors. When does a particular proposal cross the line between affecting rights and affecting the enjoyment of those rights? From a practical point of view, the Court of Appeal's decision may encourage boards to go ahead in the belief that bonus issues need only the consent of those shareholders entitled to the equity in the company. They are entitled to do so unless and until some preference shareholder succeeds in persuading the Court of Appeal that the combined effect of the company's articles is distinguishable from that of the Bristol Aeroplane company's articles.

* * *

Extending the Trustee List

The limited range of investments permitted to trustees by the Trustee Act of 1925 has been under fire for a good many years. One of the most telling shots in this battle has now been fired in the report of the Nathan Committee on

Charitable Trusts, which states baldly that "an enlargement of trustee investments is necessary and should not be delayed." The committee has based this conclusion on a familiar pattern of evidence. Broadly speaking, unless their particular trust instrument provides otherwise (as many modern trust instruments now do), trustees are personally liable for any loss in the funds for which they are responsible that may be sustained as the result of investment outside the limited range of securities permitted by the Trustee Act. In consequence, trustees governed by the Act stick closely to the securities that it permits, which are now virtually all gilt-edged, and thus fixed income, stocks. The real value of these stocks has been steadily reduced by the fall in the value of money and trustees have been forced to accept a pattern of investment which, in the words of the report, "a prudent business man would be unlikely to adopt in handling his own affairs."

The committee believes, therefore, that the range of trustee investments should be extended to stocks and shares of financial, industrial and commercial companies quoted on the London Stock Exchange, subject to the general safeguard that a limit, perhaps of 50 per cent, should be imposed on the proportion of the trustee funds that could be invested outside gilt-edged stocks. It adds that a part of the trust funds should be held in gilt-edged stocks with an early obligatory redemption date, so as to provide the fund with some cushion against a "bear market" in equity stocks. It further recommends that investments should be made only in companies that have paid an ordinary dividend of not less than 4 per cent in the past ten years and that, in order to ensure a ready market, investment should be made only in those classes of shares that have a nominal issued value of not less than £1 million. Thirdly, the committee suggests that debenture and preference shares should be authorised as trustee investments only if they carry the right to be converted into equity shares or, alternatively, if they have a fixed and "not very distant" date of redemption; only prior lien debentures should be eligible, and any authorised preference shares taken up should rank at least equally with any other preference stocks issued by the company.

Merits of the Proposals

The first merit of these proposals is that they recognise that any sensible limitation on trustee investment should be wide enough to allow sufficient—but not excessive—latitude both to the trustee whose duty it may be primarily to invest for income throughout the life of the trust and to the trustee who is anxious, as far as possible, to maintain the capital value of the trust fund. If the committee's general argument is accepted, its 50 per cent limit on investment outside gilt-edged stocks seems preferable to a specific limit on equity investment as such—and certainly no secondary limit on the proportion of equities should be imposed. But there are two specific points on which the committee's proposals seem open to comment. The first of these is the recommendation to limit the range of securities to those that are quoted on the London Stock Exchange; are there not some shares equally suitable for trustees' portfolios that are quoted only on the provincial exchanges? Secondly, the committee seems to suggest that a nominal issued capital of not less than £1 million automatically ensures the marketability of these shares; experience suggests that this is not invariably the case.

In general, however, the recommendations move a long way towards a solution of an old problem, argued down the years in these columns and elsewhere. Those, and they will be many, who support the committee's view that equity shares should be made permissible for trustee investors will accept its conclusion, but equally some will regret that it had to wait until an era when the yields obtainable on gilt-edged stocks make adventure into equities less inviting for trustees, and

when equity investment has become a favourite subject for political attack. Statutory dividend limitation or EPL, for example, would effectively prevent the trustee investor from securing some protection against inflationary pressures but they leave the trust funds that he manages exposed to the risks that are inseparable from equity investment. But reform is not to be spurned merely because times are difficult for benefiting from it.

Dollars for Centurions

The size of the order for Centurion tanks signed by Mutual Security Agency officials on Monday is big enough to ensure that British tank production remains at least at its present level for the next two years. The order is worth \$90 million, and is for about 500 tanks to be supplied to the Dutch and Danish contingents of Nato, and to be paid for by America. It is not the first dollar order for Centurions—they have already been bought by the Canadian Government for the use of the Canadian forces in Europe—but it comes at a time when the Ministry of Supply has found itself with considerably more tank-producing capacity on its hands than the War Office is prepared to employ. The Centurion was designed by Vickers-Armstrongs during the war, and came into production towards the end of the fighting. It is a medium 50-ton tank with a 20-pound gun and a 600 bhp Meteor engine, adapted from the Rolls-Royce Merlin piston aero-engine that became the standard wartime power unit for British tanks. Ever since the war the army has been supplied with Centurions by two factories, one a Royal Ordnance Factory and the other belonging to Vickers, and when the rearmament programme was drawn up at the beginning of 1951, provision was made for two new lines to be laid down. The engines have throughout been built by the Rover Motor Company and, more recently, by the Jaguar Company.

The fighting in Korea has hardly provided the full test of a tank's performance, but in certain respects it has shown that the Centurion meets some of the specifications laid down for a medium tank. It has no serious competitors in Europe, and it has what many experts consider one distinct advantage over the American Patton tank, since the engine is at the back, where it is better protected. For these and other reasons, the Centurion may become the standard tank for Western Europe—where opinion is swinging in favour of the medium tank and away from the mammoth 60-70 ton prototypes—as well as for the British and Commonwealth armies, and it is on the way to becoming an important item of export. Nevertheless, the effect of the new "off-shore" order no more than cancels the effect of the cuts made by the War Office under the revised rearmament programme announced two weeks ago. The future of a new factory laid down under the 1951 programme and shortly due to come into production remains a matter for conjecture; this affects also the engine makers and sub-contractors that have had, for example, to expand their facilities for making the 3-ton turret castings.

Tidying Up Germany's Debts

All the loose ends of the German debt settlement, with one minor exception, have now been tied up. Last week a conference between the Federal German Government and representatives of the British long-term and medium-term creditors reached agreement on the two most important residual items left over by the general debt talks earlier this year. These residual items related to the Federal Government's responsibility for the Austrian Government's debts and for payments made into the Konversionskasse by debtors in the Saar and in countries outside the Reich. The German Government has agreed to pay (in ten annual instal-

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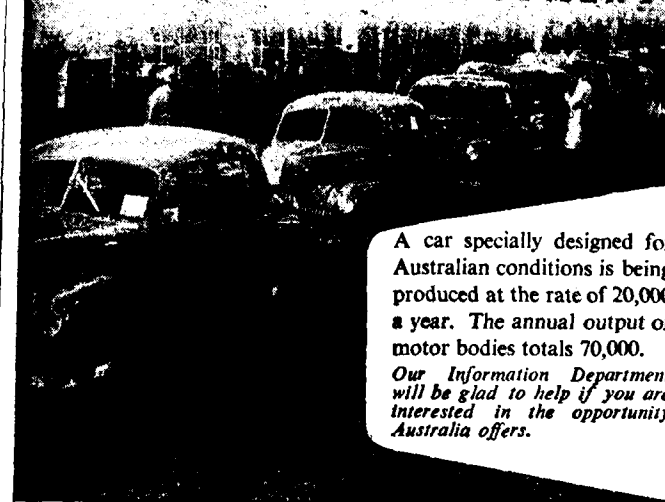
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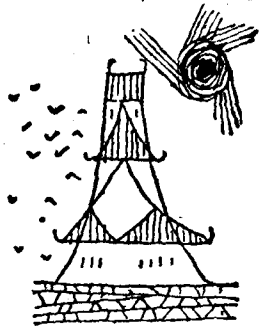
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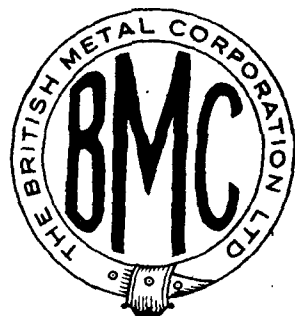
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ments) three-quarters of the interest that fell due on the Austrian Government 7 per cent International Loan, 1930, between March 12, 1938, and May 8, 1945. The amortisation coupons on the Austrian Creditanstalt bonds, 1936, which fell due in the same period, will be redeemed over the next five years. Interest arrears on payments made by debtors in the Saar into the Konversionskasse will be paid up in full by the German Government, which will also pay 60 per cent of the interest arrears accruing on the payments made into the Konversionskasse by debtors in Austria, France, Luxemburg, and Belgium.

The Federal Government has also agreed in principle that municipal gold mark loans or reichsmark loans with a gold clause, which have a "specific foreign character," shall be converted into deutschmarks on the basis of one gold mark or one reichsmark equalling one D-mark; an announcement determining the nature of a "specific foreign character" is to be made as soon as possible. The date of payment of the first coupon on the 3 per cent Funding bonds, issued in respect of the interest arrears on the Young loan, has been postponed from April 15th to June 1st next year, when a full six months' interest is to be paid. The question on which agreement has not yet been reached concerns the liabilities of the Deutsche Rentenbank Creditanstalt. Apart from that, the settlement is complete on paper.

* * *

Glaxo's Bid for Cortisone

Quantity production of the drug cortisone is still, after several years' intensive research, a rich prize dangling just beyond the reach of pharmaceutical manufacturers. Only one company, Bayer, Ltd., is making cortisone on a commercial scale in Britain, and in this case only since October. In the light of the difficulties experienced, a statement made by the chairman of Glaxo, in answer to a chance question at the company's recent meeting, is of particular interest. Sir Harry Jeffcote said that Glaxo has succeeded in synthesising cortisone, but it remained to be seen whether a commercial process could be evolved. The drug is of great importance to the industry. It has become one of the accepted forms of treatment for arthritis, though not all types or all cases respond to it and it is not a cure for the disease. Relief from arthritic symptoms can only be obtained by regular "maintenance" doses on the lines of insulin treatment for diabetes. In an industry where research costs are peculiarly heavy and returns uncertain, the production of drugs in wide demand either for continuous treatment or, like penicillin, for a large number of constantly recurring conditions, provide the industry with its only steady and dependable source of income. The scale of investment in relation to output of such drugs is often so big as to give the first one or two companies in the field an effective monopoly of the market. The stakes in the race for cortisone, therefore, are perhaps the highest that the industry has known since the development of bulk methods for the production of penicillin.

Although they differ in detail, the methods of making cortisone commercially all start from the same material, ox-bile. Supplies of this commodity depend upon the number of cattle slaughtered annually and upon arrangements for collection at the slaughter-houses. British manufacturers find this a big obstacle and the Bayer company has not even attempted to collect bile in this country. The company is making cortisone from imported materials partially worked up by its American associate. All cortisone manufacturers consider that an alternative method of production is essential, for not only is this raw material relatively scarce but the cost of the drug is about £4 a gram, while a standard daily dose may be from 20 milligrams upwards.

Whether Glaxo will prove to have been more successful than the company's many competitors may not be known for some months. Much of the interest attached to the chair-

man's statement arises from the fact that this is Glaxo's first venture into the hormone field (as indeed it is for Bayer). The expansion in the knowledge and use of hormone treatment has been dramatic, and the big pharmaceutical manufacturers are apparently no longer able to leave this branch of medicine to the handful of companies that have always specialised in it. But competition from the specialists, with their long experience, is likely to be severe, and already one such company, Organon, Ltd., has established itself as the principal supplier of ACTH (adrenocorticotrophic hormone) which like cortisone, has an important place not only in the treatment of arthritis, but also of other diseases.

* * *

Decontrol of Cereals Delayed

The Minister of Food has this week reaffirmed the Government's intention to free cereals from control by next autumn. Talks between the ministries concerned, the National Farmers' Union and the trade have been going on since October, but the Minister of Food will not commit himself yet. An end to the control of wheat will have to await the outcome of the conference in Washington at the end of January to decide the fate of the International Wheat Agreement. But there is a general expectation that the rationing of feeding stuffs in this country will come to an end as early as next spring—in which case farmers will want to know about it very soon.

Two points in particular are delaying the freeing of coarse grains. First, there is the Government subsidy on feeding stuffs, at present running at the rate of about £25 million a year; if the Ministry of Food no longer buys grain and re-sells it to the farmers below cost price (which is the form that the subsidy takes), a new method will have to be found for honouring price guarantees under the Agricultural Act of 1947. The second consideration is that a large part of the feeding stuffs fed to livestock on British farms comes from the United States, so that a truly free market might create a particular dollar problem, while roughly an equal amount has recently come from Russia which is always an uncertain source. For the first nine months of this year coarse grain imports into Britain cost about £80 million, of which American supplies accounted for about £22 million and Russian grain for another £22 million; coarse grain from the Commonwealth cost only about £7 million, mostly from Australia.

The Government and the trade both believe that a way can be found round the difficulties and that any remaining risks should be taken. The trade, which for the past twelve years has operated under the umbrella of the Ministry of Food, will have to face the blasts of open competition and importers will also have to risk their own capital. Farmers voice apparently mixed views. Price apart, they want to be sure of supplies. But the farmer who grows more grain than he needs will be glad to be able to sell it, when necessary, to his neighbour down the lane instead of having to take it to an authorised dealer.

* * *

Steel according to Plan

When the steel industry's first plan for postwar development was published in May, 1946, it proposed the expenditure of £168 million. Subject to some "adjustments, eliminations, and additions," the development planned is now practically complete—and certainly almost all the levels of output envisaged in the plan for mid-1953 have already been surpassed. In capacity, indeed, the industry is hardly short of the 17½ million tons later decided upon—and it expects output to reach that record level next year. But the programme of development has in fact cost nearly twice as much as was planned—some £310 million, including spending to

the end of this year. Steel-making equipment, according to an index prepared by the British Iron and Steel Federation, now costs just over twice as much as it did in 1945.

The industry made two major changes in its plans. It abandoned the scheme for a new riverside iron and steel plant on Clydeside, partly because the locational advantages in transport costs did not seem enough to offset the high capital cost of transferring production. The "second Corby" on the Midlands orefield, too, was given up. Instead it was decided

PLANNING AND ACHIEVEMENT IN IRON AND STEEL OUTPUT, 1946-52

District	Pig Iron		Crude Steel	
	Planned capacity mid-1953	Estimated output 1952 *	Planned capacity mid-1953	Estimated output 1952 *
Northants, etc.	1,200	920	1,375	870
Lancs, Flint, Cheshire	750	425	1,150	1,140
Lincolnshire	1,400	1,490	1,625	1,570
North-East Coast	2,350	2,495	3,250	3,180
Scotland	900	725	2,300	2,110
Staffordshire, etc.	250	435	650	900
South Wales and Monmouth	1,600	1,495	3,250	3,620
Sheffield and District	...	...	2,100	2,295
North-West Coast	650	855	250	365
TOTAL	9,100	8,840	15,950	16,050
Per cent change 1946-1952	+24.3%	+37.9%	+13.1%	+26.4%

* On a 52 week basis. Source: British Iron and Steel Federation.

to expand output at Corby; but even this development was held up for lack of labour, and has been limited by the rate of housebuilding for workmen there. Inevitably, the high cost of plant has favoured expansion at existing works and steel-making centres, where services already exist, against the building of completely new works. Initial capital expenditure such as was undertaken at Port Talbot, the industry's one great new venture in the first expansion plan, can only be justified by very considerable reductions in direct production costs. In the second development plan, outlines of which were forwarded to the Government last month, the emphasis is inevitably once more upon the expansion of plants now in operation; because of this, and because various developments under the first plan were laid out with a second stage already in view, the capital cost per ton of extra output should, at least relatively, be rather cheaper.

Foundry Safety and Efficiency

A private member's bill given a second reading in the Commons last week seeks to regulate working conditions in iron and steel foundries; in purpose, at least, it is to be welcomed. Outside the mines, there are few jobs as arduous, dirty and hazardous as foundry work. In 1950 the accident rate for the industry was three times the national average for all industries; and in 1951 the rate actually increased slightly. Large quantities of hot metal have to be constantly on the move in a foundry, and for most jobbing work the tradition is for work to be done on a soft, uneven sand floor in which some of the moulds are sunk. Even given these pre-conditions, the standard of layout, storage, and materials handling in foundries is not generally high. No other type of industrial workshop so often gives an impression of haphazard untidiness and often this apparent lack of order does in fact denote inefficiency.

Such working conditions derive in part from the fact that a large majority of the 2,000 foundries in Britain are extremely small, particularly the iron foundries; and that when most of them were laid out labour could not afford to be fastidious. Since the war the industry has been making very considerable efforts to improve conditions; washing facilities have been brought up to date in a large proportion

of foundries, and the industry—some years after coal—has now begun installing shower baths. The progress is appreciable, though there are still many firms where these amenities are primitive. Nothing has done more to tidy up the foundries of Britain than full employment; recruitment into this industry is still a bitter problem for the employers, with probably fewer young people entering it than go into the mines. The effects of full employment—plus some reports of American practice and results—have spread wider than welfare. In the past few years there has been a marked swing towards the installation of mechanical handling devices within the foundry, and towards various types of mechanised casting for repetition work. This is an industry where the drive for productivity generally brings better conditions for the workpeople in its train, and vice versa. The Government's view upon last week's bill was that attempts to specify particular penalties for particular breaches of regulations might tend to hamper the ordinary supervision of this industry under the regulations that apply to all; and the provisions of the bill probably do enter into too much detail. Even so, this Parliamentary concern may give the standing joint committee of the industry, which has been promoting improvements in foundry conditions since 1948, a little extra weight in its representations to the more old-fashioned foundry masters.

No Monopoly for the Docks Executive

The High Court has blocked the attempt by the Docks and Inland Waterways Executive to establish a monopoly in the towing facilities available within Immingham Dock. A firm of Grimsby tugowners have been granted a declaration that they too are entitled to provide towing facilities within the dock, and that, provided they pay the statutory fees, the Executive are not entitled to exclude their tugs. In a sense, the decision turned upon the construction to be placed on two statutes. One, a general statute of 1847, made harbours, docks and piers "open to all persons for the shipping and unshipping of goods and the embarking and landing of passengers"; another, local to the Humber, gave the management that the Docks Executive had replaced a right to "employ or licence" any tugs using the dock system. The plaintiffs rested their case on the first statute. The Executive claimed that, if they were entitled to licence a tug, they were also entitled not to licence it—in fact to exclude it.

But the origins of this dispute are economic. The Executive's argument was that they have a duty to carry on the docks undertaking commercially and to cover their expenses. They maintain two large and powerful tugs in the docks at Immingham. Since May, 1951, when the plaintiffs' tugs appeared, the Executive had, it was said, suffered severely from this competition. And so (if it can be called a *sequitur*) the remedy they intended to apply for that situation was to exclude the damaging competition and give themselves the protection of a monopoly. The plaintiffs' answer was that traffic using the dock was increasing and that they had secured a large part of the business because their tugs were smaller and handier. Mr Justice Sellers took the view that the plaintiffs had established the right of their tugs to enter Immingham Dock; and that nothing in any statute entitled the Executive to exclude tugs operating as the plaintiffs' tugs had been doing. The inter-departmental correspondence of the Executive, he said, had revealed less desire to make the tug services at Immingham highly efficient and adequate than to stultify competition, thus protecting their own tugs, which apparently could not hold their own in a busy port.

Excessive EPU Creditors

The Council of the Organisation for European Economic Co-operation at its recent meeting in Paris considered the

HOLD THAT TIGER



A FIRM of building contractors working on extensions to a dry-dock on the Clyde were faced with a difficult problem. They had to blast out a concrete wall—more than 1,000 tons of it—without damaging a ship in the dock only 17 feet from the nearest blasting point. It was also important that the demolition should not interfere with other work going on nearby. The contractors turned to I.C.I. Nobel Division for assistance and a team of experts from the Division's technical service department undertook to do the job. They worked on a plan of controlled blasting, using the explosive Polar Ammon Gelignite to "lift" the concrete in 8 foot sections. To prevent damage from blast and flying concrete they put up special steel screens and covered each set of shot holes with steel nets and sandbags. This technique proved entirely successful and the wall was demolished without incident.



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special position of Germany and the Netherlands in the European Payments Union. Each of these countries, which not so long ago was wallowing in deficit, has now built up such a large surplus that its quota is approaching exhaustion. Although both ran deficits in the month of November the position at the end of that month was that Germany had a cumulative accounting surplus of \$405,200,000 against its quota of \$500 million, while the Netherlands had a cumulative surplus of \$291,700,000 against its quota of \$355 million. It has been decided that if the quotas should be exceeded one half of the excess should in each case be settled by payments in gold and the other half by credits granted by each of these countries to the Union. The Council rounded off these recommendations by suggesting that various creditor countries, including Germany and the Netherlands, should increase their efforts for a liberalisation of trade. The Council also recommended that Germany should take all necessary steps to speed up the liberalisation of invisible transactions and that the Netherlands should encourage stockpiling of raw materials exported from member countries and associated monetary areas. These various initiatives on the part of OEEC reveal a welcome alacrity in dealing with difficulties in anticipation of the moment at which events themselves begin to take charge. The recommendations for dealing with above-quota surpluses follow the formula applied to Belgium which to this day remains the largest excessive creditor in EPU. This episode helps once again to stress the inadequacy of EPU quotas in relation to the swings of payments which experience now shows to be part of the normal rhythm of intra-EPU transactions.

Releasing Zinc Stocks

After discussions with the trade the Government has completed its plans for the release of zinc from its stocks during the first six months of private trading which is to be resumed on January 1st. The arrangements reached between the Government and traders have benefited from the experience of a fairly smooth changeover from Government to private dealings in lead which began on October 1st. Government-held stocks of zinc are now about 135,000 tons, having increased steadily by about 100,000 tons during the past year. The Ministry of Materials will sell back to United Kingdom and other Commonwealth producers of zinc a total of 24,000 tons of the metal of their own brands; this quantity will be available as required during the first half of next year and, together with new supplies from producers, should suffice for consumers' requirements.

It is expected that Government releases will in fact be called for at the rate of about 4,000 tons monthly. A rough estimate puts next year's consumption of zinc at about 16,000 tons a month; if so, releases from the Ministry of Materials' stocks will cover about a quarter of total requirements. The Ministry, aided with advice from the zinc producers, have introduced a device into the scheme which should prevent releases of official stocks from exerting any undue bearish influences on prices. Government held zinc sold to producers' agents will be priced on the basis of the monthly average quotation of the London Metal Exchange in the following months; thus the price to producers of Government zinc sold in January will be known at the end of February. Moreover, the Government will not then price more than 4,000 tons of the previous month's sales; any zinc bought in excess of that amount will be carried over for pricing purposes to the next month. It is hoped this will have a steadying influence on the market, without unduly restricting the outflow of Government-held zinc. Should the zinc not be available for prompt delivery to consumers, the Ministry of Materials will be willing to sell prompt on the London Metal Exchange; for this purpose Mr F. C. Chisnell,

managing director of Anglo Metal, Ltd., has been appointed as Government broker.

Releases of zinc in the second half of next year will be determined by the experience gained in the first six months and by the circumstances prevailing next June. The Ministry's present price for zinc is £110 a ton; although the price is expected to fall when free dealings open next month, it seems unlikely to take a dive like that which occurred when lead was freed in October. Market conditions have changed since that time.

* * *

Slow Recovery in Freights

For the third month in succession the tramp freight index compiled by the Chamber of Shipping has shown a slight but steady improvement. From the low point of 79.2 in August, the index has risen through 87 and 94.2 to 99 for November (1948 = 100). The average for the first eleven months of 1952 now stands at about 111.6, which, if considerably lower than the average of 173.7 for 1951, is at least better than the average of about 84 for 1950. When the steep decline of freight rates occurred in the early months of the year, few shipowners would have been prepared to forecast where it would stop, and in the summer numbers of ships were withdrawn for laying up. The recovery since August has been slow, but it has been sufficient to prevent any increase in the number of ships laid up, apart from those withdrawn from service by the American authorities after their temporary release from the reserve.

The fundamental factor is that the market has returned to a more normal, competitive state, and for the time being at any rate the supply of tonnage is in fairly close accordance with demand. The markets have been irregular, and the increase in the freight index has not been achieved without marked falls in the rates paid in certain trades. In such a competitive market there is far more scope for the exercise of commercial acumen. The efficient operator of tramp ships is able to reap the advantages of his skill—and often luck; and there are many who are not dismayed by this return to a state of affairs which before the war would have been regarded as normal. On the other hand, no shipowner can pay his way if the tide of trade recedes so far as to leave his ships high and dry. Since the end of November things have been fairly quiet on the Baltic Exchange, but chartering for the early months of the new year has been going on steadily without any marked easing of rates, and shipowners expect that some fairly large orders may be circulating after the holidays.

* * *

Trends in Australian Banking

The accounts of the Australia and New Zealand Bank for its first full year of trading since the merger give a graphic indication of the severe calls that were made upon bank credit in those countries during the period of high imports and large overseas deficits during the latter part of 1951 and well into 1952. The bank's deposits fell by some £A36½ million to £A309 million in the twelve months to September 30, 1952, whilst advances rose by £A33 million to £A202 million. Since the balance sheet was drawn up the improved trade position of Australia and New Zealand has undoubtedly led to some reversal of these movements. During the phase of pressure, the stringency was relieved by the central bank's policy of granting releases from the commercial banks' "special accounts" with it; and the "A. and NZ" Bank's report shows a fall in its special accounts from £A100 million to £A39 million. Its investments—shown "at or under market value"—fell slightly, from £A15.0

million to £A14.4 million. Profits were slightly lower than in the previous year, but the dividend was maintained at 10 per cent.

The merger of the Bank of Australasia and the Union Bank of Australia into the "A and NZ"—which took place on October 1, 1951—has led to some rationalisation of services during the past year, in the shape of the merging of branches of the two banks in 39 localities where they were both represented. The record of branches opened, of agencies converted to branches, and of agencies opened—as well as of arrangements said to be in hand for the opening of further new branches—tells a tale of steady geographical expansion of services in two countries where growing and spreading trade and population clearly demand such an expansion. The bank now has 549 branches and 175 agencies. In a period when the costs of opening new branches are high and the skilled staff required is often hard to obtain, the bank is clearly in a good position to effect its geographical expansion by transfers of staff from areas where it is over-represented.

* * *

Ending Another Development Council

The development council for the jewellery industry, like the Clothing Development Council, is now to be wound up; there will be a "voluntary" body for clothing but not for jewellery. Mr Harold Wilson, who set up both these bodies, said rather plaintively in a Commons debate this week that this action would make the Industrial Organisation and Development Act of 1947 into a dead letter; but it has been clear from the start that the effectiveness of this Act must depend upon the extent to which industry would accept it. And experience of these councils has not endeared them to most of the industries concerned.

The campaign of the clothing manufacturers against the creation of a development council, and their guerilla tactics after their initial defeat, brought the industry into the lime-light; the jewellery council, though much less obtrusive, was little more successful in gaining the interest of its industry. The silverware trade associations and unions in Sheffield, the industry's most important centre, boycotted the council from its inception and sent no representatives to fill the seats allotted to them. Trade bodies in the other jewellery areas were represented, but their private members have never considered that this in any way debarred them from sniping at the council. Its work was financed by an annual levy of £25,000, not a large sum in itself, but a big one for an industry of this size to provide when trade was difficult. Part of this levy was spent on research, but a good third of it has gone on export promotion schemes that many manufacturers consider to have been of doubtful value. The development council is going to be wound up at the end of this year.

Only two development councils remain in existence: the Cotton Board and the council for the furniture industry. The Cotton Board was set up by the industry before the Industrial Organisation and Development Act had been heard of, and it became a statutory body under that Act simply to bring it into line. The furniture council was grudgingly accepted by the industry, but it has earned its reprieve by initiating research into methods of testing the durability of furniture. The outcome of this research is the tests that will form the basis of the new British Standards for furniture. However sceptical the industry may be about the efficacy of such tests, this particular aspect of the work of the furniture council has enabled an end to be made of the tiresome utility schedules without encouraging an attack on the industry for "debasement" its standards. Whether the council can continue to justify itself, and the levy that maintains it, in the eyes of the industry may depend on the extent to which British Standards for furniture succeed in attracting the public's attention.

Shorter Notes

English Electric has received a contract to supply two high-voltage transformers to the Seattle city authorities from the same city purchasing agent who two years ago rejected bids from both English Electric and Ferranti in favour of the higher tender put in by an American company. In the summer, Ferranti received a contract to supply nine power transformers to the American army on the strength of a bid that was more than £71,000 lower than the lowest American tender. The price bid by English Electric for the Seattle contract is £247,000, which is £43,000 lower than the lowest American figure. The company has also bid for the contract to supply four generators for a Federal power project near Seattle, that is being run by the United States Army Engineers; the result of this is not yet known.

*

The Council of the Stock Exchange has announced that the Treasury and the Board of Inland Revenue will not now offer any objection to the issue of option certificates to bearer, provided they have not more than two years to run. This is a happy solution to the problem that faced dealers and the investing public after the issues by Rugby Portland Cement and by Bowater Paper of loan stocks, complete with option certificates to subscribe for ordinary shares later; the Inland Revenue authorities will now treat bearer option certificates as "scrip" and not as "securities," with a useful saving of stamp duty to the market.

*

The Standard Motor Company has decided to start producing Ferguson tractors in France, in conjunction with Hotchkiss, because the level of import quotas appears to be so far below the level of potential demand. Standard has also already had the painful experience of stepping up tractor production to meet large French orders, only to have them cancelled by the sudden imposition of import restrictions. This year, British tractor exports to France may reach about 5,000 compared with last year's total of 4,000. It is expected that the French factory will have an output of 25,000 tractors a year, some of which will be exported. The factory will have to begin by assembling British-built tractors shipped "knocked-down," but eventually the complete tractor and its components will be built in France.

*

The report on the accident to a Comet aircraft that crashed during a take-off run at Rome airport in October finds that the pilot, when he lifted the nose-wheel of the aircraft off the ground, did so at a sharper angle than usual. The result of this was to give high "drag," that is, to increase the resistance of the air to the passage of the aircraft, and the engines, although they were at full throttle, could not build up the acceleration necessary to get the Comet airborne. No structural defects in either airframe or engines were responsible for the crash. The aircraft was damaged beyond repair by the forced landing. The occurrence has given dramatic proof of the safety of gas-turbine engines; although the fuel tanks were smashed by the impact, and the aircraft was enveloped in spilt kerosene, fire that might have taken place instantly with a petrol-engined aircraft did not occur.

*

Restrictions have been removed on the use of copper, brass and other copper alloys in manufactures for the home market. From January 1, 1953, licences will no longer be required for the purchase or sale of zinc; this arises from the decision to reopen the London market in zinc on January 2, 1953.

Company Notes

Turner and Newall.—A year ago the directors of Turner and Newall came in for some sharp criticism when they did no more than maintain the ordinary dividend at 20 per cent; perhaps it is not surprising, therefore, that they have now decided to pay a dividend of 25 per cent for the year to September 30th last. But they have had to do this in the face of a fall in net profits from £4,553,300 to £3,765,165; a year ago, when the directors refused to raise the ordinary dividend, net profits had risen by over £1,500,000. The fall in net profits in the latest year, however, is wholly due to the increase in the provision for taxation, from £6,560,205 to £8,001,072; presumably the group's liability for EPL explains why this increase of nearly £1,500,000 exceeds the advance in group trading profits from £13,218,345 to £14,266,076. The increase in dividend payments, coming at a time of a fall in net profits, has meant that reserve appropriations are smaller than in 1950-51; this has been borne

Consolidated earnings	Years to Sept. 30,	
	1951	1952
Trading profit	13,218,345	14,266,076
Total income	13,855,798	14,780,432
Depreciation, etc.	1,684,478	1,931,230
Taxation	6,560,205	8,001,072
Net profit	4,553,300	3,765,165
Ordinary dividends	560,554	700,692
Ordinary dividends (per cent)	20	25
Retained by subsidiaries	577,438	298,693
Stock reserve	920,000	750,000
Replacement reserve	1,750,000	900,000
General reserve	500,000	600,000
Added to carry forward	417,616	197,360

£1 ordinary stock at 98s. 9d. yields 5s. 1s. per cent.

by specific reserves, for the appropriation to the general reserve is £100,000 higher. Heavy reserve appropriations in the past have widened the gap between the real capital employed in the business and the company's issued capital, and to correct this disparity the directors intend to make a 100 per cent scrip bonus issue.

The latest increase in ordinary dividends may be the last for some time. The directors point out that in "certain sections of the business a downward trend in volume became apparent in the second half of the past financial year," and that this tendency has since continued. It is therefore very unlikely that the high level of profits in the asbestos industry reported in the last two years will be maintained.

Raleigh Industries.—Now that the Government is looking with more favour and good sense on the question of bonus issues, Raleigh Industries have joined Turner and Newall—and many other companies—in the queue to have their application for such an issue rubber-stamped by the Capital Issues Committee. The Raleigh group intends to

Consolidated earnings	Years ended	
	Aug. 25, 1951	July 31, 1952
Profit, before tax	1,703,003	1,505,920
Depreciation	142,819	173,947
Taxation	885,000	777,445
Net profit	675,778	654,528
Ordinary dividends	164,063	164,063
Ordinary dividends (per cent)	25	25
Reserves	350,000	260,000
Added to group carry forward	129,613	98,965

£1 ordinary stock at 83s. 14d. yields 6s. per cent.

make a bonus issue of two £1 ordinary shares for each existing share held, by capitalising for each existing share held, by capitalising £2,500,000 from accumulated reserves. In common with many other boards, the directors of the Raleigh group take care to point out that "there is no bonus element in the proposal, nor is there any suggestion that the amounts to be distributed as dividend in the future will be varied in any way." The future will be varied in any way. The group's trading results for the 49 weeks to July 31st last reinforce this warning. For the

third financial year in succession the dividend has been maintained at 25 per cent, but this time in the face of a decline in profits before depreciation and taxation from £1,703,003 to £1,505,920. This reduction in earnings is partly accounted for by the shorter period covered by the latest financial statement, but it may also reflect a rise in costs and some contraction in the markets for the group's bicycles both at home and overseas. The fall in net profits (from £675,778 to £654,528) has not put the ordinary dividend in danger but it has inevitably led to a reduction in the amount of profits ploughed back into the business.

*

Lancashire Cotton.—The Lancashire cotton spinners have managed to weather the recession in the textile trades rather better than the woollen manufacturers on the other side of the Pennines. Both the woollen and cotton manufacturers have been faced with a slump in sales, but the Lancashire companies have not been forced to write down their stocks—a common experience in Yorkshire following the fall in wool prices. In the year to October 31st last the Lancashire Cotton Company, for example, faced the chill winds of recession without having to cover up with a cut in dividend payments. Its trading profits have fallen quite sharply, from £6,819,018 to £4,225,974, and its net profits, from £3,354,366 to £1,924,403, but the ordinary dividend has been maintained at 15 per cent. Inevitably, however, the appropriations to reserves have had to be reduced.

Earnings	Years to Oct. 31,	
	1951	1952
Trading profit	6,819,018	4,225,974
Taxation	3,435,000	2,340,000
Net profit	3,354,366	1,924,403
Ordinary dividends	318,665	318,665
Ordinary dividends (per cent)	15	15
Stock reserve	475,412	500,000
Replacement reserve	1,000,000	500,000
General reserve	1,500,000	1,000,000
Added to carry forward	36,161	80,740

£1 ordinary stock at 40s. yields 7s. 10s. per cent.

Nothing has been set aside to stock reserves (compared with the £475,412 appropriated a year ago), while the appropriation to a fixed assets replacement reserve has been cut from £1 million to £500,000, and that to a general reserve from £1,500,000 to £1 million. If the recovery in the cotton trade continues there may well be a modest expansion in profits in the current year, but shareholders cannot expect an early return to the boom-time earnings of the earlier postwar years.

*

Great Universal Stores.—Great Universal Stores appears to have caught the habit of surprising investors. The latest surprise has been occasioned by the announcement that the interim ordinary dividend for the year to March 31, 1953, had been effectively doubled. The rate of this dividend, at 12½ per cent, is the same as a year ago, but it is to be paid on an ordinary capital recently doubled by a share bonus. Another surprising feature of the announcement is the directors' report that in the eight months' trading to November 29th last the group's sales and its net trading profits before tax were higher than those reported in the same period last year. This achievement, made in the face of hire purchase restrictions at home and of import restrictions in the group's growing export markets, certainly helps to explain the latest increase in dividend payments. The yield increase in dividend payments is perhaps best calculated on the basis of a 31½ per cent dividend; on this basis the 5s. shares at the current price of 18s. 9d. yield 8½ per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Dec. 10, 1952	Price, Dec. 17, 1952	Net Yield, Dec. 17, 1952	Gross Yield, Dec. 17, 1952
War Bonds 2½% '51-53	100	100	4 s. d.	4 s. d.
War Bonds 2½% '52-54	99½	99½	1 7 9	2 10 7
Exchequer 2½% 1955	98½	98½	1 12 6	2 17 6
Ser. Funding 1½% '53	99½	99½	1 14 9	2 13 3
Ser. Funding 1½% '54	98½	98½	1 17 9	2 15 5
Ser. Funding 3% '55	100½	100½	1 9 3	2 18 8
War Bonds 2½% '54-56	99	98½	1 10 9	2 16 5
Funding 2½% '52-57	100	99½	1 9 5	2 15 7
Nat. Def. 3% '54-58	100½	100½	1 10 7	2 18 8
War Loan 3% '55-59	100½	100½	1 11 10	3 1 2
Savings 3% '55-65	92½	92½	2 6 3	3 17 2
Funding 2½% '56-61	93½	93½	2 5 1	3 10 5
Funding 3% '59-69	87	86½	2 12 1	4 3 7
Funding 3% '66-68	88½	88½	2 10 4	4 2 1
Funding 4% '60-90	98½	98½	2 8 3	4 7 6
Savings 3% '60-70	86	85½	2 12 8	4 4 10
Savings 2½% '64-67	84½	84½	2 12 9	3 19 3
Victory 4% '20-76	101½	101	2 1 4	4 0 4
Savings 3% '65-75	83½	83½	2 11 5	4 4 2
Consols 4% (aft. 1957)	88½	87½	2 8 3	4 12 8
Consols 3½% (aft. 1961)	79	78½	2 7 1	4 10 1
Treas. 2½% (aft. 1975)	58½	58	2 6 6	4 7 0
Treas. 3% (aft. 1966)	68½	68½	2 6 4	4 8 9
Treas. 3½% '77-80	87½	87½	2 9 4	4 5 6
Redemption 3% '86-96	78	77½	2 8 6	4 3 0
War Loan 3½% aft. 1952	77½	77½	2 7 6	4 10 6
Consols 2½%	59½	58½	2 4 6	4 4 9
Br. Elec. 3% '68-73	84½	84	2 12 4	4 4 7
Br. Elec. 3% '74-77	83½	83	2 10 10	4 3 6
Br. Elec. 4½% '74-79	100	99½	2 5 5	4 6 5
Br. Elec. 3½% '76-79	89½	88½	2 8 5	4 4 7
Br. Trans. 3% '78-88	77½	76½	2 11 5	4 5 4
Br. Trans. 3% '68-73	84½	84	2 12 4	4 4 7
Br. Trans. 4% '72-77	95½	95½	2 7 10	4 7 0
Br. Gas 3% '90-95	77½	76½	2 9 7	4 4 3
Br. Gas 3½% '69-71	92½	91½	2 8 7	4 4 7
Br. I. & S. 3½% '79-81	89½	88½	2 8 7	4 5 3

(a) To earliest date. (f) Flat yield. (g) To latest date. (s) Assumed average life 15 years approx. * Ex dividend.

Last Two Dividends	Ordinary Stocks	Price, Dec. 10, 1952	Price, Dec. 17, 1952	Yield, Dec. 17, 1952
(a) (b) (c)				
40 b	20 a Anglo-Am. 10/-	5½	5½	5 0 6
25 b	5 a Anglo-Iran £1	5½	5½	5 4 0
12½ b	7 a Asso. Elec. £1	75/-	74/9	5 7 0
20 b	7 a Asso. P. Cem. £1	103/11	103/3	5 6 6
10 a	33 b Bass £1	130/-	132/-	6 10 4
20 c	5 a Boots 5/-	20/3	20/3	4 18 9
20 c	5 a Brad. Dyest. £1	22/9	22/9	10 2 2
4½ a	6½ b Br. Calanese 10/-	23/6	22/10	4 16 2
17½	17½ b Br. Motor Cp. 5/-	31/3	31/-	8 7 9
12 b	6 a Br. Oxygen £1	48/11	48/-	5 16 8d
3 a	3 b Can. Pac. \$25	\$60	\$61	4 10 1
7½ b	5 a Coats £1	44/9	44/9	5 11 9
6½ b	5 a Courtlands £1	38/6	37/9	5 19 2
12½ b	2½ a Cunard £1	34/6	35/3	8 10 3
15 b	7½ a Distillers 4/-	16/9	16/6	5 9 1
17½ c	17½ a Dunlop £1	45/-	44/-	7 19 1
12½ c	15 c Ford £1	50/7½	50/9	5 18 3
7½ a	15 b Gen. Elect. £1	42/6	42/3	5 6 6p
10 b	5 a Guest Keen £1	50/-	50/3	5 19 5
7 a	10 b Guinness 10/-	30/6	30/9	5 10 7
4½ a	5½ b Hawker Sid. £1	37/9	37/9	5 6 0
13 c	5 a Imp. Chem. £1	44/-	43/9	5 18 10
18½ b	13½ a Imp. Tobacco £1	56/9	57/-	7 0 4
£2-6 c	£2-6 c Int. Nick. n.p.	£77	£76½	6 1 0
17½ c	17½ c J.Burg Con. £1	47/6	48/1½	7 5 0
5 a	10 b Lancs. Cotton £1	40/-	39/9	7 10 11
10 b	7½ a Lon. Brick £1	62/6	63/3	5 10 8
65 b	15 a Marks & Sp. A 5/-	46/6	46/-	4 6 11½
15½ b	6½ a Monsanto 5/-	23/6	23/6	4 15 3
10½ b	6 a P. & O. Def. £1	50/6	51/-	6 10 9
17½ b	7½ a P. Johnson 10/-	34/-	32/9	7 12 8
£85 c	£100 b Prudential 'A' £1	33½	33½	5 13 8
50 a	175 b Rhokana £1	19	19½	11 15 4
10 b	5 a Rolls Royce £1	58/9	59/3	5 1 3
15 a	10 b "Shell" Stk. £1	76/10½	76/10½	5 19 0
13½ a	8½ b Tube Invest. £1	60/-	60/6	4 19 2½
5 a	20 b Tur. Newall £1	96/3	98/4½	5 1 8
8½ b	5 a Unilever £1	46/3	46/-	5 17 5
10 c	12½ c Union Castle £1	21/6	22/-	5 13 8½
5 b	5 a Union Disc. £1	41/-	41/-	4 17 7
16½ b	14½ a Utd. Molass. 10/-	29/9	29/9	6 13 4
30 b	7½ a U. Sua Betong £1	41/10½	39/6	18 19 9
10 b	2½ a Vickers £1	43/-	43/6	5 14 11½
27½ b	15 a Woolworth 5/-	44/3	43/9	4 17 2

(a) Int. (b) Fin. (c) Div. whole yr. (d) Yield basis 14%. (f) Yield basis 22.9 gross. (g) Div. declared for 4 months. Yield basis 52%. (h) Yield basis 15%. (i) Yield basis 6½%. (n) Yield basis 40%. (o) Yield basis 20%. (p) Yield basis 11½%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended December 13, 1952, total ordinary revenue was £54,945,000, against ordinary expenditure of £76,601,000 and issues to sinking funds £320,000. Thus, including sinking fund allocations of £23,630,000 the deficit accrued since April 1, 1952, was £445,685,000 compared with a deficit of £137,562,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	April 1, 1951 to Dec. 15, 1951	April 1, 1952 to Dec. 15, 1952	Week ended Dec. 13, 1951	Week ended Dec. 13, 1952
REVENUE					
Ord. Revenue	180,422,500	594,167	607,696	16,971	12,510
Income Tax	123,000	49,400	46,900	1,600	1,800
Sur-tax	175,000	133,300	105,800	2,700	3,500
Estate, etc., Duties	57,500	44,700	34,550	1,300	800
Stamps	452,000	228,900	283,900	5,900	7,100
Excess Profits Levy	5,000	...	100	...	100
Special Contribution and other Inland Revenue	2,000	2,205	1,260	30	50
Total Inland Rev.	261,875	1,052,672	1,080,206	28,501	25,860
Customs	104,350	720,193	737,274	19,306	22,420
Excise	772,000	539,300	521,518	4,800	5,050
Total Customs and Excise	1,815,500	1,259,493	1,258,792	24,106	27,470
Motor Duties	64,150	15,860	16,058	241	353
Surpl's from Tradg.	12,000	74,455	...	...	...
P.O. (Net receipts)	15,000	5,300	...	300	...
Broadcast Licences	26,000	7,800	8,250	...	...
Sundry Loans	110,000	101,038	86,084	1,117	1,282
Miscell. (incl. Surpl. plus War Stores)	...	...	...	...	...
Total Ord. Rev.	466,137	2,537,122	2,469,137	54,817	54,945
SELF-BALANCING	209,235	130,400	143,600	3,500	4,000
Post Office	4,900	3,938	3,597	102	42
Income Tax on EPT Refunds	...	...	...	...	...
Total	487,551	2,671,460	2,616,334	58,419	58,987
EXPENDITURE					
Ord. Expenditure	575,000	345,727	412,380	...	6,192
Int. & Man. of Nat. Debt	40,000	25,363	27,270	...	...
Payments to N. Ireland	10,000	6,772	5,865	...	49
Other Cons. Funds	...	...	...	...	...
Total	625,000	377,862	445,515	49	6,201
Supply Services	355,436	228,082	244,567	93,200	70,400
Total Ord. Expd.	417,936	265,867	289,192	93,249	76,601
Sinking Funds	...	15,997	23,630	420	320
Total (excl. Self-Bal. Expd.)	417,936	267,468	291,482	93,669	76,921
SELF-BALANCING	209,235	130,400	143,600	3,500	4,000
Post Office	4,900	3,938	3,597	102	42
Income Tax on EPT Refunds	...	...	...	...	...
Total	439,350	280,902	306,219	97,271	80,963

After increasing Exchequer balances by £211,812 to £3,050,087, the other operations for the week increased the National Debt by £32,095,430 to £26,387 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

Post Office & Telegraph (Money) Act, 1950	1,250
EPT Refunds	52
Export Guarantees Act, 1949, s. 3(2)	185
Local Authorities Loans Act, 1945, s. 3(1)	7,100
New Towns Act, 1946 and 1952	1,000
Finance Acts, 1946 and 1947, Postwar Credits	320
	9,907

CHANGES IN DEBT (£ thousand)

RECEIPTS	PAYMENTS
Treasury Bills	48,930
Nat. Savings Certs.	1,200
3½% Def. Bonds	1,580
Tax Reserve Certs.	951
	52,661
2½% Def. Bonds	495
3% Def. Bonds	1,251
3% Tor. Annuities	1,605
Other Debt	7,670
Internal	...
Ways and Means Advances	9,545
	20,566

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
1951				
Dec. 15	4713.1	207.7	123.0	5048.8
1952				
Sept. 20	3090.0	1470.4	...	4877.0
" 30	4554.6	278.8	8.3	4841.6
Oct. 4	3120.0	1471.8	258.9	4850.7
" 11	4320.6	248.0	...	4568.6
" 18	4348.1	288.0	...	4636.1
" 25	4364.3	283.0	...	4647.3
Nov. 1	4345.2	257.2	...	4602.4
" 8	4325.0	249.6	...	4574.6
" 15	4456.1	238.9	1.5	4696.5
" 22	4481.1	266.0	...	4747.1
" 29	4508.7	273.8	4.0	4786.5
Dec. 6	4567.5	249.1	3.8	4820.3
" 13	4616.4	241.0	2.3	4859.7

* In consequence of official purchases of tender bills in connection with cash subscriptions to the new issues of Serial Funding Stock, it is impossible to calculate the division between tap and tender bills until all the bills purchased have passed their original maturity date.

TREASURY BILLS

Date of Tender	Amount (£ million)	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1951			
Dec. 14	170.0	234.0	170.0
1952			
Sept. 12	260.0	308.9	260.0
" 19	260.0	331.1	260.0
" 26	260.0	309.0	260.0
Oct. 3	250.0	312.4	220.0
" 10	220.0	309.9	200.0
" 17	220.0	315.8	220.0
" 24	230.0	321.3	230.0
" 31	220.0	334.8	220.0
Nov. 7	240.0	335.4	240.0
" 14	240.0	342.5	240.0
" 21	240.0	333.9	240.0
" 28	250.0	328.2	250.0
Dec. 5	260.0	332.8	260.0
" 12	260.0	326.6	260.0

On December 12th applications for 91 day bills to be paid from December 15 to December 20, 1952, were accepted dated Monday to Saturday as to about 71 per cent at 99 7/8 1/2, and above in full. Treasury Bills to a maximum of £260 million were offered on December 19th. For the week ended December 20th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Total 35 Weeks ended Dec. 15, 1951	Dec. 15, 1951	Dec. 13, 1952	Week ended Dec. 13, 1952
Savings Certificates				
Receipts	109,900	99,200	2,800	
Repayments	95,600	99,400	2,300	
Net Savings	14,300	Dr 200	500	
Defence Bonds				
Receipts	41,369	47,329	1,525	
Repayments	51,248	53,802	1,840	
Net Savings	Dr 9,879	Dr 6,473	Dr 315	
P.O. and Trustee Savings Banks				
Receipts	480,047	503,231	16,592	
Repayments	547,314	583,454	21,585	
Net Savings	Dr 67,267	Dr 80,223	Dr 4,993	
Total Net Savings	Dr 62,846	Dr 86,896	Dr 4,808	
Interest on certificates repaid	23,628	27,389	644	
Interest accrued	87,314	89,277	2,488	
Change in total invested	840	26,000	2,944	

BANK OF ENGLAND RETURNS

December 17, 1952
ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	1539,246,865	Other Govt.	1535,740,288
In Bank Department	11,109,958	Other Sec.	732,469
		Coin (other than gold)	2,512,145
		Issue	1550,000,000
		Gold Coin and Bullion (at 24s. per oz. fine)	356,823
	1550,356,823		1550,356,823

BANKING DEPARTMENT

Capital	14,553,000	Govt. Sec.	368,254,930
Res.	3,521,795	Other Secs.	20,873,974
Public Depts.	34,991,017	Discounts and Advances	7,445,200
Public Accts.	10,704,631	Securities	13,428,774
H.M. Treas.	24,286,388		
Special Acct.	...		
Other Depts.	348,645,077	Notes	11,109,958
Bankers	275,381,071	Coin	1,472,027
Other Accts.	73,264,006		
	401,710,889		401,710,889

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

COMPARATIVE ANALYSIS (£ million)

	1951	1952
Issue Dept.		
Notes in circulation	1435.9	1481.6
Notes in banking department	14.4	18.8
Government debt and securities	1446.8	1496.8
Other securities	0.7	0.7
Gold and coin	2.9	2.9
Valued at s. per fine oz.	248/0	248/0
Banking Dept.		
Deposits		
Public Accounts	14.4	9.3
Treasury Special Account	0.6	26.6
Bankers	289.6	275.0
Others	89.5	70.5
Total	394.1	381.4
Securities		
Government	351.3	354.4
Discounts, etc.	21.1	10.6
Other	23.6	14.1
Total	396.0	379.1
Banking dept. reserve	16.1	20.3
"Proportion"	4.0	5.3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,500 million to £1,550 million on December 9, 1952.

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

	Dec. 11, 1951	Dec. 2, 1952	Dec. 16, 1952
Cereals and meat	173.8	193.5	193.4
Other foods	180.4	190.7	191.4
Textiles	266.1	217.7	215.7
Minerals	360.1	361.6	362.1
Miscellaneous	195.1	190.1	190.4
Complete Index	223.8	221.3	221.2
1913=100	307.9	304.3	304.3

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

	SILVER	GOLD
1952		
London	72.50	83.25
New York	83.25	144.0
Bombay	83.25	144.9
per ounce	...	...
per 100 tolas	...	...
Bombay	...	...
per tola	...	...
Dec. 11	72.50	83.25
" 12	72.50	83.25
" 13	72.50	83.25
" 14	72.50	83.25
" 15	72.50	83.25
" 16	72.50	83.25
" 17	72.50	83.25

THE COMMERCIAL BANK OF SCOTLAND LIMITED

ESTABLISHED 1810.

DOUGLAS MURE WOOD, C.A., Edinburgh
IAN WILSON MACDONALD, C.A., Glasgow
HOWARD Usher CUNNINGHAM, C.B.E., M.C., Merchant, Leith
ROBERT YAXLEY WEIR, O.B.E., C.A., Edinburgh

Directors:—

NOEL GRAHAM SALVESEN, M.B.E., Shipowner, Leith
DOUGLAS AINSIE FOULIS, D.S.O., O.B.E., D.L., Edinburgh
Sir JOHN MAXWELL ERSKINE, C.B.E., D.L., Edinburgh
GEORGE TURCAN CHENE, D.S.O., M.C., W.S., Edinburgh

General Manager: Sir JOHN MAXWELL ERSKINE, C.B.E., D.L.

BALANCE SHEET at 25th October, 1952

1951	LIABILITIES	1951	ASSETS
£	£	£	£
I. CAPITAL—		I. CURRENT ASSETS—	
AUTHORISED: 7,000,000		(1) Coin, Bank of England Notes and Balance with the Bank of England	16,753,629
500,000 "A" Shares of £1 each	7,000,000	Balances with, Notes of and Cheques in course of collection on, other banks in Great Britain and Ireland	13,303,586
500,000 "B" Shares of £1 each, fully paid	500,000	Money at call and Short Notice in London	18,150,000
	7,500,000	British Government Treasury Bills	10,000,000
ISSUED: 7,000,000		Receipts	—
500,000 "A" Shares of £1 each, 6/- paid	2,100,000		58,207,215
500,000 "B" Shares of £1 each, fully paid	500,000		
	2,600,000	(2) INVESTMENTS: Quoted:—	
II. RESERVE FUNDS—		British Government Securities guaranteed by British Government	425,000
CAPITAL RESERVE: Share Premium	£750,000	Unquoted:—	
REVENUE RESERVE: General Reserve	3,250,000	Investments other than Trade Investments—Directors' Valuation	88,500
	4,000,000		50,057,369
III. PROFIT AND LOSS ACCOUNT		(3) OTHER ASSETS: Bills discounted less provision for Doubtful Debts	£229,400
BALANCE	100,993	Loans and Advances, less provision for Doubtful Debts	31,906,253
IV. CURRENT LIABILITIES—			£32,135,653
Notes in Circulation	£14,477,566	(4) Liability of Customers and Banking Correspondents for Acceptances and Engagements as per contra	4,503,248
Deposits and Other Credit Balances (including provision for contingencies)	121,125,863		36,638,901
Acceptances and Engagements on account of Customers and Banking Correspondents	4,503,248	II. FIXED ASSETS—	
Proposed Dividends payable 1st January, 1953, less Income Tax	95,813	Bank Premises and other Property at cost, less sums written off	2,000,000
	140,202,492		
	£146,903,485		£146,903,485

Notes:—(1) There is a contingent liability of £127,000 in respect of the Bank's holding of partly paid shares of Industrial and Commercial Finance Corporation Ltd.
(2) Full provision has been made in the accounts for taxation on Profits to date.
(3) Contracts for outstanding Capital Expenditure amount to £88,000 approximately.
(4) Contracts running for sale of Foreign Securities covered by purchase to a corresponding amount, £18,028,378.

JOHN M. DUNCANSON
DOUGLAS MURE WOOD
IAN W. MACDONALD

Directors.

J. M. ERSKINE, General Manager.

PROFIT AND LOSS ACCOUNT for year ended 25th October, 1952

£	Dr.	£	Cr.
95,812	Interim Dividends paid 1st July, 1952, less Tax	95,812	
95,813	Proposed Final Dividends payable 1st January, 1953, less Tax	95,813	
£191,625		£191,625	
100,000	To Contingency Fund	100,000	
100,000	To Trustees for Officers' Pensions	100,000	
87,829	Balance to next Account	100,993	
		402,454	
		£467,618	
		£467,618	

AUDITORS' REPORT
R. J. HENDERSON, C.A., Auditor.
MA

COMPANY MEETINGS

THE COMMERCIAL BANK OF SCOTLAND LIMITED

SATISFACTORY RESULTS

LORD ROTHERWICK'S REVIEW

The annual general meeting of The Commercial Bank of Scotland Limited was held at Edinburgh on December 18, 1952, the Right Hon. Lord Rotherwick of Tynney presiding.

The deputy governor, in the course of his speech, said:

Before commencing the business of the meeting, it is appropriate that I should refer to the loss we have sustained during the past year through the death of Mr William Shearer, who has been associated with us as an extraordinary director since 1941, although his connection with the bank extended over a much longer period. He maintained a keen interest in our affairs and his death is much regretted by all with whom he was associated.

I am sorry that the governor of the bank, the Earl of Mar and Kellie, is still not well enough to take his place here today, and I am sure you would desire me to convey to him from this meeting the good wishes of us all. In the absence of His Lordship, I have great pleasure in presiding again at the annual general meeting of the shareholders of the bank and in presenting the report by the directors which I believe you will regard as satisfactory considering the problems of the past year.

EFFECT OF DEARER MONEY POLICY

When I last addressed you a new Government had recently come into office, and the country was then facing a serious economic position without our having any clear indication as to how a crisis was to be averted and the position improved. In the interval we have seen a radical change in the monetary policy of the preceding years and a further increase in bank rate, and have returned to management of our finances on rather more traditional lines. While the dearer money policy adopted has been essentially of a remedial character, its effectiveness can best be judged by the transformation of our overseas balance of payments from an uncomfortable deficit to a modest surplus and the check upon the drain on our gold reserves which, together, have resulted in greater confidence in sterling. There are, however, no grounds for complacency, as it must be remembered that this improvement has been achieved largely through restriction of imports and that, with the running down of stocks, removal or relaxation of at least some of these restrictions must inevitably follow.

EXPORT POSITION

This leads to consideration of our present export position. Whereas a year ago our ability to fulfil overseas orders was largely governed by the rate at which we were able to produce, various factors—including import cuts by Commonwealth countries, scarcity of sterling available to other countries and increasing competition from Germany and Japan—have combined to alter the situation materially. We have encountered during the past twelve months some recession in trade and now we must intensify our efforts to compete successfully in foreign markets if our balance of payments is to remain favourable.

Our ability to effect the required improvement in exports is, of course, essentially bound up with our internal position, and I gravely doubt whether effective control of

Government expenditure has moved sufficiently in line with the dearer money policy now pursued. It is to be hoped that the Chancellor of the Exchequer's recent pronouncements will, in the event, prove to have been justified and that his budgetary estimates will be substantially realised. Moreover, I hope that his assurance that the task of keeping national and local expenditure within bounds is now a priority one, will be followed by appropriate government measures to limit public expenditure. Otherwise it is difficult to see how any lightening of the all too heavy burden of taxation, which industry has to bear, can be achieved. With costs of production and taxation at their present levels, we are in grave danger of pricing ourselves out of overseas markets. A reasonable measure of relief of taxation would assist industrial concerns to replenish the resources needed for modernisation, re-equipment and reorganisation which could increase output per man hour and enable us not only to maintain but extend our overseas trade. The report of the Royal Commission now sitting to examine the question of taxation will be eagerly awaited, and I am sure that we all hope that they will be able to make recommendations towards alleviating the crushing incidence of taxation on business profits. So far as Scotland and its special problems are concerned, we also look forward with anticipation to the report of the Royal Commission on Scottish affairs. Lastly, it is clear that co-operation and goodwill on the part of all sections of the community will be required to enable us to consolidate the gains already made in our economic position and we look for clear cut action on the part of the Government to provide the necessary incentives for increased output.

BALANCE SHEET ITEMS

Turning to the balance sheet which I have the pleasure to present, you will find that paid-up capital at £2,600,000 and the reserve funds at £4 million remain unchanged.

Notes in circulation amounting to almost £14,500,000 are higher on the year by almost £1,180,000, which increase reflects the higher costs and higher wages ruling in industry.

Deposits and other credit balances at almost £121,126,000 show a decrease on the year of £2,210,000. Having regard to the magnitude of the day-to-day fluctuations in the amount of our deposits spread over a wide branch system there is no significance in this fall.

Acceptances and engagements on account of customers at £4,503,000 are down on the year by £1,513,000. This is not, however, to be taken as an indication of any diminution of the volume of the overseas business being handled by the bank. Indeed, since the partial relaxation of certain exchange controls early in the year, our overseas business has shown considerable expansion, as will be realised from the reference made in note number four to the effect that contracts running for the sale of foreign currencies amount to £18,628,000, these being covered by purchases to a corresponding amount.

When the controls were relaxed in March the bank was in the fortunate position of having trained personnel and suitable up-to-date equipment available to enable us to take full advantage of the changed conditions. Moreover, there has been a widening of our overseas connections, principally in the

United States, Canada and the Continent of Europe, through which sound and remunerative business for the bank is being transacted.

ASSETS

On the assets side, cash, balances with other banks, money at call and short notice in London, British Government Treasury bills and other investments—which are almost entirely British Government securities—produce a total of £108,265,000, equivalent to almost 80 per cent of our liabilities to the public in respect of notes in circulation and deposits, and I am sure that in this respect you will consider that we are in a very strong position to meet the calls which in common with other banking institutions we shall have to face in the earlier months of 1953, when monetary conditions may well prove to be rather more stringent than usual, as the result of the large sums then passing into the hands of the Exchequer. As you are aware, there has been a further substantial decline in the value of British Government securities over the twelve months covered by these accounts. The situation has had the constant attention of the directors and, in view of the fact mentioned in the note in the balance sheet, that these investments are all redeemable at fixed dates and stand in the books at, or under, cost and below redemption price, the precedent set by certain of the English clearing banks in their last half-yearly statements has been followed by us and no transfers have been made from contingency account or reserve funds during the year to write down the book value of these investments.

Bills discounted and loans and advances, together at £32,136,000, show a decrease of £6,113,000. This is due to reduced demands upon us by certain public authorities who have effected funding operations during the year, to the lower costs of certain raw materials, and to the application of the Chancellor's directive to banks to control lending under present circumstances strictly within limits of the nation's prime needs and with full regard to the elimination of inflationary transactions.

As a result of the operations over the year, you will observe that profits are less by £22,665, and are lower than they have been in any one year since 1945. Our costs over these years have continued to rise, and, in particular, salaries which are substantially the largest individual item, have shown a steep upward movement. I think it is realised by the public generally that in Scotland banking services have for long been enjoyed at relatively low cost. The rising charges have compelled the banks to take stock of the situation and to determine upon measures to increase revenue. Consequently, the Scottish banks decided, not without reluctance, to introduce as from September 1st last, a new system of charge which is designed to yield a larger income, but I feel it should be emphasised that the additional revenue which is likely to accrue from this fundamental change will not by any means off-set the increased costs which we have already had to face. The immediate effect of the change was to reduce the commission income collected during the last two months of our year—no credit has been taken for accrued income under the new system, the first half-yearly instalment of which becomes payable in March next.

From the sum available the directors have

allocated £75,000 to contingency fund, and £100,000 to increasing the fund for officers' pensions.

DIVIDENDS

Interim dividends on the "A" shares of 7½ per cent, and on the "B" shares of 5 per cent, less income tax, were paid in July last, and it is now proposed that a further distribution of 7½ per cent on the "A" shares (making 15 per cent for the year), and 5 per cent on the "B" shares (making 10 per cent for the year), both subject to income tax, be approved. After payment of the dividends and allocations the carry forward to next year's account amounts to £100,993.

TRIBUTE TO THE STAFF

I cannot conclude my remarks to you without again referring to the loyal and efficient service rendered by all members of the staff, the result of whose efforts are reflected in the report presented to you today, and on behalf of the shareholders and customers alike I extend to them our very sincere thanks.

It is proposed that the Earl of Mar and Kellie be re-elected governor, and that I be re-elected deputy governor, and that the extraordinary directors whose names appear on the list be re-elected.

It is also proposed that Sir John McLean Duncanson, the ordinary director who is due to retire at this time, be re-elected an ordinary director of the bank, and a resolution will also be put before you for the re-election of Mr Douglas Mure Wood, who was seventy in January of this year and retires under the provisions of the Companies Act 1948.

You will observe from the report that Sir John Erskine has intimated his desire to retire from the general managership of the bank in December, 1953, when he will have reached the age of sixty. Sir John has been general manager since February, 1932, and the progress which the bank has made during his period of office is in itself striking evidence of the success of his management. An opportunity will, I hope, be afforded on another occasion to the shareholders to express their appreciation of his valuable services and, today, I shall confine myself to saying that while the directors have accepted his decision with very great regret, they are happy that Sir John will continue to give the benefit of his services and experience to the bank as a director.

To succeed him as general manager the board have appointed Mr Ian Wilson Macdonald, MA, CA, who is a director of the bank. Mr Macdonald is at present a partner of Messrs Kerr, MacLeod and Macfarlan, CA, Glasgow, and was from 1938 to 1950 Professor of Accountancy at Glasgow University. He has a wide knowledge of men and affairs and an intimate knowledge of the bank, gained in the first instance as one of the auditors, and for the last five years as a director. The board consider that he is fully equipped to assume the onerous duties of chief executive officer of the bank. Mr Macdonald will take up full-time duty with the bank on May 1, 1953, when he will be conjoined with Sir John in the general management until the latter retires in December next.

Mr Maurice Crichton, CA, Glasgow, and Mr Ronald J. Henderson, CA, Edinburgh, the auditors, will, under the provisions of the Companies Act 1948, continue in office, and a resolution fixing their remuneration will be proposed.

I now move that the report and accounts be adopted, and I shall call upon Mr Douglas Foulis to second the motion. After that has been done, and before I put the motion to the meeting, any shareholder who desires to make any observations will have an oppor-

THE NATIONAL BANK OF SCOTLAND LIMITED

RECORD FIGURES

LORD ROWALLAN'S SPEECH

The hundred-and-twenty-seventh annual general meeting of the Proprietors of The National Bank of Scotland Limited was held in the bank's head office on December 18th, the Right Honourable Lord Rowallan, KBE, MC, TD, DL, the Governor of the Bank, presiding.

The Governor in the course of his speech said:

The balance sheet as at November 1, 1952, has its own special features, which call for comment. Once again we are able to claim that our total of £121 million surpasses all previous totals and constitutes a fresh record in the bank's history. Deposits at £97 million are higher by about £800,000, while there has been an increase in the note circulation of £1,200,000 to £10,400,000. Advances to customers, including bills discounted, at £27,800,000, show a reduction of £2,400,000. While these figures reflect in some degree the fall in wholesale prices and in the prices of essential raw materials, the sums advanced speak for themselves as to the measure of support given to trade and commerce, not only within the bounds of Scotland but also much further afield. The cash position has been more than maintained, total cash resources of £37,600,000 representing about 35 per cent of deposits and note circulation.

INVESTMENTS

The total investments are entered at £45,800,000. This figure is less than the Stock Exchange valuations, a fact of which we may be proud in a year when there has been substantial depreciation throughout the whole list of British Government issues. That we have felt able to place £50,000 to general reserve out of our allocation of profits, as well as to increase the sum carried forward in the profit and loss account by £19,000 to £138,000, is a good indication that the bank's inner reserves have been amply sufficient to take care of what depreciation did occur in the investments.

Moreover, and it is a point worthy of notice, the greater part of the investments have final maturity dates within as short a period as ten years, and the remainder follow in fairly rapid succession thereafter. Obligations undertaken on behalf of customers in the form of acceptances, endorsements, guarantees and other like commitments show little change at slightly over £9 million, these transactions having as their foundation the free movement of goods in international trade.

PROFITS

The profits, at £286,000, are about £8,000 less than those of 1951, which can be readily explained by the increasing burden of working charges. We have, however, sufficient margin after paying our usual dividends, absorbing £102,900, to allocate £40,000 for the writing down of bank buildings and other property, and £75,000 to the trustees for the officers' pension scheme, as well as to add £50,000 to revenue reserve, as I have already mentioned.

One usual item you will find omitted from this year's profit and loss account, and that is an appropriation to the staff widows' fund. For many years the bank have been making

substantial contributions, latterly at the rate of £10,000 annually, to this fund so as to improve the annuities enjoyed by the widows of the members of the staff. In recent years that annuity was at the rate of £130, supplemented by a further payment of £20 from the bank, but a recent valuation showed the fund, standing on its own feet, to be fully adequate for the provision of an annuity of £150. This improved annuity is again being supplemented by an addition of £30, while deficiency payments of £125 are paid over to the fund on the entry of each new member to meet the difference between the rate of his personal contribution and that which would be required for the purchase of a full annuity. As these will be variable amounts they will in future, as in the present accounts, be treated as working charges and they will no longer appear in the accounts annual appropriations. Nevertheless the bank's support will be continued in the two directions I have indicated.

FINANCIAL SITUATION

In the speech delivered from this chair twelve months ago reference was made to the measures that had been adopted by the Government to deal with the national financial situation and it was suggested that the increase that had been made in the Bank of England discount rate from 2 per cent to 2½ per cent, together with the other plans that were being brought into operation, would have the effect of making for a saner outlook and a more restrained use of credit facilities.

It can now be said that at that time this country had been brought to a position where it was looking into a financial abyss, that abroad there was a widespread fear that the pound sterling would have to undergo further devaluation and that there were very real doubts as to whether Britain would be able to ride the storm. There has, as we all know, been a violent outcry from some quarters because of the further increase in the Bank of England discount rate to 4 per cent, but looking back that increase has amply justified itself, because it helped to convince the foreigner that we were in earnest about paying our way.

FAITH IN STERLING REVIVED

You may remember that a year ago we were talking in terms of an excess of one thousand millions of imports over exports in the first ten months of 1951, but now we can talk of bringing our import position into balance with our export position and of once again accumulating some reserve of foreign exchange. Perhaps the change in the situation can be best illustrated by giving the unofficial quotations in New York for transferable sterling and security sterling, which twelve months ago stood at \$2.43 and \$2.33 respectively to the pound, whereas now the rates are \$2.69 and \$2.63. This improvement is a clear indication of the recovery of faith in the pound.

THE BANKS' VIEW

It has also been represented that the increase in the bank rate has led to increased profits for banks, but that is not so, for

although a higher rate may be charged for loans, higher rates have also to be paid for deposits, and on balance the banks receive no greater net income. On the other hand the margin that existed on investment income was seriously encroached upon, and, more seriously, the higher bank rate led to an immediate and substantial fall in the value of British Government investments, which must always be the backbone of banking assets.

Whatever then our critics may assert as to the increased income flowing into our hands, which as I have endeavoured to show is really transitory, any supposed additions of that kind have been wiped out many times over by the depreciation in investment values. All banks would therefore welcome, as soon as possible, a lowering of the bank rate, with its consequent improvement in the value of their investments.

The report was adopted.

GOODE DURRANT & MURRAY, LIMITED

YEAR OF GREAT COMPLEXITY

MR LEWIS A. KEMP'S REVIEW

The fifty-fourth annual general meeting of Goode Durrant & Murray, Ltd., was held on December 17th at 197, Great Portland Street, London, W.1, Mr Lewis A. Kemp (the chairman) presiding.

The following is an extract from the statement by the chairman, which had been circulated with the report and accounts:

At our annual meeting last year I was in the happy position of informing you that your company had enjoyed the most profitable trading year in its long history. The year under review has been one of great complexity and, under the circumstances, it gives me great pleasure to announce that the result of trading, although not up to last year's standard, is second only to that year.

In my remarks last year I referred to the fall in prices of textiles. This has had a very serious effect upon trade during the current year—particularly as the retail demand fell very severely. In consequence, retailers found themselves overstocked with merchandise at high prices, and buyer resistance set in. Wholesale buyers were committed to orders for merchandise, of which there was little chance of disposal for some time to come. These factors led to cancellations and requests for deferment, resulting in some stocks being thrown on the market at prices as much as 50 per cent below cost. With markets in this condition, we were suddenly faced with Government restrictions on imports, either by licensing quotas or exchange allocations.

WORLD TRADING CONDITIONS

For our Australian branches the year has been an eventful one and trading was affected by several of the factors referred to in our report last year, wherein we stated that the effect on the Australian economy of record high prices for wool had not then been fully realised. Although prices became stabilised early in our trading year, and continued at approximately that level, the serious drop in total wool clip value is now quite obvious.

Nevertheless, in South and Western Australia, there was no evidence of any development of panic action and, consequently, the impact of the altered conditions has been adjusted, not without difficulty, but certainly without disaster.

In New Zealand there were ample stocks of most classes of merchandise and, after the

Commonwealth Finance Ministers' Conference in January, bankers there severely restricted overdrafts. Following upon this, it became apparent that New Zealand had imported far more than she was able to pay for by exports, and the Government chose to restrict imports by allocating exchange on a quota basis. This has meant that many importers have been unable to pay for goods already imported and for further quantities to which they were committed.

The effects of over-trading were felt much earlier in Africa, and surplus stocks have now been practically cleared, so that trade is gradually assuming normal proportions. This territory, however, is seriously short of capital, which is so necessary for the development of a young country. Lack of confidence seems to have restricted the amount of overseas capital becoming available.

Dealing now with the balance-sheet, I have to report that our stocks on hand have been drastically dealt with and, in our opinion, are valued so as to bring them into line with current values. Further provision has also been made for doubtful debts, although, on this occasion, no material addition is being made to the reserve for contingencies.

The profit for the year, after providing for estimated taxation, amounts to £68,925. Although this amount is sufficient to provide for the same dividends as last, the directors have decided to omit the bonus on this occasion, and are recommending the payment of 10 per cent dividend on the ordinary shares.

THE OUTLOOK

It is difficult to forecast the trend of trade for the current year, but there are signs that conditions may become more stable. Surplus stocks are being absorbed and prices have shown no further fall. With a return to healthy competition, the volume of turnover is beginning to pick up. Your directors are continuing their efforts to extend our business in existing and fresh markets throughout the world, to the advantage of the company, and the export trade of the United Kingdom.

The report and accounts were adopted.

JOHN HOLROYD & COMPANY

RECORD RESULTS IN JUBILEE YEAR

MR E. O. LIEBERT ON GROWTH OF EXPORT TRADE

The fiftieth annual general meeting of John Holroyd & Company, Limited, was held on December 18th at Perseverance Works, Milnrow, Lancashire, Mr E. O. Liebert (chairman and managing director), presiding.

The following is an extract from the statement by the chairman which had been circulated with the report and accounts:

Shareholders will no doubt have noticed that our meeting today is the fiftieth one of the company as at present constituted, but, of course, the Holroyd business was in existence many years earlier.

This fiftieth anniversary records the highest profit and the most successful year we have ever had, and at this stage I feel it right on your behalf and mine to pay tribute to the hard work and co-operation of all our work-people in the different factories, and the continued loyal services of your directors and staff. I know that you will wish me to record your thanks to all of them for what they have done.

We have again been extremely busy in all departments during the year, and have continued our policy of installing the very best equipment of all kinds and trying to improve the general working conditions.

Like so many engineering concerns we have had, and still have, certain orders for the defence programme, but these are by no means heavy, and the past year will, I think, be remembered by us largely for the growth of our export trade.

We are now reaping the reward of the efforts made to increase our export trade, which I referred to last year, and we have, during the past year, taken further steps which we hope will expand still further this side of our business, so important to us and to the country. This means that the visits made by your directors and technicians to many different countries will be continued, as personal contact with the overseas agent and buyer is essential in a business such as ours. If things are to be developed on right lines.

EPL: BRAKE ON EXPANSION

I do not propose to comment at length on the financial results of the past year as these I think are quite clearly shown in the directors' report and accounts, but I feel I must add my voice to those of so many others in condemning the new excess profits levy, which, added to a high rate of income tax, and profits tax, is a brake on natural expansion and improved efficiency—the very life-blood of any manufacturing organisation.

Once again we have placed £50,000 to plant replacement reserve, making that reserve £250,000. I explained fully last year the need for such a reserve and I would again mention that the replacement of plant at present-day prices—and at whatever cost, it must be done—is one of industry's biggest problems. We are facing it by building up this reserve, but it is one thing having this reserve and another having it represented by ready cash. Taxation makes the latter difficult, if not impossible, particularly in an expanding business when amongst other things stocks and debtors are growing in value. It would, indeed, be a bad day for this country should industry find it impossible to replace its capital equipment and keep right up to date. We have also transferred £75,000 to stocks reserve, making that reserve £100,000. This has been done as a cautionary measure, having regard to the stock growth of the past few years, bearing in mind also today's high level of prices.

THE OUTLOOK

You will wish me, I am sure, to say something about the future. The outlook is somewhat uncertain for there undoubtedly has been a falling off in demand for engineering products in many parts of the world, but whether this trend will develop into a definite recession it is too early to say. There is also the increase in foreign competition for the world markets to be taken into consideration, although as a group this has not affected us seriously up to now.

Whilst we still have a satisfactory order book in what are perhaps the most important sections of our business, there has been a change during the past few months inasmuch as orders have fallen away somewhat and are now not so high as the value of current deliveries. This means, of course, that we are eating into our orders on hand but I am not unduly concerned about this as the position so far indicates no sign of a serious recession. Whilst, therefore, in the immediate future profits may fall from the new high record of the past year, I have no reason to doubt the underlying strength of your business and its ability to progress steadily as it has done in the past.

The report and accounts were adopted.

WANKIE COLLIERY COMPANY, LIMITED

YEAR OF PROGRESS AND DISAPPOINTMENT

MR ROBERT FOOT ON NEW PRICE AGREEMENT

The twenty-ninth annual general meeting of Wankie Colliery Company, Limited, was held on December 12th, at 41, Stanley Avenue, Salisbury, Southern Rhodesia.

Mr Robert Foot, OBE, MC, the chairman, in the course of his speech, said:

This has been a year of progress in some important directions and of disappointment in others. The most important step has without doubt been the transfer of the management and control of the company to Southern Rhodesia. This transfer became effective on March 31st last, and the head office of the company was established in Salisbury on that date.

THE DIRECTORATE

I have to refer—with great regret—to the resignations from the board and from the secretaryship which inevitably had to synchronise with the transfer of the control. The directors who resigned at this time were Mr S. H. Boileau, Colonel C. F. Birney, Mr Edmund L. Hann, Mr C. D. Hely-Hutchinson, Mr P. Huffman and Mr H. M. Lewis. All of them had made important contributions to the affairs of the company during their tenure of their appointments, and their influence and interest before and during this important move were of great assistance and support. Our grateful thanks are due to them all.

It was with regret also that we had to say goodbye to our former secretary, Mr G. C. Stafford, who had given good and faithful service to the company over many years.

In Mr Stafford's place the board appointed Mr J. A. Bovey as secretary of the company, and we are well satisfied with our choice. Mr R. L. Lechmere-Oertel who, besides myself, was the only other member of the old board to make the move, is also the senior mining director of Powell Duffryn (Rhodesia) Limited.

On the establishment of the board in Salisbury Colonel Sir T. Ellis Robins and the Hon. Humphrey V. Gibbs were appointed directors. Both Sir Ellis Robins and Mr Gibbs are Rhodesian citizens of distinction. Mr Keith Hogan has also been appointed to the board on the nomination of Powell Duffryn Limited. Mr Hogan is one of the leading commercial men in the Powell Duffryn Group.

RESULT OF YEAR'S OPERATIONS

You will have seen from the accounts that our operations during the year resulted in a profit before taxation of £245,198 which, in spite of increased coal production, shows a drop of £38,198 compared with last year, which itself showed a drop of £54,473 as compared with the year before.

It has not been thought necessary to make any provision this year for Rhodesian taxation, as it is estimated that the wear and tear allowances on fixed assets and the depletion allowance will be in excess of the assessable profits. It will be seen from the profit and loss account that there is a small charge of £4,000 for United Kingdom profits tax, and that there is a credit of £31,919 representing previous taxation provisions no longer required.

The combined effect of all this is to leave a balance of profit for the year of £273,117, to which must be added the sum of £41,965 carried forward from the previous year, making together a total of £315,082 for disposal. Out of this amount the directors have

considered it prudent to transfer £95,000 to a new reserve account "contingency reserve" leaving the balance of profit unappropriated £220,082. To this new contingencies reserve the directors have decided that, as the company is no longer subject to United Kingdom taxation, to transfer the amount of £155,000 which was hitherto held in the taxation equalisation reserve account, thus making the total of the new reserve account £250,000.

As stated in the report, the company, as from February 1, 1952, increased the price of coal by 2s. 3d. per ton. This increase applied to all consumers, including the Northern Rhodesian copper companies who, notwithstanding their long-term fixed-price contracts, agreed to pay as from February 1st the same price as the Southern Rhodesian consumers. The Rhodesian railways also, as from the same date, agreed to waive the preferential rights given to them under our present price control agreement. To these important consumers I would like to express our grateful thanks for the entirely voluntary concessions which they thus made.

CONTINUALLY GROWING DEMAND

During the year under review there has been a continuing, and indeed an increasing, pressure for coal supplies throughout all the territories served by the company, which, in addition to Southern and Northern Rhodesia, include Nyasaland, Bechuanaland, the Belgian Congo and Portuguese East Africa. Notwithstanding the fact that the curve of the company's saleable output is continually rising, there is, I am sorry to say, still a serious coal shortage throughout the territories which will not be completely overtaken until the third colliery—which is now in the stage of active development—comes fully into operation, giving the company an output capacity of 5 million tons a year. The continually growing demand places great responsibilities upon the company and the railways. We have great and important tasks in front of us both which must be tackled with equal energy and determination, with full financial provision in each case for the capital required for these essential expansions.

The actual output of saleable coal during the year was 2,594,178 tons. This represented an increase of 10.8 per cent over the previous year's total of 2,342,133 tons. It is not without interest and encouragement to note the progress that has been achieved during the last five years. Our 1949 production was 14.8 per cent greater than 1948. In 1950 it was 29.2 per cent, in 1951 it was 41.2 per cent and this year 56.4 per cent greater than in 1948.

PRICE TOO LOW

The reason why, notwithstanding the very considerable additional tonnage sold, the profits for the year were nearly £40,000 less than for the previous year is, stated quite bluntly, that the price of coal has been too low in relation to the costs of production, thus leaving a totally inadequate balance of profits available for the putting aside of proper reserves for retention in the business, and for the payment of a reasonable dividend to the shareholders.

It must be obvious to every experienced business man, and indeed to every fair-minded critic of the company, that if this situation was to be allowed to continue it would before long become disastrous to the

financial stability of the company, with equally disastrous results upon the whole economy of the countries dependent upon it for their coal supplies. This would be true even if the company was not faced with the necessity of raising its output as soon as is practicable to meet the requirements of consumers throughout the territories. But this necessity, coupled as it clearly must be with the necessity to raise considerable sums of additional capital, makes it imperative in the interests of all concerned—the governments, the consumers and the shareholders—that the company should be placed as a matter of urgency upon a new foundation of financial strength and stability.

The present foundation is based upon the arrangement of price control which was established as long ago as 1923 and has now become completely out of date.

The directors, therefore, felt it to be their duty to make urgent representations to the Government for a complete overhaul and amendment of the present position. I am glad to be able to record here that the Government received our representations with understanding and sympathy, and immediately gave instructions for the whole situation to be closely and critically investigated.

NEW AGREEMENT REACHED

I am glad to be able to report, following this investigation, we have reached a new agreement which includes the following:

(a) The margin in the future will be 6s. 6d. a ton instead of 5s.

(b) The new margin will be an average margin instead of a maximum as it is at the present time.

(c) The time lag will be abolished by providing for the price to be based at the beginning of each year on an estimate which will reflect all known costs and immediately foreseeable increases or reductions when the estimate is made.

(d) The price may be revised at any time during the year to meet either upward or downward trends of costs during any period of twelve months.

(e) The railways will in future be treated on the same basis so far as price is concerned as any other large consumer.

(f) For the protection of the private commercial concerns, factories, tobacco growers, farmers and domestic consumers the new agreement will extend to all coal produced at Wankie and sold for any purpose within Southern and Northern Rhodesia and Nyasaland as well.

(g) The new agreement will deal with other matters which it is unnecessary for me to specify in detail here, but there is a special feature to which I would like to refer. There will be incorporated in the new arrangement some real and continuing incentive for the company by their own initiative and by increased efficiency either to reduce costs or to prevent them rising further. When the scheme is established it is intended that both the company and the consumers will participate in the ascertained savings in fair proportions.

FOUNDATION FOR STABILITY

The board and their advisers are satisfied that the new arrangements are both necessary and no more than are adequate to do

justice to the shareholders, and at the same time to provide a firm foundation of financial stability upon which the plans for further capital provision can be based.

The terms of the new arrangement will become effective as from January 1st next. The new price will be in the neighbourhood of 20s. per ton—a little more for some and a little less for others, the actual price to any consumer being dependent upon quantity and grade. The directors greatly regret having to announce this substantial increase, but they are at the same time completely satisfied that, for the reasons which I have given, and particularly in order to enable the company to raise on favourable terms the additional finance required, they would be falling short of their duty and responsibility both to the shareholders and to the territories served by the company, upon the financial stability of which adequate supplies of coal must primarily depend, if they were to shrink from taking now the only proper course by raising the price of coal to the figure allowed by the new arrangement, however unpopular such an increase may immediately appear to be.

THE BOARD'S AIM

Although, with the one exception of South Africa, there is no other country in the world where the pithead price of coal is as low as the new Wankie price, at the same time I would like to state here without any qualification that the directors and the chief officials of the company are taking every practicable step in the interests of greater efficiency and economy of working in the hope that they may not only avoid any further increase in the price, but even reduce it. The directors subscribe completely to the statement made by the Prime Minister of Southern Rhodesia, Sir Godfrey Huggins, when he said in his speech at the opening of the Zambesi Water Supply Scheme that coal from Wankie should be supplied at the lowest possible price compatible with decent living conditions for all employees, and with a reasonable return to the shareholders. This new arrangement can properly be regarded as a new charter for the company.

Before I leave the subject of price I want to refer specially to the position of the Northern Rhodesian Copper companies and Rhodesia-Broken Hill. It is common knowledge that, under contracts made between these companies and Wankie as long ago as 1937-38, they are legally entitled to receive their supplies of coal and coke at prices fixed in those years without provision for any increase in price to meet changing conditions. I have been very glad to have been able to report from time to time, as I have done to-day earlier in this speech, that these companies have agreed to accept increases in price to keep pace with rising costs. I am very happy now to be able to announce that the companies have agreed in principle to the cancellation of the present contracts, subject to the negotiation of new contracts which will reflect fairly both the new price structure and the large annual quantities involved.

Specific reference in the report was made to the necessity for further finance in order to provide for the expansions of the company's operations, and this necessity has been implicit in the previous part of my speech. The main categories under which this capital expenditure fall are indicated briefly but accurately in the report, and fall broadly under the headings of Coal Output, Coke Output, Housing, Hospital and Medical Services, and General Welfare arrangements and amenities. The matter is now receiving close attention, and an extraordinary general meeting of the company will be held in the New Year when the directors' recommendations will be laid before the shareholders. In view of this, there is no more which I can

usefully add on the matter on the present occasion.

EXPANSION PLANS

In view of the interest which has been shown in the question, it would be well for me to mention to the shareholders the decision of the board to expand the output capacity of the company from 3,800,000 tons to 5 million tons a year by opening a third underground colliery, instead of raising the output by opencast methods.

The two alternatives were critically examined by Powell Duffryn (Rhodesia), Limited, in close collaboration with the colliery general manager, and their recommendation was that the next expansion should take the form of a new underground colliery, instead of a large-scale opencast mine. After full consideration the board accepted this recommendation, but, in coming to this conclusion, they would like to make it clear that they are of the opinion that the time will come when large-scale opencast methods will be employed at Wankie, and that in considering plans for the next expansion that may become necessary, the alternative of an opencast mine will be brought forward again and may well be adopted.

AN OUTSTANDING EVENT

One of the outstanding events of the year was undoubtedly the visit to Wankie on August the 2nd and 3rd of the Prime Minister, Sir Godfrey Huggins, and Lady Huggins, the former to perform the formal opening of the Zambesi Water Supply Scheme bringing water to Wankie for industrial and domestic use from the Zambesi River at the rate of over 2 million gallons a day, and the latter to present the prizes at the children's annual sports.

The Rhodes Centenary Exhibition, to be held at Bulawayo next year, will be an event of great importance and significance. The board have decided that the company, its history and its present operations and progress, should be presented to the visitors in a well-planned exhibit in a manner which will be worthy both of the occasion and the subject. One of the special features of our exhibit will be a film of Wankie which will, it is believed, be full of interest to the visitors to the exhibition.

It would not be right for me to conclude without expressing to Powell Duffryn, Limited, operating through its subsidiary companies, Powell Duffryn Technical Services, Limited, and Powell Duffryn (Rhodesia), Limited, our thanks for their services to the company during the year. In many different ways, and in many different directions, they have been of great help to us, and we are grateful to them.

Finally, we owe a real debt of gratitude to the staff of the company, both in Salisbury and Wankie. It has been a year of extremely hard work for them in every way and in every department. I am glad to say that the spirit throughout the company is one of optimism for the future and the morale is high. Our thanks are due to them all.

The report and accounts were adopted.

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

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

JOHN BEDFORD & SONS LIMITED

RECORD SALES

The fifty-fifth annual general meeting of John Bedford & Sons Limited was held on December 19th at Sheffield, The Earl of Denbigh (the chairman) presiding.

The following is an extract from his circulated statement:

Sales are again a record in the company's history having exceeded last year's figure by a modest amount. Unfortunately, export sales show a decline on last year. This is due mainly to the import restrictions introduced by Australia last March.

As I forecast last year, production has been hampered by some shortages of raw material and by the erratic delivery of others.

Turning now to the balance sheet you will notice the large increase under the heading of materials, work in progress and finished goods. The explanation is twofold. Firstly, there is the restriction on exports to Australia and the tendency of the home trade to let the manufacturer carry the stocks. This is due, I think, to credit restrictions and to a better supply position generally. Secondly, we are now getting the benefits of the increased production and efficiency for which the management has been striving.

PROFIT AND LOSS ACCOUNT

The next item is the profit and loss account. You will see that the trading profit shows a decline of approximately £8,500, which on record sales is at first sight rather disappointing. It must be borne in mind, however, that during the year there has been a considerable wage increase and an extra week's holiday with pay. The numbers on our payroll have remained about the same whilst our wages bill has increased by about £25,000. There have also been increases in the costs of raw materials, particularly billets, and in fuel and power. It has only been possible to pass on a proportion of these increased costs to the purchaser.

On the debit side you will notice that we are liable for excess profits levy so that we have not reaped the full advantage of the reduction in the rate of profits tax. Such is the reward of progress today. You will also notice that the amount transferred to reserve is approximately the same as last year although this year it is in two parts. The object of creating a stock reserve is to provide against any sudden and unforeseen fall in raw material prices which continue to rise with monotonous regularity. Such a fall if it comes could involve us in a substantial loss in view of the large stocks of raw materials, finished and semi-finished goods which we have to carry.

The recommended final dividend remains at 10 per cent, making 15 per cent for the year, as your board consider that while the developments previously mentioned are taking place a conservative policy is essential.

The future remains uncertain. Certain sections of our employees have just received a pay increase of 7s. 4d. per week and the remainder have submitted a similar claim. This increase will naturally affect our production costs and it is doubtful if any of this can be passed on to the consumer. The home market remains difficult. With customers wishing to reduce their stocks we are expected to fulfil their orders by return. There are still many restrictions in the export market and we are meeting increasing competition.

Your board is confident that your company is obtaining and will continue to obtain its share of the available business.

The report and accounts were adopted.

THE STANDARD MOTOR COMPANY LIMITED

LARGER TURNOVER

MR C. J. BAND ON TAXATION BURDEN

The forty-ninth annual general meeting of The Standard Motor Company Limited, was held on December 17th at the registered office, Banner Lane, Coventry.

Mr C. J. Band, chairman of the company, in the course of his speech, said: Some stockholders may wonder why, with the increase of turnover as compared with the previous year, the trading profits should have been substantially less. This reduction is caused by the increased cost of production and the efforts made by the company to meet competition abroad. You can rest assured that it is in no way due to loss of efficiency in the conduct of the business.

Capital additions have increased by some £600,000 after providing no less a sum than £1,226,000 for depreciation and amortisation. The figure of £598,232 appearing in the balance sheet for dies, jigs, press tools, etc., represents the cost so far incurred on those items, for models which will shortly come into production. The costs incurred in respect of current cars and tractors have been completely written off.

DANGERS OF TAXATION SYSTEM

I have on more than one occasion felt called upon to speak about the intolerable burden imposed upon industry by the present system of taxation, and to point out that this burden is not only calculated to destroy all initiative and incentive, but also the spirit of adventure which has made this country great. I have grave fears for this country if the Chancellor of the Exchequer does not find some way of making substantial reductions in taxation.

I think stockholders will agree with me when I say that the time has arrived when the Government, and especially the Chancellor of the Exchequer, should give careful consideration to the widespread appeals for substantial relief of the burdens of taxation imposed upon industry, appeals made by so many of the heads of commercial firms throughout the country.

EXCESS PROFITS LEVY A BAD TAX

I would emphasise that whilst there is a reduction of £407,000 in the profit for the year, the amount required for taxation is reduced by £85,000 only. This arises from the introduction of the Excess Profits Levy, effective from January 1, 1952. In my opinion, this is not only a bad tax, but extremely unfair in operation, and should, in my judgment, be withdrawn.

I would remind you that the Chancellor of the Exchequer introduced the tax in order to take back to the revenue the greater part of any profits made out of the rearmament programme, and that it was imposed from January 1st last. The years for ascertaining the standard profits were the average of any two of the years 1947, 1948 and 1949. I think it correct to say that no profits were made by manufacturers out of rearmament in the year 1950.

The question one naturally asks is: Why did not the Chancellor include 1950 as one of the standard years? The only conclusion I have been able to come to is that, had 1950 been so included, the Chancellor would not have obtained the 100 millions he estimated to receive this financial year from Excess Profits Levy.

I have only to add that, although this company has not made up to date one single penny out of rearmament, it is called upon

to pay no less than £135,000 out of the profits for the last financial year in respect of Excess Profits Levy. Some people might say that this is obtaining money under false pretences. I am stating the facts, leaving you to draw your own conclusions.

Taxation in the financial year is increased to 69 per cent, as compared with 60 per cent the previous year. I know that Sir John, when seconding my proposition, intends to say something about taxation and the crippling effects it has upon our industry, and therefore I will say no more about it.

Whilst the net profits are considerably lower than the previous year, your directors have felt justified in recommending the payment of the same rate of dividend as in the past year, and also payment of £135,000, being the same as the past year, to the employees' special fund.

SIR JOHN BLACK'S REVIEW OF PRODUCTION

Sir John Black, deputy chairman and managing director, in the course of his speech, said:

The motor industry has made a very notable contribution to our country's economy since the war, and it has a right, in my opinion, to expect the Government to make adequate and prompt decisions to ensure that the industry can continue to play its full part and help to maintain employment at its highest level.

To accomplish this we feel that three things should be done at once. Firstly, some clear statement should be made by the Government on the question of purchase tax. Secondly, trade agreements should be concluded with overseas Governments, in addition to the Commonwealth, which will make currency available, and thus allow us to trade. Thirdly (a matter to which the chairman has already referred), a reduction must be made in the general level of taxation to enable us, on a long-term basis, to spend more money on more equipment in order that we may continue to be competitive in world markets.

FERGUSON TRACTORS

Reviewing our accomplishments during the past year, I will deal first with tractors, because, as I have mentioned before, they now constitute the major part of our business. The introduction of the diesel engine into the Ferguson tractor range has proved an outstanding success. Nearly 50 per cent of our tractors are now fitted with diesel engines. At the present time we are producing over 1,000 tractors a week, and we are going up to 1,250 or more in the New Year.

Plant and equipment have been ordered for the manufacture of a new and larger Ferguson tractor. This is an additional model to the present type manufactured by us and designed to operate a four-furrow plough. We and the Ferguson Company believe that it will prove to be another outstanding success, particularly in the dollar area. Since your company undertook the manufacture of Ferguson tractors for Harry Ferguson, Limited, as at 7.30 this morning 309,244 had been delivered.

It has become apparent over the last 18 months that it is necessary either to establish manufacturing facilities in France for Ferguson tractors or to lose the large business that H. Ferguson, Limited, has built up there. I am pleased, therefore, to be able to tell you today that, subject to the approval of the French Government, the Standard Motor Company is about to conclude an arrange-

ment on a partnership basis with Messrs Hotchkiss, the French motor-car and armaments firm, to form a new company to be known as Societe Standard-Hotchkiss. This company will be in operation immediately the French authorities give their approval, and we have set as a target the complete manufacture of 25,000 tractors a year. This arrangement could be extended, if it is thought desirable, to include motor-cars.

NEW CAR MODELS

Now I come to the car side of our business. You will already know that we have introduced the Triumph Sports Car. We expect this model will sell in considerable numbers in the North American market, as well as on the Continent and at home. Other new models are in an advanced stage of tooling, and production has been planned on a scale never before attained by the company. These new models consist of a new Standard Vanguard Saloon and a modified range of Standard commercial vehicles. In addition to the Vanguard range, the new 8 h.p. Standard four-door saloon will be announced during this financial year, but no substantial gain can be looked for during the present year from the production of this new model.

Together with the new sports car, the Renown and the Mayflower complete the Triumph range. I feel that when all these models are combined in a balanced production, we will have a comprehensive range to meet the demand in both the home and overseas markets. Our one-model programme introduced in 1947 has been a great success, but the changing world economic conditions have, in our judgment, made it advisable to introduce additional models to meet those conditions.

IMPORTANCE OF AUSTRALIAN MARKET

Now, with regard to export, as a result of my visit to Australia and New Zealand this year, we have amalgamated the interests of our Australian Associated Company and Standard Cars, Limited. This latter company has been our distributor in New South Wales and Victoria for more than 20 years, and we have formed a new company, "Standard Motor Products, Limited," with a nominal capital of £A5 million. I am satisfied that Australasia remains our largest potential market for exports.

The activities of our companies in India, South Africa and Canada are now gathering momentum, and they will undoubtedly prove valuable assets in the long-term development of those markets.

DEFENCE PROGRAMME

Now to the company's part in the defence programme. Last year I told you that, at the Government's request, we had undertaken the manufacture of the Rolls-Royce Avon jet engine, and that in order to do so we were building a new factory in Liverpool. This project, which is designed to release floor area in Coventry for the Avon, by transferring our spare parts organisation to the new factory, is proceeding satisfactorily. This new Liverpool factory should be in operation before the end of next year.

We, on the Board of Directors, are confident that the company will continue to grow and remain competitive, in spite of the problems that our industry will face in the immediate future.

The report was adopted.

THE BRITISH MOTOR CORPORATION LIMITED

UNIVERSAL POPULARITY OF PRODUCTS

The first annual general meeting of The British Motor Corporation Limited was held on December 17th at The Cowley Works, Oxford, The Viscount Nuffield, GBE, FRS, MA, DCL, LLD (the chairman) presiding.

The following are extracts from the chairman's statement circulated with the report and accounts for the four months ended July 31, 1952:

The consolidated balance sheet and profit and loss account cover a period of four months. In future the end of the financial year of the Corporation will be July 31st. I am sure you would like to know on this occasion how Morris Motors fared during the year ended December 31, 1951, and The Austin Motor Company during the year ended July 31, 1952.

The net earnings before taxation of Morris Motors were £6,986,778 and of The Austin Motor Company £6,999,354. Total net assets of Morris Motors at December 31, 1951, after providing for future taxation were £19,770,424, of The Austin Motor Company at July 31, 1952, £17,683,747. It will be seen that the results of both companies have been very consistent.

EXPORT

During the Morris financial year vehicles and spares were exported to a value of £39,114,273. Of this £5,376,722 was hard currency, arising mainly from deliveries to the USA and Canada. During the twelve months ended July 31st last The Austin Motor Company exported vehicles and spares to a value of £48,445,894, of which £6,063,526 was hard currency.

Exports were well maintained during 1951 and early 1952, but at least one half of the world's markets are now subject to control. It is to be hoped that Government departments engaged in trade negotiations will in future insist that our country gets terms and conditions at least as good as those of our competitors.

REPLACEMENT OF FIXED ASSETS

In the past, both Mr Lord and I have expressed our concern regarding the replacement of fixed assets. This problem calls for very serious consideration by the Chancellor. The strain on industry's resources through the continued exorbitant rate of taxation on profits is having a cumulatively harmful effect.

Our staffs have been busily engaged on the examination of methods of production and standardisation. The benefits which will arise cannot all accrue immediately.

THE OUTLOOK

Our products have never enjoyed more universal popularity. We can justly claim that they compare very favourably with any others in the world. We are backed always by the goodwill of our distributors, dealers, suppliers, staffs and customers. At the same time it would be wrong to foster any spirit of easy optimism because of the hazards and uncertainties with which we are faced, but I am confident that we shall be able to meet and surmount any difficulties which may arise.

The report and accounts were unanimously adopted.

At an extraordinary general meeting which followed, resolutions were proposed and passed which (a) increased the authorised

share capital of the company from £15 million to £35 million (b) capitalised the sum of £19,305,439 (part of the sum standing to the credit of the share premium account) by the distribution of 77,221,756 ordinary shares of 5s. each among the ordinary shareholders on the register at the close of business on November 22, 1952, on the basis of four new shares for every one ordinary share then held, and (c) multiplied by five the voting rights attached to the preference shares.

HECTOR WHALING LIMITED

INCREASED TRADING RESULTS

The twenty-fourth ordinary general meeting of Hector Whaling Limited was held on December 17th in London, Mr R. de B. Trouton (the chairman) presiding.

The following is an extract from his circulated review:

Your directors are pleased to be able to place before you accounts which, for the sixth year in succession, show an increase in trading profit.

The group earnings have enabled us, after making ample provision for depreciation and taxation, to set aside £100,000 to fleet replacement reserve, £100,000 to general reserve and £44,000 to preference redemption reserve, also to repeat the dividends which have now been paid for some years and add £20,000 to the balance of profit and loss account carried forward. Total capital expenditure of over £900,000 has left our liquid position virtually unchanged and our total capital and surplus of over £3 million has been fully maintained.

Last season "Balaena" made 160,000 barrels (about 26,900 tons) of whale oil and sperm oil. This showed a moderate improvement over the previous season and again "Balaena's" oil production was the second largest in the Antarctic.

Production of meat meal and liver meal at 3,500 tons, meat extract and Vitamin "A" liver oil followed what one may now call their normal course.

Last season our whale oil production was sold to the Ministry of Food at £110 per ton, compared with £100 for the previous season. Meat meal and liver meal, liver oil and frozen meat all earned satisfactory prices. The sperm oil market has collapsed and we have only managed to sell about 60 per cent of our production: we are still left with a carry-over of about 1,000 tons.

This year we have sold forward our entire production of whale oil at a price to be fixed in relation to the average price of palm oil, but with a minimum price of £70 and a maximum of £78. We have contracts for the sale of the great bulk of our potential production of frozen meat at substantially better prices than last year. Meat meal has been sold at a slightly better price than before, while we are arranging sales of meat extract at a substantially advanced price.

In the year under review our tankers earned exceptionally good profits. This year there has not been the usual autumnal recovery in freights, so we cannot hope for very big earnings in the summer of 1953, though so far in the current year the earnings from this source have been satisfactory.

There will be sixteen expeditions this season against nineteen last year. The prospects are that we shall have a longer season this year and, we are entitled to hope, a larger production, even if we allow for the improvement of some of our competitors from concentrating the best material and men in fewer expeditions.

The report was adopted.

THE PERUVIAN CORPORATION LIMITED

INCREASED TRAFFICS

The sixty-second annual meeting of The Peruvian Corporation Limited was held on December 11th in London, Mr W. H. White (the chairman) presiding.

The following is an extract from his circulated statement: The gross revenue from the railways and steamers for the year under review (when converted into sterling at the rates mentioned in the accounts) amounted to £3,813,146, as compared with £3,278,525 in the preceding year. Expenditure also advanced from £2,797,953 to £3,483,527, due to increases in salaries, wages, social legislation obligations and higher costs of materials. After making provision for a possible retro-active claim for a price increase in fuel oil in the year covered by the accounts, the net profit was £375,400 before charging debenture service. Since the publication of the accounts the above-mentioned claim has been withdrawn, and the provision made therefor will accordingly not be required and should therefore be added to the £375,400 before mention, which makes a total (after adjustment of exchange difference) of £494,663 compared with £514,420 in the previous year.

TAXATION

The subject of the obligations of the corporation under the social laws of Peru has been mentioned more than once at previous meetings. It will be recalled that these laws impose upon the corporation (among other obligations) the liability to pay on the retirement or death of every employee or workman in Peru a lump sum equal to one month's salary for every year of service of an employee and two weeks' wages for each year of service of a workman, and this sum is calculated on the basis of the salary or wage payable to the employee or workman at the time of his death or retirement. The English Revenue Authorities have maintained that only the actual amount paid by the corporation in each year on account of this liability may be charged against profits for the purpose of UK income tax, while the corporation, on the other hand, has throughout contended that it is entitled to charge the amount of liability which has accrued during each year, whether actually paid out or not.

The board decided to take the matter to appeal, and the hearing took place in July last before the Special Commissioners of Income Tax, when Dr Hernando de Lavalle, who was fortunately in Europe at the time, gave evidence regarding the effect of Peruvian Social Laws. The Special Commissioners decided in favour of the corporation's contention, but the Inland Revenue have since formally stated their dissatisfaction with this decision and have requested the Special Commissioners to state a case for the opinion of the High Court. As the matter is still *sub judice*, I shall not make any comments on the case.

MORATORIUM

For reasons which were given in a circular issued to the debenture holders on October 28, 1952, the board found themselves unable to formulate a permanent scheme of arrangement. Consequently, they proposed a scheme which extended the operation of the earlier ones for a further period of one year to December 31, 1953, with power to the Debenture Holders' Committee to grant an extension to a date not later than December 31, 1955. The debenture holders passed the scheme by the required majorities, namely, for 1,618 persons holding £1,495,300 debentures, and against 154 persons holding £254,700 debentures and accordingly a petition has been presented to the Court.

The report and accounts were adopted.

THE WRIGHT SADDLE COMPANY, LIMITED

A SUCCESSFUL YEAR

MR ARTHUR COLEGATE'S SPEECH

The sixteenth annual general meeting of The Wright Saddle Company, Limited, was held on December 18th, at Chamber of Commerce Buildings, 95, New Street, Birmingham, Mr Arthur Colegate, MP (chairman of the company), presiding.

After he had dealt in detail with the accounts, the chairman said:

I am glad to be able to meet you again after we have had such a successful year. It is true that the results are not quite as excellent as those of last year, which constituted a record in the history of the company, but in view of the difficulties and the increased competition the results must be regarded as remarkably good.

PROMISING NEW DEVELOPMENTS

Competition in the industry has been growing, but so far we have been able to meet it; in this connection you will see that we are continuing to spend substantial sums on capital improvements and on new developments, which should materially help us successfully to meet the altered conditions of the trade. It must be understood, of course, that these promising new developments will take time to produce the full benefit of our research and experiments. So far as our materials are concerned the position has eased considerably and it seems likely that this easier state of affairs will continue.

I have referred to our expenditure on capital improvements, and in this connection I must again draw attention to the ill-effects on the efficiency of the British industry of the way in which taxation is levied on businesses. You will see from the accounts that we have to provide for a sum this year of £65,558 for taxation, while the sum distributed by way of dividends amounts to less than £15,000. In these circumstances you can realise how difficult it is to plough back into the business as much as your directors would like in order to keep our plant up to the highest standard of efficiency. It is to be hoped that apart from income-tax, serious consideration will be given by the Chancellor of the Exchequer to the abolition of the undistributed profits tax, which exercises such a baneful influence at the present time.

THE FUTURE

With regard to the future it is more difficult than ever to make any sort of prophecy; we have opened a new financial year successfully, but the outlook is very obscure. We are endeavouring with some success to break into new markets or markets which for a variety of reasons have been closed to us for some years, and we shall continue our efforts in these directions.

I am happy to say that we continue to have the most cordial relations with our work-people and staff, with whom we work as a team, and each of our successes is due to this fact.

In conclusion, it gives me very great pleasure to tender on your behalf and on behalf of myself and the board our very sincere thanks to the managing director and his staff, both in office and factory, for the good work that they have done during the past year.

The report and accounts were adopted. Mr J. H. Gold was re-elected a director, and the meeting concluded with a hearty vote of thanks to the chairman.

WALMSLEYS (BURY) LIMITED

(Manufacturers of Pulp and Paper Making Machinery and Equipment)

MR JOHN WOLSTENHOLME'S REVIEW OF OPERATIONS

The twentieth annual general meeting of Walmsleys (Bury) Limited, was held on December 12th at Bury, Mr John Wolstenholme, the chairman, presiding.

The chairman in the course of his speech said:

The group profit for the year before charging taxation, is £459,445, compared with £480,589 for the previous year.

After charging tax and deducting the proportion of subsidiary companies' profits attributable to outside shareholders, the group profit becomes £213,826, as compared with last year's record figure of £223,555. £12,000 has been set aside for pension reserves. The recommended dividends require £34,388 and there remains the sum of £167,438 to be added to the carry-forward. This means that after providing for a final dividend of 10 per cent on the ordinary share capital, the sum carried forward becomes £821,310.

New machine tools have been supplied to every works, and existing machines have been maintained in a high state of efficiency to meet world-wide competition.

As we had anticipated, 1951-52 was not an easy year for raw materials. The position is definitely improving but none of us can yet be entirely happy about all forms of supply.

Since our last meeting important paper-making machine contracts have been completed for Britain, Australia, South Africa and Norway. Good reports have been received in all cases. Big reconstruction jobs have gone forward at home and abroad. Material has gone to new projects in New Zealand, Pakistan and Portugal and it will not be long before complete machines from the Walmsley Group are sent to good work in those countries.

FUTURE PROSPECTS

Since the war there has been a sustained demand for papermaking machinery, both at home and abroad. During the past twelve months the paper trade throughout the world has experienced a recession. We cannot expect to remain unaffected by that recession. At the best, it must slow down or postpone the process of building entirely new mills or of modernising others. Over the longer term, however, the consumption of paper and board in the world is certain to increase, and it is up to us to be ready to provide the means of ensuring that increase. Meantime, we have still a good volume of work on hand and we are committed to produce a great deal of machinery over the next twelve months.

There is a particular point to which I should like to draw attention. Export is a very important part of our business, and we have a good name in a great many countries.

Your directors have for some time been considering possible complications in the financing of orders and in the transfer of funds from abroad. You can be assured that they are being prudent in these matters. So far I don't think that we are at any disadvantage compared with our foreign competitors on general credit terms, but if the need arises, Governments must be prepared to act quickly to provide improved credit facilities.

The report was adopted.

SECOND INDUSTRIAL TRUST

The forty-first annual general meeting of Second Industrial Trust, Limited, was held on December 11th in London.

Mr Lionel A. Stride (the chairman) in the course of his speech said:

Our gross income for the year under review attained a new high level at £149,596, an increase of £3,538 over the previous year. Needless to say, our tax liability is greater, so much so that, after deduction of £58,977, which is £3,459 more than last year, we are left with a net revenue figure of £62,287, or £572 less than a year ago.

We have transferred £25,000 to general revenue reserve, against £35,000 twelve months ago, and we recommend a final dividend on the ordinary stock of 10 per cent, making 14 per cent for the year, against 12 per cent paid the previous year.

The appreciation on our investments is still considerable, although some 18 points lower than last year, from which it may be inferred that the Trust's portfolio remains sound and is well able to stand up to the violent fluctuations which are a feature of the markets today.

You will no doubt appreciate how much more difficult today is the task of your board in their conduct of your affairs than it used to be. It is more difficult than ever to decide on a policy or plan ahead. Decisions must be made quickly or reversed equally quickly in the light of constantly changing conditions at home and abroad. The record results set before you today were achieved despite these difficulties. The present indications are that the upward trend of our revenue is halting and it seems unlikely that our income will reach the same heights next year.

The report was adopted.

W. & J. LAWLEY

RECORD RESULTS

The thirteenth annual general meeting of W. & J. Lawley, Limited, was held on December 17th in Birmingham. In the absence of the chairman, Mr. H. J. Gaunt presided and, in the course of his speech, said:

The year has been one of great activity for your company, the annual value of our turnover being the highest in the company's history, the trading profits for the year being also a record at £62,674, which is £14,675 greater than the previous year.

Out of the year's profit £38,950 is absorbed by taxation, the proposed dividend takes £10,500 and the carry-forward amounts to £77,387, being an increase of £13,595 over the previous year. The taxation charge is 62 per cent of the year's profits and is a very heavy burden indeed. I can only hope that in any remission of taxation the Chancellor may be able to make in April next year, that the claims of industry will be given high priority.

Your directors again recommend the payment of a dividend of 40 per cent, less income tax, for the year.

The supply position of most metals has grown noticeably easier during the year and your company has been able to take full advantage of the easing of the position.

I am quite sure the company's products will continue to find a ready market, but I know equally well that in many directions costs are still rising steadily. As long as control and competition are fair I feel no reason to doubt the ability of the company to maintain its prosperity.

The report was adopted.

BIRMID INDUSTRIES, LIMITED

RECORD TURNOVER

The annual general meeting of Birmid Industries, Limited, was held on December 12th, at Birmingham. The Rt Hon Lord Burghley, KCMG, chairman, presiding.

The following is an extract from his address, circulated with the report and accounts for the year ended July 31, 1952:

Your directors are very pleased to report another successful year, mainly due to the increased turnover, which, with the exception of the war years, was a record in the history of the company. The very excellent results were largely due to the orders on hand at the commencement of the financial year, together with those received during the earlier part of 1952.

Unfortunately the position has changed since July, and incoming orders, together with cancellations, rather point to the fact that this year's results may not be so favourable. However, I am confident of our ability to obtain our share of all available business.

The charge for taxation, at £1,549,980, is in excess of the net profit, £961,234, by some £589,000, a very formidable figure. In this connection I would again emphasise the remarks which I made a year ago, when I stated that in the view of your directors the present method of taxing profits, especially that proportion retained for renewal and replacement of fixed assets, together with the unrealised profits on normal stocks, due to inflation, retards the development of industry in general. As compared with the previous period, the net profits for the year show an increase of £112,709.

PRODUCTION AND SALES

Group sales are up by 21½ per cent in value, as compared to last year. Increased material costs, especially metals, account for some of this, but the volume of production has also risen satisfactorily. The general rate of progress is shown by the fact that the sales value for 1951-52 is nearly double what it was five years ago in 1947-48. It is satisfactory that all the group companies shared in this increase.

Material costs have unhappily continued to rise. Adverse exchange rates, world shortages and sellers' markets have all contributed to these advances. We are almost wholly dependent on Canada for aluminium, largely for magnesium, and on other countries for iron ore, zinc and other basic materials.

This year's accounts show what a colossal burden taxes have become. I would emphasise how greatly industry needs some lightening of this load. We employ costly and massive plant to an increasing degree in our foundries and rolling mills, otherwise we cannot compete. Adequately to maintain such plant, or to replace or extend it with better, needs annual capital expenditure greater than hitherto, as such plant costs three or four times prewar rates, and in many cases is obsolete before it is worn out, so rapid is modern development.

EPL is yet another example of financial phlebotomy, and I cannot urge too strongly that action should be taken to relieve these burdens before much of British industry is seriously crippled. A note of caution: harder times are indicated in keener competition for reduced markets. We shall do our best, and that is all I ought to say.

The report and accounts were adopted and the proposed dividend of 10 per cent and a bonus of 1½ per cent, both less tax, were approved.

WALTER SPENCER & COMPANY, LIMITED

FURTHER PROGRESS

MR E. RANSOM HARRISON'S REVIEW

The sixteenth annual general meeting of Walter Spencer & Co., Limited, was held on December 18th at Sheffield, Mr E. Ransom Harrison, FSAA, the chairman, presiding.

The following are extracts from his circulated statement for the year to September 30, 1952:

I have pleasure in submitting the profit and loss account and balance-sheet, which again show an improved result on last year in spite of the many difficulties and anxieties we have experienced during the year owing to shortage of supplies. The question of future supplies is still an anxious one, but everything is being done to keep the works fully supplied.

The necessity of keeping the plant up to date is one which is constantly under review and we have a further capital expenditure, not provided for in the balance-sheet of £11,840. The purchase of further machinery is under consideration but this will be largely governed by promised relief from the present heavy taxation.

Profit and Loss Account.—You will see that the amount provided for income-tax, profit tax and excess profit levy is very heavy this year and we hope that there may be in the near future some relief from this crippling taxation, which at the present time leaves insufficient funds for replenishing our plant and machinery.

Contingency Reserve and Pension Scheme.—It is proposed to put £8,000 to the contingency reserve, making it £28,000, and also a further sum of £4,000 to the pension scheme, making this reserve £14,000.

TURNOVER AND EXPORT TRADE

The turnover for the year is considerably in excess of last year, some of which is accounted for by the increased prices, but the actual production has also been increased. The order books, while not quite so full as last year, assure us of work for some time to come, but unfortunately the export trade has fallen off considerably due mainly to lack of import licences and difficulties with currency, but we hope that these troubles will be overcome and that our overseas clients will be able to order as before.

Last year we mentioned that we might have to ask for new capital to build further premises, but in view of heavy taxation and high cost of machinery, we have decided not to proceed with this at present.

Dividend.—Your directors recommend a final dividend of 10 per cent, less income tax, making with the interim dividend 5 per cent, less income tax paid on May 29th last, a gross dividend of 15 per cent, less income tax, leaving a sum to be carried forward of £10,866.

During the year Mr Winskill, on his doctor's advice, tendered his resignation as joint managing director. Mr Brazenall, was appointed managing director.

The directors are very pleased to place on record their appreciation of the untiring services of the staff through this difficult year and the enthusiastic support of our faithful employees without which it would have been impossible to produce such results. This service has been recognised as usual by a suitable bonus to all.

The report and accounts were adopted.

THE BIRMINGHAM SMALL ARMS COMPANY

DETERRING EFFECT OF TAXATION

The ninety-first ordinary general meeting of The Birmingham Small Arms Company Limited, was held on December 17th at Small Heath, Birmingham.

Sir Bernard D. F. Docker, KBE (chairman and managing director), in the course of his speech, said: The total profit, before providing for taxation for the year, was £2,326,020 against £2,200,338.

The amount required for taxation is £1,520,309—almost exactly two-thirds of the profit. This bleeding of industry will ultimately benefit no one except the country's foreign competitors. Incentives, both to the individual, and to industry generally, are vital, and they can only happen by the lowering of direct taxation.

Having in mind the importance of our production of guns, motor cars, motor cycles and pedal cycles, I feel bound to refer to the question of purchase tax. Now that the competition for export markets renders vital a steady home market, to make possible the lowest production costs, it is imperative that the question of purchase tax should be reviewed without delay. The present uncertainty regarding the tax is restricting the placing of home orders, and affecting adversely export prices.

It is our business to go out and sell our goods; I believe in our goods, and I believe that we can sell them provided always that it is made possible for trade to exist throughout the world, and that conditions under which we have to trade are fair.

The report was adopted.

THE SOUTH WEST AFRICA COMPANY

The annual general meeting of The South West Africa Company, Limited, was held on December 12th in London.

Sir Dougal Malcolm, KCMG, the chairman, in the course of his speech, said:

The total amount provided for tax for this year is £320,683, compared with £213,444 in the previous accounts.

The profit on the year's working, after providing for taxation, is £157,778, and after adding the balance brought forward, £46,611, we have available £204,396. It is proposed to pay a final dividend of 6s. per share, which, together with the interim dividend of 2s. per share, will absorb £111,000.

Development operations at Abenab West and at our other properties have continued during the year under review.

Our sales of lead last year realised the large amount of £637,601, the average price received for our production being £151 per ton of metal. In contrast to this, the average price for lead on the London Metal Exchange was for last month £94 approximately.

With regard to our sales of zinc concentrates, the substantial figure of £141,868 realised last year was again influenced by the high prices ruling during the period under review. The average received in this instance was £152 per ton of metal, which contrasts with the present-day price of somewhat over £100 per ton. I need hardly say that the fall in the prices of these metals must of necessity have an adverse effect on our results for the financial year ending on June 30th next, though to what extent it is, of course, impossible to forecast.

The report was adopted.

HARRISONS AND CROSFIELD, LIMITED

SIR ERIC MILLER ON TAXATION

Presiding at the forty-fourth annual meeting of Harrisons and Crosfield, Limited, on December 16th, Sir Eric Miller reported total group profits for the year to June 30th of £1,822,756, an increase of £118,638, and said: The group net profit applicable to the parent company, including reserves and provisions brought back, was £886,694. The deferred ordinary dividend is maintained at 30 per cent, and dividend equalisation reserve receives £200,000, making that reserve £250,000. Total reserves now amount to £3,442,040, an increase of £775,620 over the previous year.

TAXATION DISADVANTAGES

We, in common with many other British enterprises trading overseas, suffer the following taxation disadvantages in respect of profits made abroad: (1) The combined local and UK taxes payable on such profits, even after allowing for such double taxation relief as is available, often exceed the amount which would be payable if such profits were earned wholly in the UK; (2) the taxation authorities have so far insisted on our paying UK tax on profits of overseas branches in sterling, even though it has been impossible to have such profits remitted to this country because of exchange control restrictions. Incidentally, this penal taxation affects not only trading concerns, but applies equally harshly to many of the plantation companies domiciled here for which we act as secretaries.

Weighty evidence has been submitted to the Royal Commission on the Taxation of Profits and Income, proposing to exempt overseas income from income tax and profits tax in the UK, a system which is already in force in Australia, South Africa and certain European countries. We suggest that the Chancellor should make this urgent reform law and not delay action until the report of the Royal Commission is available.

During the complete exemption proposed, UK taxation laws should be amended without delay to allow that: (a) Such profits should not be assessable to UK taxation until received in this country, thus following the practice of the USA; and (b) the principle of full double taxation relief, which at present is applicable only as between the UK and those countries which have actually entered into double taxation agreements, should be applied to all foreign income.

TEA AND RUBBER

Sir Eric said that the cessation of tea rationing brought no immediate increase in consumption, but owing to low prices and other causes world supply and absorption were rapidly approaching equilibrium. He foresaw that tea would not be available for long at prices appreciably below cost of production.

For years past, he said, the USA Government Agencies have played an almost decisive role in shaping the course of natural rubber prices by reason of their stockpile purchases on the one hand and their synthetic production policy on the other. The State Department are well aware of what a fair price for natural rubber means to the economy of South-East Asia, but they are not the Agency which dictates the policy of the USA Government in rubber matters. The natural rubber industry desires, and ought to have, a fair field in which to compete on its merits with synthetics priced on a commercial, unsubsidised basis with only minimum mandatory use. I remain a firm believer in the future of natural rubber from conviction of its merits as a tough elastic material.

The report was adopted.

LINES BROS. LIMITED

YEAR OF FURTHER PROGRESS

The thirty-fourth annual ordinary general meeting of Lines Bros. Limited was held on December 12th at the company's offices, Tri-ang Works, Morden Road, Merton, London, S.W., Mr Walter Lines, chairman and general managing director, presiding.

The following is an extract from his circulated statement: Your company has made further progress during the year. Trading has taken a big step forward towards sanity, involving a return to the buyers' market inevitable in a competitive world. Lines Bros. group accounts show the good results of a year notable for many adjustments to the old prewar conditions so well known to your board. We have no misgivings that the return of such conditions can have anything but a beneficial effect on the affairs of your company. We regard such a change as the only possible prelude to sound trading throughout the world, and to the progress of this country in the essential overseas markets.

During the year we suffered the full effects of Australian and other countries' restrictions of imports, but were able to increase the total sales of the group, thereby adding to our profits. Our investment in Cyclops and Lines Bros. (Aust.) Limited has proved profitable and this company is going ahead strongly. Lines Bros. (N.Z.) Limited is prospering and has enabled us to export parts providing fine toys which, owing to restrictions, could never reach that market as finished goods. Lines Bros. (Canada) Limited has made some further progress towards a profit-making basis.

NEW ACQUISITION

During the year we purchased a company producing a fine scale model electric railway with valuable patents and features which we are developing in many ways. This company has had a profitable first year under our group management and has excellent prospects. All the other companies in the group have earned substantial profits as a result of increased sales.

We look forward to the future with confidence, knowing that our quality goods are justifiably sought after wherever they are not subject to complete embargo. When trade throughout the world returns to freedom from interference by governments, the products of your company will be in even greater demand.

The dollar markets are receiving ever-increasing attention with good hopes of enlarging our sales. Improved selling arrangements in the USA will come into force from January 1, 1953. We have been entrusted with the development and manufacture of various items for the defence programme; at present these form only a small part of our production.

In the year under review the company made an issue of unsecured stock to take care of increased costs of carrying on business. This has been put to good use. It is sad that exorbitant taxation takes in cash so high a percentage of earnings as to prevent necessary expansion and provision of expensive modern plant unless by the issue of new capital.

Development of new ideas is going ahead strongly, and while your directors feel that the group is getting stronger, we have full understanding of the need for continual progress.

The report and accounts were adopted and the payment of the dividend on the ordinary shares of 8d. per share, less income tax, was approved.

HERRBURGER BROOKS, LIMITED

SATISFACTORY PROFIT

The thirty-second annual general meeting of this company was held on December 17th, in London, Sir Louis Sterling, chairman, presiding.

The following is an extract from his circulated statement for the year to June 30, 1952:

After providing for taxation, the net profit, although showing a reduction, has continued on a satisfactory basis. The trading profit is larger than in the previous year but increases in expenditure and taxation, together with a charge of £4,148 for employees' pension premiums result in a reduction of approximately £6,000 in the final profit.

The balance sheet continues to reveal a strong financial position. The increase of stock in hand is due mainly to our ability to purchase larger quantities of materials. Debtors, however, show a large reduction due to the heavy diminution of business owing to the restriction imposed by the Australian and other governments on piano imports which has had a very serious effect on the piano trade generally. The position has shown a slight improvement in the last few weeks, but no major recovery can be expected unless the restricted export markets are re-opened to the piano trade.

The home trade has continued to be negligible owing to the high rate of purchase tax. It is pleasing to note that the purchase tax has recently been halved and is now at the rate of 3½ per cent, but while appreciative of the gesture of the Chancellor of the Exchequer it is thought that the reduction is too small to enable any important benefit to be gained. The report was adopted.

PRICES TAILORS LIMITED

COMPLEX TRADING CONDITIONS

The twenty-fourth annual general meeting of Prices Tailors Limited was held on December 18th in London. Sir Henry Price (chairman and joint managing director) presiding.

The following is an extract from his circulated statement:

The past year proved one of the most complex in my experience.

The adverse trading conditions experienced by practically all concerns in the textile and clothing trades must by now have been made only too clear to you. We have suffered in common with others and indeed our trading to June 30, 1952, covered the period of greatest difficulty in the clothing trade.

All things considered, however, I feel that we were reasonably successful in the achievement of turnover. Throughout the year we never relaxed our efforts to ensure that the quality and price of our products were at least abreast of current competition though this has, of course, meant considerable sacrifices in normal profit margins.

During recent years I have repeatedly stressed that the aim of the board has been to provide the very best clothing that can be made at a price the average man or woman can afford, which is approximately one week's wage. I am proud of this achievement as a direct contribution to the reduction in the cost of living and I believe that this policy has given and will continue to give us at least our full share of available business.

The report was adopted.

TRONOH MINES LTD.

The fiftieth annual general meeting of Tronoh Mines Ltd. was held on December 17th in London.

Mr J. H. Rich, chairman of the company, presided.

The chairman referred to the loss to the board caused by the death of Mr Harry Rich and the retirement of Mr H. Ashworth Hope, and to the filling of the vacancies by the appointment of Mr D. W. Thomas and Mr R. J. Ward.

The following are extracts from the chairman's address which was circulated to shareholders:

In addition to the increase in the cost of fuel and material there has been a marked increase in wages due to a tin price bonus scheme. It was the original intention of the scheme that when the tin price dropped there should be a corresponding reduction in wages. When the price did drop, however, no such reduction followed because the cost of living had not decreased.

TERRORISM

Concerning conditions in Malaya, it is generally admitted that there is a marked improvement, largely due to the strong and energetic measures taken by the High Commissioner. One result has been greater co-operation between the people and the authorities in the supply of information. The fight is, however, by no means over, as is shown by the attacks which still occur.

Our staffs and their families, in common with others, continue to live in an atmosphere of acute strain. Their courage and calmness, which have largely contributed to maintaining the general morale, deserve our greatest admiration.

TAXATION

The accounts for the year ended December 31, 1951, show the heavy burden the company has to bear in the way of taxation, and now there is an additional impost in the form of an excess profits levy. Representations were made for the exemption of the Malayan tin mining industry. The claim for total exemption was not granted, but certain concessions were obtained.

MALAYAN TIN BUREAU

There has recently been set up in Washington, DC, a Malayan Tin Bureau sponsored and financed by the Malayan tin producers which will provide accurate information in the USA regarding the industry.

TIN POSITION

As regards the tin situation the immediate future is obscured by uncertainty over stockpile objectives in the USA and the control maintained on industrial consumers in that country. But the policy of the USA in keeping the price down remains unchanged, and while this policy persists there is no incentive for increased production.

In assessing the future production of tin, the nationalisation of the tin mining industry by the Bolivian Government cannot be overlooked, as it raises the question of the effect it will have on production. The general view, I think, will be that it will have a very marked adverse effect.

A well-known firm of metal brokers has estimated the probable world production of tin for 1952 to be 154,900 tons and consumption 140,000 tons. The surplus of about

15,000 tons is obviously much less than the US Government would appear to be willing to take into the strategic stockpile. The expectation that this surplus may bring opportunities for buying tin at lower prices during the next few months is not likely to materialise. There can be no doubt that the tendency will be for an increase in consumption. The increase in the population in the USA alone, which is growing at the rate of 2,750,000 a year, will inevitably have its effect on the consumption of tin, by steadily expanding the need for tinplate to make containers for processing and preserving larger quantities of food.

The tremendous increase in industrial production in the world has raised the question of the supply of the necessary raw materials. Realising the importance of this, a Commission was appointed in the USA to examine the problem. Their report, known as the Paley Report, has recently been published, and in its findings the Commission has pointed out the urgency of an increase of one-sixth in the world production of tin. One consequence of the publication of the Paley Report has been an intensive study by the US Government of the entire raw materials question and as a result there appears to be growing support for some form of stabilising price agreement. This is a complete change from the attitude formerly held. There are, however, grave doubts about the usefulness of any such schemes; there is a dislike of any interference with the freedom of the market, and there is finally the insuperable difficulty of getting producers and consumers to come to terms in any such scheme over such essentials as quotas and high and low price levels.

The report and accounts were adopted.

IND COOPE & ALLSOPP, LIMITED

INCREASED TURNOVER

The fortieth annual general meeting of Ind Coope & Allsopp, Limited, was held on December 18th in London, Col. the Rt. Hon. Lord Courthope, PC, MC (chairman), presiding.

The following is an extract from his circulated statement for the year ended August 31, 1952:

Following a period of declining output, the year provided us with a steady home trade and a substantially increased turnover. This latter arose not only from the increased price, but from the continuing swing from draught into bottled beer, and in particular a further substantial increase in the sales of Double Diamond. Notwithstanding this swing, our draught beers are receiving increasingly favourable comment.

There have been in some quarters suggestions that the industry's sales efforts are unduly concentrated on beers and wines and spirits; while it is from the sale of these articles that the greater proportion of our profit is made, it is, and has been for some years now, this company's policy to encourage both tenants and managers to provide such refreshments as may reasonably be required by the public. Where catering licences have been available, there has been a ready response to meet this demand, but it is not in all cases that any useful public purpose is served by providing catering facilities when such facilities are already amply available close by.

There is a satisfactory increase in group trading profit at £2,703,217, as against £2,582,677 last year; taxation has absorbed practically the whole of this, leaving a trading balance of £770,177, as against £765,923.

The report was adopted.

J. GLIKSTEN AND SON, LIMITED

TURNOVER WELL MAINTAINED

The forty-seventh annual general meeting of J. Gliksten and Son, Limited, was held on December 18th in London, Mr S. G. Gliksten (chairman and managing director) presiding.

The following is an extract from his circulated address: The revenue from trading of the group amounts to £718,370 as compared with £1,066,315 a year ago. The provision for taxation requires £350,183 as against £520,959 a year ago, and the net profit then remaining has been adequate to provide a substantial transfer to reserves and also to maintain the dividend on ordinary stock at 32½ per cent, less tax, the rate paid for the previous year. It should be pointed out that the maintenance of this dividend is on the capital as increased by the rights issue and capital bonus distribution in the autumn of last year.

In the consolidated balance sheet the total capital employed, including reserves and undistributed profits, amounts to £2,626,866 as against £2,080,600 a year ago. The excess of current assets over current liabilities amounts to £1,633,500 as compared with £1,192,998 a year ago. Loan capital, bank overdrafts and loan accounts are reduced by £233,353 during the year, and these features of the accounts are highly satisfactory.

The beginning of the financial year was notable for a continued rise in prices of all timber products, and in fact at one time during the year prices reached an exceptionally high level. The change in Government marked a policy of counteracting inflation by deflationary measures, and from the country's point of view these were successful and resulted in a sharp fall in prices which culminated at the end of our financial year. Since that time confidence appears to have revived and trade has improved. This has resulted in a small but satisfactory advance in the prices of our raw materials as compared with prices at the bottom of the market which did not cover the cost of production. In spite of the difficulties with which we have been faced during the past year, turnover has been well maintained, and the demand for the group's products continues to be satisfactory.

CONTROL OF IMPORTS

Changes in Government policy towards this industry are so frequent that it requires the utmost agility to adapt business policy to cover these changes—for instance, during the past year the Government have found it necessary further to control the imports of wood goods with the exception of those emanating from the sterling area. The imports of softwoods and wallboards have also been accompanied by restrictive quotas which has made the position even more difficult. It has recently been announced, however, that individual quotas will not apply to imported softwoods during the year 1953, imports to be restricted by a global limitation on the quantity permitted to arrive in this country. We shall endeavour to use our ability as distributors of softwoods to the fullest possible extent.

Export turnover has again increased during the year although in common with most other suppliers we have been severely restricted by the closure of the Australian market. Nevertheless, it is our determination to continue the development of our export departments which handle many commodities not wholly related to the timber industry.

The report was adopted.

JOSHUA TETLEY AND SON, LIMITED

RECORD YEAR

The annual general meeting of Joshua Tetley and Son, Limited, was held on December 12th at Leeds.

In the absence of Mr C. H. Tetley (the chairman) owing to indisposition, Mr F. E. Tetley presided and read the chairman's speech:

Ladies and gentlemen,—

As chairman of our company it is my privilege to submit for your approval and adoption the accounts and directors' report for the financial year ended September 30th last. You will have seen that the company has had a record year as far as sales are concerned, our gross income for the year of £6,450,124 being absorbed in the following manner:

Beer duty	%
Taxation	61.9
Materials and production costs (excluding wages) ...	5.4
Wages and salaries	11.4
General trade expenses	5.4
Depreciation and reserves ...	10.0
Interest	3.3
Dividends (net)	.8
	100.0

It should be observed that although our income has never been higher in the history of the company, yet there has only been a slight increase of some £700 in the net profit available after taxation. This is due to heavy increases in most of our costs and also the extraordinary demands of the taxation authorities. We now have each year a smaller proportion of our profits left to reinvest in the business and provide us with adequate working capital.

INCREASED COSTS

With regard to the costs, the main increase was in materials, accounted for by the high cost of malt consumed. Transport charges were another important item of expense and the cost of delivering a barrel of beer has, on an average, increased by no less than 11 per cent during the year. We have tried during the year to reduce our carriage costs by delivering a limited quantity of beer in tankers and we shall, in the future, extend this practice as far as is practicable. The cost of operating our managed houses has also risen considerably, due principally to the requirements of the Catering Wages Act.

We are transferring £50,000 of the available profit to general reserve, bringing this to £1 million, and are proposing the same to the ordinary dividend of 3s. 3d. in the £ as last year. Expressed in percentages, this dividend works out at 16½ per cent on the nominal value of the ordinary stock and represents only about 6 per cent on the equity which the ordinary stockholders have in the business. After providing for this dividend, we recommend that the unappropriated balance of £30,427 be carried forward.

THE FUTURE

As to the future, you will be glad to know that since the end of September sales have held their own and it is expected that the fall in the price of barley, which has been gradually reduced during the year, but as regards other costs we do not think that we can expect any fall

at all, and the best we can hope for is that transport and other charges do not rise much further, although we have already been notified of a 5 per cent increase in railway freights.

In conclusion, I should like to offer the thanks of the directors to all the men and women in our organisation, as it is mainly due to their efforts that we have obtained such excellent results in the past year, and I have no doubt that stockholders will wish to join the directors in expressing their appreciation of the services they have rendered.

I now beg to move that the statement of accounts of the company for the year ended September 30, 1952, as audited, together with the directors' report submitted to this meeting, be and are hereby approved and adopted, and I will ask Mr M. H. Tetley to second this motion.

The report and accounts were adopted.

S. SMITH & SONS (ENGLAND) LIMITED

INCREASED VALUE OF TOTAL SALES

MR RALPH GORDON-SMITH'S STATEMENT

The annual general meeting of S. Smith & Sons (England) Limited was held on December 17th at Cricklewood Works, London, N.W., Mr Ralph Gordon-Smith, chairman and managing director, presiding.

Referring to the more important items in the company's accounts, the chairman reported that the group profit before taxation amounted to £1,248,000, against £1,520,000 last year. After making provision for taxation, net profit was £434,000, compared with £602,000 last year. The board proposed to maintain the ordinary dividend at the same rate as last year by the payment of a final dividend of 10 per cent, making, with the interim dividend paid, 12½ per cent for the year. The transfer to reserve against possible falls in stock values of £150,000 increased that reserve to £400,000, a figure equivalent to 10 per cent of the balance sheet value of the stocks.

The chairman then referred to the commercial progress of Smiths during the last financial year. He recorded that the total sales value of the group had shown an increase over the previous year, in spite of reduced public buying and certain overseas import restrictions, which had made necessary the reduction and rearrangement of production of some consumer goods, particularly clocks. However, aircraft and industrial instrument sales had increased, and the Motor Accessory Division had maintained its turnover, due to an expansion of its range of products. The foregoing factors, together with a policy of avoiding, as far as possible, the passing on of increased costs, had resulted in some reduction in profits compared with last year.

The Motor Accessory Division had maintained its position in the very virile automobile industry, and had continued both to expand and to perfect its range of established instruments and other products, such as car heaters. It was now beginning to reap the benefit of its segregation of instrument and car heater production, its efforts to stabilise its prices of automotive products and its development of world-wide servicing facilities.

The Clock and Watch Division had maintained its position as the largest combined clock and watch manufacturing organisation in the United Kingdom. As a result of the

home trade recession, import restrictions on certain overseas markets and increased foreign competition, sales had suffered and, said the chairman, it had become more necessary than ever to increase the efficiency of the factories and organisation, and to this end Smiths were devoting their energies with increasing vigour. The alarm clock factory at Wishaw was developing into the highly efficient plant visualised and the demand for the Cheltenham jewelled lever watches had been greatly stimulated by the introduction of a new De Luxe range.

The Aviation Division had made substantial progress during the year. Aviation research and engineering facilities had been expanded and new research and development work undertaken in the field of guided weapons. Though engaged on defence and rearmament programmes, it had substantially increased its export sales, and was marketing a more comprehensive range of instruments and allied equipment than any similar organisation.

The Industrial Instrument Division with its range of instruments specially designed for industrial, traction and marine application, had continued to expand and to consolidate its position.

Kelvin & Hughes, Limited, were maintaining their leading position in the marine field with its wide range of instruments, in particular the echo sounder, marine radar and ships' compasses, as well as in the fields of aviation and industrial instrumentation.

Smiths companies in Australia and Canada were providing the users of Smiths products with an increasingly efficient service, and were building up valuable markets in these territories.

The chairman reported that the group turnover for the first four months of the current year continued to show a slight increase.

The report was adopted.

THE STRAND HOTEL LIMITED

The forty-fifth annual general meeting of The Strand Hotel Limited was held on December 18th, in London, Mr S. I. Salmon (the chairman) presiding.

Addressing the meeting, the chairman said: An event as memorable as the Coronation, which will draw for a short period an abnormally large number of people to London from all parts of the British Isles, from the Commonwealth and the Colonies, and from America—I might even say from all corners of the free world—imposes no light responsibility on large hotels to ensure an equitable disposal of their accommodation. The allotment of rooms has not been an easy task. We have given much consideration to the problem and we think we have reached a fair solution.

I would like to emphasise the fact that it is not our policy to increase our room charges for special events, and we do not propose for the Coronation to deviate from our normal scale of charges. These charges, which include breakfast, are very moderate and there is a substantial benefit in price for twin-bedded rooms. Our visitors know what they have to pay—we are One Price hotels. Our efforts are always directed to keeping prices down and the quality of our service at the highest level. On the catering side we are confident of being able to meet all demands made on us during this busy season. Our restaurants provide a variety in service and tariffs to meet most pockets, and we are sure that the many who visit them for the first time will be impressed by the marked good value they receive.

The report was adopted.

THOMPSON BROS. (BILSTON)

IMPROVED TURNOVER AND PROFITS

MR H. J. THOMPSON'S SPEECH

The forty-seventh annual general meeting of Thompson Bros. (Bilston) Limited was held on December 17th at the registered office, Bradley Engineering Works, Bilston, Mr Howard J. Thompson, MIMechE (chairman and managing director), presiding.

Mr H. Sargent (director and secretary) read the notice convening the meeting and a representative of Messrs Southern & Carter read the report of the auditors.

The chairman said: Ladies and gentlemen, I am pleased to be able to report an improvement in our trading profit for the year 1952, which has resulted in a profit of £221,180, and after deducting directors' remuneration and fees, pension scheme contributions, depreciation and taxation, totalling £145,299, there remains a balance of £75,881. To this must be added the balance brought forward last year of £51,064, leaving an amount available for appropriations of £126,945. The amount set aside for taxation this year is £99,000 against £62,000 last year, being £23,119 more than our net profit.

The increased profit this year is the result of an increased turnover, and the benefits derived from the expense incurred last year in the development of new and improved types of products. Our reserves have been further strengthened by the retention out of profits this year of no less than £53,264, and reserves and unappropriated profit have now reached the substantial total of £369,368. Your directors propose to repeat the dividend of 17½ per cent for the year by paying a final dividend of 7½ per cent and a bonus of 5 per cent (both less income tax).

PROVISION OF FURTHER FINANCE

Although the financial position is very strong, current assets exceed current liabilities by £586,680, the demands on the company's reserves to finance extensions to buildings and plant, and to secure supplies of raw materials rendered necessary in order to discharge a greatly increased turnover, have necessitated our calling upon our shareholders to provide us with increased funds.

An offer of 318,596 ordinary shares of 5s. each at 10s. 3d. each was therefore made in October last, and was largely oversubscribed. This has provided the company with a further £160,000 cash which will be a great help in dealing with the increase in output anticipated during the current year.

As stated in the documents circulated in connection with the new issue, a resolution will be submitted at the annual general meeting converting such shares into stock, and further resolutions will be proposed to convert all further ordinary shares automatically into stock as and when the same are fully

paid up and to increase the nominal capital of the company to £500,000 by the creation of a further 600,000 unissued ordinary shares of 5s. each. There is no present intention of issuing any of these shares but the directors consider that it is advisable to have a reserve of unissued ordinary capital.

CURRENT YEAR'S PROSPECTS

The first four months of the new year show an increase over the same period last year of more than 30 per cent. Orders on hand for defence and civilian works are a record for peace time, and further demands are being made. Materials although difficult to obtain, are easier than they were last year. These orders should enable us to be fully employed in the coming year.

A considerable amount of new plant has been installed during the year and new buildings are also being erected to enable us to meet the increasing demands for home and abroad of our various products.

Research and development of new projects, a policy of our company, are still being carried out.

Providing no unforeseen difficulties arise I anticipate we shall be able to report a very successful trading result next year.

My son, Mr P. H. Thompson has joined in the service of the company, being the fourth generation of the Thompson family.

In conclusion, I wish to express my sincere thanks for the valuable work and co-operation of Mr J. W. Meredith, assistant managing director, and to Mr H. Sargent, secretary and director, and to all our managers, staff and workpeople, who have overcome many difficulties to enable us to show the improvement in our year's work.

The report and accounts were adopted and the final ordinary stock dividend of 7½ per cent and bonus of 5 per cent, making 17½ per cent for the year, was approved.

The retiring director, Mr J. W. Meredith, AMIMechE, was re-elected.

The resolutions for converting the ordinary shares into stock and increasing the nominal capital of the company were approved.

MALAYALAM PLANTATIONS

RECORD YIELDS

The thirty-first annual general meeting of Malayalam Plantations Limited was held on December 11th in London, Mr J. A. Clubb, presiding.

The following is an extract from his address circulated with the report and accounts:

Our chairman, Mr H. W. Horner, is on a visit to the East.

The total tea crop and the yield per acre of tea were both records for the company. The cost of production of tea was just over

one penny per lb less than in the previous year due to our overheads being spread over a crop increased by some 2,800,000 lb. Although the yield per acre of rubber was the highest ever achieved by the company, the cost of production exceeded that of the previous year by just under one penny per lb, due to higher labour wages. The directors recommend a final dividend of 5 per cent, making 10 per cent for the year.

Given favourable climatic conditions we estimated during the current year to produce some 14 million lb of tea and 6,200,000 lb of rubber, but so far the crops of tea for the first six months of the company's current financial year, owing to less favourable weather conditions, are, 794,374 lb less than in the corresponding period of the previous year. The rubber crop for the first six months of the company's current financial year shows an increase over last year of 242,400 lb.

It would be rash to forecast what the result for the current year is likely to be in face of the present uncertainty in the tea and rubber markets.

The report was adopted.

J. W. GREEN LIMITED

The fifty-fifth annual general meeting of J. W. Green Limited was held on December 18th at Luton, Mr Bernard Dixon, chairman, presiding. The following are extracts from his statement:

I am pleased to report that, for the year under review, each of the breweries in the Group has shown an increase in trade. Comparatively rapid expansion has involved us in a great deal of abnormal expenditure. This expenditure will, in due course, bear fruit through the greater efficiency that will result from the re-organisation which is designed to meet the changed circumstances.

It will be recollected that the Group has been spending heavily in bringing the properties of newly acquired subsidiaries up to the standard of the parent company. Accordingly for the present, our expenditure on properties greatly exceeds that normally required for maintenance.

The company's development through the acquisition of various new subsidiaries has been a marked feature in its recent affairs. Your Board is pursuing a carefully planned policy which is designed to meet the situation which will inevitably develop in the future. Briefly, it is necessary that your company's products should be well known over a wide area.

The penal burden of taxation makes it difficult to obtain any material benefit from increased trade. It will be noted that the ordinary dividend of 20 per cent is covered more than one and a half times. During the year £1,205,000 debenture stock was issued and £520,000 debenture stock was redeemed. This provides the funds to undertake further development.

The report and accounts were adopted.

The Economist

Founded 1843

December 27, 1952

One Shilling

LEADING ARTICLES

- Are Economists Human? - - - 869
- Far Eastern Future - - - 870
- Government by Generals - - - 872
- England's Hearty Wellwisher - - 874

NOTES OF THE WEEK - - - 875

M. Pinay Walks Out; Commanders *versus* Ministers; From a Former Naval Person; Out Like the Lamb; Chopper on Transport; Slow Motion Against Monopoly; Pyrrhic Victory in Tunisia; Arab Defence Plans; Desperate Remedies in Prague; Miners and the Board; Service or Authority?; Levelling in Food Budgets; Two Views of Dr Adenauer; Cheques from Uncle Joe; Healing Themselves; Overflowing Prisons; Did You Give Him Cigarettes?

LETTERS TO THE EDITOR - - 884

BOOKS AND PUBLICATIONS - 886

AMERICAN SURVEY

Foreign Aid's New Year - - 887

Ohio Branch for the Senate; Keeping Controls Alive; Chinese Dragon; Acid Test for Chemicals; Gargantuan of the Air; Shorter Notes.

THE WORLD OVERSEAS

Europe's Fourth Stocktaking - 893

Security in the Soviet Army; Ethiopia and Britain; China's Second Front.

THE BUSINESS WORLD

Pooh-Bah in Gilt-Edged - - 899

Frustration for Shipbuilders - 901

BUSINESS NOTES - - - 903

The Fall in Bank Advances; Higher Rail Fares Bought; Agreement with Argentina; Cars and Purchase Tax; No Par Value Inquiry; How Much Steel?; Scottish Bank Meetings; "Mr Cube" Escapes Tax; Lower Engineering Imports; Rolls-Royce Goes to Sea; Cotton Commission's Forward Contracts; Nuffield without Morris; Oil Surplus without Abadan; Quality and the Merchandise Marks Act; "Hard" Capital for the Sterling Area; Stronger Tea; Increasing Nickel Production; Atomic By-Products; Loans Save Little Fuel; Shorter Note.

COMPANY MEETINGS - - - 911

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line, no two families are the same in their extravagances and their economies—and no two families want to be the same. An instalment of this boon of consumers' freedom, small but very welcome, has been provided for the British people in 1952. And they like it. Nor is the process inhumane. The prophecies of the mass unemployment, the unlimited deflation, that would follow upon any tampering with the dogma of Cheap Money have turned out to be just as silly as the economists always said they were.

This new-found willingness to give the economists' ideas a trial has not, it is true, gone very far. But it has at least and at last given them some facts to argue on and some hard ground for hoping that there will be further ventures in 1953. It may even become possible, in due course to suggest that the same logic might be applied to housing. People who give utterance to the obvious truth that the housing problem could be solved overnight if it were simply resolved to start charging a fair economic price for houses, new and old—and that any Minister who had the courage and the clarity of vision to apply this simple remedy would within six months be a popular hero—may just conceivably, before Christmas, 1953, cease to be regarded as lunatics.

Moreover, there is some reason to hope for a little progress with some other of the economists' favourite doctrines. It is beginning to dawn on all concerned that an economy which is entirely dependent for its progress upon the massive creation of new capital cannot be sustained without savings. (It is true that the curious doctrine that thrift is anti-social and unnecessary arose from the popular versions of a great economist's teaching. But it was a misunderstanding; Keynes said that saving should not exceed investment, not that it should fall short.) If saving becomes fashionable again, it may be possible to move on to a still more unpalatable truth: that competition, and all that it implies in individual displacement, is the only guarantee of adaptability and thus of survival in a rapidly changing world.

All these maxims of the economist share one unfortunate characteristic: they all prescribe something unpleasant first, as the means of securing something desirable and necessary at a later stage. Higher prices

now are the means to consumers' freedom shortly; abstinence now to abundance later; the insecurity of competition now to ultimate efficiency. That, presumably, is why the economist is something less than a mildly popular figure; he is always asking for payment in advance. But the same attitude is not taken to the surgeon who amputates now to prevent gangrene shortly, or to the vaccinator who deliberately causes cowpox in order to avoid the risk of smallpox. Nor is that school-master held to be the best whose educational principle is to give his charges whatever a majority of them think they want at the moment. But, then, in medicine and (until lately) in education, there are no politicians soliciting votes on complicated technical matters.

As some small help in clearing away the misunderstanding, let it be said with all emphasis that the only acceptable aim of all economic activity, and of all economic theorising, is to foster human welfare. Moreover, though the steady growth of material wealth is the prime constituent of welfare, there is no reputable economist today who would deny that welfare has other constituents besides mere aggregate material output. It is over a generation since the theoretical case was made for including an equitable distribution of wealth and some security against the misfortunes and mischances of life among the imperative objectives of economic policy. The economist has no right to feel aggrieved when people question his ideas about the right method for attaining these objectives; but he has a right to resent it when people assert that he puts "sound economics" above the happiness of his fellowmen.

Not even at Christmastime does the economist pose as Santa Claus. He leaves it to others to pretend to little children that the good things they get come from the North Pole, when they are really paid for out of their fathers' pockets. His benevolence is of a different order, for he sees a vision of a world so rich that it could be Christmas every day—if only men and women were willing to look a little beyond their noses. And if to accept limits in the present in order to safeguard the future is inhuman, so also is the whole long history of Man's rise from unending hunger and toil to the threshold of comfort and leisure.

Far Eastern Future

DURING the next few months the free world will be watching with the keenest interest and anxiety as General Eisenhower slips into the driver's seat and takes over the controls. Already there are rumours and speculations about the course he intends to steer in the Far East, the region about which the deepest concern is felt. Events there strongly influence relations with the whole Soviet bloc, and their course depends broadly on decisions taken in only three capitals—Moscow, Peking and Washington. It is not in London's power to play the major role of any of these three, but it has a right—especially after a conference of Commonwealth Ministers—to form and express a view of any changes in policy which may be considered by the new American Administration when it takes office. The best time to bring that view to bear would be when Mr Churchill visits Washington; but the debate in the United States is already beginning and it is taking a course which

encourages the belief that things can be said now which would not have been listened to a year ago. In the long run the key to peace and stability in the Far East lies in agreement between the United States, Britain and the Commonwealth; if they fall apart, only the Communist cause benefits, but that will not happen if courage is taken and time found for frank discussion.

There is little to be gained by going over the Korean ground again at this stage. General Eisenhower's visit to the battlefield has emphasised the fact that there is no short cut to a solution; and in no country that has troops in Korea is there any serious suggestion that if the other side will not yield, the alternative is to yield to the enemy. The last two years, however, have demonstrated that the Korean question is to some extent self-contained. There cannot be, it is true, any lasting agreement with China to live and let live without a Korean settlement; but the fact that no Korean armistice

is possible for the time being is no reason why the free world should not frame a coherent, long-term policy for the Far East as a whole.

What, then, can be the basis of such a policy? At present, although there is a much wider range of practical agreement between London and Washington over the Far East than their occasional and much publicised differences would suggest, they still approach the central problem of China from entirely opposite viewpoints. Neither has any claim to a monopoly of self-righteousness. The American Government has hardly been proved right about the best way of dealing with the Chinese Communists; and the British Government has certainly been proved wrong. Recognition has got Britain nowhere; instead, it has seriously multiplied Britain's difficulties in Malaya and has cost a great deal of American good will. Yet America's own policy has yielded no obvious dividends. Short of a general war, the gulf between Washington and Peking could not now be greater than it is. If both policies have therefore failed, it is arguable that, in the search for a new star to steer by, another look should be taken at some of the original premises on both sides. Sooner or later—the problem is largely one of timing—a way will have to be found between appeasement and unbending toughness, a path along which the United States and Britain can walk together.

It is best to start by examining present relations between Russia and China. For it is the combination of these two Communist powers which has turned the old order upside down in the Far East. If they could be separated, or at least prevented from working together as a well-drilled team, the difficulties of free Asia would be halved. As things are, both the continuation of the Korean war and any policy designed to ostracise or punish China drive Peking into a constantly more dependent alliance with Moscow. It would be, of course, naïve to expect or count on Mao Tse-tung becoming a Tito in any foreseeable future. But that is not an argument against the adoption of a policy designed to exploit the peculiar features of China's position in the Soviet constellation. Stalin now aims primarily at splitting the West; why should not the West set its sights on whatever divisions it can see in the Soviet empire?

In the matter of ideology, which is so important to all Communists, the Russians and Chinese start by being a little out of step. While the Russians claim that the victory of Communism in China is a victory for the Marxist doctrine as expounded by Lenin and Stalin, the Chinese present Mao Tse-tung as an equal, not a subordinate or pupil, of Stalin. While the Russians spare Chinese susceptibilities by not insisting on the outwardly satellite position of a popular democracy, the Chinese regard themselves as the vanguard of the revolution in Asian colonial territories; and the Russians watch their growing influence on other Asian revolutionary

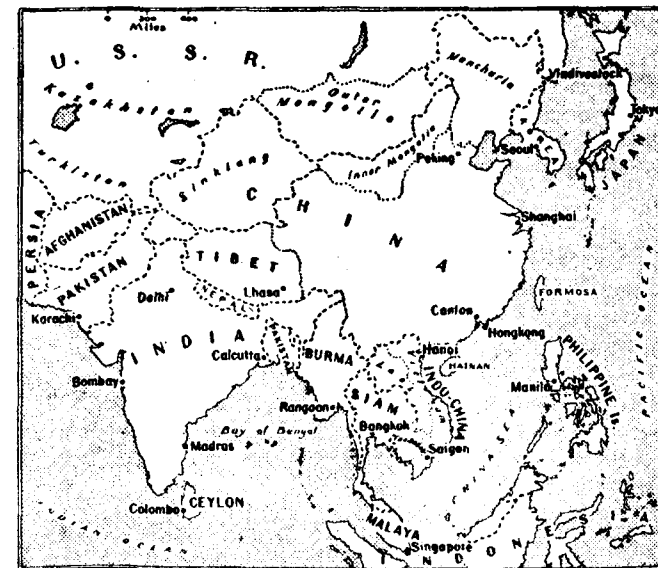
movements with some suspicion. Similarly, in terms of territory, the Russians have by no means resolved their dilemma, whether to stake all on the loyalty of Mao or to reinsure by hanging on to regions important to the Soviet Union for supply or defence. Moscow's determination to stay in Port Arthur, in spite of the promises made under the Sino-Soviet Treaty of 1950, its refusal to give Peking a free hand in the central Asian territories of Sinkiang and Mongolia, and its economic grip on Manchuria—all these are symptoms of Russian distrust and possible causes of friction.

Stalin boasts of the economic unity of the Communist world, but to the Chinese the Russians have so far proved harsh and disappointing trading partners. China wants to buy capital equipment for its industrial revolution; but the few things it can export are no bait to the Russians, who may well be unwilling in the economic sphere, as in the purely military, to hasten the pace at which China can set up new industries that will make it independent of key Russian supplies. The imposing

Chinese trade mission which attended the Moscow Conference last August has long since returned to Peking, but no announcement has ever been made, even to the expectant people of China, of its success or failure in developing trade or sharing the burden of war. Even the recently reported establishment of an Asian Cominform, following the Peking "Peace" Congress, is not without its troubles. (The Chinese, incidentally, showed their independence at the Congress by inviting to it Trotskyists from Ceylon.) The Russians are glad enough to deflect the Chinese from Central to

South-East Asia, at the same time encouraging them to "co-ordinate and direct revolutionary movements" in ripe colonial-type territories like Burma and Malaya; Indo-China is already being claimed by Peking as falling entirely within the Chinese sphere. But neither Stalin nor Mao is likely to be happy about leaving the task of preparing revolution in India to the other. The fact is that the link of Communism, powerful and comprehensive though it is for the moment, has brought together two dynamic and nationally ambitious regimes whose interests do not and will not always coincide.

If this analysis is correct, the assumption that policy towards China begins and ends with denial of status and punishment of aggression is inadequate. The aim must still be to resist force with force where fundamental principles or vital interests are at stake—as in Korea and in the wars with Communism in South-East Asia—but not to turn resistance into counter-attack which will have the effect of increasing Chinese dependence on Russian support. Likewise, against the fact that weakness will always be taken advantage of in Asia must be balanced the certainty that the Chinese cannot be indefinitely denied their claims to recognition and a seat in the United Nations without dire consequences. The western powers are, admittedly, in a difficult position for



changing tactics. They are fighting an implacable foe in Korea and they are committed to rejecting any attempt to reach a wider political settlement until that war is over. There are, moreover, American voices in Korea itself which urge that only another offensive will bring the Chinese to terms. It is also difficult to think of switching to a more diplomatic approach without losing face; and it is highly doubtful whether the Chinese would react favourably to such a change. But, sooner or later, the possibilities of political negotiation will present themselves, and opportunities must be found for the free world to bring pressure to bear on the weakest links in the Sino-Soviet partnership.

There is urgent need first for agreement on the diplomatic possibilities offered by the situation in the Far East, and second for a long-term policy based on such an agreement. Much has been learnt in dealing with the Russians, all of which does not necessarily apply to the Chinese; but some of it does—the need for cool

and systematic appraisal of intelligence, for concerted manoeuvre by allies, for combining diplomacy with arms. The first need is to stop the Korean fighting on satisfactory and honourable terms; but from the moment that has been done, all the problems of the future present themselves. To examine them now with fresh minds and in an atmosphere quite different from that of three years ago has two things to be said for it: first, that the Chinese—as distinct from the Russians—might show fresh interest in a truce; secondly, that the end of the fighting would not find the United States and its allies obviously unprepared and divided about the next steps. It is, perhaps, something of this kind that is made possible by General Eisenhower's present reflections on policy in Asia. If so, British policy has the delicate task of drawing attention to the need for thinking now about diplomatic possibilities in Asia without casting any doubt of its resolution to stand firmly by the United States until they present themselves.

Government by Generals

THE precedents were set quite a long time ago. After the rigged trial and execution of their former ruler, the revolutionaries announced that power now derived from the people, and would be exercised by their elected representatives. No new elections were held, but all those representatives who had doubts about the new regime had already been purged; those who survived considered themselves legal heirs of the former assembly, and launched out on a system of government by committees. But their endless debates roused the impatience of the army, which knew that it alone had saved the revolution, and now wanted to see results. It refused to disband; it occupied the capital; and when the politicians not only rejected the idea of new elections but tried to perpetuate their hold on their seats, the General's patience was exhausted, and his troops drove them from the parliament building.

Naked military power thus showed itself for the first time. Most of the people, heartily sick of the politicians' corruption and incompetence, applauded it. But the officers were not yet ready to do without a civilian administration altogether. They tried nominating a new assembly, but its ineffectiveness soon led them to ask it to hand over its powers to the General—who was genuinely surprised, but accepted the offer. The officers now drafted a new constitution, dividing power between the General, as head of state, and a newly elected legislature. The new assembly, however, tried to reduce the size of the army, and the General promptly dismissed it.

He then experimented with direct military government, dividing the country into eleven commands and appointing eleven officers to maintain order and enforce reforms. They did this so strictly that, although their rule lasted only a year, it set up a wave of revulsion throughout the country; and when new elections were held, the results reflected this revulsion. Although the army unseated all members of this third revolutionary assembly whom it did not approve, the remainder still opposed their demands, and they, too, were dismissed by the General. For a little while he held the stage by himself, aware of the country's growing disillusionment but secure in the army's loyalty. Then his death revealed the hollowness of the whole revolutionary structure.

The successor whom he appointed as head of state lacked the confidence of the army, and was soon forced to resign. But the army itself, having lost its master, had no idea what to do with its power, and fell into bitter quarrelling. It tried two more assemblies, dismissed them both, and rapidly increased its unpopularity. Finally, the commander in the north, now the only senior officer who could rely on his troops, saw the way the wind of public opinion was blowing. He marched on the capital, brushed aside both his fellow officers and the remnant of the revolutionary politicians, and secured the holding of elections in which no candidate was barred because of his past. The restoration of the pre-revolutionary regime followed at once, amid general rejoicing.

Thus ended, in 1660, this country's first and only experience of government by generals. It left behind it a deep and lasting distaste for military rule, which remains one of the chief characteristics of British political thought. The appearance, anywhere in the world, of a government based on bayonets is traditionally regarded here as a setback for the cause of liberalism. Yet, paradoxically, from time to time British opinion gives a friendly reception to a military *coup*; the recent seizure of power in Egypt by General Neguib provided an unusually clear example. It would seem, then, that the issue is not a simple one of black and white; and it may be worth while to try to analyse the nature of military government, and to suggest when it is to be feared and when, if ever, welcomed.

The extent to which military men control, or participate in, the governments of the contemporary world is not always fully realised. The eye of the public is easily caught by such dramatic *coups* as have brought army officers to power in Egypt, Syria, and Cuba this year. It is more apt to overlook the existence of the military regimes which have maintained themselves for some time in countries ranging from Peru and Venezuela to Siam. Again, there are countries where a civilian government depends to a critical degree on the good will of the armed forces, as, for example, in Indonesia and Burma. Nor should the totalitarian nature of other states be allowed to disguise the military basis of their regimes; in this respect there is little difference between, say, Madrid and Peking, except that in the Chinese system it

is openly admitted that power resides in the "Military-Administrative Committees."

A clear distinction must, of course, be drawn between all these systems and those states where a former army officer has been elected to the highest office by due democratic process. The first essential difference between General Eisenhower and Field-Marshal Papagos on the one hand, and General Franco and Marshal Stalin on the other, is that the first two were brought to power by free and fair elections. Nor is it even necessarily true that a general who in the past has been accustomed to autocratic power cannot adapt himself to democratic ways; General Ibañez, the newly elected President of Chile, has not yet shown an intention of returning to the methods he used twenty years ago when he was virtually a dictator. If it is argued that a professional soldier must tend towards intolerance and hierarchical rule, account must also be taken of the tradition and atmosphere of his country. Wherever the military is regarded as the highest caste, the soldier in office will the more easily fall into absolutist ways; but where there is a national tradition of subordinating the military to the civilian authorities, as in most western countries, no military president or prime minister is likely to be able to exceed his constitutional powers.

★

To a certain extent, this distinction also holds good with regard to those military regimes that are established by force of arms. One of the reasons for the short duration of military rule in seventeenth-century England was the instinctive respect of the army for constitutional forms. More important, however, are the circumstances in which each military regime originates. Today, although the professional army officer is still usually portrayed as an ultra-conservative Colonel Blimp, military intervention in politics favours reform quite as often as reaction. General Neguib, in Egypt this year, has personified popular impatience with the old regime just as Generals Dutra, Goes Monteiro, and Gomes did in Brazil in 1945. In most such cases it is arguable that the democratic method has been betrayed not by the army but by the civilian politicians whose conduct has brought it into contempt. Indeed, the army sometimes intervenes not to impair free institutions but to restore them; the Brazilian instance was one of these. And even when the army, having turned out a gang of corrupt and irresponsible politicians, retains power in its own hands, it is generally a preferable alternative to the totalitarian party-state. Soldiers are seldom fanatics; they may be hardened, but they lack the deliberate cruelty associated with political extremism; and their very ignorance of political wiles makes them less capable than Fascists or Communists of fastening the full apparatus of propaganda, terror, and isolation upon a people.

There are, indeed, countries that have been saved by military intervention from falling victim to totalitarianism. Yet it is rare for this salvation to be more than temporary; for the outstanding characteristic of most military regimes is their short life. This time limit is not simply the result of a universal hatred for military government. Cromwell's major-generals made themselves objects of loathing, not because they were soldiers, but because they were rabid puritans; and modern instances are not lacking of regret being expressed when a military administration gives place to civilian rule. Nor need a

general's government be more bellicose, and so more unstable, than a politician's one; a strong man in power can often afford to be conciliatory.

It is, perhaps, lack of flexibility that is the fatal flaw in most military systems. The general-governor is usually a man accustomed to transmitting his commands down an ordered hierarchy. He has little experience of the technique of balancing opposing influences or of working for compromise. Moreover, he has no means of assessing shifts in public opinion, and he is liable to drift out of touch with the popular forces which may originally have hailed him as a saviour. True, he often enjoys the advantage of being able to put through overdue reforms more quickly than his civilian predecessors could; but this may be offset by the fact that his arrival in power has aroused unusually high and unrealistic hopes among his people. Above all, both his rule and his popularity are apt to be too personal. Although military governments are sometimes controlled by a *junta* or committee of officers, a single personality is generally dominant, and it is to this man that the public regard is turned. Death, exhaustion, or even temporary illness is thus a constant threat to the stability of the regime.

It is for these reasons that no purely military government has ever succeeded in finally solving a country's problems, even when it began with the advantage of taking the place of a wholly discredited regime. No matter how energetic and enlightened the generals may

The New Government

"England does not love coalitions." This may be so, and no doubt is so. But the coalitions which England does not love are rather those of principles and opinions than of men. The leading statesmen who compose the new Government, though many of them have never acted together in office before, have nevertheless for years past been united in their views on the most important political questions of the day. It was a hearty co-operation of Lord John Russell and his friends, when in opposition, that enabled the Government of Sir Robert Peel to repeal the Corn Laws and to carry out his great commercial and financial reforms; and it undoubtedly was by the warm and undeviating support of Sir R. Peel, as long as he was spared to us, and of his immediate friends since, that Lord John Russell's Government was able to maintain that policy against a powerful and united party of Protectionists. . . . It has not, therefore, been any great and sudden political necessity that has brought a number of statesmen together, whose views on the most important questions of the day have hitherto been antagonistic to each other. Nay, so far is it the reverse—so far has public opinion recognised the compatibility of the combination which has formed the new Government, that for the last three years at least of Lord John Russell's Government, a junction with Sir James Graham and his friends was the chief means pointed to, by Liberals of all shades of opinion, as the most desirable, if not the only, way of forming a strong and efficient Government. But what is of equal importance in the formation of a Ministry at this juncture of the affairs of this country . . . is, that we should have a Government of powerful administrative capacity—a Government that is so strong in the confidence of the country that it can afford to carry out its policy without pandering to obsolete prejudices on the one hand or popular errors on the other—that can afford to conform to the growing opinion of the day and to progress with the increasing intelligence of the age.

The Economist

December 25, 1852

be, from the very beginning of their rule they must face one supreme difficulty—that of restoring civilian institutions. Only those military regimes that have overcome it are remembered with gratitude; those that fail often lead their peoples into difficulties as great as any they have saved them from. This does not mean that the general in power must seize the first opportunity of

England's Hearty Wellwisher

IF any reader of *The Economist*, perusing his sixty or eighty pages from cover to cover week by week, has ever felt dismayed at the length of time this ritual takes, he may care to consider how fortunate by comparison was his opposite number some two and a half centuries ago, whose copy of "Collections for the Improvement of Husbandry and Trade" consisted of a mere four pages, to which he probably listened as it was read aloud in his coffee-house. Clumsily printed, on coarse paper, this obscure penny journal of King William III's reign might very well be taken as the earliest attempt to provide, as *The Economist* provides now, comment and information on trade in its widest aspects. A brief comparison yields some curious differences and some even more curious similarities.

It was written single-handed by one John Houghton, who besides this scribbling dealt in tea, coffee and cocoa in Bartholomew Lane. But while he was a merchant by profession, and an apothecary by training—having been apprenticed to the Master of the Pest House in the year of the Great Plague—he was an economist by instinct, if ever there was one. As a Fellow of the Royal Society, he launched his first number with a glowing testimonial from his associates, including Edmund Hallé, namesake of the comet, and Samuel Pepys, and as "England's Hearty Wellwisher" he wrote the weekly "Collections" with a care and sincerity which contrasted strongly with the slipshod newssheets of his day. "I'll mend all things amiss as soon as I can" he promises frequently with reference to his factual articles, and he is soon belabouring the old scapegoat, the printer: "Last week I published a paper about whales . . . the printer has greatly mistaken, making a Mouth 72 instead of 12 foot."

He opens, like *The Economist*, with a Discourse or essay. These articles run in long series, on topics which run from brewing techniques to the balance of payments, from natural history to joint stock, and in them he finds occasion to preach his gospels of freer trade, higher consumption and harder work, which were strong medicine for his time. His comments on the labour question would read strangely in a twentieth century journal:

The Weavers, 'tis common for them to be drunk on Monday, have their heads ache on Tuesday, their Tools out of order on Wednesday. . . . The style the Painters give themselves is "Honest drunken Curs" and they often work at heaving of Glass, lifting of Pewter, emptying of Sellers and such like.

He is a warm advocate of multilateral trade, and never tires of exposing the conventional view of his day that international trade should be confined to a bartering of products so as to conserve specie. Here is a fair sample of his manner, when recommending the import of cheap foreign timber:

But this will cost us some money; its likely it will; but what then? It will also get some trade for Tobacco, Stock-

coming to terms with the politicians he has displaced. But it does mean that he and his lieutenants must be consciously and sincerely working towards the restoration of civilian government from the day they assume office. The example of Kemal is perhaps the most obvious one for them to follow; and the fruits of his success are plain for all to see.

ings, Wastcoats, Course Cloths and several other things in those Parts. And I have shown that if we do not export our Money, it will do us no good. And I pray, how do we get our money? Why truly, we carry our Product and Manufacture to Spain, and there for it get Money; and this money we carry to Norway, and swap it for Wood; and what the difference is (except a little more Employment for Ships and Seamen, which we reckon Happiness) between this and carrying our Manufacture or Product directly to Norway, I profess my understanding won't direct me to.

It seems that convertibility was a plague to the wits even then.

Even the American Survey is not entirely wanting.

Our Plantations in America have not prejudiced our coasts, that were in a convenient manner planted, for they have increast the Profitable Employments not only by building of Ships, carrying out our Manufactures and Products thither, but also by returning theirs hither to supply ourselves. . . . And if it should be said that they might have consumed as much if they had staid here, yet it cannot be said we should have employed so many men in building ships and carrying and recarrying as we now do. I am apt to think it might be made out that it is a wheel to set most of our other trades a-going.

Notes of the Week are here, too, but a dozen or so lines in a footnote suffices for them. They consist of a few bald headlines from the official "Gazette"—the Emperor has beaten the Turks on the Danube, two Dutch Indianem have been taken by the French in the Channel "which is all I see useful to Posterity." But if this feature was still rudimentary, Records and Statistics was well on the way. A regular note announces "Whoever are willing from their Markets to send me Prices in good time, I'll return them in lieu one of my Collections." Whether this method of collecting fat stock prices proved more successful than we should expect, or whether occasional deficiencies were made up in less reliable ways, our understanding will not lead us to, but every week there is a table of farm prices from the principal towns in the kingdom, followed by a helpful footnote "There are some maps of England of small Value will tell where these Towns are." The rest of this section contains, besides shipping movements in the Port of London and Bills of Mortality in the City, a regular note of stock quotations. When Houghton introduced this last item, he was not without misgivings about tempting his readers to the sin of speculation.

Altho' they that live in London may every noon or night on Working Days go to Garraway's Coffee House to see what prices the Actions bear of most companies trading in Joint Stocks, yet for those whose occasions permit not there to see . . . they may be satisfied once a week how it is and have their Advantage. Only I must caution beginners to be very wary for there are many cunning artists among them.

Each week the cryptic list appears, Hudsons 185, India 140, Linen 45. He evidently received some puzzled inquiries about this item, for a month later there appears another note.

Actions signify Shares in Companies. For instance if

to men raise 10l apiece to carry on a trade, each 10l is called an action or Share. If they have hopes of great Gain they will not sell their Shares for 10l; if they fear Loss they will sell for less. So Actions rise or fall according to Hopes or Fears. . . . I find a great many understand not this affair, so I write this.

Houghton's advertisements, for which he probably charged about three-halfpence a line, are a jumble of notices on every conceivable topic, but those relating to medical cure-alls and tonics predominate, and lack the evasive language of a more squeamish age. Among the notices of books and ready written sermons is one which starts: "Complete Works of Robert Boyle, price 1s., beginning 'Medical Experiments, or a Collection of choice Remedies for the most part simple.'" It leaves the modern reader sorry that books were not reviewed. Houghton identified himself with many advertisers as a kind of agent. "I want a complete young man that will wear a livery to wate on a very valuable gentleman, but he must know how to play on a violin or flute." Or "If any have a place, belonging to the law or otherwise, that is worth 1,000l or 2,000l, I can help to a customer." Or "If any want all kinds of necessaries for Corps of funerals I can help to one who does assure me he will use them kindly; and whoever can keep their corpse till they get to London, and have a Coffin set down, may have them afterwards kept any reasonable time."

When the "Collections" came to an end in 1703, after eleven years, Daniel Defoe's famous "Review" was just beginning. That master of journalists interspersed his economics with politics and scandal.

This Age [he says in his first preface] has such a Natural Aversion to a Solemn and Tedious Affair that however Profitable it would never be Diverting and the World would never Read it. To get over this Difficulty [I have made] some sort of Entertainment and Amusement at the end of every paper . . . which Innocent Diversion would hand on the more weighty and Serious Part of the Design into the Heads and Thoughts of Those to whom it might be useful.

This no doubt throws some light on why a long-lived successor to the strictly economic "Collections" had to wait for the earnest readers of Queen Victoria's reign. But brilliant and witty as the "Review" was, and lengthy as *The Economist* is, neither, surely, can boast a tailpiece of such gentle charm as this: "I have found by experience that no Worm or mouse will eat Paper writ with ink made from a decoction of Wormwood. And a little Bay-salt in ink will keep it from moulding in Summer, and a little Brandy will keep it from Freezing in Winter. Next Friday expect more from

Yours etc.

John Houghton F.R.S."

NOTES OF THE WEEK

M. Pinay Walks Out

Once again France has been singularly ill served by its parliament. Although anything said about the present political crisis promises to be out of date two days hence, there is no doubt that M. Pinay's offer to resign early on Tuesday morning, after forty-eight hours of irritable and sterile debate, has gravely shaken confidence. M. Bidault and the MRP, without whom M. Pinay's precarious majority could not survive, decided that an increase in family allowances was more important than the stabilisation of the franc, the maintenance of a sane wage and price structure, a foreign policy leading towards European union, and the presence in power of a Prime Minister who had brought into politics a new sobriety and hope. The decision is almost incomprehensible unless it is assumed that strong personal ambitions were in play. The MRP clearly intended the fall of the present Government. In announcing its abstention at the last moment, and as the vote of confidence was about to be taken, M. Bidault's party thought it had set the stage for yet another spell of chaos. M. Pinay countered with his habitual tactical acumen and walked out before he could be formally overthrown. This leaves the door open for possible patch-work and reconciliation.

It had been hoped over the weekend that M. Pinay had weathered the worst of the storm. The Nato declaration of solidarity over Indo-China, the firmness of the French attitude towards the Bey of Tunis, and the strong current of popular opinion running in the Prime Minister's favour, had strengthened his ministry's position. He had shown himself a fearless and expert debater: when derided by a Communist deputy as the owner of a tannery, the Prime Minister riposted—"We each have our business. Mine is leather and yours is rope." Whether or not M. Pinay is given another lease of life, the present crisis shows that the best government France has enjoyed in a good while is no less at the mercy of conflicting ambitions, shortsightedness and sheer levity than any of its countless predecessors. The extreme Right and Left are given occasion to rejoice at what they interpret as yet another symptom of the senility of parliamentary institutions.

Commanders versus Ministers

The 32 ministers present last week at the Atlantic Council considered a paper which said that the military efforts made so far "do not provide sufficient forces to guarantee the security of the Nato area." They also heard General Ridgway say, in effect, that he was dissatisfied with his fifty divisions, active and in reserve. If they had presented the civilian view in the same terms they would have said that the extra productive effort called for in Europe had not been made and that they could not guarantee a safe passage through economic squalls without it. In other words, the argument of ministers has scarcely got beyond the point of saying that to win the cold war you must risk losing the hot war. General Ridgway is fully entitled to go on saying the opposite so long as his political masters leave his enormous strategic responsibilities undiminished.

To move on to a more constructive attitude it is necessary to know more about General Eisenhower's policy and the nature of future American contributions in dollars and goods. As these things cannot be surmised until later, the Council was bound to postpone its main decisions until the spring. This means that rearmament measures which would have their effect in 1954 are being slowed down, perhaps only temporarily; none the less expenditure in 1953, as compared with 1952, should rise, and General Ridgway should get another ten divisions, not counting Germans. If the members of Nato also mean business with their reserve divisions—and it was a grave omission to say nothing explicit about them—then next year's outlook is fairly satisfactory.

On the credit side were the resolution calling for early formation of Europe's defence community, the recognition that all of Nato is vitally interested in its members' Asian problems, and the general acceptance of the function of the organisation as a clearing house. The Council is not a cabinet where one gets one's way by threatening resignation: its motto is persuade or postpone. The ministers left Paris after five days' work, but the Council goes on existing in their absence—that is the important new fact. It should be encouraged to take as much responsibility as possible.

From a Former Naval Person

The British delegation seems to have suffered—as the British public have—from Mr Churchill's failure to set out the main ideas behind those points of defence policy over which his advisers and those of Mr Truman seem to have drifted apart. Having exploded an atomic bomb and having caught more than one glimpse of the technological revolution that is imminent in land and air warfare, the British are naturally sceptical about the wisdom—to say nothing of their concern about the cost—of stockpiling obsolescent weapons. And Nato itself, let it be said, never showed any clear signs of catching up the Russians in orthodox armaments. Add to this the rising cost of the existing British programme and the natural disposition of Mr Churchill—like General Eisenhower—to have his chiefs-of-staff revise their papers, and it no longer seems surprising that some ideas in London have changed.

Whether anything significant is known about Russian intentions beyond what Stalin has lately said, and whether the new British appreciation of external dangers preceded or followed the new appreciation of economic burdens is a matter for speculation; and at Nato some of the speculation has been unfavourable. No military commander welcomes an appreciation of military intentions which weakens his claim on forces he has been promised, especially when he believes—as General Ridgway must—that it has been influenced by domestic politics. These matters should be cleared up before the spring.

There are several ways in which the United States can help. One is to show evidence that its experts have worked out the implications of defence with atomic weapons in concert with allies who lack them and know little about them. Is it true, for example, that thought about such matters is the monopoly of the American Air Force? Another useful contribution would be encouragement to the American press to understand that one cannot persistently cry to Europe that this is 1938 over again. The risks of quarrels that might cause war are obvious, but there is no hard military evidence of Russian intentions to attack Europe as Hitler attacked Poland. The task of Nato—and it is one of the utmost difficulty—is to persuade Europe of the need to be able to mobilise quickly and impressively against any change in the present disposition of the Russian army and air force. It is this need that gets overlooked in arguments about balancing the certainty of cold war against the possibility of the real thing.

* * *

Out Like the Lamb

Despite all the alarms and battles of the last seven weeks, the Government has reached the Christmas recess with its legislative programme running to time. The committee stage of the Transport Bill was completed, under the guillotine, just before the House rose. And to their surprise members were presented on the last day with the Town and Country Planning Bill (which abolishes the development charge) freshly reprinted on its return from a standing committee. The rapid progress made by this Bill upstairs, in spite of Labour's opposition to it, has made many members on both sides wonder again whether much of the hullabaloo of recent weeks might have been avoided if the Government had not insisted on taking the committee stage of the Transport Bill on the floor of the House. The day has perhaps come when Bills should be sent to standing committee even with a Parliament so evenly balanced as this. It would mean, of course, that the Government would have to reserve the right to reverse on the report stage any decisions that went against it in committee. But that would be, in the circumstances, a perfectly reasonable convention, and once it was recognised Parliamentary tempers might be appreciably less strained.

As it is, the price of forcing the Transport Bill through

committee by Christmas has been not only the use of the guillotine but frequent resort to the closure. Its frequency has, indeed, been far greater than can be justified even though the Government has been under great provocation. Everyone agrees that Parliament cannot go on for long in this way, and most members on both sides recognise the need for some concessions. Indeed, in the last few days before the recess the corporate common sense of the House asserted itself. Mr Crookshank was able to announce that the two sides had agreed, by a process of compromise, to spend 8½ days on the committee stage of the Steel Bill, and the guillotine would not be invoked. The Government very sensibly made another concession by promising to extend the report stage of the Transport Bill from two to three days, and the proceedings ended on a note of amity in striking contrast to the previous bitterness. But that Parliament will come in after Christmas as it has gone out is still almost too much to hope.

* * *

Chopper on Transport

The guillotine fell on Thursday last week on the final stages of the Transport Bill in committee. Rarely was an interval for reconsideration of a Bill more desirable, for there can be few people (and probably not even the Minister himself) who are satisfied with the content of the Bill, as amended, or with the quality of last week's proceedings under a rigid timetable. There is a growing feeling that the Bill stands in need of more improvement than is possible at the report stage.

Here, perhaps, is an opportunity for the House of Lords, which could at least approach transport as a national matter in comparative freedom from narrow party attitudes that obdurately maintain that the small man is the right man to run road transport, or that the organisation of transport prescribed in the 1947 Act is inevitably and eternally right. One important matter calling for further thought emerged from last week's proceedings in committee. It is not satisfactory, as Mr Gurney Braithwaite argued, to leave the future organisation of the railways to the Transport Commission and to give them twelve months, with the prospect of extension, to reach their conclusions. This is a matter on which, as the Minister admitted, there had been friction between the Transport Commission and the Railway Executive, and on which he had come to accept the representations of the commission. It would undoubtedly help the discussion if the Government were to give a clearer idea of the lines it has in mind for the reorganisation of the railways, on which little has been divulged beyond the notion of decentralisation. If, on the other hand, its ideas are unformed, it would seem better to take counsel from a wider range of opinion than is likely to be found within the commission.

This question of organisation has little popular appeal, but it is in fact the crux of any successful scheme of reorganisation. To "abolish" the Railway Executive (an "unfortunate word" which the Minister regretted) still leaves open the main issue. It is necessary to devise and secure the right policies for all the transport undertakings that will remain with the commission. It is also necessary to secure the general management of the railways, with all that this implies in technical matters. So far there is no indication of the answer to these fundamental questions.

* * *

Slow Motion Against Monopoly

The President of the Board of Trade has at last fulfilled the simple intention that he announced in the debate on the Monopolies Commission last July. The commission has now been asked to make a general study instead of being confined to individual industries; this study will deal with some of

the practices that its particular inquiries have shown to be common to a number of industries and to be restrictive in their effects. The official reference is broadly phrased to cover any arrangements, whether legally enforceable or not, by which independent traders or manufacturers join together in discriminating against, or in favour of, any defined class of customers. The most important of such practices are, of course, exclusive dealing and the collective boycott. To prohibit them would be to take the weapons of last resort, and so much of the restrictive sting, out of many trade associations.

The decision to hold a general inquiry on these lines is, at least, an improvement on the practice followed hitherto, with the commission toiling painfully through a few industries. But it is the right decision by the Board of Trade only if it is agreed that no more radical change is possible. Are Government and Parliament so preoccupied with more important matters that there is no time to pass new legislation against monopoly practices either in this session or in the next? If that is true—as Mr Thorneycroft is obviously assuming—then the study now being started will at least do no harm. Though it will no doubt be prolonged, it should surely be finished by the end of 1954. And then, if it is not put on the shelf already occupied by the Lloyd Jacob report, it can lead to some administrative action and it might provide a basis for stronger legislation in 1955; in either event, delay will not have been worsened.

But there ought not to be such delay at all. A new Bill on monopolies would take relatively little time, if it could be sent to a standing committee; and it is at least as important as the denationalisation measures—from the political as well as the economic point of view. The Conservatives' chances in the next election will depend to a large extent on their having by then worked out an economic policy that can be honestly and enthusiastically advocated in the national interest. Conservative measures like denationalisation will fit into such a policy—and the policy will be consistent and forceful—only if strong action against private restrictions is a part of it. The new inquiry is a step in the right direction when there should be a long jump.

* * *

Pyrrhic Victory in Tunis

Events in Tunisia afford the French Cabinet a respite from anxiety but no grounds for complacency. M. Pinay, against the advice of some of his ministers, confronted the Bey last weekend with a straight choice: between signing some of the 60 decrees upon which he had been stalling for anything up to a year, or of seeing his functions transferred to a council of regency that would assume his powers of signature. The Bey compromised by signing two of the decrees.

The excitement over this minor triumph is misplaced, for the success is modified by several factors. The murderers of Ferhat Hached, whether French or Tunisian, are still at large, and there can be no lasting satisfaction on either side unless they are caught. Secondly, though the two decrees signed are those establishing an electoral system in local government, they are not the most far-reaching of the reform items that were described in *The Economist* of August 9th. Others more controversial remain to be negotiated, notably that setting up two advisory councils, one of which is to contain Frenchmen. Lastly the signature is said to have been obtained while the Palace was surrounded by troops; the Neo Destour Nationalists can say and are saying that it was secured under duress. The success of these French tactics will be measurable less by what has happened than by what happens next.

The part played by personal emotions in this struggle between the Bey and the Quai d'Orsay is enormous. The

dramatis personae are, first, the Bey himself—elderly, fond of a quiet life, reluctant to forgo the privileged life of an absolute ruler; secondly his children, who live in a series of agreeable little villas surrounding his palace. The most forceful of these are a daughter, Princess Zakia, and a son, Prince Chadley. The former is the wife of a leading Neo Destourien and the latter is an ambitious member of the same party. They are well placed for needling their parent and steadily do so. The third personality involved is the Resident-General, M. de Hautecloque, who seems to dislike the Bey nearly as much as the Bey dislikes him. M. de Hautecloque is a bad judge of the effect of his words upon his hearers; more than once he has unwisely announced that agreement is attained when in fact the Bey does not mean it to be so. The last occasion on which he committed this error was last week, when the Bey in the end refused to sign the decrees. In fact his signature, when given, was given not to M. de Hautecloque but to M. Boisseson—the plenipotentiary called the "delegate" who represents the Quai d'Orsay in Tunisia. Maybe it was given to him because the Tunisians are downcast by the lukewarm support for their case at the United Nations. More likely, the concession was intended as a snub for a much disliked Resident-General.

* * *

Arab Defence Plans

At the end of the talks held last week between General Neguib and the Syrian chief-of-staff and deputy Prime Minister, Colonel al-Shishakly, the Cairo newspaper *El Ahram* remarked that they are the only two men in power in the Middle East capable of discussing its defence "in a positive way." If "positive" also means "practical" the comment is apt; as technicians with some experience of balancing national budgets, these two men belong to the

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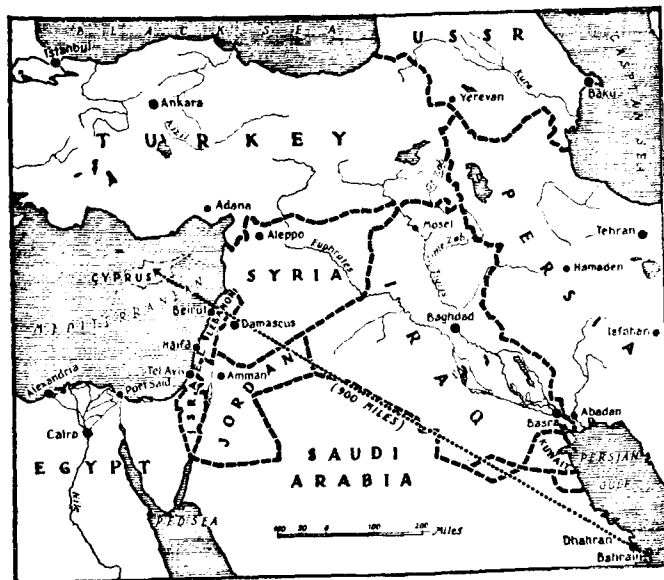
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small number of Middle-Easterners who are aware of the costs of maintaining modern defences in even a small country.

They know how much it costs to keep a tank corps or an air force up to date. They know that states such as theirs have only two choices before them to achieve this end; either they must submit to unaccustomed and heavy taxation of private fortunes, landed property and businesses, or else they must ally themselves with the forces of a Great Power.

This is not to say that they will therefore step smoothly into alliance with the West as Turkey did. Arabs and Egyptians do not feel the hostility to the Russians that burns in Turkey; they mistrust the western powers on account of the Palestine settlement; and, perhaps the most telling consideration of all, many of them think that their homes may



lie beyond the perimeter that the West is capable of defending. If this is so, they reason that to commit themselves to one side would, in the event of war, expose them to reprisals. This thought blinds them to the argument that alliance now might reduce the risk of attack.

From the standpoint of the western sponsors of the Middle East Command, these Arab fears are even harder to allay than are the antagonisms that hang around the treaties that Britain signed between the wars with Egypt and Iraq. Yet if the Middle East, whenever it comes to discuss its defence, takes refuge in procrastination, or in anti-foreign ranting, or in purely negative rallying cries of the Arab League about Palestine or French North Africa, it will leave itself sadly exposed—rich but weak, vulnerable and tempting. If *El Ahram* is right, and Neguib and Shishakly were "positive," they will have done the Middle East a service; but they cannot complete the job unless they become positive in public utterance.

Desperate Remedies in Prague

Before the conference of the Czechoslovak Communist Party last week the country was told that the delegates' efforts would be directed towards "getting things straight." This certainly seems to have been necessary. The Slansky trial was deliberately staged when it was in order to shock the Party into accepting willingly a new and more rigorous set of rules. But many members seem to have reacted incorrectly; they were greatly concerned that Slansky and his friends should have got away with so much for so long, and then admitted their guilt so fully. The Communist leaders spoke with astonishing frankness about how show trials are arranged, revealing that the Czechs are not yet inured to totalitarian brutality.

The new Party Statute, which closely follows the latest Soviet model, is designed to eradicate the "obscure and vague conceptions of a liberal character" still lingering in the old party rules. High importance is attached to "Party and State discipline" which, in President Gottwald's words, are "essentially one and the same thing—two sides of one coin." He and his associates, caught between Moscow's demands and the people's discontent, hope not only to strengthen their grip on the Party, but also to fashion a more efficient instrument to control and exploit the national economy. The "lack of State and labour discipline from top to bottom" is responsible, says Gottwald, for most of industry's failures, and the Party must remove it.

Mr Zapotocky, the Premier, struck a different note when he said that a working-class manager who was inefficient and inexperienced did more harm than good, whatever his merits as a comrade—a remark hardly helpful to the Party in the factories. He has probably put his finger on a major weakness in the Communists' position, which will hardly be improved by stronger doses of criticism and self-criticism. It must have been weakened by purges, and confused and frightened—perhaps even outraged—by the recent trials. The medicine prescribed may be too strong; but Gottwald and Zapotocky probably dare try no other.

Miners and the Board

Five weeks ago the miners quietly accepted the Porter tribunal's outright rejection of their demand for a 30s. wage increase. In contrast, they have turned down the Coal Board's offer of 6s. a week for lower-paid workers with some bitterness. Some of the delegates to the special conference last week urged that strike notices should be given; others wanted to stop Saturday working and all "co-operation" with the board. The union leaders had certainly expected more than 6s.; this is not only derisory compared with the 30s. they originally asked for, but is less than the increases gained in other industries—which have recently been of the order of 7s. 6d. Moreover, the coal board's offer was not extended, as the union had expected it to be, to all workers on day-wages, but only to those on the minimum wage. And the board had attached to it two conditions that the delegate conference would not accept: a standstill on piece rates and a further extension of the Saturday working agreement when it expires in April.

The resulting discontent has not so far led to any action; production is always at its height in the "bull-week" before a holiday, and the executive has yet to decide what its next step shall be. Presumably it will return to the board and ask for more. The union leaders clearly seemed to see the sense of the Porter tribunal's argument that it would be wrong to award a general wage increase while the whole wages structure of the industry is under review. But meanwhile it was desirable to prevent hardship at the lowest level, for the negotiations about the wages structure have been going on for a year already; they will take a long time yet, even though progress has become more rapid in recent weeks—partly as a result of the Porter tribunal's observations and partly because the descriptions of the various jobs in the mines have at last been agreed.

The board has strong reasons for resisting a substantial increase in wages. Its finances are looking shaky again, because the demand for coal has fallen and because output per manshift has fallen sharply—from 1.21 tons last year to 1.19 tons in 1952. This is more than can reasonably be accounted for by the intake of green labour, and it greatly weakens the miners' moral claim to more pay. It also suggests that the nationalised coal industry is very much further from making itself efficient than the politicians—including, nowadays, Conservative ministers—like to suppose.

Service or Authority?

The recent legal arguments about fish and sewage in the River Derwent show more clearly than ever the importance of an independent judiciary to protect the individual against what are known, by tradition if for no better reason, as public authorities. The Pride of Derby Angling Association is of no economic importance; its members merely wished to fish in the River Derwent. But, they claimed, the river was a mixture of heated, polluted water detrimental to fish. Last April Mr Justice Harman granted an injunction restraining the Derby Corporation and the British Electricity Authority from interfering with the plaintiffs' fishing rights in the course of their use of the river for sewage disposal and for cooling the towers of a power station. They were given two years to alter their installations. Both appealed, the Derby Corporation against the decision, the electricity authority in order to get the injunction modified so that it could use the river water provided the temperature was not raised to a point injurious to fish. The Court of Appeal met the second application; it dismissed the appeal of the Derby Corporation with costs, and it is this section of the Court's judgments that is important.

The contentions of the Derby Corporation were on these lines. It had installed its sewage plant under the authority of the Derby Corporation Act, 1901. When installed, the plant was quite adequate for the then population of Derby. If the population of Derby had grown since, that was not the fault of the corporation, nor did it impose on the corporation any legal duty to enlarge its plant to prevent pollution of the River Derwent. The only remedy the anglers had was to make representations to the Minister of Health. Further, for a Court to grant an injunction against the corporation brought "improper pressure" to bear on the Minister responsible for issuing building licences for the extension of public works; it was also a wrongful interference with the sovereign right of a borough council to deal with its problems as it thought fit (and, by implication at least, of its right not to deal with them if it so pleased). The Master of the Rolls said that at one stage the corporation had suggested, through its officials, that the plaintiffs' action had been brought by the plaintiffs' solicitors for the sole purpose of making a profit.

So it has been necessary for the Supreme Court of Judicature to remind a public authority that, even if it does no more than cause a private nuisance to a private individual, it is still liable to be sued in the Courts like any other subject of the Crown. If a man has a right to fish, he retains it, even though it does inconvenience the Mayor, Aldermen and Burgesses of a county borough. It is to be hoped that there are some elected members of the Derby Council who will require those concerned to justify to the public they serve the arguments, contentions and accusations they have put into the mouths of their advocates in this action; or have things gone so far that the paradox of arrogance in the public service no longer attracts comment?

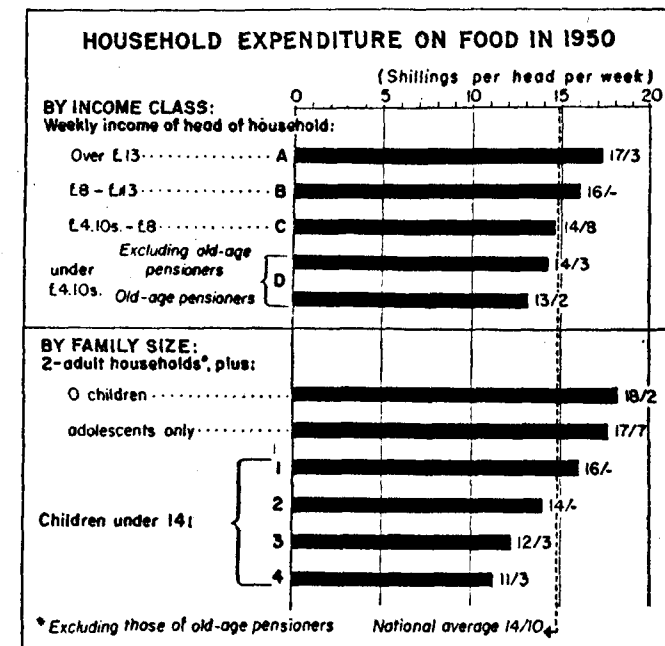
Levelling in Food Budgets

Since 1940 the National Food Survey has been collecting food budgets from urban working class households, but the report for 1950 (HMSO, 4s. 6d.) introduces an important change. All types of households are included, so that some comparisons of food consumption and expenditure by social class and size of family can be made. The 4,723 households who supplied a weekly budget are divided into classes according to the income of their heads—a criterion which falls midway between the now more usual one based on occupation and a purely economic standard, which would have to include supplementary family incomes.

The accompanying chart shows how expenditure on food

for each member of the household rises with the income of its head and falls as the family gets bigger. These two effects are not entirely unrelated, since there are proportionately more small households in the top class than in the middle ones. But the number of children is evidently the more telling factor; where there were three or more, expenditure on food was less than that of old-age pensioners. In general, the upper class consumed more milk, fresh fruit and vegetables but less potatoes and bread than other classes.

According to the Crawford and Broadley budgets of 1936-37 the weekly expenditure on food then averaged 8s. 11½d., but the difference between that of the upper and lower classes was as much as 10s. 10d.—121 per cent of the average. In 1950 the comparable range was only about 28 per cent. Some of this, of course, is due to rationing, but



some also to the levelling of incomes and of family size, though the 1950 figures may underestimate the actual difference in consumption because no account is taken of raids on larder stocks or of "free" sources such as garden produce, which are largest for the higher income groups. When allowance is made for these, the weekly cost of food consumed in the home was put at 21s. 4d. per head for Class A households, 15s. for old-age pensioners and 16s. 6d. for everybody.

The survey suggests that with this expenditure very few people were inadequately fed. The standard for calories was reached by all households except those in the lowest income class, who fell just short of it. The diet of the largest families was somewhat deficient in protein and calcium content, but for other nutrients the standard was easily reached by all types of households except that old-age pensioners may have insufficient iron in their food. But in general it is only the diet of families with four or more children that can give the nutrition experts cause for real concern.

Two Views of Dr Adenauer

Two quite different but equally valid views can be taken—and are being taken in Western Germany—of Dr Adenauer's battle for the treaties that will take the Federal Republic into the Atlantic system. To the politicians and foreign observers in the artificial atmosphere of Bonn, the Chancellor seems to have gone too far in his manoeuvres to prevent the Karlsruhe Court from delaying or invalidating the treaties. All his protestations and those of President Heuss cannot undo the bad effect created in the capital when the government showed that it did not trust the constitutional

judges to make their decisions without political bias. The prestige of the Court, say the critics in Bonn, has been undermined, without justification. To them it seems that the weak West German state, based on a provisional "basic law" that was not deemed worthy of the name of "constitution," has been endangered. They ask whether the European Defence Community, if it can be pushed through only by such tricks and only at the cost of a crisis of confidence in the state, is worth the price. By declaring his firm intention to hold the federal elections not a day before they are due next September Dr Adenauer has added to his critics' doubts.

Misgiving is also caused by reports that some of his colleagues in the Cabinet are contemptuously pointing out that the "basic law" was in any case only a makeshift affair imposed by the occupation powers and must not be allowed to interfere with a political act. Such talk, though intended to help the prospects of the treaties, accords only too well with the propaganda of the anti-democrats. They would like nothing better than to increase the disrespect with which Bonn is regarded.

Seen from other German centres, however, Dr Adenauer's policy does not appear nearly so mistaken. The constitutional manoeuvres are much too complicated to interest the general public. There is no crisis of confidence in the state in Frankfurt or Bavaria, for the very reason that the Germans do not base their lives on respect for the Federal Government, the Court or, still less, for political parties. Dr Adenauer, according to this view, has not lost any ground in the country through his latest tactics; on the contrary, his Social-Democrat opponents have perhaps irritated the public by their lack of any clear-cut, positive alternative to the defence community. Dr Adenauer clings to a few simple proposals; the Socialists have only a mass of complicated objections to them. This fact may well overcome the still very general opposition among the public to the idea of rearmament. If Dr Adenauer finally succeeds in pushing the treaties through, he will have created a *fait accompli* that the Germans may accept. In that event, he will probably not be blamed for the tactics that now look so dubious.

* * *

Cheques from Uncle Joe

Neatly anticipating Santa Claus by four days, Stalin last Sunday (his birthday) awarded "peace prizes" of 100,000 roubles (£9,000) each to seven fortunate people, all stalwarts of the "world peace movement." These prizes have now been awarded for three successive years, and an analysis of their distribution shows that France leads with three out of the twenty prizes awarded; Brazil, Britain, China, Germany and the United States have each won two, and Canada, India, Italy, Japan, Mexico, North Korea one each. Qualified candidates in the Soviet Union itself seem to have been lacking; this year, for the first time, a prize went to a Russian, Mr Ilya Ehrenburg, who, oddly enough, had earlier been appointed to the adjudicating committee (Mr Kuo Mo-jo of China likewise received a prize in 1951, despite his membership of the committee).

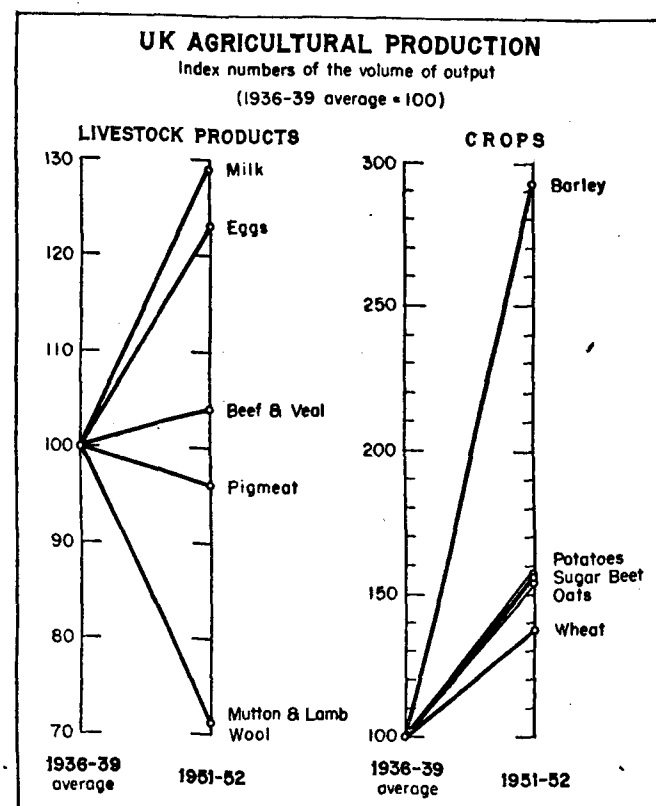
If Russia is weak in outstanding "peace fighters," at least it does better than its satellites. In the three prize lists not a single East European appears. There may be little point in wasting roubles on countries where military training is now so important; yet surely the satellites can boast some trusty peace fighters: Mr Rakosi, for instance, who brightened the Vienna Peace Congress by announcing in Budapest, as it met, that he would flinch from no sacrifice necessary to the militarisation of Hungary. Why are they neglected, while the roubles go to an octogenarian Mexican general and an American parson (who refused them)? Does Stalin feel that it would be tactless to award prizes to men who might soon share the fate of Rajk, Kostov, Gomulka, Clementis, Slansky and Sling?

Healing Themselves

The Danckwerts award has considerably raised the financial prestige of general practice in the health service. But for some time it has been widely admitted that a monetary stimulus was not enough to raise its professional prestige in the eyes of both medical practitioners and the public. Something else is needed to attract able young doctors into general practice and to provide an incentive to keep them up to the mark once they are established. Too often, today, the newly qualified become general practitioners merely because they see no hope of ever becoming consultants or specialists.

The idea that has won most favour within the profession itself is the formation of a College of General Practice. On New Year's Day, the idea will become fact, and the functions and organisation of the new body are set out in the report of the steering committee published in the *British Medical Journal* of December 20th. Two sentences in this report stand out as illustrative of the need for some such stimulus: "if a doctor is discouraged there is no branch of medicine in which he can deteriorate more rapidly"; and "medical students (the majority of whom enter general practice) often qualify without ever having met or spoken to a general practitioner, and without having seen him at work." One of the college's functions will, therefore, be concerned with undergraduate teaching. It will not institute a qualifying examination; but in a variety of ways it will help teachers of medical students to overcome the specialist bias in their curriculum by introducing some of the techniques and experience of general practitioners. Its main function, however, will be to provide a continuing incentive for established practitioners. It will set standards of general practice; help to keep practitioners up to date; act as a clearing house of ideas and information and encourage research.

Apart from the foundation members, it has still to be decided how election to membership of the college will take place. In a materialist world, moreover, some may wonder whether the professional distinction of membership will have to be backed up by a financial reward if the incentive is not to lose its strength as the years pass. There is also the danger



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Man's knowledge of the chemistry of health
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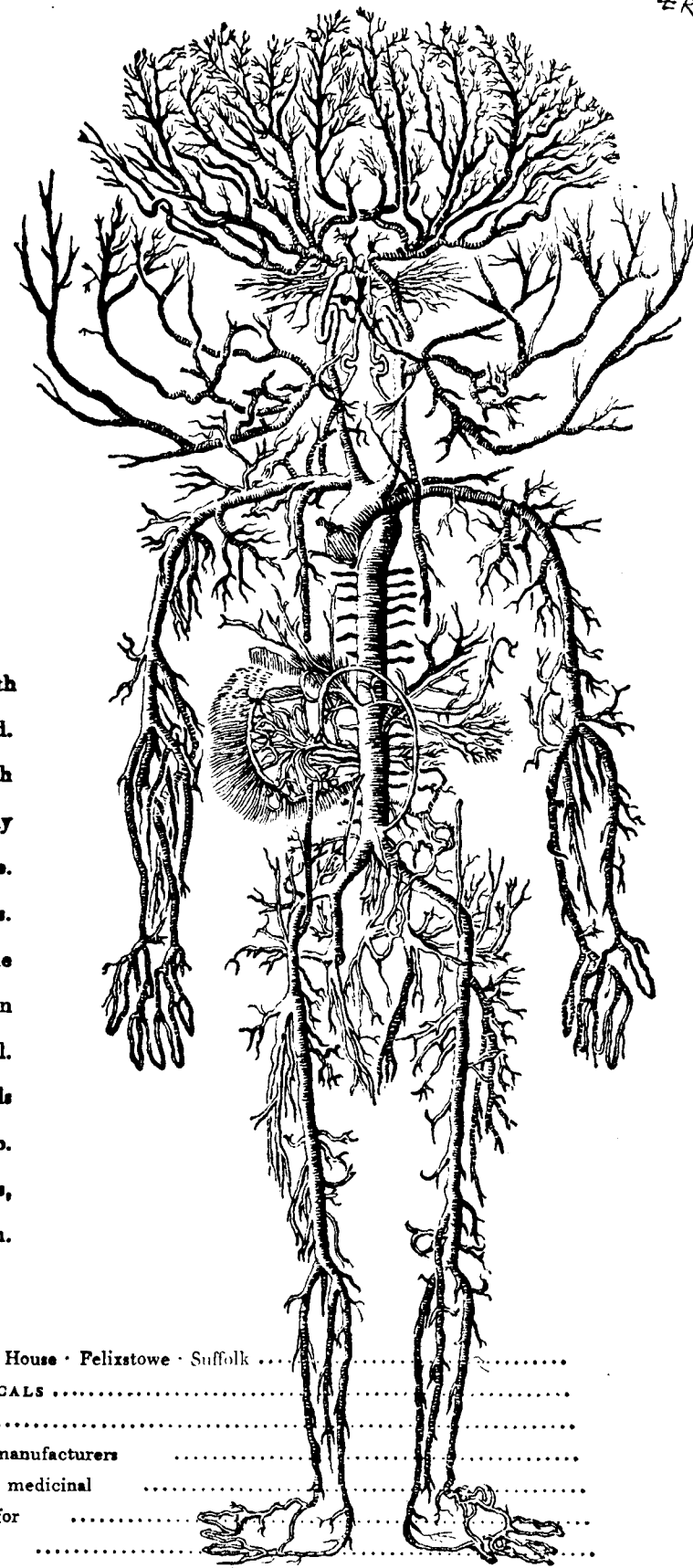
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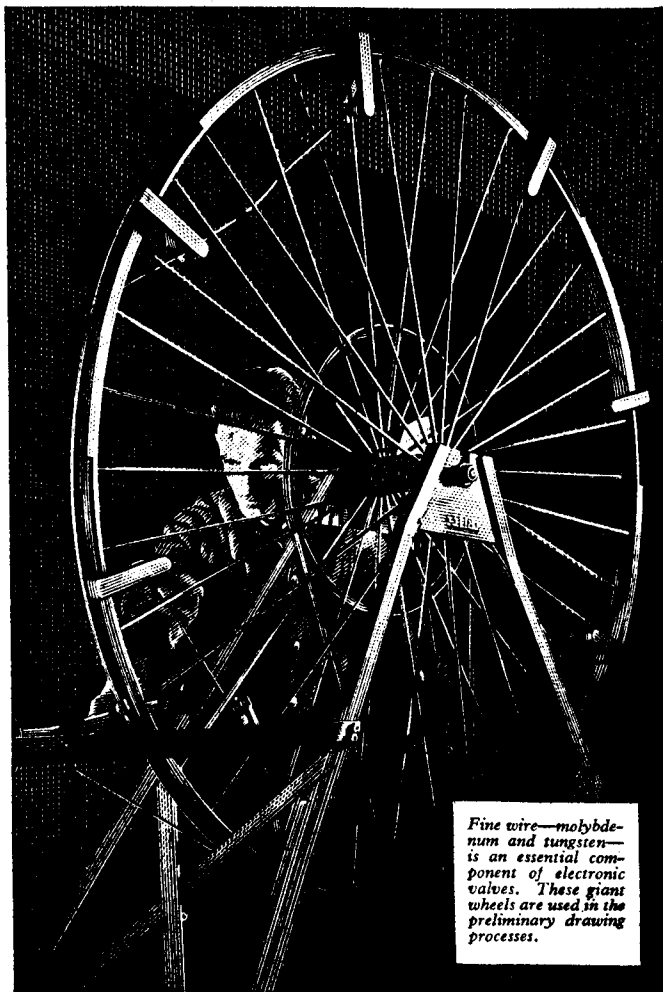
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PROGRESS IN ELECTRONICS

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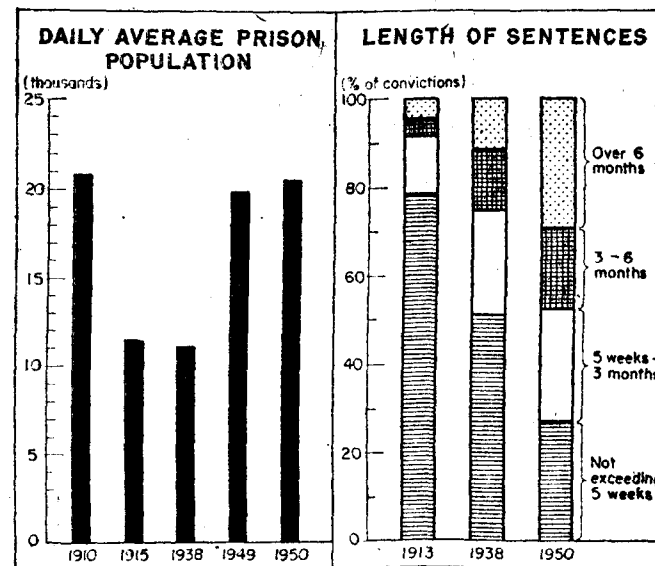
that the college's activities will attract only those who are good doctors in any case, and that the mediocre will lose interest once the initial enthusiasm has spent itself. It would perhaps be as well, therefore, if the college began modestly, developing in accordance with the support it receives, rather than launch out on a grand—and grandiose—scale that cannot be maintained.

* * *

Overflowing Prisons

The annual report of the prison commissioners [Cmd. 8692] repeats last year's depressing tale of a steadily increasing prison population. One of the few encouraging facts is that the proportion of discharged Borstal cases not reconvicted, or reconvicted once only, seems to be recovering slowly from the low level to which it fell after the war.

The overcrowding which the big prison population has led to is now well known. Attention is usually concentrated on the fact that many prisoners have to sleep three in a cell; but the commissioners also point out that the shortage of prison accommodation creates other difficulties as well. As the second diagram shows, by contrast with earlier years, the courts now tend to pass longer sentences of imprisonment. The commissioners comment that prisoners serving over three years ought to be removed as soon as possible from local prisons to central prisons, which are suitable for long sentences. Owing to the shortage of



accommodation, "ordinary" prisoners can now go to a central prison only if their sentence exceeds four years, and then only after a wait of nine months. The number of men serving sentences of preventive detention already exceeds by about 100 the places available for them, and the position is bound to get worse as more are sentenced before the first preventive detainees are discharged.

Nevertheless, the commissioners rightly criticise the courts for sometimes failing to make enough use of this form of punishment. Prison officials try to impress men sentenced to corrective training that a subsequent reconviction may mean a sentence of preventive detention. But of 36 prisoners released from corrective training, who were reconvicted while on licence and were eligible for preventive detention, only three were given this sentence. The commissioners comment that a deterrent threat which is not realised will soon lose its force. This would be particularly regrettable, since the Governor of Parkhurst, where preventive detention prisoners serve the second and third stages of their sentence, has noted that many of them have written to their relatives advising them not to risk a similar sentence. There seems little doubt that in corrective train-

ing and preventive detention the courts have two strong weapons to combat crime and the recidivist—if only they would use them.

* * *

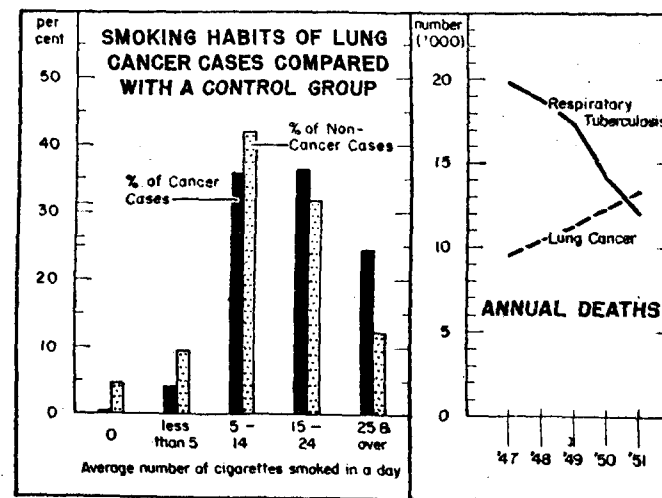
Did You Give Him Cigarettes?

In 1951, for the first time, the number of deaths from cancer of the lung exceeded the number of deaths from respiratory tuberculosis. This fact, illustrated in one of the accompanying diagrams, is recorded in the *British Medical Journal* of December 13th. The same issue also contains the results of an inquiry—or rather an extension of an earlier inquiry—by Dr Doll and Professor Bradford Hill into the smoking habits of a series of patients with lung cancer compared with those of a matched group of patients with other diseases.

The inquiry was most carefully undertaken, and yielded a vast number of findings which cannot be given here. The most significant results are the virtually complete absence of non-smokers among the male lung cancer cases and the considerably higher proportion of heavy smokers (defined as smokers of more than 25 cigarettes a day or the equivalent in pipe tobacco). The comparisons are shown in the other diagram.

The inquiry took place in hospitals in London, Bristol, Cambridge, Leeds and Newcastle, and the differences summarised above were present consistently in each of the five areas. Dr Doll and Professor Bradford Hill estimate, on certain assumptions, that whereas among men aged 45-64 who are non-smokers the death rate from lung cancer is negligible, in those who are heavy smokers, it is 3 to 5 deaths per annum per 1,000 living. The use of a petrol lighter, often blamed for any association between smoking and the disease, was found in this inquiry to be as frequent among the smokers in the control cases as among those with lung cancer; inhaling was not a significant factor; and there was no appreciable difference between the two groups when analysed according to the Registrar-General's social classes. On the other hand, more of the control group used a cigarette holder or smoked filter-tipped cigarettes than those who had developed lung cancer. And it is evidently not so dangerous to smoke a pipe.

The authors of the inquiry are, of course, careful to point out that cigarette smoking is not the sole cause of cancer of



the lung. They do, however, conclude that it is an important factor in producing the disease, and they suggest that the increased tobacco consumption of recent years may be, in part at least, responsible for the increase in cases of lung cancer. Perhaps it should also be pointed out that women do not altogether escape scot-free from the inquiry. Most of the findings for women are in the same direction as those for men, but women are on the whole much less prone to heavy smoking.

Letters to the Editor

Commonwealth by Thrift

Sir,—In your issue of December 20th you comment on some of the suggestions for a ten-year expansion of investment and exports, which I made in a recent Fabian lecture. May I say that I welcome these comments, since my suggestions were made tentatively, so that they might benefit from discussion and criticism.

You say that the critical issue is: how can savings be increased? I agree. I said in my lecture that "we must accept squarely the inevitable corollary that consumption cannot rise rapidly," and that "we cannot have reductions in taxes on the rich and further luxuries."

To get the savings needed, we must be honest enough to make a major decision. Saving is either individual or corporate. Individual saving cannot alone cover the gap unless direct taxes are so reduced as to restore the grotesque inequalities of pre-1914. Small reductions will mean more spending and inflation, not saving.

Therefore, corporate saving must be raised. Here company saving will play a part; but if we are going to make any progress towards a more democratic ownership of property, profit taxation must be used so that expansions (at least of large companies) come partly by way of outside borrowing, and not wholly by retained profits and hence private capital appreciation. (For small companies, there is a case for a higher Profits Tax exemption level.)

There should also be a large future for corporate saving through national insurance, private insurance, and pensions schemes of all kinds. Raising of the retirement age will assist this, as well as so much else.

But experience of the last few years shows that this will not be enough. Therefore, for a far-reaching ten-year investment programme, a Budget surplus is likely to be necessary. This must mean, for a time, continued high taxation of profits, large incomes, and fortunes—perhaps adjusted so as to encourage saving. As you so rightly say, saving means "consuming less; and it has to be done by people." It also has to be done by people already consuming more than bare necessities.

So the needs of social justice happily coincide thus far with economic necessities. Is not this a programme behind which we could all unite for the sake of the country's future, and which you—with your great influence—might take the lead in propounding?—Yours faithfully,

DOUGLAS JAY

House of Commons

[We welcome the wide basis of agreement on the need for more saving that is beginning to appear. In no factious spirit, but simply out of candour and caution, we would add that a great deal depends on how "social justice" is defined. Of course, everybody would agree that no reduced consumption should be required of

people who already consume only bare necessities. But after six years of Labour rule, Mr Jay would doubtless agree that there are very, very few of these.—EDITOR.]

Cortisone for Politics

Sir,—Why does Mr C. J. Stewart assert that the alternative vote might "jeopardise our chances . . . of enjoying effective government"? In 1951 Labour obtained nine marginal seats with majorities smaller than the Liberal vote. If the alternative vote had been in operation, and if Labour had gone to the country on a policy of left-wing socialism, Liberal second preferences might have given the Conservatives a net gain of close on twenty seats.

Since the abhorrence of a politician for the wilderness approximates to that of Nature for a vacuum, your case that the alternative vote would ensure the effective rejection of extremism by Centre opinion looks strong. Moreover, if the major parties were forced to heed moderate opinion, the present unsavoury exhibition of sham fighting at Westminster might cease. Further, to dismiss the alternative vote as "inept" because it does not also solve related but separate problems arising from the overloading of Parliament is to curse a sixpence for not being a shilling.—Yours faithfully,

L. A. JACKSON

Weybridge

Sir,—You perhaps have the House of Lords out of sight a little too quickly. The arguments over steel have, you say, become stale; it is apparently unacceptable to reiterate the necessity of trying to ensure by denationalisation that in future a party shall not push through Parliament any legislation it desires in the knowledge that it will not be undone. If, then, a prospective change of government is no guarantee of the reasonableness of the party in power, then the strongest case must be made for reinstating the House of Lords as an effective instrument of delay, as the guardian of moderation in the all too immoderate politics of today. The reform of the House of Lords is very much more important than either party cares to recognise.—Yours faithfully,

PETER STEIN

Balliol College, Oxford

Comment and Defamation

Sir,—From your article of November 1st it seems that, like many others, you have misunderstood the case of *Jones v. Hulton*. Mr Artemus Jones (who later became Judge Sir Thomas Artemus Jones) did not sue the newspaper correspondent, who did not know him and had no intention to defame. (Sub-conscious memory may have accounted for the choice of name, as correspondent and plaintiff had worked for the same group of newspapers.) The action was brought against the proprietor of the newspaper,

who *did* know the plaintiff, who admitted in cross-examination that he had read the article in proof, that at first reading he thought it referred to the plaintiff and yet allowed it to be published as it stood. Clearly this was no case of publishing allegedly defamatory words, "innocently in relation to," the person who claims that he has been defamed, nor can it be called an "unintentional libel." Further, Section 4, sub-section 5, of Mr Harold Lever's Defamation Act, 1952, provides that words shall be treated as published "innocently" only if "the publisher exercised all reasonable care in relation to the publication." It would seem, therefore, that under this new Act Mr Artemus Jones could still have recovered damages.

Mr Artemus Jones's case was not a "gold-digging" action. If it had been the superior courts would almost certainly have sent the case back for a new trial, on the ground of excessive damages. Reasonable men, some of whom gave evidence at the trial, believed that the article (which purported to describe what the writer actually saw at Dieppe) referred to the plaintiff. Indeed, it was only when he found that his reputation had suffered damage that he felt himself compelled to bring the action.—Yours faithfully,

MILDRED ARTEMUS-JONES

Bangor

[We did not argue that the decision in *Jones v. Hulton* was, of itself, authority for saying that the victim of an unintentional libel could always recover some damages. It did, however, suggest that he might, and in later cases he did. Unfortunately, therefore, the name of Sir Thomas Artemus Jones has become coupled with a kind of action quite other than that which he brought.—EDITOR.]

Growth of Pension Schemes

Sir,—The letter published in your issue of December 13th seeks to draw attention to the fact that employers would save money, and provide exactly the benefits required, by running private pension schemes.

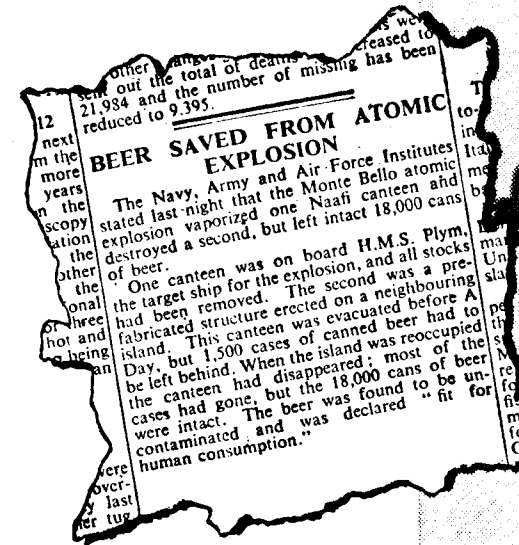
Surely over-much weight can be placed on the actual saving in cost, since the administrative work entailed in the efficient running of such schemes involves considerable clerical labour, and salary, as is only too well known by those with experience of this type of work. Furthermore, the life assurance offices transacting pension schemes provide, gratuitously, valuable actuarial guidance which, in the initiation of a private pension scheme, might well represent a further initial expense.

As many have found in other cases besides that of life assurance, "net cost" can be not only misleading but also a dangerous measure of value.—Yours faithfully,

M. G. HEPBURN

Bynsford, Kent

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Books and Publications

Historian's Confectionery

Rumours of Wars. By A. J. P. Taylor. *Hamish Hamilton.* 262 pages. 15s.

An historian who takes pupils is under the same compulsion as a journalist who writes leading articles; he has to form, quickly and firmly, opinions on subjects of which he has not always special knowledge. The mark of stimulating tutorials is vivid throughout this excellent collection of essays and articles; again and again one hears the chuckle of the don unmasking the clichés of the History Sixth or provoking a protest from the chaplain. Was Bismarck a wicked man? Well... "when men dislike Bismarck for his realism, what they really dislike is reality"; he lacked humbug but did not lack principles, "only they were not liberal principles." Likewise the Crimean War, "the war that would not boil": the real decision there came—not from Britain—from Austria and Prussia, the "third force" that stayed out. Their policy caused the war because the Tsar thought they were reliable satellites of his, while the western powers thought they would join their side and inflict a full-scale defeat on Russia. Austria and Prussia did not; and the result was an indecisive war, with the excellent but unpredictable result that the balance of power in Europe was strengthened.

Then there is Mr Taylor the journalist, who writes dogmatically and confidently on the issues of the day. We know next to nothing about how Soviet policy is formed—agreed. Therefore let us beware of hostile or friendly generalisations—again agreed; but then the historian sails in where leader-writers fear to tread and says that fear is at the root of Soviet policy and that the best way to overcome the fear is by trade. Similarly, the mystery of De Gaulle has made lesser pens hesitate; but there is no mystery after all. He created his legend not for his own sake, but for the sake of a France which he thought could be again illuminated with grandeur. He cheated the Communists of power in 1944 "by being like them, not by being different." As for the Gaullists they are really doctrinaires. Such epigrams whistle past the eye as the pages are turned. "The Holy Alliance was a Cominform of Kings"; one might equally say that the Cominform is the Holy Alliance of Commissars.

Between the *mille-feuilles* and the sugared almonds there is the solid fruit cake of "Prelude to Fashoda" and "British policy in Morocco, 1886-1902." This is Mr Taylor digging deep in the Record Office, bringing up day-to-day detail and spreading the footnotes. The result is impressive and nourishing, but indigestible. Yet without it we would be less wise about the real reasons for the Anglo-French entente, and less convinced that tiny mistakes, difficult little decisions and the most unfamiliar factors (in this case the difficult tribesmen of Morocco) bring about the great swings in policy. If Mr Taylor is right here, the journalist murmurs (and he

cannot possibly be sure) then he is probably generally right elsewhere.

This digging and scratching around the roots of wars and persons is most skilfully done; and by good arrangement the book has a certain dramatic shape. It begins with other historians, takes us to the present day via Napoleon III, Bismarck, "Joe at his Zenith," Northcliffe and Geoffrey Dawson, Stalin, Mr Kennan. At the end we feel that Europe is dead but the West survives; it is given a prescription for further survival:

There is a third way between Utopianism and Despair. That is to take the world as it is, and to improve it; to have faith without a creed, hope without illusions, love without God. The Western world is committed to the proposition that rational man will in the end prove stronger and more successful than irrational man. If the Western world abandons this proposition, it may conquer Communism but it will destroy itself.

One can only say, after all that has gone before, that it is a surprising peroration. Perhaps Mr Taylor has spent too much time on his specialty of foreign policy, of which he says in one essay "the great thing about foreign policy is that it is a matter of talk, of general principles." Or perhaps Mr Taylor is displaying what the publisher's blurb describes as his "gaminerie."

German Recovery

L'Economie Allemande Contemporaine. Allemagne Occidentale 1945-52. By André Piettre. *M.-Th. Genin.* Paris. 672 pages. 1500 francs.

This monumental study will be a standard work for all those interested in the German problem. Its first part, after a short introduction, deals with Germany's collapse and the Allies' attempt to reduce its excessive economic power by a form of repressive planning. A second part describes the rapid resurrection of Western Germany under the Western Allies' tutelage. The third part, "Associated Germany," covers the still incomplete integration of Western Germany in Western Europe and the North Atlantic partnership. The book is stuffed with carefully selected, judiciously tabulated facts, which are lucidly interpreted by an author who digs well below them. He is scrupulously fair, yet he cannot disguise his dislike of "German Dynamism"; he prefers Monsieur Proud'homme digging vegetables to Faust draining marshes. Though he dislikes the "Neo-Liberal" policy, which has made possible "the miracle" of Germany's rapid industrial recovery, he has to acknowledge that an austere egalitarian policy could not have done it. He rightly regrets the lack of social response which is clearly in evidence, and the failure to solve unemployment. He is fair enough to recognise that the creation of capital—especially physical capital—has had to take precedence, and

he rightly criticises the misdirection of investment that has frequently occurred.

Monsieur Piettre's analysis of the Schuman Pact turns on the assumption that Germany is obliged to let its neighbours share in its ample and cheap coal and coke supplies, even if it might prefer to turn them into finished goods. This assumption is justified when political punishment is being meted out; as a principle of international economic policies, it is hardly tenable. M. Piettre has some doubts whether Western Germany is viable, even when fully integrated in the west. M. André Siegfried, in a few brilliant introductory observations, raises the far more fateful question whether a genuine symbiosis of France and Germany is possible, however desirable it may be.

Hothouse Country

Israel. By Norman Bentwich. *Ernest Benn.* 224 pages. 21s.

Before the war, all respectable libraries on current affairs housed a shelf of plump green books called "The Modern World Series." This thin blue book is their worthy successor. In the old series, Professor Bentwich wrote a good volume on Palestine, and has properly been chosen to bring it up to date with "Israel." Among the spate of books already written on this new country, he has produced by far the most useful to the traveller and to the ordinary reader. Written by an Englishman who is also a Jew, its judgments are more balanced than those usually uttered by people who are one or other; it is also readable and fairly comprehensive.

It lives up to the succinctness of its title. There are already far too many accounts of the frustrating time of the mandate, and it relegates this subject to ten pages that are wonderfully compressed. Room is found for external but relevant topics such as the changed distribution of Jews in the world, and the relations of the state with the Diaspora. In the part that deals specifically with Israel, the best chapters are on its social standards (tribute is paid to the shelter afforded by the mandatory during their formative years), on culture, and on the machinery of government. The economic section is weaker, for it devotes too much space to plans and too little to the annual conjuring trick whereby international payments have been balanced by a country that is buying so very much more than it sells. The expedients adopted are a mystery to the layman, and would have been worth explaining.

Israel has been described—and is here described—as "a nation in a pressure cooker." The pace of development has been so hot that it must have been difficult to decide at what split-second to crystallise impressions on to paper. Professor Bentwich has stuck to essentials, and has successfully contrived to give a picture that should last for some time. But in doing so, he has needed to round off corners, and has perforce given an impression of urbanity and composure, whereas Israel's position is still the reverse of smooth or sedate.

AMERICAN SURVEY

Foreign Aid's New Year

Washington, D.C.

SO far, few hints have been dropped about the Eisenhower Administration's plans for foreign economic policy, doubtless because it has not yet developed any. In such a situation it is tempting to fill the vacuum with speculation; but the evidence varies so widely that any number of policies and attitudes on foreign aid in the future can be forecast, ranging from the most generous and forward-looking to the most pinchpenny and regressive. Some, however, of the dangers and contradictions of such speculation can be avoided by examining the legacy of a proposed aid programme for the coming fiscal year, 1953-54, which the incoming Administration will inherit from the departing one.

That programme, now being hammered out between the Director of Mutual Security and the State and Defence Departments on the one hand and the Budget Bureau and White House on the other, is bound to condition what the Eisenhower Administration does. The new government can change the amounts of the proposed authorisations and appropriations, it can doctor some of the ideas, it can throw out whole sections and, conceivably, it can insert some quite different measures. But if for no other reason than that of the Congressional time schedule, it will be sharply constricted by the proposed legislation which the old Administration will send to Capitol Hill not later than January 18th, just two days before the new government takes office.

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As Mutual Security officials now plan it, the next fiscal year's programme will be a transition measure, retaining most of the methods and techniques of this year's and last year's legislation, but at the same time containing the seeds and, indeed, a number of shoots of a new and significantly different system of aid for future years.

As this mixture of old and new hangs suspended between the Budget Bureau and the operating agencies, the total amount of money to be requested for the programme is not yet fixed. It is clear the Administration cannot ask the Congress for a larger authorisation than the \$7.9 billion which was sought for the current year, 1953, ending on June 30th. Equally clearly, the Administration wants more than the \$6 billion Congress gave it this year. The best assumption at the moment is that between \$6.5 and \$7 billion will be requested. Between \$4 and \$5 billion of this will be earmarked for Western Europe. Every effort will be made to reduce that portion to be disbursed as "defence support," that is, as straight dollar grants. During the current year, \$1.3 billion was appropriated for that purpose, but Mutual Security officials and Congress alike are determined to wipe out this last relic of the Marshall Plan pattern as quickly and completely as possible. Some direct dollar grants of this kind will be necessary for those non-hardy perennials, Greece and Austria; but the plan is to use different devices to take care of the two other most obstinate deficits, those of France and the United Kingdom.

The bulk of the funds for Western Europe will fall, as they now do, in the category of military assistance, but it is proposed to expend a larger proportion for offshore procurement and a smaller amount for finished weapons made in the United States. For the present fiscal year, Congress appropriated \$3.1 billion for military aid to Western Europe; of this it is planned to commit \$1 billion for offshore procurement before the fiscal year ends next June. In the following year, the goal for offshore procurement is likely to be nearer \$1.5 billion.

Whether this higher ratio of funds dedicated to placing contracts for munitions production in Europe will solve, temporarily at least, the most pressing aspects of the United Kingdom's dollar problem is the subject of much debate at present. If it is concluded that it will not, the Administration will attempt to devise other means, perhaps simply direct dollar assistance in defence supporting funds or perhaps dollar grants after the manner of the old "Additional Military Production" programme, to pay for the creation of more munitions plants, equipment and payrolls.

It seems clear that special help will also be needed next year for France, whose problem is a budgetary rather than a dollar one. Various devices suggest themselves: more offshore procurement; direct grants; furnishing additional munitions for the Indo-Chinese fighting; appropriations directly out of the Far Eastern rather than the European section of the aid legislation; picking up a larger share of the bill for French military expenses either in France or in Indo-China—and one or another of these, or a combination of several, will be adopted.

In the Bill now being proposed there will be emphasis on two principal methods of building a bridge to the pattern of economic assistance that is hoped for in the future. The first is that the Point Four idea should be converted from merely supplying technical experts to a real public works development programme, and the second is a major move toward substantial American public investment abroad to increase production of industrial raw materials and even foodstuffs. In neither case, however, can the amount of funds run up to the billion or two dollars that ardent advocates of this sort of system, such as Mr Paul Hoffman, would like to see. The difficulty is that projects to absorb any such amount are not now in hand and cannot be worked up within the short space of 12 to 18 months. Accordingly, the request for funds for public works development—principally power, water and communications projects in the backward areas of the world—may not exceed \$300 million for 1954; in future years, it is to be hoped, the total will be many times larger.

There are as yet no useful estimates on how much money

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

the Administration will request Congress to appropriate for expanding production of raw materials abroad. As officials see the problem, it is to provide money on terms which the International Bank for Reconstruction and Development and the Export-Import Bank cannot offer. In effect, it means lending dollars for repayment in local currencies, when dollar earnings are not available. Appropriations for this purpose will probably be made only if Congress, the new Administration and American business become convinced, as officials of the present government are already convinced, of two things: first, that the findings of the Paley Commission report are basically accurate and that the United States requires a great increase in materials; and second, that the existing stockpile programme, aimed at meeting only American needs, is insufficient and unrealistic and that stockpiles should be adequate for the whole free world.

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Such, then, are the broad and still very tentative outlines of the economic assistance Bill which the Truman Administration will present to Congress. But if the present Mutual Security Director, Mr Averell Harriman, proposes, his successor, Mr Harold Stassen, disposes—with the aid of Mr John Foster Dulles, the new President and the new Congress. How they will dispose can only be pure speculation, but it is perhaps worth trying to guess.

Mr Stassen in particular and the new Administration in general would seem to be obliged, for political reasons, to develop their substitute for the Marshall Plan: a new foreign economic policy that is dynamic and ambitious enough to galvanise American public opinion, just as the Marshall Plan did. It would be quite possible to dress up the proposals of the outgoing Administration and to present them, with complete justification, as a departure from the old ideas of international charity and as a basis for a new system in which each nation in the free world earns what it gets and pays according to its own ability for its own security, all within the framework of inspired international free enterprise.

As a practical matter, Mr Stassen has little choice in the area of direct military assistance to Western Europe. In the time available before next year's authorisations and appropriations must be completed, he cannot work up a plan radically different from that which the Harriman office proposes for weapons and offshore procurement help. It is doubtful, moreover, that he would want to. He is certainly predisposed in favour of the concept of letting Europe earn as much of its way as possible by producing its own munitions. Similarly, Mr Stassen is emphatically on record in favour of much heavier financial aid to develop backward areas. He has castigated the Administration for "losing China" through failure to give it that sort of assistance, and has uttered warnings that India will fall to Communist subversion unless the present aid programme there is vastly enlarged. Whether he would accept the third step, the employment of taxpayers' dollars to expand production of raw materials abroad, is not known.

By temperament (and consuming political ambition) Mr Stassen is an empire builder and budget grabber; he can be expected to ask for more, not less, money for whatever enterprise he happens to be in charge of. But by temperament—and by campaign promises—the Republican majority in Congress is the champion of economy, and there is no field so politically inviting to economy today as foreign aid. The conflict between those two forces will be as interesting to watch as its outcome will be uncertain.

American Notes

Olive Branch for the Senate

Senator Taft has announced that he will be a candidate for the Republican leadership in the Senate, something he would not do until he was sure his election would be uncontested. At one point it looked as though this important position, which carries with it responsibility for the Administration's legislative programme in the Senate, would go, for the sake of peace, to Senator Bridges, although he preferred to be chairman of the Appropriations Committee, now that he has a chance to practice the economy he has always preached. Senator Taft had angered General Eisenhower's friends by his resentment, outspoken over the Secretaryship of Labour, at the President-elect's failure to take his advice over Cabinet appointments. Mr Taft was apparently particularly incensed about not being informed that Mr George Humphrey, from his own state of Ohio, was going to the Treasury.

However, many Senators, not noticeably sympathetic to Mr Taft in other ways, shared his resentment in these matters, feeling that their traditional and jealously guarded prerogatives were being ignored. Senator Aiken, the party's farm expert, for example, was not officially informed in advance of the name of the new Secretary of Agriculture. The blame for these slights was put by the Senators on Mr Herbert Brownell, who has been advising the General about patronage, and through him on Governor Dewey, who has never treated the party's Congressional leaders with what they consider proper respect.

General Eisenhower evidently realised, or more probably was told, that his inexperience had betrayed him into tactlessness and he immediately dispatched a sheaf of olive branches to Washington. Meetings to discuss the legislative programme with the Republican Congressional leaders were arranged and Senator Carlson, after a visit to New York, announced that the President-elect had no intention of breaking custom by interfering in the organisation of the Senate. This intimation made Senator Taft a present of the party leadership he wanted; it is a constructive job for which he is well suited by legislative ability and political standing.

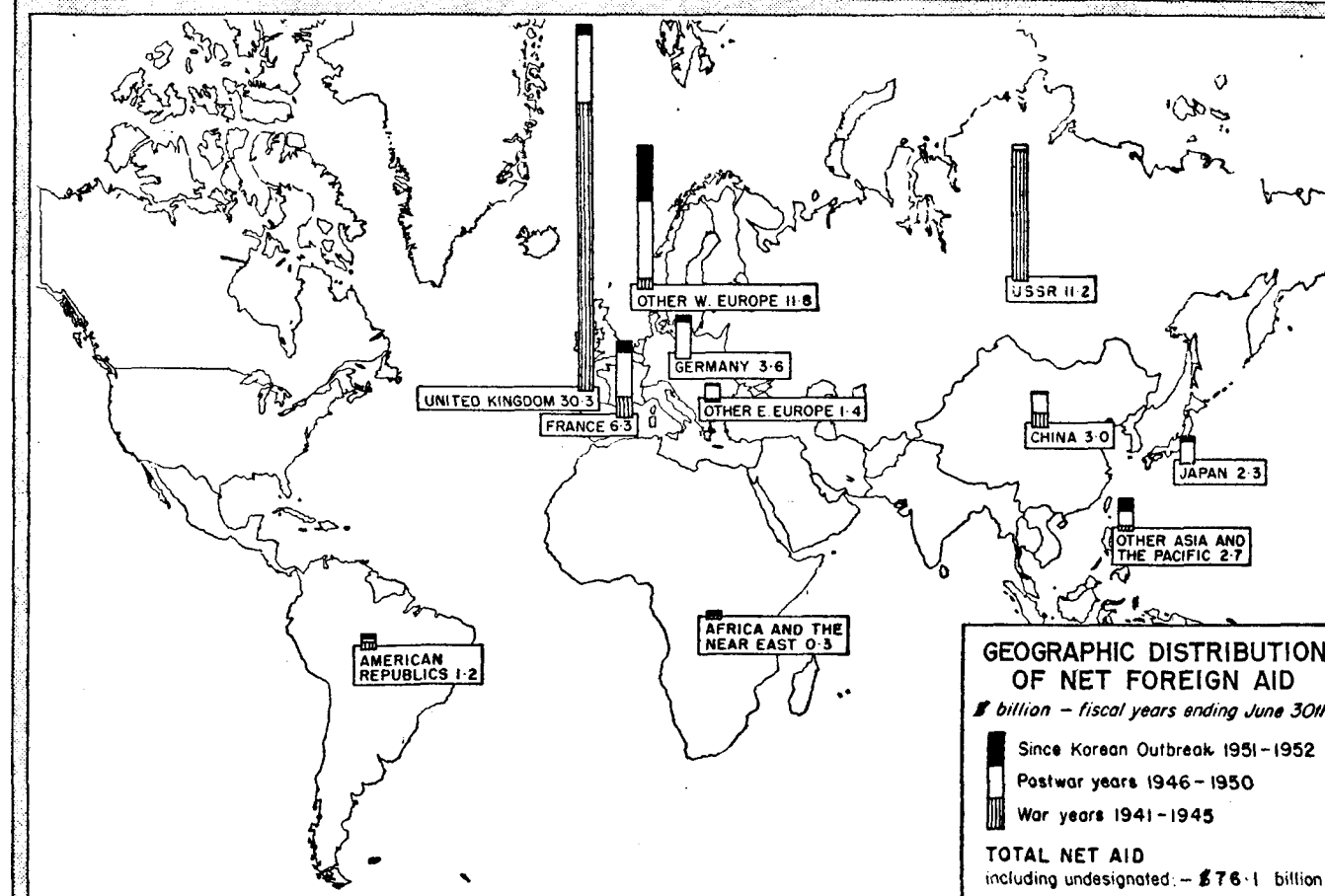
But his appointment means that in both Houses all the Republican leaders will come from the right-wing group who opposed General Eisenhower's nomination. It seems, however, that this is a price the new President has to pay for the co-operation which is essential, in view of the smallness of the official Republican majority in the Senate. It is now being suggested that the unofficial majority of conservative Republicans and southern Democrats should be cemented by making "sound" Democrats into vice-chairmen of committees, something the Senate has never had before, and by giving control of patronage in the South to Democrats who supported General Eisenhower, rather than to the slightly disreputable Republicans below the Mason-Dixon line.

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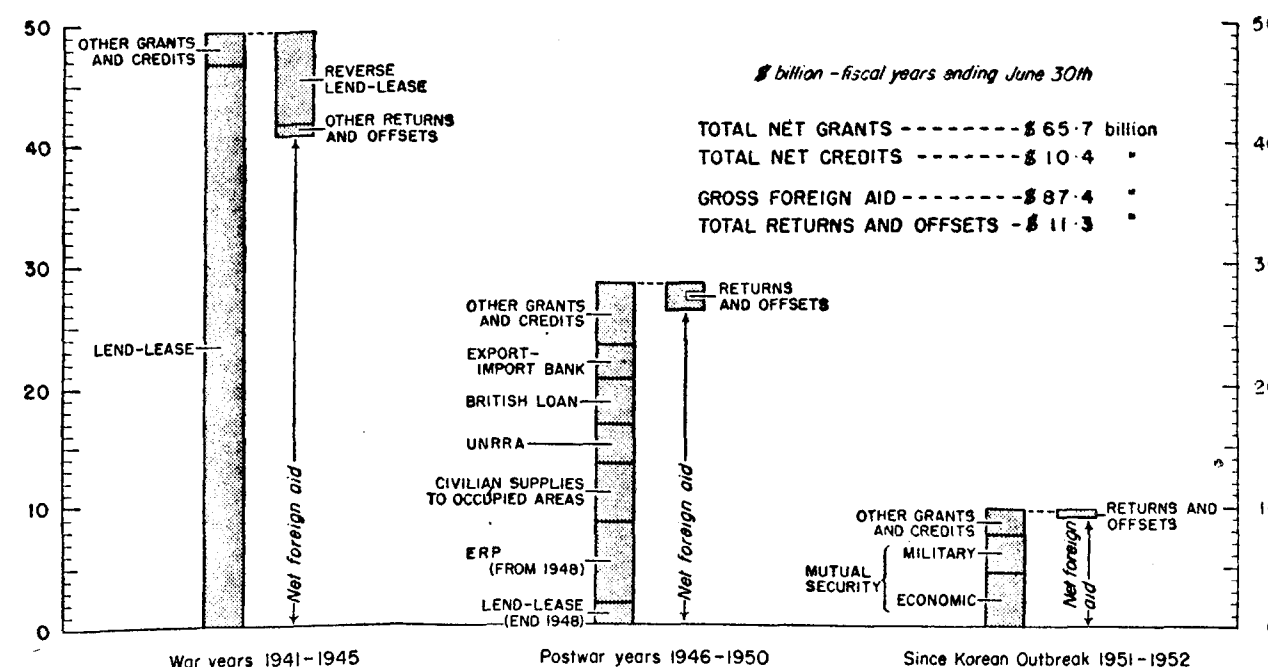
Keeping Controls Alive

Mr Michael DiSalle has agreed to return to Washington as Economic Stabiliser to keep wage and price controls alive until the new Administration takes over next month. Mr DiSalle, the outstandingly successful price administrator who resigned early in the year to run for the Senate, is probably the only man who could. The whole stabilisation machinery, already weakened by economy and the Republican victory, was dealt an almost fatal blow when Mr Truman decided to over-rule the recommendations of his own wage board in the coal case. The resignation of Mr Cox, its chairman, was followed by a walk-out of all the members representing industry on the tripartite board, who felt that this favouritism to the miners and Mr John L. Lewis reduced all wage control to a farce. The Administration has had to admit defeat in its search for replacements; any business-

TWELVE YEARS OF US FOREIGN AID



GRANTS AND CREDITS UTILISED AND REPAID



These charts are drawn from the much more detailed statistics in *Foreign Aid by the United States Government, 1940-1951*, recently published by the Office of Business Economics of the US Department of Commerce. The figures for 1952 come from the October issue of the same department's *Survey of Current Business*.

man ready to accept so short-term and so uninviting a public service has proved unwilling to defy the boycott proclaimed by the National Association of Manufacturers and the Chamber of Commerce.

With 12,000 wage cases waiting for decisions, however, some means of carrying on the work of the board had to be found if the trade unions were not to present an equally united front of criticism. Some workers and employers have been waiting nearly two years for a verdict on the legality of their arrangements. The board's powers have, therefore, been vested in the four public members, who will work out no new policies, but devote themselves to applying the old standards to the queue of cases. The electrical workers, the largest single group concerned, have already been given a Christmas present of a 5 per cent wage rise.

Mr DiSalle, who was first called in to determine what should be done about direct controls in the few weeks left to the present Administration, argued in his report not only that they should not be dropped at once, but also that the new Administration would be wise to retain at least a framework of controls which could be made effective in an emergency. He believes that today's economic stability could be upset overnight by a new spending spree or more extensive military operations abroad. The direct controls now in effect expire on April 30th, and they could be dropped at any time by the new Republican Congress. But with the approach of responsibility, even the most conservative Republicans are showing less zest for making a clean sweep of the stabilisation machinery. Senator Capehart and Mr Wolcott, the committee chairmen of the new Congress who will determine the future of economic policy, have promised to do nothing before they hold hearings in February, and are able to discover the views of the new Administration. And Senator Lodge, General Eisenhower's representative, is apparently sympathetic to Mr DiSalle's suggestion that the Republicans should appoint someone to become familiar with the problems of wage and price control before they have to make up their minds about them.

* * *

Chinese Dragon

After nearly three years of harassment by Senator McCarran and Senator McCarthy, who called him, on different occasions "the top Soviet agent in America" and "a conscious tool of the Soviet conspiracy," Professor Lattimore, the Far Eastern expert, is to be tried, probably in March, on seven counts of perjury. It is alleged that he lied when he told the McCarran Internal Security Committee that he had not been a "sympathiser or any other kind of a promoter of Communist interests" and that he misled it on a number of specific points, by denying, for example, that he knew before 1950 that a certain Chinese was a Communist. If he is found guilty on all counts, he might be sentenced to as much as seventy years in prison.

It is said in some quarters that this will be a sensational trial, rivalling that of Mr Alger Hiss. Certainly to those intent on proving that Communist influences in the State Department were responsible for the "loss of China," it will appear as the opportunity for a grand inquest. But it must be remembered that Professor Lattimore is, and was, a private citizen, only consulted on occasion by the State Department, not a government servant; and that the perjury charge in his case is not the substitute for a more serious one. He stoutly asserts his innocence of any charge, but even if he had been a member of the Communist party, that was and is no crime. In the meantime Johns Hopkins University, which employs Mr Lattimore, and has now given him leave of absence with pay to fight the case, has refused to be intimidated and has taken a firm and courageous stand for freedom of conscience.

Mr John Carter Vincent, a career diplomat long associated with Chinese affairs, is also likely to be thrown to the Chinese-American dragon. The Federal Loyalty Board, the highest court of appeal, has concluded that there are "reasonable doubts" concerning his loyalty, and has recommended his dismissal. Mr Vincent, now Minister in Tangier, has been suspended until Mr Acheson returns. What has disturbed many thoughtful Americans is the weight given by the board to the fact that Mr Vincent, at a time when American policy was to favour General Chiang Kai-shek, indulged in "studied criticism" of the Generalissimo, and "studied praise" of the Chinese Communists. This appears to come perilously near penalising a man many years later for unpopular, and perhaps mistaken, opinions, and to run the risk of paralysing the independence of the foreign service.

The Supreme Court recently, when it threw out the Oklahoma loyalty oath law, drew a distinction which is pertinent to all loyalty investigations. State employees were required to swear that they had not, within the past five years, been members of an organisation on the Attorney-General's "subversive" list. The Court found the statute unconstitutional because it did not differentiate between innocent and knowing membership, and Justice Black wrote that

test oaths are made still more dangerous when combined with bills of attainder which, like this Oklahoma statute, impose pains and penalties for past lawful associations and utterances.

* * *

Acid Test for Chemicals

The chemical industry ends the year with one eye on its mushrooming capacity and the other on its sales charts. Its vulnerability to trade winds was shown last summer when sales slumped during the textile recession and then during the steel strike, for today chemicals play a part in almost every American factory. During the post-Korean crisis, chemicals were in short supply and long demand but, with the stretch-out of the defence programme and the increasing capacity of the chemical industry, the pendulum has begun to swing back. Queues no longer form for sulphur; industrial alcohol prices fell from 90 cents a gallon in January to a low point of 40 cents last summer; there have even been suggestions of over-production in drugs, pesticides and plastics, and of demands for tariff protection against foreign competition. All but two of the interim goals for expanded manufacturing capacity for 58 chemicals, established in the defence mobilisation programme by the National Production Authority, have been achieved. The NPA must now determine the quantities of chemicals that would be required if there were complete mobilisation; but when it does some chemical firms will be reluctant to expand to meet such purely military demands, for they fear excess capacity should the international situation improve.

The growth of the chemical industry, quite apart from the stimulus provided by the government, has been prodigious, and is still under way; it is now in the midst of a \$6 billion development programme that started in 1951 and will end in 1955. A string of superlatives is needed to write the history of this industry; it has had an annual rate of expansion three times greater than the average for other American industries, and since the war has been growing faster than even it considers normal. In the last twelve years it has doubled its plant and quadrupled its sales, so that the slight easing of the market last summer still leaves chemicals far out in front of other businesses. One of the newer chemical fields, that of petro-chemistry, the derivation of chemicals from petroleum and natural gas, has been a major factor leading to the increased industrialisation of the south and south-west.

As the huge industrial machine of the United States consumes more and more raw materials, metals, fibres and



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other natural products are becoming rarer and more costly. They are therefore being replaced increasingly by synthetics, from rubber and soil conditioners to detergents and drugs. High expenditures on research and the rapidity with which these developments were put into commercial production have brought an amazing variety of products from an industry that creates its own raw materials by synthesis and then manufactures finished items from them. These modern Aladdins will undoubtedly continue to create more wonder drugs and miracle fibres which, they hope, will be wonderful enough and miraculous enough to withstand the acid test of boom or bust.

* * *

Gargantua of the Air

The House committee investigating immorality and offensiveness in radio and television programmes has advised that the industry should be trusted to regulate itself. As evidence of how effectively it was doing this, the committee reported that the "plunging necklines," to which exception had been taken on television, were creeping up since the adoption of the industry's voluntary code last March, and that makers of "hard liquor"—spirits—were refraining from advertising on the air. But beer and wines were still being presented too temptingly and the policy of always bringing the criminal to justice did not excuse the high proportion of crime programmes. The committee recognised, however, that this was due to television's rapid growth and huge appetite for material. It could consume a full year's output from Hollywood in six weeks, and the effort of keeping up with this demand leaves station owners little time for careful selection.

To the committee's pleasure educational and cultural programmes seem to be becoming more popular. The outstanding example of this is the recent commission given by the

National Broadcasting Company to Mr Robert Sherwood, who is to write nine hour-long television plays during the next three years. He will be left free to choose his own subjects and treatment and will be paid a six-figure fee and royalties, conditions which would make television attractive to any dramatist. Another cultural experiment has been the full length telecast of an actual performance of "Carmen" from the Metropolitan Opera House. This was not brought into private homes but only into thirty-one of the hundred cinemas which are equipped to show television programmes piped in by closed circuit. Business firms are beginning to take advantage of these facilities to demonstrate products and present annual reports to salesmen and customers; they need be invited only to their local cinema, instead of on a long journey, in order to see the latest designs in carpets or washing machines. At present this is an expensive process, because of the cost of the special cable, but in the new year the Federal Communications Commission is to consider reserving air channels for theatre television.

Meanwhile the commission continues to be choked with applications for permits to open new television stations. There are still over 900 of these on file but 147 have been authorised since April. When these stations are on the air, as they must be within eight months of the authorisation, the United States will have some 250 television outlets. Already no major city is without one. In the last, Portland, Oregon, telecasts began in September over the first ultra-high-frequency channel to come into use and reception is said to be better than from the old very-high-frequency stations. It is not surprising that manufacturers of television sets, who were on a starvation diet last year, are suddenly doing record business once again. But it is the spread of the television screen as much as the spread of television across the country that explains this new demand. A 21-inch screen is now standard, and owners of 12-inch screens are trading in their obsolete sets, or relegating them to the playroom.

Shorter Notes

Mr George Humphrey comes to Washington with little knowledge of government but a reputation for being a quick learner. However, his special deputy at the Treasury, Mr Randolph Burgess, and the new Under-Secretary, Mr Marion Folsom, are both men with wide banking and financial experience; both are advocates of conservative fiscal policies, and both are firm believers in the independence of the Federal Reserve System. Mr Humphrey's Assistant Secretary, Mr Chapman Rose, comes from his Cleveland steel company and Mr Charles Wilson, the new Secretary of Defence, has also brought in an assistant, Mr Roger Kyes, from his firm, the General Motors Corporation, to be Deputy Secretary of Defence. The three new service Secretaries, Mr Robert Stevens for the Army, Mr Harold Talbott for the Air Force and Mr Robert Anderson for the Navy are all business men; Mr Anderson, from Texas, was a "Democrat for Eisenhower" during the election campaign.

*

Winning friends and influencing people is made easier for unlucky duck shooters in Missouri by a farmer who raises mallard ducks commercially. For \$7.50 he will send a brace of birds, packed in three inches of glass fibre to prevent spoilage, to any place in the United States, accompanied by a card which suggests that the donor actually bagged the game himself.

*

With the precautions usually reserved for transferring gold bullion, the two most important documents in the United States, the Constitution and the Declaration of Independence, were recently moved from the Library of Congress to the National Archives Building. In their permanent home they will be on display every day and lowered at night to a special fire and bomb proof vault.

THE WORLD OVERSEAS

Europe's Fourth Stocktaking

THE fourth annual report of the Organisation for European Economic Cooperation is the most searching and cogent analysis of economic trends that has yet come from this body. In the past the susceptibilities of member governments have, all too often, meant the dilution of the text to the point of insipidity; but on this occasion, despite traces of similar obstructionism, the mixture remains strong, the lines of argument clear cut.

The main theme of the report is that with the end of the period of reconstruction and the disappearance of the Korean boom, the fundamental pattern of the free world economy is now exposed. This pattern is dominated by a chronic dollar shortage which affects practically all trading areas of the world. The famine arises in part from changes in the American economy and in part from changes in the rest of the world.

It is essential to bear in mind that between 1938 and the first half of 1952 the gross national product of the United States doubled and the gross national product per head increased by almost 70 per cent. One consequence of this great expansion in production is that imports of manufactured goods into the United States have substantially declined as a proportion of total American consumption expenditure. (Before the first World War the ratio was about 4.5 per cent; since 1945 it has averaged little more than 2 per cent.) This has happened in spite of greater American dependence on foreign sources for certain goods and a steady reduction in tariffs.

TABLE I

UNITED STATES BALANCE OF PAYMENTS ON CURRENT ACCOUNT
(\$ '000 million)

	1948	1949	1950	1951	1952*
Imports f.o.b.	7.82	7.07	9.08	11.18	11.03
Exports f.o.b.†	12.93	12.14	10.12	14.09	14.56
Invisibles and private remittances ...	+0.44	+0.47	+0.74	+1.58	+1.39
Total	+5.55	+5.54	+1.78	+4.49	+4.92
Local military expenditure and off-shore purchases‡	...	...	-0.61	-1.33	-1.68
Current balance	+5.55	+5.54	+1.17	+3.16	+3.24

* First half seasonally adjusted to annual rate.

† Excluding "end-item" deliveries financed by "military aid."

‡ Including common infrastructure, local purchases for armed forces and troop conversions. For 1948 and 1949, the amounts are relatively small and have not been separated from exports and invisibles.

The second big change in the American economy is a shift in the balance of various categories of invisible transactions. Income received by the United States from overseas investments rose two and a half times between 1935-38 and 1951, while the net inflow into the United States of investment income over the same period rose nearly fourfold. Again, the United States now owns 28.4 per cent of the world merchant fleet as against 13.4 per cent in 1938.

Another basic change is that the development of private American investment abroad has not kept pace with the increase in the US balance of payments surplus on current account. A further disturbing factor is that the gap between the American and European standards of living has widened, and it has therefore become increasingly difficult for European manufacturers to appreciate the sort of exports that will sell in America.

The changes that have taken place in Europe have almost invariably aggravated the difficulties created by the revolution in the American economy. In the OEEC countries, the gross national product, between 1938 and the first half of 1952,

rose by 27 per cent, while the increase per head was a mere 13 per cent. Simultaneously, and largely as a consequence of the war, the European countries lost most of their previous income from overseas investment while at the same time they undertook to pay interest to non-European countries. Before the war, European net investment was sufficient to pay for one-fifth of its total import bill; today what remains of these investments is completely offset by interest payments due to North America.

Still another blow has been the loss of former markets and sources of supply in eastern Europe and Asia, a reduction which, according to the report, is due in large part to the unwillingness or inability of eastern Europe to provide its prewar exports. Another factor tending to weaken the position of western Europe has been the virtual cessation of grain supplies from Latin America and a steep decline in shipments of meat from the same area. Finally, and perhaps most important, the terms of trade have moved sharply against the kind of manufactured goods that constitute the bulk of west European exports. Some idea of the significance of this movement is given by the report's estimate that if the terms of trade had remained constant at their 1938 ratio, then in 1951 western Europe, instead of running a trade deficit of about \$3 billion, would have had a surplus of about \$2½ billion.

All these changes reflect deep-rooted shifts in the world economy, shifts that are not confined to western Europe alone. The broad picture that emerges shows up very clearly in Table I. In every postwar year the US balance of payments on current account has registered a very large surplus. Even in 1950, when American imports jumped because of stockpiling for Korea and exports dropped, there was an American surplus of well over \$1 billion. And since the end of the Korean buying crisis the annual surplus has stood at over \$3 billion.

The details in Table II show that the American surplus was built up in trade with practically every area in the world, the only exceptions being some of the overseas territories of the OEEC countries since 1950.

TABLE II

UNITED STATES CURRENT BALANCE WITH SELECTED AREAS
Annual rates—(\$ '000 million)

United States Surplus* with	1948	1949	1950	1951	1952†
OEEC countries	8.88	2.73	0.98	1.72	1.26
OEEC overseas territories	0.10	0.18	-0.33	-0.54	-0.62
Rest of sterling area	0.45	0.34	-0.10	0.19	0.62
EPU area	3.63	3.25	0.55	1.37	1.26
Canada	0.44	0.56	0.28	0.67	1.02
Latin America	1.10	0.69	0.32	0.92	0.85
All other	0.48	1.04	0.02	0.20	0.11
TOTAL	5.55	5.54	1.17	3.16	3.24

* Excluding exports financed by military aid. † Seasonally adjusted.

Western Europe has undoubtedly made a tremendous effort to master all these adverse developments. At the expense both of consumption and investment, it was able by 1950 to increase the volume of its exports by about 60 per cent as compared with 1938. Imports over the same period remained constant. The dollar deficit shrank from \$7 billion in 1947 to barely \$3 billion in the first half of 1952. But with all this effort western Europe still finds itself facing a total deficit *vis-a-vis* the rest of the world and a dollar deficit far greater than before the war.

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It is the dollar deficit which is particularly intractable, since dollar imports have already been cut to the bone and those that remain, such as wheat, cotton, and oil, are essential if European production and living standards are not to fall drastically. The dollar deficit, of course, is created not only through trade with the United States but also with Canada, the oil and mineral producing countries of Central and South America and the sugar republics of Cuba and the Philippines. Similarly, the Panamanian fleet, now one of the largest in the world, has probably absorbed a large quantity of European dollars.

In considering these facts the question that immediately comes to mind is how, since the end of the war, the world has coped with this enormous deficit. The answer is far from comforting. In 1948, for example, when the deficit stood at \$5.54 billion, the gap was closed by selling \$1.53 billion of gold to the United States and receiving \$3.68 billion of American aid. In 1951 sales of gold had dwindled to \$0.05 billion while American aid was still running at \$2.97 billion. For the first half of 1952, as American aid has declined, sales of gold have once more risen sharply.

This solution is hardly a durable one. The most that can be said for the world in 1952 is that it has found out how to live with a dollar deficit of over \$3 billion. A subsequent article will describe OEEC's suggestions of how Europe and America can adjust themselves to the facts of the postwar world and establish something like a trading equilibrium.

Security in the Soviet Army

[FROM A CORRESPONDENT]

THE western student of Soviet affairs sooner or later comes up against one of the most revealing paradoxes in Soviet life, the existence of the world's most elaborate internal spy system. On the one hand Soviet propaganda maintains that the Soviet citizen is wholeheartedly devoted to the regime, and at elections votes for its candidates with majorities up to 99 per cent. On the other, no state in the world spends so much time, money and energy on spying upon, suspecting and mistrusting its citizens as does the Soviet Union. It is no exaggeration to say that its government works on the principle that every citizen is a potential enemy. And at no time in a Soviet citizen's life is this belief so strong as when he is performing his military service; for the Soviet soldier is not only a potential "anti-Soviet element," but also one with access to arms. Furthermore, his government fears that a soldier who is serving in one of the armies of occupation abroad may see and hear things that may undermine his faith in the Soviet regime. To overcome these fears, the Soviet authorities have devised and perfected three weapons: the Army Political Administration, the Army of the Ministry of the Interior, and the Ministry of State Security's Special Section. The first of these provides the political indoctrination, and the other two see that its teaching does not fall upon deaf ears.

The high command of the security services of the Soviet army is to be found in the twin Ministries of the Interior and of State Security (respectively the MVD and the MGB, the initials of their titles in Russian). The division of responsibilities between them is not easy to define; generally speaking, the Ministry of the Interior (MVD), which is the successor of the NKVD, the GPU and the CHEKA, is concerned with forced labour, political crimes and their investigation and punishment, as well as with the civil police and the normal functions of the Home Office in Britain. It has its own private army, numbering several divisions, to carry out its decisions, which include deportations, suppression of unrest or partisan activity, the staffing of prisons and forced labour camps, and the provision of manpower for public works and state projects. The Ministry of State Security (MGB) is principally concerned with checking the activities of the

population of the Soviet Union and with counter-espionage. It is clear from refugee reports that its agents pervade every branch of Soviet life, and that it sets out to convince the citizen that his neighbour is an MGB agent, reporting everything he says to the authorities. The work of the MGB is in fact a vast operation of psychological warfare waged by the Soviet Government among its own people.

"Death to Spies"

The branch of the security service working in the army was known before the war as the "special section." During the war it changed its name to "Smersh," an abbreviation standing for "death to spies," but since 1946 it has reverted to its old name. Its main responsibility is counter-espionage, to ensure that the Soviet soldier does not come into contact with any "contaminating influence," and to take drastic action against him if he does. By "contaminating influence" the special sections mean contact with any non-Soviet ideas or thought; in the case of the armies of occupation abroad this means contact with the local population and local conditions, where a comparison with life in the Soviet Union would prove disturbing. It is the special sections' duty, for example, to enforce the ban on fraternisation between Soviet troops in Germany and the German people. Their other responsibility is to increase their own reputation in the army for omniscience and ubiquity.

The special sections consist of small units of highly trained officers attached to every headquarters from the Ministry of War to regimental level. In certain circumstances there may be a special section in still smaller units; for example, if morale is notoriously poor, or if the unit is in an exposed or isolated position. In formations stationed inside the Soviet Union, the work is co-ordinated with the civil branch of the MGB or the MVD; but abroad the sections work alone. They are organised in a hierarchy entirely separate from the military command and from the political administration, neither of which has the power to appoint or dismiss their officials. The commanding officer of a unit must supply his special section with uniforms, food and accommodation, but has no control over its activities.

In order to carry out his duties, the head of a special section is provided with considerable rights and privileges. He wears the uniform of the unit to which he is attached, although sooner or later most officers and men get to know who he is. His pay is usually well above the standard for an officer of his rank—most heads of sections are majors or captains—and he can choose his staff and collaborators from the personnel of the unit without hindrance. His commanding officer must furnish him with copies of all the unit's orders and directives, and keep him informed of all training plans. The head of the special section also receives copies of all administrative arrangements, all political, restricted or secret documents, including those exchanged between the commander and his military superiors. He can demand to be present at any unit meeting, political lecture or military training exercise, and has the right to enter any unit building without warning at any time of the day or night. He can summon any officer or man for interrogation and can force him to give up any letter, paper or book in his possession. In all this, he is under no obligation to keep his commanding officer or any other officer informed of his plans.

A Network of Agents

That is, of course, only one side of his work. Even more important is the efficiency of the secret network of spying which he has to build up inside his unit. For this purpose he "recruits" officers, NCOs and men as "agents" or "antennae." Often these agents are men who already have some black mark on their personal files and can thus be coerced into spying on their fellow-soldiers. In other cases the agents are volunteers, young men anxious to prove their

devotion to the party for reasons of opportunism or personal ambition. The head of the special section orders these people to submit regular and signed reports on their colleagues, paying particular attention to those suspected of maintaining contacts with the local population. These reports must not be confined to the subject's actions: they must analyse his state of mind, his moods, and his attitude to his friends. The agents are told to watch carefully any soldier who seems to have lost touch with his family, or who is lonely or morose. It must not be thought that there is any consideration for the man's welfare in the office of the special section: it knows by experience that such an attitude may be the prelude to a decision to desert or to break with the Soviet regime. Nor is the commanding officer immune from the attentions of the section: indeed, he is one of the most closely watched in the whole unit. Sometimes the agents are instructed to start provocative conversations with their colleagues, or to spread provocative rumours, in the hope of tricking the unwary into expressing anti-Soviet opinions. These agents should, of course, make every effort to remain incognito; but in most cases the Soviet citizen is so used to spy networks that he quickly discovers the identity of the special section staff and adjusts his conversation with them accordingly.

In the higher reaches of the security hierarchy, at Army or District headquarters, the special sections have their own courts where offenders can be tried and, if necessary, punished. In wartime the sections had the right to carry out the death sentence on the spot; but nowadays the court orders return to the Soviet Union or transfer to another unit, or it might hand the man over to the civil organs of the MGB or MVD for dispatch to a forced labour camp. It is also the case that units where morale is low have been disbanded and re-formed on the special section's advice.

It is clear from all reports that the Soviet authorities attach tremendous importance to spying on their own citizens in the armed forces, and that the special sections are among the most over-worked departments of the State apparatus. The existence of this huge machine indicates that the Government, even after 35 years' indoctrination, cannot trust its people, and this appears still more striking when one remembers that the soldiers now serving in the army were born in the 1930s, and have known no other life than the Soviet. It is not unreasonable to assume that if ever the Soviet Government withdrew its forces from Germany, those responsible for security would breathe a sigh of relief.

Ethiopia and Britain

[BY A CORRESPONDENT]

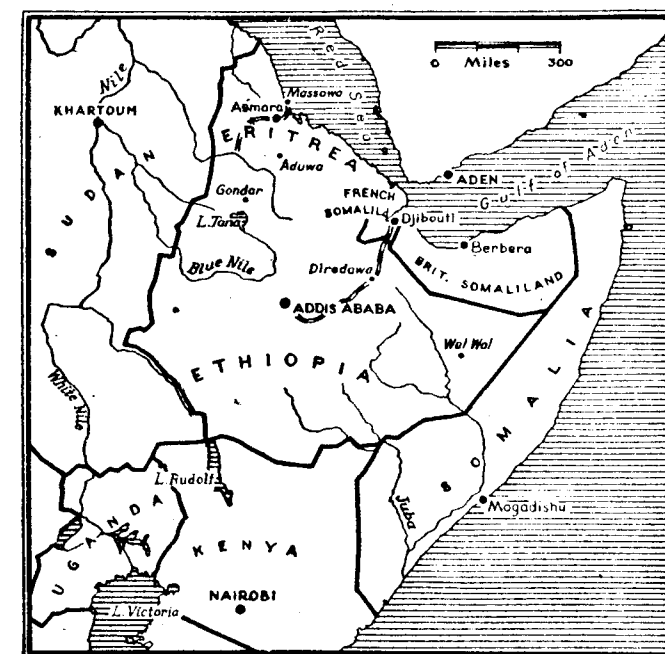
THE transfer of Eritrea from British administration to membership of a federation with Ethiopia (described in *The Economist* last week) was the occasion for some warm statements by Ethiopians, and by the Emperor Haile Selassie in particular, of recognition of all that the United Kingdom has done for his country in the last decade. Yet it must be recorded that, in recent years, there has not been as much co-operation between the two countries as many Englishmen would like to see; in Addis Ababa, the interests and representation of other powers, and particularly of the United States, have increased out of all proportion to the British effort.

Historically, this is an anomaly. After the Fascist occupation of Addis Ababa, the Emperor Haile Selassie found sanctuary first in Palestine and then in the United Kingdom. He was restored to his throne by Commonwealth forces in 1941, and his government was put on its feet by a British gift of £2,500,000. British assistance played an important part in the revival of the country's administrative services, and, in 1943, military help was given in suppressing the

serious revolt against the Emperor's authority in the northern part of the country. In British estimation, these would appear to be very substantial services, but Ethiopian pride is peculiarly sensitive and it would be best to leave them to be recorded by Ethiopia's historians. In more recent years, relations between the United Kingdom and Ethiopia have been bedevilled by the problems of Eritrea and Somalia. With the successful disposal of these territories according to the wishes of the United Nations, this tedious chapter has also been ended.

One complication persists: British administered territories have long frontiers with Ethiopia. It is regrettably true that British interests in general in Ethiopia are adversely affected, from time to time, by tribesmen in the remoter parts of Kenya, the Sudan and British Somaliland. It would be preferable, from the British point of view, if the Ethiopian Government, in following up the Emperor's recent expressions of goodwill, were to distinguish between the United Kingdom as an African power and the United Kingdom as an industrial country.

The main concern of the Ethiopian Government is the modernisation and economic strengthening of the country. This "revolution," as it is regarded in Ethiopia, has now been in progress for over ten years. It began after the Emperor's



restoration, with the creation of a more comprehensive administrative system than the country had previously known, backed by a considerable army and police force. These form the essential basis for progress of any kind, and they bear the hallmark of the British instructors who helped to create them. But although administered with the maximum economy, they need considerable recurrent expenditure. The problem confronting the Ministry of Finance is one of how to find a surplus, over and above these standing charges, with which to finance the main programme of development.

The orthodox solution would be to improve the effectiveness of the fiscal regime and to attract foreign investment. But a proper balance between direct and indirect taxation is beyond the capacity of the administration in its present state, and conditions generally are not likely to attract outside investors. In consequence, a third, or perhaps more, of the revenue is derived from exceptionally high customs duties; and capital has been found in the form of loans from the International Bank. This may appear to be rather an opportunist approach, but it would not be in character for the modern Ethiopians to advance cautiously on a broad front; they prefer concentrated drives to push particular projects. First it was education, and now it is the restoration of the Italian roads,

which fell into disrepair when the bulk of the available money was being devoted to schooling.

The loans from the International Bank, agreed or under discussion, amount to \$10 million, and are intended for the improvement of roads, telecommunications, and the setting up of a Development Bank. On these and similar projects, the Ethiopian Government proposes to spend a further \$135 million in the next twenty years. If hopes for the economic expansion of the country are fulfilled, the task of repaying capital and interest on the loans may not be unduly great. But payment must be in American dollars, and for the present this fact provides one of the clues to Ethiopia's preoccupation with the earning of dollars, a preoccupation which gives the State Bank of Ethiopia a dominating position in the economy of the country. It has not only a virtual monopoly of banking, but also the control of import and export licences and foreign exchange. That the State Bank should be concerned about its dollar position is, in the circumstances, natural enough, but the lack of confidence in sterling shown by the former governor of the bank is hardly an adequate excuse for Ethiopia's sterling deficiencies. Much of the country's trade is carried on with countries in the sterling area, but, in the pursuit of dollars, licences for the export of the main produce of the country—coffee, hides and skins—have been given only for trade with the United States, irrespective of whether there is a market for them there. Since merchants are only required to surrender 80 per cent of the dollars earned to the Ethiopian Exchange Control, a large proportion of their exports are sold for sterling or other currencies, and dollars are purchased on a black market for return to the Control. The privately retained sterling is not infrequently used for the import of luxury goods because, although the policy of the government is to eschew such luxuries, there is no effective physical control on imports. Imported consumer goods are so expensive, because of the high tariffs, that the ordinary consumer cannot afford them. In spite of inflated export prices for coffee, imports of cotton piece-goods have shown only a slight increase in recent years.

Parity with the Dollar ?

On the other hand, the Ethiopians are confident about the strength of their currency. The Ethiopian dollar is linked to the American dollar, and although the minimum note coverage prescribed by law is 30 per cent in gold, silver, foreign exchange and foreign securities, it is claimed that, at the end of 1951, the coverage was 55 per cent. Certainly the Ethiopian currency is one of the few to maintain its parity with the American dollar since the devaluation of sterling in 1949. But the economic future of the country still depends on the productive use Ethiopia makes of its foreign loans and other assistance, and on its ability to establish a sounder system of tax collection and financial control.

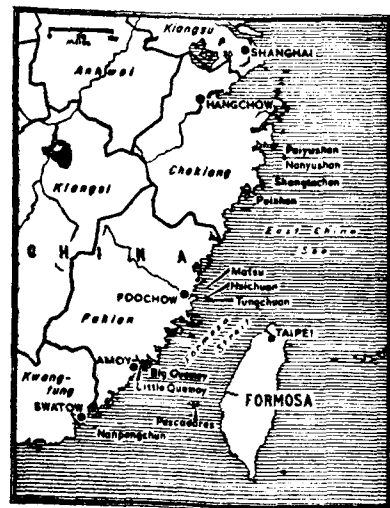
That the writ of the central government is more effective in the provinces than hitherto is not open to doubt; but the supply of trained officials still falls far short of the number required. A great effort has been put into the expansion of education during the past decade and improvement in administrative standards may be expected. For the present, financial control is woefully inadequate for the needs of a country committed to the kind of programme Ethiopia has undertaken. There is no published budget, audit is insufficient, and waste of various kinds is obvious.

To get Ethiopians trained—in particular, as finance officers or agricultural advisers—British experience in local conditions not unlike those of Ethiopia could be used with greater effect than hitherto. If the United Kingdom would show more confidence than it has done in the development of this large and potentially wealthy country, more Ethiopians might be inclined to visit neighbouring British territories and there to learn from government-sponsored schemes for expanding production, or methods of collecting revenue. The Ethiopians, for their part, would do themselves no harm if

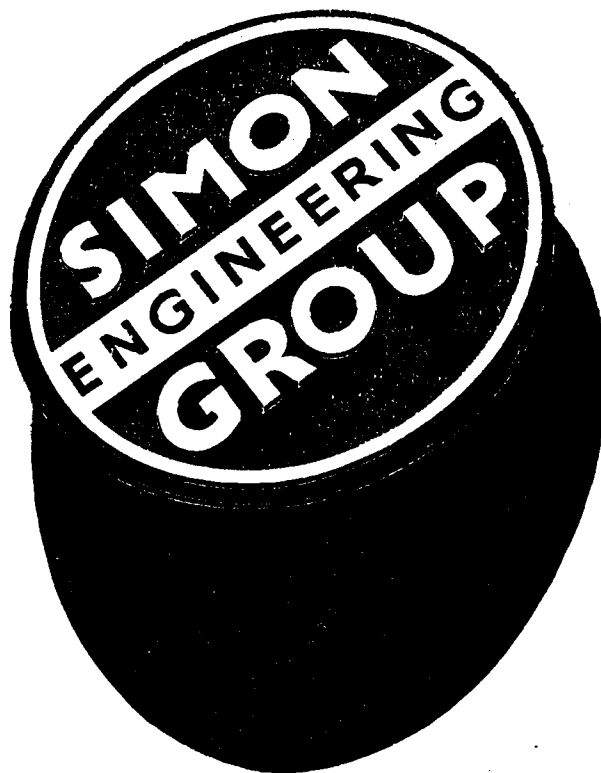
they developed a greater confidence in sterling, and so corrected the recent distortion of their trade towards the United States. Potentially, their country serves as a focus of interest, and of transferred hopes, for Africans throughout the continent.

China's Second Front

In his trip to Korea President-elect Eisenhower was not officially concerned with the problem of Formosa, nor did he have any direct contact with Chinese Nationalist representatives. He was, however, informed about the situation in Formosa by Brigadier Chase, who has been in charge of the American military mission training Chinese Nationalist troops there, and who came to Korea to meet Mr Eisenhower. For the United States at any rate, if not for the United Nations, Korea and Formosa are strategically linked, and the new President will be responsible for re-determining American policy with regard to both regions. There are in fact two wars actually going on. For, although hostilities between the Chinese Communists and Nationalists have been on a small scale during the last two years, they have not—as is widely believed—ceased altogether. The "neutralisation" of Formosa under protection of the American navy has stopped Nationalist air raids on the mainland from Formosa bases, but it has not stopped the war in and around several small islands held by the Nationalists just off the



South China coast. American forces do not directly participate in these operations; but, in so far as American power is shielding Formosa from invasion and American supplies are going to the Nationalists, a limited "second front" in South China may be said to be already in existence. Altogether more than thirty small islands are held by some 70,000 Nationalist troops and guerrillas, with the support of the small Nationalist fleet and a number of armed junks. The mainland is only two miles away from the nearest of these islands; others are at various distances up to forty miles from the coast. The most important are Nanpengchun off Swatow, Big and Little Quemoi outside the harbour of Amoy, Matsu and the Paichuan Islands near Fochow, and the Peishan, Tachen and Yushan groups off the coast of Chekiang province, the last-named being only about 160 miles south-east of Shanghai. Possession of these strongholds enables the Nationalists to keep a close watch on the principal ports of South China, to intercept coastal shipping, and to make frequent commando raids, in which Communist prisoners are taken and information acquired. The Communists have more than a quarter of a million troops strung out along the coast facing the Nationalist-held islands, but since the beginning of the Korean war they have been standing on the defensive in South China; lacking naval and air power there, they have made no serious effort to capture the islands. Any further development of the situation in this area is likely to depend more on decisions taken in Washington than on moves made locally by the warring Chinese parties.

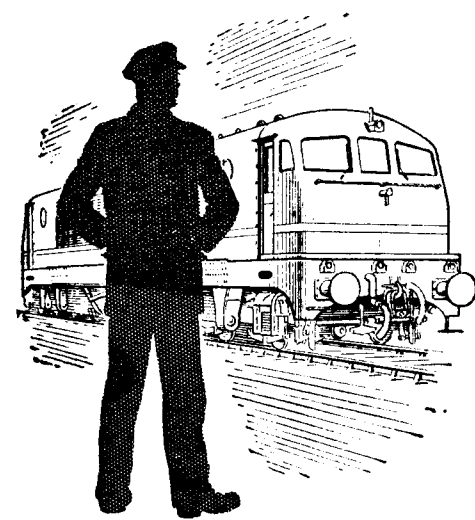


Doing it pneumatically is often the best and sometimes the only way to handle bulk materials, especially when it is important to prevent contamination, dust nuisance or the escape of noxious fumes. Simon Handling Engineers have developed the pneumatic conveying system for forty years and have applied it extensively to grain, coal and dozens of other industrial materials. Pneumatic disposal of fine flue dust is increasingly used at power stations. A special pneumatic technique is being successfully applied in flour mills. Improvements, refinements and new applications of pneumatic handling are constantly studied in the Simon research and development organisation.

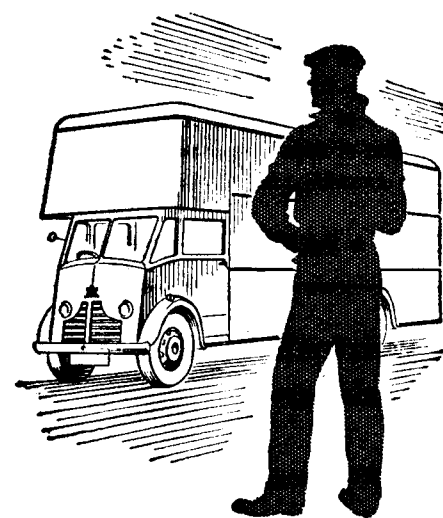


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THE BUSINESS WORLD

Pooh-Bah in Gilt-Edged

THERE has lately been released—by great good fortune in time for the pantomime season—some highly intriguing information about those Pooh-Bahs who are responsible for the so-called “departmental” funds, the Commissioners for the Reduction of the National Debt—the biggest investment body in the world. Do these dignitaries ever so far fall from grace as to allow the financial policy of the Government to take precedence over the specific interests of the clients whose funds they invest? The new information is seemingly designed to show that, if and when they ask themselves this elemental question, they find their consciences as immaculate as driven snow.

But the tale that points this moral is one of paradoxes far outclassing any ever known at the Court of Titipu; and it needs a new Gilbert (W. S.) to savour its exquisite oddities. The tale itself has several narrators, all of them witnesses before the latest Committee of Public Accounts; and sly chance casts another Gilbert, a sedate and unjesting one, to make the opening bow—Sir Bernard Gilbert, Second Secretary at Her Majesty's Treasury (who, if he senses the savour, does so in decorous privacy). The star performer is a more retiring official, the Secretary and Comptroller General of the National Debt Office, Mr Norman Young.

The tale relates that the National Debt Commissioners, charged with their responsibilities under Statutes dating back to 1786, are the Speaker of the House of Commons, the Chancellor of the Exchequer, the Master of the Rolls, the Lord Chief Justice, the Accountant General of the Supreme Court, and the Governor and Deputy Governor of the Bank of England. But this august body has not met since 1860; it functions instead through a quorum of three—comprising only the Chancellor of the Exchequer, the Governor and Deputy Governor of the (now nationalised) Bank. These gentlemen, one might suppose, are pretty close to the financial policy of the Government, close enough to be troubled at times about the duality of their roles. But, happily for their peace of mind (and in reassurance, perhaps, of those inquisitive purists outside the charmed circle who watch the “departments” at work in the gilt-edged market), there is another link in this curious chain of responsibility. The functions of the Commissioners since their last meeting over 90 years ago have been exercised by the Comptroller General of the National Debt Office—all their functions, that is to say, except one, the function of appointing this uniquely isolated official.

But let it not be supposed that the Commissioners are inactive: they can be “activated” when (but only when) the Comptroller puts a point to the quorum for a ruling—or (presumably) if and when he misbehaves himself. But it seems that the knotty points never arise on investment policy; only three matters, unrelated to that policy, have been put to the quorum in the past seven years. And since the quorum never volunteers advice to the Comptroller, he never needs to take the precautions usual when

dealing with Gilbertian Pooh-Bahs (“Come over here, where the Chancellor can't hear us”). Finally, to pile paradox upon paradox, there is no Minister responsible to Parliament for the National Debt Office, because it is controlled by the quorum only one of whom is a Minister. The chain of responsibility turns out to be a circle, though not, perhaps, a very vicious one.

★

The Commissioners being thus adroitly relieved from risk of embarrassment from the duality of their roles, the vital question perforce focuses upon this unique Comptroller: what steps does he take to keep his investment policy true to his trust, and above any besmirching influences from the financial policy of the Government of the day? The present Comptroller, like others before him, was formerly an official of the Treasury; he keeps himself *au fait* with Government financial policy by frequent meetings with the Treasury (but he usually “gets all he wants” at his own level—“without troubling even Sir Bernard”) and has a regular weekly meeting with the Chief Cashier of the Bank of England and with one of its executive directors. But, declares Mr Young, none of these officials ever gives him any direction as to the policy he should pursue; for is it not clear that even the Chancellor, as such, has no power to give him any direction at all? And Mr Young himself has no doubt—no possible shadow of doubt—that it would be very, very wrong of him to allow the interests of Government financial policy to clash with those of the trust funds.

He is, however, a well-meaning official and if, “consistently” with his responsibility to these funds, he can choose between two alternatives equally satisfactory to the trust funds, one of which is in consonance with general Treasury policy and the other is not, I would obviously prefer the first one.

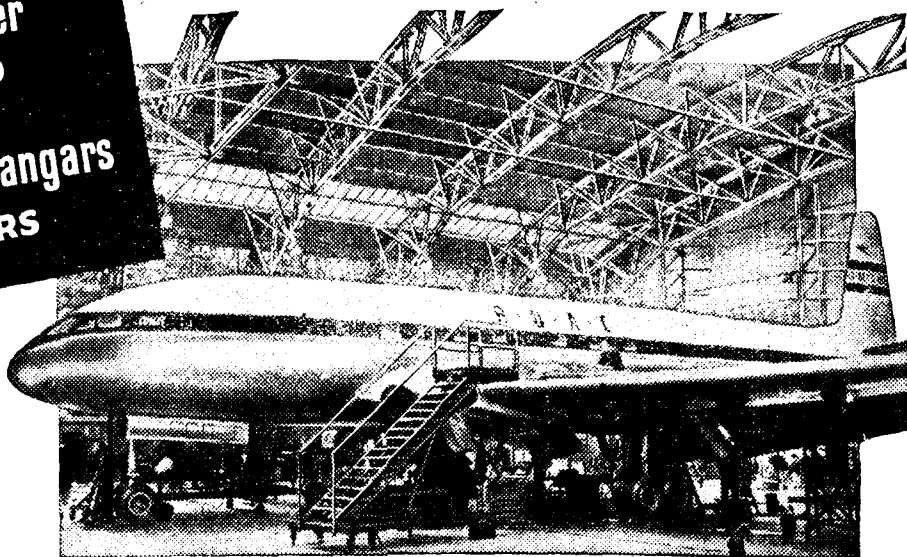
But the primary and overriding responsibility, as defined by Mr Young, is to ensure that the gilt-edged investments he selects for trust funds are of the kinds that, in his judgment, are best suited to the requirements of the beneficiaries as notified to him by the responsible department (e.g., the Ministry of National Insurance).

At this point in the tale, no one will be surprised to find that the Treasury raconteurs see these matters in a more uncertain light than the blaze of purest white that illumines Mr Young's utterances. Thus Sir Bernard Gilbert thinks that

It would be absurd to have a body dealing with these vast funds unless you took some steps to ensure that there was harmony between the investment of these funds and the general policy of the Government. . . .

And, a few years ago, a Financial Secretary to the Treasury went even further. Mr Glenvil Hall, defending his master, Dr Dalton, against the charge of having used departmental funds to pursue his frenzied ambition for ultra-cheap money (in the particular context of the investment in “Daltons,” in 1947/48, of almost 70 per

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cent of the new moneys accruing to the Unemployment Fund in that year), affirmed

It is quite obvious that the Treasury, acting for the Government, must have control of these funds and that the policy must be laid down by the Government of the day.... There is on record, too, Sir Stafford Cripps's employment of his "creature" to squeeze the bears of the gilt-edged market in 1949—but the allusion then was seemingly to the Issue Department of the Bank of England, which commands £1,500 million or so, and is no part of the responsibility of the National Debt Office.

Mr Young is, of course, much closer to the day-to-day scene than are these Treasury authorities, and he is in no doubt that the proprieties are most circumspectly observed. But in the technique of its operations, the National Debt Office quite definitely adapts itself to the Government's financial policy. The Comptroller General is most anxious not to go against the "anti-inflationary policy" pursued in recent years. But he fears that, if he does his duty by the trust funds—the duty, as he sees it, to invest them immediately they are received—he may set up inflationary influences. He therefore tries to resolve this dilemma by an ingenious dealing technique. The £4,500 million or so of moneys in his charge comprise some £3,000 million of funds that are covered by a Treasury guarantee both as to income and capital (these are principally Savings Bank funds) while the remainder are "trust funds" (chiefly the insurance funds). The Treasury has agreed that the Comptroller General may use the non-trust funds "very very liberally for the purpose of helping the trust funds," so that he does not feel any "duty" to invest the Savings Bank moneys at once. He therefore uses them, as opportunity offers, to collect securities of a kind that he expects to be required by the trust funds, and then resells to them (by inter-fund transfers) when their money comes in.

In present conditions, the relevant point seems to be that the non-trust funds, though much larger than the trust funds, rise much less rapidly. But, in any case, the National Debt Office tries to get as much as possible of the securities it needs without buying through the market. The "suitable opportunities" that it most prizes for this purpose are new issues of Government Stock, special internal issues such as the Scottish Hydro-Electricity stock (was last year's issue of 1½ per cent yearling Transport Stock precisely what the doctor ordered for Mr Young's funds?), or specially created non-marketable securities such as terminable annuities. These last securities, it will be recalled, formed a very large part of the new investments of the Savings Funds during their wartime phase of rapid growth.

Of course, to some irreverent economists the theory behind this ingenious technique looks hardly less Gilbertian than the constitutional set-up. It is certainly desirable to arrange the investment of these vast funds with the minimum dislocation of the gilt-edged market. And, in the interests of disinflation, it is even more desirable that as large a part as possible shall not be used to buy any securities at all, except from the Treasury, so that the moneys are used to redeem the Treasury's active borrowings from the banking system on floating debt, i.e. are "retained" by Mr Young in the form of "tap" Treasury bills or other forms of internal debt. But, once it is admitted that Mr Young's duty requires a given portion to be invested, he does not serve the purposes of disinflation by keeping that money off the market, because he likewise keeps off it a precisely corresponding

volume of new issues that would otherwise oppress it. The sole contribution of this technique, in fact, is to minimise the ups—and the downs—of the market. And Mr Young would apparently feel no need to do this if Government policy were to change—"if the Government were to decide that so strong an anti-inflationary policy were not necessary."

For the present, however, he apparently sees his responsibility as an unambiguous and even an uncomplicated one. His office has apparently ensured that every one of the big trust funds has ample liquid holdings to meet any conceivable demands upon them for cash (given the present actuarial assumptions upon which the responsible departments rely). This liquidity having been achieved, Mr Young's sole responsibility to the funds, he explains, is to secure for them the maximum yield. Therefore, he cheerfully buys for them long and undated securities. It is true that he must combine this maximising of yield "with perfect security"; but that is mere child's play, because fluctuations in the book values of securities that are not going to be realised are "something which is completely unimportant." Equally irrelevant are the prices at which he buys; why should he ponder the possibilities of getting a better price by waiting awhile, when his simple duty is to invest forthwith? The Comptroller General, therefore, can turn his back upon the market, and can leave all the problems of actual dealing to the Government broker (who gets a flat £2,000 a year for his trouble).

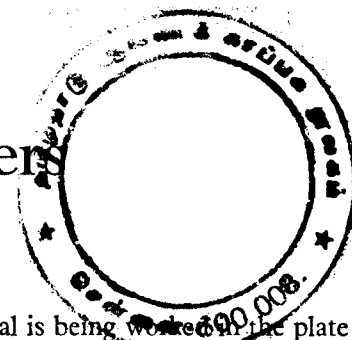
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But is the responsibility always as clear cut as all this implies? Not always, it seems. When the Treasury is about to make a new issue, it asks Mr Young how much "would be suitable" for him to take; and, later on in the story, it transpires that the Treasury "obviously" indicates what it would like him to take—while "never for a moment" suggesting that he should answer except in accordance with his own responsibility. Finally, it appears that this curious relationship becomes even more delicate when investment of the Savings Bank Funds (two-thirds of the whole) are involved. In this matter, the Treasury has "a very great voice in any policy" (because it guarantees the funds), and if Mr Young were asked to do "something which went a little beyond" what he would have done "in the sole interests of that fund" he might... "well agree to do so."

Even after this striking dénouement of the tale, the audience may still conclude that this pantomime, unlike most of its kind, is a play without a stooge. But it will certainly agree with Sir Bernard Gilbert that there is "more than meets the eye" in these bewildering relationships between the players. One of the characters that does not meet the eye is perhaps the principal villain of the piece, the Issue Department of the Bank of England—but it was not to that separate body that Sir Gilbert's warning related. Is it possible that a sequel, and a still more revealing one, to this fascinating comedy will be staged in time for the next festive season? Unfortunately, the chances look slender. Sir Bernard Gilbert thinks that a comprehensive statement of the activities of the Commissioners "would enable people perhaps to form their own judgments as to what was going on and what was likely to happen"—and that, needless to say, would be a "rather unfortunate thing." There is no need, perhaps, for surprise that no Minister speaks for Pooh-Bah before Parliament.

Frustration for Shipbuilders

(By a Correspondent)



THE full effects of this year's steel shortage are not yet apparent in the production statistics of the shipbuilding industry; but they are readily apparent from the bare-looking berths that are now to be seen in many of the country's shipyards. In a tour round the shipbuilding districts the visitor senses an air of frustration pervading the yards; the shipwrights have a long list of export orders which their reputation for efficiency has won them in the face of growing competition from overseas but cannot fully apply that efficiency. This feeling is far removed from that in the yards in the depressed years between the wars, when the stocks were bare because there were no orders. There is no lack of orders today. On the contrary, the order book has never before been so packed with work. But the berths and the plate shops have assumed that all too familiar "hungry" look through lack of steel.

Final returns for the year are not yet available but the shape of things to come can be discerned from an examination of the latest published statistics. In the twelve months ended on September 30, 1952, for example, work was begun in United Kingdom shipyards on merchant ships amounting to 1,159,379 tons gross, according to the shipbuilding returns compiled by *Lloyd's Register of Shipping*. That tonnage compares with a total of 1,512,463 tons gross during the previous twelve months. The declining rate of production is better shown by comparing the latest available figures for successive periods of six months:—

Six months ended	Started	Launched (Tons gross)	Completed
Mar. 31, 1952.....	686,090	760,505	701,926
Sept. 30, 1952.....	473,289	600,294	671,855

In all stages of production, output was lower in the second period in question, most conspicuously in the early stages, though least of all in the final stages of production. This was to be expected: most of the steel that goes into a ship is incorporated in the hull before it reaches the launching stage.

Shipbuilding is a lengthy process, and a long time elapses between the placing of an order and the completion of the contract. It takes a long time, therefore, for marked changes in the rate of production to work their way through the statistical records. But the signs of the serious effects that this year's cuts in steel for the industry will have on next year's and subsequent years' output can be illustrated in another way, by contrasting two further sets of figures from *Lloyd's Register* shipbuilding returns:—

Date	Total under Construction and Preparing	Total under Construction (Tons gross)	Total Preparing
Sept. 30, 1951.....	4,261,346	2,271,640	1,989,706
Sept. 30, 1952.....	4,746,745	2,062,482	2,684,263

These figures show the delayed but cumulative effect of constricting the flow of vital steel to the shipyards. They show that within one year the tonnage of ships on the

stocks, or for which material is being worked on the plate and prefabricating shops, has dropped by nearly 210,000 tons gross, some 9 per cent. The tonnage for which plans have been approved and material ordered, but on which work has not yet started, has consequently increased by nearly 695,000 tons gross. It will not be long now before launching and completion returns take up the story.

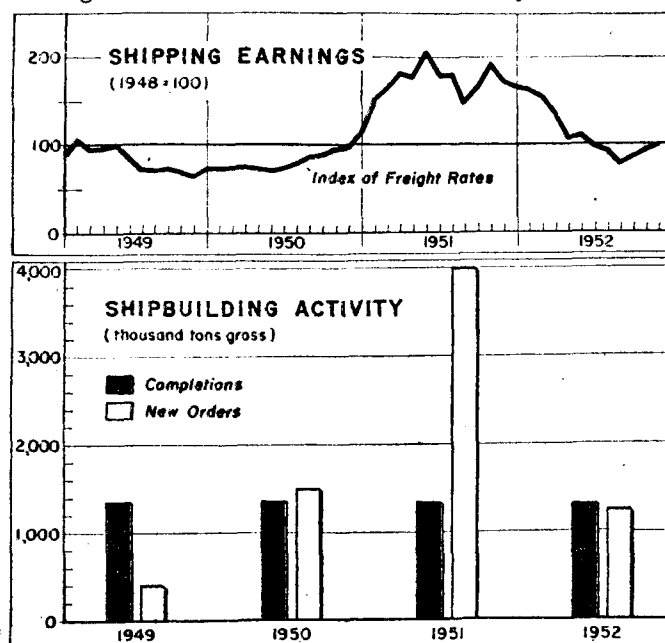
When the first allocations of steel were worked out in February as a result of the decision to embark on a rationing policy, many shipbuilders were told that they would have to make do with 66 per cent of what they had asked for. When it came to actual deliveries of steel to the yards there have been a number of complaints that the allocations were not fully honoured, and that the total tonnage delivered amounted to little more than 50 per cent of their requirements. Though total deliveries of steel to shipyards this year, according to the steel industry, have been "nearer 100 per cent than 50 per cent of deliveries in 1951" persistent representations to the Admiralty have been made by industrialists and trade unions concerned with the shipyards. An increase, at first of 5 per cent, and later of 8 per cent, was promised for the last quarter of the year, and a vague promise of a further 9 per cent for the first quarter of 1953 was made later. But some shipyards have not been receiving the types and specifications of steel that they require in the right proportions; nor can they rely on an orderly or regular flow of deliveries, with the result that the normal sequence of work is continually being interrupted. The allocation system has by no means ensured that stocks of the right steel products are held at the right points. British shipbuilders are already having to tell their overseas and home customers that ships promised for delivery in 1953 cannot possibly be completed until 1954. Their German and Japanese competitors are much better placed to promise early delivery.

*

It is natural that shipbuilders should wonder if they are receiving their proper share of the steel now being produced in this country in ever increasing quantities. The circumstances early in 1952 did necessitate the control of steel distribution among user industries. But since then industrial production has declined, there has been no shortage of ore imports, and domestic and imported supplies of steel have increased. More steel has been delivered in Britain this year than ever before, though it is far from clear which of the consuming industries have received increased supplies. The question now, indeed, is how long the allocation system should be continued, particularly in view of the proposed levelling out of arms production. Such major consumers as the motor manufacturers are no longer complaining that they cannot get enough steel; their difficulty is now to sell their products overseas or even at home. Shipbuilders, on the contrary, have unfilled export orders on their books

worth £200 million or more, with the customers anxious for delivery and ready to pay, and most of the ships built for British ownership are used for earning foreign currency. But neither shipowners nor shipbuilders can get the steel to earn the foreign currency.

A very large proportion of shipbuilding steel requirements (some 70 per cent in 1951) is needed in the form of plates. This remains one of the shortages that have not been corrected this year. Demand has risen enormously from other large consumers like the manufacturers of rolling stock, electrical plant, and oil tanks. The home user of plates dislikes the export of fairly considerable quantities that is still continuing (about 260,000 tons in the first 10 months of this year against 195,000 tons in the whole of 1951), since unworked shipbuilding steel makes no use of the high conversion factor that the shipbuilding industry can add to the export value of the product. But a large proportion of these exports are "conditional"; in the case of Sweden and the Netherlands, for example, to which large quantities have been sent, they are sent in direct exchange for imports of steel-making raw materials that the steel industry's customers



depend upon. There are shipbuilders who would go so far as to allege that their short commons this year have been the result of a deliberate policy of diverting steel from the industry; others question whether the Admiralty has put its case strongly enough in the departmental allocations of steel. The result has been, in addition, some bad feeling between the shipbuilders and their steel suppliers; and much more bad feeling between the industry and Government departments. Recriminations apart, it is fairly clear that shipbuilding is an example of the kind of capital goods industry in which Britain has a firm market and a real margin of advantage over its foreign competitors. If the engineering industries are to be favoured according to their competitive strength in 1953, this one might deserve preference over some other large steel consumers—if steel distribution continues to be controlled.

Competition from shipbuilders overseas is now a major factor in the commercial situation. The privileged position that British shipbuilding enjoyed in the immediate postwar years has now disappeared, for the Continental yards destroyed and damaged by the war have been fully restored, with absolutely modern equipment, and

the former enemy countries, Germany, Italy and Japan, all keen and competent shipbuilders, are again strong competitors in the world market. Although their basic costs are still generally higher than in Great Britain, most of the foreign yards can offer much earlier delivery. In many cases they have the benefit of benevolent treatment, or even financial assistance, from their government. By contrast, British shipbuilders feel themselves hampered by government intervention. As regards competitive efficiency, this year's increase of about 15 per cent in the cost of steel and the recent rise of 7s. 6d. a week in shipbuilding wages have somewhat reduced the British price margin.

The slump in freight rates that has taken place this year forms an ominous background to the shipbuilding scene, and the swollen order book of some 7 million tons, worth about £650 million, must be viewed in conjunction with it. The shipping boom of 1951 contributed the majority of this large total of orders. During that year no less than 4 million tons gross of merchant ships, a large proportion of which are tankers, were ordered from British yards. This year's orders are unlikely to reach 1,250,000 tons by the end of December. Such a figure may at first sight be regarded as satisfactory: it is roughly as much as the current annual rate of completions, so the arrears of orders have been maintained. But it is certain that at least half of these new orders were placed in the first half of the year, before the slump in shipping set in. It can be confidently asserted, also, that the contracts placed in recent months have been comparatively few, and the rate of ordering has now been reduced to a trickle. Though it is impossible to obtain accurate figures, foreign shipbuilders seem now to be receiving a higher percentage of the orders available than for some years.

Moreover, this abundance of orders is not evenly distributed. The tonnage ordered in Britain this year has been swollen to some extent by the inclusion of many large vessels (tankers and a few passenger liners). In fact, the tonnage completed this year will probably have been provided by some 300 vessels, but the equivalent tonnage ordered this year may not amount to more than 250 vessels. This means that the yards whose berths cannot accommodate the larger ships remain slack, in spite of the huge total of orders. And it is significant, perhaps, that the ships that British owners are having built in foreign yards, few though they are at present, are mainly smaller vessels. Speed of delivery, for such vessels, is probably the determining factor.

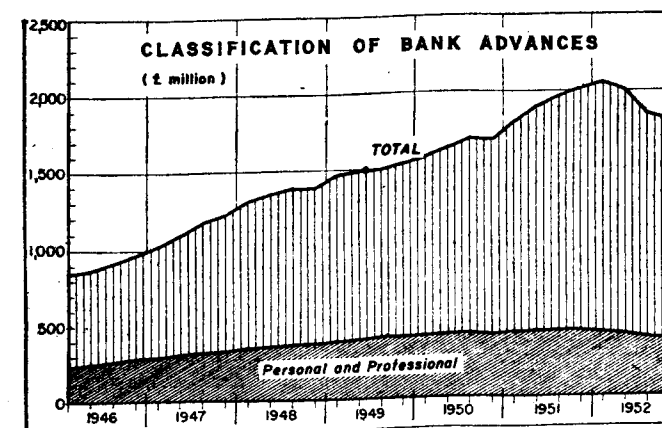
Speed of delivery is beginning to become an increasingly important factor in the shipbuilding industry. Here the long orderbook of the British yards is in any case against them, and the consequent length of deliveries offered will remain even longer, until steel supplies return to normal. Despite the current backlog of orders, many small berths are available for early work, provided that steel can be obtained to build the ships. But owners will not place orders when they fear that delivery will be held up for lack of materials. With steel output for 1953 now estimated at 17½ million tons, and rearmament likely to take a less sharply rising share than was expected, the need for allocation of steel in general has probably passed. Even if plates remain short, the shipbuilding industry might well be able to arrange its own supplies from the steelmakers more satisfactorily without the creaking machinery of official allocation.

Business Notes

The Fall in Bank Advances

The latest of the quarterly analyses of bank advances, relating to mid-November, deserves a closer scrutiny than usual, since it completes the record of the first full year of the new monetary policy; for the first time, the effects of that policy upon the trends in advances can be examined without the distortion caused by seasonal factors. During the three months to November, total advances in Great Britain (by all members of the British Bankers' Association) dropped by £32.2 million, whereas in the similar period of 1951 they rose by £51.8 million. This contrast, moreover, becomes still more pronounced if advances to the nationalised public utilities are left out of the reckoning. The group that mainly comprises the gas and electricity industries increased its borrowings from the banks by £48.5 million during the latest quarter (or by more than twice as much as it did in the corresponding quarter last year). All other advances therefore dropped by £80.7 million during the quarter—a reduction only once exceeded in the past (by the £99.7 million reduction shown in the previous quarter), and one that contrasts with an increase of £28.2 million last year. The quarter's contraction has occurred, moreover, despite moderate additional loans to steel and engineering, those two major expanding groups, as well as to local authorities. It is attributable principally to substantial reductions in six groups—textiles (down £16 million in the aggregate), "other financial" (down £13.8 million), agriculture (£8.5 million), food, drink and tobacco (£7.6 million), "unclassifiable" industry (£11 million), and "personal and professional" (£14.7 million). During the corresponding period of 1951, these six groups increased their advances by £10 million.

The redistribution of credit during the twelve months has, indeed, been quite striking. The total has fallen from £2,016.2 million to £1,815.4 million, and only five groups now command a larger total of advances than they had twelve months ago. Engineering advances have risen by £30 million, or by nearly 25 per cent, while those to the iron and steel group have doubled (at £35 million). Together, they now account for 10.6 per cent of the total, compared with 7.2 per cent in November, 1951. Advances to utilities, transport and—surprisingly—cotton also show small



increases. The biggest decline over the year has occurred in the large personal group, which has contracted steadily after its previously continuous rise, and is now down by £58.7 million, or 13 per cent, at which it represents only 20.8 per cent of the whole—in contrast with nearly one-third in the early postwar phase. Apart from this, the really heavy declines have occurred in groups that have been strongly influenced, not only by the pressure of monetary policy, but especially by the fall in prices as well as the revival of consumer demand (thus permitting a fall in physical stocks). The textile groups and leather and rubber, for example, now

command £36 million less credit than in November, 1951, at £90 million; retail trade is down by £40 million, and food, drink and tobacco by £27 million. "Other financial" has contracted by £29 million and "unclassifiable" industry by £25 million.

* * *

Higher Rail Fares Sought

Immediately before the recess, the Minister of Transport announced that the British Transport Commission is to submit a new railway passenger fares scheme early in the New Year. It is easy to justify this move from what is known of the Commission's financial trends. The 5 per cent increase in freight rates that the Minister sanctioned in November, under the so-called provisional arrangements provided by the 1947 Act, was expected to produce about £14½ million. But the current rate of deficit was then put at between £20 million and £22 million in a full year, leaving a gap of £7½ million at the maximum.

To produce such a sum from passenger fare revisions will not be easy, nor will the process be quick. For it appears that the application will take the form of a new passenger charges scheme in substitution for the one that occupied so much time at the Transport Tribunal's enquiry in 1951 and was in part suspended by the Government last May when it was due to come into effect outside London. The reason for this procedure rests on an oddity in the Transport Act itself—to proceed by way of an alteration to an existing charges scheme would take longer than the submission of an entirely new scheme. There is scope for a more fundamental approach to railway passenger fares and it may be hoped that the scheme will admit two principles. The first is the possibility of variation in charges to conform more closely with costs. The Commission has not got very far in previous hearings in persuading the authorities to accept the implications of his principle as it would affect season tickets and workmen's fares; and it has never attempted to pursue it in relation to long distance passenger fares.

The second principle concerns the relative levels of fares in London and in the rest of the country. There is no economic argument to justify a common level of fares if, as a result, London passenger transport would remain a burden on the rest of the Commission's undertaking. If London is a special case, it should be dealt with in a special way, and not by some species of concealed subsidy from the railway system as a whole.

* * *

Agreement with Argentina

Britain seems likely to get more meat from Argentina next year, but will have to pay more for it. After the usual tiresomely protracted negotiations a treaty covering the exchange of meat and other commodities is expected to be signed with Argentina within the next few days. No details of the proposed pact have been published in London, but in Buenos Aires the Argentinian foreign minister told a press conference that 250,000 tons of meat will be shipped to Britain under the new treaty, at a so-called "pilot price" of £161 a ton; under the old protocol, which expired in April this year, Britain received 200,000 tons of meat at a so-called "basic price" of £126 a ton. It remains to be seen whether a "pilot price" means the same thing as a "basic price"; if it does, then the new price, which is roughly halfway between Britain's initial offer and the Argentina's initial demand, will represent an increase of 29 per cent over the old level.

There was no doubt room for some increase, but in the light of the trend of other commodity prices, this seems a rather poor bargain for Britain. But the meat contract cannot be judged in isolation from the other—and still unrevealed—details of this year's settlement of the annual haggle with Argentina. Hitherto virtually the only imports from Britain that Argentina has been willing to receive in exchange for its meat have been essential goods—such as coal, tinplate and petroleum—that Britain could readily sell for harder currencies; each year, for some time past, Argentina has promised to import a certain quota of consumer goods as well, but it has not lived up to its word. It is to be hoped that firmer (and enforceable) assurances have been received this time, and that something will be done too about Argentina's accumulated debts to British subjects in respect of financial remittances. Another feature of the agreement that will have to be closely scrutinised is whether the British Government has agreed to allow the Argentine central bank to run up a debit balance (the figure of £20 million has been mentioned) at the Bank of England.

It is impossible to estimate how much of the increase in meat prices will be passed on to the British consumer. The present retail price of meat is 2s. a lb. or £224 a ton. At first sight this would seem an ample margin to cover the new Argentine price of £161 and the cost of storage, freight and distribution. But Argentine meat is not considered separately in the Ministry of Food trading accounts and for meat trading as a whole there is an annual loss covered by a subsidy of ½d. a lb. Thus, the increased cost of meat will have to be passed on to the consumer unless the Ministry decides to increase the subsidy—which it certainly should not do. The effect of the agreement on the level of the ration is almost as uncertain as its effect on the retail price. Shipments of meat from Argentina under the old protocol were completed early in the summer, and since then only a small quantity has been shipped under a special contract. Nevertheless 581,300 tons of beef and 45,500 tons of mutton and lamb have been imported into this country from Argentina during the first eleven months of the year compared with 461,200 tons of beef and 15,000 tons of mutton and lamb in the same period last year. Shipments from Australia this year have fallen to a mere trickle but the decline has been more than compensated by an increase in imports of New Zealand mutton and lamb. It is largely because of this that the Ministry of Food has been able to keep the meat ration this winter at a higher level than last year, despite the now customary hold-up in supplies from Argentina.

Cars and Purchase Tax

The Chancellor of the Exchequer sprang no surprises last week when he announced that there would be no change in the rate of purchase tax on private cars before the budget, if at all. Much has been made of falling employment at the motor factories, but the industry certainly has sufficient orders at home and abroad to sustain it for several months. But the sharp reduction in the price of the Standard Vanguard suggests that mass-produced cars in the higher price ranges are becoming less easy to sell. The Vanguard has been reduced from £919 to £795 including tax; the reduction in the manufacturer's price is a good deal less at £80, but the purchase tax at the current rate adds a big bonus to every price reduction.

The Vanguard may be a special case, because the existing model is being radically restyled in the spring. But purchase tax on cars is so high that buyers would be feckless indeed if they did not discount some months before each budget a possible reduction in tax. The motor industry has also encouraged this apprehension by asking for a reduction in tax four months before the budget was due. It did not, however, plant the idea in the public's mind—the seed was sown when the government yielded to pressure to reduce the

purchase tax on textiles last spring, and later when it altered the rate on certain glass and leather goods some weeks ago. These actions have to be remembered in accepting Mr Butler's assertion that "the uncertainty (about cars) is not created by myself or by the government." The disruption of retail trading before each budget has reached dimensions that no Chancellor can ignore. As the public becomes more adept at the rules of the tax game, retailers have to act further and further ahead to avoid trouble when the public stops buying and to prevent taxed stocks from piling up. In the end, the manufacturer suffers. No one can say whether the slackness in the home market for cars is seasonal, due to tax fears, or the sign of satiated demand. But it is asking much of people "to adjust their nervous systems" while the Treasury holds its annual review of purchase tax. The answer is that they have already made their adjustment, with consequences that are plain to see.

No Par Value Inquiry

Sometimes praise is due to those who refuse to take no for an answer. Last week's announcement that the Board of Trade has set up a committee to consider no par shares is a reward for persistence on the part of those who, in the terms of the official statement, have shown "continuing interest in the matter." They had little reason for encouragement; no par value shares were not endorsed by the Cohen Committee when it studied the company law nearly ten years ago, and Sir John Barlow's private Bill, which sought to make no par value shares permissible, went virtually unsupported by the City and by the Government, and was "talked out" after some of the most bitter speeches ever heard from the Labour benches.

To set up an expert committee to inquire into no par value shares is a mark of grace on the part of the authorities that few observers had expected. The committee, under the chairmanship of Mr Montagu Gedge, QC, is composed of experts in accountancy, the law, investment, industry and trade unionism, serving in their personal and not representative capacities. Perhaps such expertise is needed less to establish the facts about n.p.v.—which after all has worked satisfactorily in America in ways that are fairly familiar—than to carry the authority of an objective (and let it be hoped unanimous) inquiry into a subject of relative technical simplicity that has seemed to become hopelessly overlaid with political animus.

The n.p.v. share is distrusted on the Left, not because it is dishonest or unsafe, or open to exploitation by unscrupulous promoters—none of these objections has any merit at all—but simply because it tells the truth about an equity share in a way that the share with a nominal or unrealistic par value never could. One of the most successful propaganda lines from the left wing in recent years has been the denunciation of "high rates" of dividend on particular shares calculated by reference to their wholly unrepresentative par values. But equally there have been deficiencies of understanding on the other side—that n.p.v. is new-fangled, unnecessary and not worthy of support from the temples of City rectitude. This attitude must be abandoned if the new committee is to do its work well and with some chance of leading to changes in this archaic section of British company law.

How Much Steel?

Last week the British Iron and Steel Federation announced its intention of producing 17½ million ingot tons of steel in 1952; at the same time, the Ministry of Supply released an estimate of 18.35 million tons for the total

supply of steel that has actually been available in Britain in 1952. This figure is presumably on a 53-week basis; it includes imports, re-usable material, and the effects of changes in producers' stocks, as well as home production. It is possible to draw from it some rough estimates of the component parts of these supplies, as in the accompanying table. This gives a figure of about 15½ million ingot tons for steel deliveries in Britain this year, nearly 9 per cent more than last year and a far higher figure than home deliveries have ever reached before in peacetime. A year ago, even amid the clamour of consumers, it was possible to doubt whether the steel shortage could be quite as bad as it sounded. Today, though all the wailing has not subsided (as an article on page 901 shows), the 1952 steel shortage seems in retrospect even less possible to take very seriously.

There are no statistics as yet to show where the extra million-and-a-quarter ingot tons of steel—perhaps 950,000 tons in finished steel products—has gone. At the beginning of this year Mr Robert Shone, director of the steel federation, put the increase in defence demand, compared with 1951, at 300,000 ingot tons more steel. Nothing in the record of rearmament this year would suggest that much more steel is likely to have been used than was planned. At that time Mr Shone also postulated a 10 per cent increase in exports of metal-using goods, which might require another 350,000

STEEL SUPPLIES IN BRITAIN, 1950, 1951, 1952
(Million Ingot Tons)

	1950	1951	1952* (estimate)
Production	16.29	15.64	16.35
Producers' stocks	+ 0.10	+ 0.43	- 0.25
Imports	16.39	16.07	16.10
Re-usable	0.58	0.56	1.80
	0.48	0.54	0.45
Total supplies	17.45	17.17	18.35
Exports	3.25	2.67	2.60
Home supplies	14.20	14.50	15.75

* 53-week year. Output in the first 52 weeks is expected to be about 16,100,000 tons.

ingot tons more steel than the year before—an increase partly to be offset by cuts in capital investment here and in supplies of metal consumer goods to the home market. In fact, exports of metal-using goods do not seem likely to be any higher in volume this year than last. Engineering output might be about 2-3 per cent higher, over the year, than in 1951; but much larger increases in engineering output in earlier years appeared to require little more than 350,000 ingot tons of extra steel each year; and employment in the engineering industries has failed to continue the increase that it showed in 1950 and 1951.

Since some consumers are still genuinely short of steel, and indeed there are still general shortages of a few products, it is hard to escape the conclusion that consumers' stocks, as well as producers', must have risen considerably since the beginning of this year. If so, maldistribution of stocks is partly responsible for individual and local shortages. That maldistribution will have come about—as some people in the industry from the beginning suggested that it would come about—from the present system of allocation. Any clear inquest on the 1952 steel shortage remains impossible until the Ministry allows consumption statistics (even in the form to which allocation has necessarily distorted them) to be published once again. But on the broad evidence available so far, steel allocation may well have done so much to aggravate the steel shortage as to relieve it. The scheme should be abolished, and quickly.

Scottish Bank Meetings

The annual meetings of two of the Scottish banks, the Commercial Bank of Scotland and the National Bank of Scotland, traditionally provide something of a curtain raiser to the meetings of their bigger London brethren in January. In the year to October 25th, the Commercial Bank showed a fall of just over £2.2 million (to £121.1 million) in its deposits, a rise of over £1.1 million (to £14.5 million) in its note circulation, a fall of over £6.1 million (to £32.1 million) in its advances and bills discounted and a decline in profits by £22,665 to £379,789. The National Bank, in the year to November 1st, showed a rise in deposits by £800,000 to £97 million and a rise in its note circulation by £1.2 million to £10.4 million; but it, too, showed a fall in its discounts and advances by £2.4 million to £27.8 million, and in its profits by some £8,000 to £286,000.

One difference between the two banks is, however, that the National Bank has adhered—and, as its Governor, Lord Rowallan, declares, is "proud" to adhere—to the old tradition of showing investments in its balance sheet at below stock exchange valuations. The Commercial Bank, however, enters its investments on the formula introduced by some of the major London banks in the middle of 1952. Its investments, which are all redeemable at fixed dates, are entered in the balance sheet "at or under cost and below redemption price"; under this formula total investments are shown at just under £50 million, which compares with a market value of £46.9 million and a book value (on the old formula) of just under £52.9 million a year ago. When account is taken of the improvement in gilt-edged prices between July and end-October, the extent of this shortfall of market value below book value (about 6 per cent) indicates that the average life of the Commercial Bank's investment portfolio must have been considerably longer than that of most of the British banks that have published balance sheets since the rise in Bank rate to 4 per cent. Another feature of the Commercial Bank's balance sheet is the vigorous expansion of its foreign business in North America and Europe, which Lord Rotherwick, the Deputy Governor, attributes to the "partial relaxation of certain exchange controls early in the year"; the Commercial Bank's contracts running for the sale of foreign currencies amount to £18.6 million, all of these being covered by purchases to a corresponding amount. Both Lord Rotherwick and Lord Rowallan pay tribute to the effectiveness of monetary policy in aiding Britain's fight for external solvency, but both, not surprisingly, draw attention to the adverse effect of recent developments on banking costs and profits. Lord Rowallan, indeed, goes so far as to say that "all banks would therefore welcome, as soon as possible, a lowering of the Bank rate, with its consequent improvement in the value of their investments."

"Mr Cube" Escapes Tax

The High Court has confirmed the decision of the General Commissioners for the City of London that the money spent by Tate and Lyle, Limited on the "Mr Cube" advertising campaign against nationalisation is an admissible deduction from profits for income tax purposes. Such expenditures must (under Rule 3 of Schedule D) be "wholly and exclusively laid out or expended for the purposes of the trade," and the key to that provision is the fact that the word "trade" is preceded by the definite article. The campaign cost £15,339; it was conducted with express authority of a general meeting of the company and designed to counter the Labour Party's threat, in April, 1949, to nationalise the sugar manufacturing and refining industry.

The Crown's contention was that the payment could not be wholly and exclusively for the purpose of the trade, that it was money spent to advance a political cause and hence connected with the ownership and not the conduct of the business; an earlier decision on which the Crown placed

great reliance was that of the Privy Council in 1923, in the case of *Wood and Co. v. the New Zealand Commissioners of Taxes*, where the Court had held that a payment made by that company, a brewery company, in a campaign against prohibition was not an allowable expense for tax purposes. Mr Justice Harman relied on two main points in his decision. First, the New Zealand case was to be distinguished because the New Zealand tax statute differed considerably from the British Income Tax Acts. In New Zealand, the expense must have been "exclusively incurred in the production of the assessable income"—a much narrower definition. The other was a sentence from a judgment of Lord Cave in 1926, that a voluntary payment made on the grounds of commercial expediency may still be wholly and exclusively spent in the purposes of the trade.

The decision conforms with common sense. The essential feature of the "Mr Cube" campaign was that it advertised Tate and Lyle, Ltd., and from an advertising point of view the fact that the campaign had a political flavour was incidental. The purpose of such a campaign is to establish the name of the advertiser in the mind of the reader in circumstances that hold the reader's interest. If the Crown's contention had been upheld, it would, logically, have meant the end of prestige advertising as such; each advertisement would have to link name and product together before the cost of it would be wholly and exclusively a trade expense. The Income Tax Acts have produced some curious results, but it would have been hard to believe that Parliament ever intended (whatever the tax authorities may have intended) that the latter should become the arbiters of advertising as of so much else.

Lower Engineering Exports

The volume of British exports in October and November was about 4 per cent above the rate current in the second quarter of the year, but, as export prices had fallen slightly, the value of sales was about the same as it had been then. The dominant feature since midsummer, however, is that while textiles and consumer goods have continued their slow recovery, shipments of engineering products (such as machinery, vehicles, cutlery and electrical goods) have not regained the level of the second quarter and are substantially below the peak levels of the first quarter. Indeed, the most striking feature of the detailed trade figures for November, which were published last week, was a sharp fall in exports of vehicles to £36.6 million, some £3 million less than in October and fully £13 million less than in November, 1951. Only 19,219 cars were shipped abroad last month, compared with 20,545 in October and 31,521 a year ago. This fall occurred although exports to the United States were well maintained; the American market took 3,532 cars in November, compared with only 964 a year ago. On the other hand, Canada is now importing fewer British cars than in the summer, while shipments to Australia amounted to only 430 last month, against 10,025 in November, 1951. Fortunately, exports of machinery in November, at £35 million, were little changed from the October rate and only fractionally below the level of the second quarter; while exports of iron and steel manufactures in October and November were higher than in the second quarter—the November total of £18.5 million was £4.4 million above that of November, 1951.

The recovery in textile exports continues to be slow. Wool exports in November were unchanged from the October total of £11 million and were still £2 million lower than in November, 1951. Cotton exports were also steady at the October figure of £11 million, but were £7.5 million below those of a year ago. This contrast between the rate of recovery in wool and in cotton is clearly shown by imports of the raw fibres; raw and waste wool imports last month cost £11.4 million, compared with £6.7 million a year ago, but raw and waste cotton imports amounted to only £9.7 million, against £24 million a year ago. Other categories

of imports continued to decline and there was a particularly striking fall in tobacco imports, from £17.7 million in November, 1951, to £4.9 million last month. Meanwhile, import and export prices are continuing to move favourably. Last month the Board of Trade's index of the terms of trade (1951=100) declined by a further point to 89; there was another slight fall in import prices but export prices were unchanged.

Rolls-Royce Goes to Sea

For some time past Rolls-Royce has been seeking to develop its interests outside the aircraft industry. The two gas turbines shortly to be installed in the Admiralty's ex-gun boat, *Grey Goose*, are the first marine engines that the company has built. They follow on the introduction of a new range of Rolls-Royce petrol engines and the appearance of the first of a similar range of diesel engines. The gas turbine units are still regarded as prototypes, but the initial shore trials have been highly successful. Most of the industrial gas turbines under development are the work of companies with long experience of the design of industrial power units; Rolls-Royce brings to the design of these big gas turbines a unique experience of jet engine design, though none of either steam turbines or high horse-power diesels.

The principal contribution of a gas turbine is the great power that it gives for small weight. The *Grey Goose* was previously powered by two 4,000 horse-power steam turbines. The two Rolls-Royce gas turbines that are now to replace them are rated at 6,000 horse power each, but the new installations save about 50 per cent in total machinery weight, as well as valuable engine-room space. Aero-engine manufacturers probably know more about weight-saving than any other engineers; whether they know as much about reducing spares and servicing time to a minimum remains to be seen. These two features, lower weight and fewer spares, explain the very active interest that the Admiralty has taken in gas turbine development for use in small craft. The United States Navy has also awakened suddenly and sharply to the possibilities, and is to purchase two Rolls-Royce gas turbines and two built by Metropolitan Vickers, the company's chief competitor in this field. Metropolitan Vickers, in whose drawing office the Armstrong-Siddeley Sapphire jet engine was first designed, has already provided the Admiralty with a gas turbine for installation in a motor gunboat, and two improved versions are now due for delivery. The Rover Motor Company has supplied the Admiralty with small gas turbines for trials in harbour launches, but it is hardly in a position to offer these bigger engines. In addition to its direct orders, the Admiralty acted as middleman for the sale of the four turbine engines to the American navy, and for the sale and licensing agreements for the British steam catapult for American aircraft carriers. These orders from the American navy should bring in about £3 million to the companies concerned and thus over \$8 million to the central dollar reserves.

Cotton Commission's Forward Contracts

Spinners who continue to buy their cotton from the Raw Cotton Commission can now undertake a greater risk in the expectation of obtaining their raw material at a better price. The commission now offers a new "direct-to-mill" contract differing in two important respects from the usual commission contract. Previously the commission sold spot, with delivery from warehouse of a definite type and quality of cotton, so that the spinner knew when he would get his cotton and that it would suit his spinning requirements. The new contract is for future delivery at an approximate, but not certain date: the spinner buys c.i.f. for delivery at the quay, and he takes a chance on when the ship will arrive. In the second



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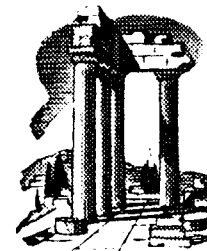
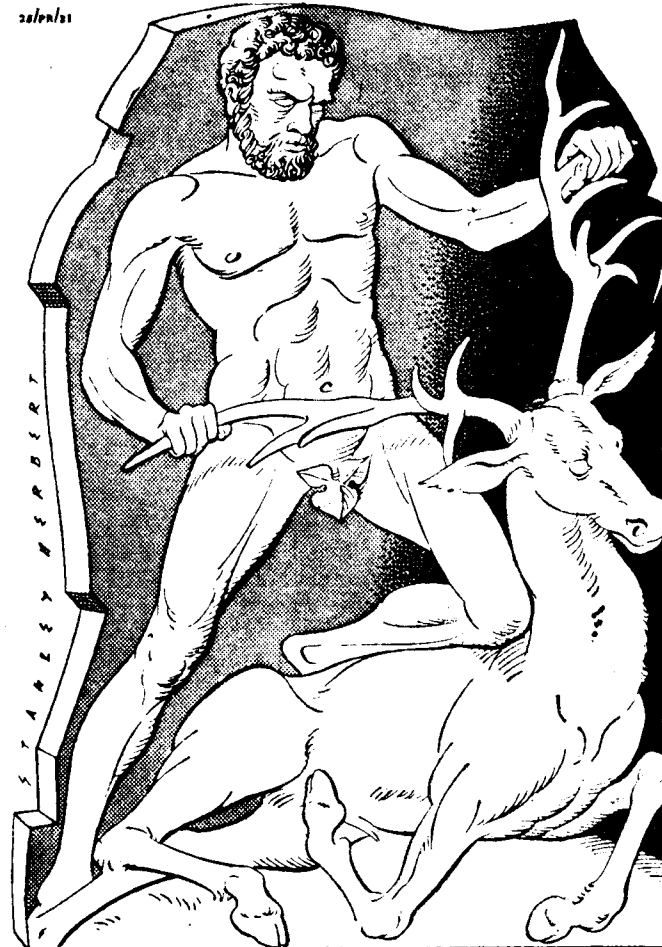
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The Nickel Organisation, too, has had to follow the quest wherever it led, however inhospitable the country. The best nickel deposits exist in remote places, and the making of communications has been part of the hard task. Many miles of railway are operated, handling over two million tons of material monthly. The trains keep running in every kind of weather—and temperatures of 55 degrees below zero have been recorded at the Copper Cliff mines, in Northern Ontario. Exploration engineers, too, are constantly at work. Such is their success that proved ore bodies are now considerably greater than twenty years ago, in spite of heavy withdrawals. Yet the search for new deposits must go on, so rapidly does the demand for nickel increase.

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place, the new contract is for cotton of a quality only approximately defined and the spinner has to take the risk that when it arrives the cotton may not prove precisely suitable for him.

Uncertainty of arrival means that the buyer may not get his cotton when he wants it. If it comes too soon, he has to face storage charges; if it is too late, he may have to buy his requirements elsewhere, possibly at a higher price. If the quality is not right—it may be not good enough, or it may be too good for the purpose for which it was bought—the spinner has to dispose of it and buy other cotton; the contract provisions for price adjustment for quality may cover him for the price of the cotton, but it may not help him to keep his mill working.

The attraction of the new contract is the prospect of getting raw cotton at a lower price. Small mills may prefer the certainty of buying from the Raw Cotton Commission under the old contract. But larger mills, with ampler finance, storage space and with opportunity for using a wider range of cotton, may find attractions in the new contract. All spinners who still buy from the commission will have the choice of buying spot under the old contract or forward under the new—thus enjoying the best of both worlds as the occasion suits, as some spinners who have contracted out of buying from the commission now somewhat ruefully observe.

Nuffield without Morris

The retirement of Lord Nuffield from an active role in the motor industry is like the removal of an old and familiar land mark. He has given up both his post as chairman and as director of the British Motor Corporation that he helped to form last year and retains only the title of honorary president. Lord Nuffield must be the last of that generation of motoring pioneers who could build a car with their own hands—an ability he shared with men as different as Henry Royce and Henry Ford. When technical advance in the motor industry was rapid, commercial success depended on the ability of the men at the top to assess the importance of each new development in terms of their own models; the quality of their judgment rested very largely on the possession of an intimate and intuitive knowledge of cars, how to design them and how to put them together.

By the thirties, the first spring of this technical impetus had exhausted itself, and car designing changed from an art towards an exact science in which the important element was production. The new generation of motor manufacturers are production engineers, and although William Morris was not one of them, he was more successful than most of his contemporaries in adapting himself and his companies to a new environment.

The Nuffield organisation remained as it had grown—a geographically scattered group of assembly plants, engine and body factories, radiator plants, machine tool factories and foundries, some making parts for certain cars, others making a complete model under one roof. But it was sufficiently closely integrated to be able to hold its own in terms of output and of price with the other five companies of the "big 6." At one time after the war it seemed doubtful whether Lord Nuffield could keep pace with the driving energy of men like Leonard Lord (who left the Nuffield group to go to Austin and who succeeds him as chairman of BMC) or Sir John Black at Standard, or with the efficiency of the American-inspired Ford and Vauxhall factories. He might not have done so, had the Morris Minor not been such an astoundingly successful piece of motor engineering. Many hold that the Morris Minor was the best designed of all postwar British cars, for all its modest power, and their judgment is supported by those European markets that know a good small car and have bought more Morris Minors than any other British model. The merging of the Nuffield and Austin resources should in due course bring the productive

efficiency of the group to as high a standard as can be found in the motor industry. Nuffield without William Morris can hardly be the same, but consolidation brings new opportunities of its own.

Oil Surplus without Abadan

Without Persia, oil output in the world this year seems likely to be about 5 per cent higher than it was in 1951 (during about eight months of which Abadan was still in operation). According to forecasts by the Petroleum Information Bureau, the total should be about 640 million metric tons, compared with 610 million metric tons last year; the 1952 estimate is about 60 per cent greater than in 1946.

The United States is responsible for more than half of the world output, though Canada and some of the major remaining Middle East producers are expanding their output much more quickly. In Iraq the operation of the new pipeline to the Mediterranean has been largely responsible for a growth of output to more than double the 1951 level, while Kuwait is continuing its rapid expansion of the last few years. Though it is hardly possible to do more than guess at output behind the Iron Curtain, there were signs of

OIL OUTPUT, WORLD & MAIN PRODUCING COUNTRIES, 1946 & 1952
(Million metric tons)

	1946	1951	Est. 1952
USA	248.2	324.2	331.0
Venezuela	56.7	90.9	95.0
Saudi Arabia	8.1	37.2	41.0
Kuwait	0.8	28.2	37.7
Iraq	4.7	8.7	19.0
Mexico	7.1	11.0	11.0
Canada	1.0	6.4	8.0
Persia	19.5	16.4*	...
WORLD TOTAL	390.8	610.0	640.0

* Jan.-August. 1950 output was 32.3 million metric tons.

rising output in Russia and in most of the satellite countries earlier this year, though not in Rumania; in all, output of oil in Eastern Europe may have been rising somewhat faster than in the world as a whole. Consumption in various major markets has not shown as considerable a rise as was achieved in the previous few years, and a surplus has now developed of refined products as well as of crude oil. Present conditions, therefore, would hardly offer Dr Mossadegh much profit if he were able to dispose of Persian oil on the world market. But if large quantities of Persian oil were to be offered at cut prices, there would be a sharp reaction upon the world price structure for oil.

Quality and the Merchandise Marks Act

At the time of the budget, the President of the Board of Trade promised to revise the Merchandise Marks Act. His object was to provide, together with the suggested British Standards for textiles and some household goods, better safeguards for the public than had ostensibly existed under the utility schemes. The revised bill was introduced by Lord Mancroft in the House of Lords last week, and it goes most of the way towards meeting criticisms of the old Act. It is possible at present to prosecute traders for giving false descriptions of the weight, measure, materials or method of manufacture of an article. But the evolution of new methods of treatment, particularly of textiles, has made it possible to give special properties to materials and fabrics, and descriptions specifying such properties do not fall within the scope of the present Act. The revised Act would make

prosecution possible not only when the substance of the article was wrongly described, but also when claims were made for the "quality, fitness for purpose, strength, accuracy, performance of behaviour of any goods" that could not be substantiated. Moreover, it would be possible to prosecute a trader when the description was misleading, as such descriptions sometimes are, without being technically untrue.

This revised version should provide the public with a stronger safeguard against exploitation by the unscrupulous fringe than can British Standards. These can never be more than minimum standards, if they are to be within the reach of the majority of manufacturers. Their effectiveness depends directly on the importance that the public places upon the BSI's mark on consumer goods. The tendency of some of the better quality manufacturers to ignore the mark completely, on the grounds that it signifies a standard of quality far below that of their own products, certainly does not help to strengthen public reliance upon the mark.

It has always been difficult to obtain a conviction under the Merchandise Marks Act. But the new proposals do spread the net wider, in order to take account of refinements in manufacturing (and advertising) technique; and it should protect the public more effectively—provided always that someone can be found to initiate prosecutions that become necessary. The Board of Trade has the authority to do so, but seldom appears to exercise it. Under the revised act, the British Standards Institution will be able to take action should any manufacturer use the BSI mark when he was not entitled to do so. But if neither of these bodies are concerned to "police" the new regulations, the Retail Trading Standards Association is the only body likely to take such action. This organisation is supported by the retail trade and by some manufacturers, but not by the government; it may or may not be able to afford such prosecutions. The new act provides for rather stiffer fines than in the past, but says nothing about costs. Such cases are not cheaply prepared or cheaply fought.

"Hard" Capital for the Sterling Area

Since the plans for Commonwealth development sketched out at the recent Prime Ministers' conference must depend, in part at least, on the flow of capital from hard currency areas to sterling countries, any news of loan operations of this kind is doubly welcome at the present time. Two such operations have been announced in the past week. The first of these is a Swiss credit for Sw. Frs. 30 million to the South African Government. This does not represent fresh money; it is a partial renewal of a banking credit of some Sw. Frs. 36 million made nearly three years ago to the South African government by a syndicate of Swiss banks. This credit was for two years, with an option to renew for a third year; as this option was exercised, the credit will fall due in the early part of next year. While Mr Havenga was in London recently he entered into negotiations for its renewal. He found that three large Swiss deposit banks were prepared to renew their respective tranches of Sw. Frs. 10 million each, but that the smaller banks that took part in the original transaction wanted repayment of their quotas (amounting in all to some Sw. Frs. 6 million). The Sw. Frs. 30 million that has been renewed will be for two years with the option of a third year renewal, as in the case of the original credit. This credit is without strings, and is not specifically attributed to any commercial operation or capital development.

The second and more substantial operation is a \$31.5 million loan from the World Bank to the Indian Iron and Steel Company Limited. The loan will help the company to carry out a five-year project that is so designed to more than double its present blast furnace capacity of 640,000 tons a year and to increase its finished steel capacity from 350,000 to 700,000 tons annually. This loan covers one of the pro-

jects studied by the World Bank mission that visited India earlier this year and is the bank's fourth loan in India; it follows upon previous loans of \$31.2 million for railway development, \$18.5 million for power and irrigation, and \$7.5 million for land clearance in Central India. This fourth venture blazes a new and interesting trail since it is the first made by the bank directly to a manufacturer. When the bank has lent funds for private manufacturing enterprise in the past, it has done so by making loans to intermediary borrowers, such as central or development banks that have re-lent the proceeds to these enterprises; this latest loan, which has a term of fifteen years, will be made direct to the Iron and Steel Company, although—as is necessary under the bank's articles of agreement—it will have the guarantee of the Indian Government.

Stronger Tea

Tea prices, which signally failed to revive following the end of rationing in this country in September, now seem to be making a slight recovery. At the London auctions this week prices were 2d. to 6d. a lb dearer than during the previous week. Demand had been particularly weak in recent months, for when rationing ended housewives and trade alike had tended to consume their stocks. As a result tea was being sold in London at prices well below the cost of production and freight. Now the period of adjustment seems to be passing—wholesalers report increased business and are therefore buying slightly larger quantities.

This improvement in demand has coincided with an improvement in the quality of tea offered at the sales. Prices for lower grade teas have been particularly poor this season; some months ago, when it seemed that the Indian crop this year might be some 40 million lb higher than last year's, the Indian growers decided to pluck the bushes more finely. As a result the quality of the output has improved but the quantity has decreased sharply; it now seems that when the crop year ends in April the world crop will in fact be smaller than last year. Nevertheless, the North and South Indian producers have decided on a voluntary restriction scheme to reduce next year's crop by 8 per cent, from 620 million lb to 570 million lb. In addition about 80 tea gardens have already notified their intention to close down as prices are insufficient to cover their costs. The government of India is deeply concerned at the plight of the tea industry. An official team that had been investigating conditions issued its report last month and recommended various measures of financial relief for tea growers. The report has not yet been adopted by the government, but in the meantime the government has granted a postponement in the time at which the tea excise duty is due to be paid. In Pakistan the government has suspended the tea duty for a further three months.

The Ceylon tea growers have not been so badly hit. This year's Ceylon crop is likely to be smaller than the record levels of the last few years. Ceylon tea tends to be of better quality and it has sold well in London this year. Yet Ceylon apparently intends to restrict the quantity of better quality tea that it will send to London in the future—a proposal that the trade in London considers to be a mistake.

Increasing Nickel Production

World production of nickel is still insufficient to meet the current requirements of defence, stockpiling and civilian needs, and the metal is one of the remaining half-dozen still allocated by the International Materials Conference. It is not surprising therefore that producers are pressing ahead eagerly with exploration for new nickel deposits in various parts of the world and with the development of existing mines. The giant in this field is the

International Nickel Company of Canada, which produces 90 per cent of Canada's, and over 80 per cent of the free world's, annual output. This company's \$150 million expansion programme at its underground mines in Northern Ontario is due for completion next year; the programme, which is entirely financed out of the company's own resources, should provide International Nickel with an annual capacity of 13 million tons of ore from underground operations and thus should ensure that it will be able to maintain its present annual output of about 250 million lb. of refined nickel for some years to come. Canada's second largest nickel producer, Falconbridge Nickel Mines, also has a development programme in hand in Northern Ontario and hopes to reach an annual nickel output of 35 million lb by 1954; while Sherritt Gordon Mines are developing nickel-copper deposits in Manitoba and expect to complete a new refinery (with an annual capacity of 17 million lb) next year. Outside Canada, a United States aided project in Cuba is expected to produce 30 million lb of nickel next year and the French firm of S. A. Le Nickel (operating in New Caledonia) has brought its production up to 14 million lb yearly and is modernising its plant. New projects elsewhere are at a preliminary stage.

Despite this actual and pending increase in production, nickel producers do not seem to fear any serious drop in demand when rearmament production tails off. Government stockpiling may continue for some considerable time, and, as restrictions on the use of nickel and nickel alloys are removed, the metal should find a ready market for its traditional uses in the steel industry for hardening and resistance to rust. Recently many of the metal-using industries have been obliged to use substitutes, but in his year-end review Dr John F. Thompson, chairman of the International Nickel Company, expresses his confidence that most of them will be glad to return to nickel when they can.

* * *

Atomic By-Products

There is a widespread feeling among scientists that greater use could be made in industry of materials made radio-active by exposure in an atomic pile. Understandably enough, the principal use of these materials is for "tracer" work. Being chemically identical with the normal atoms of the same element, radio-isotopes will behave in precisely the same fashion. But since they give off radiation, their course can be traced by ordinary Geiger counters, whether they are undergoing a chemical reaction, being absorbed into human tissues, or simply travelling down a pipe. This gives the research worker a laboratory tool of immense value, but there is no reason why the same property of giving off easily recognised and measurable radiations should not be exploited in routine industrial operations. A number of papers on the use of these isotopes presented at a conference at Oxford in the summer of 1951 have just been published.* Their subjects range from measuring techniques to process control, the elimination of static electricity and radiography. With the exception of radiography, which is simply a convenient method of non-destructive inspection of objects that it is either impossible or inconvenient to bring to a high-powered X-ray, the applications described were for the use of radio-isotopes in production processes in a wide range of industries, including chemicals, textiles and steel, where they would appear to be of immediate practical value.

The accompanying table shows the number of packages despatched from Harwell, where the radio-active materials are taken straight from the atomic pile, and from Amersham where, when necessary, these isotopes are incorporated into a specified chemical compound. By comparison with other users, mostly laboratories, the number sent to industry is small. Some, at least must find their way into industrial research laboratories while the greater part are known to be

* Radioisotope Techniques. HMSO. 25s.

used for radiography. The comparison suggests, at the very least, a remarkable lack of appreciation in industry of the potentialities of this new and inexpensive tool (consignments from Harwell cost an average of £20, those from Amersham,

	DELIVERIES OF RADIO-ACTIVE MATERIALS JANUARY-SEPTEMBER				
	Total	Export	Hospitals	Government and Universities	Industry
From Harwell...	7,247	2,433	2,392	790	396
From Amersham (March-Sept.)...	310	151	23	88	33

£100 to £150 and equipment costs are small) that may in part be explained by the absence of qualified physicists in all but a handful of organisations or, perhaps by the exclusion of industry from any spheres where it might have an opportunity for becoming more familiar with the practices and techniques of nuclear physics. Many of the isotopes used in laboratory and clinical work have a short working life sometimes measured only in hours. But many that can be used in industry have an effective life of 4 years, and sometimes of 5,000 years, except where a rapid disappearance of radiation is essential, as in surface coatings. This may affect the volume of demand, but it does not wholly excuse its low level.

* * *

Loans Save Little Fuel

This has not been the easiest of years in which to promote schemes for fuel economy in industry. Many industries have been producing somewhat less and therefore requiring less fuel. During the mild 1951-52 winter, distributed stocks of coal did not decline by nearly as much as would normally be expected. By the late spring, too, it was obvious that coal was no longer scarce; temporarily or not, there was fuel to spare. As a result, industrial customers did not hasten to replenish their stocks until the cold spell began. And it would have taken more than the careful conclusions of the Ridley report to galvanise them into any anxiety to go out and buy new boilers.

Even given these unpromising circumstances, it is difficult to believe that the Minister of Fuel's one daring blow for fuel efficiency—offering £1 million a year in loans at commercial rates for industrialists prepared to invest this borrowed money in "approved fuel-saving appliances"—would ever have had much effect. Up to the middle of this month, less than £26,000 had in fact been lent—to only three industrialists. There were a few more borrowers in the offing, and negotiations were in progress on loans amounting to about another £103,000. Most industrialists can find more remunerative purposes than this for funds that they borrow at commercial rates; it is only in a very few industries that fuel costs are a significant item, and most of these already pay attention to fuel saving. If this scheme is to be effective, it needs amendment. And there are some signs that the other ideas accepted by the Minister—such as an advisory service run by industry itself—are not arousing much enthusiasm among industrialists.

Shorter Note

The International Materials Conference has announced its allocations of copper, molybdenum and sulphur for the first quarter of 1953:

	Copper (metric tons)	Molybdenum (metric tons)	Sulphur (lengths)
4th quarter, 1952.....	747,655	5,680	1,650,130*
1st " 1953.....	723,080	6,134	1,675,100

* Quarterly rates. Allocation was 3,300,260 tons in the 2nd half 1952.

Britain will be allocated 1,800 tons less copper, 90 tons more molybdenum and (at a quarterly rate) 14,000 tons less sulphur than in the current quarter. The fall in copper allocations is due partly to lower requirements and partly to more realistic supply estimates.

COMPANY MEETINGS

BERKELEY PROPERTY AND INVESTMENT COMPANY

ANOTHER SUCCESSFUL YEAR

PURCHASE OF SUBSTANTIAL CANADIAN INVESTMENT

MR PHILIP B. FRERE'S SPEECH

The twenty-eighth annual general meeting of the Berkeley Property and Investment Company, Limited, was held on December 19, 1952, at 16 Berkeley Street, London, W.

Mr Philip B. Frere, MC, the chairman, presiding, said: Ladies and gentlemen,—When we last met, just under a year ago, our former chairman, General Dawnay, was gravely ill and I conveyed to him on your behalf a message of sympathy. Most of you will be aware that he died during January of this year—and, in formally reporting to you today this sad outcome of his illness, I would like, and I feel sure also that you would wish me, to pay a tribute to his memory.

General Dawnay occupied a distinguished position in the City of London, where he was widely known and highly respected for those rare qualities, of wisdom, knowledge and understanding; these gifts, his wise counsel and his wide experience were nowhere more valued than by his colleagues in this company, to which over a long period of years he rendered outstanding service.

A YEAR OF SUSTAINED PROGRESS

Turning now to the accounts which you have before you, I think I may fairly say that we have had another successful year. The profit before taxation has risen to just under £201,000, the precise increase over last year's figures being £15,876. Bearing in mind that last year's profit was itself a record and some £43,000 more than the year before, you will see that the new administrative policy adopted some three years ago, and since then energetically put into effect, continues to bear fruit. This sustained progress is particularly noteworthy in a year such as that under review, when conditions in the property world have been markedly difficult. Taxation inevitably takes the lion's share of our profit—£116,157 this year—and I fear we must recognise that the possibility of any reduction in the foreseeable future is remote.

You will see that we make a small transfer of £1,995 to our general reserve to bring the figure in the holding company to a round sum, and that after writing off small balances of preliminary expenses in some of our subsidiaries we are left with a net surplus of £82,088, to which must be added the amount brought forward from last year of £44,140, making a total of £126,228. From this must be deducted the cost of the preference dividend amounting to £21,656, leaving available a balance of £104,572. Out of this balance we propose to repeat last year's dividend of 8 per cent on the ordinary stock, leaving us to start our new year with a carry forward of £75,130, which is practically £31,000 more than the corresponding amount last year.

BALANCE SHEET CHANGES

Turning to the balance sheet, you will see here substantial changes, which reflect the disposal of certain of our United Kingdom properties in order to finance the acquisition of our important Canadian subsidiary, the North of Scotland Canadian Investment Corporation, and of other investments of lesser significance in this country. The Canadian acquisition was announced in the press at the time, but you will, I feel sure, wish me to give you some further details, and this is the appropriate time to do so.

I said just now that the past year has been a difficult one for the property world. It has: and there seems little chance of things getting any less difficult for some time to come. The conditions favourable to property investment are, essentially, freedom to borrow, and a low and, if possible, a falling rate of interest. The conditions we in fact have to endure, and are likely to have to endure for a long while, are precisely the opposite—the most stringent restrictions on borrowing and a high and maybe rising rate of interest. These factors led your directors to the view that the time had come when we should realise a substantial part of our United Kingdom holdings and reinvest the proceeds where they could be employed in conditions more favourable to our type of business, and at the same time provide a desirable spread both in the character and the location of our capital security.

CANADIAN PURCHASE

Our Canadian purchase provides the means: we consider ourselves more than fortunate to have found this company and to have been able to negotiate the purchase, and I personally wish to pay a very warm tribute to our managing director, Mr Bloomfield, and our deputy chairman and finance director, Mr Frew, to whom the credit for this achievement must be given, and upon whose shoulders the main burden of the exacting work necessarily fell. Their services to the company, both over here in the earlier stages and subsequently in Canada, deserve our warmest thanks.

You now own through the Canadian subsidiary a large fund in Canadian dollars, securely invested in land and Government bonds available for our participation in the immense possibilities of that great country. The Dominion of Canada as the whole world knows is possessed of natural resources of quite exceptional richness, the development and exploitation of which has only just begun: a great and a prosperous future undoubtedly lies before her.

CANADA'S POTENTIAL WEALTH

But I would stress to you here, today, that it is upon the future in Canada rather than the immediate present that we should found our anticipation of profitable return—that this investment is of a long-term rather than a short-term character. Canada needs very large sums indeed of capital to develop her vast potential wealth: she is in equal need of men—of population. Only with the building up of these two essential elements can she attain to that high degree of commercial prosperity to which she is destined by virtue of her mineral and other wealth. Such a building up is not accomplished within one year or in two—it is a much more lengthy process; and in the meantime caution must be the watchword where investment is concerned. But given this element of caution and careful judgment, given the ability to take the longer-term view, we, your directors, are confident that your Canadian subsidiary will in the years to come prove itself to be a valuable and rewarding investment.

For practical reasons of management and direction, no less than for fiscal reasons, it is desirable that the board of our Canadian

subsidiary should be autonomous and distinct from the board of the parent company—that it should have the status of an independent body directed and controlled by Canadian nationals of standing and experience. I am glad to tell you that leading members of the Canadian legal and accountancy professions have accepted office as directors and that in our view these gentlemen will bring to the board of our Canadian subsidiary precisely those qualities which we consider to be essential to its success, together with a close knowledge of local affairs and conditions.

EFFECT ON INCOME POSITION

One word about the probable effect of this substantial change of investment upon our income position in the current year and in the immediate future. It is likely that our income from this particular source—our Canadian subsidiary—will temporarily be less than the income from the investments which it replaces; so that during the current year our purely investment income may show a reduction. Against this, we are confident that our other sources of income—in particular income from trading operations of our subsidiaries—will more than compensate for any reduction under the former heading; so that the final result in our profit and loss account will be not less favourable than it is at present.

To return to the balance sheet—you will notice a substantial increase in current liabilities and a corresponding increase in current assets: the reason for this is that, at the date of the balance sheet much of the purchase price for the Canadian company was unpaid, much of the purchase price of the properties disposed of had not been received. The large balances arising in this connection, debit and credit, have since the date of the balance sheet been very largely eliminated and will have been completely liquidated within the next few days.

SUBSTANTIAL CAPITAL SURPLUS

There is nothing further in the balance sheet to which I need draw your attention—the comprehensive notes, which form part of the accounts, will be found to provide explanations where the figures themselves need amplification.

There is, however, one matter to which I would like to refer before closing, namely, the substantial capital surplus arising from the sale of our United Kingdom properties to finance the purchase of the Canadian subsidiary; you will remember that some two years ago we had a revaluation of all our properties which showed a figure considerably in excess of book values. I would like shareholders to know that the properties sold realised a figure substantially in excess of the valuation made two years ago, which is more than satisfactory when it is remembered that during the last twelve months the property market generally has suffered a sharp recession.

I have already expressed our special indebtedness to two of our directors: but I cannot conclude these remarks without a tribute to our administrative staff, whose loyal and devoted work during the year has materially contributed to the satisfactory

results which it has been my privilege to place before you.

The report and accounts were unanimously adopted.

NEW ZEALAND LOAN AND MERCANTILE AGENCY COMPANY, LIMITED

MR MICHAEL G. H. BROWN'S
SPEECH

The fifty-eighth annual general meeting of New Zealand Loan and Mercantile Agency Company, Limited, was held, on December 19th, in London.

Mr Michael G. H. Brown, the chairman, who presided, in the course of his speech, said: You will have seen from the press that the price of wool is holding up well. If present prices are maintained and the whole of the expected clips in Australia and New Zealand are disposed of, these two countries should receive a very satisfactory income from their exports. In the four months from July to October, 1952, Australia had a favourable trade balance of £62½ million in Australian currency, against a deficit of nearly £177 million in the same four months of 1951. Similar figures for New Zealand are not yet available for this period, but with higher prices for meat and dairy produce they should be showing the same trend.

The Australian figures show a very remarkable improvement and leave one to hope that the severe import restrictions in both countries may soon be further relaxed. If they are, then we should benefit, particularly in our merchandise departments.

SEASONAL CONDITIONS

In Victoria and New South Wales seasonal conditions are favourable. There is a good body of feed almost throughout these areas, and stock is in good condition. With certain exceptions, the south and central districts of Queensland have also had good weather, but the north-west is still suffering from a most severe drought. In New Zealand there have been heavy rains for the last five weeks which have delayed shearing and retarded the fattening of lambs. There is, however, an abundance of feed, and if the sunshine, which is expected, comes the prospects will be good. Dairy production to date is running at record figures.

As we know to our cost in this country, the weather can change rapidly. Australia has, on the whole, had good weather conditions now for some six or seven years. It would be unwise, however, to assume that the era in which that part of the world was liable to spells of bad weather has passed. Against this, there is no doubt that these countries have greatly improved their ability to withstand bad weather conditions, by improving their lands, by increased water facilities, and by continually improving technical knowledge.

We tend in this country only to hear the surprising items of news from the other side of the world and not to hear about the regular day-to-day affairs. In the past year, the main items of news were of credit restriction, severe import controls, bush fires, floods and droughts. Although these have hit many individuals very hard indeed, both countries, as a whole, have carried on a regular and even prosperous economy. Provided they will really face up to their high cost structures, particularly in Australia, I know of no reason why they should not continue, with some ups and downs, to expand their economies.

The report and accounts were adopted.

COMBINED EGYPTIAN MILLS LIMITED

(Cotton Spinners, Manchester)

YEAR OF TRADE FLUCTUATIONS

SIR JOHN REYNOLDS ON THE OUTLOOK

The twenty-third ordinary annual general meeting of Combined Egyptian Mills Limited, spinners of cotton and synthetic fibres, was held on December 22nd in Manchester, Lt.-Col. Sir John Reynolds, Bart., MBE, JP (the chairman), presiding.

The following is an extract from his circulated statement:

The gross trading profit for the year is £1,703,384 compared with £2,507,964 in 1951. Provision for taxation at £861,000 (against £1,315,000) does not include anything for excess profits levy, since the board is advised that the year's profits will not attract liability to this tax. The board believe that despite their fall, the profits of the year justify them in recommending payment of the same dividends as last year, namely, 8 per cent on the ordinary stock and 7½ per cent on the preference stock, but this should not be taken as an indication that these rates can necessarily be maintained for the current year. In addition a further £200,000 has been placed to the general reserve, thus raising this reserve to £1 million. The remaining balance of £141,543 has been added to the carry-forward, raising it to £411,322.

For many years your board have been following a carefully planned policy of re-equipment and modernisation and it is their intention to continue. The extent must, however, be tempered by the net means available to us. During the year, £108,421 has been spent on capital additions and, moreover, our plant has been kept in first-class condition by the expenditure of £443,000 on repairs and maintenance. Future commitments on capital account as at September 30, 1952, are £219,000. The high cost of new machinery is retarding our plans for renewals in the progressive way which we feel our business demands. I hope that there will be some early adjustment in values which would encourage us to accelerate our programme of modernisation. The frequent introduction of new fibres has led us to develop a research unit which will allow us to participate in such developments at an early experimental level. The spinning of synthetic fibres may well feature ever-increasingly in our affairs.

SATISFACTORY LIQUID POSITION

The level of stocks of cotton, yarn and sundry stores at £1,772,901, compared with £2,155,765 a year ago, gives some indication of the strong line your board took against spinning yarn for stock. It has not been necessary to use any part of the stock contingencies reserve and the company has been successful in accomplishing the transition from higher prices to the present more moderate levels without suffering any appreciable losses on stock. We have thus been able to end the year with a satisfactory liquid position—£1,575,193 cash and £2 million tax reserve certificates. The tax reserve certificates cover our tax liability to September 30, 1952 (payable January, 1953, and January, 1954), and we are, therefore, in a position to finance out of our own free resources a return to full trade.

HISTORY OF RAPID FLUCTUATIONS

The history of the year's trading is a history of such rapid fluctuations in trade as can seldom have been seen before.

At one time during this year, trade was worse than ever experienced in the history of your company.

Lancashire's exports of yarns which, unfortunately, have shown a decline since the peak postwar year 1949, were very severely hit by this general world depression. While it may be too early to record a definite turn in trade, domestic textile industries in many countries are now showing increased activity, in common with our own. This is already reflected by the recent improvement in our yarn sales overseas. Your company continues to foster its valuable export trade, and to guard the good name of its high-quality yarns which are known the world over.

Our order book, in common with other spinners in our section of the industry, is not on as high a level as we would wish, and our weekly return of spindles actively working is still well below normal, and much further recovery must be made in the coming year if the figures of 1952 are to be equalled.

GOVERNMENT'S TASK

Cure for our ills is not simple, and the greatest enterprise and skill will need to be used if the known retraction in international world textile movements is not to force Lancashire to eventual reduction of spindleage.

The only useful long-term policy which any government can pursue is first to reduce the burden of taxation, and secondly, to protect markets, not so much against competition as against unfair competition.

Further improvement in the trade's efficiency requires two things: (1) availability of money to modernise machinery and (2) re-deployment of labour to make full use of the new machinery thus installed.

Availability of money is the major target which the government should have in mind. This may be achieved either by direct subsidy, as was done by Sir Stafford Cripps under the Cotton Spinning Re-equipment Subsidy Act, or by a common-sense readjustment of the basis of company taxation.

THE CURRENT YEAR

Of the coming year I speak with great hesitation. October opened with earnings showing but a very modest measure of profit. Since then an improvement in trade has been experienced and more spindles, I am glad to say, are now at work although on a much lower profit margin than a year ago.

It is my personal belief that the steady improvement from the worst is likely to continue, that home-trade (in retail circles) is not grossly over-stocked, and that the home-market will before long become once again a substantial buyer in Lancashire. Further, our position has clearly improved with the decline in the price of high quality cotton to a more sensible level. If I am right in anticipating a recovery in the home market, a reasonable year's trading may be expected, but in this I am in the realms of prophecy and trends of trade cannot easily be foreseen, even by the wisest and best informed of planners.

The report and accounts were adopted.

BROWN BAYLEY'S STEEL WORKS LIMITED

REVIEW OF A DIFFICULT YEAR

MR J. W. GARTON'S STATEMENT

The thirty-fourth annual general meeting of Brown Bayley's Steel Works Limited, was held on December 19th in Sheffield, Mr J. W. Garton (chairman) presided, and made the following statement:

"In regard to the repayment of the preference share capital, I said in the second paragraph of my statement which was circulated with the report and accounts, that the scheme for such repayment would be in your hands before the end of the year. An essential part of the scheme is the liquidation of The Farnley Iron Company Limited, but it was not considered advisable to put this company into liquidation until your company had purchased the outside shares in Farnley. This purchase was completed on December 8th, so that we are now in a position to proceed to finalise the scheme. It is, of course, necessary on a repayment of capital to obtain an Order of the Court to convene the necessary meetings of the classes of shareholders, but it has not proved possible to finalise the scheme in time to obtain the necessary Court Order before the Court sittings end today. However, the necessary applications to the Court will be made as soon as possible after the Court sittings commence on January 12th, and unless any unforeseen difficulties arise, I can assure you that the proposals will be sent out by the end of January."

The following is an extract from his circulated statement:

The year under review covers the first complete twelve months' period of this company since its steel making subsidiary Brown Bayley Steels Limited was transferred to national ownership.

As is our custom, the consolidated accounts of The Hoffmann Manufacturing Company Limited for the year ending December 31, 1951, are circulated with this statement, and also I have received permission from The Iron and Steel Corporation of Great Britain to circulate the accounts of Brown Bayley Steels Limited for their first period to September 29, 1951. You will see from these accounts that the companies are still very profitably employed and there would seem to be no reason why for some time this should not still be the case.

The directors have, during the year, appointed to the board Mr E. Lawrence N. Tuck; LL.B., a partner in the firm of Godden, Holme and Co., solicitors, London. I have known Mr Tuck for many years and he has had considerable experience in the affairs of The Hoffmann Manufacturing Company Limited, which is your company's principal subsidiary. His great knowledge will be of assistance to us during the next few years. Mr Tuck's appointment will come before the meeting for confirmation in the usual way.

Mr Fred Atkinson has been a director of your company for many years in a technical and commercial capacity and having now attained the age of 70, retires in accordance with Section 185 of the Companies Act, 1948. I should like to put on record our appreciation of the valuable services Mr Atkinson has rendered to your company over many years.

FINANCIAL FIGURES

The balance sheet of the parent company shows further additions to our holding in The Hoffmann Manufacturing Company

Limited, which has been achieved by utilising surplus cash and certain investments of the Farnley group. This has, of course, resulted in an increased amount due to subsidiary companies. During the year there has been a fall in the value of gilt edged securities and this is reflected in the lower market value of the company's holding of £1,128,750 British Iron and Steel 3½ per cent guaranteed stock, 1979-81; this is the total original stock issued to the company by way of compensation for its steel interest, the income from which has been used for the payment of dividends.

The consolidated balance sheet again excludes The Hoffmann Manufacturing Company Limited group whose consolidated accounts for the year to December 31, 1951, are separately produced as part of this report. The purchase of further shares in The Hoffmann Manufacturing Company Limited referred to in my previous statements is clearly reflected in the accounts.

In the consolidated profit and loss account, last year's figures have been adjusted so as to eliminate all items referring to the assets sold to Brown Bayley Steels Limited on January 8, 1951, except that the £33,090 retained for dividends to February 14, 1951, has been added to the net profit after taxation. The fall in the trading profits from £126,528 to £90,363 refers almost entirely to subsidiary companies and will be the subject of later comment. A full year's interest on iron and steel stock as compared with 5½ months in the previous year is chiefly responsible for the large increase in investment income. The additional holding in The Hoffmann Manufacturing Company Limited together with an increased dividend accounts for the extra income from this subsidiary.

Our taxation advisers are of the opinion that there will be no liability to excess profits levy for the seven months' period from January 1, 1952.

SUBSIDIARY COMPANIES

The Hoffmann Manufacturing Company Limited, as you will see from their accounts, have had another successful year and the demand for their products remains at a very high level.

The South African company's trading profit fell by £13,537. This company is a selling organisation and the fall in profit is entirely due to difficulties experienced by its main supplier, Brown Bayley Steels Limited, in obtaining licences to export steel from the United Kingdom. With regard to The Taylor Rustless Fittings Company Limited, which is the stainless steel fabrication works in Leeds, shortage of supplies of suitable sheet steel has limited the turnover and has, therefore, resulted in a smaller profit. However, the position of both these companies continues to give satisfaction.

BROWN BAYLEY STEELS LIMITED

The accounts of this former subsidiary company, circulated with this statement, represent the steelmaking assets of the group vested in the Iron and Steel Corporation of Great Britain on February 14, 1951. They show highly satisfactory results with a trading profit on an annual basis of £821,816 compared with £774,932 for the year to July 31, 1950. It is interesting to note that out of the net profit after taxation of £264,374 there was retained in the business £245,856.

GENERAL

Once again I must say that it is very difficult to forecast the future of your group and I can only assure you, as I have done before, that during the time of this uncertainty, any dividends received by this company from the trading companies of the group will be handed to the shareholders and that the company will continue to operate at the smallest possible expense.

You will appreciate that it is impossible to take any definite decision as to the future until it is decided whether the steelworks can be repurchased or not, but when this is known, your directors will submit proposals for the future of the company as quickly as possible.

The report and accounts were adopted and Mr J. S. Ridges and Mr E. L. N. Tuck, the retiring directors, were re-elected.

HEENAN & FROUDE, LIMITED

ANOTHER SATISFACTORY YEAR

The fiftieth annual general meeting of Heenan & Froude, Limited, was held on December 22nd at Worcester. In the unavoidable absence of Mr Alah P. Good (chairman), Sir Richard A. Pease, Bt, presided.

The following is an extract from the chairman's circulated statement for the year ended August 30, 1952:

Your group of companies has again had a satisfactory year of trading and all the works have been engaged to capacity. Group net profits before taxation stand at £394,003, compared with £370,851 last year, and after providing for taxation, which takes over 63 per cent of net profits, there is left £144,515, against £140,943.

The balance of orders on the books at the close of the year was well in excess of £5 million, representing yet another record, a gratifying achievement in a year when the sellers' markets which have dominated world trade for a long period have in many cases turned in favour of buyers. Of total orders about one-half is on the books of the parent company and, with the growing competition from other industrial nations making itself felt in engineering, it will be difficult to maintain these peak figures, which are due in some measure to the rearmament programme. The resistance of overseas buyers to price increases is hardening and with foreign manufacturers ready to step in with quick delivery and often lower prices and long-term credits, a continuance of the upward trend in costs at home will soon be reflected in smaller order books.

Your company celebrated its fiftieth anniversary as an incorporated company on March 2, 1952, and the occasion was marked by the distribution of a Jubilee bonus of 2½ per cent on the ordinary shares.

ALL SECTIONS FULLY EMPLOYED

All sections of the company's business have been very fully employed and, notwithstanding the demands made on the design and technical staffs by the inflow of orders, time has been found to maintain the development programme by adding to the range of machines and experimenting in new designs.

The demand for the company's engine test plant was at a high level from both home and overseas markets, and a major advance has been made in the design of a new type of Froude dynamometer capable of absorbing very high powers at extreme speeds. The Heenan Eddy-current Couplings continue to expand into new industrial fields.

In the industrial cooler section orders have increased regularly each year since the war. The automatic machine section has successfully put many new designs into service and offers a very wide range of machines.

The steel scarcity has delayed all contracts in the municipal engineering division, in some cases for more than a year, but it is hoped that steel authorisations will be granted as supplies improve.

Turning to the subsidiary companies, Fielding and Platt Limited have during the year concentrated on the development of improvements to their very wide range of hydraulic presses. The output of malleable and grey iron castings of Court Works Limited reached a new peak. The new building work and re-equipment of W. G. Bagnall Limited at the Stafford Works continued during the year.

Industrial Waste Eliminators Limited effected a substantial increase in deliveries of its abattoir equipment and this increase in turnover has earned a best-ever profit for the year. Further progress has been made during the year on the adjustment of the production lines at the Wishaw Works of Morton Machine Company Limited. Associated Locomotive Equipment Limited have had a satisfactory year and the two remaining subsidiaries, The New Destructor Company Limited and Hyganic Developments, Limited, are not trading.

The report was adopted.

THE INDUSTRIAL CREDIT COMPANY, LIMITED

DR J. P. BEDDY'S REVIEW

The nineteenth ordinary general meeting of The Industrial Credit Company, Limited, was held on December 17th, at the offices of the company, 9, Leinster Street, Dublin.

The chairman, Dr J. P. Beddy, in moving the adoption of the report and accounts, said, *inter alia*:

The total assets of the company appear at £2,844,087. This total is being financed on the basis of a paid-up share capital of £1.5 million. To a very substantial extent the company relies on temporary borrowings. Your directors consider that the company's present borrowings are at too high a level. In contemplating any increase in paid-up capital, however, due regard will be given by them first to the dividend-earning potential of the company and, secondly, to the undesirability of financing temporary and quasi-temporary obligations by permanent capital.

The gross profit for the year at £91,775 shows a reduction of £41,304 from that of the previous year, due principally to a decline of over £90,000 in profits on sales of investments, which decline was partly offset by other items (mainly increased underwriting profits). There was an increase of £36,650 in administrative and general expenses, due almost wholly to the payment of additional interest on borrowings. Were it not for bank and loan interest, the net profit (£32,058) would have exceeded £78,000.

As to the current year, your company is committed to a number of capital issues involving in all over £1.1 million. Already since October 31st your company has sponsored one public issue of cumulative preference shares and ordinary shares, and it is a welcome sign that the ordinary shares were over-subscribed. In the issue of preference shares, however, there are difficulties. While present conditions continue, it is likely that there will be greater resort to issues of participating preference shares.

The report and accounts were adopted.

COVENT GARDEN PROPERTIES COMPANY

YEAR OF RE-INVESTMENT

The twenty-eighth ordinary general meeting of Covent Garden Properties Company, Limited, was held on December 18th, in London, Sir Brian Mountain, Bart. (the chairman), presiding.

The following is an extract from his circulated statement:

The revenue of the company and its subsidiaries for the year, after deducting cost of administration, management and repairs amounted to £443,767 an increase of £20,475 over the previous year. Dividends from subsidiary companies, which are included in the figure of net revenue, show an increase arising from the acquisition of the balance of the ordinary shares of Clarendon Property Company, Limited.

I mentioned last year that your company was in process of acquiring a number of shop and office properties of an aggregate value of £1,500,000. The transaction took the form of the purchase of shares in ten companies owning the properties. The shop properties, which occupy good trading positions, are almost all situate in London and the suburbs and are let to multiple and other established traders. The group also own a number of office properties in the West End of London let to substantial tenants. All these properties were acquired as from December last and from the results to date your directors are satisfied that this investment will prove a satisfactory one.

Your directors decided in March last to sell the property known as Princess House, Oxford Street, for which an attractive offer had been received. Completion of the sale took place on June 24th last. The surplus arising on the sale of the property has been transferred to capital reserve. Certain properties have already been purchased with part of the proceeds of this sale and your board has under consideration at the moment various further proposals for the re-investment of the balance.

THE ACCOUNTS

You will have seen that the properties owned by the group appear in the consolidated balance sheet at almost £9 million. Quoted investments show a reduction of £141,305. This represented the book value of the shares of Clarendon Property Company, Limited, owned prior to the acquisition of the balance of the ordinary shares of that company. The item unquoted investments represented the security realised during the year.

From the gross revenue of the year has been deducted debenture stock interest, amortisation, directors' and trustees' fees and also profits tax and income tax. The figure of taxation amounts to £118,000 for income tax and a further £60,000 for profits tax, an increase in the aggregate of £13,626 over last year. The net profit for the year is £97,114 and there is a balance available of £181,486.

It is proposed to pay a final dividend of 2½ per cent on the ordinary shares, making a total of 5 per cent for the year, leaving an amount to be carried forward of £94,337, an increase of £18,607 over the previous year.

Shareholders will appreciate that the year under review has been one of re-investment and that this will apply also to the current year. Your directors are however satisfied that this redeployment of the company's resources will provide an improved portfolio giving a wider spread of risk and in due course a greater return to the shareholders.

The report was adopted.

REGIS PROPERTY

FURTHER PROGRESS

The fourteenth annual general meeting of the Regis Property Company, Limited, was held on December 18th in London. The Rt. Hon. Lord Kennet of the Dene, PC, GBE, DSO (the chairman), presiding.

The following is an extract from his circulated statement:

The construction and partitioning of the new section of Plantation House was finally completed in 1951. The effect of the completion of this project can be seen in a substantial expansion of income in the profit and loss account. An increase of revenue from offices has outweighed a further rise in outgoings in respect of flats including additional expenditure of £12,341 on their current repairs and maintenance. Against this expansion there is a heavier charge for interest on increased mortgage liabilities, but the result has been a growth during the year of £7,759 in profits subject to taxation, which now stand at £167,112 for the year.

INCREASED NET PROFIT

The net profit of the group has risen by £2,471 to £76,361. The surplus of the year's net profit after deducting the amount provided for deferred repairs has increased from £48,788 to £66,476. This gives clear evidence of very satisfactory progress in the earning power of the company. The progress is not yet ended: office leases entered into prior to 1939 will be falling in during the coming years with further increase in revenue. In view of the strong position the directors recommend a final dividend on the ordinary shares of 11½ per cent, making 16 per cent for the year, as compared with 12½ per cent for the previous year.

Reserves and surplus now amount to £793,362. These reserves, together with the ordinary capital of £400,000, constitute the equity of the company. In view of this position the directors have considered that the issued capital should be brought more into line with the actual capital employed in the business, and they have therefore obtained Treasury consent to capitalise £400,000 of reserves and to make an issue free of charge to ordinary shareholders of fully paid shares on a one-for-one basis. Shareholders should not assume that amounts distributed as ordinary dividends will be increased as a consequence of this.

FINANCIAL RESOURCES

There is a substantial excess of current assets over current liabilities, and of these assets more than £500,000 is held in the form of deposits. £550,000 or more of these resources has been set aside for a further property investment.

The greater part of the company's revenue now comes from office properties. But the company owns 19 blocks of flats, and by far the greater number of these flats are controlled at statutory rents. Each year the cost of upkeep of these properties and the expense of providing services for tenants become more burdensome. It is our policy to maintain these services to the fullest extent practicable in the light of existing circumstances, but I am certain that the majority of our tenants are not under the illusion that expenditure on upkeep and services is adequately covered by the rents of their flats. In fact it is, I think, now recognised that untold harm is being done to the interests of both landlords and tenants by the anomalies of the Rent Restrictions Acts.

The report was adopted and the proposed bonus issue was approved.

NAHUMS HOLDINGS LIMITED

EFFECT OF TEXTILE RECESSION

The third annual general meeting of Nahums Holdings Limited was held on December 23rd in Manchester, Mr Daniel R. Nahum (chairman and managing director) presiding.

The following is an extract from his circulated statement:

Following so closely on the record group trading profit of £207,987 achieved in 1951, it is with regret that I have to report this year that the group has suffered a small trading loss.

The world-wide textile recession is well known to you, and although we have incurred considerable stock losses in common with most other textile businesses, I consider that we have passed through the recent crisis with marked resilience.

The group accounts show a trading loss of £16,063 which is arrived at after making full provision for reducing the stock to market value at June 30, 1952. Furthermore, this loss also takes into account amounts paid to suppliers in respect of the difference between contract price and replacement cost of forward cloth purchases.

I informed you last year that it was the intention of your board to continue to diminish old long-term commitments and to avoid new ones and also to reduce progressively the amount of bank finance employed in the business. I am glad to be able to state that our policy has, in fact, achieved a considerable measure of success in both directions.

IMPROVED LIQUID POSITION

A noteworthy feature of the consolidated balance sheet is the reduction in the value of the stock from £924,192 in 1951 to £571,735 this year—that is a decrease of £352,457. Although this decrease reflects, to a certain extent, the severe fall in textile prices that occurred in the year under review, it can also be satisfactorily recorded that the volume of stock carried was considerably lower than in the previous year. This achievement is mainly the result of successful sales drive campaigns carried out during the second half of the company's financial year.

The improvement in the group's liquid position is also demonstrated by the reduction of £147,835 in our indebtedness to bankers and by the decrease of £86,051 in trade creditors, accompanied by the maintenance of the level of trade debtors.

I hesitate to make any forecast concerning our prospects for the current financial year. The value and volume of the sales orders booked by our cloth companies during the first four months of the year are in excess of the comparative figures for the previous year. The activity of our yarn business has also improved compared with the position six months ago. Nevertheless it is impossible to foresee the pattern of trade that will prevail in our industry several months hence. I can only repeat my statement last year that your group is well placed to take full advantage of any further improvement in trading conditions.

The versatility of your group; the ever increasing sales coverage and sales impetus at home and in the many ramifications overseas; the accent on more original cloth production, as to both design and finish, commensurate with economic price levels—these are the factors upon which we are concentrating as the basis of your group's future.

The report and accounts were adopted.

DENNIS BROTHERS LIMITED

ANOTHER SATISFACTORY YEAR

GRIEVOUS BURDEN OF TAXATION

SIR GEOFFREY BURTON ON INCREASING COMPETITION

The annual general meeting of Dennis Brothers Limited was held on December 19th at the Café Royal, Regent Street, London, W.1, Sir Geoffrey Burton (the chairman) presiding.

The secretary (Mr H. E. Johnson, FCIS) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended September 30, 1952:

I am glad to be able to report that we have again had a satisfactory year, and the net profit is only slightly less at £172,521, as against £176,506 for 1951. Although the turnover is greater, our expenses, in spite of all efforts to effect economies, are still increasing. We have had to face during the past year increases in wages both to the manual and clerical workers, which cannot automatically be passed on to the consumer. In fact, it has been our endeavour, wherever possible, to avoid doing this, and to create fresh savings by increased output per man-hour, and by reducing non-productive expenses in all directions possible.

Stock is down by £40,000, but our debtors have increased by £42,000, tax reserve certificates by £11,000, and the liquid cash position is better by £29,000. It will also be noted that our current liabilities have decreased considerably, our creditors being down by £13,000, and provision for current taxation down £61,000.

TAXATION

At the same time there is no need for me to emphasise that taxation is a most grievous burden on an expanding company, and, in fact, takes 60 per cent of the profits, and prevents all those engaged in our undertaking from enjoying the full fruits of their efforts. In addition, we have to collect from our customers at home large sums in purchase tax—another severe burden. We trust that the Chancellor of the Exchequer will see his way to reduce public expenditure and so enable him to remove the purchase tax now levied on commercial vehicles at the rate of 33½ per cent. Much publicity has been recently given in the press to the necessity of reducing purchase tax on pleasure cars, but little is said about load-carrying vehicles. These are essential to the public, and there is, therefore, a very strong case for removing this burden. I sincerely hope that the Chancellor will take an early opportunity to declare his policy, and so remove the uncertainty which at present exists to the detriment of our order book. The slowing down that has already taken place due to this cause is bound to affect our prospects for the coming year. I have read this morning in the press that the Chancellor only yesterday indicated that he did not intend to consider any change in purchase tax on commercial vehicles before the Budget. This is extremely disappointing. Our immediate difficulties are further increased by the change of policy in regard to nationalised transport, which for the time being has resulted in an almost total cessation of buying on the part of operators.

Depreciation, although calculated on the same basis as in previous years, is lower. This is due to the fact that we have kept our

capital expenditure during the year down to a minimum.

APPROPRIATIONS

Turning now to the appropriation account, the balance brought forward from 1951 is £258,529. To this must be added the profit for the year of £172,521, making a total of £431,050. We have paid an interim dividend of sixpence per share, less income-tax, amounting to £19,720, and we now recommend a final dividend of two shillings, less income-tax, which will absorb £78,880, and this will leave a balance of £332,450. Owing to unforeseeable possibilities in connection with stock, plant replacement and overseas commitments, we have thought it best to carry this sum forward rather than appropriate it for some specific purpose.

A Commercial Vehicle Exhibition was held this year at Earls Court, and it was agreed on every hand that the stand of your company was one of the most attractive in the show. We displayed, among other models, an entirely new goods-carrying and passenger vehicle, and from the interest shown and the inquiries received we are hoping for good results once we get into production which, with the still restricted supply of materials, is, unfortunately, a slower process than we like. The material position is not at all happy, both in the matter of supply and in some directions increased prices. Certain controls have gone, but there are others that have still to be dealt with.

The doctrine that, because the demand for a certain raw material appears to some extent to exceed the immediate supply, it is necessary rigidly to control the whole distribution, is in my opinion quite unsound. I am confident that the advantages that would accrue to industry by freeing the material from this rigid control would far exceed the temporary difficulties that might be met. This applies particularly to steel.

EXPORT TRADE

The Government is continually pressing for increased exports, and rightly so, but to accomplish this we must reduce our costs. The competition we now have to meet from other countries is much more severe, coupled with the fact that currency and the restriction of import licences is closing markets against us. In point of fact the outlook for export business is not at all bright, although I am pleased to say we have maintained our standard during the past year. During the period our executive directors have visited Spain, Portugal, Holland, Irak and Yugoslavia, and we are continually seeking new markets.

The fire engine and municipal vehicle departments of your business have both had successful trading results, though competition is steadily increasing. The municipal vehicle section especially is meeting strong competition both at home and abroad. We are not afraid of this competition—in fact we welcome it. It is a challenge, and we readily accept the challenge. Competition acts as a stimulant to better products, improved design, methods of production and marketing, and last but not least to lower costs and prices. These are among the great benefits which private enterprise can confer. Such an urge quickly disappears when an

industry is nationalised, and no longer has such competition to face.

THANKS TO EXECUTIVE AND STAFF

I have the honour to be chairman of your board, which as you know includes the top executives of the company. These men are responsible for the daily administration of your company and its various departments. They are doing a great job, and you can be sure that your interests could not be in better hands. To the remaining staff and work-people who comprise your company, I would like to offer our thanks for their loyal, unselfish and successful efforts during the year.

The report and accounts were adopted and the final dividend of 2s. per share, making 2s. 6d. per share, less tax, for the year, was approved.

The retiring directors, Sir Geoffrey Burton, Mr N. P. Andrew and Mr R. E. Dennis, were re-elected and the remuneration of the auditors, Messrs Gane, Jackson, Jefferys & Freeman, having been fixed, the proceedings terminated.

THE ROVER COMPANY

TURNOVER AGAIN INCREASED

The fifty-seventh annual general meeting of The Rover Company, Limited, was held on December 19th in Birmingham.

Owing to the indisposition of the chairman, Mr E. Ransom Harrison, FSAA, Mr H. Howe Graham, FCA, presided.

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

I am pleased to report that during the year under review we have again increased our turnover both in value and in the number of vehicles sold. Our export sales for the year also reached a new record despite the fact that several of the principal overseas markets have during the year severely curtailed their purchases of motor vehicles.

During the greater part of the year costs continued to rise, but in the main these increases have not been passed on to our customers, and we have, therefore, had to work to lower profit margins. Although increased competition and restrictions abroad necessitate working to smaller profit margins, the Government take an increasingly large proportion of our trading profits in the form of taxation.

To take care of the expansion in our output referred to above and to allow for further expansion as and when this can be achieved we have purchased during the year additional factory space. We have also been fortunate in acquiring the premises adjoining our London repair department which will enable us to provide increased service facilities for our customers in the London area.

Development of the gas turbine car has continued during the year, and last June we established a speed record of over 150 miles per hour in Belgium which has been officially recognised as the first world record for cars driven by this type of engine.

It is still not possible to forecast when gas turbine cars will be sold in quantity commercially, but we are finding that there is likely to be a market for small gas turbine engines for industrial and service purposes.

The surplus on trading and management fees for the year of £1,401,889 is approximately £100,000 less than the figure last year despite the increased turnover, and reflects the smaller margin of profit on which we have had to work. The net profit amounts to £313,300 as compared with the figure last year of £258,030. After bringing in the balance from last year's account, there is a total available for disposal of £401,562 out of which the directors recommend a final dividend of 1s. per share less tax, making a total distribution for the year of 2s. per share less tax. There is a balance carried forward to next year's account of £101,186. The report was adopted.

BRITISH OVERSEAS MINING ASSOCIATION

MR R. L. PRAIN'S SPEECH

The seventh annual general meeting of British Overseas Mining Association was held on December 17th, at Selection Trust Building, London, EC.

Mr R. L. Prain, OBE, president, was in the chair.

The president, in the course of his speech, said:

TAXATION

The industry's greatest handicap remains the inequitable and overburdensome taxation imposed in this country. It has been intensified during the year by the introduction of the excess profits levy. As you will know from the Council's annual report, this association played its full part in obtaining substantial modifications to the original proposals, but the levy remains ill-conceived in principle and exceptionally onerous in practice.

Various provisions affecting mines, such as those of the Income Tax Act, 1945, have been introduced into the United Kingdom tax legislation during recent years, but, valuable as they are within their limited scope, they remain quite inadequate to ensure the survival of the industry in competition with its rivals in other countries.

Our fiscal code lags far behind those of the other countries with important mining interests in its recognition of the special problems of the mining industry. For example, in the United States of America, Canada, Australia and Southern Rhodesia, there are systems of percentage depletion allowance. This is one of the most valuable forms of relief and of encouragement which can be given to a mining industry. In South Africa and South-West Africa there are important provisions enabling new mines to amortise the whole of their capital expenditure before paying any tax, while in Northern Rhodesia substantially the same legislation has recently been introduced.

In the light of the increased cost of equipping new mines to which I have referred, these allowances have a special value. In South Africa, Southern Rhodesia and Northern Rhodesia the equitable principle has been adopted that only those profits derived from or accrued in those countries are taxable there, so that no additional taxation is levied on profits brought in from overseas.

OVERSEAS OPINION

We have none of these things in the United Kingdom. This is resented abroad, where the countries whose mines are owned by British companies see the financial strength of their mining industries continuously sapped to meet tax liabilities in the United Kingdom.

A striking example of this can be seen in the recent introduction of percentage depletion in Southern Rhodesia. The Minister of Finance, in announcing that allowance, made it clear that it was to be restricted to Southern Rhodesian companies or to overseas companies whose own governments gave similar reliefs. Thus a Canadian or United States company would obtain a depletion allowance in Southern Rhodesia which is denied to United Kingdom companies. For companies in this country to be under such a competitive handicap cannot be consistent with an enlightened policy of colonial development.

The development of new overseas mines from this country is now virtually prohibited by our tax system. The long-term effect on our national economy of this strangling of one of our most important industries can only be most damaging.

CHANGE OF DOMICILE

The burden which our tax code places on British companies operating overseas is so severe that it led a previous Chancellor to introduce the much criticised provisions which have now been embodied in Section 468 of the Income Tax Act, 1952.

These provisions seek to retain for the United Kingdom a relatively small fraction of revenue, which in my view is likely to be more than offset by the losses rendered by the repressive effects of the section. They can only result in a diminution of this country's influence over both existing and new sources of raw materials. It is difficult to overstate the harm which the provisions are doing to our relations with overseas territories both within and outside the Commonwealth.

NEED FOR URGENT LEGISLATION

The association has referred to all these tax difficulties in its memorandum to the Royal Commission on Taxation and we hope soon to give oral evidence before that body. The Royal Commission, however, have to sift an enormous volume of evidence on all aspects of our appallingly complicated tax laws, and it will be a very long time before their report is published. It will be still longer before any of their recommendations can be implemented.

This delay occurs at a crucial time in our economy and its dangers to the overseas mining industry are evident. It is our responsibility and our duty to do all we can to convince our financial authorities of the urgent need to change the laws governing the taxation of this industry.

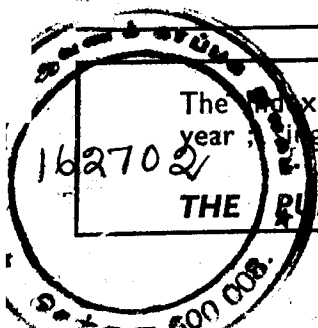
The report for the year ended September 30, 1952, was unanimously adopted.

Mr Robert Walker, MBE, re-elected president and Mr A. M. Baer vice-president for the ensuing year and the proceedings terminated with a vote of thanks to the retiring president.

INDEX

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